

STATE OF MICHIGAN  
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET  
 PROCUREMENT  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 525 W. ALLEGAN, LANSING, MI 48933

**CHANGE NOTICE NO. 1**  
 to  
**CONTRACT NO. 071B0200176**  
 between  
**THE STATE OF MICHIGAN**  
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Navient Solutions, Inc. 12061 Bluemont Way Reston, VA 20190	Jerry Maher	Jerry.maher@navient.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(317) 595-1456	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
<b>CONTRACT COMPLIANCE INSPECTOR</b>	Department of Treasury	Carol Boak	517-373-8848	BoakC1@michigan.gov
<b>BUYER</b>	Department of Technology, Management and Budget	Mary Ostrowski	517-284-7021	OstrowskiM@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: MHESLA – Student Loan Servicing – Michigan Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
May 1, 2010	April 30, 2015	Five (5), One (1) Year Options	April 30, 2015
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	One (1) Year	April 30, 2016
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$0.00		\$10,919,963.00		

- Effective immediately this Contract is hereby AMENDED as follows:
1. Exercise the option in Section 2.002, extending the Contract one (1) year to perform the Deconversion activities outlined in Task 16 of the Contract.
  2. Amend Contract per attached Statement of Work.
  3. The following language regarding PCI compliance shall be incorporated into the contract:

**Section 2.093 PCI Data Security Requirements**

*Contractors with access to credit/debit card cardholder data must adhere to the Payment Card Industry (PCI) Data*

*Security requirements. Contractor agrees that they are responsible for security of cardholder data in their possession. Contractor agrees that data can ONLY be used for assisting the State in completing a transaction, supporting a loyalty program, supporting the State, providing fraud control services, or for other uses specifically required by law.*

*Contractor agrees to provide business continuity in the event of a major disruption, disaster or failure. The Contractor must contact Treasury immediately to advise them of any breaches in security where card data has been compromised. In the event of a security intrusion, the Contractor agrees the Payment Card Industry representative, or a Payment Card Industry approved third party, will be provided with full cooperation and access to conduct a thorough security review. The review will validate compliance with the Payment Card Industry Data Security Standard for protecting cardholder data.*

*Contractor agrees to properly dispose sensitive cardholder data when no longer needed. The Contractor must continue to treat cardholder data as confidential upon contract termination. The Contractor must provide Treasury documentation showing PCI Data Security certification has been achieved. The Contractor must advise Treasury of all failures to comply with the PCI Data Security Requirements. Failures include, but are not limited to system scans and self-assessment questionnaires. The Contractor must provide a time line for corrective action.*

4. Contractor name change from Sallie Mae to Navient Solutions, Inc.
  5. Contract Compliance Inspector is changed to Carol Boak.
  6. Buyer is updated to Mary Ostrowski.
  7. Primary contact is changed to Jerry Maher.
- Per Vendor and Agency agreement, and DTMB Procurement approval.

**Statement of Work (SOW) for FFELP Consolidation**

The Contract has been amended as follows:

**1.020 Scope of Work and Deliverables**

1. The following tasks/deliverables are added to the Contract:

A. TASK 16 - LOAN SERVICING: DECONVERSION TO ANOTHER SERVICER

- The Contractor must deconvert FFELP loans held by Contractor to Nelnet Servicing, LLC per Section 1.022.A, Task 16 at the direction of MFA. Such activities will be completed prior to the revised Contract expiration date established by Change Notice 1.

2. The following tasks/deliverables are deleted from the Contract:

- A. Origination Processing (Section 1.022.A, Task 5)
- B. Public Awareness (Section 1.022.A, Task 17).

**1.030 Roles and Responsibilities**

1. The Contractor will provide the following Staff to assist in completing TASK 16 - LOAN SERVICING: DECONVERSION TO ANOTHER SERVICER:

- 1) Jerry Maher, Senior Vice President, Financial Institution Sales and Guarantor Business Development
- 2) John Gennett, Director, Guarantor Business Development

**1.060 Proposal Pricing**

**1.061 Proposal Pricing**

1. For authorized Services and Price List, see updated Appendix A, attached.

**APPENDIX A**

**Contract 071B0200176 – Navient Solutions, Inc.**

MFA – Student Loan Programs (Formerly MHESLA)  
FFELP Servicing – Loans Guaranteed by MGA & USAF

<b>Service to be Provided</b>	<b>Pricing for Original Contract Term <i>For informational purposes only.</i></b>	<b>Unit</b>	<b>Pricing For Renewal Period (5/1/15 - 4/30/16)</b>
System Changes (Task 1,2 & 3)	\$ TBD	See Note 2 below*	No change (\$ TBD)
Conversion Fee (Task 3 & 4)	\$ N/A	per borrower	No change (\$ N/A)
Privacy Notices (Task 3)	\$ 0.61	per notice (see Note 3 below)*	No change (\$ 0.61)
Origination (Tasks 5)			
Stafford/PLUS	\$ 6.50	per disbursement	NA
Consolidation Loan	\$ N/A		NA
PLUS Credit Evaluation (Task 5)	\$ 0.00	per application	NA
Loan Servicing:			
In School:	\$ 2.05	per account/month (see	\$2.05

<b>Service to be Provided</b>	<b>Pricing for Original Contract Term</b> <i>For informational purposes only.</i>	<b>Unit</b>	<b>Pricing For Renewal Period</b> <i>(5/1/15 - 4/30/16)</i>
Stafford/PLUS		Note 4 below)*	
Grace: Stafford/PLUS	\$ 3.85	per account/month (see Note 4 below)*	\$3.85
Repayment:			
Stafford/PLUS	\$3.85	per account/month (see Note 4 below)*	\$3.85
Consolidation Loans	\$3.85	per account/month (see Note 4 below)*	\$3.85
Cure Fee (Task 9)	\$ 125	per account (see Note 5 below)*	No change (\$ 125)
Secondary Market (Task 12)			
Packaging	\$ N/A	volume of portfolio being purchased	No change (\$ N/A)
Inspection/Conversion			
Manual Conversions			
(a) In school status	\$ N/A		No change (\$ N/A)
(b) All other statuses	\$ N/A		No change (\$ N/A)
Internal Transfers	\$ 2.00	per account (see Note 6 below)*	No change
Repurchases (Task 13)	\$ 2.00	per account (see Note 6 below)*	No change (\$2.00)
Ad Hoc Reports (Task 14)	\$ TBD	See Note 2 below*	No change (TBD)
Portfolio Tapes (Task 15)	\$ TBD	See Note 2 below*	No change (TBD)
Deconversion Fee (Task 3 & 16)			
Electronic Transfer	\$ 25.00	per loan (see Note 7 below)*	No change (\$ 25.00)
Paper Transfer	TBD	See Note 7 below*	No change (TBD)
Public Awareness (Task 17)	TBD	per year (see response to Task 17)	NA
<u>Other Per Instance Charges:</u>			
Cancellation/Refund Processing Fee	\$ 3.50	per disbursement	No change (\$ 3.50)
Claim Filing	\$ 35.00	per claim filing event	No change (\$ 35.00)
Current Annual Servicer Audit Report	\$ 1,500.00	per copy (see Note 8 below)*	No change (\$ 1,500.00)
Dedicated Data Line	\$ 750.00	per month	No change (\$ 750.00)
Gold File data	\$ 300.00	per report as requested	No change (\$ 300.00)

**STATE OF MICHIGAN**  
**DEPARTMENT OF MANAGEMENT AND BUDGET**  
**PURCHASING OPERATIONS**  
**P.O. BOX 30026, LANSING, MI 48909**  
 OR  
**530 W. ALLEGAN, LANSING, MI 48933**

May 1, 2010

**NOTICE**  
**TO**  
**CONTRACT NO. 071B0200176**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF CONTRACTOR  <b>Sallie Mae</b> <b>12061 Bluemont Way</b> <b>Reston, VA 20190</b>		TELEPHONE (773) 388-3908 <b>Todd Newton</b>
		BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
<b>todd.newton@salliemae.com</b>		
Contract Compliance Inspector: Orv Erickson (517) 373-0538 <a href="mailto:EricksonO@michigan.gov">EricksonO@michigan.gov</a> <b>MHESLA – Student Loan Servicing – Michigan Department of Treasury</b>		
CONTRACT PERIOD: From: <b>May 1, 2010</b> To: <b>April 30, 2015</b>		
TERMS <b>Net 45</b>	SHIPMENT <b>N/A</b>	
F.O.B. <b>N/A</b>	SHIPPED FROM <b>N/A</b>	
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		

The terms and conditions of this Contract are those of RFP #071I9200143, this Contract Agreement and the vendor's quote. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those of the State take precedence.

Current Authorized Spend Limit: **\$10,919,963.00**

**STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
 PURCHASING OPERATIONS  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933**

**CONTRACT NO. 071B0200176  
 between  
 THE STATE OF MICHIGAN  
 and**

NAME & ADDRESS OF CONTRACTOR  <b>Sallie Mae</b> <b>12061 Bluemont Way</b> <b>Reston, VA 20190</b>  <p style="text-align: right;"><b>todd.newton@salliemae.com</b></p>	TELEPHONE (773) 388-3908 <b>Todd Newton</b>  BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
Contract Compliance Inspector: Orv Erickson (517) 373-0538 <a href="mailto:EricksonO@michigan.gov">EricksonO@michigan.gov</a> <b>MHESLA – Student Loan Servicing – Michigan Department of Treasury</b>	
CONTRACT PERIOD: From: <b>May 1, 2010</b> To: <b>April 30, 2015</b>	
TERMS <p style="text-align: center;"><b>Net 45</b></p>	SHIPMENT <p style="text-align: center;"><b>N/A</b></p>
F.O.B. <p style="text-align: center;"><b>N/A</b></p>	SHIPPED FROM <p style="text-align: center;"><b>N/A</b></p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;"><b>N/A</b></p>	
MISCELLANEOUS INFORMATION:  <p>The terms and conditions of this Contract are those of RFP #07119200143, this Contract Agreement and the vendor's quote. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those of the State take precedence.</p> <p><b>Current Authorized Spend Limit:            \$10,919,963.00</b></p>	

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<b>FOR THE CONTRACTOR:</b>  <p style="text-align: center;"><b>Sallie Mae</b></p> <hr/> <p style="text-align: center;">Firm Name</p> <hr/> <p style="text-align: center;">Authorized Agent Signature</p> <hr/> <p style="text-align: center;">Authorized Agent (Print or Type)</p> <hr/> <p style="text-align: center;">Date</p>	<b>FOR THE STATE:</b>  <hr/> <p style="text-align: center;">Signature</p> <p style="text-align: center;"><b>Sergio Paneque, Director</b></p> <hr/> <p style="text-align: center;">Name/Title</p> <p style="text-align: center;"><b>Business Services Administration</b></p> <hr/> <p style="text-align: center;">Division</p> <hr/> <p style="text-align: center;">Date</p>
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**STATE OF MICHIGAN**  
**Department of Management and Budget**  
**Purchasing Operations**

Contract No. 071B0200176  
Student Loan Servicing

Buyer Name: Jim Wilson  
Telephone Number: 517-241-1916  
E-Mail Address: wilsonj4@michigan.gov



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**APPENDICES:**

- Appendix A – FFELP Pricing
- Appendix B – Deleted – Not Applicable
- Appendix C – Security Requirements
- Appendix D – Required FFELP Data Elements
- Appendix E – Deleted – Not Applicable
- Appendix F – Deleted – Not Applicable



### DEFINITIONS

“Days” means calendar days unless otherwise specified.

“24x7x365” means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).

“Additional Service” means any Services/Deliverables within the scope of the Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.

“Audit Period” has the meaning given in **Section 2.112**.

“Business Day,” whether capitalized or not, shall mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00am EST through 5:00pm EST unless otherwise stated.

“Blanket Purchase Order” is an alternate term for Contract and is used in the States computer system.

“Business Critical” means any function identified in any Statement of Work as Business Critical.

“Change” means a material modification either to the Services to be performed under the Contract or under an applicable Statement of Work, or to the manner in which such Services are to be performed.

“Chronic Failure” is defined in any applicable Service Level Agreements.

Contract Administrator” is the person identified in **Section 2.021**.

“Deleted – Not Applicable” means that section is not applicable or included in this Contract. This is used as a placeholder to maintain consistent numbering.

“Deliverable” means physical goods and/or commodities as required or identified by a Statement of Work.

“DMB” means the Michigan Department of Management and Budget.

“Environmentally preferable products” means a product or service that has a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose. Such products or services may include, but are not limited to, those which contain recycled content, minimize waste, conserve energy or water, and reduce the amount of toxics either disposed of or consumed.

“Excusable Failure” has the meaning given in **Section 2.244**.

“Hazardous material” means any material defined as hazardous under the latest version of federal Emergency Planning and Community Right-to-Know Act of 1986 (including revisions adopted during the term of the Contract).

“Incident” means any interruption in Services.

“ITB” is a generic term used to describe an Invitation to Bid. The ITB serves as the document for transmitting the RFP to potential bidders.

“Key Personnel” means any Personnel designated in **Section 1.031** as Key Personnel.

“MHESLA” means the Michigan Higher Education Student Loan Authority. MHESLA is a division within the Michigan Department of Treasury.

“New Work” means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.

“Ozone-depleting substance” means any substance the Environmental Protection Agency designates in 40 CFR part 82 as: (1) Class I, including, but not limited to, chlorofluorocarbons, halons, carbon tetrachloride, and methyl chloroform; or (2) Class II, including, but not limited to, hydrochlorofluorocarbons.



“Post-Consumer Waste” means any product generated by a business or consumer which has served its intended end use, and which has been separated or diverted from solid waste for the purpose of recycling into a usable commodity or product, and which does not include post-industrial waste.

“Post-Industrial Waste” means industrial by-products which would otherwise go to disposal and wastes generated after completion of a manufacturing process, but does not include internally generated scrap commonly returned to industrial or manufacturing processes.

“Recycling” means the series of activities by which materials that are no longer useful to the generator are collected, sorted, processed, and converted into raw materials and used in the production of new products. This definition excludes the use of these materials as a fuel substitute or for energy production.

“Reuse” means using a product or component of municipal solid waste in its original form more than once.

“RFP” means a Request for Proposal designed to solicit proposals for services.

“Servicer” means the contractor providing loan servicing services.

“Services” means any function performed for the benefit of the State.

“Source reduction” means any practice that reduces the amount of any hazardous substance, pollutant, or contaminant entering any waste stream or otherwise released into the environment prior to recycling, energy recovery, treatment, or disposal.

“State Location” means any physical location where the State performs work. State Location may include state-owned, leased, or rented space.

“Subcontractor” means a company the Contractor delegates performance of a portion of the Services to.

“Unauthorized Removal” means the Contractor’s removal of Key Personnel without the prior written consent of the State.

“Waste prevention” means source reduction and reuse, but not recycling.

“Waste reduction”, or “pollution prevention” means the practice of minimizing the generation of waste at the source and, when wastes cannot be prevented, utilizing environmentally sound on-site or off-site reuse and recycling. The term includes equipment or technology modifications, process or procedure modifications, product reformulation or redesign, and raw material substitutions. Waste treatment, control, management, and disposal are not considered pollution prevention, per the definitions under Part 143, Waste Minimization, of the Natural Resources and Environmental Protection Act (NREPA), 1994 PA 451, as amended.

“Work” means any Service or Deliverable within the scope of the Contract, as set forth in an applicable Statement of Work.

“Work in Progress” means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

“Work Product” refers to any data compilations, reports, and other media, materials, or other objects or works of authorship created or produced by the Contractor as a result of an in furtherance of performing the services required by this Contract.



## **Article 1 – Statement of Work (SOW)**

### **1.010 Project Identification**

#### **1.011 Project Request**

This is a Contract for student loan servicing services.

#### **1.012 Background**

Act 222 of the Public Acts of 1975 created the Michigan Higher Education Student Loan Authority (MHESLA). Its purpose is threefold: (1) to provide loans to eligible students, (2) to provide loans to parents of eligible students, and (3) to acquire loans made to eligible students and parents of eligible students. MHESLA is a Division within the Bureau of Student Financial Services of the Michigan Department of Treasury (Treasury) that is overseen by a Governor-appointed board.

The MHESLA administers the following three programs:

- Michigan Direct Student Loan Program (MDSLP)
- State Secondary Market of Michigan (SSM)
- Michigan Alternative Student Loan (MI-LOAN) Program

#### **Michigan Direct Student Loan Program**

The Michigan Direct Student Loan Program provides financial assistance in the form of educational loans through the Federal Family Education Loan Program (FFELP). FFELP loans are available to students and their parents to be used to finance post secondary educational costs and for debt consolidation to assist with repayment.

FFELP includes the following individual loan programs:

- Subsidized Federal Stafford Loan Program
- Unsubsidized Federal Stafford Loan Program
- Federal PLUS Loan Program
- Federal Grad PLUS Loan Program
- Federal Consolidation Loan Program

#### **State Secondary Market of Michigan**

The State Secondary Market was established to purchase federally-insured educational loans from financial institutions as a means of liquidating their assets and providing new capital to reinvest in the form of new student loans. The State Secondary Market was initiated in April 1990, and its first purchase occurred in June of that year.

As of September 2007, MHESLA's outstanding portfolio for the MDSLP and SSM programs combined was over \$1.8 billion.

#### **Michigan Alternative Student Loan (MI-LOAN®) Program**

The MI-LOAN Program provides financial assistance in the form of educational loans to students and the parents of students attending Michigan degree-granting colleges and universities. The MI-LOAN Program assists those families who do not typically qualify for gift aid and/or federal financial aid programs, or who may need additional funds beyond what is available.

As of September 2007, the outstanding MI-LOAN Program portfolio was \$242.9 million and involved more than 31,000 borrowers.



### **1.020 Scope of Work and Deliverables**

#### **1.021 In Scope**

The Contractor shall service FFELP and/or MI-LOAN student loans according to the requirements of this contract.

Specifically, the Servicer will service the MHESLA loan program under the following scope:

##### Loan Origination

The Servicer understands that MHESLA has suspended new loan originations due to the ongoing disruptions in the financial markets. The Servicer proposes to support MHESLA loan originations should the State resume these activities, with the exception of loans for the Federal Consolidation Loan Program. We no longer have an internal operation for this function, yet continue to provide support for borrowers choosing to consolidate loans into the Federal Direct Loan Program. We will work with MHESLA to reestablish other FFELP program originations if a determination is made to resume this operation during the term of this agreement.

##### Loan Servicing

The Servicer proposes to support servicing functions of the Michigan Direct Student Loan Program and State Secondary Market of Michigan Program **ONLY** for loans that are currently being serviced by them. Loan programs include:

- Subsidized Federal Stafford Loan Program
- Unsubsidized Federal Stafford Loan Program
- Federal Parent PLUS Program
- Federal Grad PLUS Program
- Federal Consolidation Loan Program

#### **1.022 Work and Deliverable**

Contractor must provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

##### **A. FFELP LOAN SERVICING**

##### ***TASK 1 - SERVICING SYSTEMS***

###### a. General

The Servicer must service MHESLA's portfolio in accordance with applicable federal and state laws and regulations, guarantor requirements, and Contract Compliance Inspector (CCI) or designee's direction throughout the duration of the contract, and ensure that the procedures and servicing systems used to service MHESLA's portfolio comply with these requirements. Any systems modifications necessary to meet the requirements of the contract must be tested and implemented by the effective date of the change or as agreed to by the CCI or designee (See Section 1.022-A Task 2d).

###### b. Hardware/Software to be Used by MHESLA

The Servicer will provide an interface between MHESLA and the Servicer's servicing system using the State's existing hardware (See Section 2.271). If the Servicer is unable to interface with the State's existing hardware, the Servicer must provide hardware as required for appropriate access to its servicing system in accordance with Section 2.271 and Appendix C. All hardware, software and other materials needed to allow MHESLA access to the Servicer's servicing system, as well as any installation and maintenance required, is the responsibility of the Servicer. Costs for on-going maintenance may be identified on the pricing sheet (Appendix A).



The Servicer shall provide MHESLA with a dedicated data circuit or web access for purposes of on-line inquiry and on-line update. MHESLA's access for either inquiry or update must be on-line in real-time. If web-based access is used, it must allow MHESLA the same capabilities as data circuit access. Access ID's and passwords will be provided to the CCI or designee.

All hardware provided to MHESLA must be installed and in service by the date of conversion completion (Section 1.022-A Task 4) by the Servicer. The Servicer must respond within 2 business hours of CCI or designee's telephone request for assistance in identifying and resolving problems related to system hardware and/or software. This initial contact must include an estimated timeframe for resolution. Help must be available Monday through Friday, 8am to 5pm EST. The Servicer must work with the CCI or designee to coordinate installation of hardware/software with the Michigan Department of Information Technology (MDIT).

c. Servicer System Access

The Servicer will provide MHESLA with real-time access to the servicing system for inquiries. Information access must be available by both the Social Security number and the borrower name. History inquiries will have filters available (payments only, deferment periods only, etc.) to assist in viewing. Specify in this task response the available loan data filters.

The Servicer must update data received by MHESLA regarding borrowers through a method that is mutually acceptable to the CCI or designee and Servicer. History updates must be processed within one (1) day of the Servicer's receipt: all other updates must be processed within five (5) days of receipt.

With regard to inquiries into the system, MHESLA requires access to those data elements MHESLA considers critical. A list is provided in Appendix D. The Servicer will determine the format for display purposes. MHESLA reserves the right to add data elements to this list as requested by the CCI or designee. The Servicer may bill MHESLA for development of new data elements at the system changes fee specified in the pricing sheets (Appendix A).

d. System Up-Time and Response Time

The Servicer's system will meet, at a minimum, the following standards:

- (1) The system must be available 95% or more of the total time, as determined by a weekly average of five (5) days, between the hours of 7:30 a.m. and 5:00 p.m. (EST) on weekdays (excluding State of Michigan holidays as provided).
- (2) The access and response time must be maintained 95% of the time, in a range of less than five (5) seconds from the time the enter key or its equivalent is depressed, until the requested information appears on the screen.

e. Servicer-Initiated Modifications and Enhancements

The Servicer must notify in writing and provide a full understanding of the change (if necessary) to the CCI or designee prior to 1. Implementation of changes that result in a modification to information/data presented on-line and/or report format and 2. System modifications that affect the processing of transactions posted to the student's accounts (i.e. account set-up, payments, etc.). 3. Changes that affect application of MHESLA program requirements. Because the Servicer is responsible for compliance to federal and state statute and regulations, guarantor requirements, and CCI or designee's direction, the Servicer will be financially liable should such modifications fail to comply with requirements of the contract (See Section 2.243). The Servicer must compensate the MHESLA for the amount of its loss within 60 days of notification from the State.

f. Backup and Recovery

The Servicer must develop, document and perform daily data file backup for data entry and transaction files, master files, as well as systems and application software libraries. Secure, off-site backups are mandatory for data entry, transaction, master and application software files. Upon request by CCI or designee the Servicer must demonstrate the ability to restore all files. Back-up copies of system documentation, user manuals, and system operations manuals must also be stored off-site. This documentation must be available upon request of the CCI or designee.



g. Security

The Servicer must provide annual testing of all access controls and other security features to determine they are working properly. Annual certification must be provided in writing to the CCI or designee in the form of a SAS70 report.

Please provide the security control information required in Appendix C and submit with proposal.

h. Record Retention of Account Data

After an application or a loan has been cancelled, disapproved, defaulted or paid-in-full, the Servicer may remove the applicable loan record from the system 90 days after the processing date of the final payment or adjustment that resulted in a zero balance. For loan records that are deleted from the system, the Servicer must be able to provide a complete history including detail data and documentation for the record retention period required by federal statute and regulations.

i. Single Borrower with Multiple Loans/Accounts

The Servicer's system must identify when a single borrower has multiple loans/accounts with MHESLA within the Servicer's system. For example, if the Servicer's system segregates loans for servicing by the type of loan, review of a Federal Stafford Loan account must reflect whether the borrower has other accounts, such as Federal SLS or Federal Consolidation Loan accounts.

Group all of a borrower's loans (at no cost to MHESLA) into a single account that have the same loan elements (i.e. interest rate, loans type) unless the borrower or cosigner requests the loans to be grouped differently.

j. Business Continuity and Disaster Plan

The Servicer must have a fully documented data center disaster recovery plan in place that identifies backup resources and/or facilities that can continue to service MHESLA's portfolio in the event of a disaster. Backup processing/facilities must be operational within 48 hours of the loss. Documentation of, and the demonstrated ability to meet, the disaster recovery plan must be provided with the proposal.

k. National Systems

The Servicer must be able to interact with national systems and processes at the request of the CCI or designee. An example of a national system is the National Student Loan Clearinghouse, which is used to process Student Status Confirmation Reports and for on-line verification of enrollment. An example of a national process is CommonLine, which provides schools with a standardized method for loan processing.

l. Guaranty Agency

The Servicer must interact and interface with appropriate guarantors and/or the guarantors' Servicers, as necessary. If a guarantor changes its Servicer during the duration of this contract, the Servicer must adapt its processes and systems to accommodate the guarantor's new Servicer at no cost to MHESLA.

m. Multiple Guarantors

MHESLA utilizes multiple guarantors: the Michigan Guaranty Agency (MGA), the Illinois Student Assistance Commission (ISAC), USA Funds (USAF), and Great Lakes Higher Education Corporation (GLHEC), American Education Services/Pennsylvania Higher Education Assistance Agency (PHEAA), Texas Guaranteed Student Loan Corporation (TG). The Servicer must disburse and/or service the loans based on the requirements of the guaranty agency which guaranteed the loan. The unit cost contained on the pricing schedule must take this into account.

MHESLA may execute agreements to participate with additional guarantors in the future. Prior to negotiating purchase of loans guaranteed by a guarantor other than the above-mentioned guarantors, MHESLA will discuss the potential purchase and servicing of the loans with the Servicer.



Servicer will provide a list of guarantors for which the Servicer will not support MHESLA and State Secondary Market operations.

#### Servicer's Response to this Task

##### a) General

###### Systems Environment – Servicing Applications

*The Consolidated Loan Administrative Servicing System (CLASS®)* is a loan servicing application, currently used to service a student loan portfolio.. CLASS is a fully integrated loan servicing system supporting all federal and privately insured or institutional educational loan programs. CLASS fully complies with applicable federal laws and regulations and supports all FFELP guarantor processing requirements. Operational capabilities support the full life-cycle of the loan including: conversion, de-conversion, interim/repayment servicing, payment posting, deferment billing, correspondence history files, etc.

The CLASS System and all supporting origination and collection platforms are mainframe-based systems operated at our in-house data center in Fishers, Indiana on IBM mainframe sysplexes using z/OS as their operating system. The applications use CICS for transaction processing and DB2 for database support. The System allows for both on-line and batch processing update functions. Access control for the production, test, and development domains is managed using IBM Resource Access Control Facility (RACF) product.

The CLASS System architecture supports a wide array of borrower benefit programs, repayment options, linkages with industry partners and special branding features for 3<sup>rd</sup> party servicing clients such as MHESLA. The CLASS System has account placement and tracking capabilities currently used to place severely delinquent pre-default borrowers with private collection agencies.

Additional attributes of the CLASS System include:

- Built with industry standard components that allow the Servicer to continually add interfaces, and to scale to the needs of the business;
- Quick adaptation to changes in regulation or lender policy;
- Designed to handle large volumes reliably and efficiently by using techniques such as parallel processing, concurrent backups and forward recovery, allowing the CLASS System to meet its scheduled availability over 99% of the time;
- Contains extensive student loan servicing functionality;
- Supports fully automated processing for a number of functions, including school deferment and separation date processing;
- Robust and granular security at the application and system level;
- A complete disaster recovery plan that is tested on a semi-annual basis;
- Software changes are made after passing a rigorous internal, independent quality assurance process; and,
- Staffed by IT professionals with significant student loan business experience and extensive expertise.

##### b) Hardware/Software Used by MHESLA

Specifically, lender reports and other information regarding the MHESLA portfolio are readily available using DocumentDirect for the Internet. Further, inquiry on individual borrower accounts can be accessed using our OpenNet Web Loan Delivery product. Both DocumentDirect for the Internet and OpenNet can be accessed directly from the Servicers website. Finally, the Servicer produces a monthly loan extract file that contains key portfolio characteristics.



MHESLA can use these extract files to generate internal reports, analyze business trends, etc.

As MHESLA's loan service provider, the Servicer performs all updates to borrower accounts. MHESLA has inquiry access only. Consequently, only a standard computer with web access is needed to obtain system connectivity, providing similar access capability when compared to a conventional data circuit. Access to both DocumentDirect for the Internet and OpenNet is controlled through the use of dedicated user IDs with password authentication. User access is authorized at the employee level (i.e. job description, function) and transaction level (i.e., actual field or CLASS System screen).

c) Servicer System Access

Using The Servicers OpenNet Web Loan Delivery product, MHESLA can have real-time access to serviced borrower data. The CLASS System reflects real-time updates for almost all transactions except lockbox payments, status reporting/updates from guarantors and the Student Loan Clearinghouse, which are batch-processed.

Major features of OpenNet include:

- View/Change Loan Data - allows the user to view loan guarantee and disbursement data for loans that are guaranteed using Sallie Mae's EAGLE System (e.g. this information is available for loans that are guaranteed by MGA). Account information is obtained using the borrower SSN, and links are presented to access the following information:
  - Update borrower demographics
  - Account servicing summary
  - Access and print promissory notes
  - View details of loan guarantee and disbursement activity
- View Servicing Data – provides loan servicing information from the CLASS Servicing System (SSN searchable):
  - View demographic data
  - View detailed loan servicing data
  - Status history link provides loan servicing status information

OpenNet also provides a robust custom report writing feature to obtain information on serviced loans, plus origination and disbursement detail. MHESLA can generate custom reports using the following selection criteria:

Loan Level Reporting

- Loan Program
- Application Loan Status
- Credit Status
- Loan period
- Disbursement Date
- School Code
- Lender Code
- Guarantor Approval Date Range
- Guarantor



#### Disbursement Level Reporting

- Disbursing Agent
- Disbursement Status
- Hold/Release Code
- Disbursement Method
- Promissory Note Receipt
- Loan Period
- Disbursement Date
- School Code
- Lender Code
- Guarantor Approval Date Range

Custom reports can be generated and also saved by the user for later use.

#### d) System Up-Time and Response Time

The Servicer has established aggressive System availability goals for the CLASS Servicing System and OpenNet. Our target goal for CLASS System availability (specifically, "scheduled" or expected availability which excludes scheduled downtime during non-peak hours) is 99.5%. OpenNet product availability is 24 hours per day, 7 days per week, with the exception of a small period each day (during non-peak processing hours) to allow for daily processing cycles. OpenNet is consistently available over 99.9% of the scheduled availability time. .

As mentioned previously, MHESLA will use OpenNet and DocumentDirect for the Internet to access its respective loan data serviced on our CLASS System using a standard Web connection. The speed of delivery for data inquiries is dependent on the characteristics of MHESLA's remote web connection.

#### e) Servicer-Initiated Modifications and Enhancements

The Servicer has dedicated staff that continually reviews and updates our servicing, IT and administrative policies in order to be responsive to changes in the laws, regulations, risks, or various business conditions. These System modifications are performed using reasonable care by applying a degree of skill, attention, and technological innovation with respect to student loans we service for ourselves and others in accordance with the Higher Education Act, as amended, and the regulations promulgated thereunder, and other applicable federal and state laws. Prior to installing these modifications into our production environment, the Servicer's Lender Relations Department provides documentation to lender partners describing modifications and changes made to CLASS and OpenNet as part of our overall performance of our duties under the respective servicing agreements.

#### f) Back-up and Recovery

The Servicer's Disaster Recovery and Business Resumption Plan is a comprehensive outline that contemplates unexpected business interruption and the required steps to resume operation with limited impact to our business. Included in the Plan is the daily rotation of critical data files to an offsite vault for temporary storage, which retains fourteen (14) days of business transactions and data off-site at a commercial vendor's vault separate from our Fishers, Indiana data center. The vendor makes daily pickup on most recent data files and returns the oldest media for recycling. Backup files are used during recovery exercises to recover the operating systems, production data and databases. In addition, the Servicer is contracted with a "hotsite" vendor in Philadelphia (SunGard Recovery Services) to use their data center in the event our data center is rendered inoperable due to a disaster. The Disaster Recovery and Business Resumption Plan are tested twice annually.



## g) Security

The Servicer provides an annual SAS 70 audit report on its controls placed in operations and overall operating effectiveness. A copy of the SAS 70 audit report is provided each year to the Deputy Director, Fiscal Affairs, Student Financial Services Bureau, as part of a separate contractual agreement with the Michigan Guaranty Agency (MGA) for Student Loan Processing Services. MHESLA should be able to use the report provided to MGA.

**Security Policy**

The existing information security program has adopted a security management best practices approach consistent with published industry standards such as the International Organization for Standardization Information Security Management Standards (ISO 27000 series) and Generally Accepted System Security Principles (GASSP). Security management of the solution for MHESLA will be consistent with existing programs and will also include control measures required to meet regulatory compliance requirements.

**Password Properties**

Multiple applications with differing password properties will be used to support the solution for MHESLA. The basic password properties for the mainframe-based systems are:

- Length: 6-8 characters allowing numbers and certain special characters
- Expiration: 90 days; account disabled after 45 days inactivity
- Revocation: 5 incorrect attempts; requires security administrator to re-enable
- Reuse: Cannot use 12 previous passwords
- Passwords are stored encrypted and transmitted under SSL
- The initial password is set by the security administrator and must change upon initial login
- Compromised passwords must be changed immediately
- Forgotten passwords can be reset by the individual after answering challenge questions correctly
- The password is masked during data entry and is not displayed in any readable format on the system
- Authentication logs are retained for greater than a year

The basic password properties for web-based systems are:

- Length: Minimum of 8 characters, must contain at least 1 number and 1 letter
- Expiration: Disabled after 6 months inactivity
- Revocation: 3 incorrect attempts
- Reuse: Cannot use 5 previous passwords
- The initial password is set by the system to a random password
- Multi-factor authentication solution that requires the user ID and password come from a machine that has been registered with the system
- Passwords are stored encrypted and transmitted under SSL
- Compromised passwords must be changed immediately
- Forgotten passwords can be reset by the individual after answering challenge questions correctly
- The password is masked during data entry and is not displayed in any readable format on the system
- Authentication logs are retained for greater than a year

**Data Destruction**

The Servicer utilizes appropriate methods to properly dispose of all sensitive information, whether such information is in paper, electronic or other form. Destruction activities are performed by a employee authorized to handle sensitive and private information, or by a firm specializing in the disposal of confidential records and data that has been approved by the Privacy Office, Legal Department or Information Security. All destruction methods at a minimum include:



- Burning, pulverizing or shredding to a width of 5/8" papers containing customer information so that the information cannot practicably be read or reconstructed.
- Ensuring the destruction or erasure of electronic media containing customer information so that the information cannot practicably be read or reconstructed.

h) Record Retention of Account Data

The Servicer maintains an extensive record retention policy. In general, promissory notes, borrower records, account history, payment history, and other critical loan data are retained a minimum of three (3) years following payment in full by a borrower, or five (5) years following repayment by another source (consolidation, claim payment).

i) Single Borrower with Multiple Loans

The CLASS System aggregates multiple loan types and records under a single borrower account. Loans having similar billing characteristics (i.e. interest rate, loan type) are grouped together in a single account.

j) Business Continuity and Disaster Plan

The Servicer has developed a comprehensive Disaster Recovery and Business Resumption Plan to mitigate the effects of an unforeseen disaster and to resume business operations as quickly as possible. It is understood that MHESLA desires a recovery of business operations within 48 hours. While we support resumption as quickly as possible, we also acknowledge that the nature, scope and severity of the disaster will have an impact on the actual timeline. Our Business Resumption Plan is developed with the goal of resuming operational processing no later than 96 hours from the time of disaster. Given that the existing business model uses multiple servicing sites across different geographic areas of the country, and given the associated redundancies between each site, it is very reasonable to assume a full resumption of operations could occur more quickly. The goal is to resume business operations as quickly as possible in the event of an unforeseen disaster.

k) National Systems

The Servicer provides data with industry exchange partners (NSLDS, National Student Loan Clearinghouse) as required. Data is formatted using the industry standard communication protocols. Our CLASS Systems supports Commonline application send, application response, disbursement notification and application image files in Commonline versions 4 and 5 and also Common Record formats. Files may be exchanged via email, FTP, and Secure Socket Layer/Web browser exchange formats.

l) Guaranty Agency

The Servicer supports data exchanges with all guarantor and guarantor servicers that recognize and accept these data transmissions. With using industry communication formats, no issues are anticipated should any guarantor change service providers during the course of this servicing contract.

m) Multiple Guarantors

The Servicer supports the loan guarantee and data transmission for all FFELP guarantors, including those listed in the task:



- Michigan Guarantee Agency
- Illinois Student Assistance Commission
- USA Funds
- Great Lakes Higher Education Corp
- American Education Services (PHEAA)
- Texas Guaranteed Student Loan Corp

The Servicer can accommodate MHESLA's participation with any other guarantor should new relationships be developed in the future.

#### Variations

With respect to the reference to the direction and control of the Contract Compliance Inspector (CCI) in this Task and in various other Tasks throughout the Contract, the Servicer is willing to cooperate in good faith at all times with the CCI in the servicing of the loans and the administration of the servicing agreement, but obligations shall only be those required by applicable law and regulations.

### **TASK 2 - SOFTWARE MAINTENANCE AND ENHANCEMENT**

#### a. General

This task covers the software maintenance and enhancements performed by the Servicer over the duration of the contract.

#### b. Federal and State Requirements

Mandatory changes necessary to ensure MHESLA's portfolios are serviced in accordance with federal and state statute, regulations, procedures and/or reporting requirements must be implemented by the Servicer at no cost to MHESLA. When these mandatory changes are initiated, the Servicer is responsible to identify and advise the CCI or designee when and how they are in compliance.

#### c. Guaranty Agency Changes

Mandatory changes to the Servicer's system necessary to ensure MHESLA's portfolios are serviced in accordance with guaranty agency requirements that are not related to federally mandated changes must be implemented by the Servicer. If the required changes are unique to MHESLA and will not be used for other lenders being serviced by the Servicer, the MHESLA will reimburse the Servicer for costs associated with the changes at the rate for system changes identified on the pricing sheets (Appendix A). If the required changes will be used to service multiple lenders being serviced by the Servicer, MHESLA will reimburse the Servicer for a portion of the costs associated with the changes at the rate for system changes identified on the pricing sheets (Appendix A). MHESLA's portion of the costs shall be determined based on a ratio of the volume of MHESLA's portfolio to the volume of all affected lenders' portfolios. If another method is used to calculate the MHESLA's portion, the method must be approved in writing by the CCI or designee.

#### d. MHESLA Requested Changes

If MHESLA requests the Servicer to perform software maintenance and enhancements, the Servicer may bill MHESLA at the System Changes fee (See Appendix A) for such enhancements, unless those enhancements are necessary to meet contract requirements.

The procedure to be followed is described below:

- (1) The CCI or designee will identify the requested changes.



- (2) Within 30 days of the CCI or designee's request, the Servicer will provide an itemized estimate of the costs to the CCI or designee and the timetable for implementation. The Servicer is responsible for the cost of preparing such an estimate.
- (3) If acceptable, the CCI or designee will approve the requested changes and associated costs, in writing, and instruct the Servicer to proceed.
- (4) If not acceptable, the CCI or designee will discuss the Servicer's estimate with the Servicer to determine what alterations may be made that would allow approval by the CCI or designee. Upon reaching agreement, the CCI or designee will approve the requested changes and associated costs, in writing, and instruct the Servicer to proceed.
- (5) If the changes are also being requested by or will be offered to other lenders being serviced, the cost shall be partially supported by the Servicer or spread equally to their clients. After reaching agreement on the changes and associated costs, MHESLA will reimburse the Servicer for a portion of the costs associated with the changes at the rate for system changes identified on the pricing sheets (Appendix A). MHESLA's portion of the costs shall be determined based on a ratio of the volume of MHESLA's portfolio to the volume of all affected lenders' portfolios or other method accepted in writing by the CCI or designee.

e. Payment of MHESLA Requested Changes

On the pricing sheets (Appendix A), the Servicer will provide a fixed hourly rate for system changes. This hourly rate must include all costs associated with the changes.

After written approval by the CCI or designee and the Servicer's completion of the change, the Servicer will bill the MHESLA for the entire amount of the change via its regular monthly invoice. However, the invoice must clearly relate the charge to the CCI or designee's authorization and cannot exceed the estimate as previously identified by the Servicer and as approved by the CCI or designee. If the requested change will take several months to complete, the Servicer may contact the CCI or designee to discuss other payment arrangements. Any alternate payment arrangements must be approved in writing by the CCI or designee.

f. Guaranty Services

There may be instances when guarantors offer optional services to lenders for a fee that MHESLA wishes to receive or desires to provide to lenders participating with the State Secondary Market. In such instances, the CCI or designee will request the Servicer to obtain these services from the guarantor and MHESLA will reimburse the Servicer for the associated guarantor service fees. A change notice will be issued if such services are to be performed. If system changes are required, the steps in Section 1.022 Task 2d will be followed.

Servicer's Response to this Task

a. General

This section describes the types of changes the Servicer makes to the CLASS System. Changes typically fall into two general categories: optional (enhancements) and mandatory (maintenance).

b. Federal and State Requirements

Dedicated staff continually reviews and updates servicing, IT and administrative policies in order to comply with all laws and regulations in accordance with the Higher Education Act, as amended. The Servicer continuously monitors actions of Congress, the Department of Education and other regulatory entities to keep CLASS current and up-to-date. Documentation is provided to lender partners that describe modifications and changes made to CLASS and OpenNet as part of the overall performance of duties under the respective servicing agreements. Changes categorized as mandatory (maintenance) are provided at no cost to MHESLA.



c. Guaranty Agency Changes

Any system changes to ensure loan portfolios are serviced in accordance with guaranty agency requirements, in accordance with the Higher Education Act, as amended, are considered mandatory changes, which are performed at no additional cost to MHESLA.

