

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

October 6, 2009

CHANGE NOTICE NO. 9
TO
CONTRACT NO. 071B4200050
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Michael Noack (608) 246-1404
Great Lakes Educational Loan Services, Inc. 2401 International Lane Madison, WI 53704 mnoack@glhec.org		
Contract Compliance Inspector: Orv Erickson (517) 373-0538 Loan Servicing – FFELP – Department of Treasury		BUYER/CA (517) 241-1916 Jim Wilson
CONTRACT PERIOD: From: October 15, 2003 To: January 31, 2010		
TERMS N/A	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE (S):

Effective October 1, 2009, this Contract is hereby EXTENDED through January 31, 2010.

All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per agency request (PRF dated 6/17/09), Ad Board approval on 9/30/2009, and DMB/Purchasing Operations' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$13,508,000.00

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

July 29, 2009

CHANGE NOTICE NO. 8
TO
CONTRACT NO. 071B4200050
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Michael Noack (608) 246-1404
Great Lakes Educational Loan Services, Inc. 2401 International Lane Madison, WI 53704 mnoack@glhec.org		
Contract Compliance Inspector: Orv Erickson (517) 373-0538 Loan Servicing – FFELP – Department of Treasury		BUYER/CA (517) 241-1916 Jim Wilson
CONTRACT PERIOD: From: October 15, 2003 To: September 30, 2009		
TERMS	N/A	SHIPMENT N/A
F.O.B.	N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE (S):

Please see attached for updates to Task 6, 8, 9, 10, 23, and pricing.

All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per request of Department of Treasury and DMB/Purchasing Operations' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$13,508,000.00

**TASK 6: LOAN SERVICING: APPLICATION ENTRY, APPROVAL AND DISCLOSURE
STATEMENT MAILING**

a. General

The servicer must provide a computer system to process the origination of Federal Stafford (Subsidized and Unsubsidized) and PLUS Loan applications. The system must track the application from initial entry, approval/disapproval, disbursement and transfer for subsequent repayment servicing.

b. Application Requests

The servicer must provide applicants with all necessary application materials for the Federal Stafford (Subsidized and Unsubsidized) and/or PLUS Loans upon request. In addition, the servicer must include with the application mailing general information regarding the loan programs which has been approved by the State.

c. Application Entry

The servicer is responsible for processing loan applications for the Federal Stafford Loan Program (Subsidized and Unsubsidized) and the Federal PLUS Loan Program. The servicer must have a system on which to enter applications which allows entry of, and review of, all data elements required for loan guarantee and which discloses the status of the application in the entry/approval/disapproval/disbursement process. In addition, a four-digit alpha-numeric field must be available for fund series designation which will be assigned by the State. The servicer's system must identify which type of application is being processed.

d. Tracking of Applications

The servicer's system must be able to track the applications following initial entry. At a minimum, the following status codes must be available:

Application Entered
Pending
Cancelled
Denied/Disapproved
Approved by Lender
Approved by Guarantor
Awaiting Executed Promissory Note
Awaiting Disbursement
Disbursed

The servicer's system must update the applicant/borrower's account with the proper status at the time the activity occurs.

e. Application Review

The servicer is responsible for reviewing the 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.

The servicer is responsible for performing additional application reviews for requirements that are specific to the State. Currently, the State has an "Area of Service" requirement for loans originated. This requires the applicant or student for whom the applicant is borrowing to have a Michigan connection. To meet this requirement the applicant/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 a prior active loan with the State.

Review to determine if an applicant meets this requirement must be performed by the servicer along with any other additional review items the State may require.

f. Application Approval

The servicer is responsible for approving on the State's behalf, each loan application that meets the State's eligibility requirements.

g. Submission for Guarantee

For application processes in which a 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 the State/servicer.

h. Receipt of the Notification of Loan Guarantee and Updating for Disbursement

The servicer must have the capability of receiving the guarantor's notification of guarantee by electronic means. Upon receipt of the notification of guarantee, the servicer must match it with the loan application. In situations where a matching loan application (MPN or School Certification) is not available, a request is made to the appropriate contact to obtain this information, within 10 calendar days of this discovery.

Prior to disbursement, the servicer must compare the notification of guarantee information against the loan application information to confirm there are no discrepancies (such as disbursement dates, loan periods, applicant name or social security number, etc.). If any discrepancies are found, the servicer is responsible for resolving them.

The servicer will then update the system to show the guaranty agency's approval and update the system for disbursement.

i. Disclosure Mailings

The servicer is responsible for preparing, if appropriate, and mailing the Notification of Loan Guarantee and Disclosure Statement and other disclosures to the applicant in accordance with state and federal requirements, after the loan has been approved by the guaranty agency.

j. Copying of Material

The servicer is required to copy the loan documents and related materials by microfilm, microfiche, imaging or other method acceptable to the State prior to placing them in a secured area for safekeeping.

k. Servicing Fees

Origination fees may be billed for each application received and processed by the servicer on MHESLA's behalf. This includes applications received as paper applications and those received through an electronic method. In addition, an application is considered to have been received when a guarantee is received from the guarantor, whether or not the servicer has actually received the application. Origination fees may be billed once the application or guarantee has been entered onto the servicer's computer system and origination processing on the application has been initiated.

Bidder Response to this Task:

- b. Great Lakes does not have the capability to include additional general information approved by the State.
- c. Great Lakes uses a unique lender number to designate the funding series.
- d. Great Lakes proposes to replace the first paragraph with the following: The servicer's system must be able to track applications / loans through the various industry standard steps / phases as it relates to originating loans which include the ability to identify: Application Entered; Pending Verification; Cancelled; Denied/Disapproved; Approved by Lender; Approved by Guarantor; Awaiting Executed Promissory Note; Awaiting Disbursement; and Disbursed.
- g. Great Lakes proposes to remove the reference to the State in the last sentence.

TASK 8: LOAN SERVICING: DISAPPROVED LOANS

a. General

This task identifies the servicer's responsibilities in the handling of Federal Stafford (Subsidized or Unsubsidized) and Federal PLUS Loan Applications which are disapproved for guarantee by the guarantor or the State.

b. Disapproval Update

After the servicer receives notification of rejection from the guaranty agency or determines the applicant does not meet the State's criteria, the servicer will update their system to reflect denial and the reason for denial.

c. Disapproval Mailing

The servicer will notify the applicant and the school of the disapproval action.

d. Loan Documents

The servicer will keep the disapproved loan documents, including the application materials and, if appropriate, the guaranty agency's rejection notice. These documents can be maintained in hard copy or microfilm, microfiche, imaging or another format acceptable to the State.

e. Appeals

Should the servicer receive either telephone or written communication from a disapproved applicant seeking to appeal the disapproval action, the servicer will review the appeal within ten (10) days to ascertain if the loan application/applicant now meets State and guarantor requirements. If so, the application must be resubmitted to the guarantor for approval/disapproval. The State reserves the right to review any denial appeal. Currently, the State reviews all appeals to override a Federal PLUS Loan adverse credit denial. In the case of a Federal PLUS Loan adverse credit denial, the servicer will refer all written appeals along with the disapproved application and materials to the State. In the case of verbal Federal PLUS Loan adverse credit appeals, the servicer will request the applicant to submit a written appeal with supporting documentation, if applicable. If the State overrides the denial, the servicer will be advised in writing of the override. The servicer will then resubmit all necessary information to the guarantor for approval/disapproval.

Bidder Response to this Task:

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|---|
| a. Great Lakes proposes to replace the State with the Servicer. |
|---|

TASK 9: LOAN SERVICING: DISBURSEMENT FOR FEDERAL STAFFORD AND PLUS LOANS

a. General

The servicer will disburse Federal Stafford and PLUS loans per instructions provided by the guaranty agency and in accordance with school requested disbursement dates. It will be the servicer's responsibility to comply with federal regulations and handle all transactions associated with disbursement.

b. Multiple Disbursements

Federal Stafford and PLUS loans will be multiply disbursed per the direction of the guaranty agency and the school. Up to four disbursements will be identified for each loan.

c. Co-payable Check Disbursement

Federal Stafford loans disbursed by individual check must be made payable to the student or copayable to the student and the school. A PLUS/GRAD PLUS loan disbursed by individual check must be made copayable to the borrower and the school.

d. Check Stock

It is the servicer's responsibility to design and present the proposed check and check stub to the State for approval. After the State's 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 the State's name (Michigan Higher Education Student Loan Authority) as the lender of the loan, the social security number of the borrower, and the name and address of the servicer.

(2) Check Stub Information

The check stub must include the State'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, or PLUS), the alpha numeric fund designation code, and the name and address of the servicer.

e. Electronic Funds Transfer

The servicer will offer Electronic Funds Transfer (EFT) services for student loan disbursements to schools in accordance with federal law and regulations. EFT disbursement must be available by type of loan (Stafford, PLUS) and be designated at school level. This will provide each school flexibility to determine the disbursement process that is best for them. The servicer will use commercially reasonable efforts to provide timely EFT, within one business day, if possible.

The State permits and authorizes the servicer to disburse funds by EFT to those schools so designated by the State.

f. Timeliness of Disbursement

The servicer cannot disburse loans before the disbursement dates identified by the school. Additionally, those loans ready for disbursement prior to or by the dates identified by the school must be disbursed within five (5) days of the dates identified by the school or within five (5) days of the date the loan could be disbursed based on the servicer's receipt of all required documentation.

g. Frequency of Disbursement

The State requires daily disbursement of loans for each program.

h. Notification to Borrower

The servicer is responsible for sending a notice of disbursement to the borrower.

i. Disclosures

The servicer must comply with federal disclosure requirements prior to or at disbursement.

j. Account Maintenance

The servicer must perform the necessary account maintenance including a status code to update the system confirming the loan was disbursed. 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.

k. 120 Day Check Cashing Requirement

It is the servicer's responsibility to monitor loans disbursed by check for the federal 120 day check cashing requirement. The servicer must refuse for payment any check presented after the 120th day from date of issuance. If the check is not cashed within 120 days, the servicer must proceed with cancellation of that disbursement.

l. Returned Checks

It is the servicer's responsibility to receive and void returned checks and to reissue the check(s), if appropriate. If the check is reissued, the servicer must make the necessary adjustments to the account to reflect the new data and report the revised disbursement information to the guaranty agency. If the check cannot be reissued, the servicer is responsible to initiate and process a cancellation or loan reduction.

m. Stop Payments

It is the servicer's responsibility to issue stop payments as requested or necessary. After confirmation that the stop payment is in effect, the servicer will reissue the check, if appropriate. If the check is reissued, the servicer must make the necessary adjustments to the account to reflect the new data and report the revised disbursement information to the guaranty agency. If the check cannot be reissued, the servicer is responsible to initiate and process a cancellation or loan reduction.

n. Reissued Checks

The servicer must reissue checks within ten (10) days of the determination that the check is to be reissued. The servicer must make the necessary adjustments to the account to reflect the new data and report the revised disbursement information to the guaranty agency.

o. Late Disbursements

The servicer must be capable of identifying and issuing late disbursements according to state and federal requirements. Within ten (10) days of receipt of the late disbursement request, the servicer will adjust the account, if necessary, and issue the late disbursement. An appropriate history item must be entered in the borrower's account history reflecting the late disbursement.

The servicer must notify the guarantor of the late disbursement per the guarantor's instructions.

p. Guaranty Agency Reporting

The servicer is responsible for reporting all disbursement data to the guaranty agency per the guaranty agency's instructions. A paper and/or a magnetic tape process may be available for reporting this information. Currently, a magnetic tape process is being used. If the servicer wants to use a different reporting process, they must first advise the State and work with the State to revise appropriate procedures before the new process may be implemented. In addition, should the guaranty agency charge an federal default fee, it is the servicer's responsibility to calculate and report the fee. The servicer must advise the State of the reporting methods.

Disbursement data must be forwarded to the State to be received by the fifteenth of the month. The State will prepare a check, if appropriate, and forward the materials to the guaranty agency by the twentieth of the month.

q. Costs for "Application Processing"

The unit cost per loan for "application processing" includes providing applications to prospective applicants, guarantee processing, disbursement and associated processing.

r. Liability

If the servicer improperly disburses the State's loans which result in a loss to the State, the servicer is financially liable to reimburse the State to the extent of its loss.

Bidder Response to this Task:

- d. Great Lakes proposes to remove the State's approval of the proposed check. Great Lakes does not include the social security number of the borrower on the check. Great Lakes uses a unique lender number to designate funding series.
- e. Great Lakes proposes to remove the State's authority to designate which schools will receive EFT.
- p. Great Lakes proposes to remove the second, third, and fourth sentences of the first paragraph. Great Lakes proposes to remove the second paragraph.

TASK 10: LOAN SERVICING, GENERAL LOAN SERVICING

f. 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 the State within 60 calendar days of either the State's or the servicer's awareness of the occurrence.

Bidder Response to this Task:

f. Great Lakes proposes to remove the phrase “and that the cancelled promissory note is available upon request” from the first sentence.
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TASK 23: LOAN SERVICING, CREDIT BUREAU REPORTS

a. General

The servicer will be responsible for providing credit bureau services to the State, as needed, in accordance with federal statute and regulations. This requires the servicer to secure and maintain membership in one or more of the national credit bureaus. The servicer must inform the State of the credit bureau(s) which the servicer plans to utilize for the State's portfolio.

b. PLUS Application Processing

The State currently uses the MGA's credit review service for PLUS Loan applications. Through this service, MGA performs the federally required credit review for each PLUS loan applicant on behalf of the lender. The lender/servicer is then notified of those applicants who have adverse credit. The servicer will be responsible for the denial processing of these applications and informing the applicants of their denial due to the adverse credit.

If this service is not available through the guarantor, it will be the servicer's responsibility to obtain credit bureau reports on PLUS Loan applicants and assess the credit bureau reports in accordance with federal law and regulations to determine if the applicants have an acceptable credit history. The servicer will, in all cases, deny PLUS Loan applications on the State's behalf from applicants who do not have an acceptable credit history and notify the applicants of this action.

General Inquiries from denied PLUS Loan applicants seeking clarification or further information regarding the denial, including those applicants denied for adverse credit, will be answered by the servicer. However, applicant appeals due to extenuating circumstances regarding adverse credit will be addressed by the State. All such appeals, along with the denial letter and corresponding credit bureau report, must be faxed to the State within three (3) days of receipt.

c. PLUS Loan Applicant Prescreening

In addition to the processing of PLUS Loan applications through the regular process, 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 school has the PLUS applicant complete a form providing needed information and authorizing 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. This information is then transmitted back to the school.

d. Other Application Processing

Other federal loans made by the State are not subject to creditworthiness standards. However, the State reserves the right, either based on policy change or changes mandated at the federal or state level, 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 as specified by the State.

e. Reporting to Credit Bureau(s)

On a monthly basis, the servicer will report all borrowers to national credit bureaus in accordance with federal regulations in the manner designated by the credit bureau. 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. The final report to the credit bureaus will reflect the reason for the zero balance due (defaulted, paid in full, etc.).

In the event of the State'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.

f. 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 the State'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.

g. Credit Verification Inquiries

Borrowers must authorize the State 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 the State within five (5) days of the servicer's receipt of the inquiry.

Bidder Response to this Task:

- | |
|--|
| <p>b. Great Lakes proposes to remove the first paragraph and the beginning of the second paragraph through the words "If this service is not available through the guarantor,". Great Lakes proposes to replace the last sentence with "The State may access the denial reason and the credit bureau report on line".</p> <p>c. Great Lakes proposes to remove the first and second sentence of the second paragraph.</p> <p>d. Great Lakes proposes to remove the last two sentences of this section.</p> |
|--|



July 22, 2009

Orv Erickson
Michigan Higher Education Student Loan Authority
P.O. Box 30051
Lansing, MI 48909

Dear Orv:

This letter confirms that Great Lakes will provide the origination services outlined in Tasks 6,8,9,10(f) and 23 (b), (c) and (d) of Contract #071B4200050 in order that MHESLA may sell loans to the Department of Education under the ECASLA PUT program.

If the servicing of the loans must be transferred to another servicer upon any sale of loans to the USDOE, MHESLA agrees to pay the following costs:

System change fees billed at \$100 per hour not to exceed \$10,000 for the development of the system to support ECASLA PUT transfers;

\$14.00 deconversion fee per account transferred off the servicing system;

\$ 2.00 inspection fee per account to reimburse Great Lakes costs associated with performing a note exam, sending a transfer letter to the borrower and transferring data, documents and post sale transactions to the Department's loan servicer; and

Not to exceed \$15,000 – for an agreed upon procedure performed by a CPA firm as required by USDOE for any ECASLA PUT loan sale.

OR

If the Department of Education assigns the loans sold under the ECASLA PUT program to Great Lakes to service, MHESLA agrees to pay the following costs:

\$ 3.50 inspection/conversion fee per account to reimburse Great Lakes costs associated with performing a note exam, sending a transfer letter to the borrower, updating the ownership on the system and reporting post sale transactions to the Department; and

Not to exceed \$15,000 – for an agreed upon procedure performed by a CPA firm as required by USDOE for any ECASLA PUT loan sale.

Thank you for your cooperation and please let me know if you have any questions.

Sincerely,

Michael J. Noack
Chief Servicing Officer

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

December 30, 2008

CHANGE NOTICE NO. 7
TO
CONTRACT NO. 071B4200050
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Michael Noack (608) 246-1404
Great Lakes Educational Loan Services, Inc. 2401 International Lane Madison, WI 53704		
mnoack@glhec.org		BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: Orv Erickson (517) 373-0538 Loan Servicing – FFELP – Department of Treasury		
CONTRACT PERIOD: From: October 15, 2003 To: September 30, 2009		
TERMS	N/A	SHIPMENT
		N/A
F.O.B.	N/A	SHIPPED FROM
		N/A
MINIMUM DELIVERY REQUIREMENTS		
N/A		

NATURE OF CHANGE (S):

Effective immediately, the Contract Compliance Inspector for this Contract is hereby changed to Orv Erickson (517) 373-0538. All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per request of Department of Treasury and DMB/Purchasing Operations' approval.

CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$13,508,000.00

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

March 6, 2008

CHANGE NOTICE NO. 6
TO
CONTRACT NO. 071B4200050
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Michael Noack (608) 246-1404
Great Lakes Educational Loan Services, Inc. 2401 International Lane Madison, WI 53704 mnoack@glhec.org		
Contract Compliance Inspector: Marlene Pierce Loan Servicing – FFELP – Department of Treasury		BUYER/CA (517) 241-1916 Jim Wilson
CONTRACT PERIOD: From: October 15, 2003 To: September 30, 2009		
TERMS N/A	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE (S):

Effective immediately this Contract is hereby **EXTENDED** to September 30, 2009, and **INCREASED** by \$3,000,000.00. All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per request of Department of Treasury, Ad Board approval on 3/4/08, and DMB/Purchasing Operations' approval.

TOTAL REVISED AUTHORIZED SPEND LIMIT: \$13,508,000.00

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

September 21, 2007

CHANGE NOTICE NO. 5
TO
CONTRACT NO. 071B4200050
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Michael Noack (608) 246-1404
Great Lakes Educational Loan Services, Inc. 2401 International Lane Madison, WI 53704 mnoack@glhec.org		
Contract Compliance Inspector: Marlene Pierce Loan Servicing – FFELP – Department of Treasury		BUYER/CA (517) 241-1916 Jim Wilson
CONTRACT PERIOD: From: October 15, 2003 To: September 30, 2008		
TERMS N/A	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE (S):

Effective immediately this Contract is hereby **EXTENDED** to September 30, 2008, and **INCREASED** by \$4,500,000.00. All other terms, conditions, specifications, and pricing remain unchanged. **NOTE: The Buyer for this Contract is changed to Jim Wilson.**

AUTHORITY/REASON:

Per agency and vendor agreement, Ad Board approval on 9/18/07, and DMB/Purchasing Operations' approval.

INCREASE: \$4,500,000.00

TOTAL REVISED ESTIMATED CONTRACT VALUE REMAINS: \$10,508,000.00

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

March 29, 2006

CHANGE NOTICE NO. 4
TO
CONTRACT NO. 071B4200050
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Michael Noack (608) 246-1404
Great Lakes Educational Loan Services, Inc. 2401 International Lane Madison, WI 53704 mnoack@glhec.org		
Contract Compliance Inspector: Marlene Pierce Loan Servicing – FFELP – Department of Treasury		BUYER/CA (517) 335-4804 Doug S. Collier
CONTRACT PERIOD: From: October 15, 2003 To: September 30, 2007		
TERMS N/A	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE (S):

Effective immediately this Contract is hereby **EXTENDED** to September 30, 2007 and **INCREASED** by \$3,000,000.00. Also, the attached Contract amendment language and pricing are hereby attached and incorporated into this Contract. All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON:

Per agency and vendor agreement and DMB/Purchasing Operations' approval.

INCREASE: \$3,000,000.00

TOTAL REVISED ESTIMATED CONTRACT VALUE REMAINS: \$6,008,000.00

RFP TO EXTEND CONTRACT #071B4200050

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SECTION I: BACKGROUND

GENERAL

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 Governor-appointed board which establishes policy and functions as the Board of Directors for the program. MHESLA is a Division within the Bureau of Student Financial Services of the Michigan Department of Treasury (Treasury).

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 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 2004, MHESLA's outstanding portfolio for the MDSLP and SSM programs combined was over \$1 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 2004, the outstanding MI-LOAN Program portfolio was \$105.6 million and involved 15,497 borrowers.

SECTION II: TECHNICAL ENVIRONMENT

The State's desktop suite standard is Microsoft Office (see policy 1310.22 [Desktop Suite Standard] at http://www.michigan.gov/dmb/0,1607,7-150-9131_9347-28166--,00.html). The State's database standard is at http://www.michigan.gov/dmb/0,1607,7-150-9131_9347-28196--,00.html (policy 1310.34 [Database Management Systems]).

The servicer will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at www.michigan.gov/dit/0,1607,7-139-7321---,00.html

SECTION III: TASKS

A. DELETE THE FOLLOWING TASKS:

- TASK 1: MULTIPLE SERVICERS
- TASK 25: LOAN SERVICING - MONTHLY RECONCILIATION TAPE

Servicer's Response to this Task:

Great Lakes agrees.

B. ADD THE FOLLOWING REQUIREMENTS:

TASK 4: GENERAL SYSTEMS AND OPERATIONAL REQUIREMENTS

cc. 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 reimbursement of the amount of the origination fee and an interest rate reduction on loans first disbursed on or after 1/1/03, if specific criteria regarding timely repayment are met.

Michigan Advantage Consolidation Loan - Michigan Advantage Consolidation Loan provides certain borrowers with an interest rate reduction 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 Contract Administrator 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, State access to view the borrower's status for each initiative on-line and tracking/status reports for the initiatives. The servicer must also be able to discontinue any implemented initiatives within 30 days of the Contract Administrator or designee's written request to do so.

dd. 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 enhancement.

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 II-C Task 3d.

Servicer's Response to this Task:

cc. (1) Great Lakes has a very flexible incentive program system that meets the current requirements of the MHESLA benefit programs. Future benefit changes may need to be classified as change orders under Task 3 if the scope of the change is beyond Great Lakes system ability.

10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING

MHESLA agrees.

(2) MHESLA currently uses Great Lakes' on-line system. It is agreed by all parties that Great Lakes' on-line system meets MHESLA's need for access to borrower incentive program information.

10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING

MHESLA's on-line access does not include basic borrower incentive information, such as a field that identifies whether a loan is in a borrower incentive, a counter indicating where a loan is regarding qualification requirements (on-time payments, months of on-time payments, etc.), and the current status (qualified, disqualified, etc.) regarding the incentive. Access to this type of on-line data is highly desirable and would be of great assistance to MHESLA. MHESLA will follow the change process outlined in Task 3d, if additional borrower incentive information is needed on Great Lakes on-line system.

10/19/05 - Great Lakes will add a new screen to MHESLA's on-line access to display borrower incentive information. This screen will be implemented prior to the start of this contract extension.

(3) It is agreed by all parties that the monthly data file of borrower incentive information, currently under development by Great Lakes, meets MHESLA's needs for reporting incentive program information.

10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING

Great Lakes provides a filtered file of only borrower benefit information on a monthly basis that meets MHESLA's needs for reporting borrower incentive program information.

dd. It is agreed by all parties that the monthly data file of borrower incentive program information,

currently under development by Great Lakes, meets the requirements of this section.

10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING
The interface discussed is currently in place through use of a BLIS file that is downloaded daily and meets our requirements.

C. MODIFY THE FOLLOWING TASKS TO REFLECT REQUIREMENT CHANGES:

This requirement has been rewritten. Replace the current contract wording with the following.

TASK 2: HARDWARE AND SOFTWARE

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 Contract Administrator or designee in the form of a SAS70 report.

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

Servicer's Response to this Task:

g. Great Lakes sends MHESLA a SAS 70 control report on an annual basis. It is agreed by all parties that this SAS 70 report meets the requirements of this section.

D. REPLACE THE FOLLOWING TASKS:

The following tasks have been rewritten. Replace the tasks in the current contract with the following tasks.

TASK 22 - 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 Contract Administrator to visit existing and potential clients upon the request of the Contract Administrator or designee.

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 Contract Administrator or designee.

d. Instructions for Purchase

The Contract Administrator 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 Contract Administrator or designee any and all of the information requested by the Contract Administrator or designee to facilitate the conversion process. The information will be provided on forms approved by the Contract Administrator or designee. The forms may need to be revised periodically at the request of the Contract Administrator or designee, and the servicer must be able to accommodate these revisions.

e. Inspection of Documents for Transfer Conversions

The servicer will be responsible for inspecting documents based on criteria provided on the SSM Loan Examination Sheet (Appendix A). The criteria may be revised periodically and the servicer must be able to accommodate these revisions. The Contract Administrator or designee will provide a revised SSM Loan Examination sheet. The core documents to be reviewed are the application, promissory note, guarantee, and proof of disbursement. The servicer must notify the Contract Administrator or designee of loans that do not meet the criteria provided on the SSM Loan Examination Sheet.

If the servicer fails to correctly perform the required document inspection resulting in a financial loss to the State, the servicer will be liable to reimburse the State in the amount of its loss (See Section I-UU).

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

f. Sale and Conversion of Loans

The servicer will be responsible for processing the sales and transferring the loans from the lender to MHESLA for transfer conversions. The servicer will process sales on a schedule mutually agreed upon with the Contract Administrator or designee.

g. 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 (to be identified by the Contract Administrator 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) and the loan category (i.e. first disbursement on or before 12/31/02 or first disbursement on or after 1/1/03).

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

h. 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 Contract Administrator or designee within five (5) days.

i. 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.

j. Guaranty Agency Reporting

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

k. 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). 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's Response to this Task:

b. Great Lakes welcomes the opportunity to make joint visits with MHESLA to existing or potential clients with respect to loans guaranteed by GLHEGC.

d. It is agreed by all parties that Great Lakes' existing loan sale reports meet the requirements of this section.

10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING

MHESLA agrees that Great Lakes' existing loan sale reports meet the requirements of paragraph d, but also that Great Lakes understands the information will be provided on forms approved by MHESLA. Current examples of the forms used are the Monthly Purchase Projection Summary and the Wire Confirmation Memo. Paragraph d. also states that these forms may need to be revised periodically and the servicer must be able to accommodate these revisions.

10/19/05 - Great Lakes agrees.

e. Loan purchases are limited to on system transfers.

10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING

MHESLA understands that loan purchases are limited to on system transfers, but that Great Lakes is still responsible for ensuring that the loans meet the SSM criteria prior to purchase.

10/19/05 - Great Lakes agrees.

g. It is agreed by all parties that Great Lakes' existing transfer reports meet the requirements of this section and that these reports will be provided to MHESLA by 10:00 a.m. CST on the morning following the purchase.

10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING

MHESLA agrees that Great Lakes' existing transfer reports meet the requirements of paragraph g. and agree to 10:00 a.m. CST. Should Great Lakes change the format of their existing transfer reports, future transfer reports would also need to meet the requirements of paragraph g.

10/19/05 - Great Lakes agrees.

h. It is agreed by all parties that Great Lakes' existing reconciliation reports meet the requirements of this section.
10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING
MHESLA agrees that Great Lakes' existing reconciliation reports meet the requirements of paragraph h., but should Great Lakes change the format of their existing reconciliation reports, future reconciliation reports would also need to meet the requirement of paragraph h.
10/19/05 - Great Lakes agrees.

k. Subject to the contract terms and clarifications for Task 6 and Task 22, Great Lakes agrees to service multiple guarantors. Servicing fees for guarantors other than GLHEGC will be provided at the fees stated for MGA guaranteed loans.
10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING
MHESLA agrees.

TASK 28 - LOAN SERVICING: DECONVERSION TO ANOTHER SERVICER

For purposes of this RFP, 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. General

If the State terminates this contract or in the event the servicer does not receive the contract for a subsequent period (i.e., after 9/30/2007), the servicer (hereafter referred to as the "incumbent servicer") is responsible for converting the State's records to another servicer (hereafter referred to as the "incoming servicer") as required in the contract.

b. Work Plan

The incumbent servicer must review the work plan provided by the incoming servicer and respond to the incoming servicer (the Contract Administrator shall be sent a copy of the response) within two (2) weeks of receiving the work plan. A work plan approved by the incumbent servicer and incoming servicer must be provided to the Contract Administrator within 30 days of the incumbent servicer's response to the initial work plan. The Contract Administrator must approve in writing the work plan before conversion begins.

c. Incumbent Servicer Support

The incumbent servicer must provide sufficient personnel with appropriate expertise to accomplish the conversion within the time frames identified in the approved work plan (Task 28b). The incumbent servicer must also work closely with both the incoming servicer and MHESLA to finalize outstanding issues/adjustments during the post-conversion period (See Section I-UU).

d. Data Base Records

The incumbent servicer must transfer all data base 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, history records, name cross reference data, etc. The incoming servicer and the incumbent servicer will work together to resolve all conversion/deconversion issues.

The incoming servicer will be required to accept the records in the layout of the State's incumbent servicer. The incumbent servicer must provide the media and file format to the incoming servicer within one (1)

week of notification from the Contract Administrator or designee.

e. Hard Copy Documents

The incumbent servicer must ship the borrowers' files containing the original promissory note and other documents in social security number order to the incoming servicer. With each batch, the incumbent servicer must include a transmittal, listing by social security number, each folder included and the total number of folders in the batch. A copy of each transmittal must be mailed under separate cover or faxed to the incoming servicer. The incoming servicer must confirm receipt of each batch and verify each folder listed on the transmittal is included. Exceptions must be noted on the transmittal and it must be signed 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 Contract Administrator or designee, and forward a copy of the transmittal, to the incumbent servicer.

If any batches, borrower files, and/or loan documents are not received by the incoming servicer, the incumbent servicer will be responsible for forwarding originals or copies, acceptable to the Contract Administrator or designee, of the non-received materials to the incoming servicer within five (5) days of notification. If the incumbent servicer cannot produce originals or copies, acceptable to the Contract Administrator or designee, of all non-received materials, the incumbent servicer will be held financially liable for the loans involved and will be required to reimburse the State for outstanding principal and interest, plus lost federal interest benefits and special allowance (See Section I-UU).

f. Records

MHESLA must have access to history/audit trail microfilm, microfiche, imaged documentation, 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 has two options relative to the availability of these records to MHESLA following the termination or expiration of the contract:

(1) Transfer to Incoming Servicer or MHESLA

The incumbent servicer can forward a copy of the film, microfiche, imaged data, etc. to the incoming servicer or MHESLA. The incumbent servicer must provide sufficient instruction to allow the incoming servicer or MHESLA's retrieval of the documentation. The incoming servicer or MHESLA would be responsible for compatible equipment to allow retrieval from the incumbent's documentation. All data and associated materials, including archived data, must be purged off the incumbent servicer's system as instructed by the Contract Administrator.

(2) Provide Requested Documentation

If the incumbent servicer is unable to provide the film, microfiche, imaged data, etc., the incumbent servicer must provide copies of documents as requested by the Contract Administrator or designee. The Contract Administrator or designee's request cannot exceed the mandatory federal retention period for that loan. Documents or written notification of missing documents must be provided within seven (7) days of the Contract Administrator or designee's request, and all costs associated with retrieving, duplicating and transmitting the documents must be included in the servicer's quoted price for deconversion to another servicer (See Appendix B). If the servicer chooses this option and is unable to provide documentation upon the Contract Administrator or designee's request, the servicer will be financially liable to the State for any loss and must reimburse the State the outstanding principal and interest on the loan, plus any lost federal interest benefits or special allowance, if applicable (See Section I-UU).

g. Deconversion Deadline

The incumbent servicer must transfer its data base records and hard copy files to the incoming servicer by the date specified in the approved work plan (See Task 28b).

h. 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 the State. 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 both MHESLA's mailing address and telephone number.

i. Checks Originated by Incumbent Servicer

The incumbent servicer will be disbursing educational loans for MHESLA through 9/30/2007. However, if the incumbent servicer is not awarded the subsequent contract, both the incumbent and incoming servicers will be responsible for finalizing disbursement 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 (Task 28i), the incumbent servicer must perform those services on the disbursements which the incumbent servicer issued at no additional charge to the State.

Should the situation exist after contract termination 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 Contract Administrator or designee. After review and approval, the Contract Administrator or designee will authorize the incoming servicer to issue the replacement disbursement.

The Contract Administrator 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 in the work plan (Task 28b). 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 Contract Administrator or designee's option.

j. 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 Contract Administrator 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 Contract Administrator or designee's request.

k. 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 the termination 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 Task 19 (See Section I-UU).

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 Task 18. If the incumbent servicer fails to provide the required documentation, which results in a financial loss to the State, the incumbent servicer will be financially liable to reimburse the State to the extent of its loss (See Section I-UU).

The incumbent servicer will provide MHESLA with a weekly status report for each denied or returned claim described above (Task 28k).