The CLASS Servicing System is used to service "owned" portfolio and portfolios under management for other lenders. Any enhancements made to CLASS are performed for the benefit of the Servicer. Consequently, CLASS System enhancements are not generally made for other lenders, although enhancement requests made by MHESLA would be considered. If MHESLA desires to request a system enhancement, it will present the request in writing to the Servicer. Any decision to make the system enhancement is at the sole discretion of the Servicer. Any enhancement made for MHESLA will be billed upon conclusion of the work performed for the amount set forth in Appendix A. Costs for any enhancements requested by MHESLA may be shared with other serviced lenders to the extent that MHESLA identifies other lenders that benefit from the requested enhancement and are willing to share the associated cost.

d. MHESLA Requested Changes

The following process will be used for software enhancements requested by MHESLA:

- MHESLA will identify desired changes, if any;
- To the extent the Servicer agrees to make the proposed change, we will provide a written estimate of costs and a timetable for completion within 30 days from receiving the work request;
- MHESLA will approve the project scope and associated costs in writing prior to beginning any work. Any changes to the project scope may require another cost estimate and approval from MHESLA;
- As mentioned previously, costs may be shared among any other serviced lender to the extent that lender benefitting from the change can be identified and is willing to share the associated cost.

e. Payment of MHESLA Requested Changes

To the extent the Servicer agrees to make any system enhancements proposed by MHESLA, approved work requests will be billed to MHESLA in accordance with Appendix A. Any estimates of costs are provided as "good faith estimates" and MHESLA will be billed for the actual hours used. Final costs will be reflected on the monthly invoice.

f. Guaranty Services

To the extent that MHESLA proposes to the Servicer to make changes to CLASS for optional services provided by guarantors, and to the extent that the Servicer agrees to make any proposed system changes to the benefit of MHESLA, then any associated costs for the work performed will be billed in accordance with the response provided in Task 2.d

### **TASK 3 - GENERAL SYSTEM AND OPERATIONAL REQUIREMENTS**

a. General

This task identifies overall systems and operational requirements. Reference to days refers to business days unless specified otherwise. Contract time frame requirements must be adhered to. MHESLA does recognize there will be individual borrower instances when adherence to a particular time frame will not be possible. However, MHESLA will only tolerate this on an exception basis.



The Servicer is expected to sign and process all student loan lender documents when acting as MHESLA's agent, unless specifically instructed otherwise by the CCI or designee. This would include, but not be limited to, loan applications, denial overrides, disbursements, deferments, and forbearances.

MHESLA borrowers or potential borrowers asking for Title IV information involving and referencing MHESLA shall not be solicited by the Servicer. This includes, but is not limited to, borrowers accessing Stafford Subsidized and Unsubsidized loans, PLUS and Grad PLUS, and Consolidation loans.

b. Compliance

The Servicer's systems and operations must comply with federal and state statute, regulations, procedures and/or reporting requirements, guarantor requirements, and CCI or designee's direction. The Servicer must adhere to all instructions received from the CCI or designee with regard to MHESLA's portfolio. As soon as detected, the Servicer must initiate corrective action for all servicing errors, regardless of the source of the error and the party responsible, and immediately advise the CCI or designee of the situation. Notice of the corrective action must be provided to the borrower and all appropriate parties by the Servicer.

When system and/or operational changes are initiated to comply with federal and state statute and regulations, guarantor requirements, and/or CCI or designee's direction, the Servicer is responsible to notify the CCI or designee when and how they are in compliance with required changes. Unless the Servicer determines direction provided by the CCI or designee is not in compliance with federal and state statute and regulations, and guarantor requirements, the Servicer must comply with CCI or designee direction.

c. Borrower Benefit Initiatives

MHESLA offers borrower benefit initiatives to assist borrowers by lowering their cost of borrowing and to encourage timely repayment of their loans. These benefits vary by initiative, but may involve the reduction of, adjustment to, reimbursement/rebate of, and/or elimination of loan principal, origination fees, guarantor fees, and/or interest rates. All borrowers may be eligible, or eligibility may be restricted by type of loan, date of origination, date of acquisition, and/or meeting repayment requirements, such as a specific number of on-time payments or making on-time payments for a specific length of time. These examples are intended to identify how the borrower benefit initiatives may vary and are not intended to be an exhaustive list of the possible variations that might be required.

MHESLA's current borrower benefit initiatives include:

Electronic Payment Savings - Electronic Payment Savings provides an interest rate reduction to all borrowers if their payments are made through an electronic method.

Prompt Pay Savings - Prompt Pay Savings provides certain borrowers an interest rate reduction on loans first disbursed on or after 7/1/97 through 12/31/02, if specific criteria regarding timely repayment are met.

Michigan Students First - Michigan Students First provides certain borrowers with a principal balance reduction equal to the amount of the origination fee if the lender did not pay the fee on borrower's behalf and an interest rate reduction on loans first disbursed on or after 1/1/03, if specific criteria regarding timely repayment are met.

Michigan Engineering Incentive – Michigan Engineering Incentive provides certain junior, senior and fifth-year undergraduate borrowers with a principal balance reduction equal to the amount of the origination fee if the lender did not pay the fee on the borrower's behalf and a zero percent interest rate at the time of repayment on loans first disbursed on or after 8/1/05, if specific criteria regarding approved majors, Michigan work and residency requirements when borrower is out of school and timely repayment are met.

Michigan Advantage Consolidation Loan - Michigan Advantage Consolidation Loan provides certain borrowers with an interest rate reduction on loans first disbursed on or after 3/1/05 and before 4/17/08 if specific criteria regarding timely repayment are met.

Detailed specifications regarding the initiatives currently offered by MHESLA will be provided to the Servicer by the CCI or designee.



The Servicer must provide the resources necessary to support MHESLA's current and future borrower benefit initiatives. This includes, but is not limited to, MHESLA access to view the borrower's status for each initiative on-line and tracking/status reports (Management Report 17 – Borrower Benefit Initiatives) for the initiatives. The Servicer must also be able to discontinue any implemented initiatives within 30 days of the CCI or designee's written request to do so.

d. Combining Borrower Accounts

In the event a MHESLA borrower has loans serviced by multiple Servicers, the CCI or designee will instruct the Servicers in regard to the loan transfers needed to merge the borrower's loans with a single Servicer. The prior Servicer must forward all loan documents and electronic files to the new Servicer. The documents/files must include at a minimum the application, applicable addenda, signed promissory note, notice of guarantee and proof of disbursement. Costs for forwarding loans may be billed at the deconversion fee (Appendix A). Any issues in the conversion process will be arbitrated by the CCI or designee.

All materials (forms, correspondence, payments, etc.) received by the prior Servicer pertaining to the loan(s) must be forwarded to the new Servicer upon receipt. The prior Servicer must work with the new Servicer in all situations that require action by both Servicers, such as stop payment requests, return checks, stale date processing, etc.

The new Servicer, to whom the loans are being transferred, must confirm the presence of required loan documents and electronic files and must convert the loans to the Servicer's system. The documents/files to be reviewed are the application, applicable addenda, promissory note, notice of guarantee and proof of disbursement. The new Servicer may bill MHESLA for transferring loans at the conversion fee (Appendix A).

e. History

The Servicer's system must record **ALL** activity and interaction, whether financial or non-financial, automated or manual, regarding a borrower's loan/account via a history system. This includes, but is not limited to, written correspondence to and from the borrower, oral conversations with the borrower, school, parents, etc., application approval/disapproval, the reason(s) for the disapproval, refunds, repayment due diligence, NSF returns, receipt date of deferment and forbearance forms, approved deferment and forbearance periods, rejected deferments and forbearances and the reason(s) for the rejection, location of physical file contents while in transit, and specific collection promises or reasons why payments were not made.

History entries must be made within one (1) day of the activity or interaction, be precise, complete, easily interpreted, and identify loans affected. The use of pre-determined automated messages is acceptable; however, the Servicer's system must also allow free form messages by either the Servicer or MHESLA. To ensure the integrity of MHESLA's records, the Servicer's system must not allow history entries for MHESLA's borrowers to be revised or deleted. All necessary changes must be done through an additional history entry that identifies and corrects the error.

f. Audit Trail

The Servicer's history system must provide a complete and accurate audit trail of all transactions affecting the loan data records. The transaction history/audit trail must be maintained in chronological order and by account and/or loan, as appropriate. At a minimum, the Servicer's system must identify the user identification code, the date the transaction was processed, the document receipt date (effective date), if appropriate, and "change from" and "change to" information for each transaction. This information is necessary to promote the integrity of the data and to facilitate efforts to analyze and audit accounts.

g. Bond Funding Source Identification

Loans are financed through multiple funding sources, which must be identified by separate codes (Section 1.022-A Task14b). The Servicer's system must be able to accommodate existing funding sources and new funding sources as necessary. Bond funding source identification is necessary for accounting purposes and is a required sort for many reports. The codes apply to each individual loan and must be visible on the systems for MHESLA's use.



The CCI or designee will provide funding source codes and instructions to the Servicer as appropriate. Generally, they are entered in the system's loan record at the time of application entry. However, they may be assigned to a particular loan or group of loans when a fund source financing takes place or through some other manner.

h. Status Codes

The Servicer's system must utilize a series of status codes, which are updated with the proper status as the activity occurs, and can be used to track application processing and identify the status of loans/accounts. These statuses must include but are not limited to approved, disapproved, cancelled, disbursed, in-school and/or grace, repayment, forbearance, deferment, delinquency, and claim/default. These codes must be viewable to MHESLA. The CCI or designee will provide in writing any additional statuses, if needed.

i. Staff

The Servicer must maintain sufficient staff that is thoroughly trained and capable of addressing issues/questions of a complex nature within the time frames required in the contract. Those issues/questions may include but are not limited to originations, borrower benefits, repayment terms, and deferment or forbearance options available.

Staff must be knowledgeable of and adhere to CCI or designee's direction when addressing issues/questions, such as policy advising the borrower to contact MHESLA for review and approval of forbearance when the borrower has previously used 60 months or more.

Staff that performs collection attempts must be knowledgeable of the repayment options available for the various programs, and have access to the borrower's loan record and all other necessary data files so they may identify all repayment options available to assist the borrower in curing the delinquency.

j. Telephone and Internet Contacts

Sufficient toll-free telephone lines must be provided to ensure at least a weekly average of 95% of the incoming calls received daily from 8:00 a.m. to 5:00 p.m. (EST/EDT) are answered without obstruction or delay. Upon written request by the CCI or designee, the Servicer must provide statistical data regarding the toll-free lines, such as incoming calls attempted that did not get through because all lines were being used, callers that did get through but were put on hold and subsequently hung up prior to receiving assistance, and the average length of time callers remain on hold prior to being assisted. If the Servicer uses an automated telephone response system, the system must always allow the caller access to a Servicer employee and it must be able to accommodate callers from rotary dial telephones.

Staff responding to incoming calls or placing outgoing calls must have access to information necessary to research and resolve complex issues and questions, so that a majority of the time, a second call will not be needed. Issues/questions that cannot be satisfactorily resolved during the call must be researched and a return call made the same day, if possible, but no later than the next day. If the Servicer is unsuccessful in reaching the caller, the Servicer must respond to the caller, in writing, within five (5) days of the initial call.

Staff must provide borrowers with any forms necessary to apply for the repayment option for which it appears the borrowers qualify.

The Servicer must provide internet help via the Servicer's web site. This may include, but is not limited to, staffing by live service representatives during the Servicer's business hours (instant message help), providing customer self-service technology or customer relationship management resources.

Actions needed in response to telephone or electronic contact (i.e. e-mail, on-line help), such as form requests, account maintenance and processing of verbal forbearance requests must be completed by the Servicer within five (5) days of the Servicer's receipt.

k. Written Correspondence, Notifications and Document Processing

Written correspondence, notifications and documents received, such as borrower letters, enrollment data, forbearance requests and deferment forms, must be processed/responded to within five (5) days of receipt. A copy of the correspondence/document received and the Servicer's response, if applicable, must be maintained.



Borrower requests for forms must be processed within five (5) days of the request.

I. Internet and Electronic Communication

The Servicer must have the capability to electronically communicate to borrowers, including, but not limited to, e-mailing of a MHESLA monthly e-newsletter.

m. Outgoing Payments

With the exception of loan disbursements, all payments relating to a borrower's loan that are sent to any party (State, Guarantor, borrower, etc.) for any reason, must include the following data:

- Borrower's name
- Borrower's identifying number
- Loan/Promissory note number
- Bond funding source identifier
- Reason for remittance, such as loan overpayment, returned claim payment, payment received after death of borrower

The Servicer must enter a history comment stating whom the payment was sent to, if other than the borrower, and the reason for the payment. The payment transaction history must identify the amount of the payment.

n. Borrower Notifications/Mailings

The Servicer must mail required notices, disclosures, repayment coupons, etc. to borrowers within five (5) days of the activity/transaction.

The Servicer will notify the borrower of all adjustments made to the account that affect the loan.

Mailings shall not be sent to MHESLA borrowers in an attempt by the Servicer to solicit business for its own purposes.

o. Branding Assistance

The Servicer shall assist MHESLA in portfolio retention when it comes to Title IV loans. This may involve, but is not limited to, MHESLA branding on the Servicer's Web site or in web-based operations including MHESLA logos and benefits being visible on operation screens used by the public. This may involve MHESLA visibility on hard copy documents and billings that are sent by the Servicer to MHESLA customers. It is up to MHESLA's discretion on how correspondence sent to MHESLA borrowers should reflect MHESLA information and logo, whether that correspondence is electronic or hard copy.

p. Guarantor Updates and Reports

The Servicer is responsible for promptly processing all guarantor reports received and for submitting necessary reports and loan status updates to the guarantor, as required by federal or state statute and regulations or the guarantor. Reports and data must be submitted weekly, or as required by the guarantor, and must identify changes that occurred during the time period covered by the report. Reports must be in the format required by the guarantor. The Servicer must be able to provide proof that the data was provided to the guarantor, if requested by the CCI or designee.

q. MHESLA and/or Guaranty Agency Requests

If CCI or designee and/or the guaranty agency request information from the Servicer, or request the Servicer to take specific action, the Servicer must comply within five (5) days. This includes, but is not limited to, verbal responses, requests for copies of account documents/materials or the borrower's file, mailing of forms, account maintenance, etc.



r. Legislative/News Media Contacts

News Media – Notify the CCI or designee, or if not available, any MHESLA manager within one (1) hour of all verbal or written inquiries received from the news media related to services under this contract. The Servicer shall not respond to the inquiry until written approval is received from MHESLA.

Legislative – Notify the CCI or designee, or if not available, any MHESLA manager within one (1) hour of all verbal or written inquiries received from any legislative/governmental office related to services under this contract.

Prior to responding to legislative inquiries and within one (1) day after receipt of the inquiry, the Servicer must provide proposed responses to the CCI or designee for approval. Within one (1) day of receiving written approval from the CCI or designee, the Servicer must provide the approved response to the party making the inquiry.

s. Record Retention

The Servicer must retain the original promissory note and supporting documents or an exact electronic image as required by federal or state statute and regulations, guarantor requirement or CCI or designee's direction in a secure fire resistant, theft protected environment. The Servicer must copy all incoming and outgoing documents (with the exception of blank forms), written correspondence, and the borrower's file contents by microfilm, microfiche, imaging or other format approved by the CCI or designee. The Servicer must ensure that all electronic records that reflect activities relating to a student loan can be associated with the loan so that any particular transaction is identifiable and accessible. The Servicer must retrieve and make available the original or acceptable copies as requested by the CCI or designee. Provide format of copied documents in this task response.

Materials containing confidential information must **not** be discarded in waste baskets, trash or the usual recycling receptacles found in work areas or adjacent areas (See Appendix C).

t. Facsimile and E-mail Capabilities

The Servicer must have facsimile and e-mail capabilities to enable MHESLA, guarantors, schools and borrowers to immediately send materials to the Servicer or immediately receive materials from the Servicer. Costs for facsimile and e-mail transmissions generated by the Servicer will be the responsibility of the Servicer. All sensitive data must be protected against theft (Appendix C).

The Servicer must offer borrowers the option to receive electronic or paper communication. This applies to loan approvals, disclosures, monthly billing statements and, if applicable, at least one due diligence contact by e-mail.

u. Social Security Number Changes

If the Servicer becomes aware of a social security number discrepancy, the Servicer must attempt to obtain a copy of the borrower's social security card or other guarantor acceptable documentation to verify the correct number. The Servicer must process social security number changes monthly without loss of account history. Upon discovery of the discrepancy, the Servicer will enter an item in the borrower's account history that identifies the incorrect number being researched. When the discrepancy is resolved, a history entry must identify when the correction was done. In addition, the Servicer will notify the guaranty agency of the change.

v. Name Changes

The Servicer will update the demographic file to reflect all name changes by the borrower and record the documenting source and prior name in the account history file. If required by the guarantor, the Servicer will notify the guaranty agency of the change.

w. Good and Bad Address Flag

The Servicer must have a method viewable on the Servicer's system to identify for MHESLA if the borrower's demographic information is accurate or inaccurate (Task 1c).



x. Forms and Materials

The Servicer shall be responsible for the cost of printing and distribution of the following forms and materials:

- (1) Any MHESLA program required materials such as letters and notifications.
- (2) All other forms needed that are not provided by the guarantor.

Any revisions needed in the materials or forms provided by the Servicer because of federal and/or state changes are the financial responsibility of the Servicer.

The composition and format of all forms, letters and materials must be coordinated with, and approved in writing by, the CCI or designee prior to use or dissemination.

y. Overnight Delivery of Mail

If MHESLA requests the Servicer to mail materials for overnight delivery, MHESLA will absorb the actual postage costs of such mailing. Costs should be identified on the invoice as overnight mail.

z. Court Ordered Documentation

The Servicer must provide originals, if required, or copies of any documentation that is mandated as a result of a court order.

aa. Expert Witness and Testimony

The Servicer, if necessary, must provide experts to serve as witnesses and provide testimony on behalf of the State. Such services will be provided at the request of the CCI or designee and may require the Servicer's appearance in court, at hearings, or at any other circumstances deemed as necessary by the CCI or designee. Only travel costs incurred by the Servicer will be reimbursed by the MHESLA at the current State travel rates (provided to the Servicer prior to any request). The Servicer must provide, with invoices, supporting documentation for travel costs.

bb. Training

The Servicer is responsible, at no additional charge to MHESLA, to train MHESLA thoroughly in the use of its systems and an understanding of the Servicer's operational procedures. Upon request, the Servicer must provide the CCI or designee with copies of its operational procedures. If deemed necessary by the CCI or designee, training must be provided at MHESLA's location. The Servicer is liable for any such training in the event of non-State requested modifications and enhancements to its existing system. Such training must be provided prior to the implementation of the modifications/enhancements. If the CCI or designee desires training for subsequent non-State requested modifications/enhancements to be at MHESLA's location, the Servicer will be reimbursed for travel costs at the current State travel rates (provided to the Servicer prior to any request). The Servicer must provide, with invoices, supporting documentation for travel costs.

cc. Enhancements

MHESLA is interested in enhancements that will allow MHESLA to provide more service to its borrowers, as well as to facilitate MHESLA's ability to use and interact with the Servicer's system. Such enhancements could include, but are not limited to, the ability to access and print file materials/documents through MHESLA's terminals/personal computers on site, the ability to select and display only specific data from an account history such as deferments, the ability to access a borrower e-mail database, etc.

dd. MHESLA Records Held by a Third Party

Certain account materials for some of MHESLA's borrowers are maintained by Image Express Inc., a records storage company located in St. Paul, Minnesota. These materials correspond to servicing that was provided by previous Servicers prior to January 1998.



If account materials are needed for activities that occurred prior to January, 1998, and they are not among the Servicer's file materials, Image Express is a source that may be contacted regarding the missing materials. It is the responsibility of the Servicer to interact with Image Express to obtain documents as needed to service borrower's accounts properly. Additional contacts should include MHESLA, school, guarantor, and, if the loans were purchased through the State Secondary Market, the prior lender. It is expected that the Servicer will service loans within time frames identified in the contract, which will allow sufficient time for contacting all sources. The CCI or designee will provide the contact information for Image Express upon the Servicer's request.

ee. Interface to State of Michigan Systems

MHESLA would like to utilize a Department of Treasury Centralized Correspondence System to produce correspondence with borrower specific information. To do so, this system must interface to the Servicer's database through an approved interface method to allow Treasury's system to access the Servicer's database in real-time and/or batch mode. Examples of approved interface methods include web services, API, or direct access to the Servicer's database. Although not a contract requirement, this is a desirable system application.

As State of Michigan-interfaced systems evolve and the need for interface methodology evolves, the Servicer must provide a mechanism for change as detailed in Section 1.022-A Task 2d.

ff. Privacy Notices

The Servicer must provide all required privacy notices to MHESLA's customers in compliance with state and federal requirements. Notices shall be incorporated with the billing statements, if possible, to reduce mailing expenses. A new initial privacy notice is not required if an existing customer has previously been provided a privacy notice which is still accurate. The Servicer may bill the State at the privacy notice fee identified on the pricing sheet (Appendix A).

Servicer's Response to this Task:

a. General

All references to days in this response to Task 3 refer to business days. The Servicer agrees not to use MHESLA portfolio data for any purpose other than to execute its responsibilities under the contemplated servicing agreement.

b. Compliance

The CLASS Servicing System complies with all federal and state statutes, regulations, procedures, reporting and guarantor processing requirements. Dedicated staff continually reviews and updates servicing, IT and administrative policies in order to comply with all laws and regulations in accordance with the Higher Education Act, as amended.

The Servicer continually monitors actions of Congress, the Department of Education and other regulatory entities to keep CLASS current and up-to-date. Documentation is provided to lender partners that describe modifications and changes made to CLASS and OpenNet as part of the overall performance of duties under the respective servicing agreements.

c. Borrower benefits Initiatives

The CLASS System architecture supports a wide array of borrower benefit programs for industry partners such as MHESLA. The Servicer will support the borrower benefits programs for loans currently on CLASS.

d. Combining Borrower Accounts

The Servicer understands the importance of minimizing borrowers with split servicers and will work with other servicers to minimize this impact. Loans serviced on CLASS and moved to another servicer will be billed to MHESLA at the deconversion fee provided on Appendix A.



## e. History

The CLASS System comprehensively records into account history all financial and non-financial activities and interaction between the borrower and servicer. CLASS stores account history for all activities listed in this section and accommodates a combination of automated and freeform notations into a borrower's account. History comments can also be segregated by monetary and non-monetary types. The CLASS System allows some history messages to be deleted or changed, but CLASS always maintains a record of the original history message for easy reference.

## f. Audit Trail

Simply stated, the CLASS System maintains an extensive audit trail to provide full and detailed chronological record of all account activity by operator code and date of activity for later review and retrieval. The CLASS System fully meets this requirement.

## g. Bond Funding Source identification

The CLASS System allows a segregation of portfolios by funding source.

## h. Status Codes

The CLASS System accommodates the recording of loan status codes as listed in this contract. Status codes tied to origination-related transactions (approved, cancelled, disbursed, etc.) are viewable using the *View/Change Loan Data* feature on OpenNet for those loans guaranteed and disbursed through Sallie Mae's EAGLE System (e.g. MGA guaranteed loans). Status codes for loans serviced on CLASS (post-disbursement) can also be viewed by using the *View Servicing Data* feature on OpenNet.

## i. Staff

The Servicer uses a highly seasoned, trained professional staff to address customer service inquiries and answer borrower questions, including those topics provided in this section, among others. Servicing staff performing outbound collection-type calls are fully knowledgeable of various repayment options available to delinquent FFELP borrowers. Steps taken to ensure the quality of our customer service include:

- Conducting independent customer surveys of borrowers, which consistently yield satisfaction scores in the 90 percent range (out of possible score of 100);
- Performing independent surveys of financial aid directors.
- Maintaining performance goals for our loan servicing call centers, which consistently meet or exceed targets for customer responsiveness;
- Working to satisfy the increasing needs of our customers by providing electronic service channels;
- Providing routine and follow-up training, which serves as the cornerstone for providing exceptional customer service.

## j. Telephone and Internet Contacts

The Servicer operates an extensive customer contact operation that will meet or exceed the requirements outlined in this contract. Loans are serviced for over 19 million borrowers, customer contact centers are designed to accept high call volume and other borrower-related transactions. Predictive modeling is used to ensure contact centers are correctly staffed to handle expected call volume.



The customer contact area is available Monday through Thursday from 8:00 a.m. to 9:00 p.m. and Friday, 8:00 a.m. to 8:00 p.m. Agents in the customer contact center have full access to borrower origination and loan servicing account data. Also, *Manage Your Loans (MYL)*, is a comprehensive, self-service tool that allows serviced borrowers the ability to access account information, request forms, enroll in online billing, make a payment, etc. MYL is available 24 hours per day, 7 days per week. This functionality will be available for all MHESLA-serviced loans once they are converted to the CLASS System.

Borrower-generated emails and voice messages are system-acknowledged via email with 24 hours, and most are responded to within 72 hours. Hard copy correspondence is imaged within 24 hours and with exception of the most complex issues which require extensive research; borrowers receive a response within 5 business days.

The Servicer does not support instant messaging or other "live chat" services.

k. Written Correspondence. Notifications, Document Processing

Hard copy correspondence is imaged within 24 hours, and, with exception of the most complex issues which require extensive research, borrowers receive a response within 5 business days.

System-generated deferment and forbearance forms are sent to requesting borrowers within 3 business days from the form request. Forms returned by borrowers are imaged within 24 hours from receipt. Deferment and forbearance forms are processed within three (3) business days from receipt. Deferment and forbearance requests may be made verbally and are processed immediately. Follow-up notification confirming a verbal forbearance request is sent with thirty (30) days from receipt. Borrowers are notified the same day for any denied deferment or forbearance request. Borrowers also receive a 45 day advance notification of deferment expiration. If borrower permission is received, email notification is sent to the borrower advising of processed deferment and forbearance requests. A copy or record of documentation sent and received is available to servicing staff through the Sallie Mae Workforce Imaging System (SWIS).

l. Internet and Electronic Communication

The CLASS System has the capability to email system letters if we have a valid email address and borrower permission to communicate in this manner. Additional discussions are needed to understand the requirements of emailing a monthly newsletter to MHESLA borrowers and discuss whether this requirement can be accomplished.

m. Outgoing Payments

Any payments made to external entities will reflect the information stated in the Task.

n. Borrower Notification/Mailings

All notices will be mailed within the established timeframe. The Servicer will not use MHESLA borrower information for purposes other than to execute its duties and responsibilities under the contemplated loan servicing contract.

o. Branding Assistance

There are no branding or co-branding opportunities for the Manage Your Loans (MYL) Website. The display of the MHESLA logo on hard copy correspondence is at the sole discretion of the Servicer, as certain limitations exist regarding the display of this information.



p. Guarantor Updates and Reports

The Servicer reports loan data on the NSLDS Lender Manifest to each respective guarantor at the required frequency and data record format. Further, the Servicer notifies the guarantor of all loan sales and purchases within 45 days from the transaction date. Information provided includes the servicer name, address and telephone number.

q. MHESLA and/or Guaranty Agency Requests

Any request within the scope of services contemplated by this contract will be considered promptly, and MHESLA will be notified to the extent that the Servicer is unable to comply with such request. MHESLA is assigned a Lender Relations as a dedicated point of contact for any lender requests. The Lender Relations Representative assigned to MHESLA is Jana Marvin.

r. Legislative/News Media Contacts

As part of this servicing agreement, the Servicer will:

- Notify MHESLA if a member of the news media attempts or makes contact with the Servicer to discuss any aspect of the servicing contract;
- Notify MHESLA of any verbal or written inquiry received from any legislative/governmental office;
- Any response to a legislative inquiry will be provided to MHESLA prior to processing.

s. Record Retention

As part of this servicing contract, the Servicer will:

- Retain the original promissory note and supporting documents;
- Electronically image all original copies and supporting documentation;
- Image any incoming and outgoing documents and written correspondence received;
- Keep record of any electronic record processed for later retrieval.

Imaging is performed using Workforce Imaging System (SWIS). Further, any discarded materials that contain non-public personal information are deposited into secure bins and shredded.

t. Facsimile and E-mail Capabilities

The Servicer offers facsimile and email capabilities and offers the borrower the option of receiving communication electronically versus paper communication. This service is included as part of our "cost of servicing".

u. Social Security Number Changes

The Servicer will make changes to social security numbers after proper verification and without loss of account history. A history comment will be notated on the borrower account. The Servicer requires one of the following items before making a SSN change: social security card, driver's license with the SSN displayed, W-2 forms, or unexpired military ID.

v. Name Changes

Demographic updates will be made to reflect any name change and a history comment to document the source and prior name will be made to the account. While borrowers have the ability to change certain demographic information using *Manage Your Loans (MYL)*, name changes can only be addressed by contacting the Servicer's toll-free customer contact center. One of a number of different documents must be provided before the borrower record is updated.



w. Good and Bad Address Flag

The CLASS System provides the ability to flag a bad mailing address. By using OpenNet, borrower demographics can be reviewed.

x. Forms and Materials

The pricing for servicing the MHESLA loan portfolio as reflected in Appendix A includes the printing of forms, letters, notifications and related mailing costs for the current FFELP program requirements. Costs for changes to FFELP program requirements that increase the frequency of current letters mailed to borrowers or requires lenders and/or servicers to meet additional mailing requirements will trigger an adjustment to the prices quoted on Appendix A. Further, any increases in postage costs by the U.S. Postal Service subsequent to the issuance of this response will trigger an adjustment to prices quoted on Appendix A.

y. Overnight Delivery of Mail

Costs for any overnight mailing as requested by MHESLA will be billed to MHESLA at the actual cost of the service rendered.

z. Court Ordered Documentation

The Servicer will provide information to MHESLA regarding a court-ordered request for documentation.

aa. Expert Witness and Testimony

The Servicer is an independent contractor, and, except for the services to be performed set forth under the servicing agreement, will not hold itself out as an agent of MHESLA. We are not willing to serve as an expert witness and provide testimony on behalf of the State.

bb. Training

The Servicer presently services a \$150 million dollar FFELP portfolio on behalf of MHESLA. Therefore, MHESLA should be fully familiar with our servicing capability and systems/processes used to extract individual borrower or portfolio data using the tools provided, including OpenNet, DocumentDirect for the Internet, and using the SAS report writing tool to query custom data from the provided loan extract files. Should MHESLA require any refresher training on the use of these tools, we can fulfill this requirement. The Lender Relations representative assigned to MHESLA can assist with the interpretation of system changes resulting from mandatory system changes made.

cc. Enhancements

The CLASS Servicing System is used to service "owned" portfolio and portfolios under management for other lenders. Any enhancements made to CLASS are made for the benefit of the Servicer. Consequently, CLASS System enhancements are generally not made for other lenders, although we will consider enhancement requests made by MHESLA. If MHESLA desires to request a system enhancement, it will present the request in writing to the Servicer. Any decision to make the system enhancement is at the sole discretion of the Servicer. Any enhancement made for MHESLA will be billed upon conclusion of the work performed for the amount set forth in Appendix A.

dd. MHESLA Records Held by a Third Party

The Servicer is willing to work with the record storage facility to the extent any records for loans originated prior to January 1998 are needed.



ee. Interface to State of Michigan Systems

The Servicer generally does not allow any electronic, real-time external system interface with the CLASS System. The Servicer is willing to explore creative ways to help the State achieve its objectives.

ff. Privacy Notices

The Servicer will generate a separate annual privacy notice on behalf of MHESLA. Costs for the annual mailing are provided on Appendix A.

**TASK 4 - CONVERSION TO INCOMING SERVICER-Deleted/Not Applicable**

**TASK 5 - LOAN SERVICING: ORIGINATION PROCESSING**

a. General

The Servicer must provide complete origination processing for any federal loan the state elects to originate. This includes, but is not limited to, entry onto the system and complete system maintenance, screening for accuracy and completeness, securing all needed forms and any missing data, accessing and processing for approval or disapproval, ensuring loan guarantee from the guarantor, loan disbursement, and disbursement cancellation or reissuance, as appropriate.

b. Application Requests

Upon request, the Servicer must provide applicants with all required application materials.

c. Application Methods

There are several application methods that are used in the student loan industry. The Servicer must be able to accommodate various application methods reflecting MHESLA's logo and applicable borrower benefits. This shall include a method that provides the applicant with the option to electronically complete and print the loan document for his/her manual signature and submission, or to electronically complete, sign (electronic signature) and submit the loan document.

d. Loan Type

The system must also identify the type of loan application that is being processed, Stafford, PLUS (including Grad PLUS) or consolidation.

e. PLUS Loan Applicant Prescreening

The Servicer must maintain a process through which a preliminary assessment of a PLUS loan applicant's credit history can be performed to determine if the applicant would potentially qualify for a Federal PLUS Loan. The purpose is to quickly determine if an applicant qualifies for a PLUS loan without going through the application process. If the applicant does not qualify for a PLUS loan, the school can immediately proceed with an unsubsidized Stafford loan for the student.

In the current process, the PLUS applicant provides the required information and authorization for the Servicer to request and review a copy of their credit history. This information is transmitted to the Servicer. The Servicer requests and reviews the applicant's credit history in accordance with federal requirements for PLUS loan eligibility, and determines whether or not the applicant appears to qualify for a PLUS loan.



f. Application Review

The Servicer is responsible for reviewing loan applications for accuracy and completeness. If an application is deficient in any way, it is the Servicer's responsibility to obtain any additional information or corrections necessary before proceeding with processing.

g. MHESLA Specific Application Criteria

The Servicer is responsible for reviewing all applications for requirements that are specific to MHESLA. Currently, MHESLA has an "Area of Service" policy that requires the applicant, or the student for whom the applicant is borrowing, to have a Michigan connection. To meet this requirement, the applicant or student must:

1. Have a Michigan address; or
2. Attend a school with a Michigan address; or
3. Be a resident of Michigan; or
4. Have an existing loan with MHESLA.

Applications may not be approved by the Servicer unless they meet applicable MHESLA application criteria. MHESLA reserves the right to revise or add MHESLA specific application requirements.

h. PLUS Loan Credit Assessment

MHESLA may elect to use the Michigan Guaranty Agency's (MGA) credit review service for PLUS loan applications. Through this service, MGA performs the federal credit review for each PLUS loan applicant and notifies the lender/Servicer of those applicants who have adverse credit.

The Servicer will be responsible for the denial processing of these applications, and for responding to inquiries from applicants seeking clarification or further information regarding the denial. However, applicant appeals due to extenuating circumstances regarding adverse credit will be addressed by MHESLA. All such appeals, along with the denial letter and corresponding credit bureau report, must be transmitted to the CCI or designee within three (3) days of receipt.

i. Other Application Credit Assessment

Other federal loans made by MHESLA are not subject to creditworthiness standards. However, MHESLA reserves the right to employ creditworthiness standards as a condition of eligibility. If creditworthiness is an eligibility factor, the Servicer will be responsible for obtaining and assessing credit bureau reports. A Contract Change Notice will be issued if creditworthiness standards are to be required (See Section 2.024).

j. Application Assessment

Applications must be assessed to determine if they meet MHESLA (See Section 1.022-A Task 5g) and FFELP loan criteria and processed for approval or disapproval accordingly. If an application is disapproved, the reason for disapproval must be entered into the loan history and the applicant and school notified of the disapproval action.

k. Appeals

If a telephone, written, or electronic communication is received from a disapproved applicant seeking to appeal the disapproval action, the Servicer will review the appeal within five (5) days to ascertain if the applicant now meets MHESLA and FFELP requirements and, if so, will process accordingly.

MHESLA reserves the right to review any denial appeal. A copy of all written appeals must be forwarded to the CCI or designee along with a copy of the disapproved application and materials. If the appeal is verbal, the Servicer must request the applicant to submit a written or electronic appeal with supporting documentation, if applicable, and upon receipt, forward a copy of the appeal and the disapproved application and materials to the CCI or designee. The CCI or designee will notify the Servicer if MHESLA desires to make appeal decisions and the decisions will be provided in writing.



i. Guarantee

For application processes in which a loan guarantee has not been issued prior to receipt of the application, the Servicer is responsible for submitting the application to the guarantor for guarantee processing. The Servicer must be capable of submitting the application by electronic means for guarantee to ensure the most timely application processing possible. This transmission must take place within 48 hours of application approval by MHESLA/Servicer.

If the loan guarantee is received before the application and the application is not received in 30 days, the Servicer must contact the school and/or the applicant to request the application.

m. Check Stock

It is the Servicer's responsibility to design and present the proposed check and check stub to the CCI or designee for approval within two (2) weeks of contract issuance. After the CCI or designee's written approval, it will be the Servicer's responsibility to maintain a sufficient supply.

(1) Check Information

In addition to traditional check information, the face of the check must contain MHESLA's name (Michigan Higher Education Student Loan Authority) as the lender of the loan, and the name and address of the Servicer.

(2) Check Stub Information

The check stub must include MHESLA's name (Michigan Higher Education Student Loan Authority) as the lender of the loan, the name and social security number of the borrower, the total loan amount, the origination fee (if applicable), the guarantee fee (if applicable), the net check amount, the type of loan disbursed (Subsidized Federal Stafford, Unsubsidized Federal Stafford, PLUS, etc.), the alpha numeric fund designation code, and the name and address of the Servicer.

n. Disbursement

The Servicer must be able to accommodate disbursement by individual check, master check, and electronic funds transfer (EFT). For disbursement by master check and EFT, school disbursement rosters/transmittals must be available in a paper or electronic format. The school will determine the type of disbursement and format for the disbursement roster/transmittal. The school may choose more than one format for the disbursement roster/transmittal and, upon request, the disbursement roster/transmittal will be faxed or provided to the school in a secure electronic method (Appendix C). The Servicer must provide EFT within three (3) business days, MHESLA prefers EFT within one (1) business day, if possible.

Federal Stafford and PLUS Loans are to be disbursed daily and, if disbursed by check, must be made co-payable to the borrower and to the school. Consolidation loans must be disbursed within five (5) days after receipt of consolidation lender verification certificates.

o. Disclosures

The Servicer is responsible for preparing, if appropriate, and mailing all required disclosures. For consolidation loans, the Servicer is responsible for providing a disclosure statement and repayment schedule within five (5) days following disbursement or a loan adjustment.

p. Account Maintenance

The Servicer must perform the necessary account maintenance to update the loan to disbursed status. The update must include the disbursement date, total disbursement amount, origination fee amount (if applicable), guaranty fee amount (if applicable), net disbursement amount, and the check number or an indication that the loan was disbursed by EFT, whichever is appropriate.



q. Default Fee

If the guaranty agency charges an insurance fee, it is the Servicer's responsibility to calculate and report the fee to the CCI or designee. Disbursement data must be forwarded to the CCI or designee to be received by the fifteenth of the month.

r. Post Disbursement Processing

The Servicer is responsible for post disbursement processing, such as returned checks, stop payments, disbursement/loan cancellation, and disbursement reissuance. If a disbursement is to be reissued, the Servicer must reissue the disbursement within ten (10) days of the determination to reissue.

The Servicer, within federal requirements, must process late disbursements upon request by the school or, when an exception to the late disbursement reissue time frame is requested, by the school and student. The late disbursement must be reissued within ten (10) days of receipt of the late disbursement request.

s. Servicing Fees

Origination fees may be billed for each guarantee resulting from an application (regardless of the number of disbursements) and processed by the Servicer (See Appendix A). Origination processing includes providing applications to applicants through approval/disapproval and loan disbursement, if appropriate.

t. Liability

If the Servicer improperly disburses MHESLA's loans that result in a loss to MHESLA, the Servicer is financially liable to reimburse MHESLA to the extent of its loss. If the guarantee is removed and no cure is available, the Servicer is immediately liable for the current principal and interest due (See Section 2.243). The Servicer must compensate MHESLA for the amount of its loss within 60 days of notification from the State.

Servicer's Response to this Task:

a. General

The Servicer can provide the requested services for all loan programs, except loan consolidation.

b. Application Requests

The Servicer can provide the requested services, except for loan consolidation.

c. Application Methods

The Servicer can provide the requested services for all loan programs, except loan consolidation.

d. Loan Type

The Servicer can provide the requested services for all loan programs, except loan consolidation.

e. PLUS Loan Application Prescreening

The Servicer can provide all requested services.

f. Application Review

The Servicer can provide the requested services, except for loan consolidation.



- g. MHESLA specific application criteria  
An enhancement to the Servicer's system would be required to meet this requirement.
- h. PLUS Loan Credit Assessment  
The Servicer can currently provide the requested services. Alternatively, the Servicer performs the appeals review process for our own portfolio and other serviced portfolios. If MHESLA will provide criteria guidance, this function could be performed on MHESLA's behalf.
- i. Other Application Credit Assessment  
A system enhancement would be required to support this need.
- j. Application Assessment  
An enhancement to the Servicer's system would be required to meet this requirement.
- k. Appeals  
The Servicer can provide the requested services, except for loan consolidation.
- l. Guarantee  
The Servicer can provide the requested services for all loan programs.
- m. Check Stock  
The Servicer is able to design and present the proposed check and check stub to the CCI or designee for approval within 2 weeks of contract issuance and can maintain a sufficient supply. A system enhancement would be required for the customized check stub and information. Alternatively, it is suggested that MHESLA review the Servicer's existing check printing and disclosure process as it has a lower risk of potential NPI data disclosure violations as the process desired by MHESLA.
- n. Disbursements  
The Servicer can currently provide the requested services for all programs except consolidation. The Servicer would like to offer inclusion of MHESLA's proposed services in our Go Green conservation initiatives aimed at reducing paper documents and lessening the opportunity of identity theft.
- o. Disclosure  
The Servicer can provide all requested services, except for loan consolidation.
- p. Account Maintenance  
The Servicer can provide the requested services, except for loan consolidation.
- q. Default Fee  
The Servicer can provide the requested services, except for loan consolidation.
- r. Post Disbursement Processing  
The Servicer can provide the requested services, except for loan consolidation.



s. Servicing Fee

The Servicer can provide the requested services, except for loan consolidation.

t. Liability

In the event of a servicing error by the Servicer that results in a loss of the guarantee, the Servicer's liability to MHESLA for any loss suffered by MHESLA will be limited to the amount that the guarantor would have paid but for the loss of the guarantee in such event.

### **TASK 6 - LOAN SERVICING: GENERAL LOAN SERVICING**

a. General

The Servicer is responsible for performing general servicing associated with MHESLA's portfolio in accordance with state, federal and guarantor requirements and CCI or designee directions. This would include disclosures, cancellations, adjustments, reinstatements, demographic updates, etc.

b. Cancellation Note Processing

Within 30 days of the cancellation date, the Servicer must notify the borrower of the cancellation and that the cancelled promissory note is available upon request. The Servicer will house the promissory note, cancellation letter and other loan documents in a secure area for the time period required by federal law and regulations.

If a promissory note is "cancelled" and returned to the borrower in error, the Servicer will be liable for reimbursement of the outstanding balance of the loan on which the error occurred unless the Servicer can secure the borrower's signature on a duplicate note. Should reimbursement be required, the Servicer must make full reimbursement to MHESLA within 60 days of either MHESLA's or the Servicer's awareness of the occurrence (See Section 2.243).

c. Yearly Contact

The Servicer must have at least yearly contact with the borrower. If a change notification has not been sent to the borrower for a 12-month period, the Servicer will generate an account statement to the borrower reflecting the status of the account. If the statement is returned due to a bad address, the Servicer will perform skip tracing (See Section 1.022-A Task 7g).

d. Assessment of Information

Regardless of the source of the enrollment information, the Servicer must assess the information prior to entry into the system. There may be an occasion where more current information has already been received by the Servicer. If it appears the Servicer has already processed more current information, the Servicer will verify enrollment information contained on the National Student Loan Clearinghouse Web site or other comparable source if the school is a participant. A history comment citing the data certified and the date and method of the verification will be entered. If the enrollment information was in the form of a notification generated by the guaranty agency, it is the responsibility of the Servicer to work with the guaranty agency to ensure that the guaranty agency's records agree with those of the Servicer.

e. Student Requests for Enrollment Forms

If a student verbally reports an enrollment change to the Servicer or requests an enrollment form, the Servicer must provide the student with a deferment form. Enrollment information certified on a deferment form can be accepted for processing, regardless of the status of the loan (e.g. in default status).



f. Ineligible Loan/Disbursement

The guaranty agency notifies the Servicer of separation dates that are prior to issued disbursements. The Servicer will investigate to determine if the borrower was ineligible for the loan or a portion of the loan. If the borrower was ineligible, the Servicer will designate the loan or a portion of the loan as ineligible and notify the CCI or designee.

The Servicer must have a status indicator to identify ineligible disbursements to allow MHESLA visual identification and reporting capabilities.

Servicer's Response to this Task:

a. General

The Servicer will service all of the loans in the MHESLA portfolio covered by the servicing agreement in accordance with applicable federal and state law, and with requirements of the guarantor.

b. Cancellation Note Processing

A new letter is needed to comply with this requirement

c. Yearly Contact

The Servicer currently sends a privacy policy to a borrower on an annual basis. System enhancements would be required to send an account statement. Skip tracing is currently only performed when a loan becomes delinquent.

d. Assessment of Information

All enrollment information received is evaluated to determine if it is more current than information already on the account before processing takes place. All incoming enrollment information is noted on the correspondence history, and if more recently certified than existing data, updated on an enrollment history screen. All enrollment information is reported to guarantors through the Lender Manifest or Common Account Maintenance (CAM) processes.

e. Student Requests for Enrollment Forms

The Servicer is able to comply with this requirement. The only exception is if the enrollment begin date is after the date of default – we cannot use the enrollment information in that instance, per federal regulation.

f. Ineligible Loan/Disbursement

The Servicer can currently provide the requested services for all programs except consolidation.

**TASK 7 - LOAN SERVICING: REPAYMENT**

a. General

The Servicer must comply with federal and state requirements in converting a loan to repayment and in repayment processing.

b. Combined Billing

The Servicer will combine and bill the borrower for all loans in one billing statement/coupon book whenever possible.



c. Monthly Borrower Billing

The Servicer has the option of billing the borrower based on borrower preference, by utilizing coupon books, a paper monthly billing statement, or electronic statements. Regardless of the option chosen, the Servicer must provide the coupon book/monthly statement to the borrower no later than 25 days prior to the first payment due date. If monthly statements are used, subsequent statements must be mailed/sent no later than 25 days prior to the next payment due date. Should a duplicate coupon book/statement be required, the Servicer will issue duplicates at no cost to MHESLA.

At the borrower's request, the Servicer may stop sending monthly billing statements during the period of time the borrower is registered for ACH payment. The Servicer must document this in the history comments.

d. Method of Payment

The Servicer must be able to accommodate the methods of payment currently used. These methods are: payment by check/money order, by telephone with the funds withdrawn from the borrower's bank account by the Servicer, on-line with funds withdrawn from the borrower's bank account by the Servicer, and through an electronic debit process where their payment is automatically withdrawn from borrower's bank account (ACH). The Servicer must be able to accommodate other methods of payment as approved by the CCI or designee. All loan payment methods provided by the Servicer are to be at no charge to the borrower or MHESLA.

e. Monthly Payment Amount

Federal regulations require a minimum monthly payment amount within a maximum repayment period. However, the minimum payment may be reduced if the lender approves and the loan will be fully repaid within the maximum repayment period. The Servicer will always schedule the monthly payment at the minimum amount, unless a higher payment is required to meet the maximum repayment period.

To avoid default, the Servicer must offer monthly payments that are below the required minimum monthly payment amount as long as the loan will be fully repaid within the maximum repayment period.

f. Verification Certificates From Other Consolidation Lenders

The Servicer is responsible for completing, in accordance with federal regulations, Consolidation Verification Certificates that are received from other consolidating lenders for MHESLA's borrowers.

g. Due Diligence

The Servicer must provide its collection notices and letters (including the final demand letter) to the CCI or designee for submission to the guaranty agency for approval prior to use. When performing telephone due diligence, MHESLA requires the Servicer to allow the telephone to ring a minimum of six (6) times before determining the call will not be answered. The Servicer must provide at least one delinquency contact via e-mail to the borrower (if borrower has e-mail) and populate the servicing system with the most current borrower e-mail address. E-mail contact is in addition to telephone and mail due diligence.

h. Skip Tracing

The Servicer is responsible for skip tracing in the event mail is returned as undeliverable or they become aware of an invalid phone number for the borrower or endorser. Skip tracing activities must be done in accordance with federal regulations and the Common Manual.

When the Servicer locates the borrower or endorser, the Servicer must appropriately update the borrower's record indicating the source of the revised address and report the address change to the guaranty agency. All attempts to locate the borrower must be documented in the borrower's file or in the servicing history of the loan.

If the Servicer is unable to locate the borrower or endorser, the Servicer must request skip-tracing assistance from the guaranty agency.



i. School Notification of Delinquent Loans

If the guaranty agency notifies schools of delinquent loans on behalf of its lenders, the Servicer will not be responsible for this reporting requirement as required by the federal default regulations. However, if the guarantor discontinues this service or MHESLA acquires loans held by a guarantor who does not provide this service, the Servicer will be responsible for notifying schools of delinquent accounts per federal regulations on behalf of MHESLA.

j. Specialized Collection

MHESLA reserves the right to require the Servicer to provide for specialized collection efforts. The CCI or designee must approve in writing the subcontractor selected by the Servicer, if a subcontractor is needed. A change notice will be issued if specialized collection services are to be provided (See Section 2.024).

The CCI or designee will work with the Servicer to establish this process. Should this be required, MHESLA will pursue a contract change that would permit separate pricing to cover the Servicer's costs (See Section 2.024).

k. Deferment and Post-Deferment Grace Accumulators

The Servicer is required to maintain a deferment accumulator for each type of deferment, which reflects the total deferment period granted for that type of deferment. For those deferment types that have a maximum length, the Servicer will verify, based on past deferments granted, that the borrower qualifies for additional deferment before authorizing a new deferment. The Servicer must adjust the deferment accumulator for each deferment approved, rescinded, or terminated early.

For those borrowers who qualify for post-deferment grace, there must be an accumulator that identifies the total number of post-deferment grace months the borrower has received.

l. Deferment Documentation

The borrower must be notified in writing of the approval or denial and if appropriate, the reason for the denial. For denied deferment requests, the Servicer must retain a copy of the letter to the borrower explaining the reason for denial.

m. Discretionary Forbearance

The Servicer will promote use of discretionary forbearance to help cure delinquent loans. MHESLA's lender of last resort portfolio is a high-risk portfolio, and there are situations where forbearance might be the only repayment option available to a borrower to help them avoid default action.

During the forbearance review/approval process the Servicer must determine the total number of discretionary forbearance months granted to the borrower. Before the borrower is granted 60 months of discretionary forbearance the Servicer must advise the borrower to contact MHESLA for approval of any additional discretionary forbearance. MHESLA reserves the right to change this policy via a contract change notice (See Section 2.024).

n. Forbearance Accumulators

The Servicer is required to maintain a forbearance accumulator at the borrower level for each type of forbearance that reflects the total forbearance period granted for that type of forbearance. For those forbearance types that have a maximum length, the Servicer will verify the borrower qualifies prior to authorizing additional forbearance. The Servicer must adjust the forbearance accumulator for each forbearance approved, rescinded or terminated early.

o. Forbearance Form

If a federal form is not required, the Servicer's form must be approved by the CCI or designee and guaranty agency prior to use. It must allow for capitalization of interest that accrues and is still outstanding at the end of the forbearance period. If the Servicer does not have its own form or if the CCI or designee and/or guaranty agency do not approve the Servicer's form, the guaranty agency's form will be used. Verbal forbearance requests may be accepted, as allowed by federal regulations.



p. Processing Forbearance Requests

If the forbearance is approved, the Servicer must determine the appropriate length of forbearance based upon the borrower's circumstances. The borrower must be notified, in writing, of the approval or denial and, if appropriate the reason for denial.

The Servicer must retain forbearance forms that are approved or denied for reasons of ineligibility. For denied forbearance requests, the Servicer must also retain a copy of the letter to the borrower explaining the reason for denial. However, if the denial is because the form is incomplete, the Servicer does not need to retain the form and will return it to the borrower and enter a history comment of returned form.

q. Forbearance Payment Options

The Servicer will give the borrower the option to pay all or a portion of the interest that accrues. If the borrower initially chooses to pay the interest, but later decides not to, the Servicer must allow the borrower the option to change the payment method to capitalization in lieu of submitting the payment. If the borrower changes the payment option, the Servicer must then capitalize any interest outstanding at the end of the forbearance period.

r. Reporting to Credit Bureaus

On a monthly basis, the Servicer will report all borrowers to national credit bureaus in accordance with federal regulations. The initial report must be made when the loan is disbursed. Negative, past due reporting will be reflected when a borrower's loan becomes 60 days delinquent. Prior to 60 days delinquent, the loan will be reported as a current account. Monthly updates will be required until the loan is no longer outstanding.

In the event of MHESLA's repurchase of a defaulted account, the Servicer will file the necessary report or correction with the credit bureaus within five (5) days of the repurchase action.

s. Credit Bureau Disputes and Corrections

The Servicer will be responsible for reviewing and responding to credit bureau disputes filed by borrowers as a result of the Servicer's reporting of MHESLA's loans to the credit bureau(s). The Servicer must respond to such disputes within five (5) days of the Servicer's receipt of the dispute notice.

As a result of either a dispute investigation or direct contact by the borrower, if it is determined that a correction to the credit bureau(s) is in order, the Servicer must submit the correction within three (3) days of the Servicer's confirmation that the correction is in order.

t. Credit Verification Inquiries

Borrowers must authorize MHESLA to release credit information regarding their loans. Most credit inquiries request the borrower's beginning account balance and date that the account was opened, current balance, monthly payment amount, next payment amount, terms, any past due amount and a rating. The Servicer must respond to such authorized inquiries on behalf of MHESLA within five (5) days of the Servicer's receipt of the inquiry.

Servicer's Response to this Task:

a. General

The Servicer will comply with applicable federal and state requirements in converting a loan to repayment and in repayment processing

b. Combined Billing

The Servicer's system programming complies with this requirement.



c. Monthly Borrower Billing

Effective with all payments due July 1, 2009, and later, monthly billing statements are required on all FFELP loans per federal regulation. Current system programming will comply with this requirement.

d. Method of Payment

The Servicer's current processing procedures comply with this requirement.

e. Monthly Payment Amount

Current system programming assigns the lowest allowable monthly payment amount under standard repayment, unless a specific repayment plan has been requested by the borrower and approved (e.g., income-sensitive repayment, graduated repayment). The availability of these options is a regular part of the Servicer's delinquency counseling via letter, phone, and website.

f. Verification Certificates from Other Consolidation Lenders

The Servicer is able to comply with this requirement.

g. Due Diligence

Current due diligence letters satisfy all federal regulations, as well as additional delinquency counseling efforts. All letters are sent via email when a valid email address and permissions are received from a borrower. If a letter is returned as undeliverable, the email address is invalidated and the letter is re-generated via postal mail. Current telephone due diligence considers a call unanswered after 5 complete rings.

h. Skip Tracing

Skip tracing is currently only performed when a loan becomes delinquent and has an invalid mailing address or phone number. All skip tracing activities are recorded in the correspondence history, and all demographic changes are reported to guarantors through the Lender Manifest or Common Account Maintenance (CAM) processes. Currently, skip assistance requests (DAARs) are sent to guarantors only for an invalid address and only when a loan becomes >60 days delinquent. System enhancements would be required to comply with a different skip DAAR requirement.

i. School Notification of Delinquent Loans

The Servicer is amenable to discussing the need to implement this requirement if and when this situation arises.

j. Specialized Collection

The Servicer can provide specialized collection services for MHESLA, provided that the Servicer and MHESLA have agreed in advance as to the nature and scope of such services.

k. Deferment and Post-Deferment Grace Accumulators

Current system programming keeps a counter of months used by loan for each separate deferment type. System edits are in place to enforce maximum allowable time limit for which a loan is eligible to receive a specific type of deferment.

l. Deferment Documentation

Current processing and system programming comply with this requirement.



m. Discretionary Forbearance

Current processing complies with this requirement. The Servicer currently performs an exception review/approval process for all forbearance granted over 60 months. If MHESLA will provide criteria guidance, we can perform this function on your behalf.

n. Forbearance Accumulators

Current processing complies with this requirement. The Servicer currently performs an exception review/approval process for all forbearance granted over 60 months. If MHESLA will provide criteria guidance, we can perform this function on your behalf.

o. Forbearance Forms

Current processing complies with this requirement. All forbearance forms used meet federal requirements for disclosure of capitalized interest.

p. Processing Forbearance Requests

The Servicer's current processing complies with this requirement.

q. Forbearance Payment Options

Current processing complies with this requirement.

r. Reporting to Credit Bureaus

Current credit bureau processes report delinquency at 90 days past due. A weekly report identifies repurchased loans for credit bureau retractions to be processed.

s. Credit Verification Disputes and Corrections

Credit disputes received through the automated credit bureau process are resolved within 30 days. Credit disputes received directly from the borrower are worked within 5 days.

t. Credit Bureau Inquiries

The Servicer's current processing complies with this requirement.

### **TASK 8 - LOAN SERVICING: CLAIM PROCESSING**

a. General

The Servicer must determine if the borrower meets claim filing requirements according to federal statute and regulations. If the requirements are met, the Servicer must immediately file the appropriate claim with the guaranty agency, per the agency's instructions, and update the loan status to claim filed.

b. Claim Package

The Servicer must prepare and submit the claim package per instructions of the appropriate guaranty agency. Do not file a claim if the loan amount is below the guarantor claim allowance minimum. Instead, contact the CCI or designee for instructions.

c. Account Adjustment

Adjustments to the account that are required for the claim filing that will affect the balance on the Servicer's system requires written authorization from the CCI or designee prior to adjusting the system. This includes but is not limited to the removal of interest for uninsured periods and any reduction in the disbursed loan amount.



d. Incomplete Claims

If the guaranty agency returns the claim package because it is incomplete, the Servicer must immediately attempt to locate the missing document(s) internally. Within one (1) day, contact will be made with the CCI or designee and all outside agencies providing record retention for MHESLA, to initiate search for the document(s). If the document(s) are located, notice to cancel the search will be given to those agencies involved in the search. If the Servicer cannot locate the document(s) or fails to re-file the claim within federally required time frames, which results in a loss to MHESLA, the Servicer will be financially liable to reimburse MHESLA to the extent of its loss (See Section 2.243). The Servicer must compensate MHESLA for the amount of its loss within 60 days of notification from the State.

e. Payments Received After Claim Filed But Prior to Claim Purchase

The Servicer must maintain the loans which are in a claim filed status at the principal balance outstanding, as of the date the claim form was prepared. If the borrower subsequently makes payments, the Servicer must reject the payments from application to the borrower's loan. The Servicer must establish a control account for these rejected payments. On a daily basis, the Servicer will analyze payments in the control account to determine if claim withdrawal is appropriate.

f. Claim Withdrawal

If the Servicer, prior to claim payment posting, receives full payment of the delinquent amount or receives forms (forbearance, deferment, bankruptcy dismissal, etc.) which will bring the loan current or cancel the claim, the Servicer must withdraw the claim from the guaranty agency within 24 hours and fax the CCI or designee a daily listing of those accounts. The item(s) received must be applied to all applicable loans within ten (10) days of receipt.

g. Denied Claim

If the loan guarantee is lost because the guaranty agency denies the claim, the Servicer must attempt to cure the violation in compliance with federal regulations (See Section 1.022-A Task 9). The Servicer may not assess a cure fee if the claim denial is the result of a Servicer error.

h. Monitoring Claim Payments

The Servicer must monitor accounts to insure that the full claim payment is received. If the payment is not received within 90-120 days, the Servicer must notify the CCI or designee.

Servicer's Response to this Task:

a. General

The current processing policy complies with this requirement.

b. Claim Package

Current processing complies with this requirement. Any balances that are below the federally-allowed tolerance are written-off.

c. Account Adjustment

The Servicer has an established review/approval process for these types of write-offs. If MHESLA will provide criteria guidance, the Servicer can perform this function on their behalf.



d. Incomplete Claims

Current returned/rejected claim review timeframes comply with federal regulation for refiling a claim timely. The Servicer will not be liable to MHESLA with respect to missing documents relating to loans that were originated on a system other than the Servicer's system. In the event of a servicing error by the Servicer that results in a loss of the guarantee, The Servicer's liability to MHESLA for any loss suffered by MHESLA will be limited to the amount that the guarantor would have paid but for the loss of the guarantee in such event.

e. Payments Received After Claim Filed But Prior to Claim Purchase

Payments received after claim file are applied to the borrower's account and monitored to determine if claim recall is required. If claim recall is not warranted and the claim payment has been received, or the claim payment was received more than 30 days prior, the borrower payments are forwarded to the guarantor.

f. Claim Withdrawal

Current processing complies with this requirement. Notification of claim recall is sent to Guarantors

g. Denied Claim

The Servicer's processing policy complies with this requirement.

h. Monitoring Claim Payments

Current processing policy requires contact with the guarantors when claims are unpaid for >75 days.

**TASK 9 - LOAN SERVICING: CURE PROCESS FOR LOSS OF GUARANTEE**

a. General

This task refers to loans which the Servicer and/or MHESLA determine have lost guarantee due to improper servicing or loans which have had claims denied by the guaranty agency. This task identifies the Servicer's responsibility for cure processing.

b. Loss of Guarantee

On a monthly basis, the Servicer must notify the CCI or designee of loans which have lost guarantee. This includes loans for which a claim was denied by the guaranty agency and loans which the Servicer or the CCI or designee determined had lost guarantee and on which claims were not filed. In addition, the Servicer must have a method to track loans for which only a portion of the loan has lost guarantee and include these loans in the report to the CCI or designee (See Management Loan Servicing Report 11).

c. MHESLA Billing

The Servicer may bill a cure fee as identified in the pricing sheet (Appendix A) for cures successfully completed in accordance with this task (1.022-A Task 9). The Servicer may not charge MHESLA a cure fee or servicing fee for unguaranteed loans if the loss of guarantee is due to the Servicer's error.

d. Cure Procedures

If a cure is permissible or possible under the cure procedures as issued by the U.S. Department of Education, the Servicer is responsible to attempt to cure the violation(s).



e. Cure Attempt Time Limit

The Servicer must begin the cure process within ten (10) days of the claim denial notification or the Servicer's awareness that a violation has occurred. The Servicer has a maximum of twelve (12) months from the violation notification or awareness date to correct the violation. MHESLA cannot be charged for the cure process for any violations that are as a result of the Servicer's failure to comply with federal or guaranty agency requirements.

f. History Comment

When the violation occurs or is discovered, the Servicer will update the history for the effective date and type of violation. The Servicer will provide updates to the history of activity related to the cure process

g. Financial Liability

If the loss of guarantee is due to the Servicer's error and the Servicer is not successful in curing the violation within twelve (12) months, the Servicer will be financially liable to reimburse MHESLA at the end of the allowed cure period (See Section 2.243). Reimbursement must be within 60 days for the outstanding principal and interest on the loan, plus any lost federal interest benefits or special allowance, if applicable, through the date of the Servicer's payment to MHESLA. Situations requiring reimbursement to MHESLA include, but are not limited to, those described below:

- (1) Violations, not cured within MHESLA's specified time period (See Section 1.022-A Task 9e), that would result in a denied claim if filed with the guaranty agency.
- (2) Denied claim that is not cured within MHESLA's specified time period (See Section 1.022-A Task 9e).
- (3) Loss of guarantee for which there is no cure. When there is no cure available, there is no cure time period and the Servicer must reimburse MHESLA within 60 days.
- (4) Returned claims that are deficient in documentation which the Servicer cannot locate nor has acceptable copies.

In addition, for claims resubmitted after cure, the Servicer will be responsible for payment of special allowance and interest which the guaranty agency will not cover in its claim payment to MHESLA and which was lost as a result of the violation(s) (See Section 2.243). The Servicer must compensate MHESLA for the amount of its loss within 60 days of notification from the State.

h. Assignment of Note

If the Servicer becomes liable for total payment of the loan to MHESLA, MHESLA will assign the promissory note to the eligible lender designated by the Servicer upon receipt of payment.

i. Deletion of Accounts

In those cases where MHESLA assigns the promissory note to the Servicer's lender in accordance with this task (Section 1.022-A Task 9), the Servicer must, within three (3) days of receipt of the assigned note, delete the loan from MHESLA's portfolio.

Servicer's Response to this Task:

a. General

This task refers to loans for which the guaranty agency has denied a claim, and is not dependent on any determination by either the Servicer or MHESLA.

b. Loss of Guarantee

This information is included as part of the monthly reporting package to lenders.



## c. MHESLA Billing

The Servicer will bill a cure fee as set forth on Appendix A for cures successfully completed in accordance with this task.

## d. Cure Procedures

The Servicer is able to comply with this requirement

## e. Cure Attempt Time Limit

The Servicer's current processing policies comply with this requirement.

## f. History Comment

The Servicer's current processing policies comply with this requirement.

## g. Financial Liability

In the event of a servicing error by the Servicer that results in a loss of the guarantee, The Servicer's liability to MHESLA for any loss suffered by MHESLA will be limited to the amount that the guarantor would have paid but for the loss of the guarantee in such event.

## h. Assignment of Notes

In the event of that the Servicer is liable to MHESLA for any loss suffered by MHESLA as the result of the loss of the guarantee due to the Servicer's servicing error, MHESLA will assign the promissory note to the eligible lender designated by the Servicer upon receipt of payment.

## i. Deletion of Accounts

The Servicer complies with this requirement.

**TASK 10 - LOAN SERVICING: APPLICATION OF PAYMENTS**a. General

The Servicer must record and apply all payments received to the borrowers' loans. Those payments which are received by the State will be forwarded to the Servicer for application to the borrower's loan.

b. Payments Received

Each business day, all payments are to be microfilmed, imaged or copied in another format approved in writing by the CCI or designee. The payments must be deposited on the date of their receipt.

c. Payment Review/Borrower Notification

The Servicer must either (1) notify the borrower, in accordance with federal statute, where communications concerning disputed debts are to be sent or (2) review the payment document to determine if it contains any qualifying language that would restrict the MHESLA's enforcement of the promissory note and applicable federal statute and regulations. If a notification regarding disputed debts is not provided to the borrower, payment documents containing qualifying language must not be accepted and must be returned to the payee with a letter explaining the reason for return.

The Servicer is responsible for reviewing any correspondence received with the payment for directions from the payee as to the application of the payment and/or for questions the payee may have included with the payment.



d. Date of Payments

The Servicer must apply payments to the loan record within three (3) days of the Servicer's receipt of the payment effective as of the date of receipt. The effective date of the payment must be the date the Servicer, incumbent Servicer or the State received the payment.

e. Application of Borrower Payments

Payments must be proportionately applied to the outstanding loans contained within the borrower's account and deposited in the appropriate fund account(s) based on the proportionate amount applied to the loan(s).

f. Payments and Refunds Received by the State

The Servicer will devise and make available a transmittal form which MHESLA will use in transmitting payments or refunds received by the State to the Servicer. The transmittal form must include loan identification, the type of payment (regular payment, refund, claim payment, etc.) and the date the payment was received by the State. The Servicer will apply the payment or refund submitted by the State to the loan record within five (5) days of receipt of MHESLA's transmittal.

Payments received by the State, but made payable to the Servicer, will be forwarded to the Servicer for processing.

g. Late Charges and Collection Costs

MHESLA currently does not assess late charges or collection costs. However, MHESLA reserves the right to implement late charges or collection costs through the duration of this contract. If MHESLA should take such action, the State will notify the Servicer, via a change notice, 90 days prior to implementation (See Section 2.024).

h. Non-Sufficient Funds (NSF) Check

If a check is returned as NSF, the Servicer must within 24 hours of receipt of the returned check, resubmit the check for payment. No adjustment of the account is necessary at that time. If the check is accepted for payment after the second submission there is no further processing required by the Servicer. If the check is refused the second time, the Servicer must back out the payment and resume due diligence as though the payment had not been received. This maintenance must occur within three (3) days of the Servicer's receipt of the second refusal. The Servicer will enter a history comment regarding the NSF check which includes the check number. The Servicer must return the refused check to the borrower and request replacement of the payment.

i. Overpayments of \$5 or More

If the account is overpaid by the borrower, the Servicer must wait at least 30 days to ensure the check was accepted for payment by the financial institution on which it was drawn and then return the overpayment to the borrower. The refund check must be mailed no later than 60 days after the overpayment occurred.

j. Account Balances of \$25 or Less

The Servicer must write off the balance remaining on an account 30 days after the final billing statement has been sent if the balance (principal and interest) is \$25 or less. The CCI or designee must be notified in writing of each account that is written off.

k. Claim Payments

Currently, the Michigan Guaranty Agency (MGA) sends claim payments to MHESLA and MHESLA transmits the payments to the Servicer. This process is done to facilitate immediate repurchase of accounts brought current for which a claim recall could not be performed prior to guaranty agency purchase. However, MHESLA reserves the right to change this procedure and notice will be provided via a contract change notice (See Section 2.024). When a guarantor other than MGA is involved, the claim payments will be transmitted directly to the Servicer for processing.



If, after application of the claim payment, a balance (principal and interest) of \$50 or less remains, it may be written off. If the balance is more than \$50, the Servicer must evaluate the reason for the claim underpayment (e.g., calculation error, interest penalty, interest deduction) and, if appropriate, submit a request for supplemental claim payment within 30 days of receipt of the claim payment. The Servicer must notify the CCI or designee of all requests for supplemental claim payment and amounts written off. All over/under payments must be reported to the CCI or designee.

I. Monthly Servicing Fees

Monthly servicing fees may be charged no more than 90 days after the Servicer's receipt date of full payment, full cancel, full refund, or guarantee removal notice.

Servicer's Response to this Task:

a. General

The Servicer is able to comply with this requirement.

b. Payments Received

The Servicer is able to comply with this requirement.

c. Payment Review/Borrower Notification

The Servicer's processing and system programming comply with this requirement.

d. Date of Payments

The Servicer complies with this requirement.

e. Application of borrower payments

The Servicer complies with this requirement.

f. Payments and Refunds Received by the State

The Servicer complies with this requirement.

g. Late Charges and Collection Costs

The Servicer will first need to obtain specifics from MHESLA as to the specific amount/percentage of the late charge to ensure that our system can support this requirement.

h. Non-Sufficient Funds (NSF) Checks

All payments, including checks, are represented for payment within 24 hours of receipt. If a check is refused the second time, the payment is reversed within 3 business days of receipt, a correspondence message is entered on the account, and a notification letter of the returned item is sent to the borrower. A check number is not entered in the history message. The notification letter includes the amount of the returned item as well as the reason it was returned. Due to electronic processing and depositing of payments, the actual checks or images are not returned to the borrower; however, the check number and image are easily obtainable upon request.

i. Overpayment of \$5 or more

The Servicer complies with this requirement.



j. Account Balances of \$25 or Less

Currently, balances of less than \$50 are systematically written-off. Reporting of write-offs should be included as part of the monthly lender reporting package.

k. Claim Payments

Current underpaid claim review timeframes comply with federal regulation for filing a supplemental claim timely. Reporting of claim information and write-offs should be included as part of the monthly lender reporting package.

l. Monthly Servicing Fees

The Servicer complies with this request.

**TASK 11 - LOAN SERVICING: PAID-IN-FULL PROCESSING**

a. General

The Servicer will perform paid-in-full processing when the borrower's payment or a payment made on behalf of the borrower (excluding default claim payments) results in the loan being paid-in-full.

b. Loan Status and Bond Funding Source Identifier

The Servicer must update the loan's status to paid-in-full and retain the bond funding source identifier so both are viewable on-line by MHESLA.

c. Processing Time

The Servicer must hold any paid-in-full action for 30 days to insure that the check is accepted for payment. After the 30 day period has expired, the Servicer must process the loan as a paid-in-full within 15 days.

d. Note Processing

Two options exist for paid-in-full processing. The Servicer may choose either option below and notify CCI or designee of preferred option:

- (1) The Servicer will mark the original promissory note(s) as "Paid" and return it to the borrower. A copy of the promissory note(s) marked "Paid" must be retained in the borrower's file.
- (2) The Servicer will inform the borrower that the "Paid" promissory note is available upon request when notifying the borrower of the paid-in-full status. If the borrower requests the promissory note(s), a copy of the promissory note(s) marked "Paid" must be retained in the borrower's file.

Servicer's Response to this Task:

a. General

The Servicer is able to comply with this requirement.

b. Loan Status and Bond Funding Source Identifier

MHESLA will need to provide additional information as to what the bond funding source identifier is, following which we will work with MHESLA to attempt to comply with this requirement.



c. Processing Time

The Servicer can comply with this requirement.

d. Note Processing

The Servicer is able to comply with Option #2 provided by MHESLA.

**TASK 12 - LOAN SERVICING: SECONDARY MARKET LOAN SUPPORT**

a. General

MHESLA operates a secondary market that purchases FFELP loans made by other student loan lenders. This assists both students and lending institutions. By purchasing a lender's student loans, new capital is provided to the lender allowing the lender to make more student loans, which is of help to students. The Servicer must provide support for the secondary market operation as identified below.

b. Lender Marketing and Contracts

MHESLA will be responsible for marketing, negotiating and executing the State Secondary Market agreements with participating and potential lenders. It is desirable for the Servicer to provide an experienced marketing representative approved in writing by the CCI or designee to visit existing and potential clients upon the request of the CCI or designee. MHESLA may elect to reimburse actual travel expenses incurred (at current State travel rates).

c. Loans Eligible for Purchase

MHESLA will purchase loans in in-school, grace and repayment status. However, loans in repayment status must meet additional criteria regarding delinquency based on criteria identified by the CCI or designee.

d. Instructions for Purchase

The CCI or designee, in conjunction with the Servicer, will instruct lenders in the procedures to be followed in the loan purchase process whether the loans are currently serviced by the lender (manual conversions) or the Servicer (transfer conversions). The Servicer will provide to the CCI or designee any and all of the information requested by the CCI or designee to facilitate the conversion process. The information will be provided on forms approved by the CCI or designee. The forms may need to be revised periodically at the request of the CCI or designee, and the Servicer must be able to accommodate these revisions.

e. Packaging for Manual Sale Conversions

MHESLA reserves the right to negotiate the sale based on the Servicer's preparation of the loans to be sold. The Servicer must provide a sufficient number of personnel to travel to the lender's location to perform this function in a time frame agreed to by the Servicer, lender and CCI or designee. The Servicer will perform the functions needed to prepare the loans for transfer. This includes, but is not limited to, document verification, copying, securing account histories, completion of necessary forms, packaging files for transfer, etc. It is understood, however, that the lender may not allow the Servicer access to certain restricted areas and/or materials that are needed for the sale. In that case, the lender will be responsible for providing these materials to the Servicer to complete the packaging process. The inspection must commence and be completed within a time frame agreed to by the CCI or designee. Prior to any commitment to purchase loans under this condition, the CCI or designee will discuss the proposed sale with the Servicer for scheduling purposes.



MHESLA will reimburse the Servicer travel and lodging costs at State travel rates (current travel rates will be provided by the CCI or designee prior to any commitment) or a packaging fee of \$1,000, whichever is higher. This fee is for the packaging done by the Servicer to prepare the loan files for transfer to the Servicer's location. The fee for packaging is identified on the pricing sheet (Appendix A).

f. Receipt of Loans to be Converted onto the System Manually

Upon receipt of the loans from the lender, the Servicer will notify the lender and CCI or designee within 24 hours of receipt that the loans have arrived. This notification will inform the lender if there are any boxes expected that did not arrive. Therefore, the Servicer must have reviewed the boxes received to determine if there are any missing prior to acknowledging receipt of the loans to the lender.

g. Inspection of Documents for Manual and Transfer Conversions

The Servicer will be responsible for inspecting documents based on criteria provided by the CCI or designee. The criteria may be revised periodically and the Servicer must be able to accommodate these revisions. The core documents to be reviewed are the application, promissory note, guarantee, and proof of disbursement. The Servicer must notify the CCI or designee of loans that do not meet the criteria.

If the Servicer fails to correctly perform the document inspection as required in Section 1.022-A Task 12g resulting in a financial loss to MHESLA, the Servicer will be liable to reimburse MHESLA in the amount of its loss (See Section 2.243). The Servicer must compensate MHESLA for the amount of its loss within 60 days of notification from the State.

At MHESLA's discretion, MHESLA may recourse the loans to the lender. The Servicer may be required to provide documentation as specified by the CCI or designee for the purposes of recouping loans to the lender.

The Servicer must verify that the total of the loans to be converted equal the number and amount of loans submitted by the selling lender.

h. Sale and Conversion of Loans to the System

The Servicer will be responsible for processing the sales and converting the loans purchased to the Servicer's loan servicing system for manual conversions or transferring the loans from the lender to MHESLA for transfer conversions. Fees for conversion or transfer are identified on the pricing sheet (Appendix A). The Servicer will process sales on a schedule mutually agreed upon with the CCI or designee.

i. Sale Amounts

By 9:30 a.m. EST/EDT on the day following completion of a transfer conversion, the Servicer must notify MHESLA's fiscal unit by facsimile or e-mail and copy MHESLA's secondary market (to be identified by the CCI or designee) the number of loans purchased, the number of unduplicated borrowers included, the number of months the loans have been serviced and the breakdown of the amount of principal and interest purchased. The sale information must also be broken down by loan status (i.e. in-school, grace and repayment), loan type (i.e. Subsidized Federal Stafford, Unsubsidized Federal Stafford, Federal SLS, Federal PLUS and Federal Consolidation Loans), the loan category (i.e. first disbursement on or before a certain date or first disbursement on or after a certain date) and sorted by funding source.

The sale information may be revised periodically and the Servicer must be able to accommodate these revisions. This breakdown is necessary to accommodate MHESLA reporting needs and must be in a format approved by the CCI or designee. The data provided will be used by MHESLA to determine the amount of funds to be wired to the selling lender.

Sale amounts for manual conversions will be determined by MHESLA when MHESLA performs the packaging or by the Servicer when they perform the packaging. The Servicer will provide, to the CCI or designee, the same information as a transfer conversion upon their review of the loans and conversion to their servicing system.



j. Reconciliation

The day after all conversions, the Servicer must forward to the lender a report identifying the loans that have been purchased. The information on this report must include, but is not limited to, the date of the sale, the borrower's name and social security number, each loan purchased per borrower with a breakdown of principal and interest, plus a total amount purchased per borrower and total amount purchased per sale. The lender will use this report to reconcile our sale records to their account records. Additionally, a hard copy of this report must be forwarded to the CCI or designee within five (5) days.

k. Processing of Loan Activity After Sale (manual conversions only)

The Servicer will provide the lender with a supply of forms to record payment, cancellation and refund information. The lender will forward to the Servicer all materials received on the loans sold. Upon receipt, the Servicer will process these materials within five (5) days updating the loans as appropriate.

l. Exception Loans

The Servicer will review the exception loans with the CCI or designee. MHESLA will assume liability for the purchase of the loan(s), but the Servicer retains liability for proper servicing once the loan is converted to the Servicer's system.

The Servicer must inform the CCI or designee in writing of the exception loans and provide detailed reasons for the exceptions. The Servicer will provide this information within five (5) days of the file review completion.

m. Resolution of Exception Loans

The Servicer will discuss all exception loans with the CCI or designee to determine if MHESLA will be able to resolve the exception issue or if it is better to be resolved by the Servicer. The Servicer will reflect in the borrower's history the receipt of missing documents or other actions, which resolve the exception issue.

n. Servicing of the Loans

The Servicer will be responsible for the servicing of all purchased loans regardless of the status of the loan at the time of purchase by MHESLA.

o. Notification to the Borrower (manual conversions only)

The Servicer must notify the borrower within ten (10) days of conversion to their system that the loan has been purchased by MHESLA's secondary market. These borrower notifications must comply with federal statutes, rules and regulations.

p. Guaranty Agency Reporting

The Servicer must notify the appropriate guaranty agency of the purchase in accordance with the guarantor's requirements.

Servicer's Response to this Task:

If MHESLA resumes its secondary market activities, the Servicer is prepared to have follow-up discussions with MHESLA in an effort to reach agreement on all necessary secondary market support.

### **TASK 13 - LOAN SERVICING: REPURCHASES**

a. General

Repurchases refer to loans which MHESLA repurchases from the guaranty agency after the guaranty agency has paid a claim to the previous holder of the loan, which may or may not have been MHESLA.



b. Default Repurchases

The Servicer will perform repurchases on those accounts identified by the CCI or designee. Assessment to repurchase a loan(s) paid by claim will be performed by the Servicer, in accordance with MHESLA's criteria to be provided by the CCI or designee.

c. Rehabilitation Repurchases

MHESLA serves as a rehabilitation lender for the guaranty agencies.

Notification will be received from the guaranty agency informing the Servicer of the defaulted borrower and the loan(s) that qualify to be rehabilitated. File documentation and data elements needed to create an account record for the borrower will be provided by the guaranty agency.

d. Borrower Documentation to Support Repurchase

The Servicer will be responsible for securing and retaining documentation from the borrower required to complete repurchase of the loan.

e. Guaranty Agency Documentation

The Servicer will verify that the documentation and data elements needed to establish an account for the borrower have been received. If there are any documents or data elements missing, the Servicer will contact the appropriate party directly to request missing information.

The Servicer must ensure that the loan collateral is received from the guaranty agency and has been assigned to MHESLA.

f. Funding Source

The CCI or designee will assign the funding source for the repurchased loans, which the Servicer will enter in the loan record.

g. Account Payment to the Guaranty Agency

Once the Servicer has the documentation/data elements necessary for MHESLA to repurchase the loan(s) and has received the correct principal and interest amounts from the guaranty agency, the Servicer will notify the CCI or designee of the borrowers name(s), loan(s), social security number(s), and the payoff amount(s) involved. Upon receipt of this information, MHESLA will reimburse the guaranty agency for the loan(s).

Servicer's Response to this Task:

a. General

The Servicer will support the servicing of loans repurchased by MHESLA from a guaranty agency only if the loans are already being serviced on the Servicer's system at the time of repurchase. All responses to this task are qualified by this limitation.

b. Default Repurchases

The Servicer will support the servicing of loans repurchased by MHESLA from a guaranty agency only if the loans are already being serviced on the Servicer's system at the time of repurchase.



c. Rehabilitation Repurchases

The Servicer will support the servicing of loans repurchased by MHESLA from a guaranty agency only if the loans are already being serviced on the Servicer’s system at the time of repurchase. The Servicer will work with MHESLA to determine the specific rehabilitation processes to be implemented.

d. Borrower Documentation to Support Repurchase

The Servicer will work with MHESLA to determine its specific needs here.

e. Guaranty Agency Documentation

The Servicer complies with this requirement.

f. Funding Source

The Servicer will work with MHESLA to support this requirement.

g. Account Payment to the Guaranty Agency

The Servicer is able to comply with this requirement.

**TASK 14 - LOAN SERVICING: FINANCIAL AND MANAGEMENT REPORT REQUIREMENTS**

a. General

The Servicer shall provide MHESLA financial reports (See Section 1.042) which MHESLA will use to account for its loan portfolio in both the origination and servicing of the loans. The Servicer must prepare reports and reconciliation of all transactions affecting student loan accounts. Transaction categories must include, but are not limited to, cash payments, non-cash payments, loan disbursements, loan reductions and cancellations, and possible assignment of loans to new funding sources resulting in funding source code changes. The Servicer is responsible for preparing any special accounting reports which the Servicer and the CCI or designee mutually agree are necessary to reconcile Servicer and MHESLA accounting records at no additional cost to MHESLA.

The Servicer will also provide MHESLA with management reports necessary to monitor the Servicer's performance in administering MHESLA's portfolio in accordance with this contract. The management reports required are identified in Section 1.022-A Task 14g.

The Servicer will maintain appropriate records to support the reporting needs of MHESLA and other funding transaction participants to whom MHESLA must provide portfolio data.

b. Funding Source Listing

MHESLA's loans are funded primarily through the sale of bonds and notes. The following list identifies the funding sources in MHESLA's current portfolio. MHESLA reserves the right to change fund sources.

<u>Fund Source</u>	<u>Fund Source</u>
Operating Funds	XVII-C
XII-A & B	XVII-F & H1-2
XII-M & N	XVII-H3-6
XII-P	XVII-J
XII-Q	XVII-K
XII-R	XVII-L1
XII-S	XVII-L2
XII-T	XVII-M & N



XII-U	XVII-01
XII-V & W	XVIII-02
XII-Z1	20
XII-Z2-3	21A

As specified, report data must be broken down and identified by funding source (See Section 1.042-A).

Although the same code may be used for both Subsidized and Unsubsidized Federal Stafford Loans, some reports (See Section 1.042-A) require this loan data to be separated.

c. Reporting Method

The Servicer will provide reports electronically in a method and format that is acceptable to MHESLA, such as e-mail, the Internet, or computer disk that would allow for electronic storage and would work with the Servicer to accomplish this (See Section 2.271 and Appendix C). However, if an electronic method is not possible, MHESLA will accept reports on paper.

d. Timeliness

The Servicer must submit required reports to MHESLA within seven (7) days of the report period close date (weekly, monthly, quarterly, etc.) unless otherwise agreed to by the CCI or designee and the Servicer.

The Servicer's failure to meet processing or reporting deadlines for a 60-day period can result in financial penalties to the Servicer and/or termination of this contract (See Section 2.243).

e. Report Formats

MHESLA will specify the data elements required in each report in a method and format that is acceptable to MHESLA.