Default claim packages recalled from the guarantor prior to the expiration of this contract by the incumbent servicer 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 termination of the contract 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. Regardless of which servicer performs the cure process, the incumbent servicer will be held financially liable, if appropriate, as described in Task 19. If the incumbent servicer opts to perform the cure processing, the incumbent servicer will provide the Contract Administrator or designee with a weekly status report, with items identified by the Contract Administrator 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 the State, the incumbent servicer will be financially liable to reimburse the State to the extent of its loss (See Section I-UU).

i. Costs for Deconversion to Another Servicer

The pricing sheet for this RFP (Appendix B) contains a separate deconversion cost should the incumbent servicer not retain the State's contract after 9/30/2007 or should the State terminate or cancel the contract before 9/30/2007. The costs for deconversion to another servicer shall be incurred, only if the incumbent servicer does not retain the State's contract after 9/30/2007. See Appendix B.

m. 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 the State as a result of the missing data (See Section I-UU).

Servicer's Response to this Task:

a. Great Lakes understands the incumbent servicer's responsibility to fully cooperate with the State and the incoming servicer both during and after the deconversion process, however the incoming servicer must be given the primary responsibility for the conversion of the State's records.

10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING

MHESLA agrees that the incumbent servicer can only provide the data, and that it is up to the incoming servicer to convert that data onto its system.

b. Great Lakes can not control the performance of the incoming servicer in approving the work plan.

10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING

MHESLA understands Great Lakes can only be responsible for its own actions. However, MHESLA expects Great Lakes to provide its best efforts to work with the incoming servicer in approving a work plan.

10/19/05 - Great Lakes agrees.

d and e. All parties agree that the retention of hard copy documents will follow the agreement documented during the initial contract negotiations for Task 28 (e).

10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING

MHESLA agrees.

h. Great Lakes agrees to provide its best efforts to meet the timing standards identified in Task 28 (h).

10/03/05 - MICHIGAN DEPARTMENT OF TREASURY, OFFICE OF PURCHASING

No response necessary.

SECTION IV: COMPENSATION AND PAYMENT

All prices/rates quoted in the servicer's response to this RFP will be firm for the duration of the Contract. No price changes will be permitted.

The servicer may bill the State monthly and provide invoices to the Contract Administrator by the 15th day of each month for the services rendered the previous month.

Complete Appendix B and submit with proposal.

Servicer's Response to this Task:

Great Lakes agrees.

SECTION V: ADDITIONAL TERMS AND CONDITIONS SPECIFIC TO THIS STATEMENT OF WORK

A. TERM OF CONTRACT

The contract extension period will be 12/1/05-9/30/07.

APPENDIX B

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
FFELP PRICING SHEETS For loans Guaranteed by MGA/Other Guarantor
December 1, 2005 through September 30, 2007

Service to be Provided	Quotation	Unit	Estimated Monthly Volume ¹	Annual Cost
Hardware/Software/Maintenance	<u>NA</u>	per year	yearly	\$
Dedicated Data Circuit				
Service Fee	<u>NA</u>	per month	1	\$
System Changes	<u>\$100.00</u>	per hour	50	\$
Portfolio Tapes	<u>\$100.00</u>	per tape	3 per year	\$
Origination				
Stafford and PLUS Applications	<u>\$10.00</u>	per application	30	\$
Consolidation Applications	<u>\$55.00</u>	per application	10	\$
Credit Evaluation				
Regular	<u>\$2.00</u>	per application	5	\$
Pre-Approval	<u>\$5.00</u>	per application	5	\$
Monthly Service Fee				
In-School/Interim Period	<u>\$1.45</u>	per account	90,621	\$
Grace Period	<u>\$3.70</u>	per account	17,697	\$
Repayment Period				
(a) First 12 Months	<u>\$3.70/\$5.20</u>	per account/delq.	37,368	\$
(b) Subsequent Months	<u>\$3.20/\$4.70</u>	per account/delq.	13,947	\$
LVC Processing	<u>\$800.00</u>	per month	1	\$
Claim Processing	<u>\$15.00</u>	per account		
Exceptional Performer Fee	<u>0.50%</u>	per claim amt pd	62,500	\$
Purged History	<u>\$5.00</u>	per history	2	\$
Cure Fee	<u>\$200.00</u>	per account	2	\$
Secondary Market				
Inspection/Conversion	<u>NA</u>			
(a) Among MHESLA Numbers				
In-School/Grace Period	<u>\$0.50</u>	per account	5	\$
Repayment Period	<u>\$1.50</u>	per account	10	\$
(b) Acquired from Lenders				
In-School/Grace Period	<u>\$2.00</u>	per account		\$
Repayment Period	<u>\$3.50</u>	per account		\$
Repurchases	<u>\$20.00</u>	per account	2	\$
Ad Hoc Reports	<u>\$100.00</u>	per report	3	\$
Public Awareness	<u>\$ 20,000.00</u>	per year	yearly	\$ 20,000.00
Privacy Act Notices	<u>\$0.51</u>	per notice		\$
Setup Cost for MGA/Other GA	<u>\$25,000.00</u>	per guarantor		
Deconversion To Another Servicer	<u>\$14.00</u>	per account	159,633 one time	\$
Deconversion Additional Service Cost	<u>\$6.00</u>			
Annual Total				\$ 20,000.00
Contract Total				\$ 40,000.00

¹ Estimated volume is per month unless otherwise noted. Volume will differ based on the actual number of units processed or needed.

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

December 8, 2005

CHANGE NOTICE NO. 3
TO
CONTRACT NO. 071B4200050
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Michael Noack (608) 246-1404
Great Lakes Educational Loan Services, Inc. 2401 International Lane Madison, WI 53704 mnoack@glhec.org		
Contract Compliance Inspector: Marlene Pierce Loan Servicing – FFELP – Department of Treasury		BUYER/CA (517) 335-4804 Doug S. Collier
CONTRACT PERIOD: From: October 15, 2003		To: February 1, 2006
TERMS N/A	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE (S):

Effective immediately this Contract is hereby **EXTENDED** for two months. The new Contract ending date is February 1, 2006. All other terms, conditions, specifications and pricing remain unchanged.

AUTHORITY/REASON:

Per DMB/Acquisition Services.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$3,008,000.00

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

October 3, 2005

CHANGE NOTICE NO. 2
TO
CONTRACT NO. 071B4200050
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Great Lakes Educational Loan Services, Inc. 2401 International Lane Madison, WI 53704 mnoack@glhec.org	TELEPHONE Michael Noack (608) 246-1404
Contract Compliance Inspector: Marlene Pierce Loan Servicing – FFELP – Department of Treasury	
CONTRACT PERIOD: From: October 15, 2003 To: December 1, 2005	
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

NATURE OF CHANGE (S):

**Effective immediately, this contract is hereby EXTENDED to December 1, 2005.
All other terms and conditions remain the same.**

AUTHORITY/REASON:

Per DMB/Acquisition Services.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$3,008,000.00

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

December 9, 2004

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B4200050
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE Michael Noack (608) 246-1404
Great Lakes Educational Loan Services, Inc. 2401 International Lane Madison, WI 53704 mnoack@glhec.org		
Contract Compliance Inspector: Marlene Pierce Loan Servicing – FFELP – Department of Treasury		BUYER/CA (517) 335-4804 Doug S. Collier
CONTRACT PERIOD: From: October 15, 2003		To: September 30, 2005
TERMS N/A	SHIPMENT N/A	
F.O.B. N/A	SHIPPED FROM N/A	
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE (S):

See attached.

AUTHORITY/REASON:

Department of Treasury/DMB Acquisition Services.

INCREASE: \$ 8,000.00

TOTAL REVISED ESTIMATED CONTRACT VALUE: \$3,008,000.00

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
FFELP Servicing ITB
Price Proposal Summary For Loans Guaranteed by GLHEGC

PRICING PERIOD: NOVEMBER 1, 2003, THROUGH SEPTEMBER 30, 2005

<u>Service to be Provided</u>	<u>Quotation</u>	<u>Unit</u>
Conversion Fee (Task 1)	\$ NA	per borrower
Hardware/Software/Maintenance (Tasks 1 & 2)	\$ NA	per year
Dedicated Data Circuit (Task 2)		
Initial Set Up	\$ NA	set up
Service Fee	\$ NA	per month
Printers (Task 2)	\$ NA	per printer
System Changes (Task 3)	\$ 100.00	per hour
Portfolio Tapes (Task 4)	\$ 100.00	per tape
Origination (Tasks 6 & 7)		
Stafford and PLUS	\$ 7.50	per application
Consolidation	\$42.00	per application
Monthly Service Fee		
Interim (in-school) Period	\$ 1.25	per account
Grace Period	\$ 3.05	per account
First 12 Months of Repayment Period (includes Deferment, Forbearance)	\$ 3.25	per account
Remainder of Repayment Period (includes Deferment, Forbearance)	\$ 2.88	per account
LVC Processing (Task 14)	\$ 800.00	per month
Deferred Loans (Task 16)	\$ 0	per account
Claim Processing (Task 18)	\$ 0	per account
Purged History (Task 18)	\$ 5.00	per purged history
Cure Fee (Task 19)	\$ 200.00	per account
Exceptional Performer Designation (Task 20)	\$.5%	per default claim payment
Secondary Market (Task 22)		
Packaging	\$ NA	purchased
Inspection/Conversion		
(a) In school status	\$ NA	per account
(b) All other statuses	\$ NA	per account
(c) Internal transfers		
Between State numbers:		
In school/grace	\$.50	per account
Repayment	\$ 1.50	per account
Purchase from lender:		
In school/grace	\$ 2.00	per account
Repayment	\$ 3.50	per account
Local Lender Loan Program	\$ NA	per account
Credit Evaluation (Task 23)		
Regular	\$ 2.00	per application
Pre-Approval	\$ 2.00	per application
Repurchases (Task 24)	\$ 6.00	per account
Ad Hoc Reports (Task 26)	\$ 100.00	per report generated by Great Lakes
Deconversion Pricing (Task 28)	\$ 14.00	per account
Actual cost of additional services requested to remove active account	\$ 6.00	per account
Public Awareness (Task 29)	\$.001	portfolio
Setup Cost for MGA	\$ NA	

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
FFELP Servicing ITB
Price Proposal Summary For Loans Guaranteed by MGA

PRICING PERIOD: NOVEMBER 1, 2003, THROUGH SEPTEMBER 30, 2005

<u>Service to be Provided</u>	<u>Quotation</u>	<u>Unit</u>
Conversion Fee (Task 1)	\$ NA	per borrower
Hardware/Software/Maintenance (Tasks 1 & 2)	\$ NA	per year
Dedicated Data Circuit (Task 2)		
Initial Set Up	\$ NA	set up
Service Fee	\$ NA	per month
Printers (Task 2)	\$ NA	per printer
System Changes (Task 3)	\$ 100.00	per hour
Portfolio Tapes (Task 4)	\$ 100.00	per tape
Origination (Tasks 6 & 7)		
Stafford and PLUS	\$ 10.00	per application
Consolidation	\$ 55.00	per application
Monthly Service Fee		
Interim (in-school) Period	\$ 1.45	per account
Grace Period	\$ 3.70	per account
First 12 Months of Repayment Period (includes Deferment, Forbearance)		
Current	\$ 3.70	per account
Delinquent	\$ 5.20	per account
Remainder of Repayment Period (includes Deferment, Forbearance)		
Current	\$ 3.20	per account
Delinquent	\$ 4.70	per account
LVC Processing (Task 14)	\$ 800.00	per month
Deferred Loans (Task 16)	\$ 0	per account
Claim Processing (Task 18)	\$ 15.00	per account
Purged History (Task 18)	\$ 5.00	per purged history
Cure Fee (Task 19)	\$ 200.00	per account
Exceptional Performer Designation (Task 20)	\$.5%	per default claim payment
Secondary Market (Task 22)		
Packaging	\$ NA	purchased
Inspection/Conversion		
(a) In school status	\$ NA	per account
(b) All other statuses	\$ NA	per account
(c) Internal transfers		
Between State numbers:		
In school/grace	\$.50	per account
Repayment	\$ 1.50	per account
Purchase from lender:		
In school/grace	\$ 2.00	per account
Repayment	\$ 3.50	per account
Local Lender Loan Program	\$ NA	per account
Credit Evaluation (Task 23)		
Regular	\$ 2.00	per application
Pre-Approval	\$ 5.00	per application
Repurchases (Task 24)	\$ 20.00	per account
Ad Hoc Reports (Task 26)	\$ 100.00	per report generated by Great Lakes
Deconversion Pricing (Task 28)	\$ 14.00	per account
Actual cost of additional services requested to remove active account	\$ 6.00	per account
Public Awareness (Task 29)	\$.001	portfolio
Setup Cost for MGA	\$25,000.00	



June 30, 2004

MHESLA

JUL 16 2004

Ms. Marlene Pierce
MHESLA
608 West Allegan Street
Lansing, MI 48909

RE: Exceptional Performer Designation

Dear Marlene:

This is a follow up letter to my June 14, 2004 letter to you regarding Great Lakes Educational Loan Services, Inc. being awarded the Exceptional Performer designation.

Our Exceptional Performer designation eliminates your current 2% loss (risk sharing) exposure. Since default claims are paid by the guaranty agency approximately 60 days after receipt, you will begin receiving the additional 2% reimbursement (100% rather than 98%) on default payments starting in mid-August 2004. This benefit will significantly improve the financial position of your student loan portfolio.

To maintain our Exceptional Performer designation our external auditors, Ernst & Young, will need to provide the U.S. Department of Education with quarterly compliance audits of our servicing activities. These audits are in addition to the annual financial, Servicer Audit Guide and SAS 70 reports.

Great Lakes incurs significant audit and administrative expenses associated with providing this exceptional benefit to you. As a result of these ongoing expenses, Great Lakes needs to establish a new Servicing fee category. Effective September 1, 2004, Great Lakes will begin charging you a new Default Fee equal to five tenths of one percent (.5%) of the amount of default payments posted during the month. This fee is equal to one quarter of the additional 2% reimbursement you will receive as a result of our designation as an Exceptional Performer.

Great Lakes will continue to provide you with the best level of service possible. Thank you for choosing Great Lakes for your student loan servicing needs. If you have any questions, please call me at 608-246-1404.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Noack".

Michael J. Noack
Chief Servicing Officer

2401 INTERNATIONAL LANE ▲ MADISON, WI 53704-3192 ▲ 608-246-1800 ▲ www.mygreatlakes.com

A Member of Great Lakes Higher Education Corporation and Affiliates

**CONTRACT #071B4200050
CHANGE REQUEST #1**

1. PURPOSE

Add Exceptional Performer designation language to Task 20 in the contract and amend the Price Proposal Summary sheets (Addendum's 6 & 7) to reflect the new default claim fee as defined in Great Lakes letter dated June 30, 2004.

2. TASKS

TASK 20: LOAN SERVICING, APPLICATION OF PAYMENTS

q. Exceptional Performer Designation

The U. S. Department of Education has an "Exceptional Performer" designation for which a qualified servicer, as an agent for a lender, may apply. An Exceptional Performer designation qualifies lender claims submitted by the servicer to receive 100% reimbursement. Claims are normally reimbursed at 98%, resulting in a 2% financial loss.

To apply for and maintain Exceptional Performer designation requires additional audit and administrative expenses, including quarterly compliance audits that are in addition to other required audits. In recognition of the additional expense incurred by the servicer and to acknowledge the financial gain to the State, the servicer may charge an additional fee on all claims initially submitted during periods for which they have received Exceptional Performer designation. This fee is identified in the Price Proposal Summary sheets (Addendum's 6 and 7).

It is the servicer's responsibility to provide the State with documentation to support its Exceptional Performer designation, and to promptly notify the State if such designation ends.

Contractor's Response to Task

--

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

October 30, 2003

NOTICE
TO
CONTRACT NO. 071B4200050
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Great Lakes Educational Loan Services, Inc. 2401 International Lane Madison, WI 53704 mnoack@glhec.org	TELEPHONE Michael Noack (608) 246-1404
Contract Administrator Marlene Pierce Loan Servicing – FFELP – Department of Treasury	BUYER (517) 335-4804 Doug S. Collier
CONTRACT PERIOD: From: October 15, 2003	To: September 30, 2005
TERMS N/A	SHIPMENT N/A
F.O.B. N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A	

The terms and conditions of this Contract are attached.

Estimated Contract Value: \$3,000,000.00

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

**CONTRACT NO. 071B4200050
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR Great Lakes Educational Loan Services, Inc. 2401 International Lane Madison, WI 53704 <div style="text-align: right;">mnoack@glhec.org</div>	TELEPHONE Michael Noack (608) 246-1404 BUYER (517) 335-4804 Doug S. Collier
Contract Administrator Marlene Pierce <p style="text-align: center;">Loan Servicing – FFELP – Department of Treasury</p>	
CONTRACT PERIOD: From: October 15, 2003 To: September 30, 2005	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION: The terms and conditions of this Contract are attached. Estimated Contract Value: \$3,000,000.00	

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the ITB No. 07110000411/Treasury Control number (271Q305). Orders for delivery of equipment will be issued directly by the Department of Treasury through the issuance of a Purchase Order Form.

All terms and conditions of the invitation to bid are made a part hereof.

<p>FOR THE VENDOR:</p> <p>Great Lakes Educational Loan Services, Inc. _____ Firm Name</p> <p>_____ Authorized Agent Signature</p> <p>_____ Authorized Agent (Print or Type)</p> <p>_____ Date</p>	<p>FOR THE STATE:</p> <p>_____ Signature Sean L. Carlson _____ Name Director, Acquisition Services _____ Title</p> <p>_____ Date</p>
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ACQUISITION SERVICES
STATE OF MICHIGAN

CONTRACT #071B4200050

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ADDENDUM

1	Q & A Clarifications
2	FFELP Loan Servicing for MHESLA
3	Forbearance Agreement
4	FMS Notification Reports
5	Response to Request for Clarification #2
6	Pricing Period: November 1, 2003, Through September 30, 2005
7	Pricing Period: November 1, 2003, Through September 30, 2005

DEFINITION OF TERMS

TERMS	DEFINITIONS
Billing Account	<p>An account refers to a grouping of individual loans for the purpose of servicing. However, due to operational differences among student loan Servicers, the definition of an account may vary. Therefore, to maintain consistency, the state has defined what constitutes an account for billing purposes—a “Billing Account”.</p> <p>When determining the number of accounts for billing purposes, all loans in the state’s portfolio that share the following characteristics are considered to be one account. The state uses only one (1) lender identification number.</p> <p><u>Social Security Number</u> – The borrower’s federal social security number.</p> <p><u>Program Type</u> – The state currently has two (2) loan programs—the michigan direct student loan program (MDSLPL), through which loans are originated, and the state secondary market (SSM), through which loans are acquired.</p> <p><u>Loan Type</u> – Each of the loan programs within the Federal Family Education Loan Program (FFELP) constitute a different type of loan. The loan types are the Subsidized Federal Stafford Loan, Unsubsidized Federal Stafford Loan, Federal SLS Loan, Federal Plus Loan, and the Federal Consolidation Loan.</p> <p><u>Guarantor</u> – The guaranty agency which provides the guarantee for the student loan under the FFELP.</p> <p><u>Guarantee Status</u> – The current condition of the guarantor’s guarantee on the loan. It is either still in effect and the loan is insured or the guarantee has been removed and the loan is uninsured.</p> <p><u>Federal Interest Rate Cap</u> – The maximum interest rate per the ffelp that may be assessed to the loan.</p> <p><u>Loan Status</u> – The current conditions under which the loan is being serviced (i.e., In-school, grace, repayment).</p> <p><u>Due Date</u> – The day, month and year in which the payment is due.</p>
Contract	A binding agreement entered into by the State of Michigan resulting from a bidder’s proposal; see also “Blanket Purchase Order.”
Contractor	The successful bidder who is awarded a Contract.
DMB	Michigan Department of Management and Budget

RFP	Request For Proposal - A term used by the State to solicit proposals for services such as consulting. Typically used when the requesting agency requires vendor assistance in identifying an acceptable manner of solving a problem.
ITB	Invitation to Bid - A generic form used by Acquisition Services to solicit quotations for services or commodities. The ITB serves as the document for transmitting the RFP to interested potential bidders.
Successful Bidder	The bidder(s) awarded a Contract as a result of a solicitation.
State	The State of Michigan For Purposes of Indemnification as set forth in section I-J, State means the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents.
Blanket Purchase Order	Alternate term for "Contract" used in the State's Computer system (Michigan Automated Information Network [MAIN])
Expiration	Except where specifically provided for in the Contract, the ending and termination of the contractual duties and obligations of the parties to the Contract pursuant to a mutually agreed upon date.
Cancellation	Ending all rights and obligations of the State and Contractor, except for any rights and obligations that are due and owing.
Work Product	Work Product means any data compilations, reports, and any other media, materials, or other objects or works of authorship created or produced by the Contractor as a result of and in furtherance of performing the services required by this Contract.
Bond Fund Series	The bonds sold to secure funds to make loans and the computer code used to identify specific bond fund series.
Borrower Account	A group of loans combined for general servicing and borrower repayment billing purposes. This refers to the reference of "account" in all servicing tasks unless stated otherwise.
Days	Business days unless specified otherwise.
Loan	The amount of money lent that is secured by a promissory note.
Promissory Note	A written legal document that promises to pay a debt according to specific terms.
Eligible School	FFELP – as designated by the U.S. Department of Education; MI-LOAN – a Michigan degree-granting college or university.



**SECTION I
CONTRACTUAL SERVICES TERMS AND CONDITIONS**

I-A PURPOSE

The purpose of this Contract is to obtain quotations for servicing the Michigan Higher Education Student Loan Authority's MICHIGAN DIRECT STUDENT LOAN PROGRAM, STATE SECONDARY MARKET, and Michigan Alternative Student Loan (MI LOAN) Program Portfolios.

Contract awarded from this solicitation will be a Unit price Contract.

I-B TERM OF CONTRACT

The State of Michigan is not liable for any cost incurred by any bidder prior to signing of a Contract by all parties. The activities in the proposed Contract cover the period **10/15/2003 through 09/30/2005**. Following the initial contract period, the State may choose to exercise up to two, two-year extension options, and the option to include the services for the Michigan Alternative Student Loan (MI LOAN) Program Portfolios at any time, providing the pricing, terms and conditions offered at that time by the contractor are acceptable to the State. The State fiscal year is October 1st through September 30th. The prospective Contractor should realize that payments in any given fiscal year are contingent upon enactment of legislative appropriations.

I-C ISSUING OFFICE

This Contract is issued by the State of Michigan, Department of Management and Budget (DMB), Acquisition Services, hereafter known as Acquisition Services, for the State of Michigan, Michigan Higher Education Student Loan Authority. Where actions are a combination of those of Acquisition Services and Michigan Higher Education Student Loan Authority, the authority will be known as the State.

Acquisition Services is the sole point of contact in the State with regard to all procurement and contractual matters relating to the services described herein.

Acquisition Services is the only office authorized to change, modify, amend, alter, clarify, etc., the prices, specifications, terms, and conditions of this and any Contract. Acquisition Services will remain the SOLE POINT OF CONTACT throughout the procurement process, until such time as the Director of Acquisition Services shall direct otherwise in writing. All communications concerning this procurement must be addressed to:

Douglas Collier
Technology and Professional Services Division
DMB, Acquisition Services
2nd Floor, Mason Building
P.O. Box 30026
Lansing, MI 48909
Collierd1@michigan.gov
517 / 335-4804

**I-D CONTRACT ADMINISTRATOR**

Upon receipt at Acquisition Services of the properly executed Contract Agreement, it is anticipated that the Director of Acquisition Services will direct that the person named below or any other person so designated be authorized to administer the Contract on a day-to-day basis during the term of the Contract. However, administration of any Contract resulting from this Request implies no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions, and specifications of such Contract. That authority is retained by Acquisition Services. The Contract Administrator for this project is:

Marlene Pierce
Department of Treasury
Michigan Higher Education Student Loan Authority
P. O. Box 30051
Lansing, MI 48909
Piercem1@michigan.gov

I-E PURCHASE ORDERS

Orders for delivery of commodities and/or services may be issued directly by the State Departments through the issuance of a Purchase Order Form referencing this Contract (Blanket Purchase Order) agreement and the terms and conditions contained herein. Contractor is asked to reference the Purchase Order Number on all invoices for payment.

I-F COST LIABILITY

The State of Michigan assumes no responsibility or liability for costs incurred by the Contractor prior to the signing of any Contract resulting from this Request. Total liability of the State is limited to the terms and conditions of any resulting Contract.

I-G CONTRACTOR RESPONSIBILITIES

The Contractor will be required to assume responsibility for all contractual activities offered in this proposal whether or not that Contractor performs them. Further, the State will consider the Prime Contractor to be the sole point of contact with regard to contractual matters, including but not limited to payment of any and all costs resulting from the anticipated Contract. If any part of the work is to be subcontracted, the contractor must notify the state and identify the subcontractor(s), including firm name and address, contact person, complete description of work to be subcontracted, and descriptive information concerning subcontractor's organizational abilities. The State reserves the right to approve subcontractors for this project and to require the Contractor to replace subcontractors found to be unacceptable. The Contractor is totally responsible for adherence by the subcontractor to all provisions of the Contract.

**I-H NEWS RELEASES**

News releases pertaining to this document or the services, study, data, or project to which it relates will 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 program are to be released without prior approval of the State and then only to persons designated.

I-I DISCLOSURE

All information in a bidder's proposal and any Contract resulting from this ITB is subject to the provisions of the Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, *et seq.*

I-J ACCOUNTING RECORDS

The Contractor will be required to maintain all pertinent financial and accounting records and evidence pertaining to the Contract in accordance with generally accepted principles of accounting and other procedures specified by the State of Michigan. Financial and accounting records shall be made available, upon request, to the State of Michigan, its designees, or the Michigan Auditor General at any time during the Contract period and any extension thereof, and for three (3) years from the expiration date and final payment on the Contract or extension thereof.

I-K INDEMNIFICATION**A. General Indemnification**

To the fullest extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents, from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:

1. any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from (1) the product provided or (2) performance of the work, duties, responsibilities, actions or omissions of the Contractor or any of its subcontractors under this Contract.
2. any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from a breach by the Contractor of any representation or warranty made by the Contractor in the Contract;
3. any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or related to occurrences that the Contractor is required to insure against as provided for in this Contract;



4. any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from the death or bodily injury of any person, or the damage, loss or destruction of any real or tangible personal property, in connection with the performance of services by the Contractor, by any of its subcontractors, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable; provided, however, that this indemnification obligation shall not apply to the extent, if any, that such death, bodily injury or property damage is caused solely by the negligence or reckless or intentional wrongful conduct of the State;
5. any claim, demand, action, citation or legal proceeding against the State, its employees and agents which results from an act or omission of the Contractor or any of its subcontractors in its or their capacity as an employer of a person.

B. Patent/Copyright Infringement Indemnification

To the fullest extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State, its employees and agents from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements 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 such 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 such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States. In addition, should the equipment, software, commodity, or service, or the operation thereof, become or in the Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor shall at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to the Contractor, (ii) replace or modify the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if such 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.

C. Indemnification Obligation Not Limited

In any and all claims against the State of Michigan, or any of its agents or employees, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract shall 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 benefits acts, or other employee benefits acts. This indemnification clause is intended to be comprehensive. Any overlap in subclauses, 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 subclause.

**D. Continuation of Indemnification Obligation**

The duty to indemnify will continue in full force and affect notwithstanding the expiration or early termination of the Contract with respect to any claims based on facts or conditions, which occurred prior to termination.

I-L NON INFRINGEMENT/COMPLIANCE WITH LAWS

The Contractor warrants that in performing the services called for by this Contract it will not violate any applicable law, rule, or regulation, any contracts with third parties, or any intellectual rights of any third party, including but not limited to, any United States patent, trademark, copyright, or trade secret.

I-M WARRANTIES AND REPRESENTATIONS

The Contract will contain customary representations and warranties by the Contractor, including, without limitation, the following:

1. The Contractor will perform all services in accordance with high professional standards in the industry;
2. The Contractor will use adequate numbers of qualified individuals with suitable training, education, experience and skill to perform the services;
3. The Contractor will use its best efforts to use efficiently any resources or services necessary to provide the services that are separately chargeable to the State;
4. The Contractor will use its best efforts to perform the services in the most cost effective manner consistent with the required level of quality and performance;
5. The Contractor will perform the services in a manner that does not infringe the proprietary rights of any third party;
6. The Contractor will perform the services in a manner that complies with all applicable laws and regulations;
7. The Contractor has duly authorized the execution, delivery and performance of the Contract;
8. The Contractor has not provided any gifts, payments or other inducements to any officer, employee or agent of the State;
9. The Contractor will maintain all equipment and software for which it has maintenance responsibilities in good operating condition and will undertake all repairs and preventive maintenance in accordance with applicable manufacturer's recommendations;
10. The Contractor will use its best efforts to ensure that no viruses or similar items are coded or introduced into the systems used to provide the services;
11. The Contractor will not insert or activate any disabling code into the systems used to provide the services without the State's prior written approval;



12. A ninety (90) day warranty on all purchased and developed software, data conversion programs, and data and customization to the product performed by the contractor.

I-N TIME IS OF THE ESSENCE

The Contractor agrees that time is of the essence in the performance of the Contractor's obligations under this Contract.

I-O STAFFING OBLIGATIONS

The State reserves the right to approve the Contractor's assignment of Key Personnel to this project and to recommend reassignment of personnel deemed unsatisfactory by the State.

The Contractor shall not remove or reassign, without the State's prior written approval any of the Key Personnel until such time as the Key Personnel have completed all of their planned and assigned responsibilities in connection with performance of the Contractor's obligations under this Contract. The Contractor agrees that the continuity of Key Personnel is critical and agrees to the continuity of Key Personnel. Removal of Key Personnel without the written consent of the State may be considered by the State to be a material breach of this Contract. The prohibition against removal or reassignment shall not apply where Key Personnel must be replaced for reasons beyond the reasonable control of the Contractor including but not limited to illness, disability, resignation or termination of the Key Personnel's employment.

The State and the Contractor agree that the following personnel are Key Personnel for purposes of this Contract:

Name _____
Title _____
Name _____
Title _____
Name _____
Title _____

I-P WORK PRODUCT AND OWNERSHIP

1. Work Products shall be considered works made by the Contractor for hire by the State and shall belong exclusively to the State and its designees, unless specifically provided otherwise by mutual agreement of the Contractor and the State. If by operation of law any of the Work Product, including all related intellectual property rights, is not owned in its entirety by the State automatically upon creation thereof, the Contractor agrees to assign, and hereby assigns to the State and its designees the ownership of such Work Product, including all related intellectual property rights. The Contractor agrees to provide, at no additional charge, any assistance and to execute any action reasonably required for the State to perfect its intellectual property rights with respect to the aforementioned Work Product.



2. Notwithstanding any provision of this Contract to the contrary, any preexisting work or materials including, but not limited to, any routines, libraries, tools, methodologies, processes or technologies (collectively, the "Development Tools") created, adapted or used by the Contractor in its business generally, including any and all associated intellectual property rights, shall be and remain the sole property of the Contractor, and the State shall have no interest in or claim to such preexisting work, materials or Development Tools, except as necessary to exercise its rights in the Work Product. Such rights belonging to the State shall include, but not be limited to, the right to use, execute, reproduce, display, perform and distribute copies of and prepare derivative works based upon the Work Product, and the right to authorize others to do any of the foregoing, irrespective of the existence therein of preexisting work, materials and Development Tools, except as specifically limited herein.
3. The Contractor and its subcontractors shall be free to use and employ their general skills, knowledge and expertise, and to use, disclose, and employ any generalized ideas, concepts, knowledge, methods, techniques or skills gained or learned during the course of performing the services under this Contract, so long as the Contractor or its subcontractors acquire and apply such information without disclosure of any confidential or proprietary information of the State, and without any unauthorized use or disclosure of any Work Product resulting from this Contract.

I-Q CONFIDENTIALITY OF DATA AND INFORMATION

1. All financial, statistical, personnel, technical and other data and information relating to the State's operation which are designated confidential by the State and made available to the Contractor in order to carry out this Contract, or which become available to the Contractor in carrying out this Contract, shall be protected by the Contractor from unauthorized use and disclosure through the observance of the same or more effective procedural requirements as are applicable to the State. The identification of all such confidential data and information as well as the State's procedural requirements for protection of such data and information from unauthorized use and disclosure shall be provided by the State in writing to the Contractor. If the methods and procedures employed by the Contractor for the protection of the Contractor's data and information are deemed by the State to be adequate for the protection of the State's confidential information, such methods and procedures may be used, with the written consent of the State, to carry out the intent of this section.
2. The Contractor shall not be required under the provisions of this section to keep confidential, (1) information generally available to the public, (2) information released by the State generally, or to the Contractor without restriction, (3) information independently developed or acquired by the Contractor or its personnel without reliance in any way on otherwise protected information of the State. Notwithstanding the foregoing restrictions, the Contractor and its personnel may use and disclose any information which it is otherwise required by law to disclose, but in each case only after the State has been so notified, and has had the opportunity, if possible, to obtain reasonable protection for such information in connection with such disclosure.

**I-R REMEDIES FOR BREACH OF CONFIDENTIALITY**

The Contractor acknowledges that a breach of its confidentiality obligations as set forth in section I-Q of this Contract shall be considered a material breach of the Contract. Furthermore the Contractor acknowledges that in the event of such a breach the State shall be irreparably harmed. Accordingly, if a court should find that the Contractor has breached or attempted to breach any such obligations, the Contractor will not oppose the entry of an appropriate order restraining it from any further breaches or attempted or threatened breaches. This remedy shall be in addition to and not in limitation of any other remedy or damages provided by law.

I-S CONTRACTOR'S LIABILITY INSURANCE

The Contractor is required to provide proof of the minimum levels of insurance coverage as indicated below. The purpose of this coverage shall be to 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 such 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 pursuant to this Contract. The Contractor also agrees to provide evidence that all applicable insurance policies contain a waiver of subrogation by the insurance company.

All insurance coverages provided relative to this Contract/Purchase Order is PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The Insurance shall be written for not less than any minimum coverage herein specified or required by law, whichever is greater. All deductible amounts for any of the required policies are subject to approval by the State.

The State reserves the right to reject insurance written by an insurer the State deems unacceptable.