All reports must have a header at the top of each page of the report. The header must include the following data unless specified otherwise by the CCI or designee: Servicer's name, "MHESLA", report title, section title and funding source, if applicable, report period covered (to-from, end date, month/year, etc.), page number, and run date. All dates must be shown in month, day, year format (MM/DD/CCYY). The report data elements, section breakdowns and summary data are identified within each report description.

For each report, the Servicer will submit a summary page even if there is no activity during the report period to ensure all reports are received. The header of the summary page, for reports for which no activity occurred, must include all header information required above.

Subsidized Federal Stafford Loans must be reported separately from Unsubsidized or Non-Subsidized Federal Stafford Loans.

All management reports must be separated by guarantor.

There may be times when MHESLA requires a change to the format or content of one or more of MHESLA's reports. In these situations, the Servicer must accommodate MHESLA's needs. The CCI or designee will provide written notification to the Servicer of required changes.

f. Ad Hoc Reports

There will be times when the CCI or designee will require a one-time report or wish to receive a new report on a regular basis. These reports may be for use by the schools MHESLA's borrowers are attending or by MHESLA. In these situations, the Servicer must accommodate MHESLA's needs. The CCI or designee will work closely with the Servicer to identify report parameters, such as data elements, sort, time period, frequency, etc. The Servicer may bill MHESLA for these reports at the price identified on the pricing sheets (See Appendix A).



The Servicer is required to provide MHESLA with the ability to create and print out customized reports at MHESLA's site using the loan data from the Servicer's system. Materials, including software (in accordance with Section 2.271 and Appendix C), necessary to accomplish this along with training, if necessary, must be provided by the Servicer at no additional cost to MHESLA. This will allow MHESLA to create one-time reports at will, without Servicer involvement, when specific information or statistical data is needed. If report or data access via the Servicer's site is not accessible or readable by MHESLA, the Servicer must provide the reports to MHESLA at no cost, upon the CCI or designee's request.

g. Reports

Six different types of reports occur. Respectively, there are four (4) Management Loan Origination Reports, 17 Management Loan Servicing Reports, three (3) Management Loan Consolidation Reports, two (2) State Secondary Market Loan Management Reports, 18 Financial Reports, and two (2) School Reports (See Section 1.042-A).

Servicer's Response to this Task:

a. General

The Servicer provides this information to MHESLA via Document-Direct for the Internet. This info is part of the standard lender reporting information made available.

b. Funding Source Listing

Bonds are segregated on the CLASS system by branch codes.

c. Reporting Method

The Servicer provides reports to its lenders via internet, e-mail and production file exchange.

d. Timeliness

The Servicer is able to deliver reports to MHESLA within the requested timeframes.

e. Report Formats

MHESLA has access to view origination and servicing reports as well as access to OpenNet which allows the creating of custom reports. If these tools do not meet MHESLA's needs, SAS reporting is available with an associated fee. In addition, MHESLA receives the Gold file that allows them to create custom reports.

f. Ad Hoc Reports

MHESLA has access to view origination and servicing reports as well as access to OpenNet which allows the creating of custom reports. If these tools do not meet MHESLA's needs, SAS reporting is available with an associated fee. In addition, MHESLA receives the Gold file that allows them to create custom reports.

g. Reports

The Servicer has provided a response and related comments for each FFELP report that MHESLA is requesting. These appear in the "Servicer Response" reply box at the end of the FFELP report listing.

**TASK 15 - LOAN SERVICING: AUDIT AND PROGRAM REVIEW REQUIREMENTS**a. General

The Servicer shall make portfolio information, borrower records, and Servicer compliance information available for review by MHESLA and/or the State's auditors, as well as by federal regulatory agencies' auditors.

b. Audits and Program Reviews

The Servicer must cooperate fully with respect to program reviews and audits conducted on MHESLA's portfolio. The review/audit may be performed at the Servicer's site or off-site. The Servicer must provide the reviewers/auditors with access to the Servicer's system, either through on-line inquiry or paper copies of screens, whichever method is preferred by the reviewers/auditors. The Servicer must provide all loan data and documentation requested by the reviewers/auditors including the borrower's physical file. The Servicer cannot charge MHESLA for its internal costs associated with a program review or audit, such as staff time, audit tapes, computer usage, copies made, etc.

c. Borrower Records

The Servicer must provide portfolio data on media, approved by the CCI or designee, containing data on all loans in MHESLA's portfolios through the State's fiscal year end (September 30) to the State's financial auditors (to be identified by the CCI or designee). This must be done within fifteen (15) days of the end of the State's fiscal year or other cutoff date identified by the CCI or designee at no cost to MHESLA. In addition, a written file layout of the tape including reference name, data description, beginning and ending relative positions, length in bytes, picture and type must be provided. Specific information needs as well as timeframes and written permission to release the information will be provided by the CCI or designee.

d. Servicer Information

Copies of financial and compliance audits of the Servicer shall be provided to MHESLA with permission to release that information to the State's auditors or as required by regulatory agencies. In addition, information about the Servicer's operations must be provided as requested by the CCI or designee to be used by the credit enhancers and rating agencies of the State's bond issues or other capital formation activities.

e. Portfolio Analysis

Periodically, MHESLA will need to review its portfolio for various analyses. Upon request, the Servicer must provide a master file record on media approved by the CCI or designee. File layout information including reference name, data description, beginning and ending relative positions, length in bytes, picture and type must be provided. The Servicer may bill MHESLA for these tapes/media at the price identified in the pricing sheets (See Appendix A).

f. Servicer Financial Statements

The Servicer will provide MHESLA with their financial statements at the Servicer's fiscal year end or upon request by the CCI or designee, and the Servicer shall provide MHESLA permission to release the financial statements to the State's auditors, and credit enhancers and rating agencies of the State's bond issues or other capital formation activities. The financial statements must include an income statement, balance sheet, and statement of cash flow.

## Servicer's Response to this Task:

The Servicer will work with MHESLA and its auditors and regulators in performing the following audits and inspections:



(A) Operational Audits. Upon reasonable notice from MHESLA, and subject to the Servicer's reasonable security requirements, reimbursement to the Servicer of reasonable costs and charges (including, without limitation, charges for time spent cooperating with MHESLA), and the remainder of this section, The Servicer will provide to MHESLA (and MHESLA's internal and external auditors, inspectors, and other representatives that MHESLA may designate from time to time) access at reasonable hours to the Servicer's personnel, to the facilities at or from which services are then being provided, and to the Servicer's records and other pertinent information, to enable such auditors to perform an audit of the services and other obligations performed by the Servicer pursuant to the servicing agreement. Such access will be provided for the purpose of performing audits and inspections of the Servicer and its businesses and to examine the Servicer's performance of the services performed by the Servicer pursuant to the servicing agreement, including: (i) verifying the integrity of the Servicer's data; (ii) examining the systems that process, store, support and transmit such data; (iii) examining the controls (e.g., organizational controls, input/output controls, system modification controls, processing controls, system design controls and access controls) and the security, disaster recovery and back-up practices and procedures including compliance with the disaster recovery and business continuity plan; (iv) examining the controls, practices, and procedures relating to the handling of customer information and consumer information; (v) examining the Servicer's measurement, monitoring, and management tools; and (vi) enabling MHESLA to meet applicable legal, regulatory, and contractual requirements. Subject to MHESLA's reimbursement of reasonable costs and charges as described above, the Servicer will provide any assistance reasonably requested by MHESLA or its designee in conducting any such audit. In connection with all such audits, MHESLA acknowledges that (I) the answers or information the Servicer provides may be limited or presented in a controlled environment when reasonably necessary to protect the Servicer's information security and privileged and confidential material, and (II) in no event will the Servicer permit such auditors to install audit or monitoring software, utilities, or tools on the Servicer's systems.

(B) MHESLA Oversight of the Servicer. The Servicer acknowledges that pursuant to applicable legal or regulatory requirements, MHESLA is required to engage in ongoing oversight of its relationship with the Servicer including, but not limited to, reviewing the Servicer's financial condition, compliance with privacy laws and regulations, insurance coverage, and performance under the servicing agreement. Subject to (i) MHESLA's payment of costs and charges as set forth in paragraph (A) above, and (ii) the other limitations set forth in paragraph (A) above, the Servicer will cooperate with MHESLA in monitoring the Servicer and its performance under the servicing agreement, and will provide MHESLA with updated information as is reasonably requested by MHESLA consistent with the other provisions of the servicing agreement.

(C) Cooperation with MHESLA's Regulatory Audits; Follow-Up. The Servicer understands and acknowledges that the services performed by the Servicer under the servicing agreement may be subject to examination by the MHESLA's federal regulators. The Servicer will fully cooperate with any audit(s) conducted by U.S. federal agencies having regulatory authority over MHESLA. MHESLA will pay the Servicer its reasonable costs and charges in connection with such audit (including, without limitation, charges for time spent cooperating with such audit). If any audit report establishes that the Servicer's performance of the services performed under the servicing agreement is not in compliance with the terms of the servicing agreement, The Servicer will improve its performance to the level required by the servicing agreement within a reasonable timeframe and will submit to MHESLA a plan that outlines target completion dates for any such improvements that are to occur more than thirty (30) days subsequent to the Servicer's receipt of the relevant audit report.

(D) Lender-Servicer Audit. The Servicer will cause a firm of independent public accountants to furnish to MHESLA, generally on or before March 31 of each year, an annual Lender-Servicer Audit Report relating to the previous twelve (12) months ending December 31 of the Servicer's administration of the FFELP as prescribed in Section 487(c)(1)(C) of the Higher Education Act and 34 CFR 682.416(e) of the regulations promulgated thereunder. Such audit will be in compliance with the U.S. Department of Education's audit guide "Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program." For each such report that is provided to MHESLA, MHESLA will pay the Servicer the charge set forth on Appendix A for providing copies of such audit report.



(E) SAS 70 Audit. The Servicer will engage in the third quarter of each year, at its expense, an unrelated AICPA certified public accounting firm to conduct reviews of the Servicer's general controls and practices associated with the Servicer's facilities and procedures in accordance with the Servicer's past practice. The scope of the audit will include all such matters as the Servicer's auditor deems necessary or required to meet regulatory compliance standards. Such reviews will be performed at such frequency and times as the Servicer will determine, but will be performed at least once annually. The Servicer will provide MHESLA with a copy of each report annually. All such reviews will comply with AICPA SAS 70 standards, and the reports obtained will be of the type generally referred to (depending on the publication) as either type "2" or "B", which includes an opinion on the operating effectiveness of the Servicer's controls. If a SAS 70 audit reveals that the services provided by the Servicer are materially deficient as determined by such auditor, then the Servicer will provide such further services as are necessary to bring its operations into conformance with the auditor's recommendations, at no cost to MHESLA.

(F) Financial and Other Information. In the event that the Servicer no longer publicly files its annual and quarterly financial information with the SEC, The Servicer agrees to respond promptly to MHESLA's reasonable requests for annual and quarterly financial statements.

### **TASK 16 - LOAN SERVICING: DECONVERSION TO ANOTHER SERVICER**

For purposes of this contract, deconversion refers to the removal and transfer of MHESLA's student loan portfolio records, including all system files, electronic data files, data and information in electronic or hardcopy format and hardcopy files and documents, by the incumbent Servicer to the incoming Servicer.

#### **a. Time Frame for Conversion**

The incumbent Servicer must provide transmission/media format of loan data within one day of request from the CCI or designee.

The incumbent Servicer must develop "dummy" data in the identified transmission/media format for purposes of testing on the incoming Servicers system. The "dummy" data must contain data for all fields/records to be transmitted to the incoming Servicer. The dummy data must be transmitted to the incoming Servicer within two weeks of request from the CCI or designee.

The CCI or designee will notify the incumbent Servicer upon completion of testing. The incumbent Servicer will then have a maximum of 30 days to transmit/send all "live" student loan data to the incoming Servicer. The CCI or designee must be notified at least three days prior to any transmission of "live" data to the incoming Servicer.

The incoming Servicer must resolve any discrepancies/errors that may occur on the incoming Servicers system during testing of both the "dummy" and "live" data. This may include contact with the incumbent Servicer. The incumbent Servicer must respond to any communication from the incoming Servicer within one business day.

#### **b. Incumbent Servicer Support**

The incumbent Servicer must provide sufficient personnel with appropriate expertise to accomplish the conversion as required in this task.

Once all loan data (electronic and hard copy/imaged) is transferred to the incoming Servicer, the incumbent Servicer must process loans according to the requirements of the contract until notified by the CCI or designee. Upon notification from the CCI or designee, the incumbent Servicer will be required to process loans only according to this task (Section 1.022-A Task 16).

#### **c. Loan Data Records (Actively Servicing)**

The incumbent Servicer must transfer all loan data records for MHESLA's loans contained on their system to the incoming Servicer during deconversion. This includes, but is not limited to, the borrower's personal data, account data, loan level data, electronic record data history records, name cross reference data, etc.



The incoming Servicer will be required to accept the records in the media and file format identified by the incumbent Servicer.

d. Hard Copy Loan Documents (Actively Servicing)

If hard copy documents are imaged into an electronic format, the Servicer may forward the imaged copies to the incoming Servicer. If hard copy documents are not available in an electronic format, the incumbent Servicer must ship the borrowers' files containing the original, signed promissory note and other documents to the incoming Servicer.

Each batch (i.e. box/electronic file), must be sorted first by social security number, then by loan number. With each batch, the incumbent Servicer must include a transmittal with a tracking method, listing by social security number and then by loan number, each file included and the total number of files in the batch. A copy of each transmittal must be mailed under separate cover, faxed, or e-mailed to the incoming Servicer. The incoming Servicer must confirm receipt of each batch and verify files for each social security number and loan number that are on the transmittal is included. Exceptions must be noted on the transmittal and it must be signed and dated by the incoming Servicer confirming receipt. The incoming Servicer must maintain a copy of each verified transmittal with exceptions noted, if necessary, forward the original transmittal to the CCI or designee, and forward a copy of the transmittal, to the incumbent Servicer.

If any imaged copies, batches, borrower files, and/or loan documents are not received by the incoming Servicer, the incumbent Servicer will be responsible for forwarding originals or imaged/hard copy copies, acceptable to the CCI or designee, of the non-received materials to the incoming Servicer within five (5) days of receipt of any transmittal that has exceptions noted. If the incumbent Servicer cannot produce originals or copies, acceptable to the CCI or designee, of all non-received materials, the incumbent Servicer will be held financially liable for any loss of guarantee and will be required to reimburse MHESLA for outstanding principal and interest, plus lost federal interest benefits and special allowance (See Section 2.243). The Servicer must compensate MHESLA for the amount of its loss within 60 days of notification from the State.

e. Loan Records/Documents (Non-Active)

MHESLA must have access to history/audit trail microfilm, microfiche, imaged documentation, electronic records, etc. through the federally mandated retention period of five (5) years after the loan is paid-in-full or paid by default claim. The incumbent Servicer must forward a copy of the electronic records, film, microfiche, imaged data, etc. to the incoming Servicer in the manner identified in section 1.022-A Task 16d. The incumbent Servicer must provide sufficient instruction to allow the incoming Servicer or MHESLA's retrieval of the documentation. The incoming Servicer must accept electronic records in the media and file format identified by the incumbent Servicer. All data and associated materials, including archived data, must be purged off the incumbent Servicer's system as instructed by the CCI or designee.

f. Unprocessed Documents

(1) Received During Deconversion Period

It is expected that the incumbent Servicer will have received incoming mail (correspondence, forms, payments, etc) which were not processed prior to the date borrower records were forwarded to incoming Servicer. Using a method which permits tracing, the incumbent Servicer must transmit payments and either the original or a legible copy (for documents also used for other customers' loans) of the unprocessed documents, correspondence, guarantor reports, etc. to the incoming Servicer within ten (10) days after receipt.

(2) Received After Contract Termination

For a six-month period after the contract terminates, the incumbent Servicer must transmit all incoming mail (correspondence, forms, payments, etc) to the incoming Servicer at no cost to MHESLA. This transmittal must occur within three (3) days of receipt.

Any incoming mail received by the incumbent Servicer after the six-month period must be returned to the sender with a cover letter which instructs the correspondent to contact MHESLA, providing MHESLA's mailing address, e-mail address, and telephone number.



g. Checks Originated by Incumbent Servicer

Upon the transfer of all loan data both the incumbent and incoming Servicers will be responsible for finalizing issues for disbursements, which were originated by the incumbent Servicer prior to the contract termination. For example, both Servicers will be involved in processing stop payment requests--the incumbent Servicer must place the stop payment and notify the incoming Servicer of the action taken, the incoming Servicer must adjust the borrower's account and reissue the disbursement, if appropriate.

Because the unit cost for origination processing includes the costs associated with the functions indicated above (Section 1.022-A Task 16g), the incumbent Servicer must perform those services on the disbursements which the incumbent Servicer issued at no additional charge to MHESLA.

Should the situation exist after conversion completion that the incumbent Servicer's disbursement check needs to be reissued (e.g., stop payment placed on check written by incumbent Servicer but check needs to be reissued), the incumbent Servicer will notify the CCI or designee. After review and approval, the CCI or designee will authorize the incoming Servicer to issue the replacement disbursement.

The CCI or designee will provide the incumbent Servicer with instructions regarding transfer of any funds received/returned to the State on a case-by-case basis.

The incumbent Servicer must report to the incoming Servicer weekly all adjustments attributed to these disbursement transactions as required by the CCI. The report to the incoming Servicer must contain the necessary data for proper adjustment to the borrower's loan record. The weekly report must include all adjustments which occurred during that given week and include the supporting documentation. Copies of these reports must be provided to MHESLA at CCI or designee's option.

h. Proof of Delivered Loan Proceeds

The incumbent Servicer has contained within its records the proof that the loan proceeds were delivered to the borrower. This is in the form of a copy of the paid check, master check or an EFT disbursement roster.

If, after termination of the contract, MHESLA must have access to such proof, the CCI or designee will request the documentation from the incumbent Servicer. The incumbent Servicer must transmit a copy of both sides of the paid check, master check or the EFT disbursement roster within fifteen (15) days of the CCI or designee's request.

i. Denied Claims

(1) Claim Originally Submitted by Incumbent Servicer

If the guaranty agency denies a default claim, which was filed by the incumbent Servicer prior to conversion completion of the contract, MHESLA will return the denied claim to the incumbent Servicer for cure. The incumbent Servicer will be responsible for cure processing and will be held financially liable, if appropriate, as described in Section 1.022-A Task 9 (See Section 2.243).

MHESLA will return to the incumbent Servicer claims filed by the incumbent Servicer, which are returned by the guarantor for missing documentation. The incumbent Servicer must process returned claims in accordance with Section 1.022-A Task 8. If the incumbent Servicer fails to provide the required documentation, which results in a financial loss to MHESLA, the incumbent Servicer will be financially liable to reimburse MHESLA to the extent of its loss (See Section 2.243). The Servicer must compensate MHESLA for the amount of its loss within 60 days of notification from the State.

The incumbent Servicer will provide MHESLA with a weekly status report for each denied or returned claim described above (Section 1.022-A Task 16i).

Default claim packages recalled from the guarantor prior to conversion completion must be sent to the incoming Servicer with the documentation supporting the recall within three (3) days of receipt by the incumbent Servicer. The incumbent Servicer will prepare a recalled claim transmittal form to accompany the claim packages forwarded to the incoming Servicer and provide MHESLA with a copy of the transmittal.



The incumbent Servicer will not process default claim payments received after the conversion completion but will forward the payment and the report to incoming Servicer.

(2) Servicing Error by Incumbent Servicer on Claim Submitted by Incoming Servicer

If the guaranty agency denies a default claim which was filed by the incoming Servicer but the reason for denial is associated with servicing performed by the incumbent Servicer, it will be the option of the incumbent Servicer to attempt to cure the violation or have the incoming Servicer perform the cure process (See Task 9). Regardless of which Servicer performs the cure process, the incumbent Servicer will be held financially liable, if appropriate, as described in Section 1.022-A Task 9. If the incumbent Servicer opts to perform the cure processing, the incumbent Servicer will provide the CCI or designee with a weekly status report, with items identified by the CCI or designee, for each denied claim.

The guarantor will return incomplete claims filed by the incoming Servicer to the incoming Servicer. If the documentation, which is missing, was received/held by the incumbent Servicer, the incoming Servicer will request the required documentation from the incumbent Servicer who must provide it within seven (7) days. If the incumbent Servicer fails to provide the required documentation which results in a financial loss to MHESLA, the incumbent Servicer will be financially liable to reimburse MHESLA to the extent of its loss (See Section 2.243). The Servicer must compensate MHESLA for the amount of its loss within 60 days of notification from the State.

j. Costs for Deconversion to Another Servicer

The pricing sheet (Appendix A) contains a separate deconversion cost.

k. Liability

The incumbent Servicer is responsible for all borrower data (forms, correspondence, computer history, etc.) concerning the borrowers and their loans that the incumbent Servicer had been servicing on behalf of MHESLA. If for any reason, the incumbent Servicer is unable to provide borrower data and documents that are required, the incumbent Servicer will be liable for any financial loss to MHESLA as a result of the missing data (See Section 2.243). The Servicer must compensate MHESLA for the amount of its loss within 60 days of notification from the State.

Servicer's Response to this Task:

In the event that MHESLA opts to deconvert its loans from CLASS, the Servicer and MHESLA will work together to reach a mutually satisfactory timeframe for all necessary activities.

**TASK 17 - LOAN SERVICING: PUBLIC AWARENESS**

a. General

This task identifies the Servicer's responsibility for assisting MHESLA in informing the public of the benefits of MHESLA's programs. The scope of this task will include students, their families, postsecondary educational institutions, financial institutions, high schools, etc. No services under this task will be provided without the direct request of the CCI or designee.

b. Informational/Application Materials

The Servicer will create, produce/print, distribute and update informational materials such as brochures, flyers, handouts and posters, when requested by the CCI or designee, to assist MHESLA in informing individuals and institutions of program benefits and administrative procedures. Additionally, the Servicer will provide these services for MHESLA's loan application materials, fact sheets, and check off lists, required for the processing of FFELP program loans. All such materials are subject to approval by the CCI or designee prior to use by the Servicer.



c. Training and Informational Sessions

At the request of the CCI or designee, the Servicer will prepare and conduct, with MHESLA's assistance and participation, if appropriate, training sessions regarding the Servicer's computer system, internal forms, procedures, etc. as requested by the CCI or designee. It is MHESLA's option to require the training to be at MHESLA's location.

d. Borrower Mailings

At the request of the CCI or designee, the Servicer will produce and mail the informational/application materials. Such mailings could be for marketing, collection activity from MHESLA, informational, etc.

e. Cost for Public Awareness

MHESLA will reimburse the Servicer for cost, plus 5%, up to \$50 for services provided in relation to public awareness activities. Billings from the Servicer must clearly identify the particular service provided. Travel will be reimbursed at the current State travel rates (provided to the Servicer prior to any travel authorization).

Servicer's Response to this Task:

The Servicer is willing to discuss with MHESLA the specific public awareness needs that MHESLA may have and to provide the requested support to the extent possible. Any cost borne by the Servicer here will be mutually agreed to prior to the performance of any related work.

B: MI-LOAN LOAN SERVICING-Deleted/Not Applicable

**1.030 Roles and Responsibilities**

**1.031 Contractor Staff, Roles, and Responsibilities**

- A. Contractor must provide a project manager to act as a central point of contact for all contractual activities.
- B. The Contractor shall provide resumes, for all named key personnel, including sub-contractors, who will be assigned to the Contract, indicating the duties/responsibilities and qualifications of such personnel. The Contractor will commit that staff identified in its proposal will actually be available at the start of the contract period and be ready and able to perform the assigned work. Any key personnel staff substitution must have the prior approval of the State (See Section 2.062). The Contractor will provide, and update when changed, an organizational chart indicating lines of authority for personnel involved in performance of this Contract and relationships of this staff to other programs or functions of the firm. This chart must also show lines of authority to the next senior level of management and indicate who within the firm will have prime responsibility and final authority for the work.
- C. The Contractor must provide a list of the companies with which any portion of the services to be performed pursuant to this contract would be subcontracted (See Section 2.070). For each company listed, provide to the CCI or designee a brief description of those services that would be subcontracted, the length of time your company has subcontracted those services to that company and the location where the subcontractor(s) will perform work at. This would also apply to any new subcontractors added during the duration of this contract.

If the subcontractor has access to confidential information, also provide security requirement information for the subcontractor (Appendix C).



#### D. Foreign Outsourcing of Work Prohibited

All services under this Contract shall be performed within the borders of the United States. All storage and processing of information shall be performed within the borders of the United States. This provision also applies to work performed by subcontractors at all tiers.

Servicer's Response:

- A. Todd Newton will serve as the Project Manager.
- B. The resume for the key individual that will be assigned to the contract, Jana Marvin, is attached as Appendix I.
- C. Please refer to Sallie Mae's response in Section 5.013.

The Sallie Mae Vendor Risk Management Program has been established to facilitate the development of controls which will aid in identifying, managing and monitoring the third parties who provide products and/or services to Sallie Mae. This program establishes enterprise-wide policies, procedures and strategies to assist Sallie Mae in preventing, managing and mitigating risks that could affect its customers, business partners and operations associated with outsourcing activities.

The Sallie Mae Third-Party Service Provider Security Assessment Program has been established to assess the overall security posture of a potential or actual third-party service provider that will have access to non-public, personal information (NPI) and determine whether that security posture is acceptable for Sallie Mae to conduct business with such third-party service provider.

- D. Please refer to Sallie Mae's response in Section 5.013.

### **1.040 Project Plan**

#### **1.041 Project Plan Management**

- A. The Contractor will carry out this project under the direction and control of the Contract Compliance Inspector.
- B. Although there will be continuous liaison with the Contractor team, the Contract Compliance Inspector and the Contractor will meet at least monthly, or upon the request of either party, to discuss the quality assurance measurements, the Contractor's performance and providing necessary guidance to the Contractor in solving problems which arise.
- C. The Contractor shall provide a project plan with proposal including necessary time frames and deliverables for the various stages of the project and the responsibilities and obligations of both the Contractor and the State.

The Project Plan will include:

1. A description of the computer systems and organizational processes to be used to comply with requirements of the contract.
2. Target dates and critical paths for implementation of computer systems and organizational processes.
3. Identification of roles and responsibilities, including the organization responsible. Contractor is to provide a roles and responsibility matrix.
4. The labor, equipment, materials and supplies required to be provided by the State in meeting the target dates established in the Project Plan.
5. Internal milestones
6. Task durations.

**D. Orientation Meeting**

1. Within 14 days from execution of the Contract, the Contractor will be required to attend an orientation meeting to discuss the project plan, content and deliverables of the Contract.
2. The meeting may be held in Lansing, Michigan, or via teleconference at a date and time mutually acceptable to the State and the Contractor.
3. The State shall bear no cost for the time and travel of the Contractor for attendance at the meeting.

**Bidder Response:**

- A. With respect to the reference to the direction and control of the Contract Compliance Inspector (CCI) in this section and in the various tasks throughout the Contract, the Servicer is willing to cooperate in good faith at all times with the CCI in the servicing of the loans and the administration of the servicing agreement, but the Servicer's obligations shall only be those required by applicable law and regulations or as otherwise set forth in the servicing agreement executed by the parties.
- B. The Contractor and the CCI will reach mutual agreement as to the frequency of needed meetings.
- C. The Servicer's response provides considerable detail regarding the related deliverables that we stand ready to provide to MHESLA and the timeframe for provision of each. This includes system and organization processes and the timeframes and durations of specific tasks. Servicer will work with MHESLA to ensure all deliverables are provided in a mutually satisfactory timeframe.
- D. The Servicer is able to comply with this meeting request.

**1.042 Reports****A: FFELP REPORTS*****MANAGEMENT LOAN ORIGINATION REPORT 1*****APPLICATIONS ENTERED BY SCHOOL TYPE**

- (a) The purpose of this report is to provide MHESLA with the volume of applications entered for proprietary/vocational and nonproprietary/nonvocational schools. Determination of the school type will be based on federal regulations and/or as determined by the Secretary of Education.
- (b) Detail data elements: Federal school identification number/branch number, school name, number of applications entered by school type-proprietary/vocational, nonproprietary/ nonvocational or without federal school identification number.
- (c) Report Sections:  
  
Detail - All funding sources/loan programs. Individual loan detail is not required. Number of applications entered for each school within type of school and listed in descending number of applications entered order for all school types.  
  
Summary - Number and percentage of applications entered for each school type and for all school types. Number of applications entered for the top ten schools and the percentage that the number of applications entered for the top ten schools is to the total applications entered.  
  
NOTE - Subtotal percentage figures must be broken down to the tenth place and the sum of the column totals must equal 100%.
- (d) The Servicer will submit this report to MHESLA on a monthly basis.

**MANAGEMENT LOAN ORIGINATION REPORT 2**

## APPLICATIONS IN PROCESS

- (a) The purpose of this report is to provide MHESLA a listing of loan applications entered on the Servicer's system but pending full disbursement. The Servicer must be able to identify at what stage of the approval/disbursement process the application/loan is in and the number of days that the application/loan has been pending in that status. The Servicer must recognize the following application/loan status categories: application entered, lender approved, pending guarantee, guaranteed, pending disbursement, partially disbursed, fully disbursed.
- (b) Detail data elements: Social Security Number, loan number, borrower's name, fund code, loan program, application entry date, loan period end date, last scheduled disbursement date, application/loan status, number of days in that status.
- (c) Report Sections:
  - Detail - All funding sources/loan programs. By application/loan in descending number of days pending order regardless of the status.
  - Summary - Number of applications/loans in process for each loan program and total applications/loans in process.
- (d) The Servicer will submit this report to MHESLA on a weekly basis.

**MANAGEMENT LOAN ORIGINATION REPORT 3**

## DISBURSEMENT REGISTER

- (a) The purpose of this report is to provide MHESLA a daily listing of each loan disbursement issued for each disbursement date so that MHESLA may monitor the Servicer for compliance to federal regulations.
- (b) Detail data elements: disbursement date, Social Security Number, loan number, borrower's name, check/EFT/master check number, disbursement method code (check, EFT, or master check), federal school identification number/branch number, loan program fund code, loan program, disbursement amount, guarantee fee amount, origination fee amount, net check/EFT/master check amount for each disbursement, disbursement number of total scheduled disbursements.
- (c) Report Sections:
  - Disbursement Detail in Check/EFT/Master Check Number Order - Refer to the disbursement reporting requirements in the Financial Reports section for format and data elements.
  - Disbursement Detail in Social Security Number Order - Detail reported daily by disbursement for all funding sources/loan programs by disbursement number within Social Security Number order.
  - Summary by Disbursement Number - Total number of disbursements, amount disbursed, guarantee fees, origination fees, net check/EFT/master check amounts for all loan programs within funding source.
- (d) The Servicer will provide the Disbursement Detail - Social Security Number Order section of the report to MHESLA on a daily basis.

**MANAGEMENT LOAN ORIGINATION REPORT 4**

## MISSING FUND CODE NUMBER

- (a) The purpose of this report is to provide MHESLA a listing of applications entered into the origination system without input of the designated loan program fund code number. The loan program fund code number is required to project the availability of funds for future disbursements.

This report is a subsection of the Michigan Direct Monitoring of Commitments by Funding Source financial report. Refer to that report in the Financial Reports section for reporting requirements, format and data elements.

- (b) Detail data elements: application entry date, loan program, Social Security Number, loan number, borrower's name.

- (c) Report Sections:

Detail - By loan number within Social Security Number within loan program within entry date.

Summary - Total number of applications entered without a fund code number for total portfolio.

- (d) The Servicer will submit this report to MHESLA on the same cycle as the Michigan Direct Monitoring of Commitments by Funding Source financial report.

**MANAGEMENT LOAN SERVICING REPORT 1**

## DEFAULT CLAIMS FILED

- (a) The purpose of this report is to provide MHESLA a listing of loans for which a default claim has been filed with the guarantor so that MHESLA may monitor payment by the guarantor.

Loans must be listed each report period beginning with the period in which a claim is filed through and including the report period in which the claim is returned by the guarantor either due to lack of required data or recall by the lender/Servicer, the loan(s) is paid-in-full due to the posting of the claim payment, State authorized write-off of any remaining loan balance has occurred, the Servicer has reimbursed MHESLA for any loss incurred due to penalties assessed by the guarantor, or a claim overpayment has been returned to the guarantor or written off per the guarantor's policy. The Servicer must provide such reimbursement within 60 days of the State's request

If multiple loans are filed in one claim, the report detail must list each loan filed but the report summary will be by claims filed.

- (b) Detail data elements: Social Security Number, loan number, borrower's name, funding source, loan program, date the claim was filed, outstanding principal balance, borrower accrued interest, date paid-in-full.

- (c) Report Sections:

Detail - Each default claim type will be a separate report section and will include all funding source/loan programs for total portfolio by loan number within Social Security Number within date claim filed for that default claim type and double spaced between claim filed dates.

Summary - Number of loans, number of claims, total outstanding principal balance and total borrower accrued interest for each default claim type and for total portfolio. Cumulative number of claims pending payment.

- (d) The Servicer will submit this report to MHESLA on a monthly basis.

**MANAGEMENT LOAN SERVICING REPORT 2**

## DEFAULT CLAIMS TO BE FILED

- (a) The purpose of this report is to provide MHESLA a listing of loans that are default for which a default claim must be submitted to the guarantor per federal regulations. Loans must be listed on the report beginning with the date of default, as defined in the federal regulations, through and including the report period in which the claim is sent to the guarantor.
- (b) Detail data elements: Social Security Number, loan number, borrower's name, funding source, loan program, first disbursement date, total disbursement amount, current principal balance, default date, number of days delinquent, date the claim is submitted to the guarantor.
- (c) Report Sections:
- Detail - Each type of default claim to be filed will be a separate report section and will include all funding sources/loan programs for total portfolio by loan number within Social Security Number within default date for that default claim type and double spaced between default dates.
- Summary - Total number of borrowers, number of loans and current principal balance for each default type and for total portfolio.
- (d) The Servicer will provide this report to MHESLA on a weekly basis.

**MANAGEMENT LOAN SERVICING REPORT 3**

## DEFAULT CLAIMS RECALLED

- (a) The purpose of this report is to provide MHESLA a daily listing of loans for which the default claim has been recalled from the guarantor because either documentation or payment has been received by either the State or the Servicer which brings the loan out of default status and current to within the level of delinquency which will be determined by MHESLA. MHESLA will inform the Servicer of documentation or payments received by the State which allow recall of a default claim.
- If multiple loans are filed in one claim, the report detail must list each loan recalled but the report summary will be by claims recalled.
- (b) Detail data elements: Social Security Number, loan number, borrower's name, fund code, loan program, first disbursement date, date the claim was sent to the guarantor, recall reason.
- (c) Report Sections:
- Detail - All funding sources/loan programs for total portfolio by loan number within Social Security Number order.
- Summary - Number and outstanding principal balance of claims recalled for total portfolio.
- (d) The Servicer will fax or provide electronically this report to MHESLA on a daily basis at the close of business. The daily reports for each month may be grouped together on the microfiche report and submitted to MHESLA on a monthly basis at the Servicer's option.

**MANAGEMENT LOAN SERVICING REPORT 4**

## DEFAULT CLAIMS RETURNED

- (a) The purpose of this report is to provide MHESLA a listing of loans for which the guarantor has returned the claim for missing documentation, assignment or clarification.



Loans must be reported each report period beginning with the date the claim package is received back through and including the report period in which the claim is resubmitted to the guarantor. The Servicer may discontinue reporting loans that are no longer in default status, due to receipt of payments or documentation, as they will not be resubmitted to the guarantor.

If multiple loans are filed in one claim, the report detail must list each loan returned but the report summary will be by claims returned.

(b) Detail data elements: Social Security Number, loan number, borrower's name, funding source, loan program, claim filed date, claim return date, return reason.

(c) Report Sections:

Detail - Each default claim type will be a separate report section and will include all funding sources/loan programs for total portfolio by loan number within Social Security Number within claim return date for that default claim type and double spaced between claim return dates.

Summary - Number of claims returned during the report period, cumulative number of claims returned pending resolution and number of claims returned which are no longer in default that will not be re-filed for each default claim type and for total portfolio.

(d) The Servicer will submit this report to MHESLA on a weekly basis.

#### ***MANAGEMENT LOAN SERVICING REPORT 5***

##### **DELINQUENT LOAN REPORT**

(a) The purpose of this report is to provide MHESLA a listing of each delinquent loan at any level of delinquency so that MHESLA may monitor the due diligence servicing of the Servicer.

(b) Detail data elements: Social Security Number, loan number(s), borrower's name, funding source, loan program, loan status, number of days delinquent.

(c) Report Sections:

Detail - All funding sources/loan programs for total portfolio by loan number in descending number of days delinquent order.

Summary - Number of delinquent loans for each loan program and for total portfolio.

(d) The Servicer will submit this report to MHESLA on a semi-annual basis if MHESLA can access a monthly report electronically.

#### ***MANAGEMENT LOAN SERVICING REPORT 6***

##### **INELIGIBLE DISBURSEMENT/LOAN REPORT**

(a) The purpose of this report is to provide MHESLA a listing of borrowers who have an ineligible disbursement or an ineligible loan as defined by federal regulations so that MHESLA may monitor the Servicer's compliance with federal due diligence regulations in the servicing of the loan.

Disbursements/loans must be reported each report period beginning with the date of notification or determination that the borrower was not eligible for the disbursement/loan through and including the report period in which the loan is submitted to the guarantor for default claim payment or the disbursement/loan has regained eligibility status.



- (b) Detail data elements: Social Security Number, loan number, borrower's name, funding source, loan program, loan status, date the notification was received or the date the determination was made, number of the ineligible disbursement(s) per loan (first, second, etc.), disbursement date of the ineligible disbursement(s), amount of the ineligible disbursement(s), ineligibility reason, date a default claim is filed, or the date that the disbursement/loan regains eligibility.
- (c) Report Sections:
  - Detail - All funding sources/loan programs for total portfolio by disbursement number within loan number within Social Security Number within notification/ determination date.
  - Summary - Number of ineligible disbursements and ineligible loans for this report period and cumulative.
- (d) The Servicer will submit this report to MHESLA on a weekly basis.

### **MANAGEMENT LOAN SERVICING REPORT 7**

#### LENDER'S REQUEST FOR ASSISTANCE

- (a) The purpose of this report is to provide MHESLA a listing of each loan submitted to the guarantor for preclaims assistance in order that MHESLA may provide proof of notification in the case of an audit.
- (b) Detail data elements: a minimum of the Social Security Number, loan number, borrower's name, loan program, first disbursement date, guaranteed loan amount.
- (c) Report Sections:
  - Detail - All funding sources/loan programs for total portfolio by loan number within Social Security Number.
  - Summary - Number of borrowers, number of loans for total portfolio.
- (d) The Servicer will submit this report to MHESLA on the same schedule as reported to the guarantor.

### **MANAGEMENT LOAN SERVICING REPORT 8**

#### LOAN STATUS CHANGE TO GUARANTOR

- (a) The purpose of this report is to provide MHESLA documentation of electronic notifications submitted to the guarantor of status changes made during the report cycle on each loan as supporting documentation in the case of audit. The status changes reported will be those required by the guarantor. The report to the guarantor will be in a format acceptable to the guarantor. The report to MHESLA will be in the order specified below.
- (b) Detail data elements: data elements must include but are not limited to Social Security Number, loan number ,borrower's name, loan program, first disbursement date and/or subsequent disbursement date if applicable, type of status change, old status and new status, start date and end date, demographic data changed, amounts changed.
- (c) Report Sections:
  - Detail - Each type of status change will be a separate report section listing the data elements required by the guarantor and will include all funding sources/loan programs for total portfolio by loan number within Social Security Number order for that status change type.
  - Summary - Total number of loans updated for each type of status change at the end of that section.
- (d) The Servicer will submit this report to MHESLA on the same schedule as required by the guarantor.

**MANAGEMENT LOAN SERVICING REPORT 9**

## LOAN STATUS JOURNAL

- (a) The purpose of this report is to provide MHESLA with a picture of the status of each loan in MHESLA's portfolio at the end of the report period during the loan's life cycle while on the Servicer's system.
- (b) Detail data elements: If the Servicer currently has a report with data elements similar to the sample report, MHESLA will review the Servicer's report to determine if the detail is acceptable to MHESLA.
- (c) Report Sections:
- Detail - All funding sources/loan programs for total portfolio by loan number within Social Security Number order.
- Summary - Number of borrowers, number of loans and outstanding principal balance for total portfolio.
- (d) The Servicer will submit this report to MHESLA on a month end basis.

**MANAGEMENT LOAN SERVICING REPORT 10**

## LOAN SUMMARY AND HISTORY

- (a) The purpose of this report is to provide MHESLA a snapshot picture of the loan status and an itemized record of all actions taken on a loan from the date of disbursement or conversion to the servicing system through the date of report generation, paid-in-full or removal from the Servicer's system.

The report must have a section that gives a snapshot of the loan's demographic information, status dates and monetary amounts as of the date of the report separate from the historical actions taken on the account.

The history must include all monetary transactions/adjustments, non-monetary changes/status changes made to the loan, correspondence received or generated, and a detailed account of every verbal contact made with anyone regarding the loan and identify the person who processed each transaction.

- (b) Detail data elements: data elements must include but are not limited to the items below.

Loan Summary - The loan summary must include the current:

- Demographic data - Borrower: name, address, telephone number, prior lender's federal identification number for loans purchased by MHESLA, Social Security Number, account number if applicable, loan number, loan program, funding source, good/bad address indicator, good/bad telephone number indicator, date of the last update; Co-maker/Cosigner: Social Security Number, name, address, telephone number; Federal PLUS Loan Student: Social Security Number, name, address, telephone number.

- Loan status - federal school identification number/branch number, separation date, grace end or repayment start date, date of last repayment disclosure sent to the borrower, repayment schedule, daily interest accrual amount, interest rate, new borrower date or indicator, first payment due date, number of payments made, total number of months of forbearance/deferment, next payment due date, deferment/forbearance start date, deferment/forbearance end date, capitalization indicator, interest accrual start date, date of last interest billing, current status, days delinquent, amount delinquent, amount of principal paid, amount of interest paid, current principal amount, late charges due, collection costs due, interest accrual amount, amount of last interest billing, payoff amount, number of months for each forbearance or deferment type, disbursement dates, disbursement amounts, origination fees, guarantee fees, guaranteed amount, refund or cancellation indicator, refund date, cancellation date, refund amount, cancelled amount.



History Report - The history section of the report must be in chronological order and show the effective date (receipt date), the posting date and the entire detailed description of all transactions on the Servicer's system of every action taken for the life of the loan. The history must include both the old and new data for all demographic and status changes. All monetary postings or adjustments must show the total transaction amount and the breakdown to principal, interest, late charges and collection costs.

(c) Report Sections

Detail - For each loan regardless whether the Servicer's system is loan or account based.

Summary - For each loan and/or by account if the Servicer's system in account based.

(d) The Servicer will submit this report to MHESLA upon request and when filing default claims to the guarantor.

### **MANAGEMENT LOAN SERVICING REPORT 11**

#### LOSS OF GUARANTEE REPORT

(a) The purpose of this report is to provide MHESLA a listing of loans which lost guarantee as a result of either a default claim denial by the guarantor or the Servicer discovering a servicing violation which per federal regulations results in the termination of the lender's right to receive interest and special allowance payments on the loan.

Loans must be reported each report period beginning with the receipt date of the claim denial notification from the guarantor or the date on which the Servicer discovered the servicing violation through and including the report period in which the Servicer receives the loan guarantee reinstatement notification from the guarantor (loan is no longer delinquent), a subsequent default claim (filed after the cure) has been paid, the Servicer has reimbursed MHESLA for the loss on the loan, or a State authorized write-off has occurred. The Servicer must provide such reimbursement within 60 days of the State's request.

(b) Detail data elements: Social Security Number, loan number, borrower's name, funding source, loan program, outstanding principal balance, guaranty agency claim denial notification date, the date that the Servicer received the guarantor's notification or discovered the violation, claim denial reason or violation discovered, cure resolution status, resolution date.

The cure resolution status will include: cure in process, loan current/ reinstatement requested, reinstatement received, claim re-filed, claim paid, claim denied again, write-off authorization requested from MHESLA, write-off processed and MHESLA reimbursed.

(c) Report Sections

Detail - All funding sources/loan programs for total portfolio by loan number within Social Security Number within Servicer receipt date/discovery date and double spaced between receipt/discovery dates.

Summary - Number and total outstanding principal balance of loans for which the claim has been denied or which were discovered and submitted for cure resolution during the report period and cumulative for total portfolio.

(d) The Servicer will submit this report to MHESLA on a monthly basis.

### **MANAGEMENT LOAN SERVICING REPORT 12**

#### OVERPAYMENT/REFUND REPORT

(a) The purpose of this report is to provide MHESLA a listing of each loan overpaid by an amount as set by MHESLA for which a refund must be made.



Overpayments must be reported each report period beginning with the posting date of the final payment through and including the report period in which the refund is issued. The Servicer may allow sufficient time to determine that the final payment on the loan is not returned for insufficient funds before issuing the overpayment refund.

(b) Detail data elements: Social Security Number, loan number, borrower's name, funding source, loan program, date of overpayment, amount of overpayment, source of overpayment (borrower, consolidation lender, default claim, etc.), number of days pending refund, date of refund, amount of refund.

(c) Report Sections

Detail - All funding sources/loan programs for total portfolio by loan number within Social Security Number order.

Summary - Number and amount of refunds pending to all sources for total portfolio.

(d) The Servicer will submit this report to MHESLA on a monthly basis.

### **MANAGEMENT LOAN SERVICING REPORT 13**

#### PORTFOLIO ANALYSIS BY INTEREST RATE

(a) The purpose of this report is to provide MHESLA an analysis of the volume and outstanding principal balance for the total portfolio by the current interest rate and loan program for each funding source.

(b) Detail data elements: total number of loans, total outstanding principal balance.

(c) Report Sections

Detail - A separate report page for each funding source within each lender grouping section providing a breakdown of the loans within that series by interest rates and loan programs.

Summary - A totals page for all funding sources in each lender grouping within total portfolio and for total portfolio.

(d) The Servicer will submit this report to MHESLA on a semi-annual basis, currently 3/31 and 9/30.

### **MANAGEMENT LOAN SERVICING REPORT 14**

#### PORTFOLIO BREAKDOWN - LOAN STATUS BY SCHOOL TYPE

(a) The purpose of this report is to provide MHESLA an analysis of its outstanding portfolio by loan status and type of school. Only totals are required for Federal Consolidation Loans.

(b) Detail data elements: school types - four-year public, four-year private, two-year public, two-year private and proprietary/vocational (as determined by federal regulations), funding source, loan statuses in-school, grace, deferment/forbearance, repayment current, repayment delinquent, total number and percentage of borrowers, total outstanding principal amount and percentage of outstanding principal balance.

Percentage figures must be shown to the tenth place and all totals must equal 100%. Dollar amounts must not include cents.

(c) Report Sections:

Detail - There will be two report sections; Number and Percentage of Borrowers and Amount and Percentage of Outstanding Principal Balance. Each funding source must be reported within each lender grouping and for total portfolio for each report section. Each report section must show the breakdown of the number or amount by loan status and for all loan statuses. The percentage of borrowers and percentage of outstanding principal amount will be for all loan statuses within school type within loan program for the categories below and include subtotals following the four-year public/private and two-year public/private school types.



- For each school type and all school types within each loan program.
- For each school type and all school types for all loan programs.

Summary - A total page of all funding sources in each lender grouping within total portfolio and for total portfolio.

- (d) The Servicer will submit this report to MHESLA on a quarterly basis.

#### **MANAGEMENT LOAN SERVICING REPORT 15**

##### WRITE-OFF REPORT

- (a) The purpose of this report is to provide MHESLA a listing of each loan which has had an amount written off.
- (b) Detail data elements: Social Security Number, loan number(s), borrower's name, funding source, loan program, write-off date, amount written off.

- (c) Report Sections

Detail - All funding sources/loan programs for total portfolio by loan number within Social Security Number order.

Summary - Number and amount of loans written off for each loan program and for total portfolio.

- (d) The Servicer will submit this report to MHESLA on a weekly basis.

#### **MANAGEMENT LOAN SERVICING REPORT 16**

##### TRANSFER IN/OUT DAILY ACTIVITY

- (a) The purpose of this report is to provide MHESLA information on accounts which have been automatically scheduled for repayment (disclosure statement) by the system during the week. This report must list accounts in social security number order.
- (b) The Servicer will submit this report to MHESLA on a weekly basis.

#### **MANAGEMENT LOAN SERVICING REPORT 17**

##### BORROWER BENEFITS REPORT

- (a) The purpose of this report is to provide MHESLA with detail based on the borrower benefit qualification status of each loan by funding source.
- (b) Detail data elements: Social Security Number, loan number(s), borrower's name, qualification status, qualification status date, number of on-time payments, current interest rate, incentive program type, principal balance, funding source.
- (c) Report Sections

There will be a separate report section for each incentive program type.

Detail –Within each program type segregate accounts by qualification status. Sorted by loan number within Social Security Number order.

Summary - Number and dollar amount of loans by qualification status for each incentive program type by funding source; number and dollar amount of MSF loans disqualified due to delinquency; and number and dollar amount of MSF loans in repayment.



- (d) The Servicer will provide this report to MHESLA on a monthly basis.

### **MANAGEMENT LOAN CONSOLIDATION REPORT 1**

#### **CONSOLIDATION LOAN - CONVERSION TO SERVICING**

- (a) The purpose of this report is to provide MHESLA a listing of each new consolidation loan and each loan increase, due to a subsequent disbursement to include an additional loan to the consolidation, so that MHESLA may monitor loans converted to the Servicer's servicing system for compliance to federal regulations.
- (b) Detail data elements: Social Security Number, loan number, borrower's name, funding source, interest rate, indicator to identify whether a new loan is converting or a loan is being increased, disbursement date, disbursement amount converting, new total loan amount after conversion but prior to principal payments already made, conversion date.
- (c) Report Sections
- Detail - All funding source for total portfolio by disbursement date within Social Security Number order with page breaks between disbursement dates.
- Summary - Number and amount of new loans converted, number and amount of increase adjustments and number and amount of conversions for total portfolio.
- (d) The Servicer will submit this report to MHESLA on a monthly basis.

### **MANAGEMENT LOAN CONSOLIDATION REPORT 2**

#### **CONSOLIDATION LOAN - FUNDS TRANSFER REQUEST**

- (a) The purpose of this report is to provide MHESLA a listing of the amount and name of each creditor to be paid for loans being consolidated into one loan for which the Servicer requests a funds transfer.
- (b) Detail data elements: scheduled disbursement date, Social Security Number, borrower's name, original disbursement date for consolidation loans previously made for which an increase to the loan is required, loan program of the loan being consolidated, name of each creditor who will receive a disbursement, payment amount to each creditor, total number of creditors to be paid for each borrower, total scheduled disbursement amount for each borrower.
- (c) Report Sections
- Detail - Each creditor in alpha order within borrower Social Security Number order for total portfolio.
- Summary - Number and amount of disbursements issued for new loans to be disbursed, number and amount of disbursements for existing consolidation loans being increased, and number and amount of all disbursements for total portfolio.
- (d) The Servicer will submit this report to MHESLA for each funds transfer so that it is received by MHESLA prior to the scheduled disbursement date.

### **MANAGEMENT LOAN CONSOLIDATION REPORT 3**

#### **LOANS CONSOLIDATED BY ANOTHER LENDER**

- (a) The purpose of this report is to provide MHESLA statistics regarding loans paid-in-full due to consolidation by another lender.



- (b) Detail data elements: Social Security Number, loan number, borrower name, program type, payoff amount, consolidating lender.
- (c) Report Sections:
  - Detail - All funding sources for total portfolio by consolidating lender within Social Security Number order. Each report section must show number of borrowers, number of loans, payoff amount.
  - Summary - Total of all funding sources within consolidating lender and for total portfolio.
- (d) The Servicer will submit this report to MHESLA on a monthly basis.

### **STATE SECONDARY MARKET LOAN MANAGEMENT REPORT 1**

#### **LOAN TRANSFER REPORT**

- (a) The purpose of this report is to provide MHESLA and the seller/purchaser (if a loan is sold back to the original lender) a listing of each borrower's loan(s) purchased/sold by MHESLA in each sale in order to reconcile the balances of loans sold/purchased and for the seller/purchaser to close their loan accounts. The report submitted to MHESLA must be in Social Security Number order, however the report submitted to the seller/purchaser may be in either Social Security Number order or alphabetical order per their request.

The Servicer must be able to identify on the report whether the loan reported is the first loan MHESLA has purchased for that borrower or it is a subsequent loan purchased for that borrower from the same seller or another seller.

In order for MHESLA to monitor the type, volume and amount of loans being purchased, the Servicer must be able to identify loans purchased by the following loan status categories: enrolled, grace, deferred/forbearance, repayment.

- (b) Detail data elements: seller's/purchaser's name, seller's/purchaser's federal identification number, Social Security Number, loan number, borrower's name, serial sale flag, loan program, guarantor, guaranteed amount, interest rate, special allowance eligibility code, government interest accrued, funding source, first disbursement date, total disbursement amount, separation date, loan status, beginning interest accrual date, current principal balance, borrower interest accrual amount, late charges due, collection charges due, number of months serviced per borrower, total paid to seller/received from purchaser for the loan.

- (c) Report Sections

Detail - All loans purchased/sold for each borrower by loan status within loan program within Social Security Number within funding source. (Detail header titles may be shown once on the top of each page and need not be included in each loan detail line.)

Detail Subtotals -Current principal balance, borrower interest accrual, late charges due, collection charges due and total paid to seller/received from purchaser for each loan status within each loan program and for each borrower.

Purchase Summary - Number of unduplicated borrowers, number of loans, current principal balance, borrower interest accrual, late charges due, collection charges due, total number of months service by loan type, and total paid to seller/received from purchaser for each loan program and all loan programs within each funding source and for total portfolio.

Loan Status Summary - Number of borrowers, number of loans and amount of loans purchased/sold for each loan status within each loan program, for each loan status within all loan programs, for all loan status' within each loan program within each funding source and for total portfolio.

- (d) The Servicer will submit this report to MHESLA for each purchase or sale.

**STATE SECONDARY MARKET LOAN MANAGEMENT REPORT 2**

## LOAN TRANSFER - NOTIFICATION TO GUARANTOR

- (a) The purpose of this report is to provide MHESLA a listing of each loan included in the loan transfer notification to the guarantor in order that MHESLA may provide proof of notification in the case of an audit.
- (b) Detail data elements: seller's name, seller's federal identification number, purchaser's name, purchaser's federal identification number, Social Security Number, loan number, borrower's name, loan program, first disbursement date, guaranteed loan amount.
- (c) Report Sections:
- Detail - All funding sources/loan programs for total portfolio by loan number within Social Security Number.
- Summary - Number of borrowers, number of loans for total portfolio.
- (d) The Servicer will submit this report to MHESLA on the same schedule as reported to the guarantor.

**FINANCIAL REPORT 1**

## PORTFOLIO RECONCILIATION: SUMMARY

- (a) This report is used to reconcile the Servicer's records with MHESLA's records and includes a summary of the transaction activity that occurs within an accounting period. This report should provide the following types of transaction activity:

- Loan activity: new loans, loan sales, loan purchases, and transfers
- Cash payment activity: borrower payments, claim payments or repurchases, and refunds or cancellations
- Advice payment activity: borrower payment advice, refunds and cancellations, loan purchase corrections, claim repurchase advice, lender write off or write up
- Servicer generated activity: Servicer write off or write up, capitalized interest, guarantee fee refund advice, origination fee refund advice, account adjustment or correction, current accrual, and government interest billed

The report should show the total numbers and balances of the reports, of the system, and any variances, within each of the following reporting areas and be sorted by funding sources and guarantor:

- Principal and Capitalized Interest
- Borrower Interest
- Government Interest
- Late Charges
- Number of Borrowers
- Number of Loans

- (b) The Servicer will submit this report to MHESLA on a monthly basis.

**FINANCIAL REPORT 2**

## PORTFOLIO RECONCILIATION: DETAIL

This report is used to reconcile the Servicer's records with MHESLA's records and includes detailed listings of transactions posted to the individual loan records during the posting period. The reported is organized by transaction types and sorted by funding source, and includes:

- (a) Account Adjustment/Correction - Repayment redistributions and non-cash adjustments by social security number (SSN), and noting the effective date, the amount, principal, borrower interest, government interest, late charge, and collection charge.



- (b) Capitalized Interest - Capitalized interest by SSN and listing borrower name, effective date, principal, and borrower interest capitalized.
- (c) Refund/Cancellations Advice - Cancellations by SSN and including borrower name, check number, effective date, principal, borrower interest, number of borrowers, number of loans, and totals for the latter four items.
- (d) Cash Refunds/Cancellation - Cash refunds and cancellations by SSN and listing borrower name, effective date, posting date, principal, borrower interest, number of borrowers, number of loans, and totals for the latter four items.
- (e) Loans Eligible/Ineligible for Special Allowance - Loans eligible and loans ineligible for special allowance listed by special allowance category, 799 code, interest rate, number of loans, ending principal balance, and average daily balance. The data elements of each special allowance category should be totaled.
- (f) Cash Claim Payments - Default claims paid by SSN and including borrower name, effective date, posting date, amount, principal, borrower interest, late charge, collection charge, number of borrowers, and number of loans. Totals of the last seven data elements should be included.
- (g) Cash Borrower Payments - Cash borrower payments by SSN and to include borrower name, effective date, posting date, amount, principal, borrower interest, late charge, collection charge, number of borrowers, and number of loans. Totals of the last seven data elements should be included.

### **FINANCIAL REPORT 3**

#### NET CASH COLLECTION BY FUNDING SOURCES

- (a) The Servicer will immediately deposit all payments collected in a separate, segregated servicing account. The separate, segregated servicing account shall contain only the payments received by the Servicer, and shall not be commingled with any monies owned by the Servicer or any person or entity other than MHESLA. All payments are and shall at all times remain the property of MHESLA and shall be held in trust by the Servicer solely for the benefit of MHESLA. The Servicer will make daily wire transfers of all funds from the servicing accounts to MHESLA's bank account. The Servicer shall not use any portion of such payments for any purpose other than to make the daily wire transfers. MHESLA shall have the right of access at any time during normal business hours and to review any and all records, statements and other documents pertaining to the servicing account, with or without prior notice to the Servicer. The Servicer will also provide a breakdown of the transfer amounts showing payments of principal, interest, and late charges by deposit total to each funding source. The Servicer is responsible for reconciling the servicing bank accounts used in the payment process and forwarding this information to MHESLA.
- (b) The Servicer will provide this information to MHESLA on a daily basis.

### **FINANCIAL REPORT 4**

#### PORTFOLIO SUMMARY

- (a) The purpose of this report is to provide MHESLA an itemization of MHESLA's entire portfolio within each assigned funding source by the number of loans, number of borrowers, and the principal outstanding of those loans per loan program and by loan statuses including interim statuses of in school and grace, and a subtotal of interim statuses; Repayment statuses of current, deferred, forborne, and a subtotal of those, delinquencies of 11-30 days, 31-60 days, 61-90 days, 91-120 days, 121-150 days, 151-180 days, 181-270 days, over 270 days and a subtotal of delinquencies; claims in process 0-30 days, 31-60 days, 61-90 days, 91-180 days, 181-360 days, over 360 days, and a subtotal of claims in process, a total of the loans in repayment status and a grand total of the portfolio.
- (b) The Servicer will submit this report to MHESLA on a monthly basis.

**FINANCIAL REPORT 5**

## CHECK /EFT DISBURSEMENT REGISTER

- (a) The purpose of this report is to provide MHESLA with a detail listing of all checks and EFT's that have been generated in a disbursement cycle by the Servicer. The report is sorted chronologically by check/EFT number and loan type.
- (b) The Servicer will submit this report to MHESLA on a weekly basis.

**FINANCIAL REPORT 6**

## DAILY ACCOUNTING DETAIL REPORT SUMMARY

- (a) The purpose of this report is to provide MHESLA detailed and summarized accounting information from the loan origination services so MHESLA may calculate the funds to be provided to the Servicer for disbursements. The report should provide a breakdown of cancellations, void checks, guarantee fees, reissued checks, and disbursements by funding source. The data elements include transaction type, guarantor, loan program, interest rate, total loan amount approved, total guarantee fees, total origination fees, and the total amount financed. Totals should be provided for all reductions (cancellations, voids) and additions (disbursements, reissued checks) to the amount owed to the Servicer.
- (b) This report should include a summary or recap of disbursements by number of disbursements by loan program, number of checks or EFT transfers, loan amounts disbursed, and net amount disbursed by funding source.
- (c) The Servicer will submit this report to MHESLA daily by facsimile or electronic media approved by the CCI or designee.

**FINANCIAL REPORT 7**

## DAILY ACCOUNTING REPORT DETAIL

- (a) This report is the detail behind the Daily Accounting Detail Report Summary. It provides the disbursement, reissued checks, cancellations, voided checks, and check or EFT disbursement information including loan program, SSN, borrower's name, scheduled disbursement date, loan amount, guarantee fee, origination fee, other deductions, net amount and the funding source. Totals of the loan amount, guarantee fee, origination fee, other deduction and net amount data elements should be included.
- (b) The Servicer will submit this report to MHESLA on a weekly basis.

**FINANCIAL REPORT 8**

## QUARTERLY LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT (LaRS 799)

- (a) The LaRS 799 is a quarterly federal report of loan origination fees, lender fees, interest benefits, special allowance, changes in guaranteed loan principal for the quarter, and guaranteed loan portfolio analysis for end of quarter, and electronically submitted to the Department of Education. The report is a summary of MHESLA's portfolio of loans eligible for federal interest benefits, special allowance, origination fees and lender fees applicable for each quarter. This information must be electronically reported as prescribed by the U.S. Department of Education, and must meet federal guidelines.
- (b) Information summarizing the loan origination fees, lender fees, interest benefits, and special allowance reported must be provided by funding source.
- (c) The Servicer must meet the conditions required by the U.S. Department of Education.



- (d) The Servicer will submit this report to the Department of Education on a quarterly basis within fifteen (15) days after the end of the quarter.

### ***FINANCIAL REPORT 9***

#### STATISTICAL INFORMATION

- (a) The purpose of this report is to provide MHESLA with statistical information by loan program (1) on loans originated and (2) on Consolidation loans, including loan activity (applications keyed, approved loans), commitment activity (loans approved by guarantor, loans cancelled), and disbursement activity (first disbursements cancelled, first disbursements made).
- (b) The Servicer will submit this report to MHESLA on a monthly basis.

### ***FINANCIAL REPORT 10***

#### MONITORING OF COMMITMENTS BY FUNDING SOURCE

- (a) The purpose of this report is to provide MHESLA with total loans committed to a funding source but not yet completely disbursed to determine cash flow needs. The report is by funding sources and should include the total principal amount of loans for which applications were entered, lender approved, guarantor approved disbursed/partially disbursed, loans disbursed for which check has cleared, and loans cancelled/partially cancelled.
- (b) The Servicer will submit this report to MHESLA on a monthly basis.

### ***FINANCIAL REPORT 11***

#### SUBSEQUENT DISBURSEMENTS REPORT

- (a) The purpose of this report is to provide MHESLA with scheduled disbursement dates by funding source for determining cash flow needs. The report should include the disbursement date and the disbursement dollar amount.
- (b) The Servicer will submit this report to MHESLA quarterly unless requested by MHESLA on a more frequent basis (monthly).

### ***FINANCIAL REPORT 12***

#### CURRENT LOAN SERVICING REPORT

- (a) The purpose of this report is to provide MHESLA with total number of loans, number of borrowers, and principal balance amounts by loan program, by funding source for use in statistical reporting.
- (b) The Servicer will submit this report to MHESLA on a monthly basis.

### ***FINANCIAL REPORT 13***

#### STAFFORD OUTSTANDING LOAN STATISTICS

- (a) A report that provides statistics regarding MHESLA's Unsubsidized Federal Stafford Loan portfolio and MHESLA's Subsidized Federal Stafford Loan portfolio. It should include the number of borrowers, number of loans and the principal amount of loans separately for both Unsubsidized and Subsidized Federal Stafford Loans.



- (b) The Servicer will submit this report to MHESLA on a monthly basis.

#### **FINANCIAL REPORT 14**

##### LENDER NOTIFICATION OF FUND TRANSFER

- (a) A report that confirms funds transferred to MHESLA. The report should identify the ACH transit routing number, account number, federal identification number, posting date, and should include principal amount applied, borrower interest amount applied, collection costs or late charges, and total amount transferred to MHESLA summarized by funding source.
- (b) The Servicer will submit this report upon each transfer.

#### **FINANCIAL REPORT 15**

##### DEFAULT STATISTICAL INFORMATION

- (a) A report that provides summary information about loan defaults. This report should include number and dollar value of claims filed, claim proceeds received, and number and total dollar value of claims rejected and should be sorted by funding source.
- (b) The Servicer will submit this report to MHESLA on a semi-annual basis.

#### **FINANCIAL REPORT 16**

##### PROJECTED LIFE CYCLE MATURITY REPORT

- (a) The purpose of this report is to summarize the expected life cycle maturity of loans through the next statuses. The report should include the average number of months for the loans to mature through the next statuses (i.e. in-school, grace, and repayment), the number of borrowers, and the principal they owe for loans that will mature from a given status during a specified time frame. The report must be sorted by funding source.
- (b) The report must be submitted quarterly.

#### **FINANCIAL REPORT 17**

##### PORTFOLIO PROJECTIONS BY SCHOOL TYPE

- (a) The purpose of this report is to provide MHESLA statistics of loan movement within MHESLA's portfolio by type of school for long range financial projections.
- (b) Detail data elements: school types - four-year public, four-year private, two-year public, two-year private and proprietary/vocational (as determined by federal regulations), number of loans and the principal and interest amount of loans by status - originated, purchased, repayment (borrower/consolidation payments applied where the loan continues to have an outstanding balance), paid-in-full (final payments applied which include refunds, cancellations, low balance write-offs, etc.), default (payments applied and default balance write-offs).
- (c) Report Sections:

Detail - There will be three report sections; Number of Loans, Loan Amounts and a Net Change Summary. Each report section must show the breakdown of the number or amount for each status within school type within loan program.



Summary - Each status must include subtotals following the four-year public/private and two-year public/private school types, the total for all school types within each loan program and the total of all school types for all loan programs. The Net Change Summary section will show the prior months ending balances plus new originations and purchases minus the repayment, paid-in-full and default activity and the end of month net figures.

- (c) The Servicer will submit this report to MHESLA on a monthly basis.

### **FINANCIAL REPORT 18**

#### PORTFOLIO BREAKDOWN - LOAN STATUS BY LOAN TYPE

- (a) The purpose of this report is to provide MHESLA an analysis of its outstanding portfolio by loan status, type of loan program and billing unit to enable reconciliation of monthly servicing costs.
- (b) Detail data elements: loan program types, Subsidized Stafford, Unsubsidized Stafford, PLUS, Grad PLUS, SLS and Consolidation, loan statuses, in-school, grace, deferment/forbearance, repayment current, repayment delinquent, total number of borrowers, total number of accounts, total number of loans and total outstanding principal balance, by funding source.

- (c) Report Sections:

Detail - Each loan status must be reported within each loan program and for total portfolio. Report to include subtotals following each loan program, by funding source.

Summary - A total of all loan programs within each status for total portfolio, by funding source.

- (d) The Servicer will submit this report to MHESLA on a monthly basis.

### **SCHOOL REPORT 1**

#### FORECAST REPORT

- (a) The purpose of this report is to provide a monthly report to schools reflecting future disbursement information. This report will allow schools to meet the compliance criteria with the Cash Management regulations. Further, schools will be able to cancel disbursements when the student is not eligible to receive loan funds thus reducing funds being returned and reissued.
- (b) This report should meet the data criteria outlined in CommonLine Release 5 that specifically details the Forecast Report process and be CommonLine compliant.
- (c) The Servicer will submit this report on a request basis to schools.
- (d) If the reporting method is microfiche, hard copy is required.

### **SCHOOL REPORT 2**

#### REPAYMENT REPORT

- (a) The purpose of this report is to provide the schools with a monthly report that reflects students that will enter repayment in the future (i.e., request report in January, and receive in January a list of students entering repayment in March). This report will reflect name, social security number, and repayment entry date.

Corresponding mailing labels with the student's name and address must accompany the report so that schools can send communication, if they so choose, outlining repayment options available to the borrower.

- (b) This report will reflect borrower name, social security number, and future repayment history.



- (c) The Servicer will submit this report on a request basis to schools.
- (d) If the reporting method is microfiche, hard copy is required.

## B: MI-LOAN REPORTS

### **ORIGINATION MANAGEMENT REPORT 1**

#### MI-LOAN APPLICATIONS RECEIVED

- (a) **PURPOSE:** The purpose of this report is to provide a listing and the current status of applications received.
- (b) **DETAIL DATA ELEMENTS:** 1) Program type, 2) applicant's requested interest type ("Fixed", "Variable" or "no interest rate selected"), 3) application received date, 4) social security number, 5) loan identifier, 6) borrower name, 7) application/loan status, 8) grade level, 9) school ID number, 10) school name.
- (c) **REPORT SECTIONS:**
  - Spacing:
    - Line break between each interest type within program type,
    - Page break between program types, and a
    - Page break between the detail/program types and summary.
  - Detail:
    - Social security number/loan identifier order within interest type,
    - Within program type.
  - Summary:
    - Totals by program type for the:
      - ✓ Number of fixed interest rate applications received,
      - ✓ Number of variable interest rate applications received,
      - ✓ Number of "no interest rate selected" applications received, and the
      - ✓ Total number of all applications received.
    - Grand totals, all program types combined, for the:
      - ✓ Number of "fixed interest rate" applications received,
      - ✓ Number of "variable interest rate" applications received,
      - ✓ Number of "no interest rate selected" applications received, and the
      - ✓ Total number of all applications received.
- (d) **FREQUENCY:** The Servicer must submit this report to MHESLA on a week-end basis.

### **ORIGINATION MANAGEMENT REPORT 2**

#### MI-LOAN APPLICATIONS PENDING

- (a) **PURPOSE:** The purpose of this report is to identify applications that have been received, but have not been approved or denied as of the report date. This is a cumulative report.
- (b) **DETAIL DATA ELEMENTS:** 1) Program type, 2) number of days pending (number of days from received date to date of report), 3) application received date, 4) social security number, 5) loan identifier, 6) borrower name, 7) edit reason(s).



## (c) REPORT SECTIONS:

Spacing:

- Line break between application received dates within program type,
- Page break between program types, and a
- Line break before the summary section.

Detail:

- Social security number/loan identifier order
- Within application received date
- Within program type.

Summary:

- Total by program type for the number of applications pending and
- Grand total, all program types combined, for the number of applications pending.

(d) FREQUENCY: The Servicer must submit this report to MHESLA on a month end basis.

**ORIGINATION MANAGEMENT REPORT 3**

## MI-LOAN APPROVAL ROSTER

(a) PURPOSE: The purpose of this report is to identify applications that are approved for disbursement, or the loan increase amount approved for an application previously approved (new total loan amount approved minus loan amount previously approved).

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) bond funding source number, 3) borrower social security number, 4) loan identifier, 5) borrower name, 6) loan amount approved, 7) loan increase amount approved, 8) loan reduction reason, 9) school id number, 10) school name.

## (c) REPORT SECTIONS:

Spacing:

- Line break between each bond fund, within program type,
- Page break between program types, and a
- Page break before summary.

Detail:

- Borrower Social security number/loan identifier order
- Within bond fund
- Within program type.

Summary:

- Totals by bond fund, within program type, for:
  - ✓ Number of loans approved,
  - ✓ Loan amounts approved,
  - ✓ Loan increase amount approved.
- Totals by program type for:
  - ✓ Number of loans approved,
  - ✓ Loan amounts approved,
  - ✓ Loan increase amount.
- Totals by bond fund, all program types combined, for:
  - ✓ Number of loans approved,
  - ✓ Loan amount approved, and
  - ✓ Loan increase amount approved.



- Grand totals, all program types/all bond funds combined, for:
    - ✓ Number of loans approved,
    - ✓ Loan amount approved, and
    - ✓ Loan increase amount approved.
- (d) FREQUENCY: Report is to be on an approval date basis, but the Servicer may hold the reports generated for each approval date and mail them to MHESLA at the end of the week.

#### **ORIGINATION MANAGEMENT REPORT 4**

##### MI-LOAN DENIAL ROSTER

- (a) PURPOSE: The purpose of this report is to identify applications that are denied during the report period, and the reason for the denial.
- (b) DETAIL DATA ELEMENTS: 1) Program type, 2) bond funding source number\*, 3) social security number, 4) loan identifier, 5) borrower name, 6) denial date, 7) applicant's requested loan amount denied, 8) denial reason (if denied for multiple reasons, all reasons must be listed on report), 9) school ID number, 10) school name.

\*Note: If the denied application does not include the information necessary to assign a bond fund, group these applications together and label them as having "No Bond Fund."

- (c) REPORT SECTIONS:

##### Spacing:

- Line break between each bond fund, within program type,
- Page break between program types, and a
- Page break before summary.

##### Detail:

- Social security number/loan identifier order,
- Within bond fund,
- Within program type.

##### Summary:

- Totals by bond fund, within program type, for:
  - ✓ Requested amount denied, and
  - ✓ Number of loan applications denied.
- Totals by program type for:
  - ✓ Requested amount denied, and
  - ✓ Number of loan applications denied.
- Totals by bond fund, all program types combined, for:
  - ✓ Requested amount denied, and
  - ✓ Number of loan applications denied.
- Grand totals, all program types/all bond funds combined, for:
  - ✓ Requested amount denied, and
  - ✓ Number of loan applications denied.

- (d) FREQUENCY: The Servicer must submit this report to MHESLA on a week end basis.

#### **ORIGINATION MANAGEMENT REPORT 5**

##### MI-LOAN DISBURSEMENT ROSTER

- (a) PURPOSE: The purpose of this report is to provide data on disbursed loans.



(b) **DETAIL DATA ELEMENTS:** 1) Program type, 2) bond funding source number, 3) social security number, 4) loan identifier, 5) borrower name, 6) actual gross disbursed amount, 7) reserve fee amount, 8) net disbursement amount (actual gross disbursed amount minus reserve fee amount), 9) disbursement method indicator (EFT/check), 10) check number or equivalent, 11) applicant's requested interest type ("Fixed" or "Variable"), 12) interest rate.

(c) **REPORT SECTIONS:**

Spacing:

- Line break between each bond fund, within program type,
- Page break between program types, and a
- Page break before summary.

Detail:

- Social security number/loan identifier order,
- Within bond fund,
- Within program type.

Summary:

- Totals by bond fund, within program type, for:
  - ✓ Actual gross disbursed amount,
  - ✓ Reserve fee amount,
  - ✓ Net disbursed amount, and
  - ✓ Number of disbursements.
- Totals by program type for:
  - ✓ Actual gross disbursed amount,
  - ✓ Reserve fee amount,
  - ✓ Net disbursed amount, and
  - ✓ Number of disbursements.
- Totals by bond fund, all program types combined, for:
  - ✓ Actual gross disbursed amount,
  - ✓ Reserve fee amount,
  - ✓ Net disbursed amount, and
  - ✓ Number of disbursements.
- Grand totals, all program types/all bond funds combined, for:
  - ✓ Actual gross disbursed amount,
  - ✓ Reserve fee amount,
  - ✓ Net disbursed amount, and
  - ✓ Number of disbursements.

(d) **FREQUENCY:** The Servicer must submit this report to MHESLA on a disbursement run basis.

### **ORIGINATION MANAGEMENT REPORT 6**

#### **MI-LOAN DISBURSEMENT CREDIT REGISTER**

(a) **PURPOSE:** The purpose of this report is to identify loans that were "Cancelled" because the funds were returned to MHESLA or the Servicer within 30 days of disbursement, the disbursement check was voided, or a stop payment was placed on the disbursement check.

(b) **DETAIL DATA ELEMENTS:** 1) Check number, 2) social security number, 3) loan identifier, 4) borrower name, 5) "Cancelled" status effective date (date funds are received, check is voided, or stop payment date), 6) actual gross disbursed amount, 7) reserve fee amount, 8) net disbursed amount (actual gross disbursed amount minus reserve fee amount), 9) bond funding source number.



## (c) REPORT SECTIONS:

Spacing:

- Line break between detail and summary.

Detail:

- Check number order.

Summary:

- Totals for actual gross disbursed amount, reserve fee amount, net disbursement amount, and number of checks for each bond fund, and for all bond funds combined.

## (d) FREQUENCY: The Servicer must submit this report to MHESLA for each date of occurrence.

**ORIGINATION MANAGEMENT REPORT 7**

## MI-LOAN DENIED/CANCELLED/DELETED ROSTER

## (a) PURPOSE: The purpose of this report is to identify for schools those applications, certified by that school, that have been denied, have been cancelled prior to disbursement, or have had the disbursement check voided.

## (b) DETAIL DATA ELEMENTS: 1) School name, 2) school contact person's name, 3) school address, 4) school code, 5) program type, 6) student social security number, 7) student name, 8) borrower social security number, 9) loan identifier, 10) borrower name, 11) applicant's requested loan amount, 12) application/loan status ("Denied", "Cancelled" or "Deleted"), 13) loan status effective date, 14) school certified loan period start date (mm/dd/ccyy), 15) school certified loan period end date (mm/dd/ccyy).

## (c) REPORT SECTIONS:

Spacing:

- Page break between each school code, and a
- Page break between the detail and summary.

Detail:

- Chronological order by received date,
- Within program type,
- Within each school code.

Summary:

- Totals by program type, for all borrower types/all schools combined, for the:
  - ✓ Number of applications denied ("Denied" status),
  - ✓ Number of applications cancelled prior to disbursement ("Deleted" status),
  - ✓ Number of checks voided ("Cancelled" status), and
  - ✓ Number of denied, cancelled and deleted applications combined.
- Grand Totals, for all program types all borrower types/all schools combined for:
  - ✓ Number of applications denied ("Denied" status),
  - ✓ Number of applications cancelled prior to disbursement ("Deleted" status), and
  - ✓ Number of checks voided ("cancelled" status).
- Grand total number of applications (denied/cancelled/ deleted) for all program types/all borrower types/all schools combined.

## (d) FREQUENCY: The Servicer must submit this report to MHESLA on a week end basis. Also, the Servicer must forward each school's detail page(s) to them by whatever method the school requests; i.e. electronically, by fax, by email or by regular mail.



### **ORIGINATION MANAGEMENT REPORT 8**

#### MI-LOAN SCHOOL APPROVAL ROSTER

- (a) **PURPOSE:** The purpose of this report is to identify for the school all applications that have been approved, or pre-approved, for disbursement during the report period.
- (b) **DETAIL DATA ELEMENTS:** 1) School code, 2) school name, 3) school contact person's name, 4) school address (street address, city state, zip code), 5) application approval date, 6) student social security number, 7) student name, 8) loan approved amount, 9) scheduled disbursement date(s), 10) loan period begin date, 11) loan period end date, 12) borrower social security number, 13) loan identifier, 14) borrower name, 15) program type, 16) approval status ("approved" or "pre-approved").
- (c) **REPORT SECTIONS:**
- Spacing:
- Page break between schools, and
  - Page break before the summary section.
- Detail:
- In alpha order by school name, and
  - In student social security number order,
  - Within each school section.
- Summary:
- Summary section for each school, all program types combined, following each school's detail, for the total number of:
    - ✓ Applications approved and pre-approved, and
    - ✓ Loan amount approved.
  - Summary section for all schools/all program types combined for the total number of :
    - ✓ Applications approved and pre-approved, and
    - ✓ Loan amount approved.
- (d) **FREQUENCY:** On a daily basis.
- (e) **REPORTING METHOD:** The Servicer will transmit each page of the detail sections of the report to the school(s) that it covers, along with a copy of the entire report to MHESLA, either electronically or by email (as identified in writing by the CCI or designee).

### **ORIGINATION MANAGEMENT REPORT 9**

#### MI-LOAN DISBURSEMENTS PENDING ROSTER

- (a) **PURPOSE:** The purpose of this report is to provide data on loans pending future disbursement.
- (b) **DETAIL DATA ELEMENTS:** 1) Program type, 2) bond funding source number, 3) social security number, 4) loan identifier, 5) borrower name, 6) loan amount approved, 7) scheduled disbursement date, 8) actual gross disbursement amount, 9) reserve fee amount, 10) net disbursement amount (actual gross disbursement amount minus reserve fee amount), 11) disbursement method indicator (EFT/check), 12) school name, 13) school code.
- (c) **REPORT SECTIONS:**
- Spacing:
- Line break between each bond fund, within program type,
  - Page break between program types, and a
  - Page break before summary.



## Detail:

- Social security number,
- Within pending disbursement date,
- Within bond fund,
- Within program type.

## Summary:

- Totals by bond fund, within program type, for:
  - ✓ Total actual gross disbursement amount,
  - ✓ Reserve fee amount,
  - ✓ Net disbursement amount, and
  - ✓ Number of disbursements.
- Totals by program type for:
  - ✓ Total actual gross disbursement amount,
  - ✓ Reserve fee amount,
  - ✓ Net disbursement amount, and
  - ✓ Number of disbursements.
- Totals by bond fund, all program types combined, for:
  - ✓ Total actual gross disbursement amount,
  - ✓ Reserve fee amount,
  - ✓ Net disbursement amount, and
  - ✓ Number of disbursements.
- Grand totals, all program types/all bond funds combined, for:
  - ✓ Total actual gross disbursement amount,
  - ✓ Reserve fee amount,
  - ✓ Net disbursement amount, and
  - ✓ Number of disbursements.

(d) FREQUENCY: The Servicer must submit this report to MHESLA on a weekly.

### **ORIGINATION STATISTICAL REPORT 1**

#### STATISTICS: APPLICATION PROCESSING TIME TO APPROVAL

- (a) **PURPOSE:** The purpose of this report is to provide statistical information on the time it takes to process MI-LOAN Program applications from the date the application is received until the date the loan is approved. This report includes applications which were approved within the report period that may be in the following statuses as of the report period end date: approved (but not yet disbursed), cancelled (cancelled after disbursement), deleted (cancelled prior to disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA/repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7, 11, 12, 13), death cancellation, disability cancellation, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status and in denied status are not included in the report. The report is separated into two application approval groups so that the overall processing time average does not appear inflated. The application approval group subsections are:
- Immediate Approval - Applications that are thoroughly and accurately completed and that need no further information or materials to be approved. These applications are received and approved without pending action.
  - Delayed Approval - Applications that are incomplete or inaccurately completed and require a return to the borrower or other actions in order to approve the loan.
- (b) **DETAIL DATA ELEMENTS:** 1) Program type, 2) social security number, 3) loan identifier, 4) borrower name, 5) loan amount approved, 6) application received date, 7) application approval date, 8) number of days from the application received date to the application approval date.



## (c) REPORT SECTIONS:

## Spacing:

- Page break between program types within subsections,
- Page break between subsections, and a
- Page break before summary section.

## Detail:

- Number of days to process (detail data element #8) order,
- Within program type,
- Within subsection.

## Summary:

- Average number of days to process by program type within subsection,
- Average number of days to process by subsection, all program types combined.

## (d) FREQUENCY: The Servicer must submit this report to MHESLA on a week end basis.

**ORIGINATION STATISTICAL REPORT 2**

## STATISTICS: AGE OF BORROWER

(a) PURPOSE: The purpose of this report is to provide statistical information on the ages of borrowers, cumulative from program inception (10/1990). This report includes applications/loans in the following statuses: approved (but not yet disbursed), cancelled (cancelled after disbursement), deleted (cancelled before disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7,11,12,13), death cancellation, disability cancellation, default, collection, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status and in denied status are not included in the report. The age groups are:

- No date of birth
- Under 24 years old
- 24 to 29 years old
- 30 to 39 years old
- 40 to 49 years old
- 50 years old or older

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) borrower type, 3) Age groups, 4) number of loans, 5) loan amounts approved.

## (c) REPORT SECTIONS:

## Spacing:

- Line break between sections: "totals by borrower type within program type", "totals by program type, all borrower types combined", "totals for each borrower type, all program types combined".
- Page break before the summary section.

## Detail:

- Totals by borrower type within program type for each age group, cumulative from program inception in ascending order by age, for the:
  - ✓ Number of loans and
  - ✓ Total loan amounts approved.
- Totals by program type, all borrower types combined, for each age group, cumulative from program inception in ascending order by age, for the:
  - ✓ Number of loans and
  - ✓ Total loan amounts approved.



- Totals for each borrower type, all program types combined, for each age group, cumulative from program inception in ascending order by age, for the:
  - ✓ Number of loans and
  - ✓ Total loan amounts approved.

Summary:

- Totals for all program types/all borrower types combined for each age group, cumulative from program inception in ascending order by age, for the:
  - ✓ Number of loans and
  - ✓ Total loan amounts approved.
- Grand Totals for all age groups/all program types combined, cumulative from program inception, for the:
  - ✓ Number of loans and
  - ✓ Total loan amounts approved.