BEFORE THE CONTRACT IS SIGNED BY BOTH PARTIES OR BEFORE THE PURCHASE ORDER IS ISSUED BY THE STATE, THE CONTRACTOR MUST FURNISH TO THE DIRECTOR OF Acquisition Services, CERTIFICATE(S) OF INSURANCE VERIFYING INSURANCE COVERAGE. THE CERTIFICATE MUST BE ON THE STANDARD "ACCORD" FORM. THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING. All such Certificate(s) are to be prepared and submitted by the Insurance Provider and not by the Contractor. All such Certificate(s) shall contain a provision indicating that coverages afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without THIRTY (30) days prior written notice, except for 10 days for non-payment of premium, having been given to the Director of Acquisition Services, Department of Management and Budget. Such NOTICE must include the CONTRACT NUMBER affected and be mailed to: Director, Acquisition Services, Department of Management and Budget, P.O. Box 30026, Lansing, Michigan 48909.



The Contractor is required to provide the type and amount of insurance checked () below:

- 1. Commercial General Liability with the following minimum coverages:
\$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
\$500,000 Fire Damage Limit (any one fire)

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSURED on the Commercial General Liability policy.

- 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 policy.

- 3. Worker's disability compensation, disability benefit or other similar employee benefit act with minimum statutory limits. NOTE: (1) If coverage is provided by a State fund or if Contractor has qualified as a self-insurer, separate certification must be furnished that coverage is in the state fund or that Contractor has approval to be a self-insurer; (2) Any citing of a policy of insurance must include a listing of the States where that policy's coverage is applicable; and (3) Any policy of insurance must contain a provision or endorsement providing that the insurers' rights of subrogation are waived. This provision shall not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

- 4. For contracts providing temporary staff personnel to the State, the Contractor shall provide an Alternate Employer Endorsement with minimum coverage of \$1,000,000.

- 5. Employers liability insurance with the following minimum limits:

\$100,000 each accident
\$100,000 each employee by disease
\$500,000 aggregate disease

- 6. Claims for damages because of Errors and Omissions in the performance of duties inherent to the student loan profession, subject to a limit of liability of not less than \$100,000.00 each occurrence and, when applicable, \$500,000.00 annual aggregate. For this coverage, the State requires that it be named as a co-insured party.

**I-T NOTICE AND RIGHT TO CURE**

In the event of a curable breach by the Contractor, the State shall provide the Contractor written notice of the breach and a time period to cure said breach described in the notice. This section requiring notice and an opportunity to cure shall not be applicable in the event of successive or repeated breaches of the same nature 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.

I-U CANCELLATION

The State may cancel this Contract without further liability or penalty to the State, its departments, divisions, agencies, offices, commissions, officers, agents and employees for any of the following reasons:

1. Material Breach by the Contractor. In the event that the Contractor breaches any of its material duties or obligations under the Contract, which are either not capable of or subject to being cured, or are not cured within the time period specified in the written notice of breach provided by the State, or pose a serious and imminent threat to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of cancellation to the Contractor, cancel this Contract in whole or in part, for cause, as of the date specified in the notice of cancellation.

In the event that this Contract is cancelled for cause, in addition to any legal remedies otherwise available to the State by law or equity, the Contractor shall be responsible for all costs incurred by the State in canceling the Contract, including but not limited to, State administrative costs, attorneys fees and court costs, and any additional costs the State may incur to procure the services required by this Contract from other sources. All excess procurement costs and damages shall not be considered by the parties to be consequential, indirect or incidental, and shall not be excluded by any other terms otherwise included in the Contract.

In the event the State chooses to partially cancel this Contract for cause charges payable under this Contract will be equitably adjusted to reflect those services that are cancelled.

In the event this Contract is cancelled for cause pursuant to this section, and it is therefore determined, for any reason, that the Contractor was not in breach of contract pursuant to the provisions of this section, that cancellation for cause shall be deemed to have been a cancellation for convenience, effective as of the same date, and the rights and obligations of the parties shall be limited to that otherwise provided in the Contract for a cancellation for convenience.

2. Cancellation For Convenience By the State. The State may cancel this Contract for its convenience, in whole or part, if the State determines that such a cancellation is in the State's best interest. Reasons for such cancellation shall be left to the sole discretion of the State and may include, but not 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 Contract services no longer practical or feasible, and (c) unacceptable prices for additional services requested by the State. The State may cancel the Contract for its convenience, in whole or in part, by giving the Contractor written notice 30 days prior to the date of cancellation. If the State chooses to cancel this Contract in part, the charges payable under this Contract shall be equitably adjusted to reflect those services that are cancelled.



3. Non-Appropriation. In the event that funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available. The 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 project. If funds are not appropriated or otherwise made available, the State shall have the right to cancel this Contract at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of cancellation to the Contractor. The State shall give the Contractor written notice of such non-appropriation or unavailability within 30 days after it receives notice of such non-appropriation or unavailability.
4. Criminal Conviction. In the event the Contractor, an officer of the Contractor, or an owner of a 25% or greater share of the Contractor, is convicted of a criminal offense incident to the application for or performance of a State, public or private Contract or subcontract; or convicted of a criminal offense including but not limited to any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State, reflects upon the Contractor's business integrity.
5. Approvals Rescinded. The State may terminate this Contract without further liability or penalty in the event any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services pursuant to Constitution 1963, Article 11, section 5, and Civil Service Rule 4-6. 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 such written notice.

I-V RIGHTS AND OBLIGATIONS UPON CANCELLATION

1. If the Contract is canceled by the State for any reason, the Contractor shall, (a) stop all work as specified in the notice of cancellation, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Work Product or other property derived or resulting from the Contract that may be in the Contractor's possession, (c) return all materials and property provided directly or indirectly to the Contractor by any entity, agent or employee of the State, (d) transfer title and deliver to the State, unless otherwise directed by the Contract Administrator or his or her designee, all Work Product resulting from the Contract, and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or cancellation settlement costs, to the maximum practical extent, including, but not limited to, canceling or limiting as otherwise applicable, those subcontracts, and outstanding orders for material and supplies resulting from the canceled Contract.
2. In the event the State cancels this Contract prior to its expiration for its own convenience, the State shall pay the Contractor for all charges due for services provided prior to the date of cancellation and if applicable as a separate item of payment pursuant to the Contract, for partially completed Work Product, on a percentage of completion basis. In the event of a cancellation for cause, or any other reason under the Contract, the State will pay, if applicable, as a separate item of payment pursuant to the Contract, for all partially completed Work Products, to the extent that the State requires the Contractor to submit to the State any such deliverables, and for all charges due under the Contract for any cancelled services



provided by the Contractor prior to the cancellation date. All completed or partially completed Work Product prepared by the Contractor pursuant to this Contract shall, at the option of the State, become the State's property, and the Contractor shall be entitled to receive just and fair compensation for such Work Product. Regardless of the basis for the cancellation, the State shall not be obligated to pay, or otherwise compensate, the Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.

3. If any such cancellation by the State is for cause, the State shall have the right to set-off against any amounts due the Contractor, the amount of any damages for which the Contractor is liable to the State under this Contract or pursuant to law and equity.
4. Upon a good faith cancellation, the State shall have the right to assume, at its option, any and all subcontracts and agreements for services and materials provided under this Contract, and may further pursue completion of the Work Product under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

I-W EXCUSABLE FAILURE

1. Neither party shall be liable for any default or delay in the performance of its obligations under the Contract if and to the extent such default or delay is caused, directly or indirectly, by: fire, flood, earthquake, elements of nature or acts of God; riots, civil disorders, rebellions or revolutions in any country; the failure of the other party to perform its material responsibilities under the Contract (either itself or through another contractor); 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 such party; provided the non-performing party and its subcontractors are without fault in causing such default or delay, and such 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. In such event, the non-performing party will be excused from any further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such party continues to use its best efforts to recommence performance or observance whenever and to whatever extent possible without delay provided such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.
2. If any of the above enumerated circumstances substantially prevent, hinder, or delay performance of the services necessary for the performance of the State's functions for more than 14 consecutive 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 from an alternate source, and the State shall not be liable for payments for the unperformed services under the Contract for so long as the delay in performance shall continue; (b) the State may cancel any portions of the Contract so affected and the charges payable thereunder shall be equitably adjusted to reflect those services canceled; or (c) the Contract will be canceled without liability of the State to the Contractor as of the date specified by the State in a written notice of cancellation to the Contractor. 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 as a result of the excusable failure condition. Defaults or delays in performance by the Contractor which are caused by acts or omissions of its subcontractors will not relieve the Contractor of its obligations under the Contract except to the extent that a subcontractor is itself subject to any excusable failure condition described above and the 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.

I-X ASSIGNMENT

The Contractor shall not have the right to assign this Contract or to assign or delegate any of its duties or obligations under this Contract to any other party (whether by operation of law or otherwise), without the prior written consent of the State. Any purported assignment in violation of this section shall be null and void. Further, the Contractor may not assign the right to receive money due under the Contract without the prior written consent of the Director of Acquisition Services.

I-Y DELEGATION

The Contractor shall not delegate any duties or obligations under this Contract to a subcontractor other than a subcontractor named in the bid unless the Director of Acquisition Services has given written consent to the delegation.

I-Z NON-DISCRIMINATION CLAUSE

In the performance of any Contract or purchase order resulting herefrom, the bidder agrees not to discriminate against any employee or applicant for employment, with respect to their 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, physical or mental disability unrelated to the individual's ability to perform the duties of the particular job or position. The bidder further agrees that every subcontract entered into for the performance of any Contract or purchase order resulting herefrom will contain a provision requiring non-discrimination in employment, as herein specified, binding upon each subcontractor. This covenant is required pursuant to the Elliot Larsen Civil Rights Act, 1976 Public Act 453, as amended, MCL 37.2101, *et seq*, and the Persons with Disabilities Civil Rights Act, 1976 Public Act 220, as amended, MCL 37.1101, *et seq*, and any breach thereof may be regarded as a material breach of the Contract or purchase order.

I-AA WORKPLACE SAFETY AND DISCRIMINATORY HARASSMENT

In performing services for the State pursuant to this Contract, the Contractor shall comply with Department of Civil Service Rules 2-20 regarding Workplace Safety and 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor shall comply with Civil Service Regulations governing workplace safety and discriminatory harassment and any applicable state agency rules on these matters that the agency provides to the Contractor. Department of Civil Service Rules and Regulations can be found on the Department of Civil Service website at www.state.mi.us/mdcs/Regindx.

**I-BB MODIFICATION OF SERVICE**

The Director of Acquisition Services reserves the right to modify this service during the course of this Contract. Such modification may include adding or deleting tasks that this service shall encompass and/or any other modifications deemed necessary.

This Contract may not be revised, modified, amended, extended, or augmented, except by a writing executed by the parties hereto, and any breach or default by a party shall not be waived or released other than in writing signed by the other party.

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. The Contractor shall provide a change order process and all requisite forms. The State reserves the right to negotiate the process during contract negotiation. At a minimum, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

1. Within five (5) business days of receipt of a request by the State for any such change, or such other period of time as to which the parties may agree mutually in writing, the Contractor shall submit to the State a proposal describing any changes in products, services, timing of delivery, assignment of personnel, and the like, and any associated price adjustment. The price adjustment shall be based on a good faith determination and calculation by the Contractor of the additional cost to the Contractor in implementing the change request less any savings realized by the Contractor as a result of implementing the change request. The Contractor's proposal shall describe in reasonable detail the basis for the Contractor's proposed price adjustment, including the estimated number of hours by task by labor category required to implement the change request.
2. If the State accepts the Contractor's proposal, it will issue a change notice and the Contractor will implement the change request described therein. The Contractor will not implement any change request until a change notice has been issued validly. The Contractor shall not be entitled to any compensation for implementing any change request or change notice except as provided explicitly in an approved change notice.
3. If the State does not accept the Contractor's proposal, the State may:
 - a. withdraw its change request; or
 - b. modify its change request, in which case the procedures set forth above will apply to the modified change request.

If the State requests or directs the Contractor to perform any activities that are outside the scope of the Contractor's responsibilities under the Contract ("New Work"), the Contractor must notify the State promptly, and before commencing performance of the requested activities, that it believes the requested activities are New Work. If the Contractor fails to so notify the State prior to commencing performance of the requested activities, any such activities performed before notice is given by the Contractor shall be conclusively considered to be In-scope Services, not New Work.



If the State requests or directs the Contractor to perform any services or functions that are consistent with and similar to the services being provided by the Contractor under the Contract, but which the Contractor reasonably and in good faith believes are not included within the scope of the Contractor's responsibilities and charges as set forth in the Contract, then prior to performing such services or function, the Contractor shall promptly notify the State in writing that it considers the services or function to be an "Additional Service" for which the Contractor should receive additional compensation. If the Contractor does not so notify the State, the Contractor shall have no right to claim thereafter that it is entitled to additional compensation for performing such services or functions. If the Contractor does so notify the State, then such a service or function shall be governed by the change request procedure set forth in the preceding paragraph.

IN THE EVENT PRICES ARE NOT ACCEPTABLE TO THE STATE, THE CONTRACT SHALL BE SUBJECT TO COMPETITIVE BIDDING BASED UPON THE NEW SPECIFICATIONS.

I-CC NOTICES

Any notice given to a party under this Contract must be written and shall be deemed effective, if addressed to such 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 another means specified in this section; (iii) the third (3rd) Business Day after being sent by 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.

For the Contractor: **Chief Servicing Officer**
Great Lakes Educational Loan Services, Inc.
2401 International Lane
Madison, WI 53704

For the State: **Douglas Collier**
Strategic Business Development
DMB, Acquisition Services
2nd Floor, Mason Building
P.O. Box 30026
Lansing, MI 48909

Either party may change its address where notices are to be sent giving written notice in accordance with this section.

I-DD ENTIRE AGREEMENT

The contents of this document and the vendor's proposal will become contractual obligations. Failure of the Contractor to accept these obligations may result in cancellation of the award.

This Contract shall represent the entire agreement between the parties and supersedes all proposals or other prior agreements, oral or written, and all other communications between the parties relating to this subject.

**I-EE NO WAIVER OF DEFAULT**

The failure of a party to insist upon strict adherence to any term of a Contract resulting from this Contract shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the Contract.

I-FF SEVERABILITY

Each provision of the Contract shall be deemed to be severable from all other provisions of the Contract and, if one or more of the provisions of the Contract shall be declared invalid, the remaining provisions of the Contract shall remain in full force and effect.

I-GG 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 this Contract.

I-HH RELATIONSHIP OF THE PARTIES

The relationship between the State and the Contractor is that of client and independent Contractor. No agent, employee, or servant of the Contractor or any of its subcontractors shall be or shall be deemed to be an employee, agent, or servant of the State for any reason. The Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and subcontractors during the performance of this Contract.

I-II UNFAIR LABOR PRACTICES

Pursuant to 1980 Public Act 278, as amended, MCL 423.231, et seq, the State shall 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 pursuant to 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 the Contract, shall not enter into a Contract with a subcontractor, manufacturer, or supplier whose name appears in this register. Pursuant to section 4 of 1980 Public Act 278, MCL 423.324, the State may void any Contract if, subsequent to award of the Contract, the name of the Contractor as an employer, or the name of the subcontractor, manufacturer or supplier of the Contractor appears in the register.

I-JJ SURVIVOR

Any provisions of the Contract that impose continuing obligations on the parties including, but not limited to the Contractor's indemnity and other obligations shall survive the expiration or cancellation of this Contract for any reason.

I-KK GOVERNING LAW

This Contract shall in all respects be governed by, and construed in accordance with, the laws of the State of Michigan. Any dispute arising herein shall be resolved in the State of Michigan.

**I-LL YEAR 2000 SOFTWARE COMPLIANCE**

The vendor warrants that all software for which the vendor either sells or licenses to the State of Michigan and used by the State prior to, during or after the calendar year 2000, includes or shall include, at no added cost to the State, design and performance so the State shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing, in the operation of the business of the State of Michigan.

The software design, to insure year 2000 compatibility, shall include, but is not limited to: data structures (databases, data files, etc.) that provide 4-digit date century; stored data that contain date century recognition, including, but not limited to, data stored in databases and hardware device internal system dates; calculations and program logic (e.g., sort algorithms, calendar generation, event recognition, and all processing actions that use or produce date values) that accommodates same century and multi-century formulas and date values; interfaces that supply data to and receive data from other systems or organizations that prevent non-compliant dates and data from entering any State system; user interfaces (i.e., screens, reports, etc.) that accurately show 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

I-MM CONTRACT DISTRIBUTION

Acquisition Services shall retain the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Acquisition Services.

I-NN STATEWIDE CONTRACTS

If the contract is for the use of more than one agency and if the goods or services provided under the contract do not meet the form, function and utility required by an agency, that agency may, subject to state purchasing policies, procure the goods or services from another source.

I-OO STATE STANDARDS

- 1. EXISTING TECHNOLOGY STANDARDS.** The Contractor will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at www.state.mi.us/cio/oits.
- 2. PM METHODOLOGY STANDARDS.** The State has adopted a standard, documented Project Management Methodology (PMM) for use on all Information Technology (IT) based projects. This policy is referenced in the document titled "Project Management Methodology" – DMB Administrative Guide Procedure 1380.02 issued June 2000. Vendors may obtain a copy of this procedure by contacting the DMB Office of Information Technology Solutions. The State of Michigan Project Management Methodology can be obtained from the DMB Office of Project Management's website at <http://www.state.mi.us/cio/opm>.

The contractor shall use the State's PMM to manage State of Michigan Information Technology (IT) based projects. The requesting agency will provide the applicable documentation and internal agency processes for the methodology. If the vendor requires training on the methodology, those costs shall be the responsibility of the vendor, unless otherwise stated.



- 3. ADHERANCE TO PORTAL TECHNOLOGY TOOLS.** For all projects involving e-Government, all bidders are expected to read, understand and support compliance with the provisions of Executive Order No. 2000-6 and Executive Directive 2001-1, issued by the State of Michigan, Office of the Governor.

The State of Michigan, e-Michigan Office has adopted the following tools as its Portal Technology development efforts:

- Vignette Content Management and personalization Tool
- Inktomi Search Engine
- Tivoli Directory Services (Presentation Layer)
- WebSphere Application Server
- WebSphere e-Pay Payment Processing Module

Vendors must use the Portal Technology Tools to implement web content management and deployment efforts for agencies. Tools used for web based application development must work in conjunction with Vignette and Inktomi. The interaction with Vignette and Inktomi must be coordinated with the Center of Excellence at the Office of e-Michigan.

Under special circumstances vendors that are compelled to use alternate tools must submit an exception request to the e-Michigan Office for evaluation and approval of each alternate tool prior to proposal evaluation by the State.

I-PP ELECTRONIC FUNDS TRANSFER

Electronic transfer of funds is available to State contractors. Vendors are encouraged to register with the State of Michigan Office of Financial Management so the State can make payments related to this Contract electronically at www.cpexpress.state.mi.us.

I-QQ TRANSITION ASSISTANCE

If this Contract is not renewed at the end of this term, or is canceled prior to its expiration, for any reason, the Contractor must provide for up to six months after the expiration or cancellation of this Contract, all reasonable transition assistance requested by the State, to allow for the expired or canceled portion of the Services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the State or its designees. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of this Contract, (notwithstanding this expiration or cancellation) except for those Contract terms or conditions that do not reasonably apply to such transition assistance. The State shall pay the Contractor for any resources utilized in performing such transition assistance at the most current rates provided by the Contract for Contract performance. If the State cancels this Contract for cause, then the State will be entitled to off set the cost of paying the Contractor for the additional resources the Contractor utilized in providing transition assistance with any damages the State may have otherwise accrued as a result of said cancellation.

**I-RR DISCLOSURE OF LITIGATION**

1. The Contractor shall notify the State in its bid proposal, if it, or any of its subcontractors, or their officers, directors, or key personnel under this Contract, have ever been convicted of a felony, or any crime involving moral turpitude, including, but not limited to fraud, misappropriation or deception. Contractor shall promptly notify the State of any criminal litigation, investigations or proceeding which may have arisen or may arise involving the Contractor or any of the Contractor's subcontractor, or any of the foregoing entities' then current officers or directors during the term of this Contract and three years thereafter.
2. The Contractor shall notify the State in its bid proposal, and promptly thereafter as otherwise applicable, of any civil litigation, arbitration, proceeding, or judgments that may have arisen against it or its subcontractors during the five years proceeding its bid proposal, or which may occur during the term of this Contract or three years thereafter, which involve (1) products or services similar to those provided to the State under this Contract and which either involve a claim in excess of \$250,000 or which otherwise may affect the viability or financial stability of the Contractor, or (2) a claim or written allegation of fraud by the Contractor or any subcontractor hereunder, arising out of their business activities, or (3) a claim or written allegation that the Contractor or any subcontractor hereunder violated any federal, state or local statute, regulation or ordinance. Multiple lawsuits and or judgments against the Contractor or subcontractor, in any an amount less than \$250,000 shall be disclosed to the State to the extent they affect the financial solvency and integrity of the Contractor or subcontractor.
3. All notices under subsection 1 and 2 herein shall be provided in writing to the State within fifteen business days after the Contractor learns about any such criminal or civil investigations and within fifteen days after the commencement of any proceeding, litigation, or arbitration, as otherwise applicable. Details of settlements which are prevented from disclosure by the terms of the settlement shall be annotated as such. Semi-annually, during the term of the Contract, and thereafter for three years, Contractor shall certify that it is in compliance with this Section. Contractor may rely on similar good faith certifications of its subcontractors, which certifications shall be available for inspection at the option of the State.
4. Assurances - In the event that such investigation, litigation, arbitration or other proceedings disclosed to the State pursuant to this Section, or of which the State otherwise becomes aware, during the term of this Contract, causes the State to be reasonably concerned about:
 - a. the ability of the Contractor or its subcontractor to continue to perform this Contract in accordance with its terms and conditions, or
 - b. whether the Contractor or its subcontractor in performing services is engaged in conduct which is similar in nature to conduct alleged in such investigation, litigation, arbitration or other proceedings, which conduct would constitute a breach of this Contract or violation of Michigan or Federal law, regulation or public policy, then



The Contractor shall be required to provide the State all reasonable assurances requested by the State to demonstrate that: (a) the Contractor or its subcontractors hereunder will be able to continue to perform this Contract in accordance with its terms and conditions, (b) the Contractor or its subcontractors will not engage in conduct in performing services under this Contract which is similar in nature to the conduct alleged in any such litigation, arbitration or other proceedings.

5. The Contractor's failure to fully and timely comply with the terms of this section, including providing reasonable assurances satisfactory to the State, may constitute a material breach of this Contract.

I-SS STOP WORK

1. The State may, at any time, by written stop work order to the Contractor, require that the Contractor stop all, or any part, of the work called for by this Contract for a period of up to 90 days after the stop work order is delivered to the Contractor, and for any further period to which the parties may agree. The stop work order shall be specifically identified as such and shall indicate that it is issued under this section. Upon receipt of the stop work order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State shall either:
 - a. Cancel the stop work order; or
 - b. Cancel the work covered by the stop work order as provided in the cancellation section of this Contract.
2. If a stop work order issued under this section is canceled or the period of the stop work order or any extension thereof expires, the Contractor shall resume work. The State shall make an equitable adjustment in the delivery schedule, the contract price, or both, and the Contract shall be modified, in writing, accordingly, if:
 - a. The stop work order results in an increase in the time required for, or in the Contractor's costs properly allocable to the performance of any part of this Contract; and
 - b. The Contractor asserts its right to an equitable adjustment within 30 days after the end of the period of work stoppage; provided, that if the State decides the facts justify the action, the State may receive and act upon a proposal submitted at any time before final payment under this Contract.
3. If the stop work order is not canceled and the work covered by the stop work order is canceled for reasons other than material breach, the State shall allow reasonable costs resulting from the stop work order in arriving at the cancellation settlement.
4. If a stop work order is not canceled and the work covered by the stop work order is canceled for material breach, the State shall not allow, by equitable adjustment or otherwise, reasonable costs resulting from the stop work order.



5. An appropriate equitable adjustment may be made in any related contract of the Contractor that provides for adjustment and is affected by any stop work order under this section. The State shall not be liable to the Contractor for loss of profits because of a stop work order issued under this section.

I-TT PERFORMANCE AND RELIABILITY EVALUATION (PARE)

When the State requires that a performance and reliability evaluation (PARE) is to be performed, the standard of performance for the PARE will be closely monitored during the acceptance period.

In the event that the PARE is for components only, all references to systems (processors) should be changed to components.

The Performance and Reliability Evaluation will consist of two phases.

1. PHASE I

The first phase shall be comprised of a specification compliance review of the equipment listed on the ordering documents. Such equipment shall be checked for total compliance with all required specifications of the Contract. In the event that the State determines that any component or feature of the delivered equipment or software does not comply with the mandatory specifications of the Contract, the State shall so notify the Contractor, allowing 14 calendar days for rectification by the Contractor. Should the Contractor be unable to rectify the deficiency, the State reserves the right to cancel the ordering document. Should the equipment and software pass the specification conformance review, the equipment shall enter Phase II of the PARE.

2. PHASE II**a. Determination of System Readiness**

- 1) Prior to the PARE, a committee of three persons will be formed to evaluate the system's performance on a daily basis. The committee will consist of one Contractor representative and two State personnel.
- 2) The PARE will begin on the installation dates when the Contractor certifies that the equipment is ready for use by the State.

b. During the PARE:

All rerun times resulting from equipment failure and preventive maintenance shall be excluded from the performance hours.

- 1) All reconfiguration and reload time shall be excluded from the performance hours.
- 2) If files are destroyed as a result of a problem with Contractor equipment and must be rebuilt, the time required to rebuild the files will be considered "down-time" for the system.



- 3) If the Contractor requests access to failed equipment and the State refuses, then such maintenance will be deferred to a mutually agreeable time and the intervening time will not count against the PARE.
- 4) A functional benchmark demonstration will be run for the PARE Committee to confirm that the installed system is capable of performing the same functions that were demonstrated. This run must be completed to the satisfaction of the PARE Committee.

3. STANDARD OF PERFORMANCE

- a. The performance period (a period of thirty consecutive calendar days) shall commence on the installation date, at which time the operational control becomes the responsibility of the State. It is not required that one thirty day period expire in order for another performance period to begin.
- b. If each component operates at an average level of effectiveness of 95 percent or more for a period of 30 consecutive days from the commencement date of the performance period, it shall be deemed to have met the State's standard of performance period. The State shall notify the Contractor in writing of the successful completion of the performance period. The average effectiveness level is a percentage figure determined by dividing the total operational use time by the total operational use time plus associated down-time. In addition, the equipment shall operate in substantial conformance with the Contractor's published specifications applicable to such equipment on the date of this Agreement. Equipment added by amendment to this contract shall operate in conformance with the Contractor's published specifications applicable to such equipment at the time of such amendment.
- c. During the successful performance period, all rerun time resulting from equipment failure and preventive maintenance time shall be excluded from the performance period hours. All reconfigurations and reload time shall be excluded from the performance hours. Equipment failure down-time shall be measured by those intervals during the performance period between the time that the Contractor is notified of equipment failure and the time that the equipment is returned to the State in operating condition.
- d. During the successful performance period, a minimum of 80 hours of operational use time on each component will be required as a basis for computation of the average effectiveness level. However, in computing the effectiveness level, the actual number of operational use hours shall be used when in excess of the minimum stated above.
- e. No more than one hour will accrue to the performance hours during any one wall clock hour.
- f. Equipment shall not be accepted by the State and no charges will be paid by the State until the standard of performance is met.
- g. When a system involves on-line machines which are remote to the basic installation, the required effectiveness level shall apply separately to each component in the system.



- h. Promptly upon successful completion of the performance period, the State shall notify the Contractor in writing of acceptance of the equipment and authorize the monthly payments to begin on the first day of the successful performance period.
- i. If successful completion of the performance period is not attained within 90 days of the installation date, the State shall have the option of terminating the Contract, or continuing the performance tests. The State's option to terminate the contract shall remain in effect until such time as a successful completion of the performance period is attained. The Contractor shall be liable for all outbound preparation and shipping costs for contracted items returned under this clause.
- j. The PARE will be complete when the equipment has met the required effectiveness level for the prescribed time period.

I-UU LIQUIDATED DAMAGES

1. The State and the Contractor hereby agree to the specific standards set forth in this Contract. It is agreed between the Contractor and the State that the actual damages to the State as a result of Contractor's failure to provide promised services would be difficult or impossible to determine with accuracy. The State and the Contractor therefore agree that liquidated damages as set out herein shall be a reasonable approximation of the damages that shall be suffered by the State as a result thereof. Accordingly, in the event of such damages, at the written direction of the State, the Contractor shall pay the State the indicated amount as liquidated damages, and not as a penalty. Amounts due the State as liquidated damages, if not paid by the Contractor within fifteen (15) days of notification of assessment, may be deducted by the State from any money payable to the Contractor pursuant to this Contract. The State will notify the Contractor in writing of any claim for liquidated damages pursuant to this paragraph on or before the date the State deducts such sums from money payable to the Contractor. No delay by the State in assessing or collecting liquidated damages shall be construed as a waiver of such rights.
2. The Contractor shall not be liable for liquidated damages when, in the opinion of the State, incidents or delays result directly from causes beyond the control and without the fault or negligence of the Contractor. Such causes may include, but are not restricted to, acts of God, fires, floods, epidemics, and labor unrest; but in every case the delays must be beyond the control and without the fault or negligence of the Contractor.
3. Liquidated damages will be assessed as follows: ***Refer to Section II-F Contract Payment***



SECTION 1.1

INFORMATION REQUIRED FROM BIDDER

I.I-A BUSINESS ORGANIZATION

Great Lakes Educational Loan Services, Inc. ("Great Lakes" also referred to in this RFP response as secondary servicer), is a Wisconsin Corporation, incorporated on October 10, 1996, pursuant to Chapter 180 of the Wisconsin Statutes and is duly authorized to do business in the State of Michigan save its State Vendor Registration for which its application is now pending. Great Lakes is affiliated with Great Lakes Higher Education Guaranty Corporation ("GLHEGC" also referred to in this RFP response as guaranty agency).

I.I-B QUESTIONNAIRE

Great Lakes' responses to the questionnaire are attached as Attachment 1.

I.I-C STATEMENT OF THE PROBLEM

It is our understanding that the State wishes to add a secondary servicer for the purpose of servicing loans that are guaranteed by Great Lakes Higher Education Guaranty Corporation (GLHEGC), and already serviced by Great Lakes Educational Loan Services, Inc. This new servicer will give the State the ability to purchase loans guaranteed by GLHEGC and have them serviced in the most efficient manner.

Refer to #1 in Addendum #2 for clarifications.

I.I-D MANAGEMENT SUMMARY

1. Narrative

Great Lakes Educational Loan Services, Inc. (Great Lakes) proposes to become a secondary servicer for MHESLA with the sole assignment of providing servicing for loans guaranteed by Great Lakes Higher Education Guaranty Corporation (GLHEGC). This servicing will include conversion of portfolios from originating lenders to MHESLA, full servicing of such loans while held by MHESLA, and origination of Consolidation loans for MHESLA with a guaranty by GLHEGC and subsequent servicing of those Consolidation loans. We do not anticipate the conversion of any existing loans held by MHESLA to the Great Lakes' system, but rather we are beginning a servicing relationship where we will service GLHEGC guaranteed loans for MHESLA as they are purchased. Great Lakes is the current servicer for a significant majority of loans guaranteed by GLHEGC including virtually all of the GLHEGC loans made in the State of Michigan. We anticipate that MHESLA will be purchasing some of those loans and it is our intent to service them for MHESLA.

Refer to #2 in Addendum #2 for clarifications.



2. Technical Work Plans

This proposal is to provide to MHESLA the services currently provided to over 1,000 other lenders and holders of GLHEGC loans. This is not a proposal to develop new software or services for the State, and except for training and normal customer services contacts, it is anticipated that all of the work performed under this contract will be done at existing Great Lakes facilities with existing staff. The work can begin as soon as the contract is signed and we will work with the State in developing a coordinated schedule for purchases and transfer of the ownership of loans to MHESLA.

Refer to #3 in Addendum #2 for clarifications.

3. Prior Experience

Great Lakes has been servicing loans guaranteed by GLHEGC since 1977 and currently services such loans for over 1,000 lenders and secondary markets with a total outstanding balance of \$14.3 billion. Great Lakes regularly transfers the ownership of loans from one holder to another in the same manner that is required by the State. Some of our secondary market customers include: Sallie Mae, Student Loan Funding Corp., Brazos Higher Education Services Corp., Student Loan Finance Corp., Student Loan Finance Association, and Chela Financial.

Project Staffing

This project will utilize existing staff throughout Great Lakes, the majority of whom are located in our home office in Madison, Wisconsin. It is not anticipated that additional staff will be needed for this contract. The servicing work will be under the direction of Mr. Michael Noack, Chief Servicing Officer. Mike has been engaged in the servicing program at Great Lakes for nearly 23 years and has headed the program since 1991. The primary on-site contact in Lansing will be Mr. Bruce TerHaar, who lives in East Lansing and is the Senior Marketing Associate for the State of Michigan.

4. Subcontractors

We do not anticipate using any subcontractors to do the work contemplated in this proposal.

Refer to #4 in Addendum #2 for clarifications.

5. Tasks

Our responses to the tasks that we propose to provide are attached.

**I.I-E SECURITY**

Great Lakes' proposal does not contemplate the need for Great Lakes' personnel to be in State of Michigan facilities except for occasional management and customer support visits and initial training, which will be relatively brief. During such visits, we would expect our personnel to be treated in the same manner as any official visitor and not be subject to prior security screening.

I.I-F BIDDER'S AUTHORIZED EXPEDITOR

Mr. Michael Noack will be the authorized expeditor for this contract and he can be reached at 608-246-1404.

I.I-G ADDITIONAL INFORMATION AND COMMENTS**Response Preface**

Refer to #3 in Addendum #2 for clarifications.