(d) FREQUENCY: The Servicer must submit this report to MHESLA on a quarter end basis.

### **ORIGINATION STATISTICAL REPORT 3**

#### **STATISTICS: BORROWER ACCOUNTS - DISBURSED AMOUNT**

(a) PURPOSE: The purpose of this report is to provide statistical information on actual gross disbursed amounts for the loans in the MI-LOAN Program portfolio cumulative from program inception (10/1990). This report includes loans in the following statuses: disbursed, cancelled (cancelled after disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7, 11, 12, 13), death cancellation, disability cancellation, default, collection, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status, in an approved but not yet disbursed status, canceled prior to disbursement status ("deleted"), and in denied status are not included in the report. The actual gross disbursement amount groups are:

- |                        |                          |
|------------------------|--------------------------|
| • Up to \$2,500        | • \$30,001 to \$35,000   |
| • \$2,501 to \$5,000   | • \$35,001 to \$40,000   |
| • \$5,001 to \$10,000  | • \$40,001 to \$45,000   |
| • \$10,001 to \$15,000 | • \$45,001 to \$50,000   |
| • \$15,001 to \$20,000 | • \$50,001 to \$75,000   |
| • \$20,001 to \$25,000 | • \$75,001 to \$100,000  |
| • \$25,001 to \$30,000 | • \$100,001 to \$125,000 |

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) borrower type, 3) Actual gross disbursed amount groups, 4) number of loans, 5) total actual gross disbursed amounts.

(c) REPORT SECTIONS:

Spacing:

- Line break between the following sections:
  - ✓ "Totals by borrower type within program type",
  - ✓ "Totals by program type, all borrower types combined", and
  - ✓ "Totals for each borrower type, all program types combined".
- Page break before the summary section.

Detail:

- Totals by borrower type within program type for each group, cumulative from program inception in ascending order by group, for the:
  - ✓ Number of loans, and
  - ✓ Total actual gross disbursed amounts.
- Totals by borrower type within program type for all groups combined, cumulative from program inception, for the:
  - ✓ Number of loans, and
  - ✓ Total actual gross disbursed amounts.



- Totals by program type, all borrower types combined, for each group, cumulative from program inception in ascending order by group, for the:
  - ✓ Number of loans, and
  - ✓ Total actual gross disbursed amounts.
- Totals by program type, all borrower types/all groups combined, cumulative from program inception, for the:
  - ✓ Number of loans, and
  - ✓ Total actual gross disbursed amounts.
- Totals for each borrower type, all program types combined, for each group, cumulative from program inception in ascending order by group, for the:
  - ✓ Number of loans, and
  - ✓ Total actual gross disbursed amounts.
- Totals for each borrower type, all program types/all groups combined, cumulative from program inception, for the:
  - ✓ Number of loans, and
  - ✓ Total actual gross disbursed amounts.

Summary:

- Totals for all program types/all borrower types combined for each group, cumulative from program inception in ascending order by group, for the:
  - ✓ Number of loans, and
  - ✓ Total actual gross disbursed amounts.
- grand totals for all groups/all program types/all borrower types combined, cumulative from program inception, for the:
  - ✓ number of loans, and
  - ✓ total actual gross disbursed amounts.

(d) FREQUENCY: The Servicer must submit this report to MHESLA on a quarter end basis.

#### **ORIGINATION STATISTICAL REPORT 4**

##### STATISTICS: CREDITWORTHY PROGRAM - COSIGNER STATUS

(a) PURPOSE: The purpose of this report is to provide statistical information on the cosigner statuses for loans in the Creditworthy MI-LOAN Program portfolio for the current fiscal quarter, the current fiscal year-to-date, and cumulative from program inception (10/1990). This report includes applications/loans in the following statuses: approved (but not yet disbursed), cancelled (cancelled after disbursement), deleted (cancelled prior to disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7, 11,12,13), death cancellation, disability cancellation, default, collection, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status and in denied status are not included in the report. The cosigner status groups are:

- No Cosigner
- Cosigner

(b) DETAIL DATA ELEMENTS: 1) Borrower type, 2) cosigner status groups, 3) number of loans, 4) loan amounts approved.

(c) REPORT SECTIONS:

Spacing:

- Line break between borrower types.
- Page break before the summary section.



## Detail:

- Totals by borrower type for each cosigner status group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the:
    - Number of loans, and
    - Total loan amounts approved.

## Summary:

- Totals for all borrower types combined for each cosigner status group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Total loan amounts approved.
- Grand totals for all borrower types/all status groups combined for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the:
    - Number of loans, and
    - Total loan amounts approved.

(d) FREQUENCY: The Servicer must submit this report to MHESLA on a quarter end basis.

### **ORIGINATION STATISTICAL REPORT 5**

#### STATISTICS: DENIED STATUS

- (a) PURPOSE: The purpose of this report is to provide statistical information on the reasons for denial for the loans in the MI-LOAN Program portfolio for the current fiscal quarter, the current fiscal year-to-date, and cumulative from program inception (10/1990). This report only includes loans that are in denied status. The denial reasons are:
- Already borrowed maximum yearly amount
  - Below minimum loan amount
  - Borrower ineligible per school
  - Charge-off(s)
  - Collection account
  - Cosigner unacceptable
  - Cosigners must have same address
  - Debt-to-income ratio
  - Delinquent credit obligations
  - Delinquent more than twice
  - Insufficient credit references
  - Insufficient income
  - Irregular employment



- Judgment
  - Length of employment insufficient
  - Loan period cited more than 12 months
  - Missing information
  - Not 18 years old
  - Previous loan in default
  - Prior delinquent MI-LOAN
  - Prior MI-LOAN 60 days past due
  - Repossession
  - School not eligible for MI-LOAN
  - Unable to verify employment
  - Unable to verify income
  - Other
- (b) DETAIL DATA ELEMENTS: 1) Denial reasons, 2) number of applications, 3) applicant's requested loan amount.
- (c) REPORT SECTIONS:
- Spacing:
- Line break between the detail and summary.
- Detail:
- Total number of applications denied, and total of applicants' requested loan amounts for each denial reason in alpha order by denial reason for the current fiscal quarter, fiscal year-to-date, and from program inception.
- Summary:
- Total number of applications denied, and total of applicants' requested loan amounts for all denial reasons combined for the current fiscal quarter, fiscal year-to-date, and from program inception.
- (d) FREQUENCY: The Servicer must submit this report to MHESLA on a quarter end basis.

### **ORIGINATION STATISTICAL REPORT 6**

#### STATISTICS: ENROLLMENT STATUS

- (a) PURPOSE: The purpose of this report is to provide statistical information on the student's enrollment level for loans in the MI-LOAN Program portfolio for the current fiscal quarter, the current fiscal year-to-date, and cumulative from program inception (10/1990). This report includes applications/loans in the following statuses: approved (but not yet disbursed), cancelled (after disbursement), deleted (cancelled before disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7,11,12,13), death cancellation, disability cancellation, default, collection, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status and in denied status are not included in the report. The enrollment level groups are:
- Full time
  - Half time
  - Less than half time
- (b) DETAIL DATA ELEMENTS: 1) Program type, 2) borrower type, 3) Enrollment level groups, 4) number of loans, 5) loan amounts approved.
- (c) REPORT SECTIONS:
- Spacing:
- Line break between sections: "totals by borrower type within program type", "totals by program type, all borrower types combined", "totals for each borrower type, all program types combined".
  - Page break before the summary section.



## Detail:

- Totals by borrower type within program type for each enrollment level group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Totals by program type, all borrower types combined, for each enrollment level group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Totals for each borrower type, all program types combined, for each enrollment level group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

## Summary:

- Totals for all program types/all borrower types combined for each enrollment level group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Grand totals for all enrollment level groups/all program types/all borrower types combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

(d) FREQUENCY: The Servicer must submit this report to MHESLA on a quarter end basis.



## ORIGINATION STATISTICAL REPORT 7

### STATISTICS: GRADE LEVEL

(a) **PURPOSE:** The purpose of this report is to provide statistical information on the student's grade level for loans in the MI-LOAN Program portfolio for the current fiscal quarter, the current fiscal year-to-date, and cumulative from program inception (10/1990). This report includes applications/loans in the following statuses: approved (but not yet disbursed), cancelled (after disbursement), deleted (cancelled before disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7,11,12,13), death cancellation, disability cancellation, default, collection, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status and in denied status are not included in the report. The grade level groups are:

- No grade level
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9

(b) **DETAIL DATA ELEMENTS:** 1) Program type, 2) borrower type, 3) Grade level groups, 4) number of loans, 5) loan amounts approved.

(c) **REPORT SECTIONS:**

#### Spacing:

- Line break between sections: "totals by borrower type within program type", totals by program type, all borrower types combined", "totals for each borrower type, all program types combined".
- Page break before the summary section.

#### Detail:

- Totals by borrower type within program type for each grade level group in ascending order by grade level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Totals by program type, all borrower types combined, for each grade level group in ascending order by grade level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.



- Totals for each borrower type, all program types combined, for each grade level group in ascending order by grade level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

Summary:

- Totals for all program types/all borrower types combined for each grade level group in ascending order by grade level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Grand totals for all grade level groups/all program types/all borrower types combined, for the :
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

(d) FREQUENCY: The Servicer must submit this report to MHESLA on a quarter end basis.

### **ORIGINATION STATISTICAL REPORT 8**

#### STATISTICS: CREDITWORTHY PROGRAM - INCOME LEVEL

(a) PURPOSE: The purpose of this report is to provide statistical information on the income level of creditworthy applicants for loans in the Creditworthy MI-LOAN Program portfolio for the current fiscal quarter, the current fiscal year-to-date, and cumulative from program inception (10/1990). This report includes applications/loans in the following statuses: approved (but not yet disbursed), cancelled (after disbursement), deleted (cancelled before disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7,11,12,13), death cancellation, disability cancellation, default, collection, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status and in denied status are not included in the report. The income level groups are:

- \$0 to \$25,000
- \$25,001 to \$35,000
- \$35,001 to \$45,000
- \$45,001 to \$55,000
- \$55,001 to \$65,000
- More than \$65,000



(b) **DETAIL DATA ELEMENTS:** 1) Borrower type, 2) Income level groups, 3) number of loans, 4) loan amounts approved, 5) total income amounts, 6) average borrower income level (#5 – total income amounts divided by #3 – number of loans).

(c) **REPORT SECTIONS:**

**Spacing:**

- Line break between the borrower types,
- Page break before the summary section, and
- Line break between the summary section Grand totals for number of loans and loan amounts approved and grand totals for total income amounts and the average borrower income level.

**Detail:**

- Totals by borrower type for each income level group, in ascending order by income level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

**Summary:**

- Totals for all borrower types combined for each income level group, in ascending order by income level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Grand totals for all borrower types/all income level groups combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans,
    - Loan amounts approved,
    - Total income amounts, and
    - Average borrower income level.

(d) **FREQUENCY:** The Servicer must submit this report to MHESLA on a quarter end basis.

**ORIGINATION STATISTICAL REPORT 9**

**STATISTICS: LOAN AMOUNT**

(a) **PURPOSE:** The purpose of this report is to provide statistical information on the loan amounts approved for loans in the MI-LOAN Program portfolio for the current fiscal quarter, the current fiscal year-to-date, and cumulative from program inception (10/1990).



This report includes applications/loans in the following statuses: approved (but not yet disbursed), cancelled (cancelled after disbursement), deleted (cancelled before disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7,11,12,13), death cancellation, disability cancellation, default, collection, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status and in denied status are not included in the report. The loan amount groups are:

- Less than \$500
- \$ 500 to \$ 1,500
- \$ 1,501 to \$ 2,500
- \$ 2,501 to \$ 3,500
- \$ 3,501 to \$ 4,500
- \$ 4,501 to \$ 5,500
- \$ 5,501 to \$ 7,000
- \$ 7,001 to \$10,000
- \$10,001 to \$15,000
- \$15,001 to \$20,000
- \$20,001 to \$25,000
- \$25,001 to \$30,000
- \$30,001 to \$40,000
- \$40,001 to \$50,000
- More than \$50,000

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) borrower type, 3) Loan amount groups, 4) number of loans, 5) loan amounts approved.

(c) REPORT SECTIONS:

Spacing:

- Line break between sections: "totals by borrower type within program type", "totals by program type, all borrower types combined", "totals for each borrower type, all program types combined".
- Page break before the summary section.

Detail:

- Totals by borrower type within program type for each loan amount group in ascending order by loan amount, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Totals by program type, all borrower types combined, for each loan amount group in ascending order by loan amount, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Totals for each borrower type, all program types combined, for each loan amount group in ascending order by loan amount, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.



## Summary:

- Totals for all program types/all borrower types combined for each loan amount group in ascending order by loan amount, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Grand totals for all loan amount groups all program types/all borrower types combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

(d) FREQUENCY: The Servicer must submit this report to MHESLA on a quarter end basis.

**ORIGINATION STATISTICAL REPORT 10**

## STATISTICS: LOAN VOLUME BY DEBT-TO-INCOME RATIO

(a) PURPOSE: The purpose of this report is to provide statistical information on the debt-to-income ratios of the creditworthy borrowers for loans in the Creditworthy MI-LOAN Program portfolio for the current fiscal quarter, the current fiscal year-to-date, and cumulative from program inception (10/1990). This report includes applications/loans in the following statuses: approved (but not yet disbursed), cancelled (cancelled after disbursement), deleted (cancelled before disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7,11,12,13), death cancellation, disability cancellation, default, collection, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status and in denied status are not included in the report. The debt-to-income ratio groups are:

- Up to 15.0%
- 15.1% to 20.0%
- 20.1% to 25.0%
- 25.1% to 30.0%      30.1% to 35.0%
- 35.1% to 40.0%
- 40.1% to 45.0%
- More than 45.0%

(b) DETAIL DATA ELEMENTS: 1) Borrower type, 2) Debt-to-income ratio groups, 3) number of loans, 4) loan amounts approved.

(c) REPORT SECTIONS:

## Spacing:

- Line break between borrower types, and
- Page break before the summary section.



## Detail:

- Totals by borrower type for each debt-to-income ratio group, in ascending order by ratio, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception
    - Number of loans, and
    - Total loan amounts approved.

## Summary:

- Totals for all borrower types combined for each debt-to-income ratio group, in ascending order by ratio, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Total loan amounts approved.
- Grand totals for all borrower types/all debt-to-income ratio groups combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Total loan amounts approved.

(d) FREQUENCY: The Servicer must submit this report to MHESLA on a quarter end basis.

**ORIGINATION STATISTICAL REPORT 11**

## STATISTICS: LOAN VOLUME BY SCHOOL

- (a) PURPOSE: The purpose of this report is to provide statistical information on the loan volume, by school, for loans in the MI-LOAN Program portfolio for the current fiscal quarter, the current fiscal year-to-date, and cumulative from program inception (10/1990). This report includes applications/loans in the following statuses: approved (but not yet disbursed), cancelled (after disbursement), deleted (cancelled before disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7,11,12,13), death cancellation, disability cancellation, default, collection, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status and in denied status are not included in the report.
- (b) DETAIL DATA ELEMENTS: 1) Program type, 2) School code, 3) school name, 4) number of loans, 5) loan amounts approved.
- (c) REPORT SECTIONS:

## Spacing:

- Line break between the detail sections, and
- Page break before the summary section.



## Detail:

- Totals by program type for each school in ascending order by school code for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Total loan amounts approved.
- Totals by program type, all schools combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception for the,
    - Number of loans, and
    - Total loan amounts approved.

## Summary:

- Totals for all program types combined for each school in ascending order by school code for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Total loan amounts approved,
- Grand totals for all schools codes/all program types combined for the:
  - ✓ Current fiscal quarter, for the
    - number of loans, and
    - total loan amounts approved,
  - ✓ fiscal year-to-date, for the
    - number of loans, and
    - total loan amounts approved, and
  - ✓ from program inception, for the
    - number of loans, and
    - total loan amounts approved.

(d) FREQUENCY: The Servicer must submit this report to MHESLA on a quarter end basis.

### **ORIGINATION STATISTICAL REPORT 12**

#### STATISTICS: SCHOOL TYPE

- (a) PURPOSE: The purpose of this report is to provide statistical information on the school types for loans in the MI-LOAN Program portfolio for the current fiscal quarter, the current fiscal year-to-date, and cumulative from program inception (10/1990). This report includes applications/loans in the following statuses: approved (but not yet disbursed), cancelled (after disbursement), deleted (cancelled before disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7,11,12,13), death cancellation, disability cancellation, default, collection, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status and in denied status are not included in the report. The school type groups are:



- Unknown school type
- 2-year
- 4-year

(b) DETAIL DATA ELEMENTS: 1) program type, 2) borrower type, 3) School type, 4) number of loans, 5) loan amounts approved.

(c) REPORT SECTIONS:

Spacing:

- Line break between sections: “totals by borrower type within program type”, “totals by program type, all borrower types combined”, “totals for each borrower type, all program types combined”.
- Page break before the summary section.

Detail:

- Totals by borrower type within program types for each school type, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception for the
    - Number of loans, and
    - Total loan amounts approved.
- Totals by program type, all borrower types combined, for each school type, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception for the
    - Number of loans, and
    - Total loan amounts approved.
- Totals for each borrower type, all program types combined, for each school type, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception for the
    - Number of loans, and
    - Total loan amounts approved.

Summary:

- Totals for all program types/all borrower types combined for each school type, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception for the
    - Number of loans, and
    - Total loan amounts approved.



- Grand totals for all school types/all program types/all borrower types combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Total loan amounts approved.

(d) FREQUENCY: The Servicer must submit this report to MHESLA on a quarter end basis.

### **SERVICING OPERATIONAL REPORT 1**

#### NEW DEFAULTED LOANS

- (a) PURPOSE: The purpose of this report is to identify loans entering default status. Default occurs when the borrower/cosigner fail to make a payment for 120 days after the payment due date.
- (b) DETAIL DATA ELEMENTS: 1) Program type, 2) Bond funding source number, 3) social security number, 4) loan identifier, 5) borrower's name, 6) borrower type indicator (parent/student), 7) cosigner's name, 8) "default" status effective date (day 120), 9) actual gross disbursed amount, 10) actual disbursement date, 11) principal balance, 12) accrued unpaid interest, 13) total amount due (total current principal balance plus accrued unpaid interest, 14) accrued unpaid interest effective date, 15) daily interest accrual amount (extended to four decimal places).

(c) REPORT SECTIONS:

#### Spacing:

- Line break between default dates, within each bond fund,
- Line break before the summary by bond fund,
- Line break between bond funds, within program type,
- Page break between program types
- Page break before summary by bond fund, all program types combined,
- Line break before grand totals.

#### Detail:

- All loans by Social Security Number/loan identifier order
- Within default date,
- Within bond fund,
- Within program type.
- 

#### Summary:

- Totals by bond fund, within program type, for the:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Number of borrowers, both borrower types combined,
  - ✓ Number of parent borrower loans,
  - ✓ Number of student borrower loans,
  - ✓ Number of loans, both borrower types combined,
  - ✓ Actual gross disbursed amount,
  - ✓ Principal balance,
  - ✓ Accrued unpaid interest, and
  - ✓ Total amount due (total current principal balance plus accrued unpaid interest).



- Totals by program type, all bond funds combined, for the:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Number of borrowers, both borrower types combined,
  - ✓ Number of parent borrower loans,
  - ✓ Number of student borrower loans,
  - ✓ Number of loans, both borrower types combined,
  - ✓ Actual gross disbursed amount,
  - ✓ Principal balance,
  - ✓ Accrued unpaid interest, and
  - ✓ Total amount due (total current principal balance plus accrued unpaid interest).
- Totals by bond fund, all program types combined, for the:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Number of borrowers, both borrower types combined,
  - ✓ Number of parent borrower loans,
  - ✓ Number of student borrower loans,
  - ✓ Number of loans, both borrower types combined,
  - ✓ Actual gross disbursed amount,
  - ✓ Principal balance,
  - ✓ Accrued unpaid interest, and
  - ✓ Total amount due (total current principal balance plus accrued unpaid interest).
- Grand totals, all bond funds/all program types combined, for the:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Number of borrowers, both borrower types combined,
  - ✓ Number of parent borrower loans,
  - ✓ Number of student borrower loans,
  - ✓ Number of loans, both borrower types combined,
  - ✓ Actual gross disbursed amount,
  - ✓ Principal balance,
  - ✓ Accrued unpaid interest, and
  - ✓ Total amount due (total current principal balance plus accrued unpaid interest).

(d) FREQUENCY: The Servicer will provide this report to MHESLA on a week end basis.

## **SERVICING OPERATIONAL REPORT 2**

### **LOAN DELINQUENCY STATUS REPORT**

- (a) PURPOSE: The purpose of this report is to track the number of loans that are delinquent on payments (regular repayment or interest only), and to provide the data necessary for MHESLA collection activities. This report should include, but is not limited to, all loans in the following statuses: repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, default, collection, and bankruptcy (Chapter 7,11,12,13). Loans in the following statuses would not be included in this report: received, approved, disbursed, cancelled, deleted, death cancellation, disability cancellation, denied, pre-paid in full, and paid in full.
- (b) DETAIL DATA ELEMENTS: 1) Program type, 2) borrower type, 3) Bond funding source number, 4) borrower social security number, 5) loan identifier, 6) borrower name, 7) application/loan status, 8) actual gross disbursed amount, 9) interest rate, 10) current principal balance, 11) amount of unpaid accrued interest, 12) interest accrued through date, 13) monthly payment amount, 14) payment due date (due date of oldest outstanding payment), 15) number of days loan is delinquent, 16) amount delinquent, 17) last payment amount received, 18) last payment received date, 19) first time in a delinquent category indicator.



## (c) REPORT SECTIONS:

## Spacing:

- Page break between program types,
- Line break between borrower types,
- Line breaks between application/loan statuses,
- Line break between bond fund,
- Line breaks between the delinquent categories,
- Line/page break between summary section groups, and a
- Page break before the summary section.

## Detail:

- By borrower social security number/loan identifier order,
- Within bond fund,
- Within the following delinquent categories:
  - ✓ 0 Days,
  - ✓ 1-14 days,
  - ✓ 15-29 days,
  - ✓ 30-59 days,
  - ✓ 60-89 days,
  - ✓ 90-119 days, and
  - ✓ 120 + days, Within application/loan status,
  - ✓ Within borrower type,
  - ✓ Within program type.

## Summary:

- Total number of loans by program type for:
  - ✓ Each application/loan status for
  - ✓ Each delinquent category for each bond fund,
  - ✓ All delinquent categories for each bond fund,
  - ✓ Each delinquent category for all bond funds combined, and
  - ✓ All delinquent categories/all bond funds combined.
  - ✓ Each delinquent category, all statuses/all bond funds combined,
  - ✓ All delinquent categories/all statuses/all bond funds combined,
- Total number of loans by borrower type for:
  - ✓ Each delinquent category, all bond funds/all program types combined,
  - ✓ All delinquent categories/all bond funds/all program types combined,
  - ✓ Each delinquent category, all borrower types/all bond funds/all program types combined, and
  - ✓ All delinquent categories/all borrower types/all bond funds/all program types combined.
- Total number of loans by bond fund for:
  - ✓ Each delinquent category, all borrower types/all program types combined,
  - ✓ All delinquent categories/all borrower types/all program types combined,
  - ✓ Each delinquent category, all bond funds/all borrower types/all program types combined,
  - ✓ All delinquent categories/all bond funds/all borrower types/all program types combined.
- Total number of loans by application/loan status for:
  - ✓ Each delinquent category, all bond funds/all borrower types/all program types combined,
  - ✓ All delinquent categories/all bond funds/all borrower types/all program types combined,
  - ✓ Each delinquent category, all application/loan statuses/all bond funds/all borrower types/all program types combined, and
  - ✓ All delinquent categories/all application/loan statuses/all bond funds/all borrower types/all program types combined.

## (d) FREQUENCY: The Servicer will submit this report to MHESLA on a week end basis.

**SERVICING OPERATIONAL REPORT 3**

## COLLECTION AGENCY INVENTORY

- (a) **PURPOSE:** The purpose of this report is to track loans that default (payment becomes 120-days delinquent), to track defaulted loans that are placed with Treasury Collections, to monitor loans which must be removed from default, and to monitor loan balances. Loans are placed on this report if they are in either "Default" or "Collection" status as of the effective ending date of the period that the report covers.
- (b) **DETAIL DATA ELEMENTS:** 1) Program type, 2) Bond funding source number, 3) borrower social security number, 4) loan identifier, 5) borrower name, 6) actual gross disbursed amount, 7) current principal balance, 8) amount of unpaid accrued interest, 9) interest accrued through date, 10) monthly payment amount, 11) next payment due date (due date of oldest outstanding payment at time of default), 12) number of days loan is delinquent, 13) amount delinquent (current principal balance plus amount of unpaid accrued interest), 14) last payment amount received, 15) last payment received date, 16) total amount of payments received after default (after day 121).
- (c) **REPORT SECTIONS:**
- Spacing:
- Page break between program types,
  - Line break between bond funds, and a
  - Page break before the summary section.
- Detail:
- Social security number/loan identifier order
  - Within bond fund,
  - Within program type.
- Summary:
- Totals by bond fund within program type for:
    - ✓ Number of loans,
    - ✓ Number of borrowers,
    - ✓ Actual gross disbursed amount,
    - ✓ Current principal balance, and
    - ✓ Total amount of payments received after default (after day 121).
  - Totals by bond fund, all program types combined for:
    - ✓ Number of loans,
    - ✓ Number of borrowers,
    - ✓ Actual gross disbursed amount,
    - ✓ Current principal balance, and
    - ✓ Total amount of payments received after default (after day 121).
  - Totals by program type, all bond funds combined, for:
    - ✓ Number of loans,
    - ✓ Number of borrowers,
    - ✓ Actual gross disbursed amount,
    - ✓ Current principal balance, and
    - ✓ Total amount of payments received after default (after day 121).
  - Grand totals for all bond funds/all program types combined for:
    - ✓ Number of loans,
    - ✓ Number of borrowers,
    - ✓ Actual gross disbursed amount,
    - ✓ Current principal balance, and
    - ✓ Total amount of payments received after default (after day 121).
- (d) **FREQUENCY:** The Servicer will submit this report to MHESLA on a week end basis.

**SERVICING OPERATIONAL REPORT 4**

## CREDIT BALANCE LOANS

- (a) **PURPOSE:** The purpose of this report is to provide a listing of each loan that has an amount that needs to be refunded to the borrower, and to provide the data necessary to monitor that refund.
- (b) **DETAIL DATA ELEMENTS:** 1) Program type (creditworthy/credit ready), 2) borrower type (parent/student), 3) bond funding source number, 4) borrower social security number, 5) loan identifier, 6) borrower name, 7) actual gross disbursed amount, 8) credit balance amount (current principal balance), 9) last payment amount received, 10) last payment received date, 11) last payment process date, 12) loan status.

(c) **REPORT SECTIONS:**

## Spacing:

- Line break between bond funds within program type,
- Page break between program types, and a
- Page break before the summary section.

## Detail:

- Borrower social security number/loan identifier order
- Within bond fund
- Within program type.

## Summary:

- Totals by bond fund within program type for:
  - ✓ Number of loans,
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Actual gross disbursed amount, and the
  - ✓ Credit balance amount (current principal balance).
- Totals by bond fund, all program types combined, for:
  - ✓ Number of loans,
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Actual gross disbursed amount, and
  - ✓ Credit balance amount (current principal balance).
- Grand totals for all bond funds/all program types combined for:
  - ✓ Number of loans,
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Actual gross disbursed amount, and
  - ✓ Credit balance amount (current principal balance).

- (d) **FREQUENCY:** The Servicer will submit this report to MHESLA on a week end basis.

**SERVICING OPERATIONAL REPORT 5**

## PAID-IN-FULL LOANS

- (a) **PURPOSE:** The purpose of this report is to provide a listing of all loans that have been paid-in-full during the report period. The report must include, but not necessarily be limited to those loans paid in full by payment; cancellation due to bankruptcy, death or disability; overpayment refund; overpayment write-up; and underpayment write-off. The Servicer must allow sufficient time to ensure that the final payment has not been returned for insufficient funds before reporting to MHESLA.



(b) **DETAIL DATA ELEMENTS:** 1) Program type (creditworthy/ credit ready), 2) borrower type (parent/student), 3) borrower Social security number, 4) loan identifier, 5) borrower name, 6) bond funding source number, 7) applicant's requested interest type ("Fixed" or "Variable"), 8) actual gross disbursed amount, 9) credit balance amount (current principal balance), 10) last payment amount received, 11) last payment received date, 12) last payment process date.

(c) **REPORT SECTIONS:**

Spacing:

- Page break between program types, and
- Page break before the summary section.

Detail:

- Borrower social security number/loan identifier order,
- Within program type.

Summary:

- Totals by program type of all fixed rate loans for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount,
- Totals by program type of all variable rate loans for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount,
- Totals by program type, all fixed and variable rate loans combined, for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount,
- Totals, all program types combined, of all fixed rate loans for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount,
- Totals, all program types combined, of all variable rate loans for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount,
- Totals, all program types combined, for all fixed and variable rate loans combined for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount.

(d) **FREQUENCY:** The Servicer will submit this report to MHESLA on a month end basis.



## SERVICING OPERATIONAL REPORT 6

### WRITE-OFFS

- (a) PURPOSE: The purpose of this report is to provide a listing of each loan that has had an amount written-off.
- (b) DETAIL DATA ELEMENTS: 1) Program type (creditworthy/credit ready, 2) borrower type, 3) Bond funding source number, 4) borrower social security number, 5) loan identifier, 6) borrower name, 7) actual gross disbursed amount, 8) last payment received date (effective date), 9) last payment process date, 10) last payment amount received, 11) write-off amount.
- (c) REPORT SECTIONS:  
Spacing:
- Line breaks between bond funds,
  - Page break between program types, and a
  - Page break before the summary section.

### Detail:

- Borrower social security number/loan identifier order,
- Within bond fund,
- Within program type.

### Summary:

- Totals for each bond fund within program type for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans,
  - ✓ Actual gross disbursed amount, and
  - ✓ Write-off amount,
- Totals for each bond fund, all program types combined, for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers
  - ✓ Number of loans,
  - ✓ Actual gross disbursed amount, and
  - ✓ Write-off amount,
- Totals for all fixed rate loans, all bond funds/all program types combined, for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans,
  - ✓ Actual gross disbursed amount, and
  - ✓ Write-off amount.
- Totals for all variable rate loans, all bond funds/all program types combined, for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans,
  - ✓ Actual gross disbursed amount, and
  - ✓ Write-off amount,
- Totals for all fixed and variable rate loans combined, all bond funds/all program types combined, for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans,
  - ✓ Actual gross disbursed amount, and
  - ✓ Write-off amount.



- (d) FREQUENCY: The Servicer will submit this report to MHESLA on a month end basis.

### **SERVICING STATISTICAL REPORT 1**

#### STATUS SUMMARY

- (a) PURPOSE: The purpose of this report is to provide portfolio data for each loan status by number of borrowers and by number of loans for each bond fund.
- (b) DETAIL DATA ELEMENTS: 1) Bond funding source number, 2) Loan status (description and, if applicable, code), 3) number of borrowers, 4) number of loans, 5) actual gross disbursed amount, 6) current principal balance, 7) amount of unpaid accrued interest, 8) total payoff balance (total of 6 and 7), 9) current amount due, 10) delinquent amount due, 11) late fees due, 12) total amount due (total of 9, 10 and 11), 13) number of unduplicated borrowers (necessary because a borrower may have multiple loans in multiple statuses and, therefore, the actual borrower count will be an inflated figure).
- (c) REPORT SECTIONS:
- Spacing:
- Line break between loan status lines and before the summary.
  - Page breaks between bond funds.
- Detail:
- Loan status order (numerically or chronologically) based on the life cycle of the loan, within bond fund.
- Summary:
- Totals by bond fund for number of borrowers, number of loans, actual gross disbursed amount, current principal balance, amount of unpaid accrued interest, total payoff balance, current amount due, delinquent amount due, late fees due, total amount due, and number of unduplicated borrowers.
  - Totals for all bond funds combined for number of borrowers, number of loans, actual gross disbursed amount, current principal balance, amount of unpaid accrued interest, total payoff balance, current amount due, delinquent amount due, late fees due, total amount due, and number of unduplicated borrowers.
- (d) FREQUENCY: The Servicer will submit this report to MHESLA on a month end basis.

### **FINANCIAL REPORT 1**

#### ACCOUNTING REPORT: TRANSACTION SUMMARY

- (a) PURPOSE: The purpose of this report is to provide MHESLA summarized information regarding accounting entries resulting from activity processed by the Servicer during the reporting period, in order to reconcile the State's general ledger with the Servicer's portfolio totals.
- (b) DETAIL DATA ELEMENTS: Summaries of the following transaction types: new loans; receipts; loan adds; regular payments; payments reapplied; refunds; adjustments; write-offs; and capitalized interest, identified as to cash or non-cash transactions. Totals should include 1) Bond funding source number, 2) transaction date, 3) transaction type, 4) total transaction amount, 5) transaction amount applied to principal, 6) transaction amount applied to interest.
- (c) REPORT SECTIONS:
- Spacing:
- Page break between each bond funding source.
- Detail:
- Transaction type within transaction date, within bond funding source.



## Summary:

- Totals by bond funding source for:
  - ✓ Total transaction amount,
  - ✓ Transaction amount applied to principal,
  - ✓ Transaction amount applied to interest,
  - ✓ Prior month's ending balance,
  - ✓ And current month's ending balance after the adjustments.
- Totals for all bond funding sources combined for:
  - ✓ Total transaction amount,
  - ✓ Transaction amount applied to principal,
  - ✓ Transaction amount applied to interest,
  - ✓ Prior month's ending balance,
  - ✓ And current month's ending balance after the adjustments.

(d) FREQUENCY: The Servicer will submit this report to MHESLA on a daily and month end basis.

**FINANCIAL REPORT 2**

## ACCOUNTING REPORT: TRANSACTION DETAIL

- (a) PURPOSE: The purpose of this report is to provide MHESLA detailed information regarding accounting entries resulting from activity processed by the Servicer during the reporting period, in order to reconcile the State's general ledger with the Servicer's portfolio totals.
- (d) DETAIL DATA ELEMENTS: Details of the following transaction types: new loans; receipts; loan adds; regular payments; payments reapplied; refunds; adjustments; write-offs; and capitalized interest, identified as to cash or non-cash transactions. Details should include 1) Bond funding source number, 2) social security number, 3) loan identifier, 4) borrower name, 5) transaction date, 6) transaction type, 7) total transaction amount, 8) transaction amount applied to principal, 9) transaction amount applied to interest.
- (c) REPORT SECTIONS:
- Spacing:
- Page break between each bond funding source.
- Detail:
- Social security/loan identifier order within bond funding source.
- (d) FREQUENCY: The Servicer will submit this report to MHESLA on a daily basis.

**FINANCIAL REPORT 3**

## CASH ACTIVITY

- (a) PURPOSE: The purpose of this report is to list all cash activities that affect the lender's cash account.
- (b) DETAIL DATA ELEMENTS: A listing of all cash activities, including cancellations. Details should include 1) Bond funding source number, 2) social security number, 3) loan identifier, 4) borrower name, 5) total payment amount received/adjusted/cancelled, 6) payment amount applied to principal, and 7) payment amount applied to interest.
- (c) REPORT SECTIONS:
- Spacing:
- Page break between detail and summary.



## Detail:

- Social security number/loan identifier order.

## Summary:

- Totals by bond funding source for the total payment amount received/adjusted/cancelled, the payment amount applied to principal, and the payment amount applied to interest.

(d) FREQUENCY: The Servicer will submit this report to MHESLA on a daily basis.

## Servicers Response:

Please note that our response to the specific reports listed below relates only to FFELP loans currently serviced on the Servicer's system.

As a general rule, it is the Servicer's intention to provide the same reports and in the same level of detail as we now provide to MHESLA under the current servicing agreement.

The following is our response to specific reports requested by MHESLA:

**LOAN ORIGATION REPORTS (4)**

APPLICATIONS ENTERED BY SCHOOL TYPE – The Servicer does not currently have this information available.

APPLICATIONS IN PROCESS – The Servicer does not currently have this information available.

DISBURSEMENT REGISTER - This data is available on the LFHBG01 report on Document Direct.

MISSING FUND CODE NUMBER – The Servicer is not familiar with the missing fund code number and will need to discuss this requirement further with MHESLA.

**LOAN SERVICING REPORTS (17)**

DEFAULT CLAIMS FILED - This report data is available monthly on the 807(summary level) and the 813 (ssn detail) report on Document Direct.

DEFAULT CLAIMS TO BE FILED - : This report data is available monthly on the 807(summary level) and the 813 (ssn detail) on Document Direct.

DEFAULT CLAIMS RECALLED - This report data is available monthly on the 807(summary level) and the 813 (ssn detail) on Document Direct

DEFAULT CLAIMS RETURNED - This report data is available monthly on the 807(summary level) and the 813 (ssn detail) on Document Direct.

DELINQUENT LOAN REPORT - This report data is available monthly on the 807(summary level) and the 813 (ssn detail) on Document Direct.

INELIGIBLE DISBURSEMENT/LOAN REPORT - This report is currently not available.

LENDER'S REQUEST FOR ASSISTANCE – The Servicer performs this function on behalf of the lender, but, does not provide the report to the lender.

LOAN STATUS CHANGE TO GUARANTOR – The Servicer performs this function on behalf of the lender as part of the servicing contract, but, does not provide the report to the lender



LOAN STATUS JOURNAL – This report is the equivalent of the CLASS Monthly Extract Report. MHESLA currently receives the Gold file instead of this report. A fee is charged for the requested report.

LOAN SUMMARY AND HISTORY - MHESLA currently has access to CLASS, OpenNet and the Gold File which would provide the majority of this information.

LOSS OF GUARANTEE REPORT – The Servicer does not currently have this information available

OVERPAYMENT/REFUND REPORT – The Servicer does not currently have this information available.

PORTFOLIO ANALYSIS BY INTEREST RATE - This report data is available monthly on the 810 report on DDI.

PORTFOLIO BREAKDOWN - LOAN STATUS BY SCHOOL TYPE - This data is available on the Portfolio Characteristics by School Type Report (LSFF56MT01), it provides status and range only.

WRITE-OFF REPORT – The Servicer does not have this information currently available.

TRANSFER IN/OUT DAILY ACTIVITY – The Servicer does not have this information currently available.

BORROWER BENEFITS REPORT – The Servicer does not have this information currently available. However, the lender does have access to a DDI report at a summary level.

### **LOAN CONSOLIDATION REPORTS (3)**

CONSOLIDATION LOAN - CONVERSION TO SERVICING – The Servicer does not have this information currently available.

CONSOLIDATION LOAN - FUNDS TRANSFER REQUEST – The Servicer does not have this information currently available.

LOANS CONSOLIDATED BY ANOTHER LENDER – The Servicer does not have this information currently available.

### **STATE SECONDARY MARKET REPORTS (2)**

LOAN TRANSFER REPORT – The Servicer provides standard conversion / purchase reports that contain most of the requested information. However, there are some data fields we do not have. For example, number of months serviced and funding source.

LOAN TRANSFER - NOTIFICATION TO GUARANTOR - Servicer performs this process on behalf of the lender; however, no report is available to the lender.

### **FINANCIAL REPORTS (18)**

PORTFOLIO RECONCILIATION: SUMMARY - This data available on the 800 reports on Document Direct.

PORTFOLIO RECONCILIATION: DETAIL - This report is available on the monthly 802 report on Document Direct.

NET CASH COLLECTION BY FUNDING SOURCES - : This data is available daily on the ACH Summary report monthly on the LSCF96D#04 on Document Direct.

PORTFOLIO SUMMARY - This data is available monthly on the 807/813 report on a Document Direct.



CHECK/EFT DISBURSEMENT REGISTER – The Servicer currently provides this data; however, either daily or monthly basis (LFHB5 daily), LFHBP (monthly).

DAILY ACCOUNTING DETAIL REPORT SUMMARY - This data is available weekly on the LFHAI report on Document Direct

DAILY ACCOUNTING REPORT DETAIL - This data is available weekly on the LANR (LFHAI) report on Document Direct.

QUARTERLY LENDER'S INTEREST AND SPECIAL ALLOWANCE REQUEST AND REPORT (LaRS 799) - This data is available quarterly on the EIVD799R01 report on Document Direct.

STATISTICAL INFORMATION – The Servicer does not currently have this information available.

MONITORING OF COMMITMENTS BY FUNDING SOURCE – The Servicer does not currently have this information available

SUBSEQUENT DISBURSEMENTS REPORT – The Servicer does not currently have this information available.

CURRENT LOAN SERVICING REPORT- This data is available monthly on the 800 report on Document Direct.

STAFFORD OUTSTANDING LOAN STATISTICS - This data is available monthly on the 800 report on Document Direct.

LENDER NOTIFICATION OF FUND TRANSFER - This data is available on the LSCF96D#04 report, however, it does not include routing #, account # or federal id#.

DEFAULT STATISTICAL INFORMATION - This report data is available monthly on the 807(summary level) and the 813 (ssn detail) on Document Direct.

PROJECTED LIFE CYCLE MATURITY REPORT - This data is available monthly on the 810 report on Document Direct.

PORTFOLIO PROJECTIONS BY SCHOOL TYPE – The Servicer does not currently have this information available.

PORTFOLIO BREAKDOWN - LOAN STATUS BY LOAN TYPE - Some of this data is available on the Gold File and the remainder of data would be available on the Class Monthly Extract Report. MHESLA currently does not receive the Class Monthly Extract; a fee is charged for this report.

## **SCHOOL REPORTS (2)**

FORECAST REPORT - This data is available on the LFHC7 to schools – this is not part of the standard lender report package.

REPAYMENT REPORT – The Servicer does not currently provide this information. We can support this request though SAS. There is a fee associated with this report.

**1.050 Acceptance****1.051 Criteria**

The following criteria will be used by the State to determine Acceptance of the Services or Deliverables provided under this SOW:

The services will be accepted in accordance with the requirements of the contract. In the event acceptance of the services is not described in the Contract, the CCI or designee will notify the Contractor in writing within ten (10) days following the receipt or installation of any services described in the Contract if it is not acceptable. The notice shall specify in reasonable detail the reason(s) a service is unacceptable. Acceptance shall not be unreasonably withheld but may be conditioned or delayed as required for installation and/or testing of the service.

**1.052 Final Acceptance**

Final acceptance is expressly conditioned upon completion of ALL deliverables, completion of ALL tasks in the project plan as approved, completion of ALL applicable inspection and/or testing procedures, and the certification by the State that Contractor has met the defined requirements.

**1.060 Proposal Pricing****1.061 Proposal Pricing**

Complete price proposal sheets Appendix A and/or Appendix B.

Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for the expense at the State's current travel reimbursement rates. See [www.michigan.gov/dmb](http://www.michigan.gov/dmb) for current rates.

**1.062 Price Term**

(X) Firm Fixed Price

Prices quoted are firm for the entire length of the Contract.

**1.063 Tax Excluded from Price**

(a) Sales Tax: For purchases made directly by the State, the State is exempt from State and Local Sales Tax. Prices must not include the taxes. Exemption Certificates for State Sales Tax will be furnished upon request.

(b) Federal Excise Tax: The State may be exempt from Federal Excise Tax, or the taxes may be reimbursable, if articles purchased under any resulting Contract are used for the State's exclusive use. Certificates showing exclusive use for the purposes of substantiating a tax-free, or tax-reimbursable sale will be sent upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices must not include the Federal Excise Tax.

**1.064 Holdback-Deleted/Not Applicable****1.070 Additional Requirements****1.071 Additional Terms and Conditions**

1. Section 1.022-A.1b – Please confirm MHESLA will not be charged the data circuit fee if MHELA accesses the system via the web.

Service's Response:

MHESLA will not be charged a data circuit fee for access to Open Net via the web.



2. Section 1.022-A.1 – MHESLA confirms that CCI or designee direction will be within the scope of the final contract signed by the Servicer and the State.

Servicer's Response:

With respect to references to the direction and control of the CCI, the Servicer agrees to cooperate in good faith at all times with the CCI in the servicing of the loans and the administration of the servicing agreement, but the Servicer's obligations are only those required by applicable law and regulations or as otherwise set forth in the definitive servicing agreement executed by the parties.

3. Section 1.022-A.2e – The state will not agree to pay for system change costs more than the estimate provided by the Servicer.

Servicer's Response:

The Servicer understands that the state will not agree to pay for system change costs more than the estimate provided by the Servicer.

4. Section 1.022-A.3x – Any changes to servicing costs, other than postage costs will require a contract change per section 2.024.

Servicer's Response:

The servicing costs for this servicing agreement are contained in Appendix A, the FFELP Servicing Price Proposal for the period 2009 through 2014. The "Notes" section of this Appendix, address the issue of any potential changes to servicing costs that may arise during the term of this agreement.

5. Section 1.022-A.3aa - Modify requirement shall be modified to read, "...serve as witness and provide testimony on behalf of the State related to services and systems within the control of the servicer."

Servicer's Response:

The Servicer is an independent contractor, and except for the services to be performed set forth under the definitive servicing agreement, will not hold itself out as an agent of MHESLA. The Servicer is not willing to serve as an expert witness and provide testimony on behalf of the State.

6. Section 1.022-A.5 – In the event that MHESLA would choose to originate loans with the Servicer as a servicer, will the Servicer agree to requirements in this task? If so, confirm agreement to provide reports specific to origination in section 1.042.

Servicer's Response:

The Servicer agrees to those requirements in this Task where we have indicated that we are able to provide the requested services or specific reports.

7. Section 1.022-A.6b – Please clarify if a system change (Section 1.022-A.2d) is required to develop a new letter.

Servicer's Response:

Yes, a system change is required to develop a new letter.

8. Section 1.022-A.7r – Please confirm that the Servicer will report delinquency to credit bureaus at 60 days past due.

Servicer's Response:

The Servicer is not able to report delinquency information to credit bureaus at 60 days past due. Current policy is to report delinquency to credit bureaus at 90 days past due.



9. Section 1.022-A.8h – Please confirm the CCI or designee will be notified per task requirement.

Servicer's Response:

The Servicer agrees to monitor accounts to insure that the full claim payment is received and, if the payment is not received within 90-120 days, we will notify the CCI or designee.

10. Section 1.022-A.9a – Please confirm the cure process will continue even if the guarantor does not remove the guarantee.

Servicer's Response:

Yes, the cure process will continue if the claim has been denied by the guarantor.

11. Section 1.022-A.10j – Please confirm that the Servicer will comply with this requirement.

Servicer's Response:

The Servicer is unable to comply with this requirement as, currently, balances of less than \$50 are systematically written off.

12. Section 1.022-A.11b – The question posed by the Servicer contradicts response in Section 1.022-A.3g. Please clarify what the Servicer is asking.

Servicer's Response:

For MHESLA loans that are currently serviced by the Servicer, the bonds are segregated by branches within a particular lender identification number. However, there is not a specific field for each loan that contains the related bond funding information.

13. Section 1.022-A.12 – In the event MHESLA would choose to resume secondary market activities, confirm the Servicer will agree to requirements of the task.

Servicer's Response:

The Servicer is willing to work with MHESLA to support the on-system transfer of loans already on its system per the terms and fees set forth on Appendix A. However, the Servicer is not able to support, at their expense, the conversion of loans not already on the Servicer's system. The Servicer is prepared to have follow-up discussions with MHESLA in an effort to reach agreement on all potential necessary secondary market support.

14. Sections 1.022-A.14e & f – Please describe SAS reporting?

Servicer's Response:

SAS (originally Statistical Analysis System) in an integrated system of software products provided by SAS Institute that enables the programmer to perform data entry, retrieval, management and mining, report writing and graphics, statistical analysis, business planning, forecasting and operations research.

15. Section 1.022-A.15b – MHESLA requests 40 hours of staff time at no charge to MHESLA for the Servicer to fulfill audit requirements. The Servicer may charge a fixed hourly rate for any staff time necessary to meet audit requirements beyond the 40 hours.

Servicer's Response:

Because we typically equate 40 hours of staff time as the time that it takes two staff members to prepare for and conduct a one-day, annual on-site audit, The Servicer agrees with MHESLA's request for 40 hours of staff time at no charge to MHESLA for the Servicer to fulfill audit requirements for a one-day, annual on-site audit. Costs for audits not held on the Servicer's site or lasting longer than one day are the responsibility of MHESLA.



16. Section 1.022-A.16 – Please confirm the Servicer agrees to requirements.

Servicer's Response:

The Servicer is willing to work together with MHESLA to reach a mutually satisfactory timeframe for any potential necessary deconversion activities. Also, the Servicer generally performs very few deconversions of loans from its system and it usually takes 180-365 days to perform a deconversion after we have received the file layouts from the new servicer and completed testing of the layouts.

17. Section 1.022-A.17 – Please confirm the Servicer agrees to requirements.

Servicer's Response:

While the Servicer is willing to discuss with MHESLA the specific public awareness needs that MHESLA may have and to provide the requested support to the extent possible, the Servicer is unable to give carte blanche agreement with these requirements. Any cost borne by the Servicer will be mutually agreed upon prior to the performance of any related work in this regard.

18. Sections 1.042-A and 1.042-B – This section addresses the financial and management reporting needs of MHELA and other funding transaction participants, the following language shall be incorporated into the contract:

"Servicers must utilize the technology available to provide reports to MHESLA that include data identified in this section."

Servicer's Response:

For Section 1.042-A (FFELP reports) the Servicer agrees with this statement and will utilize the technology available to it to provide reports to MHESLA that include the data we are able to provide in this section. Regarding 1.042-B, the Servicer is not bidding for the servicing of the MI-LOAN program so any such language is not required to be incorporated into the contract.

19. Servicers must have the capability to service loans under the terms and conditions of the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) in order to utilize the PUT Program. Please provide additional servicer functions necessary to service FFELP loans according to the requirements of various ECASLA programs. Please provide pricing for servicing FFELP loans according to the requirements of various ECASLA programs.

Servicer's Response:

The Servicer has the capability to service loans under the terms and conditions of ECASLA in order to utilize the PUT Program. Sallie Mae proposes a put fee for MHELSA in the amount of \$37.50 per each FFELP loan put to the Department of Education.



## **Article 2, Terms and Conditions**

### **2.000 Contract Structure and Term**

#### **2.001 Contract Term**

This Contract is for a period beginning April 1, 2010 and ending August 31, 2014. All outstanding purchase orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.150**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, purchase orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

#### **2.002 Options to Renew**

This Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to five (5) additional one (1) year periods.

#### **2.003 Legal Effect**

Contractor shall show acceptance of this Contract by signing two copies of the Contract and returning them to the Contract Administrator. The Contractor shall not proceed with the performance of the work to be done under the Contract, including the purchase of necessary materials, until both parties have signed the Contract to show acceptance of its terms and the Contractor receives a contract release/purchase order that authorizes and defines specific performance requirements.

Except as otherwise agreed in writing by the parties, the State assumes no liability for costs incurred by Contractor or payment under this Contract, until Contractor is notified in writing that this Contract (or Change Order) has been approved by the State Administrative Board (if required), approved and signed by all the parties, and a purchase order against the Contract has been issued.

#### **2.004 Attachments & Exhibits**

All Attachments and Exhibits affixed to any and all Statement(s) of Work, or appended to or referencing this Contract, are incorporated in their entirety and form part of this Contract.

#### **2.005 Ordering**

The State will issue a written purchase order, Blanket Purchase Order, direct voucher or procurement card order, which must be approved by the Contract Administrator or the Contract Administrator's designee, to order any Services/Deliverables under this Contract. All orders are subject to the terms and conditions of this Contract. No additional terms and conditions contained on either a purchase order or Blanket Purchase Order apply unless they are also specifically contained in that purchase orders or Blanket Purchase Order's accompanying Statement of Work. Exact quantities to be purchased are unknown, however, the Contractor will be required to furnish all such materials and services as may be ordered during the Contract period. Quantities specified, if any, are estimates based on prior purchases, and the State is not obligated to purchase in these or any other quantities.

#### **2.006 Order of Precedence**

(a) The Contract, including any Statements of Work and Exhibits, each of which is incorporated herein for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to the subject matter and as additional terms and conditions on the purchase order must apply, as limited by **Section 2.005**.

(b) In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of the Contract with respect to items outside of that particular Statement of Work, which may be modified or amended only by a formal Contract amendment.

#### **2.007 Headings**

Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of the Contract.

**2.008 Form, Function & Utility**

If the Contract is for use of more than one State agency and if the Deliverable/Service does not meet the form, function, and utility required by that State agency, that agency may, subject to State purchasing policies, procure the Deliverable/Service from another source.

**2.009 Reformation and Severability**

Each provision of the Contract is severable from all other provisions of the Contract and, if one or more of the provisions of the Contract is declared invalid, the remaining provisions of the Contract remain in full force and effect.

**2.010 Consents and Approvals**

Except as expressly provided otherwise in the Contract, if either party requires the consent or approval of the other party for the taking of any action under the Contract, the consent or approval must be in writing and must not be unreasonably withheld or delayed.

**2.011 No Waiver of Default**

If a party fails to insist upon strict adherence to any term of the Contract then the party has not waived the right to later insist upon strict adherence to that term, or any other term, of the Contract.

**2.012 Survival**

Any provisions of the Contract that impose continuing obligations on the parties, including without limitation the parties' respective warranty, indemnity and confidentiality obligations, survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

**2.020 Contract Administration****2.021 Issuing Office**

This Contract is issued by the Department of Management and Budget, Purchasing Operations and the Department of Treasury (collectively, including all other relevant State of Michigan departments and agencies, the "State"). Purchasing Operations is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. Purchasing Operations **is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.** The Contractor Administrator within Purchasing Operations for this Contract is:

Jim Wilson  
Purchasing Operations  
Department of Management and Budget  
Mason Bldg, 2nd Floor  
PO Box 30026  
Lansing, MI 48909  
Wilsonj4@michigan.gov  
517-241-1916

**2.022 Contract Compliance Inspector (CCI)**

After DMB-Purchasing Operations receives the properly executed Contract, it is anticipated that the Director of Purchasing Operations, in consultation with Treasury, will direct the person named below, or any other person so designated, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of this Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract as that authority is retained by DMB Purchasing Operations.**

The Contract Compliance Inspector for this Contract is:

Orv Erickson  
Michigan Department of Treasury  
Michigan Higher Education Student Loan Authority  
430 W. Allegan St.  
Lansing, MI 48922

**2.023 Project Manager**

The following individual will oversee the project:

Orv Erickson  
Michigan Department of Treasury  
Michigan Higher Education Student Loan Authority  
430 W. Allegan St.  
Lansing, MI 48922

**2.024 Change Requests**

The State reserves the right to request from time to time any changes to the requirements and specifications of the Contract and the work to be performed by the Contractor under the Contract. During the course of ordinary business, it may become necessary for the State to discontinue certain business practices or create Additional Services. At a minimum, to the extent applicable, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the Additional Services, timeframes, listing of Key Personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

If the Contractor does not so notify the State, the Contractor has no right to claim thereafter that it is entitled to additional compensation for performing that Additional Service.

Change Requests:

- (a) By giving Contractor written notice within a reasonable time, the State must be entitled to accept a Contractor proposal for a Change, to reject it, or to reach another agreement with Contractor with respect to such proposed Change. Should the parties agree on carrying out a Change, a written Contract Change Notice must be prepared and issued under this Contract, describing the Change and its effects on the Services and any affected components of this Contract (a "Contract Change Notice").
- (b) No proposed Change may be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Management and Budget, Purchasing Operations.
- (c) If the State requests or directs the Contractor to perform any activities that Contractor believes constitute a Change, the Contractor must notify the State that it believes the requested activities are a Change before beginning to work on the requested activities. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities. For the purposes of the immediately preceding sentence, a written notice, facsimile or electronic mail message to either the Contractor Administrator or the CCI shall constitute the requisite notice to the State.

Notwithstanding the foregoing, Contractor may change or modify any part or all of its equipment, computer or data processing programs and any procedures, forms, reports and methods in connection with the Services performed under this Contract so long as (i) Contractor continues to service the student loans owned by MHESLA in conformity with the requirements otherwise set forth herein, (ii) the modifications apply to all federally guaranteed student loans of the same type as the loans serviced by Contractor for MHESLA hereunder, regardless of the identity of the owner or holder, and (iii) the modifications do not (A) cause a violation of applicable federal law, or (B) materially and adversely affect Contractor's ability to perform the Services in a professional, cost-efficient, and customer-oriented manner.

**2.025 Notices**

Any notice given to a party under the Contract must be deemed effective, if addressed to the party as addressed below, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile, if a copy of the notice is sent by facsimile; (iii) the third Business Day after being sent by certified or registered U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

State:  
State of Michigan  
Purchasing Operations  
Attention: Jim Wilson  
530 West Allegan  
Lansing, Michigan 48909  
facsimile: 517-335-0046



Contractor:  
Sallie Mae, Inc.  
11100 USA Parkway  
Fishers, Indiana 46037  
Attention: Senior Vice President,  
Financial Institution Sales  
facsimile: 317-595-1425

with a copy to:  
Sallie Mae, Inc.  
12061 Bluemont Way  
Reston, Virginia 20190  
Attention: General Counsel  
facsimile: 703-984-5979

Either party may change its address where notices are to be sent by giving notice according to this Section.

### **2.026 Binding Commitments**

Representatives of Contractor must have the authority to make binding commitments on Contractor's behalf within the bounds set forth in this Contract. Contractor may change the representatives from time to time upon written notice.

### **2.027 Relationship of the Parties**

The relationship between the State and Contractor is that of client and independent contractor. No agent, employee, or servant of Contractor or any of its Subcontractors must be or must be deemed to be an employee, agent or servant of the State for any reason. Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and Subcontractors during the performance of the Contract.

### **2.028 Covenant of Good Faith**

Each party must act reasonably and in good faith. Unless stated otherwise in the Contract, the parties will not unreasonably delay, condition or withhold the giving of any consent, decision or approval that is either requested or reasonably required of them in order for the other party to perform its responsibilities under the Contract.

### **2.029 Assignments**

(a) Neither party may assign the Contract, or assign or delegate any of its duties or obligations under the Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign the Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign the Contract to an affiliate without the prior consent of the State so long as the affiliate is adequately capitalized and can provide adequate assurances that the affiliate can perform the Contract. The State may withhold consent from proposed assignments, subcontracts, or novations when the transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.

(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. If the State permits an assignment, the Contractor is not relieved of its responsibility to perform any of its contractual duties, and the requirement under the Contract that all payments must be made to one entity continues.

(c) If either party intends to assign the contract or any of its respective rights or duties under the Contract, such party must notify the other in writing at least 90 days before the assignment. Such party also must provide the other with adequate information about the assignee within a reasonable amount of time before the assignment for the other party to determine whether to approve the assignment. Notwithstanding the foregoing, the subsection (c) shall not apply to any assignment by the State to any other department, division or agency of the State of Michigan.

## **2.030 General Provisions**

### **2.031 Media Releases**

News releases (including promotional literature and commercial advertisements) pertaining to the RFP and Contract or project to which it relates shall not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with the RFP and Contract are to be released without prior written approval of the State and then only to persons designated.

### **2.032 Contract Distribution**

Purchasing Operations retains the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Purchasing Operations.

**2.033 Permits**

Contractor must obtain and pay any associated costs for all required governmental permits, licenses and approvals for the delivery, installation and performance of the Services. The State must pay for all costs and expenses incurred in obtaining and maintaining any necessary easements or right of way.

**2.034 Website Incorporation**

The State is not bound by any content on the Contractor's website, even if the Contractor's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of the content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representative of the State.

**2.035 Future Bidding Preclusion**

Contractor acknowledges that, to the extent this Contract involves the creation, research, investigation or generation of a future RFP, it may be precluded from bidding on the subsequent RFP. The State reserves the right to disqualify any bidder if the State determines that the bidder has used its position (whether as an incumbent contractor, or as a contractor hired to assist with the RFP development, or as a vendor offering free assistance) to gain a competitive advantage on the RFP.

**2.036 Freedom of Information**

All information in any proposal submitted to the State by Contractor and this Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq (the "FOIA").

**2.037 Disaster Recovery**

Contractor and the State recognize that the State provides essential services in times of natural or man-made disasters. Therefore, except as so mandated by federal disaster response requirements, Contractor shall implement the disaster recovery plan described in the Statement of Work.

**2.040 Financial Provisions****2.041 Fixed Prices for Services/Deliverables**

Each Statement of Work or purchase order issued under this Contract shall specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

**2.042 Adjustments for Reductions in Scope of Services/Deliverables**

If the scope of the Services/Deliverables under any Statement of Work issued under this Contract is subsequently reduced by the State, the parties shall negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope.

**2.043 Services/Deliverables Covered**

For all Services/Deliverables to be provided by Contractor (and its Subcontractors, if any) under this Contract, the State shall not be obligated to pay any amounts in addition to the charges specified in this Contract.

**2.044 Invoicing and Payment – In General**

Invoices will show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. Invoices shall detail charges in accordance with pricing identified in the Contractor's price proposals (Appendix A).

The Contractor shall submit monthly invoices to the State. Invoices must be sent directly to the Contract Compliance Inspector or designee at the address listed in **Section 2.022**. Invoices shall be for a full calendar month, and shall be forwarded to the Contract Compliance Inspector or designee by the 15th day of the following month.

Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

**2.045 Pro-ration**

To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services shall be pro-rated for any partial month.

**2.046 Antitrust Assignment**

The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor, toward fulfillment of this Contract.

**2.047 Final Payment**

The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under the Contract, nor will it constitute a waiver of any claims by one party against the other arising from unsettled claims or failure by a party to comply with this Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Upon any termination of this Contract, the parties agree to execute in good faith a letter agreement or other written instrument setting forth all of the outstanding unsettled claims, if any, that each of them has under the Contract or, if there are no such claims, confirming to the other that there are no such outstanding unsettled claims. Contractor's acceptance of final payment by the State on the last such outstanding unsettled claim, if any, or if there are none, will constitute a waiver of all claims by Contractor against the State for payment under this Contract.

**2.048 Electronic Payment Requirement**

Electronic transfer of funds is required for payments on State Contracts. Contractors are required to register with the State electronically at <http://www.cpexpress.state.mi.us>. As stated in Public Act 431 of 1984, all contracts that the State enters into for the purchase of goods and services shall provide that payment will be made by electronic fund transfer (EFT).

**2.050 Taxes****2.051 Employment Taxes**

Contractors are expected to collect and pay all applicable federal, state, and local employment taxes, including the taxes.

**2.052 Sales and Use Taxes**

Contractors are required to be registered and to remit sales and use taxes on taxable sales of tangible personal property or services delivered into the State. Contractors that lack sufficient presence in Michigan to be required to register and pay tax must do so as a volunteer. This requirement extends to: (1) all members of any controlled group as defined in § 1563(a) of the Internal Revenue Code and applicable regulations of which the company is a member, and (2) all organizations under common control as defined in § 414(c) of the Internal Revenue Code and applicable regulations of which the company is a member that make sales at retail for delivery into the State are registered with the State for the collection and remittance of sales and use taxes. In applying treasury regulations defining "two or more trades or businesses under common control" the term "organization" means sole proprietorship, a partnership (as defined in § 701(a)(2) of the Internal Revenue Code), a trust, an estate, a corporation, or a limited liability company.

**2.060 Contract Management****2.061 Contractor Personnel Qualifications**

All persons assigned by Contractor to the performance of Services under this Contract must be employees of Contractor or of a majority-owned (directly or indirectly, at any tier) subsidiary of SLM Corporation, Contractor's parent, or of a Subcontractor that meets the requirements set forth herein, and must be fully qualified to perform the work assigned to them. Contractor must include a similar provision in any subcontract entered into with a Subcontractor. For the purposes of this Contract, independent contractors engaged by Contractor solely in a staff augmentation role must be treated by the State as if they were employees of Contractor for this Contract only; however, the State understands that the relationship between Contractor and Subcontractor is an independent contractor relationship.

**2.062 Contractor Key Personnel**

- (a) The Contractor must provide the Contract Compliance Inspector with the names of the Key Personnel.
- (b) [INTENTIONALLY OMITTED]



(c) The State will have the right to review the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection, and Contractor shall carefully consider the State's comments. Contractor shall at all times, however, retain full discretion regarding the assignment of any of its personnel, including any Key Personnel.

(d) Except as set forth below, Contractor must not remove any Key Personnel from their assigned roles without prior notice to the State. Such prior notice shall not be required in the event of reasons beyond the reasonable control of Contractor (such as illness, disability, leave of absence, personal emergency circumstances, resignation or for-cause termination of the Key Personnel's employment) or with respect to replacing Key Personnel because of promotions or other job movements allowed by Contractor's personnel policies or collective bargaining agreement(s). Contractor will review with the State any Key Personnel replacements, and appropriate transition planning will be established.

### **2.063 Re-assignment of Personnel at the State's Request**

The State reserves the right to request the removal from the Project of Contractor personnel found, in the reasonable judgment of the State, to be unacceptable. The State's request must be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request must be based on legitimate, good-faith reasons. Contractor shall carefully consider the State's request, but Contractor shall at all times retain full discretion as to whether to remove or retain such personnel. In the event that Contractor declines to act on the State's request, Contractor shall meet with the CCI to discuss its reasons for declining to take such action.

### **2.064 Contractor Personnel Location**

All staff assigned by Contractor to work on the Contract will perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel will, at a minimum, spend at least the amount of time on-site at State facilities as indicated in the applicable Statement of Work. Subject to availability, selected Contractor personnel may be assigned office space to be shared with State personnel.

### **2.065 Contractor Identification**

Contractor employees must be clearly identifiable while on State property by wearing a State-issued badge, as required. Contractor employees are required to clearly identify themselves and the company they work for whenever making contact with State personnel by telephone or other means.

### **2.066 Cooperation with Third Parties**

Contractor agrees to cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel. As reasonably requested by the State in writing, the Contractor will provide to the State's agents and other contractors reasonable access to Contractor's Project personnel, systems and facilities to the extent the access relates to activities specifically associated with this Contract and will not interfere or jeopardize the safety or operation of the systems or facilities. The State acknowledges that Contractor's time schedule for the Contract is very specific and agrees not to unnecessarily or unreasonably interfere with, delay or otherwise impeded Contractor's performance under this Contract with the requests for access.

### **2.067 Contractor Return of State Equipment/Resources**

The Contractor must return to the State any State-furnished equipment, facilities and other resources when no longer required for the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.

### **2.068 Contract Management Responsibilities**

The Contractor will be required to assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State will consider the Contractor to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of Subcontractors, including firm name and address, contact person and a complete description of work to be subcontracted. The State reserves the right to approve Subcontractors and to require the Contractor to replace Subcontractors reasonably found to be unacceptable. The Contractor is totally responsible for adherence by the Subcontractor to all provisions of the Contract. Any change in Subcontractors must be approved by the State, in writing, prior to such change.



## **2.070 Subcontracting by Contractor**

### **2.071 Contractor Full Responsibility**

Contractor shall have full responsibility for the successful performance and completion of all of the Services and Deliverables. The State will consider Contractor to be the sole point of contact with regard to all contractual matters under this Contract, including payment of any and all charges for Services and Deliverables.

### **2.072 State Consent to Delegation**

The State shall have the right to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good-faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the affected Work will not be counted for a time agreed upon by the parties.

### **2.073 Subcontractor Bound to Contract**

In any subcontracts entered into by Contractor for the performance of the Services, Contractor shall require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of this Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by this Contract, assumes toward the State. [The State reserves the right to receive copies of and review all subcontracts, although Contractor may delete or mask any proprietary information, including pricing, contained in such contracts before providing them to the State.] The management of any Subcontractor will be the responsibility of Contractor, and Contractor shall remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor shall make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under this Contract shall not relieve Contractor of any obligations or performance required under this Contract.

### **2.074 Flow Down**

Except where specifically approved in writing by the State on a case-by-case basis, Contractor shall flow down the obligations in **Sections 2.031, 2.060, 2.100, 2.110, 2.120, 2.130, 2.200** in all of its agreements with any Subcontractors.

### **2.075 Competitive Selection**

The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the Contract.

## **2.080 State Responsibilities**

### **2.081 Equipment**

The State will provide only the equipment and resources identified in the Statements of Work and other Contract Exhibits.

### **2.082 Facilities**

The State must designate space as long as it is available and as provided in the Statement of Work, to house the Contractor's personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the "State Facilities"). The Contractor must have reasonable access to, and, unless agreed otherwise by the parties in writing, must observe and comply with all rules and regulations relating to each of the State Facilities (including hours of operation) used by the Contractor in the course of providing the Services. Contractor agrees that it will not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for the Contractor's use, or to which the Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.



## **2.090 Security**

### **2.091 Background Checks**

On a case-by-case basis, the State may investigate the Contractor's personnel before they may have access to State facilities and systems. The scope of the background check is at the discretion of the State and the results will be used to determine Contractor personnel eligibility for working within State facilities and systems. The investigations will include Michigan State Police Background checks (ICHAT) and may include the National Crime Information Center (NCIC) Finger Prints. Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Finger Print Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested.

### **2.092 Security Breach Notification**

If the Contractor breaches this Section, the Contractor must (i) promptly cure any deficiencies and (ii) comply with any applicable federal and state laws and regulations pertaining to unauthorized disclosures. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor must report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within 10 days of becoming aware of the use or disclosure or the shorter time period as is reasonable under the circumstances.

### **2.093 PCI Data Security Requirements-Deleted/Not Applicable**

## **2.100 Confidentiality**

### **2.101 Confidentiality**

Contractor and the State each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it. As used in this Section, "Confidential Information" of Contractor means all non-public, proprietary information of Contractor (other than Confidential Information of the State as defined below) that is marked confidential, restricted, proprietary, or with a similar designation or that should reasonably be understood to be confidential or proprietary to Contractor. "Confidential Information" of the State means any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State under applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State under its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. "Confidential Information" excludes any information (including this Contract) that is publicly available under the Michigan FOIA.

### **2.102 Protection and Destruction of Confidential Information**

The State and Contractor will each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party will limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect the Confidential Information from unauthorized use or disclosure.

Promptly upon termination or cancellation of the Contract for any reason, Contractor must certify to the State that Contractor has destroyed all State Confidential Information.

**2.103 Exclusions**

Notwithstanding the foregoing, the provisions of **Section 2.100** will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose the information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of **Section 2.100** will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

**2.104 No Implied Rights**

Nothing contained in this Section must be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

**2.105 Respective Obligations**

The parties' respective obligations under this Section must survive the termination or expiration of this Contract for any reason.

**2.110 Records and Inspections****2.111 Inspection of Work Performed**

The State's authorized representatives must at all reasonable times and with 10 days' prior written request, have the right to enter Contractor's premises, or any other places, where the Services are being performed, and must have access, upon reasonable request, to interim drafts of Deliverables or work-in-progress. Upon 10 days' prior written notice and at all reasonable times, the State's representatives must be allowed to inspect, monitor, or otherwise evaluate the work being performed and to the extent that the access will not reasonably interfere or jeopardize the safety or operation of the systems or facilities. Contractor must provide all reasonable facilities and assistance for the State's representatives.

**2.112 Examination of Records**

Contractor will comply with the Audit and Program Review requirements set forth in the Statement of Work.

**2.113 Retention of Records**

Contractor will comply with the Record Retention requirements set forth in the Statement of Work.

**2.114 Audit Resolution**

Contractor will comply with the Audit and Program Review requirements set forth in the Statement of Work.

**2.115 Errors**

Contractor will comply with the Audit and Program Review requirements set forth in the Statement of Work.

**2.120 Warranties****2.121 Warranties and Representations**

The Contractor represents and warrants:

(a) It is capable in all respects of fulfilling and must fulfill all of its obligations under this Contract. The performance of all obligations under this Contract must be provided in a timely, professional, and workman-like manner and must meet the performance and operational standards required under this Contract.

(b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.



- (c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under this Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.
- (d) If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to the items in this Contract, Contractor must assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.
- (e) The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into this Contract, on behalf of Contractor.
- (f) It is qualified and registered to transact business in all locations where required.
- (g) Neither the Contractor nor any of its affiliates, nor any employee of either, has, must have, or must acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Contract. Contractor must notify the State about the nature of the conflict or appearance of impropriety within two days of learning about it.
- (h) Neither Contractor nor any of its affiliates, nor any employee of either, has accepted or must accept anything of value based on an understanding that the actions of the Contractor or an affiliate or employee on behalf of the State would be influenced. Contractor must not attempt to influence any State employee by the direct or indirect offer of anything of value.
- (i) Neither Contractor nor any of its affiliates, nor any employee of either, has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or the affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.
- (j) The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.
- (k) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by the financial statements, reports, other information. Since the respective dates or periods covered by the financial statements, reports, or other information, there has been no material adverse change in the business, properties, financial condition, or results of operations of Contractor.
- (l) All written information furnished to the State by or for the Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make the information not misleading.
- (m) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or the department within the previous five years for the reason that Contractor failed to perform or otherwise breached an obligation of the Contract.
- (n) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after contract award, the Contractor is required to report those changes immediately to the Department of Management and Budget, Purchasing Operations.

**2.122 Warranty of Merchantability-Deleted/Not Applicable****2.123 Warranty of Fitness for a Particular Purpose-Deleted/Not Applicable****2.124 Warranty of Title-Deleted/Not Applicable****2.125 Equipment Warranty-Deleted/Not Applicable****2.126 Equipment to be New-Deleted/Not Applicable****2.127 Prohibited Products-Deleted/Not Applicable****2.128 Consequences For Breach**

In addition to any remedies available in law, if the Contractor materially breaches any of the warranties contained in this section, such material breach may be considered as a default in the performance of a material obligation of this Contract.

**2.130 Insurance****2.131 Liability Insurance**

The Contractor must provide proof of the minimum levels of insurance coverage as indicated below. The insurance must protect the State from claims which may arise out of or result from the Contractor's performance of Services under the terms of this Contract, whether the Services are performed by the Contractor, or by any Subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain under this Contract.

All insurance coverages provided relative to this Contract and any related purchase order are PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The insurance must be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by Contractor must have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if the ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract must be issued by companies that have been approved to do business in the State.

See [www.michigan.gov/dleg](http://www.michigan.gov/dleg).

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State must be entitled to coverage to the extent of the higher limits.

The Contractor is required to pay for and provide the type and amount of insurance checked  below:

1. Commercial General Liability with the following minimum coverage:
- \$2,000,000 General Aggregate Limit other than Products/Completed Operations
  - \$2,000,000 Products/Completed Operations Aggregate Limit
  - \$1,000,000 Personal & Advertising Injury Limit
  - \$1,000,000 Each Occurrence Limit

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.



2. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSURED on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

3. Workers' compensation coverage must be provided according to applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision must not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

4. Employers liability insurance with the following minimum limits:

\$100,000 each accident  
\$100,000 each employee by disease  
\$500,000 aggregate disease

5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars (\$1,000,000.00) with a maximum deductible of fifty thousand dollars (\$50,000.00).

6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which must apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.

7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars (\$3,000,000.00) each occurrence and three million dollars (\$3,000,000.00) annual aggregate.

8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of the office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to its replacement value, where the office space and its contents are under the care, custody and control of Contractor. The policy must cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State must be endorsed on the policy as a loss payee as its interests appear.

### **2.132 Subcontractor Insurance Coverage**

Except where the State has approved in writing a Contractor's subcontract with other insurance provisions, Contractor must require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) must fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.



### **2.133 Certificates of Insurance and Other Requirements**

Contractor must furnish to DMB-Purchasing Operations, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) must contain a provision indicating that the Insurance Provider will endeavor to mail 30 days' written notice if coverages afforded under the policies WILL BE CANCELLED, ARE MATERIALLY CHANGED, OR WILL NOT BE RENEWED, except for 10 days for non-payment of premium, to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract number affected. Before the Contract is signed, and before the insurance expiration date every year thereafter, the Contractor must provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

The Contractor must maintain all required insurance coverage throughout the term of the Contract and any extensions and, in the case of claims-made Commercial General Liability policies, must secure tail coverage for at least three years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and must not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor is responsible for all deductibles with regard to the insurance. If the Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, then the State may, after the State has given the Contractor at least 30 days' written notice, pay the premium or procure similar insurance coverage from another company or companies. The State may deduct any part of the cost from any payment due the Contractor, or the Contractor must pay that cost upon demand by the State.

### **2.140 Indemnification**

#### **2.141 General Indemnification**

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties), accruing or resulting to any person, firm or corporation that may be injured or damaged by the Contractor in the performance of this Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its Subcontractors, or by anyone else for whose acts any of them are liable.

#### **2.142 Code Indemnification-Deleted/Not Applicable**

#### **2.143 Employee Indemnification**

In any claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its Subcontractors, the indemnification obligation under the Contract must not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its Subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.

#### **2.144 Patent/Copyright Infringement Indemnification-Deleted/Not Applicable**

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that the action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of the equipment, software, commodity or service, or the use or reproduction of any documentation provided with the equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.



In addition, should the equipment, software, commodity, or service, or its operation, become or in the State's or Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor must at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if the option is not reasonably available to the Contractor, (ii) replace or modify to the State's satisfaction the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if the option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Notwithstanding the foregoing, the Contractor has no obligation to indemnify or defend the State for, or to pay any costs, damages or attorneys' fees related to, any claim based upon (i) equipment developed based on written specifications of the State; (ii) use of the equipment in a configuration other than implemented or approved in writing by the Contractor, including, but not limited to, any modification of the equipment by the State; or (iii) the combination, operation, or use of the equipment with equipment or software not supplied by the Contractor under this Contract.

#### **2.145 Continuation of Indemnification Obligations**

The Contractor's duty to indemnify under this Section continues in full force and effect, notwithstanding the expiration or early cancellation of the Contract, with respect to any claims based on facts or conditions that occurred before expiration or cancellation.

#### **2.146 Indemnification Procedures**

The procedures set forth below must apply to all indemnity obligations under this Contract.

(a) After the State receives notice of the action or proceeding involving a claim for which it will seek indemnification, the State must promptly notify Contractor of the claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify the Contractor relieves the Contractor of its indemnification obligations except to the extent that the Contractor can prove damages attributable to the failure. Within 10 days following receipt of written notice from the State relating to any claim, the Contractor must notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and before the State's receiving Contractor's Notice of Election, the State is entitled to defend against the claim, at the Contractor's expense, and the Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during that period.

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State is entitled to participate in the defense of the claim and to employ counsel at its own expense to assist in the handling of the claim and to monitor and advise the State about the status and progress of the defense; (ii) the Contractor must, at the request of the State, demonstrate to the reasonable satisfaction of the State, the Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) the Contractor must periodically advise the State about the status and progress of the defense and must obtain the prior written approval of the State before entering into any settlement of the claim or ceasing to defend against the claim; and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State has the right, at its own expense, to control the defense of that portion of the claim involving the principles of Michigan governmental or public law. But the State may retain control of the defense and settlement of a claim by notifying the Contractor in writing within 10 days after the State's receipt of Contractor's information requested by the State under clause (ii) of this paragraph if the State determines that the Contractor has failed to demonstrate to the reasonable satisfaction of the State the Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State under this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

(c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State may defend the claim in the manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor must promptly reimburse the State for all the reasonable costs and expenses.



## **2.150 Termination/Cancellation**

### **2.151 Notice and Right to Cure**

If the Contractor materially breaches the Contract, and the State in its reasonable discretion determines that the breach is curable, then the State will provide the Contractor with written notice of the breach and a time period (not less than 60 days) to cure the breach. The notice of breach and opportunity to cure is inapplicable for successive or repeated breaches or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage, or destruction of any real or tangible personal property.

### **2.152 Termination for Cause**

(a) The State may terminate this Contract for cause pursuant to **Section 2.151**, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under this Contract, and (ii) fails to cure such breach within the time period specified in the written notice of breach provided by the State pursuant to **Section 2.151**, provided, however, that this clause (ii) shall not apply to those instances set forth in **Section 2.151** where the notice of breach and opportunity to cure is inapplicable. Notwithstanding the foregoing, the State must discharge its obligations under **Section 2.190** before it terminates the Contract.

(b) If this Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs. In no event shall the Contractor be liable to the State for consequential, exemplary or punitive damages.

(c) If the State chooses to partially terminate this Contract for cause, charges payable under this Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State must pay for all Services/Deliverables for which Final Acceptance (as defined in **Section 2.258**) has been granted that are provided up to the termination date. Services and related provisions of this Contract that are terminated for cause must cease on the effective date of the termination.

### **2.153 Termination for Convenience**

The State may terminate this Contract for its convenience, in whole or part, if the State determines that a termination is in the State's best interest. Reasons for the termination must be left to the sole discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the Services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any RFP issued by the State. The State may terminate this Contract for its convenience, in whole or in part, by giving Contractor written notice at least 60 days before the date of termination. If the State chooses to terminate this Contract in part, the charges payable under this Contract must be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of this Contract that are terminated for cause must cease on the effective date of the termination.

### **2.154 Termination for Non-Appropriation**

(a) Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this Contract. If funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available, the State must terminate this Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State must give Contractor at least 30 days' advance written notice of termination for non-appropriation or unavailability (or the time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

(b) If funding for the Contract is reduced by law, or funds to pay Contractor for the agreed-to level of the Services or production of Deliverables to be provided by Contractor are not appropriated or otherwise unavailable, the State may, upon 30 days' written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in the manner and for the periods of time as the State may elect. The charges payable under this Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of the reduction.



(c) If the State terminates this Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor under this Section, the State must pay Contractor for all Work in Progress performed through the effective date of the termination or reduction in level, as the case may be and as determined by the State, to the extent funds are available. This Section will not preclude Contractor from reducing or stopping Services/Deliverables or raising against the State in a court of competent jurisdiction, any claim for a shortfall in payment for Services performed or Deliverables finally accepted before the effective date of termination.

#### **2.155 Termination for Criminal Conviction**

The State may terminate this Contract immediately and without further liability (other than the payment of deconversion costs as set forth in **Section 2.157**) or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense related to a State, public or private contract or subcontract.

#### **2.156 Termination for Approvals Rescinded**

The State may terminate this Contract if any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services under Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. In that case, the State will pay the Contractor for only the work completed to that point under the Contract. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in the written notice.

#### **2.157 Rights and Obligations upon Termination**

(a) Subject to the transition procedures set forth in the applicable Statement of Work, if the State terminates this Contract for any reason, the Contractor must (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which must be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of the items included compensation to Contractor for the provision of warranty services in respect of the materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

(b) If the State terminates this Contract before its expiration in accordance with this **Section 2.150**, the State must pay Contractor for all charges due for Services provided before the date of termination and, if applicable, as a separate item of payment under this Contract, for Work In Progress, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor under this Contract, at the option of the State, becomes the State's property, and Contractor is entitled to receive equitable fair compensation for the Deliverables. Regardless of the basis for the termination, the State is not obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.

(c) Notwithstanding anything set forth in this Contract to the contrary, in the event of any termination of this Contract for any reason whatsoever, the State shall pay the Contractor the deconversion fee set forth in Appendix A to the applicable Statement of Work, as the same may be amended from time to time.

#### **2.158 Reservation of Rights**

Any termination of this Contract or any Statement of Work issued under it by a party must be with full reservation of, and without prejudice to, any rights or remedies otherwise available to the party with respect to any claims arising before or as a result of the termination.



## **2.160 Termination by Contractor**

### **2.161 Termination by Contractor**

If the State materially breaches the Contract, and the Contractor in its reasonable discretion determines that the breach is curable, then the Contractor will provide the State with written notice of the breach and a time period (not less than 60 days) to cure the breach. The notice of breach and opportunity to cure is inapplicable for successive and repeated breaches or if the Contractor determines in its reasonable discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage, or destruction of any real or tangible personal property.

The Contractor may terminate this Contract if the State (i) materially breaches its obligation to pay the Contractor undisputed amounts due and owing under this Contract, (ii) breaches its other obligations under this Contract to an extent that makes it impossible or commercially impractical for the Contractor to perform the Services, or (iii) does not cure the breach within the time period specified in a written notice of breach described above. Notwithstanding the foregoing, the Contractor must discharge its obligations under **Section 2.190** before it terminates the Contract.

## **2.170 Transition Responsibilities**

### **2.171 Contractor Transition Responsibilities**

If the State terminates this Contract in accordance with **Section 2.150**, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. If this Contract expires or terminates, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services as set forth in the Statement of Work. These efforts must include, but are not limited to, those listed in **Sections 2.171, 2.172, 2.173, 2.174, and 2.175**.

### **2.172 Contractor Personnel Transition**

The Contractor must work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor must allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the Services required by this Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's Subcontractors or vendors, as necessary to meet its needs, Contractor agrees to reasonably, and with good faith, work with the State to use the Services of Contractor's Subcontractors or vendors. Contractor will notify all of Contractor's Subcontractors of procedures to be followed during transition.