As indicated in the letter of Mr. Koenigsknecht, dated May 21, 2003, Great Lakes is considered a secondary servicer for purposes of this response, as such, certain Tasks, or certain requirements of certain Tasks, are not applicable and, therefore, no response is provided. In addition, Great Lakes response assumes that the loans to be serviced by it are only those guaranteed by Great Lakes Higher Education Guarantee Corporation and originated and serviced by Great Lakes. Such assumption shall apply, where appropriate to the responses provided. Lastly, it is anticipated that certain services delineated in certain tasks, or certain services of a particular Task's requirements, will not be performed at the inception of the service agreement between State and Great Lakes and no response is provided. In particular, those services as delineated in Tasks 6, 8, 9, 10(f) and 23(b), (c) and (d) will not be performed by Great Lakes at the inception of the agreement. With respect to such Tasks, it is Great Lakes' desire to make such services generally available to State. Great Lakes does not perceive any impediment to its performance of such tasks but, also recognizes that the student loan industry, generally, and service systems, specifically, change with some degree of frequency. In light of that fact, Great Lakes agrees to review such Tasks, taking into account the then present circumstances, should State choose to avail itself of such services, and determine its then present ability to perform. As specified in this RPF, and subject to the response of Great Lakes with respect to this RFP as a whole, Great Lakes believes it is fully capable of providing the services and meeting the requirement of these Tasks.

Subject to the foregoing, it can be assumed with respect to any subsection or requirement of any particular Section II Task for which Great Lakes has not offered specific comment that Great Lakes is fully capable of meeting such requirement. Great Lakes is not proposing to provide any services for the MI-Loan program requested in Section III of the ITB.



Other Information and Comments

With respect to the definition of Billing Account, Great Lakes system requires Bond Fund Series to be included in the definition of Billing Account. Great Lakes does not separate Stafford Loans (Subsidized and Unsubsidized) into two Billing Accounts. Great Lakes also does not separate loans into different Billing Accounts based on Due Date, Federal Interest Rate Cap or Guarantee Status. The definition of Billing Account for purposes of Great Lakes' response shall be so modified.

With respect to Section II-D, Project Control and Reports, this proposal is to provide to MHESLA the services currently provided to over 1,000 other lenders and holders of GLHEGC loans. This is not a proposal to develop new software or services for the State, and except for training and normal customer service contacts, it is anticipated that all of the work performed under this contract will be done at existing Great Lakes facilities with existing staff. The work can begin as soon as the contract is signed and we will work with the State in developing a coordinated schedule for purchases and transfer of the ownership of loans to MHESLA. Therefore, except for normal ongoing client relations, no project management or project plans as itemized in subsections b., c. and d. are contemplated.

With respect to conversion services referenced in Section II-F, and otherwise in Task 5, be advised that Great Lakes' proposal is limited to becoming a secondary servicer for loans guaranteed by GLHEGC and it does not contemplate a conversion of any existing loans owned by the State to Great Lakes' servicing system, and therefore such section regarding conversion and liquidated damages does not apply to Great Lakes' bid.

With respect to the liability of Great Lakes and that of any of its affiliates, be advised and recognize that, Great Lakes' Lender servicing programs are separate and distinct from GLHEGC's guarantee program. The State shall therefore specifically agree to look only to Great Lakes in its capacity as a servicing agent for any claims under this Agreement relating to its functions as servicing agent. The State shall specifically waive any claim against GLHEGC's Guarantee Fund as defined in 34 CFR 682.410(a)(1) and against GLHEGC's Federal Reserve Fund and Administrative Operating Fund and all other escrows required under the Higher Education Act of 1965 as amended for claims under this Agreement. Great Lakes shall indemnify and hold the State harmless from all loss, liability and expense (including reasonable attorney's fees) arising out of or relating to Great Lakes' acts or omissions with regard to the performance of services hereunder provided however that Great Lakes shall not be liable in the performance of such services except for its negligence or misconduct and provided further that in no event shall Great Lakes be responsible or liable for any consequential damages with respect to any matter whatsoever arising out of this Agreement. Either party shall have the right to mitigate its liability under this Agreement by taking such actions as may be appropriate, including but not limited to reperformance.

In addition to the immediate foregoing, and except as to loans originated and continuously serviced by Great Lakes, Great Lakes does not assume, and acceptance for servicing shall not result in, any responsibility for the correctness or completeness of Loan related papers transmitted to Great Lakes as a part of or in conjunction with the commitment of any Loans to Great Lakes for servicing, and Great Lakes shall not be responsible for any procedural errors or omissions (including due diligence violations) which may have occurred prior to initiation of servicing of a Loan hereunder by Great Lakes.



With respect to operational services levels as discussed in Section II-F, in the event of a failed standard, if the State provides Great Lakes with a written notice requesting Great Lakes to cure such standard then Great Lakes shall effect a cure and notify the State of such correction within sixty (60) days. If a material standard is not corrected with sixty days of notice from the State, the State may holdback 10% of the monthly billings until the specified service level is resumed and resolved.

I.I-H PRICE PROPOSAL

Great Lakes proposes the attached fee proposal (Addendum 7).

Refer to #42 in Addendum #2 for clarifications.

Refer to Addendums #5, 6 & 7 for clarifications.

**SECTION II****FFELP WORK STATEMENT****II-A BACKGROUND/PROBLEM STATEMENT**

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. The MHESLA is a Governor-appointed board which establishes policy and functions as the Board of Directors for the program. The MHESLA is a Division within the Bureau of MHESLA/MHEAA of the Michigan Department of Treasury.

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

The work statement for the Michigan Alternative Student Loan (MI-LOAN) Program follows the FFELP work statement.

General information regarding the MDSLP and SSM programs is provided below:

Michigan Direct Student Loan Program

Since its inception in 1976, the MDSLP has served in the role of a lender of last resort for the Michigan Guaranty Agency (MGA), a component of the Michigan Higher Education Assistance Authority. At the present time, all loans originated and outstanding have been authorized by the Higher Education Act of 1965, as amended, and are guaranteed by the Michigan Guaranty Agency.

The MDSLP ensures all Michigan students and their parents access to the Federal Family Education Loan Programs (FFELP).

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

Collectively, these programs represent the MHESLA's direct lending function.

State Secondary Market of Michigan

The purpose of the SSM is to purchase federally insured student 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 partnership between private lenders and the State of Michigan produces additional dollars for the lenders to offer new federal loans to their consumers and prospective customers.



As a state program intended to service solely the State of Michigan, the SSM enters into loan purchase agreements with only those lenders which have signed a loan guarantee agreement with the Michigan Guaranty Agency (MGA). However, purchases are not limited to Michigan guaranteed loans only, in the event the lender has signed agreements with multiple guarantors.

The State Secondary Market was initiated in April 1990, and its first purchase occurred in June of that year.

The State of Michigan has contracted for servicing the MDSLPL and SSM portfolios since its inception. The purpose of this ITB is to secure continuing servicing for these two student loan programs. For these loans the third-party servicer must process, disburse and service the loans in compliance with federal statutes and regulations. Funding for MHESLA's programs is made available through either tax-exempt or taxable financing.

The MHESLA's outstanding portfolio for these two programs as of September 1999 was approximately \$588 million and involved about 130,000 borrowers. The September 1999 monthly reports reflecting program activity are provided in Appendix 1. Fiscal year figures contained in the reports are fiscal year-to-date. The State's fiscal year is October through September.

II-B OBJECTIVES

General:

The objective of this ITB is to contract with loan servicers to service the MHESLA's Michigan Direct Student Loan Program and State Secondary Market portfolios in accordance with the federal and state laws and regulations, guarantor requirements, state policies, and the terms specified under Section II-C of this ITB.

The State is interested in having one primary and multiple secondary servicer(s) service their student loan portfolios. The primary servicer would inherit the outstanding MDSLPL and SSM portfolios from the current primary servicer as of the effective date of the contract. Portfolios currently being serviced by a secondary servicer would remain with that secondary servicer as long as that servicer was again chosen as a secondary servicer through this ITB. If a current secondary servicer is not chosen as a secondary servicer through this ITB, the State would determine whether the primary or a new secondary servicer or servicers would receive the portfolio the current secondary servicer is servicing.

The secondary servicer(s) would be allowed to compete against the primary servicer for new business/accounts that would include MDSLPL originated loans and SSM purchases. The State will allow borrowers and SSM lenders to determine which of the servicers will service their loans. The State will try to maintain the same servicer for borrowers by combining their loans when they are being serviced by more than one of the servicers. In this situation, the borrower's loans would be combined with the servicer most recently chosen by the borrower/SSM lender unless the borrower specifies differently.

Servicer(s) refers to both the primary and secondary servicer(s) unless otherwise stated.



Specific: Specific objectives are:

- a. The servicer will provide comprehensive software, data processing and operational support for all functions.
- b. The servicer must provide MHESLA access to and printing from the servicer's system in a dedicated, on-line environment.
- c. All hardware and software needed by MHESLA for access to and printing from the servicer's system will be the responsibility of the servicer.
- d. The servicer must provide sufficient toll-free telephone lines to be used by the borrowers and schools.
- e. The servicer must safeguard in a secure environment all hardcopy documents, including the original promissory note. All promissory notes and other loan documents are and shall remain at all times property of the State. The servicer shall at all times hold all promissory notes in trust for the benefit of the State, subject to the servicer's obligations with respect to the promissory notes as set forth in the other provisions of this contract.
- f. The servicer must maintain loan data necessary for proper billing and application of funds, for the completion of federal reports and billing of interest and special allowance and for preparation of MHESLA's financial statements and reports.
- g. The servicer must maintain an accounting of funding sources at loan level and properly apply any payments accordingly.
- h. The servicer must comply with appropriate federal and state statutory, regulatory and procedural requirements in the making, disbursing, servicing and repayment of the loans. This includes correction of prior servicing errors at the time of discovery.
- i. The servicer's failure to comply with federal and/or state requirements which results in a financial loss to the State will be the financial responsibility of the servicer and may constitute grounds for termination of the contract.
- j. If the servicer's failure to meet processing and reporting deadlines as established within this ITB results in a financial loss to the State, it will be the financial responsibility of the servicer to reimburse the State for any such loss. (An example of this financial liability would be the servicer's reimbursement of investment earnings lost on funds in the case where the USDOE 799 figures were not provided within the specified timeframe or earnings were delayed due to preparation errors.)

Any loss to the State due to the servicer's failure to perform any requirement under this ITB, federal regulations, statute, or guarantor policy, within the time frames stated herein, will become the liability of the servicer. This includes, but is not limited to, correction of prior servicer(s) or other party errors upon discovery.

- k. The servicer's failure to consistently meet processing or reporting deadlines for a 60-day period can result in termination of this contract.

Refer to #1 and #2 in Addendum #1 for clarifications.

**II-C TASKS**

The following is a preliminary analysis of the major tasks involved for developing the end product of this project. The Contractor is not, however, constrained from supplementing this listing with additional steps, sub tasks or elements deemed necessary to permit the development of alternative approaches or the application of proprietary analytical techniques.

1. An overall plan must be developed as a basis for executing subsequent steps as the project progresses. Essential to the process of this task is the preparation of a sound approach to attaining the objectives of the project.

TASK 1: MULTIPLE SERVICERS**a. General**

The State may contract with more than one servicer to accommodate student loan servicing needs. In the event of multiple services, additional requirements will be necessary for each servicer.

b. Hardware and Software

The primary and secondary servicers will work with the State and/or the State's designee to determine the hardware that satisfies the constraints of working with multiple servicers. It is the State's intent to have a single platform to service the user interface for each of the servicers.

The servicers must work with the State and/or the State's designee to help design the necessary software interface to allow the State to easily switch between servicers' applications from each terminal/personal computer. The requirement to sign off one servicer's system and sign on to another's is not acceptable. It will be the responsibility of the primary servicer to provide the State with any necessary joint hardware. Software and discrete hardware by servicer will be the responsibility of the appropriate servicer. The primary servicer will be responsible to provide maintenance and trouble-shooting expertise to the State in response to any systems hardware and/or software problems which arise.

c. Consolidated Reporting

The State reserves the right to have the primary servicer produce consolidated financial, operational or statistical reports across all of the servicers. The secondary servicers will be required to provide the primary servicer the necessary information on paper, disk, tape or another method mutually agreed upon to produce the reports. In the event the State does require consolidated reporting, the reporting requirements identified in Task 26 will apply to these reports as well. The State will work with the servicers to determine transmission media for each such report. If the service is desired by the State, a contract change will be made.



d. Computerized Directory of Borrowers

The primary servicer must maintain a computerized directory of all borrowers serviced by each of the State's servicers, primary and secondary. This directory must include at least the following information: borrower name, social security number, loan identifier and servicer for each loan. The State reserves the right to add to the required directory information as necessary. This information must be accessible on-line by State personnel by name and/or social security number. Updates to this system must occur at least weekly by both the primary and secondary servicers. The servicers must work with each other and the State to determine the appropriate method of updating the directory.

The primary servicer may bill the state for the initial programming required to create and populate the directory.

e. Combining Borrower Accounts

On a monthly basis, the primary servicer will generate a report listing those borrowers that have loans serviced by multiple servicers. See Task 26 for general reporting requirements. The primary servicer will send a copy of this report to the State. The State will instruct the servicers in regard to the loan transfers needed to merge the borrower's loans with a single servicer. Typically, the most recent activity will determine to which servicer the loans will be transferred. The servicers involved must work together to ensure the conversion of the loans takes place within 30 days of the State's instructions. Once the loan transfer is completed, the centralized borrower directory must be updated to reflect the proper servicer.

All materials (forms, correspondence, payments, etc.) received by the prior servicer pertaining to the loan(s) converted must be forwarded to the appropriate servicer within a mutually agreed upon time frame. The prior servicer must work with the servicer that is now servicing the loan(s) in all situations that require action by both servicers, such as stop payment requests, return checks, stale date processing, etc.

The prior servicer must basically comply with the provisions in Task 28 (Deconversion to Another Servicer) and may bill the State at the deconversion rate identified in Year 5 of the pricing sheets.

The new servicer to whom the loans are being transferred, must confirm the presence of required loan documents and must convert the loans to the servicer's system. The documents to be reviewed are the application, applicable addenda, promissory note, notice of guarantee and proof of disbursement. The servicer may bill the State at the conversion rate identified in the pricing sheets.

Bidder Response to this Task:

- a. To the extent such additional requirements can be met without a material and substantial expenditure of resources, Great Lakes shall meet such additional requirements without additional cost to State. Great Lakes shall evaluate such requirements. If in its discretion Great Lakes determines that such requirements can only be met with the material and substantial expenditure of additional resources, then Great Lakes shall propose to State how it intends to meet such requirements and the resources sharing or cost contribution required of State, if any.



- b. Great Lakes assumes that State currently possesses the hardware and other equipment needed with respect to the secondary servicer services to be performed by Great Lakes. It is anticipated that the specific hardware requirements with respect to the services provided by the primary servicer are sufficient to meet the requirements of State with respect to the services provided by Great Lakes.
- c. This proposal does not include this requirement as a result of the State's response to Great Lakes' question on this requirement.
- d. This proposal does not include this requirement as a result of the State's response to Great Lakes' question on this requirement.
- e. This proposal is restricted to GLHEGC guaranteed loans. Loan transfers methodology must accommodate this requirement.

Refer to #5 in Addendum #2 for clarifications.

Refer to #2 in Addendum #1 for clarifications.



TASK 2: HARDWARE AND SOFTWARE

a. General

The servicer must service the State's portfolio in accordance with applicable federal and state laws and regulations, and guarantor and State policy throughout the duration of the contract and ensure that the servicing system used to service the State's portfolio complies with these requirements. During the term of the contract, the servicer will provide an interface between the State and the servicer's servicing system being used.

The servicer's system must be able to interface with the guaranty agency and/or the guarantor's servicer and must be adaptable to required changes attributed to federal and/or state statutory, regulatory or procedural changes. Any systems modifications required as a result of the mandatory changes must be made, tested and in place by the effective date of the change.

If the State is serviced by multiple servicers, the servicers will have to work with the State in designing a system that will allow the State to communicate electronically with all servicers through one terminal. See Task 1.

b. Hardware/Software to be used by the State

The servicer's system shall interface with the State's existing hardware. If the servicer is unable to interface with the State's existing hardware, they must provide hardware as required for appropriate access to their servicing system. All hardware, software and other materials needed to allow the State access to their servicing system, as well as any installation and maintenance required, are the responsibility of the servicer. A one-time fee for the cost of the materials, installation and maintenance may be identified by the servicer on the first year's pricing sheet. Cost for on-going maintenance may be identified on the remaining pricing sheets.

The servicer shall provide the State with a dedicated data circuit for purposes of on-line inquiry and on-line update. The State's access for either inquiry or update must be on-line in real-time. The State will reimburse the servicer for actual cost incurred for the initial set up and monthly line fee associated with the dedicated data circuit. If agreed to by the State, dial-up access may be permitted in situations of low usage. If a dial-up system is permitted by the State, it must allow the State the same capabilities as on-line access.

At the State's request, the servicer must provide a printer(s) to the State compatible with the servicer's system that will allow the State to print materials from their system. Any servicer-provided printer(s) must be acceptable to the State. The servicer may identify a one-time fee that will be charged to the State at the time the printer is provided. This is reflected in the pricing sheets.

All hardware provided to the State must be installed and in service by the date of conversion by the servicer. The servicer must provide troubleshooting help via telephone during the servicer's normal operational hours within 8 hours of the State's request for assistance and/or maintenance service to the State within 24 hours of the State's request for assistance.



c. On-line Access

The servicer will provide the State with on-line access to the database for inquiries and updating, if the update option is available. 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, as determined by the State.

Some of the items for which on-line update capabilities would be beneficial to both the State and the servicer are identified below:

- Borrower address and telephone number.
- Reference names, addresses and telephone numbers.
- Cosigner address and telephone number, if applicable.
- History notations (both free-form and automated).

With regard to inquiries into the system, the State requires access to those data elements the State considers critical. The servicer will determine the format for display purposes. The required data elements are provided in Appendix 2.

d. System Up-Time and Response Time

The servicer's on-line 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 days, between the hours of 7:30 a.m. and 5:00 p.m. (EST) on weekdays (excluding State of Michigan holidays).
- (2) The access and response time must be maintained 90% of the time in a range between one (1) and 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 is free to modify or enhance its system without notification to the State, unless the change affects the servicer's manner of doing business with the State's borrowers or affects the remote-access information provided to the State. In these situations, the State must be notified prior to implementation and be provided a full understanding of the change. Because the servicer is responsible for compliance to federal and state statute, regulations and policy, the servicer will be financially liable should such modifications fail to comply with said requirements.

f. Backup and Recovery

The servicer must develop, document and perform daily data file backup procedures 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. Demonstrated ability to restore all files is required. Back-up copies of system documentation, user manuals, and system operations manuals must also be stored off-site.

Documentation of the above must be available upon request of the State.



g. Security

The servicer must secure both its system and its facilities to protect the State's records. This includes access to all computer and record facilities so that only authorized persons are permitted entry into the facilities and controls that prevent the unauthorized access, entry or deletion of data into and from the data base. The State reserves the right to require the servicer's modification of its authorization levels if it is deemed appropriate. The servicer must be able to identify the person who entered each change made to the borrower's record.

h. Record Retention of Account Data

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

i. Single Borrower Account

The servicer's system must be integrated so the State can recognize that a single borrower may have other FFELP loan accounts with the State within the servicer's system. For example, assuming the servicer's system segregates the loans for servicing by the type of loan, a review of a Federal Stafford Loan account must reflect whether or not there is another State account such as a Federal SLS or Federal Consolidation Loan account.

The State would prefer multiple types of loans being combined into a single repayment account, thereby causing a single monthly payment to the borrower, provided the loans can be properly identified and tracked for reporting purposes.

j. 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 the State's portfolio in the event of a disaster. Backup processing/facilities must be operational within 24 hours of the loss of the main processing facilities.

The servicer's processing facilities must also be protected from fire, power loss, flood, earthquake, vandalism, sabotage, and other physical or electrical damage to the extent possible with current data center construction and physical security techniques.

Documentation of, and the demonstrated ability to meet, the disaster recovery plan must be made available upon request by the State.

k. National Systems

The servicer must be able to interact with national systems and processes at the request of the State. 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 FFELP loan processing.



I. Guaranty Agency

The servicer for the State must interact and interface with the guarantor and/or the guarantor's servicer, if applicable. If the guarantor changes servicer during the duration of this contract, the servicer must adapt its processes and systems to accommodate the guarantor's new servicer.

Bidder Response to this Task:

- a. The "RFP 271Q305: Great Lakes Educational Loan Services Inc. Questions and Answers" are incorporated into this RFP response generally and in the response to this Task specifically. Information shall be made available via web browser based interfaces and/or remote-access connections.
- b. It is anticipated that State currently possesses the hardware it requires and that there are no known specific or special requirements.
- c. Great Lakes proposes to substitute the remote access borrower history screens identified in the attached CICS manual (Attachment 7) as a replacement for the requirements identified in this section.
- d. Remote access is available from 7:00 a.m. to 9:00 p.m. (CST) Monday through Thursday and 7:00 a.m. to 5:30 p.m. (CST) on Friday. Remote access response time will be dependent on your internet connection. At Great Lakes, 95% of your requests will be responded to in less than one second.
- e. Great Lakes proposes to limit the required notification to the State to changes that effect the remote-access and to the conversion of loans to a new servicing system. The current wording of "change affects the servicer's manner of doing business with the State's borrowers" could be interpreted to require notification for every modification or enhancement.
- f. Backups of data are created following a process of weekly full volume backups with daily incrementals. Back-ups of data as well as documentation and manuals are stored off-site. Great Lakes contracts with a major recovery vendor to provide data center recovery services.
- j. Great Lakes' Recovery Point Objective is 48 hours for its Data Center and 72 hours for its business operations.

Refer to #6 in Addendum #2 for clarifications.

Refer to #2 in Addendum #1 for clarifications.



TASK 3: 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. Federally Required Changes

Mandatory changes necessary to meet federal laws, regulations, procedural or reporting requirements shall be made by the servicer at no cost to the State. The servicer should take this into consideration in identifying unit costs.

c. Guaranty Agency Changes

Mandatory changes necessary to meet the requirements of the guaranty agency that are not related to federally mandated changes shall be made by the servicer and the State will be responsible for cost associated with the changes.

d. State Requested Changes

If the State requests the servicer to perform software maintenance and enhancements the State will be responsible for payment of same, unless those enhancements are necessary to meet contract requirements or Federal or State statutory, regulatory or procedural changes.

The procedure to be followed is described below:

- (1) The State will identify the requested changes.
- (2) Within 30 days of the State's request, the servicer will provide an estimate of the costs to the State and the timetable for implementation. The cost of preparing such an estimate will be absorbed by the servicer.
- (3) If acceptable, the State will approve the requested change(s) in writing and instruct the servicer to proceed.
- (4) If not acceptable, the State will discuss the servicer's estimate to determine what alterations may be made that would allow approval by the State.
- (5) If the State is requesting the same changes of multiple servicers, the State will work with the servicers to determine an acceptable average cost to be approved for all servicers.
- (6) If the change is requested by the majority of the lenders being serviced, the servicer will work with those lenders being serviced to pro-rate an acceptable average cost.



e. Payment of State Requested Changes

On the pricing sheets, the servicer will provide a fixed hourly rate for such services. This hourly rate must include all costs associated with the changes as requested by the State.

After written approval by the State and the servicer's completion of the project, the servicer will bill the State for the entire amount due for the project via its regular monthly invoice. However, the invoice must clearly relate the charge to the State's authorization and cannot exceed the estimate as previously identified by the servicer and as approved by the State.

f. Guaranty Services

The State agrees to reimburse the servicer for annual charges by the Guaranty Agency to allow for application imaging and remote guarantee printing for lenders participating in the State Secondary Market.

Bidder Response to this Task:

The requirements of this task are consistent with Great Lakes' software maintenance and enhancement procedures.

TASK 4: GENERAL SYSTEMS AND OPERATIONAL REQUIREMENTS

a. General

The intent of this task is to identify overall systems and operational requirements. Reference to days refers to business days unless specified otherwise. Time frame requirements must be adhered to. The State does recognize there will be individual borrower instances when adherence to a particular time frame will not be possible. However, the State will only tolerate this on an exception basis.

The servicer is expected to sign and process all student loan lender documents when acting as the State's agent. This would include, but not be limited to, loan applications, denial overrides, disbursements, deferments, and forbearances.

b. Compliance

The servicer's system and operation must comply with guarantor requirements and federal and state statutory, regulatory and procedural requirements. All instructions received from the State must be adhered to. The servicer must initiate corrective action for all servicing errors as soon as detected and immediately advise the State of issues that cannot be corrected. Notice of the corrective action must be provided to the borrower and all appropriate agencies by the servicer.

c. Program Reviews and Audits

The servicer must cooperate fully with respect to program reviews and audits conducted on the State'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 the State for its internal costs associated with a program review or audit, such as staff time, audit tapes, computer usage, copies made, etc.

d. 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, repayment due diligence, 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 automated or canned messages is acceptable; however, the servicer's system must also allow free form messages by either the servicer or the State. To ensure the integrity of the State's records, the servicer's system must not allow history entries for the State's borrowers to be revised or deleted. All necessary changes must be done through an additional history entry which identifies and corrects the error. All history data must be transferred to the State or transferred to a subsequent servicer per the State's instructions at the termination of the contract.

e. Bond Fund Series Identification

Loans are financed through multiple bond funding series identified by a three (3) to five (5) digit alpha/numeric code. The servicer's system must be able to accommodate existing codes and new codes as necessary. Bond fund series 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 system for the State's use.

Bond fund codes will be provided to the servicer along with instructions as to their use. 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 series refinancing takes place or through some other manner.

f. Audit Trail

It is imperative that the servicer's history system provides 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 database and to facilitate efforts to analyze and audit accounts.



Audit trail data must be returned to the State or transferred to a subsequent servicer per the State's instruction at the end of the contract.

g. Status Codes

The servicer must utilize a series of status codes, viewable to the State, that identify the current status of the account, such as repayment, forbearance, bankruptcy, death, disability, delinquency, and default. When appropriate, the servicer will update the status code on the loan as part of the activity performed. The loan statuses currently used are listed in Appendix 2.

h. Telephone Contacts

The servicer must provide sufficient toll-free telephone lines to ensure at least a monthly 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 request by the State, 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 voice response system, the system must always allow the caller access to a servicer employee in case they need to talk directly to a person and it must be able to accommodate callers from rotary dial telephones.

The servicer's staff, whether responding to incoming calls or placing outgoing calls, must be adequately trained and have access to the data files necessary to research and resolve complex issues and questions so that a majority of the time, a second call will not be needed. Telephone inquiries that cannot be satisfactorily handled during the call must be researched and a return call made within 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 receipt of the call.

The servicer's collectors who perform collection attempts on delinquent accounts must be in a position to review the full loan record and identify all repayment options available to assist the borrower in curing the delinquency. The collectors must be knowledgeable of the repayment options available for the various programs and be in a position to provide any necessary forms to allow the borrower to apply for the repayment option for which it appears the borrower qualifies.

If the servicer receives calls that are within the control and responsibility of the State, the servicer must immediately refer the caller to the State. The State will provide the servicer guidance with respect to the type of calls that are within the State's responsibility.

i. Written Correspondence and Document Processing

The servicer must train and maintain sufficient staff to handle issues, problems and questions of a complex nature within the time frames required by the State.

Written correspondence and documents (e.g. forbearance and deferment forms) received must be responded to by the servicer within ten (10) 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.

If the servicer receives written correspondence or documentation that is within the control and responsibility of the State, the servicer must refer the materials to the State within five (5) days of receipt.

j. Outgoing Payments

The servicer is required to identify on all payment documents, excluding loan disbursements, the data below for payments sent to any party (State, Guarantor, borrower, etc.) for any reason if the payment relates to a borrower's record.

- Borrower's name
- Borrower's Social Security Number
- Loan/Promissory note number
- Bond fund series identifier
- Reason for remittance (e.g. loan overpayment, returned claim payment, payment received after death of borrower)

The servicer must enter a history comment stating who 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.

k. Borrower Mailings

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

l. Guarantor Updates and Reports

The servicer will be responsible for promptly processing all guarantor reports received and for submitting necessary reports and loan status updates to the guarantor, as described in these tasks, as well as any other reports or data that is requested by the guarantor. Reports and data must be submitted weekly, or as required by the guarantor, and must identify changes which 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.

m. Response to the State and/or the Guaranty Agency

If the State and/or the guaranty agency request information from the servicer, the servicer must respond within five (5) days. This includes verbal responses as well as requests for copies of account documents/materials or the borrower's file.

n. Legislative/News Media Contacts

The servicer must use all reasonable efforts to notify the State within 24 hours after receipt of any verbal or written inquiries received from a United States Congressman, State Legislator or their staff members related to services under this contract. Prior to responding to such an inquiry, the servicer must make the State aware of the inquiry and obtain approval of their proposed response. The response must then be provided within one (1) day of the State's clearance.



The servicer must immediately refer any verbal or written inquiries received from the news media related to services under this contract to the State.

o. Hard Copy Documentation Retention

The servicer must retain the original promissory note and other documents as required by federal or state statute and regulations or the guarantor in a secure, fire resistant environment. These documents must be maintained as long as required by federal or state statute, regulations or policy. Prior to the destruction of these documents, the servicer must secure the State's written approval.

At the State's request, the servicer must be able to provide the original or an acceptable copy of all other documentation or correspondence related to a borrower's account.

p. Copying of Materials

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 acceptable to the State. The servicer must retrieve and make available legible copies as requested by the State.

q. Facsimile and E-mail Capabilities

The servicer must have facsimile and e-mail capabilities to enable the State, guarantors 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.

r. 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.

s. 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.

t. Good and Bad Address Flag

The servicer must have a method to identify for the State if the borrower's address on the servicer's system is good or bad.



u. Forms and Materials

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

- (1) Any computer generated notifications.
- (2) All other forms needed that are not provided by the guarantor.

Any revisions needed in the forms or brochures provided by the servicer as a result 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 by the State prior to use or dissemination. The servicer must at all times maintain an adequate supply of forms and materials.

v. Overnight Delivery of Mail

If the State requests the servicer to mail materials for overnight delivery, the State will absorb the costs of such mailing. The State will provide instructions regarding billing.

w. 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. The servicer may charge the State for such copies, not to exceed \$.25 per sheet. The State will provide instructions regarding billing.

x. 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 State and may require the servicer's appearance in court, at hearings or at any other circumstances deemed as necessary by the State. Any costs incurred by the servicer will be reimbursed by the State.

y. Training

The servicer is responsible, at no additional charge to the State, to thoroughly train the State in the use of its systems and an understanding of the servicer's operational procedures. Upon request, the servicer must provide the State with copies of its operational procedures. If deemed necessary by the State, training must be provided at the State's location. The servicer is liable for any such training in the event of modifications and enhancements to its existing system. Such training must be provided prior to the implementation of the modifications/enhancements. If the State desires training for subsequent modifications/enhancements to be at the State's location, the servicer will be reimbursed for travel and training costs. The State will provide instructions regarding billing.



z. Enhancements

The State is interested in enhancements that will allow the State to provide more service to the State's borrowers as well as to facilitate the State's ability to use and interact with the servicer's system. Such enhancements could include the ability to access and print file materials/documents through the State's terminals/personal computers on site, the ability to select and display only specific data from an account history, such as deferments, etc.

aa. Portfolio Analysis

Periodically, the State will need to review its portfolio for various analyses. Upon request, the servicer must provide a master file record on magnetic tape or other medium identified by the State. 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 the State for these tapes at the price identified in the pricing sheets.

bb. State Records Held by a Third Party

Certain account materials for some of the State'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 prior to January, 1998, by previous servicers that went out of business. It is the responsibility of the servicer to interact with Image Express to obtain documents as needed to properly service borrower's accounts. Costs assessed by Image Express for document copies and searches regarding the State's portfolio may be passed on to the State through the monthly billing.

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. However, as there is a cost incurred when requesting materials from Image Express, it is expected that when appropriate time frames allow, the servicer will first contact other sources before contacting Image Express. These contacts would include the State, school, guarantor and, if the loans were purchased through the State Secondary Market, the prior lender. In addition, it is expected that the servicer will service loans in a timely manner which will allow sufficient time for contacting other sources prior to contacting Image Express.

The servicer must provide the State with a list identifying contacts made with Image Express. The list must include information such as the borrower's name, SSN, date of request, materials requested, date of receipt, account/loan number. This information is necessary for the State to reconcile costs charged by Image Express and to inform the State when a particular item has been requested. The request and receipt of the document or it's availability must be noted in the servicing history.

Bidder Response to this Task:

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| <p>b. Great Lakes will adhere to all instructions received from the State, however if the instructions require changes to operational procedures or Great Lakes servicing system that are not required by federal law or regulation or guaranty agency requirements, the State will be responsible for the costs associated with the change.</p> <p>c. Great Lakes agrees to annually provide to the State without charge a copy of its SAS 70</p> |
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compliance audit report and a copy of its Department of Education Compliance Audit for Lenders and Lender Servicers. Great Lakes also agrees to cooperate fully with respect to other audits conducted on the State's portfolio. Great Lakes reserves the right to charge the State its internal costs associated with these additional audits.

- d. Great Lakes' remote access to borrower history does not allow for the State to enter messages.
- e. Great Lakes uses a unique six-digit numeric portfolio number to identify bond funding series. This portfolio number must be assigned by Great Lakes in order to prevent duplication with numbers used by other serviced lenders.
- g. The State will be able to view the current status of a borrower account through the remote access borrower history screens identified in the attached manual.
- h. Great Lakes will be staffed to answer phone calls from 8:00 a.m. to 9:00 p.m. (CST) Monday through Thursday and from 8:00 a.m. to 6:00 p.m. (CST) on Friday.
- j. Outgoing checks sent to borrowers include only the borrower's name, a system generated payment reference number (replaces the social security number for security reasons) and the reason for the remittance. Outgoing checks to all other parties includes the borrower's name, social security number, unique six-digit numeric portfolio number (bond fund series identifier) and the reason for the remittance.
- n. Great Lakes commits to respond to written inquires received from a United States Congressman, State Legislator or their staff members in a timely fashion. Great lakes will sent the State a copy of its response as notification of its receipt of the inquiry.
- p. Great Lakes makes an image copy of all documents required by federal document retention regulations. Material incoming or outgoing borrower correspondence is also imaged. All other incoming or outgoing borrower correspondence is only logged in borrower history and not imaged.
- u. Great Lakes uses standardized forms, letters and materials for all serviced lenders. Where appropriate, these documents have been approved by GLHEGC.

Refer to #7,8,9 & 10 in Addendum #2 for clarifications.