### **2.173 Contractor Information Transition**

The Contractor agrees to provide reasonable detailed specifications for all Services/Deliverables needed by the State, or specified third party, to properly provide the Services/Deliverables required under this Contract. The Contractor will provide the State with asset management data generated from the inception of this Contract through the date on which this Contractor is terminated in a comma-delineated format unless otherwise requested by the State. The Contractor will deliver to the State any remaining owed reports and documentation still in Contractor's possession subject to appropriate payment by the State.

### **2.174 Contractor Software Transition**

The Contractor must reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under this Contract. This must include any documentation being used by the Contractor to perform the Services under this Contract. If the State transfers any software licenses to the Contractor, those licenses must, upon expiration of the Contract, transfer back to the State at their current revision level. Upon notification by the State, Contractor may be required to freeze all non-critical changes to Deliverables/Services.

### **2.175 Transition Payments**

Subject to **Section 2.157**, if the transition results from an early termination for any reason, reimbursement must be governed by the termination provisions of this Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after contract expiration that result from transition operations) at the rates agreed upon by the State. The Contractor will prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

**2.176 State Transition Responsibilities**

In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:

- (a) Reconciling all accounts between the State and the Contractor;
- (b) Completing any pending post-project reviews.

**2.180 Stop Work****2.181 Stop Work Orders-Deleted/Not Applicable****2.182 Cancellation or Expiration of Stop Work Order-Deleted/Not Applicable****2.183 Allowance of Contractor Costs-Deleted/Not Applicable****2.190 Dispute Resolution****2.191 In General**

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work must be resolved as set forth in **Section 2.192**. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor must submit a letter, together with all data supporting the claims, executed by Contractor's Contract Administrator or the Contract Administrator's designee certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the claim and the supporting data are current and complete to Contractor's best knowledge and belief.

**2.192 Informal Dispute Resolution**

(a) In the event of any dispute between the parties under the Contract, the State's Project Manager and the Contractor's Key Personnel shall first attempt in good faith to resolve the dispute. If the parties are still unable to resolve any disputes after such good-faith attempt, the parties must meet with the Director of Purchasing Operations, DMB, or designee, for the purpose of attempting to resolve the dispute without the need for formal legal proceedings, as follows:

(i) The representatives of Contractor and the State must meet as often as the parties reasonably deem necessary to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives must discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.

(ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.

(iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.

(iv) Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DMB, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State's final action and the exhaustion of administrative remedies.

(b) This Section will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or under **Section 2.193**.

(c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work under the Contract.

**2.193 Injunctive Relief**

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.192** is where a party makes a good faith determination that the damages to such party resulting from a breach of the terms of the Contract by the other party will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

**2.194 Continued Performance**

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment must not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.150** or **Section 2.160**, as the case may be.

**2.200 Federal and State Contract Requirements****2.201 Nondiscrimination**

In the performance of the Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, or physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract will contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach of this provision may be regarded as a material breach of the Contract.

**2.202 Unfair Labor Practices**

Under 1980 PA 278, MCL 423.321, et seq., the State must not award a contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under Section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A contractor of the State, in relation to such contract, must not enter into a contract with a subcontractor, manufacturer, or supplier whose name appears in this register. Under Section 4 of 1980 PA 278, MCL 423.324, the State may void the Contract if, after award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

**2.203 Workplace Safety and Discriminatory Harassment**

In performing Services for the State, the Contractor must comply with the Department of Civil Services Rule 2-20 regarding Workplace Safety and Rule 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor must comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, see <http://www.mi.gov/mdcs/0,1607,7-147-6877---,00.html>.

**2.210 Governing Law****2.211 Governing Law**

The Contract must in all respects be governed by, and construed according to, the substantive laws of the State of Michigan without regard to any Michigan choice of law rules that would apply the substantive law of any other jurisdiction to the extent not inconsistent with, or pre-empted by, federal law.

**2.212 Compliance with Laws**

Contractor shall comply with all applicable state, federal and local laws and ordinances in providing the Services/Deliverables.

**2.213 Jurisdiction**

Any dispute arising from the Contract must be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to the jurisdiction on the grounds of lack of personal jurisdiction of the court or the laying of venue of the court or on the basis of forum non conveniens or otherwise. Contractor agrees to appoint agents in the State of Michigan to receive service of process.



## **2.220 Limitation of Liability**

### **2.221 Limitation of Liability**

Neither the Contractor nor the State is liable to each other, regardless of the form of action, for consequential, incidental, indirect, or special damages. This limitation of liability does not apply to claims for infringement of United States patent, copyright, trademark or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

The Contractor's liability for damages to the State is limited to two times the value of the Contract or \$500,000, whichever is higher. The foregoing limitation of liability does not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

The State's liability for damages to the Contractor is limited to the value of the Contract. The foregoing limitation of liability does not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

## **2.230 Disclosure Responsibilities**

### **2.231 Disclosure of Litigation**

(a) Disclosure. Contractor must disclose any material criminal litigation, investigations or proceedings involving the Contractor (and each Subcontractor) or any of its officers or directors or any litigation, investigations or proceedings under the Sarbanes-Oxley Act. In addition, each Contractor (and each Subcontractor) must notify the State of any material civil litigation, arbitration or proceeding which arises during the term of the Contract and extensions, to which Contractor (or, to the extent Contractor is aware, any Subcontractor) is a party, and which involves: (i) disputes that might reasonably be expected to adversely affect the viability or financial stability of Contractor or any Subcontractor; or (ii) a claim or written allegation of fraud against Contractor or, to the extent Contractor is aware, any Subcontractor, by a governmental or public entity arising out of their business dealings with governmental or public entities. The Contractor must disclose in writing to the Contract Administrator any litigation, investigation, arbitration or other proceeding (collectively, "Proceeding") within 30 days of its occurrence. Details of settlements which are prevented from disclosure by the terms of the settlement may be annotated. Information provided to the State from Contractor's publicly filed documents referencing its material litigation will be deemed to satisfy the requirements of this Section.

(b) Assurances. If any Proceeding disclosed to the State under this Section, or of which the State otherwise becomes aware, during the term of this Contract would cause a reasonable party to be concerned about:

- (i) the ability of Contractor (or a Subcontractor) to continue to perform this Contract according to its terms and conditions, or
- (ii) whether Contractor (or a Subcontractor) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in the Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then the Contractor must provide the State all reasonable assurances requested by the State to demonstrate that:
  - (a) Contractor and its Subcontractors will be able to continue to perform this Contract and any Statements of Work according to its terms and conditions, and
  - (b) Contractor and its Subcontractors have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in the Proceeding.

### **2.232 Call Center Disclosure-Deleted/Not Applicable**

### **2.233 Bankruptcy**

The State may, without prejudice to any other right or remedy, terminate this Contract, in whole or in part, and, at its option, may take possession of the Work in Progress and finish the Work in Progress by whatever appropriate method the State may deem expedient if:



- (a) the Contractor files for protection under the bankruptcy laws;
- (b) an involuntary petition is filed against the Contractor and not removed within 30 days;
- (c) the Contractor becomes insolvent or if a receiver is appointed due to the Contractor's insolvency;
- (d) the Contractor makes a general assignment for the benefit of creditors; or
- (e) the Contractor or its affiliates are unable to provide reasonable assurances that the Contractor or its affiliates can deliver the Services under this Contract.

Contractor will fix appropriate notices or labels on the Work in Progress to indicate ownership by the State. To the extent reasonably possible, materials and Work in Progress must be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

## **2.240 Performance**

### **2.241 Time of Performance**

(a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.

(b) Without limiting the generality of **Section 2.241(a)**, Contractor must notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and must inform the State of the projected actual delivery date.

(c) If the Contractor believes that a delay in performance by the State has caused or will cause the Contractor to be unable to perform its obligations according to specified Contract time periods, the Contractor must notify the State in a timely manner and must use commercially reasonable efforts to perform its obligations according to the Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent the delay is caused by the State.

### **2.242 Service Level Agreements (SLAs)-Deleted/Not Applicable**

### **2.243 Liquidated Damages-Deleted/Not Applicable**

### **2.244 Excusable Failure**

Neither party will be liable for any default, damage or delay in the performance of its obligations under the Contract to the extent the default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military or otherwise), power failure, electrical surges or current fluctuations, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of a party; provided the non-performing party and its Subcontractors are without fault in causing the default or delay, and the default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans.

If a party does not perform its contractual obligations for any of the reasons listed above, the non-performing party will be excused from any further performance of its affected obligation(s) for as long as the circumstances prevail. But the party must use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay. A party must promptly notify the other party in writing immediately after the Excusable Failure occurs, and also when it abates or ends.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay the Contractor's performance of the Services/provision of Deliverables for more than 10 Business Days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected Services/Deliverables from an alternate source, and the State is not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance continues; (b) the State may terminate any portion of the Contract so affected and the charges payable will be equitably adjusted to reflect those Services/Deliverables terminated;



or (c) the State may terminate the affected Statement of Work without liability to Contractor as of a date specified by the State in a written notice of termination to the Contractor, except to the extent that the State must pay for Services/Deliverables provided through the date of termination.

The Contractor will not have the right to any additional payments from the State as a result of any Excusable Failure occurrence or to payments for Services not rendered/Deliverables not provided as a result of the Excusable Failure condition. Defaults or delays in performance by Contractor which are caused by acts or omissions of its Subcontractors will not relieve Contractor of its obligations under the Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

### **2.250 Approval of Deliverables**

#### **2.251 Delivery Responsibilities**

Unless otherwise specified by the State within an individual order, the following must be applicable to all orders issued under this Contract:

(a) Shipment responsibilities - Services performed/Deliverables provided under this Contract must be delivered "F.O.B. Destination, within Government Premises." The Contractor must have complete responsibility for providing all Services/Deliverables to all site(s) unless otherwise stated.

(b) Delivery locations - Services will be performed/Deliverables will be provided at every State of Michigan location within Michigan unless otherwise stated in the Statement of Work. Specific locations will be provided by the State or upon issuance of individual purchase orders.

(c) Damage Disputes - At the time of delivery to State Locations, the State must examine all packages. The quantity of packages delivered must be recorded and any obvious visible or suspected damage must be noted at time of delivery using the shipper's delivery document(s) and appropriate procedures to record the damage.

Where there is no obvious or suspected damage, all deliveries to a State Location must be opened by the State and the contents inspected for possible internal damage not visible externally within 14 days of receipt. Any damage must be reported to the Contractor within five days of inspection.

#### **2.252 Delivery of Deliverables**

Where applicable, the Statements of Work/purchase orders contain lists of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document ("Written Deliverable"), a good ("Physical Deliverable") or a Service. All Deliverables must be completed and delivered for State review and written approval and, where applicable, installed according to the State-approved delivery schedule and any other applicable terms and conditions of the Contract.

#### **2.253 Testing-Deleted/Not Applicable**

#### **2.254 Approval of Deliverables, In General-Deleted/Not Applicable**

#### **2.255 Process For Approval of Written Deliverables-Deleted/Not Applicable**

#### **2.256 Process for Approval of Services**

The State Review Period for approval of Services is governed by the applicable Statement of Work (and if the Statement of Work does not state the State Review Period, it is by default 30 business days for Services). The State agrees to notify the Contractor in writing by the end of the State Review Period either stating that the Service is approved in the form delivered by the Contractor or describing any deficiencies that must be corrected before approval of the Services (or at the State's election, after approval of the Service).

#### **2.257 Process for Approval of Physical Deliverables-Deleted/Not Applicable**

#### **2.258 Final Acceptance**

Unless otherwise stated in the Article 1, Statement of Work or purchase order, "Final Acceptance" of each Service must occur when each Service has been approved by the State following the State Review Period identified in **Section 2.256**. Upon acceptance of a Service, the State will pay for all Services provided as set forth in the Statement of Work.



## **2.260 Ownership**

### **2.261 Ownership of Work Product by State**

The State owns all Deliverables as they are works made for hire by the Contractor for the State. The State owns all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

### **2.262 Vesting of Rights**

With the sole exception of any preexisting licensed works identified in the Statement of Work, the Contractor assigns, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any the Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon the State's request, the Contractor must confirm the assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State may obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

### **2.263 Rights in Data**

(a) The State is the owner of all data made available by the State to the Contractor or its agents, Subcontractors or representatives under the Contract. The Contractor will not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of the Contractor. No employees of the Contractor, other than those on a strictly need-to-know basis, have access to the State's data. Contractor will not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, the Contractor must only use personally identifiable information as strictly necessary to provide the Services and must disclose the information only to its employees who have a strict need to know the information. The Contractor must comply at all times with all laws and regulations applicable to the personally identifiable information.

(b) The State is the owner of all State-specific data under the Contract. The State may use the data provided by the Contractor for any purpose. The State will not possess or assert any lien or other right against the Contractor's data. Without limiting the generality of this Section, the State may use personally identifiable information only as strictly necessary to utilize the Services and must disclose the information only to its employees who have a strict need to know the information, except as provided by law. The State must comply at all times with all laws and regulations applicable to the personally identifiable information. Other material developed and provided to the State remains the State's sole and exclusive property.

### **2.264 Ownership of Materials**

The State and the Contractor will continue to own their respective proprietary technologies developed before entering into the Contract. Any hardware bought through the Contractor by the State, and paid for by the State, will be owned by the State. Any software licensed through the Contractor and sold to the State, will be licensed directly to the State.

## **2.270 State Standards**

### **2.271 Existing Technology Standards**

The Contractor will adhere to all existing technology standards as described in the applicable Statement of Work.

### **2.272 Acceptable Use Policy**

To the extent that Contractor has access to the State computer system, Contractor must comply with the State's Acceptable Use Policy, see <http://www.michigan.gov/ditservice>. All Contractor employees must be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State system. The State reserves the right to terminate Contractor's access to the State system if a violation occurs.

### **2.273 Systems Changes**

Contractor is not responsible for and not authorized to make changes to any State systems without written authorization from the Project Manager. Any changes Contractor makes to State systems with the State's approval must be done according to applicable State procedures, including security, access and configuration management procedures.



**2.280    *Extended Purchasing***

**2.281**    MIDEAL-Deleted/Not Applicable

**2.282**    State Employee Purchases-Deleted/Not Applicable

**2.290    *Environmental Provision***

**2.291**    Environmental Provision-Deleted/Not Applicable



## APPENDIX A

**MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY**  
**FFELP Servicing**  
**Price Proposal Summary**  
**PRICING PERIOD: 2010 THROUGH 2015**

<u>Service to be Provided</u>	<u>Quotation</u>	<u>Unit</u>
System Changes (Task 1,2 & 3)	\$ TBD	See Note 1 below*
Conversion Fee (Task 3 & 4)	\$ N/A	per borrower
Privacy Notices (Task 3)	\$ 0.61	per notice (see Note 2 below)*
Origination (Tasks 5)		
Stafford/PLUS	\$ 6.50	per disbursement
Consolidation Loan	\$ N/A	
PLUS Credit Evaluation (Task 5)	\$ 0.00	per application
Loan Servicing:		
In School:		
Stafford/PLUS	\$ 2.05	per account/month (see Note 3 below)*
Grace:		
Stafford/PLUS	\$ 3.85	per account/month (see Note 3 below)*
Repayment:		
Stafford/PLUS	\$ 3.85	per account/month (see Note 3 below)*
Consolidation Loans	\$ 3.85	per account/month (see Note 3 below)*
Cure Fee (Task 9)	\$ 125.00	per account (see Note 4 below)*
Secondary Market (Task 12)		
Packaging	\$ N/A	volume of portfolio being purchased
Inspection/Conversion		
Manual Conversions		
(a) In school status	\$ N/A	
(b) All other statuses	\$ N/A	
Internal Transfers	\$ 2.00	per account (see Note 5 below)*
Repurchases (Task 13)	\$ 2.00	per account (see Note 5 below)*
Ad Hoc Reports (Task 14)	\$ TBD	See Note 1 below*
Portfolio Tapes (Task 15)	\$ TBD	See Note 1 below*
Deconversion Fee (Task 3 & 16)		
Electronic Transfer	\$ 25.00	per loan (see Note 6 below)*
Paper Transfer	\$ TBD	See Note 6 below*
Public Awareness (Task 17)	\$ TBD	per year (see response to Task 17)
<b><u>Other Fees and Charges:</u></b>		
Cancellation/Refund Processing Fee	\$ 3.50	per disbursement
Claim Filing	\$ 35.00	per claim filing event
Current Annual Servicer		
Audit Report	\$1,500.00	per copy (see Note 7 below)*
Dedicated Data Line	\$ 750.00	per month
Gold File data	\$ 300.00	per report as requested

**\*Notes:**

1. Requests for special services such as system changes, ad hoc reports, or special programming to support customized borrower products, will be considered promptly. Charges for such services that Sallie Mae agrees to provide will be based on Sallie Mae's actual and reasonable costs in providing the service (as determined by Sallie Mae) plus 20%, with a minimum charge of \$150.00. MHESLA will be provided with either a firm quote or an estimate for the special service depending on the nature and scope of the undertaking.
2. The fees listed in Appendix A are subject to increase to the extent of any increases in U.S. Postal Service rates and to the extent that MHESLA's privacy notice causes the mailing to exceed the weight limit for a standard first-class mailing.
3. These unit fees are on a per "borrower account" basis. A "borrower account" includes all the loans of the same type and status serviced for the same borrower which have the same processing and billing requirements. Loan types are Stafford (subsidized and unsubsidized), PLUS, SLS and Consolidation. Each borrower account will be billed as a single unit at the highest rate applicable to any included status. These fees will commence with the calendar month in which Sallie Mae commences servicing a loan or account. The billing status of a borrower account will be determined on the basis of the status of a borrower account on the last day of each calendar month.
4. Sallie Mae will undertake, as appropriate, steps permitted under the Higher Education Act, as amended, and the regulations promulgated thereunder, to reinstate a guarantee that has been lost or impaired. Sallie Mae will be entitled to receive this cure fee for each claim that was rejected through no fault of Sallie Mae and for which the guarantee is reinstated on one or more of the loans in the claim. Each rejected claim will, for this purpose, be considered a billable borrower account. Under no circumstance will Sallie Mae be required to continue such cure activities for a period exceeding 360 days from the earlier of the date of discovery of the loss of guarantee or the date of receipt of the guarantee agency transmittal form with respect to such loan. Monthly repayment unit fees will continue to apply during any period of cure activity.
5. Applies when there is a change in owner number or branch code, such as a change in beneficial ownership under a structured finance transaction, or any other change in branch code designation. For example, redesignation fees will apply in the event that Sallie Mae is directed to redesignate loans from one bond series to another bond series under any of MHESLA's lender identification number(s) on Sallie Mae's system. The fee will be imposed on a per account basis if the entire account is being redesignated. If only a single loan or a single disbursement record is being redesignated, the fee will be imposed for redesignating such loan or disbursement record. This fee also applies to the transfer of Loans from MHESLA to another party who has a servicing agreement with Sallie Mae. The fee does not include any review of loan documents. Any document review procedures and costs will need to be separately agreed to between MHESLA and Sallie Mae.
6. Deconversion fees set forth above will apply to all deconversions of loans, except that with respect to deconversions arising from termination of the servicing agreement pursuant to a default by Sallie Mae, after the applicable cure period, the deconversion fee will be the lesser of the deconversion fee set forth in this Appendix A, or Sallie Mae's actual cost to deconvert. Pricing assumes all loans are deconverted on the same schedule to a single servicing system and as otherwise contemplated by the terms of the servicing agreement. In case of any deconversion, the actual cost of packaging and delivering such loan files will be borne by MHESLA. Other services in connection with the deconversion will be billed as set forth in Note 1 above.
7. A copy of the most recent Servicer Audit Report of Sallie Mae will be provided upon request of the MHESLA.



## PRICING ISSUES/QUESTIONS/CLARIFICATIONS

### FFELP PRICING

#### TBD pricing      Define pricing. Explain how it would be determined.:

Pricing for “TBD” items will be determined on a case-by-case basis because it is not possible to quantify the exact cost of these services now as they would vary depending on the scope and complexity of the specific request that MHESLA may have.

Please refer to “1.” in the “Notes” section that was provided on Page 2 of previous Appendix A response (i.e. \*Notes: Requests for special services such as system changes, ad hoc reports, or special programming to support customized borrower products, will be considered promptly. Charges for such services that Sallie Mae agrees to provide will be based on the Servicer’s actual and reasonable costs in providing the service (as determined by Servicer) plus 20%, with a minimum charge of \$150.00. MHESLA will be provided with either a firm quote or an estimate for the special service depending on the nature and scope of the undertaking.)

For example, if MHESLA asked Servicer to make a “System Change (Task 1, 2 and 3)” that would add a new borrower benefit to its existing FFELP loan portfolio (e.g. provide MHESLA borrowers with an interest rate reduction after they make a given number of on-time payments), we would first determine our actual and reasonable costs to enhance our servicing system to support this benefit. Then we would add 20% to that amount and inform MHESLA of the estimate or firm quote.

#### New fees added by Servicer and not on the Contract price sheet:

**Cancellation/Refund Processing Fee - \$3.50**      Is this charge only if a disbursement has been made?

This fee would potentially be charged if disbursements that were Scheduled, but not actually disbursed, were canceled.

**Claim Filing Fee - \$35 per claim filing**      Not on old price sheet

This is a standard fee for preparing and submitting a Claim to the guarantor. Please note that a fee does not appear on the old price Sheet.

**Current Annual Servicer Audit Report - \$1,500**      Is this the SAS 70 report or what task does this fee pertain?

This fee is for the Lender Audit Guide and not the SAS 70 report.



**APPENDIX B**

**Deleted/Not Applicable**



## Appendix C

### Michigan Department of Treasury Security Requirements

On award of the contract, the contractor shall comply with State and Federal statutory and regulatory requirements, and rules; National Institute of Standards and Technology (NIST) publications; Control Objectives for Information and Related Technology (COBIT); all other industry specific standards; national security best practices and all requirements herein.

The Contractor must perform annual testing of all security control requirements to determine they are working as intended. Annual certification must be provided in writing to the Contract Compliance Inspector or designee in the form of a SAS70 report.

#### Governing Security Standards and Publications

The State of Michigan information is a valuable asset that must be protected from unauthorized disclosure, modification, use, or destruction. Prudent steps must be taken to ensure that its integrity, confidentiality, and availability are not compromised.

The contractor shall collect, process, store, and transfer Department of Treasury personal, confidential or sensitive data in accordance with the contractual agreement, State of Michigan policies and the laws of the State of Michigan and the United States, including but is not limited to the following:

- The Michigan Identity Theft Protection Act, MCL 445.61 et seq;
- The Michigan Social Security Number Privacy Act, MCL 445.82 et seq.
- Family Educational Rights and Privacy Act

#### 1. State of Michigan Policies

- The contractor must comply with the State of Michigan information technology standards <http://www.michigan.gov/dit/0,1607,7-139-34305---,00.html>.

#### Security Risk Assessment

The contractor will be required to conduct assessments of risks and identify the damage that could result from unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems that support the operations and assets of the Department of Treasury. Security controls should be implemented based on the potential risks. The contractor shall ensure that reassessments occur whenever there are significant modifications to the information system and that risk assessment information is updated.

#### System Security Plan

The contractor shall develop and implement a security plan that provides an overview of the security requirements for the information system. If a security plan does not exist, the contractor shall provide a description of the security controls planned for meeting those requirements. The security plan must be reviewed periodically and revised to address system/organizational changes or problems.



## Network Security

The contractor is responsible for the security of and access to Department of Treasury data, consistent with legislative or administrative restrictions. Unsecured operating practices, which expose other connected networks to malicious security violations, are not acceptable. The contractor must coordinate with the Michigan Department of Information Technology to enter the proper pointers into the State of Michigan infrastructure.

## Data Security

The contractor has the responsibility to protect the confidentiality, integrity, and availability of State of Michigan data that is generated, accessed, modified, transmitted, stored, disposed, or used by the system, irrespective of the medium on which the data resides and regardless of format (such as in electronic, paper or other physical form).

The contractor shall:

1. process the personal data in accordance with the personal data protection laws of the State of Michigan and the United States.
2. have in place appropriate technical and organizational internal and security controls to protect the personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, and which provide a level of security appropriate to the risk represented by the processing and the nature of the data to be protected. Technical and organizational security controls must be implemented that are appropriate to the risks, such as against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, presented by the processing.
3. provide secure and acceptable methods of transmitting personal, confidential or sensitive information over telecommunication devices such as data encryption (128 bit minimum), Secure Socket Layer (SSL), dedicated leased line or Virtual Private Network (VPN).
4. supply the Department of Treasury, Security Division with information associated with security audits performed in the last three years.
5. have in place procedures so that any third party it authorizes to have access to the personal data, including processors, will respect and maintain the confidentiality, integrity, and availability of the data.
6. process the personal, confidential and sensitive data only for purposes described in the contract.
7. identify to the Department of Treasury a contact point within its organization authorized to respond to enquiries concerning processing of the personal, confidential or sensitive data, and will cooperate in good faith with the Department.
8. not disclose or transfer the personal, confidential or sensitive data to a third party unless it is approved under this contract.
9. not use data transferred by the Department of Treasury as a result of this contract for marketing purposes.

## Media Protection

- The contractor shall implement measures to provide physical and environmental protection and accountability for tapes, diskettes, printouts, and other media containing Department of Treasury's personal, confidential and sensitive information to prevent the loss of confidentiality, integrity, or availability of information including data or software, when stored outside the system. This can include storage of information before it is input to the system and after it is output.



- The contractor shall ensure that only authorized users have access to information in printed form or on digital media removed from the information system, physically control and securely store information media, both paper and digital, restrict the pickup, receipt, transfer, and delivery of such media to authorized personnel.

### **Media Destruction and Disposal**

The contractor shall sanitize or destroy information system digital media containing personal, confidential or sensitive information before its disposal or release for reuse to prevent unauthorized individuals from gaining access to and using information contained on the media.

- Personal, confidential or sensitive information must be destroyed by burning, mulching, pulverizing or shredding. If shredded, strips should not be more than 5/16-inch, microfilm should be shredded to affect a 1/35-inch by 3/8-inch strip, and pulping should reduce material to particles of one inch or smaller.
- Disk or tape media must be destroyed by overwriting all data tracks a minimum of three times or running a magnetic strip over and under entire area of disk at least three (3) times. If the CD, DVD or tape cannot be overwritten it must be destroyed in an obvious manner to prevent use in any disk drive unit and discarded. Hand tearing, recycling, or burying information in a landfill are unacceptable methods of disposal. Electronic data residing on any computer systems must be purged based on retention periods required by the Department of Treasury.

### **Access Control**

The contractor must limit information system access to authorized users, processes acting on behalf of authorized users, or devices (including other information systems) and to the types of transactions and functions that authorized users are permitted to exercise. Access must be immediately removed when a staff changes job duties or leaves the employment.

### **Authentication Process**

Authentication is the process of verifying the identity of a user. Authentication is performed by having the user enter a user name and password in order to access the system.

To help protect information from unauthorized access or disclosure, users must be identified and authenticated per the table below prior to accessing confidential or sensitive information, initiating transactions, or activating services.

Publicly available information such as the mother's maiden name, birth date, and address as the sole authenticator is not a secure means of authentication and should not be used.

Automatic user logons are prohibited. Device-to-device logons must be secured (preferably using client certificates or password via tunneled session). For certain implementations, source restrictions (sign-on can occur only from a specific device) provide a compensating control, in addition to the ID and password.

Authentication information (e.g., a password or PIN) must never be disclosed to another user or shared among users.

The authentication process is limited to three (3) unsuccessful attempts and must be reinstated by the authorized personnel (preferably the System security Administrator). User accounts should be systematically disabled after 90 days of inactivity and must be deleted after 1 year of inactivity



## Password Requirements

The purpose of a password is to authenticate a user accessing the system and restrict use of a userID only to the assigned user. To the extent that the functionality is supported within the technology or product, the controls listed must be implemented.

These following controls or content rules apply at any point where a new password value is to be chosen or assigned. These rules must be enforced automatically as part of a new password content checking process.

Password Property	Value
Minimum Length	8 characters with a combination of alpha, numeric and special characters
Composition	<ul style="list-style-type: none"> <li>• At least two numeric characters (0 through 9), neither of which may be at the beginning or the end of the password</li> <li>• A combination of two upper (A through Z) and lower case (a through z) letters</li> <li>• Special characters (!, @, #, \$, %, ^, &amp;, *, (, ), +, =, /, &lt;, &gt;, ?, ,, :, ;, \)</li> <li>• UserID in password is not allowed</li> </ul>
Expiration Requirement (Maximum Password Age):	30 days
Revocation	Passwords should be revoked after three (3) failed attempts. (Treasury strongly supports password revocation after three failed attempts if system allows) Passwords should be systematically disabled after 90 days of inactivity to reduce the risk of compromise through guessing, password cracking or other attack and penetration methods.
Temporary passwords	<ul style="list-style-type: none"> <li>• Must be randomly chosen or generated</li> <li>• System must force the user to change the temporary password at initial login</li> </ul>
Change process	<p>System must force user to:</p> <ul style="list-style-type: none"> <li>• Confirm their current password/PIN,</li> <li>• Reenter current password/PIN</li> <li>• Create a new password/PIN</li> <li>• Reenter new password/PIN</li> </ul> <p>System must prevent users from being able to consecutively change their password value in a single day (The goal is to prevent recycling through password history records to reuse an earlier-used password value)</p>
Login process	Password/PIN must not appear on the screen during the login process (The exception to this is during selection of a machine-generated password).
Encryption of passwords/PINs	Passwords must be stored and transmitted with a minimum of 128-bit encryption. Passwords must be masked when entered on any screen



Compromise of password/PIN	Must be changed immediately
Forgotten password/PIN	Must be reset by authorized person (system Security Administrator)
Current user password/PIN	Must not be maintained or displayed in any readable format on the system
Audit logs	Maintain a record of when a password was changed, deleted, or revoked. The audit trail shall capture all unsuccessful login and authorization attempts for a one year period.
Password history	Keep a password history and perform a check against the history to verify the password has not been used for a minimum of one year
Privileged account access (e.g. supervisor or root)	Security administrator must change the password for that account immediately when user changes responsibilities

### System Security Application Control

Application controls apply to individual computer systems and may include such controls as data origin, input controls, processing controls, output controls, application access controls, application interfaces, audit trail controls, and system documentation. Application controls consist of mechanisms in place over each separate computer system to ensure authorized data is processed completely, accurately, and reliably. The contractor is responsible for ensuring application controls are in place and functioning properly within their organization. Ongoing testing and reporting of controls must be part of the business process in order to have a solid understanding of risks, strengths and weaknesses. A comprehensive solution is required to ensure that business critical applications are handled efficiently and are prioritized. Dynamic recovery procedures and fail over facilities shall be incorporated into the scheduling process whenever possible; and where manual processes are needed, extensive tools must be available to minimize delays and ensure critical services are least impacted.

### System Auditing

The contractor must (i) create, protect, and retain information system audit log records to the extent needed to enable the monitoring, analysis, investigation, and reporting of unlawful, unauthorized, or inappropriate information system activity, and (ii) ensure that the actions of individual information system users can be uniquely traced to those users so they can be held accountable for their actions.

The contractor shall observe the following guidelines regarding system auditing:

1. Audit record should contain the following:
  - date and time of the event
  - subject identity
  - type of event
  - how data changed
  - where the event occurred
  - outcome of the event
2. System alerts if audit log generation fails
3. System protects audit information from unauthorized access
4. Audit record should be reviewed by individuals with a “need to know” on a regular basis



5. Audit logs are retained for sufficient period of time.

### **Configuration Control and Management**

The configuration management policy and procedures must be consistent with applicable federal laws, directives, policies, regulations, standards and guidance.

### **Incident Reporting**

The contractor must immediately notify any security incidents and/or breaches to the Contract Compliance Inspector.

- The contractor must have a documented and implemented Incident Response Policy and Procedure
- Incident handling form for consistent, repeatable process for monitoring and reporting when dealing with incidents.
- Incident response resource identified to assist users in handling and reporting incidents.
- Personnel trained in their incident response roles and responsibilities at least annually.

### **Physical and Environmental Security**

The contractor shall have established physical and environmental security controls to protect systems, the related supporting infrastructure and facilities against threats associated with their physical environment.

1. The contractor shall have established environmental protection for magnetic and other media from fire, temperature, liquids, magnetism, smoke, and dust.
2. The contractor shall control all physical access points to facilities containing information systems (except those areas within the facilities officially designated as publicly accessible), review physical security logs periodically, investigate security violations or suspicious physical access activities, and initiate remedial actions.
3. The contractor shall periodically review the established physical and environmental security controls to ensure that they are working as intended.

### **Disaster Recovery and Business Continuity Plan**

The contractor shall have developed, periodically update, and regularly test disaster recovery and business continuity plans designed to ensure the availability of Department of Treasury's data in the event of an adverse impact to the contractors information systems due to a natural or man-made emergency or disaster event.

### **Security Awareness Training**

The contractor must ensure their staff having access to Treasury information are made aware of the security risks associated with their activities and of applicable laws, policies, and procedures related to security identified in Section A of this document, and ensuring that personnel are trained to carry out their assigned information security related duties.

- Contracted employees must obtain Department of Treasury provided security awareness training. (On-line training to be identified by the Contract Compliance Inspector).



## Web Application Security

The contractor shall have established adequate security controls for web application(s) to provide a high level of security to protect confidentiality of data transmitted over the public internet. The controls include, but are not limited to:

1. authentication
2. authorization and access control
3. web application and server configuration (e.g., patch management, deletion of unnecessary services, separation of the operating system and the web server)
4. session management (e.g., randomly generated unique session IDs, session encryption, time-out setting for inactive session)
5. input validation (e.g., avoid shell commands, system calls, and malicious codes),
6. encryption (e.g., protect confidential or sensitive information, encryption keys, passwords, shared secret),
7. audit logs (e.g., all authentication and authorization events, logging in, logging out, failed logins).

**APPENDIX D****FFELP DATA ELEMENTS FOR ON-LINE ACCESS*****I. Loan Origination Screens For All Federal Loans Held By MHESLA***

The servicer must provide on-line inquiry access for all applications received to be processed for the State.

(a) Data required on all screens

- Applicant's name
- Applicant's Social Security Number
- Account number, if applicable
- Loan number
- Loan program
- Current date

(b) Application data required if it is collected on the application or provided by the State, for each application received.

- Applicant's name
- Applicant's address
- Applicant's telephone number
- Applicant's date of birth
- Applicant's driver's license number
- Applicant's signature date
- Comaker/cosigner indicator (yes/no) if their data is contained on another screen
- Comaker's Social Security Number
- Comaker's name
- Comaker's address
- Comaker's telephone number
- Comaker's date of birth
- Comaker's driver's license number
- Comaker's signature date
- For a Federal PLUS Loan student:
  - Social Security Number
  - Name
  - Address
  - Telephone number
- Guarantor
- School's federal identification code, if applicable
- Loan period start date, if applicable
- Loan period end date, if applicable
- Anticipated graduation date, if applicable
- Enrollment status, if applicable
- Grade level, if applicable
- Dependency status, if applicable
- Loan amount requested
- Loan amount approved, if applicable
- Interest rate
- Guarantee date, if applicable
- Amount guaranteed, if applicable
- Fund series/loan program fund code for approved loans, if applicable



- (c) Data required for each disbursement
- Disbursement number, if applicable
  - Total number of disbursements scheduled, if applicable
  - Scheduled disbursement date, if applicable
  - Scheduled disbursement amount, if applicable
  - Actual disbursement date (including increase adjustments, if applicable)
  - Actual disbursement amount, if applicable
  - Date disbursement cleared bank account, if applicable
  - Loan origination fee, if applicable
  - Guarantee fee, if applicable
  - Check, EFT, master check amount (for Consolidation Loans: of disbursement mailed to each creditor)
  - Check, EFT, master check number (for Consolidation Loans: of disbursement mailed to each creditor)
  - Total loan amount, if applicable
  - Disbursement method (check, EFT, master check), if applicable
  - Cancellation date (original disbursement check returned), if applicable
  - Fund series/loan program fund code, if applicable
  - Date the guarantee request is sent to the guarantor, if applicable
  - Date guarantee is received, if applicable
  - Guarantee date, if applicable
  - Amount guaranteed, if applicable
- (d) Application processing status history providing the minimum information below
- Application receipt date
  - Application entry date
  - Date of any return notification to the applicant
  - Reason for the return notification
  - Date and follow-up actions taken
  - Denial date
  - Denial reason
  - Lender approved, if applicable
  - Pending guarantee, if applicable
  - Date guarantee is received, if applicable
  - Pending disbursement, if applicable
  - Partially disbursed, if applicable
  - Fully disbursed, if applicable

## ***II. Loan Repayment Screens For All Federal Loans Held By MHESLA***

The servicer must provide on-line inquiry access for all loans originated or purchased by the State.

- (a) Data required on all screens
- Borrower's name
  - Borrower's Social Security Number
  - Account number, if the servicer has an account based system or groups loans for repayment
  - Loan number(s)
  - Lender grouping identifier
  - Current date



- (b) Borrower demographic data required
  - Permanent address
  - Mailing address
  - Telephone number
  - Good/bad address indicator
  - Good/bad telephone number indicator
  - Date address last updated
  - Date telephone number last updated
  - Prior incorrect Social Security Number
  
- (c) Comaker/Cosigner/Student/Reference demographic data required
  - Indicator to identify relationship to borrower for each person shown
  - Name
  - Address
  - Telephone number
  - Social Security Number for comaker
  - Social Security Number for cosigner, if available
  - Loan number for which the person is responsible or to which the person is related
  
- (d) Individual loan data required as applicable to the loan program
  - Prior lender's federal identification number
  - Purchase date
  - Conversion/transfer date
  - Guarantor
  - Loan program
  - Fund series/loan program fund code
  - Loan period start date (day sensitive)
  - Loan period end date (day sensitive)
  - For each disbursement the servicer must show:
    - Disbursement date
    - Disbursement amount
    - Refund date
    - Refund amount
    - Cancellation date
    - Cancellation amount
  - Total amount disbursed
  - Guaranteed amount
  - Original school federal identification number
  - Current/last school code
  - Separation date (day sensitive)
  - Interest rate
  - Interest type
  - Identifier for split 8%-10% interest rate loans
  - Current status
  - Date of last credit bureau report
  - Interest subsidy code
  - Special allowance eligibility code
  - Interest and special allowance start date
  - Number of grace months
  - Grace end date or repayment start date
  - Last disclosure date



- Date last coupon book mailed if the servicer uses coupon books for submission of payments
- Current repayment schedule (all levels)
- First payment due date
- Repayment frequency
- Number of payments made
- Number of months of deferment/forbearance granted
- Next payment due date
- Daily interest accrual amount
- Interest accrual date
- Number of days delinquent
- Amount delinquent
- Interest capitalization indicator
- Late charges due
- Collection charges due
- Principal paid
- Borrower accrued interest paid
- Forbearance interest paid
- Late charges paid
- Collection charges paid
- Current principal balance
- Borrower interest accrual amount
- Payoff amount
- Start date of unguaranteed period (day sensitive)
- End date of unguaranteed period (day sensitive)
- Last payment date
- Amount of last payment
- Partial payment amount received
- Last date interest billed to borrower
- Current/last deferment type
- Deferment/forbearance start date
- Deferment/forbearance end date
- Counter for each type of deferment/forbearance
- Date preclaims assistance requested
- Date claim filed
- Claim type
- Claim return date
- Incentive payment counter
- Date incentive awarded
- Date incentive is ended/canceled

- (e) Loan servicing history must provide all information below.

The servicer must include all monetary transactions/adjustments, non-monetary transactions/status changes made to each loan, correspondence received or generated, and a detailed account of verbal contacts made with anyone regarding the loan. The servicer must be able to identify which of the borrower's loans were affected in each transaction or identify accounts affected if the servicer has an account based system or groups loans for repayment.

Each history comment must include the effective date (receipt date), post date, transaction comment and identify the person who processed each transaction.



Regarding borrower incentives, a history comment must be made indicating incentive award/end/cancel. The comment must identify the person who processed the incentive aware/end/cancel (if not done automatically by the system). A comment must also be made indicating the appropriate incentive letter has been sent (identified by letter number, if applicable), and include the date the letter was sent. In the case of an incentive end/cancel, the reason for the end/cancel must be noted in the history.

The servicer's system must be capable of performing the following functions or extracting specific transactions from the history file and listing them for quick review of the loan record as stated below.

Payment/Deferment/Forbearance Screen - The servicer must be able to extract a listing which shows the transactions below so that the State may reconcile the period from the repayment start date to the current next payment due date.

- Payments made
- Payment reversals
- Deferment periods granted
- Forbearance periods granted
- Late charges assessed
- Collection charges assessed
- Write-off amounts

The payment entries/write-offs must show the receipt date, post date and application to/reversal from principal, interest, late charges and collection charges. The listing must include a summary showing the total amount applied to each category and the total amount paid to date.

The deferment and forbearance period entries must show the receipt date, post date, type of deferment/forbearance granted and the start and end date of each deferment/forbearance.

In addition to payments and documents applied against the loan, this listing must show late charges and collection charges applied against the loan and reflect the totals outstanding not paid by payments received.

Repayment Schedule Screen - The servicer must be able to show the date that each repayment schedule was sent to the borrower by the servicer and each schedule must include the number of payments and payment amount at each level of the schedule as it appeared on the repayment disclosure statement(s) sent to the borrower through the current date. The schedule and the date of the last repayment schedule sent must be readily visible to the State. Prior schedules may be shown within the history of the loan.

Document Receipt Screen - The servicer must record every document (letter, deferment form, forbearance form, etc.) received from any source and be able to extract a listing of only those items from the history file in order that the State may easily converse with the borrower and request copies of specific documents from the servicer's physical/filmed file records.

The listing must show the receipt date of the document, the retrieval/batch coding for immediate access to the original document prior to processing, the history posting date of the document's receipt, a description of the document (letter, school enrollment verification, guarantor report, deferment or forbearance form, etc.) and the person who entered the history comment.



Payoff Calculation Screen - The servicer must have the capability to calculate a future payoff amount based on the current principal, interest, late charges and collection charges outstanding by loan and by account if the servicer has an account based system or groups loans for repayment.

Comaker/Cosigner/Student/Reference Demographic Data Screen - The servicer must be able to provide the data below for the comaker, student and cosigner, if applicable, and for that number of references required by the guarantor.

- An indicator that identifies the relationship to the borrower
- Name
- Address
- Telephone number, if known



**APPENDIX E-Deleted/Not Applicable**



**APPENDIX F-Deleted/Not Applicable**