TASK 5: CONVERSION TO INCOMING SERVICER

This Task is relevant only if the State's current servicer is not awarded this servicing contract.

a. Current Servicer

The State's educational loan portfolio is currently serviced by UNIPAC located in St. Paul, Minnesota, Denver, Colorado and Lincoln, Nebraska. The current servicer will hereafter be referred to as the incumbent servicer.

The incoming servicer that is awarded this contract can expect to use magnetic tape cartridges of the existing loan data base (in the incumbent servicer's format) to convert



the existing system's data to the file structure required by the incoming servicer's system.

b. Work Plan

Within 30 days of contract signing, the incoming servicer must submit a comprehensive conversion work plan for approval by the State. The incoming servicer must be ready to begin working on the conversion by October 1, 2000 with full conversion and operation by December 31, 2000.

Being operational specifically means the incoming servicer's ability to process all activities included in and required by this contract. The planning, scheduling, testing, evaluating and implementing of the takeover in conversion must have been completed by that date.

c. General Requirements

The incoming servicer will be responsible for and must provide all resources required for conversion planning and implementation activities, including, but not limited to:

- (1) Overall takeover/conversion project planning and management.
- (2) Conducting an on-site analysis of the incumbent servicer, if necessary, to identify and/or document takeover activities and requirements.
- (3) Defining specifications, coding, testing, implementation, and verification of all file and data conversion programs.
- (4) Implementing the system, including required hardware, software, modems and circuit lines, etc.
- (5) Providing documentation of procedures and on-site training of State staff for the understanding and utilization of the incoming servicer's system, to be made available and performed within 30 days of the data conversion.
- (6) Sending an introductory letter to all borrowers within ten (10) days of conversion which includes the incoming servicer's address and toll-free telephone number and an account statement. This letter must be approved by the State before implementing. For borrowers with loans already in repayment, the incoming servicer must also immediately provide a coupon book/billing statement and payment instructions.

d. Testing

The incoming servicer must develop and implement a comprehensive systems test of the conversion to confirm that their system is operating correctly and accurately to the specifications defined within this ITB. Final acceptance testing, including evidence of correctness of all systems transactions, reports and overall system balancing, must be performed to the satisfaction of the State prior to implementation. The State must accept the testing results as complete and acceptable in writing before implementation can proceed.

e. Progress Reports



Biweekly progress reports must be prepared by the incoming servicer and submitted to the State identifying the status of the conversion including any problems encountered, the next steps and other information necessary for the success of the conversion.

f. State Involvement

The incoming servicer must work closely with the State in the development and implementation of the conversion of its data files from the incumbent servicer. This is necessary so that the State agrees with and understands interpretations made for the conversion.

g. Data Base Conversion

The incoming servicer will be required to verify receipt of the existing data base from the incumbent servicer with appropriate control totals and to provide a report to the State of the converted data base. The State will evaluate the sample conversion, determine the acceptability of the control totals and approve the loading of the data base and files into the incoming servicer's system.

h. Hardcopy Documents

The incoming servicer will be required to verify receipt of the borrowers' files which contain the original, signed promissory note and other loan documents. Borrower files will be transmitted to the incoming servicer by the incumbent servicer in batches. Each batch will include a transmittal that lists the included files. Upon receipt of the batch, responsibility for the borrower files included is transferred from the incumbent servicer to the incoming servicer. By use of a bar code or other method acceptable to the State, the incoming servicer must initiate a method of tracking the borrower files received to allow for access by the servicer's staff. This is necessary as the incoming servicer will be responsible for proceeding timely with pending issues regarding these borrower's loans such as origination and repayment document processing, claim filing, etc. All financial penalties and/or fees assessed against the State due to untimely processing is the liability of the incoming servicer. The incoming servicer must compensate the State for the amount of its loss within 60 days.

Within 90 calendar days of the completed conversion of the data base and receipt of all borrower files, the incoming servicer must have completed an audit (1) of the promissory notes in the borrowers' file to the borrower's open loans on the data base, and (2) to confirm the presence of the application and any applicable addenda, promissory note, notice of guarantee and evidence of disbursement for each of the borrower's open loans. A written report identifying loan and document exceptions in social security number order must be provided to the State within fifteen (15) days following that period. The incoming servicer is responsible for requesting any missing documents from the incumbent servicer within five (5) days of becoming aware the document is missing. The incoming servicer will be financially liable for any loss to the State for loans because these documents cannot be located if the document was not listed as an exception to the State following the incoming servicer's file audit.

Notification

The incoming servicer will notify all current borrowers and eligible schools that there has been a change in the servicer for MHESLA's student loan portfolio. The



notifications will include a letter from the incoming servicer introducing their company as the new servicer and a letter on MHESLA's letterhead that confirms the change in servicer. In addition, the incoming servicer must provide informational materials to the schools that is directed at current and future applicants explaining the change in servicer and MHESLA's role in the student loan process. The letters and all informational materials must include information on how the borrower or school can contact the incoming servicer. These materials must be approved by MHESLA before use. For all letters sent to borrowers, an entry must be made in the borrower's account history that identifies the letters and when they were sent. The notifications must be completed within 60 days after the incoming servicer is in receipt of the electronic data base of all MHESLA borrowers.

j. **Costs for Conversion**

The bidder's loan servicing unit price must include up-front conversion costs. Unit servicing costs cannot be billed by the incoming servicer until the contract is operational.

Bidder Response to this Task:

Great Lakes is a secondary servicer and is therefore not proposing to provide conversion services.
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TASK 6: LOAN SERVICING: APPLICATION ENTRY, APPROVAL AND DISCLOSURE STATEMENT MAILING

a. **General**

The servicer must provide a computer system to process the origination of Federal Stafford (Subsidized and Unsubsidized) and PLUS Loan applications. The system must track the application from initial entry, approval/disapproval, disbursement and transfer for subsequent repayment servicing.

b. **Application Requests**

The servicer must provide applicants with all necessary application materials for the Federal Stafford (Subsidized and Unsubsidized) and/or PLUS Loans upon request. In addition, the servicer must include with the application mailing general information regarding the loan programs which has been approved by the State.

c. **Application Entry**

The servicer is responsible for processing loan applications for the Federal Stafford Loan Program (Subsidized and Unsubsidized) and the Federal PLUS Loan Program. The servicer must have a system on which to enter applications which allows entry of, and review of, all data elements required for loan guarantee and which discloses the status of the application in the entry/approval/disapproval/disbursement process. In addition, a four-digit alphanumeric field must be available for fund series designation which will be assigned by the State. The servicer's system must identify which type of application is being processed.



d. Tracking of Applications

The servicer's system must be able to track the applications following initial entry. At a minimum, the following status codes must be available:

- Application Entered
- Pending
- Cancelled
- Denied/Disapproved
- Approved by Lender
- Approved by Guarantor
- Awaiting Executed Promissory Note
- Awaiting Disbursement
- Disbursed

The servicer's system must update the applicant/borrower's account with the proper status at the time the activity occurs.

e. Application Review

The servicer is responsible for reviewing the 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.

The servicer is responsible for performing additional application reviews for requirements that are specific to the State. Currently, the State has an "Area of Service" requirement for loans originated. This requires the applicant or student for whom the applicant is borrowing to have a Michigan connection. To meet this requirement the applicant/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 a prior active loan with the State.

Review to determine if an applicant meets this requirement must be performed by the servicer along with any other additional review items the State may require.

f. Application Approval

The servicer is responsible for completing on the State's behalf the lender section of each loan application that meets the State's approval.

g. Submission for Guarantee

For application processes in which a 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 timeliest application processing possible. This transmission must take place within 48 hours of application approval by the State/servicer.



h. Receipt of the Notification of Loan Guarantee and Updating for Disbursement

The servicer must have the capability of receiving the guarantor's notification of guarantee by electronic means. Upon receipt of the notification of guarantee, the servicer must match it with the loan application. In some application processing scenarios, the notification of guarantee is received before the loan application. In such a case, the servicer must be able to update their system to reflect the guarantee and await receipt of the application. If the application is not received in 30 calendar days, the servicer must contact the school and/or the applicant to request the application.

Prior to disbursement, the servicer must compare the notification of guarantee information against the loan application information to confirm there are no discrepancies (such as disbursement dates, loan periods, applicant name or social security number, etc.). If any discrepancies are found, the servicer is responsible for resolving them.

The servicer will then update the system to show the guaranty agency's approval and update the system for disbursement.

i. Disclosure Mailings

The servicer is responsible for preparing, if appropriate, and mailing the Notification of Loan Guarantee and Disclosure Statement and other disclosures to the applicant in accordance with state and federal requirements, after the loan has been approved by the guaranty agency.

j. Copying of Material

The servicer is required to copy the loan documents and related materials by microfilm, microfiche, imaging or other method acceptable to the State prior to placing them in a secured area for safekeeping.

k. Servicing Fees

Origination fees may be billed for each application received and processed by the servicer on MHESLA's behalf. This includes applications received as paper applications and those received through an electronic method. In addition, an application is considered to have been received when a guarantee is received from the guarantor, whether or not the servicer has actually received the application. Origination fees may be billed once the application or guarantee has been entered onto the servicer's computer system and origination processing on the application has been initiated.

Bidder Response to this Task:

It is not anticipated that the services, commonly known as origination services, as delineated in Tasks 6 and Tasks 8, 9, 10(f) and 23(b), (c) and (d) will be performed by Great Lakes at the inception of the service agreement between State and Great Lakes. It is Great Lakes' desires to make such services generally available to State. In that regard, Great Lakes does not perceive any impediment to its performance of such tasks but, also recognizes that the student loan industry, generally, and origination service systems, specifically, change with some degree of frequency. In light of that fact, Great Lakes agrees to review such Tasks, taking into account the then present circumstances, should State choose to avail itself of such services, and determine Great Lakes' then present ability to perform.



Refer to #11 in Addendum #2 for clarifications.

TASK 7: LOAN SERVICING: CONSOLIDATION APPLICATION PROCESSING

a. General

The servicer must provide a computer system to process the origination of consolidation applications in accordance with federal laws and regulations. The system must track the application from initial entry, approval/disapproval, disbursement and guarantor notification.

b. Application Requests

The servicer must provide potential applicants with all necessary application materials upon request. In addition, the servicer must include with the application mailing general information regarding the Federal Consolidation Loan Program. This information must be approved by the State.

c. Application Receipt and Entry

The servicer must maintain a process to receive consolidation applications and enter the application data onto the servicer's computer system. In addition, a four-digit alpha/numeric field must be available for fund series designation which will be assigned by the State.

d. Corrections or Missing Information

The servicer must review the application materials, including Verification Certificates, and identify missing or unreasonable data (e.g., birth date equals today's date). The servicer is responsible for gathering all application data and forms necessary to process the consolidation application from the parties involved.

e. Tracking of Applications

The servicer's system must be able to track the applications following initial entry. At a minimum, the following status codes must be available:

- Application Entered
- Pending Edit Resolution
- Pending Verification Certificate Receipt
- Approved/Disapproved
- Disbursed

The servicer's system must update the applicant's account with the proper status at the time the activity occurs.

f. Approval/Disapproval

The servicer must review the consolidation application, including Verification Certificates, and approve or disapprove the application in accordance with federal law and regulations.



g. Disbursement

The servicer is responsible for disbursing, no less frequently than weekly, to the loan holders to pay off the educational loans included in the consolidation.

h. Consolidation Increases

The servicer must be prepared to process consolidation loan increases as allowed by federal laws and regulations.

i. Guarantor Notification

The servicer is responsible for notifying the guarantor of the consolidation loan and providing any information that the guarantor requires.

j. Borrower Notification/Disclosure

The servicer is responsible for notifying the borrower that the consolidation has been completed and providing a disclosure statement and repayment schedule within five (5) days following the disbursement or loan increase. The servicer must ensure a coupon book/billing statement is sent to the borrower prior to the first payment date.

k. Copying of Materials

The servicer is required to copy all consolidation application materials by microfilm, microfiche, or imaging prior to placing them in a secured area for safe-keeping.

l. Costs for Consolidation Application Processing

The servicer's price quotation for consolidation loan origination includes the entire process beginning with providing consolidation applications to prospective applicants through disbursement to loan holders.

m. Liability

If the servicer approves and/or disburses a Federal Consolidation Loan not in accordance with federal law and regulations which results in a loss to the State, the servicer is financially liable to reimburse the State to the extent of the State's loss. If the guarantee is removed and no cure is available, the servicer is immediately liable for the current principal and interest due.

Bidder Response to this Task:

b. Great Lakes sends to the borrower a Consolidation Application and/or other pertinent form which is/are produced in accordance with applicable regulation and Department of Education guidelines. (See Attachment 6.)

c. A unique six-digit numeric portfolio number will be used by Great Lakes to identify bond-funding series. This portfolio number must be assigned by Great Lakes in order to prevent duplication with numbers used by other serviced lenders.

e. The status of a consolidation application can be identified or derived from the information maintained on system.



g. Disbursements shall be drawn against a checking account maintained by Great Lakes. On the day of disbursement, Great Lakes shall fax the State a summary disbursement funding notification report and initiate an ACH transfer from the State to cover the amount of the disbursements.

Refer to #12 in Addendum #2 for clarifications.

TASK 8: LOAN SERVICING: DISAPPROVED LOANS

a. General

This task identifies the servicer's responsibilities in the handling of Federal Stafford (Subsidized or Unsubsidized) and Federal PLUS Loan Applications, which are disapproved for guarantee by the guarantor, or the State.

b. Disapproval Update

After the servicer receives notification of rejection from the guaranty agency or determines the applicant does not meet the State's criteria, the servicer will update their system to reflect denial and the reason for denial.

c. Disapproval Mailing

The servicer will notify the applicant and the school of the disapproval action.

d. Loan Documents

The servicer will keep the disapproved loan documents, including the application materials and, if appropriate, the guaranty agency's rejection notice. These documents can be maintained in hard copy or microfilm, microfiche, imaging or another format acceptable to the State.

e. Appeals

Should the servicer receive either telephone or written communication from a disapproved applicant seeking to appeal the disapproval action, the servicer will review the appeal within ten (10) days to ascertain if the loan application/applicant now meets State and guarantor requirements. If so, the application must be resubmitted to the guarantor for approval/disapproval. The State reserves the right to review any denial appeal. Currently, the State reviews all appeals to override a Federal PLUS Loan adverse credit denial. In the case of a Federal PLUS Loan adverse credit denial, the servicer will refer all written appeals along with the disapproved application and materials to the State. In the case of verbal Federal PLUS Loan adverse credit appeals, the servicer will request the applicant to submit a written appeal with supporting documentation, if applicable. If the State overrides the denial, the servicer will be advised in writing of the override. The servicer will then resubmit all necessary information to the guarantor for approval/disapproval.



Bidder Response to this Task:

See, Section I-G.

Refer to #11 in Addendum #2 for clarifications.

TASK 9: LOAN SERVICING: DISBURSEMENT FOR FEDERAL STAFFORD AND PLUS LOANS

a. General

The servicer will disburse Federal Stafford and PLUS loans per instructions provided by the guaranty agency and in accordance with school requested disbursement dates. It will be the servicer's responsibility to comply with federal regulations and handle all transactions associated with disbursement.

b. Multiple Disbursements

Federal Stafford and PLUS loans will be multiply disbursed per the direction of the guaranty agency and the school. Up to four disbursements will be identified for each loan.

c. Co-payable Check Disbursement

Federal Stafford and PLUS loans disbursed by check must be made co-payable to the borrower and to the school and must be mailed to the school for delivery to the borrower. Any exceptions to this process must be in accordance with federal law and regulations.

d. Check Stock

It is the servicer's responsibility to design and present the proposed check and check stub to the State for approval. After the State's 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 the State's name (Michigan Higher Education Student Loan Authority) as the lender of the loan, the social security number of the borrower, and the name and address of the servicer.

(2) Check Stub Information

The check stub must include the State'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, or PLUS), the alpha numeric fund designation code, and the name and address of the servicer.



e. Electronic Funds Transfer

The servicer will offer Electronic Funds Transfer (EFT) services for student loan disbursements to schools in accordance with federal law and regulations. EFT disbursement must be available by type of loan (Stafford, PLUS) and be designated at school level. This will provide each school flexibility to determine the disbursement process that is best for them. The servicer will use commercially reasonable efforts to provide timely EFT, within one business day, if possible.

The State permits and authorizes the servicer to disburse funds by EFT to those schools so designated by the State.

f. Timeliness of Disbursement

The servicer cannot disburse loans before the disbursement dates identified by the school. Additionally, those loans ready for disbursement prior to or by the dates identified by the school must be disbursed within five (5) days of the dates identified by the school or within five (5) days of the date the loan could be disbursed based on the servicer's receipt of all required documentation.

g. Frequency of Disbursement

The State requires daily disbursement of loans for each program.

h. Notification to Borrower

The servicer is responsible for sending a notice of disbursement to the borrower.

i. Disclosures

The servicer must comply with federal disclosure requirements prior to or at disbursement.

j. Account Maintenance

The servicer must perform the necessary account maintenance including a status code to update the system confirming the loan was disbursed. 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.

k. 120 Day Check Cashing Requirement

It is the servicer's responsibility to monitor loans disbursed by check for the federal 120-day check-cashing requirement. The servicer must refuse for payment any check presented after the 120th day from date of issuance. If the check is not cashed within 120 days, the servicer must proceed with cancellation of that disbursement.



I. Returned Checks

It is the servicer's responsibility to receive and void returned checks and to reissue the check(s), if appropriate. If the check is reissued, the servicer must make the necessary adjustments to the account to reflect the new data and report the revised disbursement information to the guaranty agency. If the check cannot be reissued, the servicer is responsible to initiate and process a cancellation or loan reduction.

m. Stop Payments

It is the servicer's responsibility to issue stop payments as requested or necessary. After confirmation that the stop payment is in effect, the servicer will reissue the check, if appropriate. If the check is reissued, the servicer must make the necessary adjustments to the account to reflect the new data and report the revised disbursement information to the guaranty agency. If the check cannot be reissued, the servicer is responsible to initiate and process a cancellation or loan reduction.

n. Reissued Checks

The servicer must reissue checks within ten (10) days of the determination that the check is to be reissued. The servicer must make the necessary adjustments to the account to reflect the new data and report the revised disbursement information to the guaranty agency.

o. Late Disbursements

The servicer must be capable of identifying and issuing late disbursements according to state and federal requirements. Within ten (10) days of receipt of the late disbursement request, the servicer will adjust the account, if necessary, and issue the late disbursement. An appropriate history item must be entered in the borrower's account history reflecting the late disbursement.

The servicer must notify the guarantor of the late disbursement per the guarantor's instructions.

p. Guaranty Agency Reporting

The servicer is responsible for reporting all disbursement data to the guaranty agency per the guaranty agency's instructions. A paper and/or a magnetic tape process may be available for reporting this information. Currently, a magnetic tape process is being used. If the servicer wants to use a different reporting process, they must first advise the State and work with the State to revise appropriate procedures before the new process may be implemented. In addition, should the guaranty agency charge an insurance fee, it is the servicer's responsibility to calculate and report the fee.

Disbursement data must be forwarded to the State to be received by the fifteenth of the month. The State will prepare a check, if appropriate, and forward the materials to the guaranty agency by the twentieth of the month.

q. Costs for "Application Processing"

The unit cost per loan for "application processing" includes providing applications to prospective applicants, guarantee processing, disbursement and associated processing.



r. Liability

If the servicer improperly disburses the State's loans which result in a loss to the State, the servicer is financially liable to reimburse the State to the extent of its loss.

Bidder Response to this Task:

See, Section I-G.

Refer to #11 &13 in Addendum #2 for clarifications.

TASK 10: LOAN SERVICING, GENERAL LOAN SERVICING

a. General

The servicer is responsible for performing general servicing associated with the State's portfolio in accordance with state, federal and guarantor requirements. This would include cancellations, adjustments, reinstatements, demographic updates, etc.

b. Status Code

The servicer must maintain a status code which identifies loans that have been cancelled.

c. Account Maintenance

The servicer will update the account as necessary within ten (10) days of receipt of the request and supporting documentation, if required. An appropriate history comment must be entered in the borrower's loan history identifying the action taken and the date it occurred.

d. Other Changes

The servicer will be responsible for making any changes as requested by the State. In addition, the servicer will make any name and/or address changes as reported by the borrowers and report this information to the guaranty agency, if required by the guarantor.

e. Notification

The servicer will notify the borrower of all adjustments made to the account that affect the loan. The servicer will notify the guarantor of the action taken per the guarantor's instructions. The school must be notified of loan cancellations.

f. 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 the State within 60 calendar days of either the State's or the servicer's awareness of the occurrence.

Bidder Response to this Task:

d. Great Lakes will adhere to all instructions received from the State, however if the instructions require changes to operational procedures or Great Lakes servicing system that are not required by federal law or regulation or guaranty agency requirements, the State will be responsible for the costs associated with the change.

f. See, Section 1-G.

Refer to #11 & 14 in Addendum #2 for clarifications.

TASK 11: LOAN SERVICING, IN-SCHOOL AND GRACE STATUSES**a. General**

Federal Stafford Loans (Subsidized and Unsubsidized) do not enter repayment until the conclusion of the in-school and grace periods. The intent of this task is to identify servicer responsibilities for loans while in these statuses.

b. Status Code

The servicer must maintain a status code which identifies loans which are in an in-school or grace status.

c. Interest Accrual

Only Subsidized Federal Stafford Loans are eligible for federal interest subsidy. Therefore, the servicer must clearly identify Subsidized Federal Stafford Loans from Unsubsidized Federal Stafford Loans. Interest which accrues on eligible loans during the in-school and grace periods is billed to the U.S. Department of Education quarterly for payment. Interest which accrues on loans ineligible for interest subsidy is the responsibility of the borrower.

In the event a loan is subsequently determined ineligible for federal interest subsidy, the servicer must have a designation to identify the ineligible status. Loans, which have lost eligibility, must not be included in quarterly federal interest billings.

d. Grace Period Adjustments

Federal Stafford Loans have grace periods varying from six (6) to twelve (12) months, dependent upon the Interest rate of the loan. If the servicer adjusts the grace period, the servicer will update the account appropriately, enter a history comment and redisclose to the borrower. The servicer is also required to report revisions to the guaranty agency per their direction.



e. Repayment Schedule

While the loan is in grace period, the servicer must establish the borrower's repayment schedule. This is required prior to conversion to repayment so the borrower is notified of the loan repayment terms and the expected first payment date and amount.

f. Borrower Mailings

The servicer is responsible for notifying the borrower that the grace period is about to end and for providing all repayment disclosures in accordance with state, federal and guarantor requirements.

g. Student Status Confirmation Reports from Schools

The servicer will be responsible for submitting student status confirmation reports to schools for borrowers in an in-school status unless arrangements are made with the guaranty agency to perform this function. If students drop below half time attendance or withdraw, the agreement must include having the guaranty agency notify the servicer of the enrollment change.

h. Enrollment Information

If a school submits or the guaranty agency reports enrollment information directly to the servicer, the servicer will process the information as instructed in Task 12.

i. 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 current status of the account. If the statement is returned due to a bad address, the servicer will perform skip tracing. This will reduce the number of bad addresses which may be found when the loans convert to repayment status.

j. Separation Date Contact

The servicer will send an account statement to borrowers at least 30 calendar days prior to their separation date for verification of the account status.

k. Payments

If borrower payments or school refunds are received while the account is in an in-school or grace status, the servicer will process the payment as identified in Task 20.

Bidder Response to this Task:

j. Great Lakes sends the borrower a separation date change letter at the time the borrower's status is updated from in school to grace.

Refer to #15 in Addendum #2 for clarifications.

**TASK 12: LOAN SERVICING, ENROLLMENT INFORMATION**

a. General

The purpose of this task is to identify the servicer's responsibility in the processing of enrollment information.

b. 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 website 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.

c. Guaranty Agency Reporting

If the servicer receives the enrollment information directly from the school or National Student Loan Clearinghouse website, the servicer, after appropriate account maintenance has been performed, must report the information to the guaranty agency.

d. Retention of Enrollment Information

The servicer must maintain all enrollment information received in hard copy form and/or on microfilm, microfiche, imaging or other format acceptable to the State. If any financial liabilities are levied on the State because the servicer could not produce either the hard copy document or an acceptable copy, the servicer will be financially liable to reimburse the State for any such loss.

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).

Bidder Response to this Task:

b. Great Lakes uses the school certification date for all enrollment transactions to insure accurate processing.
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Refer to #16 in Addendum #2 for clarifications.

**TASK 13: LOAN SERVICING, INELIGIBLE LOANS**

a. General

If it is determined that the student did not qualify for the loan disbursement(s), as defined in federal regulations, the loan or portion of the loan which the student should not have received is considered ineligible.

b. Status Code

The servicer must have a status indicator to identify ineligible disbursements to allow the State visual identification and reporting capabilities.

c. Assessment

The guaranty agency notifies the servicer of separation dates which 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 State.

d. Account Maintenance

The servicer must take the following action if a full loan or a partial loan (e.g., second/third disbursement) is determined to be ineligible.

(1) Full Loan

The servicer must perform the appropriate maintenance on the account including an indicator that the loan does not qualify for federal interest subsidy. (The effective date of that disqualification is the date of the first disbursement which may have occurred in a prior quarter. Therefore, the servicer would need to make a prior quarter federal interest adjustment.)

(2) Partial Loan

If only a portion of the loan is affected, such as the second/third disbursement amount, the servicer must perform the appropriate due diligence as required by federal regulations for the ineligible portion of the loan. The servicer must maintain an indicator that the partial loan amount does not qualify for federal interest subsidy. (The effective date of that disqualification is the disbursement date which may have occurred in a prior quarter. Therefore, the servicer would need to make a prior quarter federal interest adjustment.)

The eligible and ineligible portions of the loan must be identified separately on the computer screens accessed by the State.

e. Borrower Notification

The servicer must immediately demand payment in full of the ineligible portion of the loan, including principal, accrued interest, and special allowance attributable to the ineligible portion of the loan, as required by federal regulations.



f. Full Payment Received

If the borrower pays the demanded amount in full in compliance with federal regulations, the servicer will take the following action:

(1) Full Loan Situation

The servicer will treat the loan as a paid in full and refund to the federal government the interest benefits and special allowance repaid by the borrower.

(2) Partial Loan Situation

The servicer will apply the amount repaid by the borrower as a prepayment of principal and refund to the federal government the interest benefits and special allowance attributable to the ineligible portion of the loan.

g. Partial or No Payment Received

If the borrower fails to pay the amount demanded within the time frame allowed by federal regulations, the servicer will proceed with default processing on the total outstanding balance of the loan and refund to the federal government interest benefits and special allowance received on the ineligible portion of the loan.

Bidder Response to this Task:

b. Ineligible loans are only identified in the borrower's system history notes. The remote access screens display history notes.

Refer to #17 in Addendum #2 for clarifications.

TASK 14: LOAN SERVICING, REPAYMENT TERMS

a. General

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

Repayment Disclosure

The servicer must complete and mail the repayment disclosures in compliance with state and federal regulations, but in all cases, prior to the first payment due date. Data regarding conversion to repayment must be reported to the guaranty agency as required by federal regulations and guaranty agency policy.

c. First Payment Date

The servicer must schedule the first payment date in compliance with federal regulations. If the servicer fails to schedule the first payment timely, which results in a loss to the State, the servicer is financially liable to reimburse the State to the extent of its loss.



d. Repayment Length

The maximum repayment length for Federal Stafford, SLS and PLUS loans is ten (10) years, exclusive of authorized periods of deferment and forbearance. The maximum repayment length for Consolidation loans varies from 10 to 30 years, dependent on the total eligible outstanding educational debt. The servicer's system must verify that the length of repayment on the State's loans does not exceed the period allowable by federal regulations.

e. Method of Payment

The servicer has the option of either utilizing coupon books or a monthly billing statement as its method of billing the borrower. Regardless of the option chosen, the servicer must provide the coupon book/monthly statement to the borrower no later than 25 calendar days prior to the first payment due date. If monthly statements are used, subsequent statements must be mailed no later than three (3) weeks prior to the next payment due date. Should a duplicate be required, the servicer will issue duplicates at no cost to the State.

The State may choose to allow various methods of payment by the borrowers such as automatic payment to the State by the borrower's bank (ACH). The servicer must be able to accommodate various methods of payment.

f. Monthly Payment Amount

Federal regulations require a minimum monthly payment amount. However, the minimum payment may be reduced if the lender approves and provided 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 federally required payoff period.

g. Reduced Monthly Payments

In those cases where the monthly payment amount as scheduled by the servicer is required to meet payoff requirements, a reduction in monthly payments is not possible. Should the servicer receive such requests, the servicer must inform the borrower that reduced monthly payments are not permissible due to federal requirements, but that forbearance can provide a temporary reduced payment by the payment of interest only.

If the monthly payment amount as scheduled by the servicer results in an amount less than the payoff requirement and it appears that it is in the best interest of the borrower to reduce the monthly payment in order to avoid default, the servicer must offer reduced payments to the borrower.

h. Graduated or Income Sensitive Monthly Payments

The servicer must offer graduated and income sensitive monthly payments in accordance with federal law and regulations.



i. Changed Payment Amount

If the servicer changes the payment amount as allowed in paragraph "f." or "g." the servicer must make the necessary adjustments to the account. In addition, the servicer must redisclose the repayment terms to the borrower and issue a revised repayment statement/coupon. The revised repayment schedule must be reported to the guaranty agency if the guaranty agency so requires.

Retroactive Due Date Notification

If the servicer learns that the borrower's loan should have been in repayment at an earlier date, the servicer is required to process a due date change, including all loan maintenance, adjustments, history comments, capitalization of accrued interest, etc. This must be done in accordance with federal and state requirements and within the period required by the guarantor based on the date of the servicer's receipt of the notification. In addition, the borrower must be notified and provided with a repayment schedule, if appropriate.

If the servicer learns that the borrower's eligibility for a deferment has ceased, the servicer is required to terminate the deferment and process all loan maintenance, adjustments, history comments, capitalization of accrued interest, etc. in accordance with federal and state requirements and within the period required by the guarantor based on the date of the servicer's receipt of the notification. In addition, the borrower must be notified and provided with a repayment disclosure and coupon book or billing statement.

The servicer must report any enrollment information or deferment expiration information received to the guaranty agency as required by federal regulations and guaranty agency policy.

k. Department of Defense (DOD) Loan Repayment Forms

The servicer is responsible for the completion and processing of DOD Loan Repayment Forms that are received from our borrowers. Any deficiencies/problems associated with these forms must be handled by the servicer.

l. Refinancing of Federal SLS and PLUS Loans

The servicer must refinance Federal SLS and PLUS Loans for those borrowers requesting same. It is the servicer's responsibility to properly interpret and administer the refinancing options available by federal law. Forms used for refinancing can be those of the servicer, if approved by the State and guaranty agency, or forms provided by the guaranty agency. If there is a loss to the State due to the servicer's improper handling of a refinanced loan, the servicer must reimburse the State to the extent of its loss.

m. Verification Certificates From Other Consolidating Lenders

The servicer is responsible for completing, in accordance with federal regulations, Consolidation Verification Certificates that are received from other consolidating lenders for our borrowers. However, before the servicer may certify the State's loan(s) are eligible for consolidation, the servicer must verify that the consolidating lender is a current holder of a loan for that borrower.



Bidder Response to this Task:

e. Coupon books will be mailed to borrowers approximately 20 to 25 days prior to the first payment due date. Great Lakes offers borrowers two different methods of making their payments by ACH. If the State has a method of receiving ACH payments directly from borrowers, the state will need to electronically forward the payment information in Great Lakes standard format.

m. Great Lakes proposes to forward the State a daily LVC report as a substitute to the requirements of this section. At the time Great Lakes receives a LVC request, we will key the information from the LVC request into a data entry screen. The next day, we will fax a report to the State that lists by Consolidator the SSN for each borrower that might be a candidate for the single-lender rule (borrowers who only have one serviced lender at Great Lakes). This report captures the name of the consolidator as it is keyed into the data entry screen. We would request the State to simply indicate on the report (using nearby white space) either "Y" for OK to send completed LVC or "N" for do not provide payoffs. Please fax back the report to (608) 246-1608. For each "Y" we will mail out the LVC the next business day. For each "N" we will return the LVC without any financial data and affix a sticker that states, "Single Lender will not Complete Per 34 CFR 682.201(c)(1)(iv) Current Lender Offers Consolidation". We would encourage the State to contact the borrower to explain your policy and educate him/her on your consolidation program. If for some reason we have not received a response by Day 7, we will re-fax the report. We will also email you as notification that a second fax was sent. If we still do not have a response by Day 8, all LVCs that have been held for eight days will be treated as a "Y" and mailed. We have this in place as a safeguard to ensure that we still meet the 10-day requirement. This service costs \$800 per month.

Refer to #18 in Addendum #2 for clarifications.

TASK 15: LOAN SERVICING, REPAYMENT DUE DILIGENCE

a. General

The servicer must follow federal and state due diligence requirements in the collection of loans. When attempting to contact the borrower, the procedure must be acceptable to the State.

b. Due Diligence

It is the servicer's responsibility to ensure that federal and state requirements are adhered to in the repayment servicing of Federal Stafford, SLS, PLUS and Consolidation Loans. The servicer must provide its collection notices and letters (including the final demand letter) to the State for submission to the guaranty agency for approval prior to use. When performing telephone due diligence, the State requires the servicer to allow the telephone to ring a minimum of six (6) times before determining the call will not be answered.

c. Delinquency Status Levels

For each loan, the servicer must track the number of days delinquent. This information must be viewable to the State.



d. History Items

It is critical that the servicer enter clear and concise history items for purposes of further collections and communications with the borrower. Generic type history notations are not acceptable if the servicer reaches the borrower and there is either a promise to pay or deferment/forbearance form request.

e. Preclaims Assistance

During the delinquency cycle prior to claim submission, the servicer must request preclaims assistance from the guaranty agency per their instructions and as required by federal regulations. In addition, the servicer will be responsible for reporting cured delinquencies to the guaranty agency in accordance with their requirements.

f. 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. The servicer must comply with federal regulations regarding skip tracing.

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. If the skip tracing was done to resolve a loss of guarantee, the servicer must maintain acceptable evidence of location as required by federal regulations.

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

g. 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 the State acquires loans held by a guarantor which does not provide this service, the servicer will be responsible for notifying schools of delinquent accounts per federal regulations on behalf of the State.

h. Specialized Collection

The State reserves the right to require the servicer to subcontract for specialized collection efforts. The State must approve the subcontractor selected by the servicer.

If the State determines that specialized collection is in the best interest of the State, the State will notify the servicer at least 90 days before implementation. The servicer must submit accounts to the subcontractor electronically based on the perimeters identified by the State (loan balance and delinquency stage).

The State will work with the servicer and the subcontractor to establish this process. Should this be required, the State will pursue a contract change that would permit separate pricing to cover the servicer's costs.



Bidder Response to this Task:

b. GLHEGC has approved the collection letters used by Great Lakes.
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TASK 16: LOAN SERVICING, DEFERMENTS

a. General

It is the servicer's responsibility to assess a borrower's eligibility for and to process deferment requests per federal regulations.

b. 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 which 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 months of post-deferment grace the borrower has received.

c. Processing of Deferment Requests

It is the responsibility of the servicer to review and either approve or deny deferment requests. The borrower must be notified of the approval or denial action and, if appropriate, the reason for denial. If the deferment is approved, as part of the approval process, the loan must be updated to identify the type of deferment and the deferment beginning and ending dates must be entered in the loan history. If the deferment is denied, the loan history must be updated with a detailed explanation of the reason for denial. For denials that are based on ineligibility, the deferment form must be retained. 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.

The servicer must report approved deferments to the guaranty agency per federal regulations and guaranty agency policy.

d. Post-Deferment Grace Periods

Loans which were disbursed prior to October 1, 1981, qualify for a six (6) month post-deferment grace period. The servicer must grant the post-deferment grace period to those borrowers who qualify. If the borrower has several loans and not all loans qualify for a post-deferment grace period, the servicer must be able to segregate the loans accordingly for billing and due diligence purposes.



e. Requests for Deferment from Loan Applications

Upon receipt of a borrower's request for deferment on a loan application, the servicer will be responsible for processing the request for deferment on the applicable loan(s) according to federal regulation.

f. Deferment Documentation

The servicer must retain deferment forms that are approved or denied for reasons of eligibility in hard copy form, microfilm, by imaging or in another format acceptable to the State. For denied deferment requests, the servicer must also retain a copy of the letter to the borrower explaining the reason for denial. If any financial liabilities are levied because the servicer cannot produce either the hard copy document or an acceptable copy of the document, the servicer will be financially liable to reimburse the State for any such loss.

g. Prior Delinquency

Deferment requests must be processed for loans which have a delinquency prior to the deferment start, provided the borrower is eligible for the deferment. The servicer must process an administrative forbearance for or obtain a signed discretionary forbearance from the borrower in accordance with federal law and regulations to resolve the delinquency prior to the deferment start date before processing the deferment.

Retroactive Deferments

If the servicer is informed of a retroactive expiration of a deferment, the servicer must capitalize the outstanding interest as permitted by federal regulations. This must occur within the period required by federal regulations and the guarantor's requirement, based on the date of the servicer's receipt of the notification.

Bidder Response to this Task:

The requirements of this task are consistent with Great Lakes' procedures.
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TASK 17: LOAN SERVICING, FORBEARANCE

a. General

It is the servicer's responsibility to assess a borrower's eligibility for and process forbearance requests per federal regulations and State policy.

b. Administrative and Mandatory Forbearance

It is the servicer's responsibility to assess administrative and mandatory forbearance eligibility per federal regulations. The servicer must properly interpret the requirements and the required documentation to justify and authorize forbearance.

c. Discretionary Forbearance



The servicer will promote use of discretionary forbearance to help cure delinquent loans. The State'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.

d. Forbearance Accumulators

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

Forbearance Form

If a federal form is not required, the servicer's form must be approved by the State and guaranty agency prior to use. It must allow for capitalization of interest which accrues and is still outstanding at the end of the forbearance period. If the servicer does not have its own form or if the State and/or guaranty agency do not approve the servicer's form, the guaranty agency's form will be used.

f. Processing Forbearance Requests

It is the responsibility of the servicer to review and either approve or deny forbearance requests. The borrower must be notified of the approval or denial and, if appropriate, the reason for denial.

If the forbearance is approved, the servicer must determine the appropriate length of forbearance based upon the borrower's circumstances. The loan status must be updated to identify the type of forbearance applied and the forbearance period must be documented on the servicer's system. If the forbearance request is denied, the loan history must be updated with a detailed explanation of the reason for denial. For denials that are based on ineligibility, the forbearance form must be retained. 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.

The servicer must report all forbearance authorizations to the guaranty agency if required by federal regulations and/or guaranty agency policy.

g. Forbearance Payment Options

The servicer will give the borrower the option to pay all or a portion of the interest which 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.



h. Redisclosure

The servicer will redisclose to the borrower if interest was capitalized. The redisclosure must identify any repayment schedule changes that may be necessary as a result of the increased principal balance. If the monthly payment amount changed and the servicer utilizes a coupon book as the method of billing, the servicer must generate a revised coupon book to the borrower. The servicer must report the revised repayment schedule to the guaranty agency, if required by federal regulations and/or guaranty agency policy.

i. Forbearance Documentation

The servicer must retain forbearance forms that are approved or denied for reasons of ineligibility in hard copy form, microfilm, by imaging or in another format acceptable to the State. For denied forbearance requests, the servicer must also retain a copy of the letter to the borrower explaining the reason for denial.

If any financial liabilities are levied because the servicer cannot produce either the hard copy document or an acceptable copy of the document, the servicer will be financially liable to reimburse the State for any such loss.

Bidder Response to this Task:

e. Great Lakes uses forbearance forms that are standardized for all serviced lenders. These forms have been approved by GLHEGC.

Refer to Addendum #3 for clarifications.

TASK 18: 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.

Notifications

Upon receipt of notification that the borrower may be eligible for loan cancellation claim filing, the servicer must attempt to obtain required documentation from all sources (borrower, current and prior lenders, court system, family members, school, etc.) to evaluate the situation in order to file a claim in accordance with federal regulations. For all claim types where the servicer is unable to make a determination, the State shall be notified when the servicer ceases their efforts.

Upon receipt of bankruptcy notification, the servicer must immediately file a "Proof of Claim" with the Bankruptcy Court as required by federal regulations.

Upon receipt of documents confirming a death which makes the borrower eligible for loan cancellation, the servicer must return to the sender any payments received from the estate or paid on behalf of the borrower after the date of death. The determination of death may be made on the basis of a death certificate or other proof of death that is acceptable under applicable state law and by the guaranty agency.



c. Claim Package

The servicer must prepare and submit the claim package per instructions of the appropriate guaranty agency. If the servicer fails to file the claim timely, which results in a loss to the State, the servicer will be financially liable to reimburse the State to the extent of its loss. Do not file a claim if the loan amount is below the guarantor claim allowance minimum. Instead, delete the loan from the servicing system within the timeframe specified in Task 2.

d. Loan Status

As soon as the servicer submits the claim package to the guarantor, the servicer must update the loan status to reflect the claim filed status and identify the claim type. If the claim type cannot be identified in the status area, it will be included in the history comment.

e. History Comment

The servicer will enter a comment in the account history regarding the claim processing. It will include:

- Bankruptcy - The date the borrower filed for bankruptcy.
- Permanent Total Disability - The date the disability began.
- Death - The deceased date of the borrower/student.
- Closed School - The last date of attendance at the closed school.
- Delinquency Default - The next payment due date.
- Ineligible Loan - The last date of attendance at the school involved.

The servicer must also enter a history comment stating the date that the claim was submitted to the guaranty agency.

f. Copying of Material

Prior to mailing the claim package to the guaranty agency, the servicer must copy it in its entirety by microfilm, imaging or other format acceptable to the State.

g. 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 State and all outside agencies providing record retention for the State, 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 refile the claim timely, which results in a loss to the State, the servicer will be financially liable to reimburse the State to the extent of its loss.



h. 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 per the policy of the State. If the payment(s) are not sufficient to allow withdrawal of the claim, the servicer must forward the payments to the guarantor within 30 calendar days of the claim payment being applied to the loan.

i. Payments Received After Claim Purchase

If the servicer receives payments after the guaranty agency has purchased the claim, the servicer must forward the payments to the guaranty agency within 30 calendar days of receipt.

j. Contact with Borrower

If the servicer has contact with the borrower after the claim has been filed, but before the claim payment posts, all efforts must be made to avert the claim by means of forbearance, deferment or other arrangements as appropriate.

k. 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 State a daily listing of those accounts. The item(s) received must be applied to all applicable loans within ten (10) days of receipt.

l. 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. The servicer may not assess a cure fee if the claim denial is the result of a servicer error. If the cure is not successful and the claim denial is the result of a servicer error, the servicer will be financially liable to immediately reimburse the State in the amount of their loss.

m. Monitoring Claim Payments

The servicer must monitor accounts to insure that the full claim payment is received. Refer to Task 20 regarding claim underpayments and overpayments. If the payment is not received within 90-120 calendar days, the servicer must notify the State.

n. Purging Loans Off The System

The servicer may purge loans off the system after they have been paid-in-full for at least 90 calendar days. However, the servicer is responsible to perform any research required to obtain purged data when requested by the State or when it is



needed to complete any duty required by this contract at no additional charge to the State. This will include but not be limited to cumulative reports at various levels, such as borrower level, loan level, note level, and customer number level.

Bidder Response to this Task:

- e. The claim processing message does not include the date disability began, the deceased date or the next payment due date. The date disability began and the deceased dates are only available on our imaging system. The next payment due date is a data base field that is viewable on our remote lender access system.
- f. Great Lakes files an electronic imaging claim with GLHEGC.
- h. Borrower payments received after a claim has been filed but prior to claim purchase are automatically processed. If the payment is sufficient to withdraw the claim, the claim is automatically withdrawn. If the payments are insufficient to withdraw the claim, an updated claim payoff is automatically provided to GLHEGC.
- k. Claim withdrawal is an automated process between Great Lakes and GLHEGC and does involve notification to serviced lenders.
- n. Great Lakes system purge process automatically stores to imaging a copy of the borrower's system history. This history can be reviewed by Great Lakes' staff, however, it cannot be read by our computer programs and therefore, Great Lakes cannot provide any reporting after loans have been purged off the system. Great Lakes can manually research exception cases at no additional charge. Great Lakes will need to charge the State actual staff costs to research requests that do not involve borrower dispute resolution.

TASK 19: LOAN SERVICING, CURE PROCESS FOR LOSS OF GUARANTEE

a. General

This task refers to loans which the servicer and/or the State 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 State 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 State 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 State.

c. MHESLA Billing

The servicer may not charge the State a servicing fee for unguaranteed loans if the loss of guarantee is due to the servicer's error.



d. Federal Billing Adjustment

The servicer must make appropriate adjustments on the next quarterly federal interest and special allowance billing. If the violation is cured, a subsequent adjustment by the servicer will be necessary. The servicer must reimburse the State for the lost federal interest benefits and special allowance which are to be paid to the State quarterly.

e. 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).

f. 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. The State 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.

g. Successful Cures

If the servicer is successful in curing the violation, the servicer must immediately refile the default claim with the guaranty agency and/or request guarantee reinstatement, if applicable.

h. Unsuccessful Cures

If the servicer is not successful in curing the violation within twelve (12) months, the servicer is financially responsible and shall arrange for reimbursement to the State for outstanding principal and interest plus lost federal interest benefits and special allowance

i. Incurable Loss of Guarantee

If the reason for the loss of guarantee is not covered by the cure procedures (cannot locate original, signed note, etc.) and cannot be cured, the servicer will be financially liable as indicated in paragraph "j".

j. Financial Liability

If the loss of guarantee is due to the servicer's error, the servicer will be financially liable to reimburse the State at the end of the allowed cure period. Reimbursement must be within 60 calendar 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 the State. Situations requiring reimbursement to the State include, but are not limited to, those described below:

- (1) Violations, not cured within the State's specified time period, that would result in a denied claim if filed with the guaranty agency.



(2) Denied claim that is not cured within the State's specified time period.

(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 the State within 60 calendar 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 the State and which was lost as a result of the violation(s).

k. Assignment of Note

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

l. Deletion of Accounts

In those cases where the State assigns the promissory note to the servicer's lender in accordance with this task, the servicer must, within three (3) days of receipt of the assigned note, delete the loan from the State's portfolio.

Bidder Response to this Task:

The requirements of this task are consistent with Great Lakes' procedures.
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TASK 20: 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 acceptable to the State. The payments must be deposited on the date of their receipt.

Payment Review/Borrower Notification



The servicer must either (1) review the payment document to determine if it contains any qualifying language that would restrict the State's enforcement of the promissory note and applicable federal statute and regulations, or (2) in accordance with federal statute, notify the borrower where communications concerning disputed debts are to be sent. 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 are to be applied in accordance with federal and/or guarantor requirements. If the payment equals the scheduled payment amount, the servicer will advance the next payment due date by one payment. If the borrower's payment does not equal the scheduled payment amount, refer to paragraph "e." or "f."

Payoff payments received as a result of a consolidation loan are to be treated as borrower payments and processed the same.

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. Partial Payments

In the case of partial payments (less than the scheduled payment amount), the servicer will not advance the next payment date except as permitted by federal regulations and authorized by the State. When additional payment is received from the borrower which, when added to the partial payment, equals a scheduled payment amount, the servicer will advance the next payment date.

g. Refunds

Refunds received from schools are to be applied in accordance with federal regulations. When the servicer receives the refund, the servicer must recognize it as a refund and process accordingly. A history comment must be entered which identifies the reason for the refund and to which loan disbursement it applies.



h. Payments and Refunds Received by the State

The servicer will devise and make available a transmittal form which the State 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 the State's transmittal.

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

i. Late Charges and Collection Costs

The State currently does not assess late charges or collection costs. However, the State reserves the right to implement late charges or collection costs through the duration of this contract. If the State should take such action, the State will notify the servicer 90 calendar days prior to implementation of same.

j. 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 eight (8) 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.

k. Overpayments of \$5 or More

If the account is overpaid by the borrower, the servicer must wait at least 20 calendar 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 45 calendar days after the overpayment occurred. Overpayments which are the result of payoff payments from a consolidation loan must be returned to the consolidation lender. The servicer is financially liable for refunds made in error and must reimburse the State to the extent of its loss.

After overpayment processing has been completed, the servicer must complete paid-in-full processing.

l. Account Balances of \$25 or Less

The servicer must write off the balance remaining on an account 30 calendar days after the final billing statement has been sent if the balance (principal and interest) is \$25 or less. The State must be notified of each account that is written off. Once the write off is completed, the servicer will proceed with paid-in-full processing.



m. Claim Payments

Currently, the Michigan Guaranty Agency (MGA) sends claim payments to the State and the State 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, the State reserves the right to change this procedure and will give the servicer notification prior to implementation. When a guarantor other than MGA is involved, the claim payments will be transmitted directly to the servicer for processing.

If the claim payment overpays the account, the servicer must refund the overpayment to the guaranty agency as required by guaranty agency policy. All overpayments must be reported to the State.

If, after application of the claim payment, a balance (principal and interest) of \$25 or less remains, it may be written off. If the balance is more than \$25.00, 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 State of all requests for supplemental claim payment and amounts written off.

n. Payments Received After Claim Filed But Prior to Default Purchase

The servicer must maintain the defaulted loan 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. After receipt of the claim payment, the payments must be forwarded to the guarantor within ten (10) days.

o. Payments Received After Default Purchase

If the servicer receives payments after the guaranty agency has purchased the default, the servicer must forward the payments to the guaranty agency within ten (10) days of receipt.

p. Servicing Fees

Servicing fees may be charged no longer than 60 days after the servicer's receipt date of full payment, full cancel, full refund, or guarantee removal notice.

Bidder Response to this Task:

i. Great Lakes system can not assess collection costs. If the State decides to implement late charges, Great Lakes will assess an additional servicing fee of 25% of the late charge revenue collected. Great Lakes would request that the State to notify its borrowers of this change (change or charge). In the event State desires that Great Lakes so notify the borrower there would be an additional charge for the services rendered and the costs incurred.

j. Great Lakes uses a lockbox to process borrower payments. NSF check numbers are not included in the borrower history message nor is the NSF check returned to the borrower.

l. Account balances are automatically written off at the time the balance is reduced to the



lenders write off tolerance.

n. Borrower payments received after a claim has been filed but prior to claim purchase are automatically processed. If the payment is sufficient to withdraw the claim, the claim is automatically withdrawn. If the payments are insufficient to withdraw the claim, an updated claim payoff is automatically provided to GLHEGC.

Refer to #19 & 20 in Addendum #2 for clarifications.

TASK 21: 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 Fund Identifier

The servicer must update the loan's status to paid-in-full and retain the Bond Fund identifier so both are viewable by the State.

c. Processing Time

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

d. Note Processing

Two options exist for paid-in-full processing. The servicer may choose either option below:

- (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.

e. Record Retention

The servicer will copy the entire folder contents by microfilm, microfiche, imaging or other format acceptable to the State and retain the paid-in-full files in a secure place for the time period required by federal law and regulations.



f. Guaranty Agency Reporting

The servicer must report paid-in-full loans to the guaranty agency according to the guaranty agency requirements. Loans paid-in-full by consolidation must be identified as such.

g. Liability

If in error the servicer returns the incorrect promissory note(s) to the borrower for a loan(s) which is still outstanding, the servicer must reimburse the State within 60 calendar days the amount of the outstanding balance of the loan(s) on which the error occurred, inasmuch as the State no longer has a valid promissory note.

h. Purging Loans Off The System

The servicer may purge loans off the system after they have been paid-in-full for at least 90 calendar days. However, the servicer is responsible to perform any research required to obtain purged data when requested by the State or when it is needed to complete any duty required by this contract at no additional charge to the State. This will include but not be limited to cumulative reports at various levels, such as borrower level, loan level, note level, and customer number level.

Bidder Response to this Task:

d. When a borrower pays in full their account, Great Lakes mails the borrower a paid in full congratulations letter. The letter does not offer to return the promissory notes because the MPN is an open credit instrument.

h. Great Lakes system purge process automatically stores to imaging a copy of the borrower's system history. This history can be reviewed by Great Lakes staff, however it can not be read by our computer programs and therefore, Great Lakes cannot provide any reporting after loans have been purged off the system. Great Lakes can manually research exception cases at no additional charge. Great Lakes will need to charge the State actual staff costs to research requests that do not involve borrower dispute resolution.

TASK 22: 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 lenders participating in the Michigan Guaranty Agency programs. It is desirable for the servicer to provide an experienced marketing



representative acceptable to MHESLA to visit existing and potential clients upon request MHESLA.

c. Local Lender Loans Program

As an optional service, MHESLA offers support to lenders participating in the Local Lender Loans Program by agreeing to cover origination and servicing costs if the lender agrees to sell to MHESLA within a specified time frame those loans involved.

The servicer will perform complete origination and servicing for the participating lender based on an agreement between the servicer and the lender. The servicer will charge the lender the same fees that it charges MHESLA for these services and MHESLA will absorb the lender's costs. The lender will sell the loans involved to MHESLA within twelve months of the first disbursement date. If the lender fails to sell the loans to MHESLA within the twelve month period or the loans at the time of sale are determined to be ineligible for sale to MHESLA, the lender will reimburse the State for all origination and servicing costs incurred by MHESLA.

The servicer must be able to track loans made through this program in order to provide MHESLA with statistical information regarding these loans. This will include, but is not limited to, statistics regarding the loans in the program, those that are ready for purchase, those the lender does not sell at the proper time, those that do not meet MHESLA's loan purchase criteria at sale time, etc. These reports will include different data depending on the stage of the loans at the time the report is created. Reports created prior to time of sale must include the number and amount of loans for each lender involved. Those reports created at time of sale will include at minimum the borrower's name, social security number, loan number, if appropriate, lender, loan amount, and first disbursement date. The data for each lender must be a separate section of the report and include the total number of loans and the amount of the loans. The report must include a summary page for all lenders in the program.

The invoice must identify fees for the Local Lender Loans Program by identifying the program and the lender's name.

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.

Instructions for Purchase

MHESLA, in conjunction with the servicer, will prepare a guide to be provided to lenders to instruct them in the procedures to be followed in the loan purchase process if the loans are currently serviced by the lender. The servicer will provide to MHESLA any and all of the information necessary to facilitate the conversion process. The information will be provided on the forms agreeable to MHESLA. The forms may need to be revised periodically, and the servicer must be able to accommodate these revisions.

f. Packaging

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 timely manner. The servicer will perform the functions normally performed by the selling lender at this stage including, but 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 bank areas and/or materials that are needed for the sale. In that case, the selling 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 MHESLA. Prior to any commitment to purchase loans under this condition, MHESLA will discuss the proposed sale with the servicer for scheduling purposes.

MHESLA will reimburse the servicer salary, travel and lodging costs or a packaging fee or \$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. It is in addition to the conversion fee that is identified on the pricing sheet.

g. Receipt of Loans to Be Converted onto the System

Upon receipt of the loans from the selling lender, the servicer will notify the selling lender and MHESLA within 24 hours of receipt that the loans have arrived. This notification will inform the selling 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 selling lender.

h. Inspection of Documents

The servicer will be responsible for inspecting documents based on criteria provided by MHESLA. This criteria may be revised periodically and the servicer must be able to accommodate these revisions. The documents to be reviewed are the application, promissory note, guarantee, and proof of disbursement. Through this process, the servicer will identify which loans do not meet MHESLA's criteria, and notify MHESLA.

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.

i. Determination of Portfolio Average Borrower Indebtedness (ABI) and Bond Indemnification

The verification of the loan balances used in the ABI calculation will be mutually agreed upon between MHESLA and the servicer. Prior to the sale, the servicer must notify MHESLA by facsimile the figures necessary to complete the calculations. At this point, MHESLA will determine the premium and transfer fees plus assign the bond identification. Forms will be provided by MHESLA.

j. Two Tier Purchasing Process

MHESLA uses a two-tier process in the purchasing of student loans. The two tiers are based on two dates—the "first cutoff date" and the "second cutoff date". The first cutoff date is the date of the last loan activity provided by the lender at the time the loans were shipped. This would be the date of the loan histories provided by the lender. The second cutoff date is the date of the last loan activity provided by the lender that encompasses all loan activity that has occurred from the first cutoff date through the second cutoff date.



k. Determination of the Second Cutoff Date

After the servicer has identified those loans eligible for purchase, the servicer must contact the selling lender and jointly determine the date to be used as the second cutoff. The servicer will then instruct the selling lender to forward to them all the activity that has occurred on the loans to be purchased from the first to the second cutoff date and instruct the selling lender to hold all activity that occurs on the loans to be purchased after the second cutoff date without updating their account records. Upon receipt of the loan activity from the first to the second cutoff date, the servicer will process the materials received updating the loans as appropriate. The processing of these materials is to be done within five (5) days. Once the processing of these materials is completed, the servicer must reconcile their records to those the selling lender has provided to verify that the number and amount of loans agree.

l. Determination of Sale Date

Once the processing of the materials from the first cutoff date to the second cutoff date is completed, the servicer must contact the selling lender and jointly determine the sale date. The servicer will then instruct the selling lender to forward to them all the activity that has occurred on the loans to be purchased since the second cutoff date. Upon receipt, the servicer will hold all account materials updating the loans after the purchase date. The processing of these materials is to be done within five (5) days.

Again, the servicer must reconcile the number and amount of loans to the figures the selling lender has provided.

j. Notification of Sale to MHESLA

Once the servicer has processed the loan activity through the second cutoff date, the servicer must notify MHESLA by facsimile the approximate amounts that will be involved in the sale. The servicer will supply the number of borrowers, number of loans, the current principal balance including capitalized interest, and the ABI amount. This information will be broken down by loan type, status and disbursement date, or as requested by MHESLA. Additional information may be requested and forms will be provided as needed. MHESLA will use these figures to complete a Loan Purchase Confirmation formally identifying for the selling lender the approximate amount of the sale. The Loan Purchase Confirmation is MHESLA's legal document confirming the sale with the selling lender and must be executed prior to the sale-taking place. MHESLA will notify the servicer in writing by facsimile the authorization to proceed with the sale along with the bond identification numbers. The servicer may not proceed with the sale until MHESLA has authorized in writing by facsimile that the servicer may proceed.

n. Sale and Conversion of Loans to the System

The servicer will be responsible for processing the sale and converting the loans purchased to the servicer's loan servicing system. The servicer will process conversions on a schedule mutually agreed upon with MHESLA.



m. Sale Amounts

Upon completion of the sale, the servicer must notify MHESLA's fiscal unit by facsimile by 9:30 a.m. EST/EDT on the day following the sale of the number of loans purchased, the number of borrowers included 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) and the loan category (i.e. first disbursement on or before 6/30/98 or first disbursement on or after 7/1/98 and Local Lender Loans criteria). This breakdown is necessary to accommodate state reporting needs and must be in a format acceptable to MHESLA. The data provided will be used by MHESLA to determine the amount of funds to be wired to the selling lender.

p. Reconciliation

The servicer must forward to the selling lender by overnight mail 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 selling 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 MHESLA within five (5) days.

q. Processing of Loan Activity After Sale

The servicer will provide the selling lender with a supply of forms to record payment, cancellation and refund information. The selling 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.

r. Exception Loans

The servicer will review the exception loans with the MHESLA. 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 MHESLA 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.

s. Resolution of Exception Loans

The servicer will reflect in the borrower's history the receipt of missing documents or other actions which resolve the exception issue.

t. Servicing of the Loans

The servicer will be responsible for the servicing of the loan regardless of the status of the loan at the time of purchase by the State.



u. Notification to the Borrower

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 and rules and regulations.

v. Guaranty Agency Reporting

The servicer must notify the appropriate guaranty agency of the purchase within the time frame required by the guarantor. The servicer can report this information either manually, assuming the guaranty agency is acceptable to manual submission, or electronically. If the servicer chooses to submit the information electronically, the servicer must use the transmission specifications of the appropriate guaranty agency. The servicer must submit all information as required by the guarantor.

w. Multiple Guarantors

The State utilizes multiple guarantors. 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.

Currently, MHESLA's secondary market operation is limited to lenders participating with the Michigan Guaranty Agency (MGA) and the Illinois Student Assistance Commission (ISAC). However, MHESLA may change their policy in the future to purchase loans guaranteed by other guarantors. Prior to negotiating purchase of loans guaranteed by a guarantor other than Michigan or Illinois, MHESLA will discuss the potential purchase and servicing of the loans with the servicer.

x. Liabilities

If the servicer fails to correctly perform the file review of loans for the application, promissory note, guarantee and proof of disbursement, and the state is unable to recourse the loans to the original lender due to not being informed of the exceptions by the servicer, the servicer will be liable to reimburse MHESLA for the outstanding balance.

Bidder Response to this Task:

Great Lakes' proposal covers only loans guaranteed by Great Lakes Higher Education Guarantee Corporation and originated and serviced by Great Lakes. Therefore, the following sections of this task are not applicable to Great Lakes proposal: (e), (f), (g), (h), (j), (k), (l), (m), (n), (q), (r), (s) and (w).

b. Great Lakes welcomes the opportunity to make joint visits with MHESLA to existing or potential clients with respect to loans guaranteed by GLHEGC.

c. Great Lake proposes to provide MHESLA its existing loan sale selection reports as a substitute for the reports described in this section.

o. Great Lakes proposes to provide MHESLA its existing loan sale reports as a substitute for the reports described in this section. These reports will be provided to MHESLA by facsimile by 10:00 a.m. CST on the morning following the purchase.

p. Great Lakes' proposal assumes that the requirement to forward reports by overnight mail does not apply since purchases will be limited to lenders that are serviced by Great Lakes.



Refer to #21,22,23 & 24 in Addendum #2 for clarifications.

TASK 23: LOAN SERVICING, CREDIT BUREAU REPORTS

a. General

The servicer will be responsible for providing credit bureau services to the State, as needed, in accordance with federal statute and regulations. This requires the servicer to secure and maintain membership in one or more of the national credit bureaus. The servicer must inform the State of the credit bureau(s) which the servicer plans to utilize for the State's portfolio.

b. PLUS Application Processing

The State currently uses the MGA's credit review service for PLUS Loan applications. Through this service, MGA performs the federally required credit review for each PLUS loan applicant on behalf of the lender. The lender/servicer is then notified of those applicants who have adverse credit. The servicer will be responsible for the denial processing of these applications and informing the applicants of their denial due to the adverse credit.

If this service is not available through the guarantor, it will be the servicer's responsibility to obtain credit bureau reports on PLUS Loan applicants and assess the credit bureau reports in accordance with federal law and regulations to determine if the applicants have an acceptable credit history. The servicer will, in all cases, deny PLUS Loan applications on the State's behalf from applicants who do not have an acceptable credit history and notify the applicants of this action.

General Inquiries from denied PLUS Loan applicants seeking clarification or further information regarding the denial, including those applicants denied for adverse credit, will be answered by the servicer. However, applicant appeals due to extenuating circumstances regarding adverse credit will be addressed by the State. All such appeals, along with the denial letter and corresponding credit bureau report, must be faxed to the State within three (3) days of receipt.

PLUS Loan Applicant Prescreening

In addition to the processing of PLUS Loan applications through the regular process, 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 school has the PLUS applicant complete a form providing needed information and authorizing 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. This information is then transmitted back to the school.



d. Other Application Processing

Other federal loans made by the State are not subject to creditworthiness standards. However, the State reserves the right, either based on policy change or changes mandated at the federal or state level, 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 as specified by the State.

e. Reporting to Credit Bureau(s)

On a monthly basis, the servicer will report all borrowers to national credit bureaus in accordance with federal regulations in the manner designated by the credit bureau. 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. The final report to the credit bureaus will reflect the reason for the zero balance due (defaulted, paid in full, etc.).

In the event of the State'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.

f. 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 the State'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.

g. Credit Verification Inquiries

Borrowers must authorize the State 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 the State within five (5) days of the servicer's receipt of the inquiry.

Bidder Response to this Task:

<p>b., c., and d. See, Section I-G.</p> <p>e. Negative past due reporting is indicated when the borrower's account is 90 days delinquent (as allowed by federal regulations).</p> <p>f. and g. Great Lakes responds to disputes and inquiries well within the time frames identified in the Fair Credit Reporting Act.</p>
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Refer to #11 in Addendum #2 for clarifications.
Refer to #4 in Addendum #1 for clarifications.

TASK 24: LOAN SERVICING: REPURCHASES

a. General

Repurchases refer to loans which the State 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 the State.

b. Default Repurchases

A lender may choose to repurchase loans and identify the criteria under which they are willing to repurchase. Assessment to repurchase a loan(s) paid by claim will be performed by the servicer, in accordance with the State's criteria. The servicer will be responsible for securing and retaining documentation from the borrower required to complete repurchase of the loan(s).

In addition, the servicer will perform repurchases on those accounts identified by the State.

c. Rehabilitation Repurchases

Pursuant to federal statute, defaulted borrowers have the right to establish eligibility to have their defaulted loan(s) rehabilitated and sold by the guarantor back to a lender. The State 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/Data Elements Verification

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 what is missing.

f. Fund Source

The State will assign the fund series 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 the State to repurchase the loan(s) and has received the correct principal and interest amounts from the guaranty agency, the servicer will notify the State of the borrowers name(s), loan(s), social security number(s), and the payoff amount(s) involved. Upon receipt of this information, the State will reimburse the guaranty agency for the loan(s). Within a mutually agreed upon time frame from receiving all required documentation, the servicer must establish and service the loan for the State.

h. Notification to Borrower

The servicer must notify the borrower of the loan repurchase in accordance with federal law and regulations, provide the borrower with a repayment disclosure, if applicable, and either a coupon book or a billing statement.

i. Collateral and Folder

The servicer must ensure that the loan collateral is received from the guaranty agency and has been assigned to the State. All documentation received by the servicer must be copied by microfilm or imaging and held to be placed in the borrower's folder.

j. Reporting to Credit Bureaus

The servicer will be responsible for reporting the repurchased loan to the credit bureau(s) as with other loans.

k. Servicing the Loan

The servicer will service the loan based on the servicing requirements contained herein and in accordance with federal law and regulations and guarantor/State requirements.

Bidder Response to this Task:

b. The only time that GLHEGC will reverse a claim purchase will be if a payment or status change document was received by the servicer prior to the claim being paid.

c. GLHEGC has agreements to sell all of its rehabilitated loans to three of its major originators of Stafford and PLUS loan volume.

Refer to #25 & 26 in Addendum #2 for clarifications.

TASK 25: LOAN SERVICING: MONTHLY RECONCILIATION TAPE

a. General

Previously, the State received a monthly reconciliation tape that was used to compare the State's loan records on the servicer's system to the guarantor's loan records. This reconciliation is not currently being done. However, the State reserves the right to implement this process again, if so desired.

If this process is implemented, the following requirements would apply.



b. Tape Layout

The servicer must use the tape specifications provided by the guarantor for the reconciliation tape. If this process were to be implemented, it would be necessary for the servicer to contact the guarantor for the tape layout in use.

c. Edit Processing

The servicer will run the tape data against their records of the State's loans and create an edit report of each data item which does not match the data contained within the servicer's records or for which no record is found (e.g. incorrect social security numbers). The servicer must also prepare a list of all the State's loans contained within the servicer's record which are not contained within the guarantor's record. The servicer must provide the State with a copy of the edits and the list of loans not contained within the guarantor's record.

d. Multiple Guarantors

In the event the State's portfolio consists of multiple guarantors, the servicer must accept each guarantor's reconciliation tape in the layout provided by that guarantor.

e. Costs

Should this service be required, the servicer's costs will be covered by the State.

Bidder Response to this Task:

<p>a. Great Lakes will be responsible for insuring its records are in agreement with the records of GLHEGC.</p>

TASK 26: FINANCIAL AND MANAGEMENT REPORT REQUIREMENTS

a. General

The servicer shall provide the State financial reports which the State 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 fund series resulting in fund series code changes. The servicer is responsible for preparing any special accounting reports which the servicer and the State mutually agree are necessary to reconcile servicer and State accounting records at no additional cost to the State.

The servicer will also provide the State with management reports necessary to monitor the servicer's performance in administering the State's portfolio in accordance with this contract. The management reports required are identified following paragraph "h".



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

b. Fund Series Listing

The State’s FFELP loans are funded through the sale of bonds and notes. The following list identifies the funding series in the State's current portfolio.

<u>Fund Series</u>	<u>Fund Series</u>
Operating Funds	XII R
XII A & B	XII R Local Lender Loans Program
XII C & D	XV A & B
XII E & F	XV C
XII G & H	XV C Local Lender Loans Program
XII I & J	XVI
XII K & L	XVI Local Lender Loans Program
XII M & N	XVII C
XII O	XVII C Local Lender Loans Program
XII P	XVIII A
XII P Local Lender Loans Program	XIX A
XII Q	XIX A Local Lender Loans Program
XII Q Local Lender Loans Program	

Where requested, report data must be broken down and identified by these codes. Loans originated and loans acquired through the State Secondary Market must be identified separately within each funding series.

Although the same code may be used for both Subsidized and Unsubsidized Federal Stafford Loans, some reports require this loan data to be separated.

Servicer Financial Statements

The servicer will provide the State with their financial statements at the servicer’s fiscal year end or upon request by the State. The financial statements must include an income statement, balance sheet, and statement of cash flow.

d. Reporting Method

The State prefers to receive reports through an electronic method, such as e-mail, the Internet, or computer disk, that would allow for electronic storage and would work with the servicer to accomplish this. However, if an electronic method is not possible, the State will accept reports on microfiche.

If microfiche is the reporting method used, the servicer must provide two (2) microfiche copies of each report, unless otherwise agreed to by the State, that are compatible with the State's microfiche reader-printer equipment which is currently a Minolta RP 600Z. The microfiche header label must identify the data as being MHESLA reports. All reports within each bond fund may be grouped together for the report period on separate microfiche reports sheets. In addition to the microfiche, the servicer will be required to provide the State with a hard copy when so requested. All hard copy reports must be printed single-sided.



e. Timeliness

The servicer must submit required reports to the State within seven (7) calendar days of the report period close date (weekly, monthly, quarterly, etc.) unless otherwise agreed to by the State.

f. Report Formats

The State will specify the data elements required in each report; however, the format of the reports will be at the servicer's option. Several sample report formats have been provided.

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: servicer's name, "MHESLA", report title, section title and fund series, 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.

The State utilizes more than one guarantor and all management reports must be separated by guarantor.

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

g. Ad Hoc Reports

There will be times when the State requires a one-time report or wishes to receive a new report on a regular basis. These reports may be for use by the schools our borrowers are attending or by the State. In these situations, the servicer must accommodate the State's needs. The State will work closely with the servicer to identify report parameters, such as data elements, sort, time period, frequency, etc. The servicer may bill the State for these reports at the price identified on the pricing sheets.

The servicer is required to provide the State with the ability to create and print out customized reports at the State's site using the loan data from the servicer's system. Materials, including software, necessary to accomplish this along with required training must be provided by the servicer at no additional cost to the State. This will allow the State to create one-time reports at will, without servicer involvement, when specific information or statistical data is needed.



h. Reports

Five different types of reports occur. Respectively, there are four (4) Management Loan Origination Reports, nineteen (19) Management Loan Servicing Reports, three (3) Management Loan Consolidation Reports, three (3) State Secondary Market Loan Management Reports, nineteen (19) Financial Reports, and two (2) School Reports.

Bidder Response to this Task:

- b. Great Lakes uses a unique six-digit numeric portfolio number to identify bond funding series. This portfolio number must be assigned by Great Lakes in order to prevent duplication with numbers used by other serviced lenders. A borrower's Federal Stafford Subsidized and Unsubsidized loans are combined into a single account. Most of Great Lakes Stafford reports will show information at a combined level. Interest will be reported separately for subsidized and unsubsidized Stafford loans.

- g. Great Lakes will provide the State a standardized monthly extract file for its ad hoc reporting needs. This will allow the State to develop customized reports and the ability to print the reports at the State's site. Great Lakes' standard reports will be transmitted electronically to the State via encrypted email or FTP. These reports can be printed at the State's site. The State will need to provide its own software and other materials to create these reports.

- h. Great Lakes proposes to substitute the attached comprehensive set of transaction and management summary reports as replacements for the reports identified in this section (Attachment 3). Each bond portfolio will have its own set of reports. Great Lakes will provide on-site training to MHESLA staff in the use of these reports. Origination reports will be generated daily, servicing transaction reports will be generated three times per month, and management analysis reports will be generated on a monthly basis. Payment collections from all sources can be remitted to the State on a daily basis via an ACH transfer, however the payment posting allocation between principal and interest will only be reported to the State three times per month on the Transaction reports.

Refer to #27, 28 & 29 in Addendum #2 for clarifications.

Refer to Addendum #4 for clarifications.

MANAGEMENT LOAN ORIGINATION REPORT 1

APPLICATIONS ENTERED BY SCHOOL TYPE

- (a) The purpose of this report is to provide the State with the volume of applications entered for proprietary/vocational and nonproprietary/nonvocational schools for the Direct Lending lender grouping. 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 fund series/loan programs for Direct Lending only. 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 the State on a monthly basis.
- (e) If the reporting method is microfiche, hard copy is required

MANAGEMENT LOAN ORIGINATION REPORT 2

APPLICATIONS IN PROCESS

- (a) The purpose of this report is to provide the State 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 fund series/loan programs for Direct Lending only. 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 the State on a weekly basis.
- (e) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN ORIGINATION REPORT 3

DISBURSEMENT REGISTER



- (a) The purpose of this report is to provide the State a daily listing of each loan disbursement issued for the State's Direct Lending lender grouping for each disbursement date so that the State 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 fund series/loan programs for Direct Lending lender grouping only 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 disbursement number order.
- (d) The servicer will transmit the Disbursement Detail - Social Security Number Order section of the report to the State on a daily basis but may hold the full original Disbursement Register daily reports and send them to the State on a weekly basis. The servicer may provide microfiche of the daily reports to the State on a monthly basis at the servicer's option.
- (e) If the reporting method is microfiche, hard copy for fax is required.

MANAGEMENT LOAN ORIGATION REPORT 4

MISSING FUND CODE NUMBER

- (a) The purpose of this report is to provide the State 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 Bond Issue 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 for Direct Lending lender grouping only.

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

(d) The servicer will submit this report to the State on the same cycle as the Michigan Direct Monitoring of Commitments by Bond Issue financial report.

(e) If the reporting method is microfiche, hard copy is required

MANAGEMENT LOAN SERVICING REPORT 1

BORROWER BILLED INTEREST REPORT

(a) The purpose of this report is to provide the State a listing of loans for which an interest billing was sent to the borrower during the report period for periods of deferment, at conversion to repayment, or for periods prior to the first payment due date.

(b) Detail data elements: Social Security Number, loan number, borrower's name, fund series, loan program, interest rate, code to identify whether the interest rate is variable, fixed, or split (e.g.: 8-10%), loan status, date interest billing was generated, outstanding principal balance, billed interest amount, start date of period billed, end date of period billed.

(c) Report Sections:

Detail - All fund series/loan programs for total portfolio by loan within Social Security Number order.

Summary - Number of loans billed for total portfolio.

(d) The servicer will submit this report to the State on a quarterly basis.

MANAGEMENT LOAN SERVICING REPORT 2

DEFAULT CLAIMS FILED

(a) The purpose of this report is to provide the State a listing of loans for which a default claim has been filed with the guarantor so that the State 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 the State 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.

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, fund series, 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 fund series/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 the State on a monthly basis.

- (e) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN SERVICING REPORT 3

DEFAULT CLAIMS TO BE FILED

- (a) The purpose of this report is to provide the State 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, fund series, 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 fund series/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 submit this report to the State on a weekly basis.
- (e) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN SERVICING REPORT 4**DEFAULT CLAIMS RECALLED**

- (a) The purpose of this report is to provide the State 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 the State. The State 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 fund series/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 this report to the State 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 the State on a monthly basis at the servicer's option.
- (f) If the reporting method is microfiche, hard copy for fax is required.

MANAGEMENT LOAN SERVICING REPORT 5**DEFAULT CLAIMS RETURNED FOR MISSING DOCUMENTATION**

- (a) The purpose of this report is to provide the State a listing of loans for which the guarantor has returned the default claim for missing documentation.

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, fund series, 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 fund series/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 refiled for each default claim type and for total portfolio.

- (d) The servicer will submit this report to the State on a weekly basis.

- (e) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN SERVICING REPORT 6

DELINQUENT LOAN REPORT

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

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

- (c) Report Sections:

Detail - All fund series/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. The servicer will submit this report to the State on a semi-annual basis if the state can access a monthly report electronically. Otherwise, the servicer will submit this report to the State on a monthly basis.

MANAGEMENT LOAN SERVICING REPORT 7



INELIGIBLE DISBURSEMENT/LOAN REPORT

- (a) The purpose of this report is to provide the State a listing of borrowers who have an ineligible disbursement or an ineligible loan as defined by federal regulations so that the State 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, fund series, 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 fund series/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 the State on a weekly basis.
- (d) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN SERVICING REPORT 8

LENDER'S REQUEST FOR ASSISTANCE

- (a) The purpose of this report is to provide the State a listing of each loan submitted to the guarantor for preclaims assistance in order that the State 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 fund series/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 the State on the same schedule as reported to the guarantor.

MANAGEMENT LOAN SERVICING REPORT 9

LOAN STATUS CHANGE TO GUARANTOR

- (a) The purpose of this report is to provide the State 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 the State 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 fund series/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 the State on the same schedule as required by the guarantor.

MANAGEMENT LOAN SERVICING REPORT 10

LOAN STATUS JOURNAL

- (a) The purpose of this report is to provide the State with a picture of the status of each loan in the State'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, the State will review the servicer's report to determine if the detail is acceptable to the State.
- (c) Report Sections:

Detail - All fund series/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 the State on a month end basis.

MANAGEMENT LOAN SERVICING REPORT 11

LOAN SUMMARY AND HISTORY

- (a) The purpose of this report is to provide the State 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, nonmonetary 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 the State, Social Security Number, account number if applicable, loan number, loan program, fund series, good/bad address indicator, good/bad telephone number indicator, date of the last update; Comaker/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 the State upon request and when filing default claims to the guarantor.

(e) If reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN SERVICING REPORT 12

LOSS OF GUARANTEE REPORT

(a) The purpose of this report is to provide the State 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 the State for the loss on the loan, or a State authorized write-off has occurred.

(b) Detail data elements: Social Security Number, loan number, borrower's name, fund series, 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 refiled, claim paid, claim denied again, write-off authorization requested from the State, write-off processed and State reimbursed.

(c) Report Sections



Detail - All fund series/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 the State on a monthly basis.
- (e) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN SERVICING REPORT 13

OVERPAYMENT/REFUND REPORT

- (a) The purpose of this report is to provide the State a listing of each loan overpaid by an amount as set by the State 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, fund series, 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 fund series/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 the State on a monthly basis.
- (e) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN SERVICING REPORT 14

PORTFOLIO ANALYSIS BY INTEREST RATE

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



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

Detail - A separate report page for each fund series 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 fund series in each lender grouping within total portfolio and for total portfolio.

- (d) The servicer will submit this report to the State on a semi-annual basis, currently 3/31 and 9/30.
- (e) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN SERVICING REPORT 15

PORTFOLIO ANALYSIS BY SCHOOL CODE

- (a) The purpose of this report is to provide the State an analysis of the outstanding portfolio by school of origination.
- (b) Detail data elements: school name, federal school identification number/branch number, total outstanding principal balance, total number of loans.
- (c) Report Sections

Detail - The report will be by school in descending order by outstanding principal balance within lender grouping. Individual loan detail is not required.

Summary - Outstanding principal balance and number of loans for all schools per lender grouping and for total portfolio.

- (d) The servicer will submit this report to the State on a semi-annual basis, currently 3/31 and 9/30.
- (e) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN SERVICING REPORT 16

PORTFOLIO BREAKDOWN - LOAN STATUS BY SCHOOL TYPE

- (a) The purpose of this report is to provide the State 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), 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 fund series 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 fund series in each lender grouping within total portfolio and for total portfolio.

- (d) The servicer will submit this report to the State on a quarterly basis.

- (e) If the reporting method is microfiche, hardcopy is required.

MANAGEMENT LOAN SERVICING REPORT 17

SOCIAL SECURITY NUMBER CHANGE

- (a) The purpose of this report is to provide the State a listing of each loan which has had a Social Security Number change so that the State will be able to request and obtain Loan Summary and History Reports under the old Social Security Number as needed.

Report must be cumulative.

- (b) Detail data elements: new Social Security Number, new loan number, old Social Security Number, old loan number, borrower's name, fund series, loan program, date of change, loan amount, first disbursement date.

- (c) Report Sections

Detail - Cumulative for all fund series/loan programs for total portfolio by new loan number within new Social Security Number order.

Summary - None.



- (d) The servicer will submit this report to the State on a monthly basis.
- (e) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN SERVICING REPORT 18

WRITE-OFF REPORT

- (a) The purpose of this report is to provide the State 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, fund series, loan program, write-off date, amount written off.
- (c) Report Sections

Detail - All fund series/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 the State on a weekly basis.

MANAGEMENT LOAN SERVICING REPORT 19

TRANSFER IN/OUT DAILY ACTIVITY

- (a) The purpose of this report is to provide the State 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 the State on a weekly basis.

MANAGEMENT LOAN CONSOLIDATION REPORT 1

CONSOLIDATION LOAN - CONVERSION TO SERVICING

- (a) The purpose of this report is to provide the State 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 the State 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, fund series, 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 fund series 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 the State on a monthly basis.
- (e) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN CONSOLIDATION REPORT 2

CONSOLIDATION LOAN - FUNDS TRANSFER REQUEST

- (a) The purpose of this report is to provide the State 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 the State for each funds transfer so that it is received by the State prior to the scheduled disbursement date.
- (e) If the reporting method is microfiche, hard copy is required.

MANAGEMENT LOAN CONSOLIDATION REPORT 3

**LOANS CONSOLIDATED BY ANOTHER LENDER**

- (a) The purpose of this report is to provide the State statistics regarding loans paid-in-full due to consolidation by another lender.
- (b) Detail data elements: Number of borrowers, number of loans, payoff amount.
- (c) Report Sections:

Summary - Total of all fund series within loan program and for total portfolio. Individual borrower detail is not required.
- (d) The servicer will submit this report to the State on a quarterly basis.
- (f) If the reporting method is microfiche, hard copy is required.

STATE SECONDARY MARKET LOAN MANAGEMENT REPORT 1
LOAN TRANSFER REPORT

- (a) The purpose of this report is to provide the State 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 the State 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 the State 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 the State 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 the State 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, fund series, 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, 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 fund series. (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 borrowers, number of loans, current principal balance, borrower interest accrual, late charges due, collection charges due and total paid to seller/received from purchaser for each loan program and all loan programs within each fund series 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 fund series and for total portfolio.

- (d) The servicer will submit this report to the State for each purchase or sale.
- (e) If the reporting method is microfiche, hard copy is required.

STATE SECONDARY MARKET LOAN MANAGEMENT REPORT 2

LOAN TRANSFER - NOTIFICATION TO GUARANTOR

- (a) The purpose of this report is to provide the State a listing of each loan included in the loan transfer notification to the guarantor in order that the State 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 fund series/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 the State on the same schedule as reported to the guarantor.

STATE SECONDARY MARKET LOAN MANAGEMENT REPORT 3

LOCAL LENDER LOAN PROGRAM

- (a) The purpose of these reports is to provide the State with a listing of all loans committed to and disbursed through the Local Lender Loan Program. The servicer must report



each loan at the time the commitment to the fund series is made, when the loan is disbursed, and the loan status until sale to the State.

(b) Report Breakdown - Disbursement Summary

Detail data elements: local lender's name and federal identification number, originating lender's name, originating lender's federal identification number, borrower's Social Security Number, borrower's name, guarantee date, guaranteed amount, date of each disbursement, amount of each disbursement, loan program, total for each local lender, total for each originating lender.

Lender Groupings: Alphabetical by local lender's name within the originating lender.

Loan Programs: All.

Detail: Alphabetical by borrower within each local lender.

Format: Local lenders will be listed alphabetically within each originating lender with page breaks between lenders.

Subtotals: Total disbursed for each local lender.

Totals: Total disbursed for each originating lender.

Frequency: Month end.

Report Type: If the reporting method is microfiche, hard copy is required.

(c) Report Breakdown - Servicing Summary

Detail data elements: originating lender's name and federal identification number, borrower's Social Security Number, borrower's name, current principal balance, loan program, loan status.

Lender Grouping: By originating lender name.

Detail: Alphabetical by borrower within each originating lender.

Format: Originating lenders will be listed alphabetically with page breaks between lenders.

Subtotals: Number of loans and total principal balance for each originating lender in the program.

Totals: Summary page for the total number of loans and the total principal balance outstanding.

Frequency: Month end.

Report Type: If the reporting method is microfiche, hard copy is required.

FINANCIAL REPORT 1

**PORTFOLIO RECONCILIATION: SUMMARY**

- (a) This report is used to reconcile the servicer's records with the State'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 series 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 the State on a monthly basis.

FINANCIAL REPORT 2**PORTFOLIO RECONCILIATION: DETAIL**

This report is used to reconcile the servicer's records with the State'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 series, 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 SERIES

- (a) The servicer will immediately deposit all payments 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 corresponding account with the Trustee. 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 Trust account number for both the trustee and MHESLA. 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 and the MHESLA's trustee on a daily basis.
- (c) If the reporting method is microfiche, hard copy is required.

FINANCIAL REPORT 4

PORTFOLIO RECAP SUMMARY



- (a) The purpose of this report is to provide the State an itemization of the State's entire portfolio within each assigned funding series 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 the State on a monthly basis.
- (d) If the reporting method is microfiche, hard copy is required.

FINANCIAL REPORT 5

CHECK /EFT DISBURSEMENT REGISTER

- (a) The purpose of this report is to provide the State 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 the State on a weekly basis.
- (c) If the reporting method is microfiche, hard copy is required.

FINANCIAL REPORT 6

DAILY ACCOUNTING DETAIL REPORT SUMMARY

- (a) The purpose of this report is to provide the State detailed and summarized accounting information from the loan origination services so the State may calculate the funds to be wired to the servicer for disbursements. The report should provide a breakdown of cancellations, void checks, guarantee fees reissued checks and disbursements by funding series. 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.
- (c) The servicer will submit this report to the State daily by facsimile.



- (d) If the reporting method is microfiche, hard copy is required.

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 series. 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 the State on a weekly basis.
- (c) If the reporting method is microfiche, hard copy is required.

FINANCIAL REPORT 8

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

- (a) The ED 799 is a quarterly federal report with six (6) parts, identification and certification, loan origination fee, interest benefits, special allowance, changes in guaranteed loan principal for the quarter, and guaranteed loan portfolio analysis for end of quarter, prepared for submission to the Department of Education. The report is a summary of the State's portfolio of loans eligible for federal interest benefits, special allowance, and origination fees applicable for each quarter. This information must be summarized in the format prescribed by the U.S. Department of Education, and must meet federal guidelines.
- (b) Information summarizing parts II through IV of the ED 799 by funding series must be provided.
- (c) The servicer must meet the conditions required by the U.S. Department of Education.
- (d) As primary servicer, the servicer must combine ED 799 reports from other State servicers for one submission to the U.S. Department of Education for the State's lender I.D.
- (e) The servicer will submit this report to the State on a quarterly basis within thirty (30) calendar days after the end of the quarter.
- (f) If the reporting method is microfiche, two hard copies are required in addition to the microfiche.



FINANCIAL REPORT 9

PRIOR QUARTER INTEREST

- (a) The purpose of this report is to provide the State separate interest billing figures for "current quarter" and "prior quarter." Federal regulations require that "prior quarter" interest adjustments as well as adjustments to "prior quarter" interest subsidy be explained on account level. This should be sorted by funding series and a summary by total portfolio.
- (b) The servicer must submit this report to the State on a quarterly basis within five (5) days after end of the quarter.
- (c) If the reporting method is microfiche, hard copy is required.

FINANCIAL REPORT 10

PRIOR QUARTER SPECIAL ALLOWANCE ADJUSTMENT

- (a) The purpose of this report is to provide the State with amounts which must be adjusted on the Special Allowance Report. The amounts must be provided according to the quarter in which the actual special allowance adjustment should have occurred and are noted by their respective "quarter-end dates" within their respective interest rates. This should be sorted by funding series and a summary by total portfolio.
- (b) The servicer must submit this report to the State on a quarterly basis within five (5) days after the end of the quarter.
- (c) If the reporting method is microfiche, two hard copies are required.

FINANCIAL REPORT 11

STATISTICAL INFORMATION

- (a) The purpose of this report is to provide the State 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 the State on a monthly basis.
- (c) If the reporting method is microfiche, hard copy is required.



FINANCIALREPORT 12

MONITORING OF COMMITMENTS BY FUNDING SERIES

- (a) The purpose of this report is to provide the State with total loans committed to a fund series but not yet completely disbursed to determine cash flow needs. The report is by funding series 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 the State on a monthly basis.
- (c) If the reporting method is microfiche, hard copy is required.

FINANCIAL REPORT 13

SUBSEQUENT DISBURSEMENTS REPORT

- (a) The purpose of this report is to provide the State with scheduled disbursement dates by funding series 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 the State monthly unless requested by the State on a more frequent basis (weekly).
- (c) If the reporting method is microfiche, hard copy is required.

FINANCIAL REPORT 14

CURRENT LOAN SERVICING REPORT

- (a) The purpose of this report is to provide the State with total number of loans, number of borrowers, and principal balance amounts by loan program, by funding series for use in statistical reporting.
- (b) The servicer will submit this report to the State on a monthly basis.
- (c) If the reporting method is microfiche, hard copy is required.

FINANCIAL REPORT 15

STAFFORD OUTSTANDING LOAN STATISTICS



- (a) A report that provides statistics regarding our outstanding Unsubsidized Federal Stafford Loan portfolio and the State'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 the State on a monthly basis.
- (c) If the reporting method is microfiche, hard copy is required.

FINANCIAL REPORT 16

LENDER NOTIFICATION OF FUND TRANSFER

- (a) A report that confirms funds transferred to the State. 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 the State summarized by funding series.
- (b) The servicer will submit this report upon each transfer.

FINANCIAL REPORT 17

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 series.
- (b) The servicer will submit this report to the State on a semi-annual basis.
- (c) If the reporting method is microfiche, hard copy is required.

FINANCIAL REPORT 18

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 series.

- (b) The report must be submitted quarterly.

FINANCIAL REPORT 19

PORTFOLIO PROJECTIONS BY SCHOOL TYPE

- (a) The purpose of this report is to provide the State statistics of loan movement within the State'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.
- (d) The servicer will submit this report to the State on a monthly basis.
- (e) If the reporting method is microfiche, hard copy is required.

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.

FOR ALL REPORTS, REFER TO #30,31,32,33,34,35,36 & 37 IN ADDENDUM #2 FOR CLARIFICATIONS.

TASK 27: AUDIT REQUIREMENTS**a. General**

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

b. Borrower Records

The servicer must provide data tapes containing data on all loans in the State's portfolios through the State's fiscal year end to the State's financial auditors. This must be done within fifteen (15) days of the end of the State's fiscal year at no cost to the State. 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 State.

c. Servicer Information

Copies of financial and compliance audits of the servicer shall be provided to the State 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 to be used by the credit enhancers and rating agencies of the State's bond issues or other capital formation activities.

Bidder Response to this Task:

The requirements of this task are consistent with Great Lakes' procedures.
--

TASK 28: DECONVERSION TO ANOTHER SERVICER

a. General

If the State terminates this contract or in the event the successful bidder of this contract does not receive the contract for a subsequent period (i.e., after 9/30/2005), the servicer awarded this contract (hereafter referred to as the "incumbent servicer") is responsible for converting the State's records to another servicer (hereafter referred to as the "incoming servicer") as instructed by the State. The State reserves the right to choose from among its retained servicers, one or more servicers to service some or all of the State's portfolio.

b. Deconversion Plan

The incoming servicer and the incumbent servicer will jointly be responsible for the development of a complete plan for conversion of all data records, including systems data, hard copy records, unprocessed documentation and microfilm, microfiche, imaging records, etc., to the incoming servicer. This plan must be developed in conjunction with the State and must meet the conversion deadline as established by the State.

c. Incumbent Servicer Support

The incumbent servicer must provide sufficient personnel with appropriate expertise to accomplish the conversion in an orderly and timely fashion by the deadline set by the State. The incumbent servicer must also work closely with both the incoming servicer and the State to finalize outstanding issues/adjustments during the post-conversion period.

d. Data Base Records

The incumbent servicer must transfer all data base records for the State's loans contained on their system to the incoming servicer at the conclusion of the contract. This includes, but is not limited to, the borrower's personal data, account data, loan level data, history records, name cross reference data, etc. The incoming servicer and the incumbent servicer will work together to resolve all conversion/deconversion issues to the satisfaction of the State.

The incoming servicer will be required to accept the records in the layout of the State's incumbent servicer.

e. Hard Copy Documents



The incumbent servicer must ship the borrowers' file folders containing the original promissory note and other documents in social security number order to the incoming servicer. With each batch, the incumbent servicer must include a transmittal, listing by social security number, each folder included and the total number of folders in the batch. A copy of each transmittal must be mailed under separate cover or faxed to the incoming servicer. The incoming servicer must confirm receipt of each batch and verify each folder listed on the transmittal is included. Exceptions must be noted on the transmittal and it must be signed by the incoming servicer confirming receipt. The incoming servicer must maintain a copy of each verified transmittal and forward the original transmittal to the State.

The incumbent servicer will be responsible for the borrowers' folders until their receipt by the incoming servicer. If any batches are not received by the incoming servicer, the incumbent servicer will be responsible for duplicating the folder contents and forwarding them to the incoming servicer. If the incumbent servicer cannot produce acceptable copies, the incumbent servicer will be held financially liable for the loans involved.

f. Records

The State must have access to microfilmed, microfiche, imaged documentation, 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 has two options relative to the availability of these records to the State following the termination or expiration of the contract:

(1) Transfer to Incoming Servicer

The incumbent servicer can transfer a copy of the film, microfiche, imaged data, etc. to the incoming servicer. The incumbent servicer must provide sufficient instruction to allow the incoming servicer's retrieval of the documentation. The incoming servicer would be responsible for compatible equipment to allow retrieval from the incumbent's documentation.

(2) Provide Requested Documentation

If the incumbent servicer is unable to provide the film, microfiche, imaged data, etc., the incumbent servicer must provide copies of documents as requested by the State. The State's request cannot exceed the mandatory federal retention period for that loan. Any such requests must be responded to within seven (7) days of the State's request, and all costs associated with retrieving, duplicating and transmitting the documents must be included in the servicer's quoted price for deconversion to another servicer.

g. Deconversion Deadline

The incumbent servicer must convert its data base records and hard copy files to the incoming servicer by the date instructed by the State. A minimum of 90 calendar days will be provided for deconversion purposes.

h. Unprocessed Documents

(1) Received Prior to Contract Termination

It is expected that the incumbent servicer will have received documents/payments which are unprocessed as of the conclusion of the contract. These



documents/payments would have been received in the final days of the contract and sufficient time was not available to process the information.

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 the effective date of the contract termination.

(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 the State. 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 borrower to contact the State, providing both the State's mailing address and telephone number.

i. **Checks Originated by Incumbent Servicer**

The incumbent servicer will be disbursing educational loans for the State through 9/30/2005. However, if the incumbent servicer is not awarded the subsequent contract, the incumbent servicer will be responsible for finalizing disbursement issues for disbursements which were originated by the incumbent servicer prior to the contract termination. For example, the incumbent servicer will process returned disbursement checks/EFT transmissions and school refunds received back from schools, will process stop payment requests on its checks, will be required to monitor checks issued for stale-date processing if the checks are not cashed within 120 days from date of issuance, resolve disbursement processing errors, etc.

Because the unit cost for origination processing includes the costs associated with the functions indicated above, the incumbent servicer must perform those services on the disbursements which the incumbent servicer issued at no additional charge to the State.

Should the situation exist after contract termination 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 State. After review and approval, the State will authorize the incoming servicer to issue the replacement disbursement.

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

In addition, the incumbent servicer must establish a mechanism with the incoming servicer to report weekly all adjustments attributed to these disbursement transactions. These reports 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 the State at the State's option.



j. 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, the State must have access to such proof, the State 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 State's request.

k. 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 the termination of the contract, the State 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 Task 19.

The State 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 Task 18. If the incumbent servicer fails to provide the required documentation which results in a financial loss to the State, the incumbent servicer will be financially liable to reimburse the State to the extent of its loss.

The incumbent servicer will provide the State with a weekly status report for each denied or returned claim described above.

Default claim packages recalled from the guarantor prior to the expiration of this contract by the incumbent servicer 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 the State with a copy of the transmittal.

The incumbent servicer will not process default claim payments received after the termination of the contract but will forward the payment and the report to the State or to the incoming servicer, if so desired by the State.

(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. Regardless of which servicer performs the cure process, the incumbent servicer will be held financially liable, if appropriate, as described in Task 19. If the incumbent servicer opts to perform the cure processing, the incumbent servicer will provide the State with a weekly status report 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 the State, the incumbent servicer will be financially liable to reimburse the State to the extent of its loss.

I. Costs for Deconversion to Another Servicer

The pricing sheet for this ITB contains a separate deconversion cost should the successful bidder not retain the State's contract after 9/30/2005 or should the State terminate or cancel the contract before 9/30/2005. Should the successful bidder of this ITB receive the subsequent contract, the costs for conversion to another servicer as quoted by the incumbent servicer and accepted by the State are null and void.

m. 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 the State. 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 the State as a result of the missing data.

Bidder Response to this Task:

- a. Great Lakes understands the incumbent servicer's responsibility to fully cooperate with the State and the incoming servicer both during and after the deconversion process, however the incoming servicer must be given the primary responsibility for the conversion of the State's records.

- e. Great Lakes proposes to retain responsibility for hard copy documents retention post termination and to provide the incoming servicer a process to request documents as needed. GLHEGC will review documents stored by Great Lakes as part of the claims review process for any State claims submitted by the incoming servicer.

- g. The incumbent servicer must submit its data base records to the incoming servicer by the date instructed by the State, however it is the incoming servicer's responsibility to convert the information onto its system.

- h. Great Lakes commits to sending unprocessed documents to the incoming servicer in a timely fashion, however the timing requirements listed in this section may not be possible.

Refer to #38, 39 & 40 in Addendum #2 for clarifications.

TASK 29: PUBLIC AWARENESS

a. General

The intent of this task is to identify the servicer's responsibility for assisting the State in informing the public of the benefits of the State's programs. The scope of this task will include students, their families, postsecondary educational institutions, financial institutions, high schools, etc.

b. Informational/Application Materials

The servicer will create, produce/print, distribute and update informational materials such as brochures, flyers, handouts, posters, etc. to assist the State in informing



individuals and institutions of program benefits and administrative procedures. Additionally, the servicer will provide these services for the State's application materials, fact sheets, forbearance forms, checkoff lists, etc. and any other materials required in the processing of FFELP applications. All such materials are subject to approval by the state prior to use by the servicer.

c. Training and Informational Sessions

The servicer will prepare and conduct, with the State's assistance and participation, if appropriate, training sessions regarding the servicer's computer system, internal forms, procedures, etc. as requested by the State. It is the State's option to require the training to be at our location.

d. Borrower Mailings

At the State's request, the servicer will produce and mail letters to current State borrowers or select groups of State borrowers. Such mailings could be for marketing, collection activity from the State, informational, etc.

e. Cost for Public Awareness

The State will reimburse the servicer for cost plus 5% up to \$50 for services provided in relation to public awareness activities. However, the total annual cost may not exceed one tenth of a percent of the State's outstanding portfolio. Billings from the servicer must clearly identify the particular service provided. The State will instruct the servicer when their assistance is needed.

Bidder Response to this Task:

a. - b. As the organization responsible for representing Great Lakes Higher Education Corporation and affiliates, including the designated guarantor in Wisconsin, Ohio, Minnesota and Puerto Rico, as well as the originator and servicer of loans to a nationwide base of customers, Great Lakes Educational Loan Services has extensive experience in the creation and presentation of educational materials to the various publics served by the Corporation. In most circumstances, these materials are developed completely through in-house resources. Third party graphic and design firms have also been utilized.

Great Lakes' current proposal contemplates origination only with respect to Consolidation loans. Therefore, the provision requiring "Additionally, the servicer will provide these services for the State's application materials, fact sheets, checkoff lists, etc. and any other materials required in the processing of FFELP applications." is presumed to apply only to the Consolidation program as originated by Great Lakes.

c. Great Lakes also agrees to provide the State with training covering the Corporation's servicing system, forms, reports and procedures, etc., as needed.

d. The production and mailing of letters to the State's borrowers or selected groups of the State's borrowers is a custom service and would involve development and programming costs in addition to production and mailing costs.

e. Great Lakes will make all of the above listed Public Awareness services available to the State on an at-cost plus 5% reimbursement basis.

Refer to #41 in Addendum #2 for clarifications.



TASK 30: FRAUD AND ABUSE

a. General

This task covers the servicer's responsibilities for handling possible fraud and abuse cases.

b. Endorsement Issues

If a borrower claims that he/she did not endorse the check(s), the servicer shall immediately refer the borrower to the State. The servicer must provide the State with copies of any documentation that may be necessary to allow a proper analysis of the borrower's claim.

The State will be responsible for mailing any affidavits to the borrower and any referrals to the Michigan Attorney General's Office, if applicable.

c. Other Issues

The servicer will make contact with the State regarding any other claims of potential fraud and abuse as soon as discovered. The State will instruct the servicer based on the individual circumstances.

Bidder Response to this Task:

b. and c. Great Lakes will work with GLHEGC to resolve possible fraud and abuse cases. Great Lakes will only contact the State when assistance is needed.

II-D PROJECT CONTROL AND REPORTS

1. Project Control

- a. The Contractor will carry out this project under the direction and control of the Department of Treasury, MHESLA.
- b. Although there will be continuous liaison with the Contractor team, the client agency's project director will meet monthly as a minimum, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
- c. The Contractor will submit brief written biweekly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the client agency's project director; and notification of any significant deviation from previously agreed-upon work plans. A copy of this report will be forwarded to the named buyer in Acquisition Services.
- d. Within five (5) working days of the award of the Contract, the Contractor will submit to the Department of Treasury, MHESLA project director for final approval a work plan. This final implementation plan must be in agreement with section I-C subsection 2 as proposed by the bidder and accepted by the State for Contract, and must include the following:

- 1) The Contractor's project organizational structure.
- 2) The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.
- 3) The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.
- 4) The time-phased plan in the form of a graphic display, showing each event, task, and decision point in your work plan.

II-E PRICE PROPOSAL

All prices/rates quoted in bidder's response to this RFP will be firm for the duration of the Contract. No price changes will be permitted.

II-F CONTRACT PAYMENT

The specific payment schedule for any Contract(s) entered into as the result of this ITB will be mutually agreed upon by the State and the Contractor(s). The schedule must show payment amount and reflect actual work done by the payment dates, less any penalty cost charges accrued by those dates, broken down by bond fund series. As a general policy, statements shall be forwarded to the designated representative by the 15th day of the following month.

Conversion

Changing service providers is a high-risk enterprise for the State. If the incoming servicer does not deliver excellent results for the conversion, the State is at significant risk of providing poor service to students, parents and schools. Therefore, business and data conversion activities must be performed with a high degree of quality and with timely results. The transition must be seamless to our customers and the conversion must be managed by the servicer to insure no interruption of service. Risks to the State include: delayed system implementation; the quality of data conversion negatively affecting the accuracy of borrower records; customer dissatisfaction resulting in use of a different FFELP lender for future loans and loss of funds due to borrower nonpayment on existing loans; and the inability to secure further bond financing to fund loans. Because of the risk associated with business and data conversions, the success of the conversion will be measured based on the comparison of FFELP volume for the first twelve months of operation under the servicing contract compared to the lowest volume for any of the three most recently completed fiscal years for both originations in the MDSL P and acquisitions in the SSM. If the State experiences a reduction in loan volume for this period that is not attributable to a change in federal or state statute or regulations, guarantor policy, State policy or an overall decline in the national FFELP market at a percentage consistent with the FFELP decline in volume, the incoming servicer will be charged liquidated damages for the loss of business in accordance with the following tiered structure:

Tier for Lost Volume Damages - Liquidated Damages Formula

3-10% Volume decline	5% Multiplied by total first year servicing fees
11-20% Volume decline	10% Multiplied by total first year servicing fees
>20% Volume decline	20% Multiplied by total first year servicing fees

Operational Service Levels

Disincentives may be assessed due to the servicer's failure to meet the stated service levels as required in this section of the ITB at the discretion of the State. In addition, the servicer will be held liable for any penalties, forfeiture of loan guarantees, loss of loan principal and interest, loss of federal special allowance or interest benefits or any other monetary damages assessed against the State due to the servicer's violation of

contracted service levels in accordance with all federal statute and regulations and guarantor requirements.

Any violation of the service levels listed in the ITB may result in a ten percent (10%) holdback of monthly billings until the specified service level is resumed and resolved. Repeated failure to maintain the stated service levels may result in the servicer's forfeiture of the holdback amounts, at the discretion of the State.

The manner by which the servicer will regularly report compliance with these service levels to the State is at the discretion of the servicer (unless specified in the ITB). However, the State reserves the right to on-site inspection of the servicer's operations, at the discretion of the State, to investigate reported problems or otherwise verify servicer compliance with stated service level requirements. The burden of proof is on the servicer for any violation claimed by the State.



Addendum #1

RFP 271Q305: Great Lakes Educational Loan Services Inc.

Questions and Answers

1) With respect to Section II, at II-B, parts b. and c. can you provide further clarification as it relates to respondent's activities as a secondary servicer? If so, please provide such clarification.

Answer: The secondary servicer provides MHESLA with equipment, technical support, system training and a representative for contact, as needed. MHESLA currently accesses our other servicers' systems through our desktop PC's. The on-line access to the servicer's system must be via dedicated line or through the web, not by dial-up access. Printing capability for system prints is required. Laser jet printers are currently used for regular screen prints. For the best efficiency, report printing from either an FTP or system driven environment is highly desirable, and may be used to satisfy the hard copy requirement for some of the reports. Detailed information regarding our report printer is provided in the response to question #2.

2) Please describe in greater detail the hardware and software environment of the primary servicer as it relates to Task 1 and 2, and this RFP generally, in order to assist us in better understanding what effort is required of us to meet the requirements as a secondary servicer.

Answer: Currently, the State uses Windows NT. We do expect an upgrade to Windows 2000 and Zenworks, but a target date has not been established. For our current dedicated line access we utilize Rumba 6, Seagate Crystal 7 and CLASS software applications. Our agency utilizes a LAN system, and we do have access to the Internet with capability to access FTP files if they are not exceedingly large. From past experience, a 6 meg file appears to be too large. All transmissions (incoming and outgoing) go through a firewall. The report printer is a Hewlett Packard LaserJet 8500DN, 133 MHx processor, Ethernet memory, Dimms – 32MB SDRAM. Detailed system interaction is handled by our Department of Information Technology (DIT).

Consolidated reporting and a borrower directory discussed in Task 1 are not being utilized.

3) At various places within the RFP there is reference to State policy or policy of the state, as in the phrase "in accordance with applicable federal and state laws and regulations, and guarantor and State Policy", or in other similar context. Is "State policy" consistent with applicable federal regulations as it relates to the loans serviced or is it otherwise more onerous than the relevant and applicable federal statutory or regulatory requirement?

Answer: In instances where laws, regulations and guarantor policy does not give explicit guidance, the State has established it's own policies, such as write-off amounts and how to handle fraud investigations. Generally, these are identified in the tasks or the servicer is instructed to refer the situation to the State.

4) Regarding Task 23, is there anything contemplated in part a that is not included within the scope of parts b. though g.?

Answer: No.

**ADDENDUM # 2
REQUEST FOR CLARIFICATION #2
GREAT LAKES EDUCATIONAL LOAN SERVICES, INC.**

FFELP LOAN SERVICING FOR MHESLA

I-C Statement of the Problem

1. The contract response from Great Lakes Educational Loan Services, Inc. (Great Lakes) to the State's contract limits loans to be serviced to those (1) with a Great Lakes guarantee, and (2) already serviced on the Great Lakes system. Initially, the loans to be serviced will all be guaranteed by Great Lakes. However, we anticipate that in the future serviced loans will also include those guaranteed by the Michigan Guaranty Agency (MGA). The State understands there are currently no lenders in Michigan that MHESLA's State Secondary Market (SSM) could be purchasing loans from that do not have their Great Lakes guaranteed loans serviced on the Great Lakes system. However, this could change during the term of the contract. In addition, in the future when Great Lakes also services MGA guaranteed loans, it is possible the SSM would acquire loans guaranteed by MGA that are not being serviced on the Great Lakes system and would have to be added.

The State understands the pricing that accompanied the Great Lakes contract response would not have taken into consideration costs associated with system revisions necessary to accommodate servicing the MGA guarantee. The following language will be added to the contract to accommodate this. "In acknowledgement of the costs associated with system revisions necessary to accommodate servicing the MGA guarantee, Great Lakes will, at a future date to be mutually agreed to by the parties (currently anticipated to be not later than July 1, 2004), provide MHESLA with an adjusted pricing schedule and related modifications of Section II of the contract taking into consideration system revisions necessary to service the MGA guarantee or a separate pricing schedule for servicing loans guaranteed by MGA.

Does Great Lakes Agree to the Above Statements?

Great Lakes has modified in redline the statement shown above. Great Lakes agrees to the statement as modified.
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8/14/03 – Michigan Department of Treasury, Office of Purchasing.

The clarification response received from Great Lakes fails to confirm Great Lakes' intent to revise their student loan servicing system as necessary to be able to service Federal Family Education Loan (FFEL) Program loans guaranteed by the Michigan Guaranty Agency within a time period acceptable to the State. In discussions that occurred prior to initiation of the contract process, Great Lakes staff expressed the opinion that Great Lakes would be able to service MGA guaranteed FFEL loans within 60/90 days after Great Lakes began processing FFEL loans for MSU students; such processing has already begun. This time frame might have been too optimistic. However, being able to only agree to a date (anticipated to be not later than July 1, 2004) to continue discussions regarding the servicing of MGA guaranteed loans is not acceptable. The State expects Great Lakes to be able to service Federal Family Education Loan Program loans guaranteed by the Michigan Guaranty Agency by June 1, 2004.

Please provide a response to all tasks and pricing associated with servicing MGA guaranteed loans.

Great Lakes response to clarification:

Great Lakes agrees to service FFEL loans guaranteed by MGA by June 1, 2004 in accordance with the contract Tasks as modified in the RFP response and the subsequent Requests for Clarification (#1) and #2 and our respective responses.
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The following general considerations are essential to our ability to provide these services, and are to be applied throughout our response.

1. Guaranty Agency means Great Lakes Higher Education Guaranty Corporation (GLHEGC) or Michigan Guaranty Agency (MGA), and Guarantor instructions or directions means the directions or instructions as specified in the Common Manual. Issues or interpretations not specified in the Common Manual will be interpreted consistent with GLHEGC's interpretation.

2. All transactions submitted by Great Lakes to MGA and all transactions submitted by MGA to Great Lakes must be in either CommonLine (CLv4) or Common Account Maintenance (CAM) formats as applicable. All CommonLine transactions and CAM transactions #s 01-05, 07, 09, 10, 13-16, 24, 26, 40-44, and 96-99 must be transmitted electronically. If no provision is made in the industry standards for Commonline (CLv4) or CAM for a particular transaction, then the transaction will be transmitted in a mutually agreed upon format. MHESLA is responsible to insure that MGA or its service provider completes testing of all transactions with Great Lakes at least 30 days prior to their utilization.

The following are Great Lakes' specific responses to the tasks related to servicing the MGA guaranty that are not covered in responses to other questions in this Request for Clarification:

Response to Task 2

I. If MGA changes its system provider during this contract, MHESLA must insure tht the new system provider can communicate with Great Lakes in CommonLine and CAM as required in this response. Great Lakes and the new system provider will need to complete testing of all transactions before MGA goes live with the new provider. This change will be deemed to be a State software maintenance request to be paid for by the State under Task 3.

Response to Task 4

I. All guarantor updates will be communicated in CAM formats.

Response to Task 11

g. Great Lakes relies on the guarantor or the National Student Clearinghouse to provide the student status confirmation process with schools.

Response to Task 13

c. If Great Lakes is given written notice by the guarantor or the school that a loan or a portion of a loan is ineligible Great Lakes will process the loan as ineligible in accordance with the Common Manual.

Response to Task 15

g. Great Lakes does not have a school delinquency reporting process. If the State requires Great Lakes to provide this service in the future, it will be deemed to be a State software enhancement request to be paid for by the State under Task 3.

Response to Task 17

e. Great Lakes forbearance process requires the use of Great Lakes' computer generated forbearance forms, copies of which are attached to this response.

I-D Management Summary

Narrative

2. See I-C regarding servicing for MGA guaranteed loans.

The Administrative Rules for the Michigan Direct Student Loan Program restrict origination of federal student loans to those that are guaranteed by the Michigan Guaranty Agency. Therefore, MHESLA will not be able to originate Consolidation loans that are guaranteed by Great Lakes.

Does Great Lakes Agree to the Above Statements

Yes, Great Lakes understands the origination restrictions for the Michigan Direct Student Loan Program.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

A. Technical Work Plans

3. The Great Lakes contract response appears to limit services to those Great Lakes already offers, regardless of what is included in the RFP. Great Lakes has identified its concerns regarding the contract Tasks (Section II) and the State is responding. Great Lakes would be expected to adhere to all aspects of the contract, taking into consideration adjustments the State agrees to regarding specific servicing requirements identified in the contract Tasks (Section II).

Does Great Lakes Agree to the Above Statements?

Great Lakes agrees to adhere to the contract Tasks as modified in the RFP response and subsequent Request for Clarification and this response.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

As further clarifications are occurring regarding this contract, Great Lakes' above response is too limited. The State continues to expect that Great Lakes would adhere to all aspects of the contract, taking into consideration adjustments the State agrees to regarding specific servicing requirements identified in this Request for Clarification.

Great Lakes response to clarification:

Great Lakes has responded to all required tasks in the RFP including servicing of loans guaranteed by MGA in this response to Request for Clarification #2.

4. Before MHESLA can hold loans guaranteed by Great Lakes Higher Education Guaranty Corporation (GLHEGC), a guarantee agreement must be executed. Pat Quinn, Michigan Attorney General's Office, had a couple of questions regarding the agreement that were e-mailed to Dave Harmon on 4/7/03. The State has not heard from Great Lakes regarding the guarantee agreement.

Please Provide Answers to Questions Referenced Above.

GLHEGC's Corporate Rules and Regulations are comprised solely by the current requirements in the Common Manual. GLHEGC may only terminate the Student Loan Guaranty agreement in accordance with the provisions of chapter 17 of the July, 2003 Common Manual as amended from time to time. GLHEGC is restricted in modifying its Student Loan Guaranty agreement. GLHEGC agrees to state these clarifications in writing as a Rider to the Student Loan Guaranty agreement.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

The State appreciates this clarification. Please provide a copy of the Rider so that Pat Quinn, Michigan Attorney General's Office, may review it.

Great Lakes response to clarification:

A copy of the Rider is attached to this response.

Subcontractors

5. The Great Lakes response states it is anticipated subcontractors will not be used. However, the response to Task 2 f. states that Great Lakes contracts with a major recovery vendor to provide data center recovery services. Please clarify and provide the information requested in I-D 5., as appropriate.

Great Lakes Response.

Great Lakes would like to clarify its response to Task 2 f. Backups of data and other documentation and materials are stored in an off-site secure facility. Access to the materials so stored is limited to Great Lakes authorized personnel. In the event of a material and substantial interruption of data center services at the Madison, Wisconsin location which, according to procedures, results in a declaration of disaster, the backup materials and Great Lakes staff are transported to a hot-site data center where, according to procedure, Great Lakes staff fully recover our operational state while maintaining complete custody, control and management over the same.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

The State appreciates this clarification. No further response is needed.

I-G Additional Information and Comments

Information and Comments

6. 4th Paragraph - Please review the State of Michigan indemnification clause provided in Section I-K of the Contractual Services Terms and Conditions and identify any conflicts.

Great Lakes Response.

At page 4 of the RFP's introduction section, preparation of a Contract is specifically assigned to Acquisition Services, DMB. "The Contract will include the general terms and conditions in Section I and the work statement in Section II". To date we have assumed that our RFP response and subsequent negotiations would comprise Section II of the Contract as referred to and defined in the RFP. Accordingly, we have not specifically commented on terms and conditions in Section I of the RFP except as generally modified in our RFP response which changes significant provisions of the terms and conditions proposed in the RFP for Section I of the Contract.

We have previously proposed alternative indemnification language in our RFP response as well as additional modifications to Section I of the Contract terms and conditions. Accordingly, there are two alternatives to proceeding with negotiation of Section I. We can incorporate the terms and conditions "except as specifically modified by the liability/ indemnification limitations and additional changes in the RFP response incorporated herein" or we can provide a section by section red-line of the RFP terms and conditions. Incorporation by reference would appear to be the more expeditious course. Please advise as to how you would prefer to proceed.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

The States Contractual Services Terms and Conditions are not negotiable. Any discrepancies will be discussed with DMB Acquisition Services.

II-C WORK STATEMENT

Task 1

7. b. What various computer hardware and software requirements would be needed for MHESLA staff to interface with the Great Lakes system.

Great Lakes Response.

There are no minimum PC requirements in terms of hard drive or memory capacity. All that is need is: a high-speed internet connection; Internet Explorer (version 4.01 with service pack 1 or higher) or Netscape (version 4.06 or higher); and Windows NT (version 4.0 or higher) or Windows 95 (up to version Windows XP). Great Lakes will provide password information after MHESLA has completed a security form.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

The State is checking with our technical experts to assure the success of the interface.

Task 2

8. e. The State would like prior knowledge of changes that will be noticeable to our borrowers. Staff needs this information to respond correctly and appropriately to borrower inquiries. Will Great Lakes notify MHESLA of these types of changes?

Great Lakes Response.

Great Lakes will provide MHESLA with a copy of its computer generated letters that are sent to borrowers. As changes are made to these letters, Great Lakes will make its best effort to forward a copy to MHESLA.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

Task 4

9. c. Great Lakes would like to charge for internal costs associated with audits, other than the SAS 70 and the Department of Education Compliance Audit for Lenders and Lender Servicers. The SSM does an on-site servicer review no more frequently than yearly that takes about three days and involves approximately 50/60 accounts. The State does not expect to be charged for any assistance that is needed from the Great Lakes staff to conduct this review.

Great Lakes Response.

Great Lakes will not charge MHESLA for any Great Lakes internal costs associated with MHESLA on-site visits that are scheduled to discuss current business processes or process improvements.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

10. d. If Great Lakes' remote access to a borrower's loan history does not allow for the State to enter messages, an alternate method must be identified through which the State can forward messages to Great Lakes and Great Lakes' staff will enter the messages into the loan history on our behalf.

Great Lakes Response.

Great Lakes agrees to enter borrower contact messages that are forwarded from MHESLA staff. It is expected by each party that the volume of these messages would be very low.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

11. h. If there are no Great Lakes staff to take calls until 8:00 AM (CST), there would be no one available to help schools, borrowers and MHESLA staff until 9:00 AM (EST). Will staff be available at 8:00 AM (EST)?

Great Lakes Response.

Great Lakes' origination operation is staffed to accept origination related calls from schools, borrowers or lenders beginning at 8:00 a.m. EST. Great Lakes internet site and voice response systems are available to provide information to schools and borrowers seven days a week twenty four hours a day. Remote system access is available to MHESLA starting at 8:00 a.m. EST.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

12. p. What constitutes "material" borrower correspondence? What is and is not imaged?

Great Lakes Response.

Material borrower correspondence is defined as correspondence that is either required to be maintained by federal regulation or correspondence that could reasonably be needed to assist or resolve future discussions with the borrower. All documents and material borrower correspondence is imaged. Non-material borrower correspondence is not imaged.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

Task 6

13. Origination services would not be utilized at this time. The Administrative Rules for the Michigan Direct Student Loan Program restrict origination of federal student loans to those that are guaranteed by the Michigan Guaranty Agency. However, origination services may be utilized at a future date. Does Great Lakes have any concerns regarding the origination servicing requirements in Task 6, Tasks 8, 9, 10(f) and 23(b), (c) and (d)?

Great Lakes Response.

At a future date to be mutually agreed to by the parties (currently anticipated to be not later than July 1, 2004), Great Lakes will provide MHESLA with a response to Tasks 6, 8, 9, 10(f), 23(b), (c) and (d) along with an adjusted pricing schedule and related modifications to Section II of the contract which take into consideration the changes necessary to originate and/or service the MGA guarantee.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

Please identify any concerns Great Lakes has regarding the origination servicing requirements in Tasks 6, 8, 9, 10(f) and 23(b), (c) and (d).

Great Lakes response to clarification:

Task 6

a. General

Great Lakes' Origination System currently originates only for a GLHEGC guarantee. In its' clarification request for Task 6, the State has indicated that it would not be utilizing origination services at this time. If the State elects to utilize Great Lakes to originate an MGA guarantee, system modifications required to accommodate that request will be deemed to be a State software enhancement request to be paid for by the State under Task 3. This enhancement will require a minimum of six months for development by Great Lakes following the State's approval as defined in Task 3 (d) (3). Following Great Lakes development effort, testing would be required with MGA or its service provider.

b. Application Requests

Great Lakes will distribute printed application materials and general information regarding Stafford (subsidized and unsubsidized) and PLUS loan programs as provided by the guarantor or the State.

c. Application Entry

Great Lakes uses a unique six-digit numeric portfolio number to identify the bond funding series. This portfolio number must be assigned by Great Lakes in order to prevent duplication with numbers used by other serviced lenders.

d. Tracking of Applications

Great Lakes' Origination system supports CommonLine (CLv4) status codes and records appropriate status updates to a borrower's account.

e. Application Review

The Great Lakes' Origination system does not currently have an "Area of Service" review process nor does it have sufficient information to determine "Area of Service" for all criteria stated. An edit will need to be developed to determine whether either the school's and/or applicant's address is in Michigan. No data is available to support edits for being a resident of Michigan or to determine whether the borrower has a prior active loan with the State.

g. Submission for Guarantee

Great Lakes' Origination system will send a CommonLine (CLv4) Application Send file electronically to request guarantee.

h. Receipt of the Notification of Loan Guarantee and Updating for Disbursement

Great Lakes' Origination system must receive the notification of guarantee via CommonLine (CLv4) Application Response file.

i. Disclosure Mailings

Great Lakes' origination system does not currently provide a notice of loan guarantee and disclosure statement since GLHEGC provides this disclosure. An enhancement would be necessary to produce a disclosure if MGA does not provide one.

k. Servicing Fees

For billing purposes, each Federal loan type applied for is considered a separate loan application (Stafford subsidized, Stafford unsubsidized, PLUS) notwithstanding any other definition set forth in the ITB.

Task 8

b. Disapproval Update

Great Lakes' Origination system must receive the notification of disapproval via a CommonLine (CLv4) Application Response file. Great Lakes' Origination system will be updated, in accordance with TIV Federal regulations, for guarantee denial and the TIV reason for the denial.

Task 9

d. Check Stock

Great Lakes will present the standard check and check stub to the State for review and will maintain a sufficient supply of stock.

- (1) The face of the check will contain MHESLA as the lender of the loan, the social security number (SSN) of the student, name, address and telephone of Great Lakes as originator.
- (2) Check stub information will include MHESLA as the lender of the loan, the name and SSN of the student, the total loan amount, the origination fee, the guarantee fee, the net check amount, the type of loan disbursed, the six-digit numeric portfolio number identifying the bond funding series, and the name, address and telephone number of Great Lakes as the originator.

e. Electronic Funds Transfer

Great Lakes will offer EFT services for TIV loan disbursements in accordance with Federal regulations. Schools can designate their preference for EFT by loan type. School preference for EFT is determinative which precludes offering EFT choices by lender.

h. Notification to Borrower

TIV Federal regulations require the school to send the notice of disbursement to the borrower.

l. Returned Checks

The revised data will be reported to the Guarantor via a Common Account Maintenance (CAM) transaction.

m. Stop Payments

A CAM process will be used to inform the guarantor of cancels, reductions or other updates to the loan information.

n. Reissued Checks

Revised disbursement information will be reported to the Guarantor via a CAM transaction.

o. Late Disbursements

The Guarantor will be notified of the revised disbursement information via a CAM transaction.

p. Guaranty Agency Reporting

Great Lakes' systems will do all disbursement change reporting to the Guaranty Agency via appropriate CAM transactions.

Disbursement data in the form of a CommonLine (CLv4) Disbursement Roster file will be forwarded to the State at the time of actual disbursement to meet the State's need for disbursement data.

q. Costs for "Application Processing"

The unit cost for application processing includes Great Lakes' distribution of application materials provided by the State or the guarantor to prospective applicants.

Task 10

e. Notification

Borrower notification of adjustments will only be made as required by the Common Manual.

f. Cancellation Note Processing

Great Lakes' Origination system sends out a cancellation notice within 30 days of the cancellation dates for loans that have never been disbursed. Under TIV MPN regulations, an MPN is an open credit instrument and is not cancelled nor returned to the borrower. A "true and exact copy" of the promissory note is available upon request.

Task 23

b. PLUS Application Processing

Great Lakes' systems currently do not accept credit information from an external guarantor. Great Lakes will determine acceptable credit per TIV regulations for PLUS loans.

c. PLUS Loan Applicant Prescreening

Great Lakes will accept a PLUS applicant's authorization form from the school and complete a preliminary assessment of the applicant's credit history. Great Lakes requests credit information and reviews the applicant's credit history in accordance with federal requirements for PLUS loans. Information regarding the borrower's credit qualification for a PLUS loan is then sent back to the school.

d. Other Application Processing

Great Lakes systems are not designed to employ creditworthiness standards on FFELP applications outside of TIV Federal regulations.

Task 26

(a). Management Loan Origination Report 1 - Applications entered by school type

Great Lakes will provide this information in the CommonLine (CLv4) Application Response file that will be sent to the State for all application processing, allowing the State to generate this information as desired.

Great Lakes could develop a new report that includes application detail and volumes and would be sorted by school type and federal school ID number (proprietary/nonproprietary) groupings. This report could be generated on a monthly basis.

(b) Management Loan Origination Report 2 – Applications in Process

Great Lakes will provide this information in the CommonLine (CLv4) Application Response file that will be sent to the State for all application processing, allowing the State to generate this information as desired.

Great Lakes could develop a new report that includes applications entered, but pending full disbursement. This report could be generated on a weekly basis.

(c) Management Loan Origination Report 3 – Disbursement Register

Great Lakes will provide this information in the CommonLine (CLv4) Disbursement Roster file that is created for all disbursements at the time of disbursement, allowing the State to generate this information as desired.

Great Lakes currently produces a Disbursement Roster report that contains disbursement issued information. A sample of this report is attached.

(d) Management Loan Origination Report 4 – Missing Fund Code Number

Great Lakes uses a unique six-digit numeric portfolio number to identify bond funding series. This portfolio number must be assigned by Great Lakes in order to prevent duplication with numbers used by other serviced lenders. This information will be required in order to receive and process applications. Therefore, it will not be possible to have applications in the origination system without this information, making this report unnecessary.

Task 7

14. b. If consolidation origination services were utilized, MHESLA would need to be identified as the lender in the space provided on the federal consolidation loan application. Will MHESLA be identified?

Great Lakes Response.

Great Lakes will respond to questions associated with the origination and/or servicing of MGA guarantees at a future date mutually agreed to by the parties (currently anticipated to be not later than July 1, 2004).

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

If the State provided consolidation applications with MHESLA's name and address already completed, would Great Lakes send these applications to potential consolidation applicants when an application request was received?

Great Lakes response to clarification:

When such a request is received, a consolidation application bearing MHESLA's name and address will be sent to the potential applicant.

The State's initial clarification request indicates that Task 7 consolidation loan origination is an option that the State may elect to utilize. If such services are requested with respect to a consolidation loan guaranteed by the Michigan Guaranty Authority, system modifications would be required. Great Lakes' Origination System currently originates only for a GLHEGC guarantee. If the State elects to utilize Great Lakes to originate an MGA guaranteed consolidation loan, consolidation loan origination system modifications required to accommodate that request will be deemed to be a State software enhancement request to be paid for by the State under Task 3. This enhancement will require a minimum of six months notice prior to implementation, which could not be scheduled earlier than June 30, 2004. In the event, such capability is implemented the fee to originate a consolidation loan guaranteed by MGA shall be that fee set forth in the price proposal summary. With respect to such fee, application shall mean that each Federal loan type applied for is considered a separate application (Consolidation subsidized, Consolidation unsubsidized, Consolidation HEAL) notwithstanding any other definition set forth in the ITB.

Task 9

15. Also, even without origination services, some items in Task 9 may apply, such as return checks, stop payments, and reissuances. Please respond to these subtasks.

Great Lakes Response.

Great Lakes' encourages lenders to delay loan sales until 120 days after full disbursement. School requests for loan disbursement changes (such as reissues and reallocations) are automatically processed upon receipt up to the date of loan sale. Disbursement change transactions are blocked after loan sale. Great Lakes does continue to monitor that disbursement checks are cashed within 120 days of issuance.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

Please refer to question #13.

MHESLA offers the Michigan Students First Program to borrowers with qualifying loans, and it is anticipated that most loans serviced under this contract will qualify. Terms of the Michigan Students First Program require loans to be sold to the State Secondary Market approximately 90 days after full disbursement. It is not possible to delay loan sales until 120 days.

If disbursement change transactions are blocked after loan sales, borrowers would have to reapply for a new loan to accommodate requested changes, such as reissuances. This would cause extra work for both borrowers and schools.

Great Lakes response to clarification:

During the conference call on August 14th, it was agreed that very few borrowers would be affected by having disbursement change transactions blocked after loan sales. Since the cost to change our system would be significant, it does not appear to be justified for the minimal impact on borrowers and schools.

Task 10

16. d. Great Lakes will follow the procedures for requested changes outlined in Task 3(d).

Great Lakes Response.

Great Lakes agrees.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.
No response needed.

Task 11

17. j. Please provide a copy of the Great Lakes separation date change letter.

Great Lakes Response.

A copy of this letter will be included in the package with all system generated letters.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.
No response needed.

Task 12

18. b. Please provide more detail regarding how Great Lakes processes enrollment information.

Great Lakes Response.

Great Lakes system automatically edits the school certification date of new enrollment transactions against the school certification dates of prior enrollment transactions for the borrower to insure accurate processing.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.
No response needed.

Task 13

19. b. Please provide clarification regarding how the system is able to identify ineligible loans for federal LaRS (prior Ed 799) reporting, if they are only identified in the history. How does Great Lakes keep the lender advised of ineligible loans?

Great Lakes Response.

Great Lakes maintains a stand alone denied claim table. At the end of the quarter, our federal reporting subsystem reads the denied claim table and appropriately updates the LaRS information. Lenders are advised of ineligible loans through a phone call.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.
The State appreciates this clarification. No further response needed.

Task 14

20. m. The State does not have staff available to perform these duties and does not anticipate the ability to hire additional staff. However, the State appreciates Great Lakes' concern in complying with federal regulations regarding certification of the LVC. Wording in this paragraph could be revised to require the servicer to check the National Student Loan Data System before certifying the loan(s) for consolidation.

Great Lakes Response.

Great Lakes will agree to check LVC requests against NSLDS records. The LVC screening charge of \$800 per month will begin in the first month that a LVC is received for MHESLA's portfolio. Through September 30, 2005, Great Lakes will not charge MHESLA any additional charge to review NSLDS records. During this time period, Great Lakes will analyze the additional cost for the NSLDS review and plans to include this cost with the contract period beginning October 1, 2005.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

The State proposes a much simpler and streamlined process, as follows: When Great Lakes receives a LVC form for a borrower who has loans through only one lender serviced by Great Lakes, check the National Student Loan Data System to see how many lenders are identified for the borrower's open loans. If there is more than one lender identified, process the LVC form providing the requested information. If the only lender identified is MHESLA, process the LVC form without providing the requested information and affixing a sticker regarding the single-lender rule. Will Great Lakes utilize this process for LVC screening?

The streamlining of this process should considerably lower Great Lakes' cost. The addition of a category in the Price Proposal Summary sheet is acceptable. However, the fee is a per unit fee for each LVC processed versus a monthly fee.

As part of the normal servicing provided through this contract, the State expects Great Lakes to explain student loan statute and regulations, such as the single-holder rule, to our borrowers on our behalf. As we previously commented, the State has very limited staff available and does not anticipate the ability to hire additional staff.

Great Lakes response to clarification:

Great Lakes standard process is to complete LVC forms upon receipt. A couple of lenders have contracted with Great Lakes for the LVC screening service described in our June 19, 2003 response to the RFP. Great Lakes agreed in its response to Clarification #1 to check the NSLDS system to see how many lenders have open loans with the borrower and attach a sticker to the LVC form regarding the single lender rule where applicable. The process that Great Lakes has described meets the requirements of the streamlined process described above. Great Lakes pricing of this service is based primarily on the effort involved to review the thousands of LVC forms received on a monthly basis to identify the forms for the lenders requesting this screening service. Per the Michigan Department of Treasury, Office of Purchasing response to question 44, the monthly fee for this service is acceptable.

Task 18

21. n. Requests for copies of purged histories for reasons other than borrower dispute would be rare. However, to cover those few instances when this would be necessary, a fee category for Purged History has been added to the Price Proposal Summary sheets.

Great Lakes Response.

Great Lakes agrees.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

Task 20

22. j. What is sent to the borrower to notify them of the NSF?

Great Lakes Response.

Great Lakes does not send borrowers a notice after processing a NSF check. We expect the borrower's bank to notify the borrower. If the processing of the NSF results in the borrower becoming delinquent on their account, due diligence activities will be triggered.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

23. i. If the account balance reduces down to the State's write-off amount as payments are applied, but there is still a payment due, can the system wait for the final payment before writing off the balance? If not and the amount is written off, what happens if the borrower sends in the final payment?

Great Lakes Response.

Great Lakes' standard write-off amount is \$10.00 per account. The State can select a higher write-off amount. Great Lakes' system is programmed to automatically write off the account balance at the time the balance is reduced to the State's write-off tolerance, change the status to paid-in-full, and send a paid-in-full letter to the borrower. It is not likely that other payments will be received from the borrower. Great Lakes will forward overpayments of less than \$5.00 to the State. The State can use these overpayments to offset their write-off expenses.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

Great Lakes' standard write-off process is acceptable to the State.

Task 22

24. The Great Lakes response limits SSM purchases to only those loans that have been originated and serviced by Great Lakes. The contract provides for the manual conversion of loans acquired by the SSM. It is the States understanding that currently there are no lenders in Michigan that service Great Lakes guaranteed loans in-house. However, when Great Lakes starts to service MGA guaranteed loans, manual conversion of loans serviced in-house at a lender's location will need to be added onto the servicer's system.

Great Lakes Response.

Great Lakes will respond to questions associated with the origination and/or servicing of MGA guarantees at a future date mutually agreed to by the parties (currently anticipated to be not later than July 1, 2004).

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

Please refer to the State's response to questions #1 and #13.

Great Lakes response to clarification:

Great Lakes does not have the capability to convert MGA guaranteed loans on to its system that are being serviced by another servicer or lender. During the conference call on August 14, 2003, it was agreed that Great Lakes would not be required to provide conversion services. It was stated during this conference call that Sallie Mae is not required to provide this service. Conversion services are described in Task 1, 22 and 24.

25. c. The reports that Great Lakes furnishes should be sufficient for the way the State currently purchases Local Lender Loan Program (LLLLP) loans. However, if the coalition has a special category of LLLLP lenders (Fifth Third, etc.), the State may have to request that Great Lakes create a different report.

Great Lakes Response.

Any change request would be processed in accordance with Task 3 (d).

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

26. o. If possible, SSM would like the first disbursement date included on the transfer report.

Great Lakes Response.

Based on the MHESLA/Purchasing Division conference call to discuss these questions, Great Lakes has agreed to include the last disbursement date on the Portfolio Status transfer report.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

27. p. The State would like to know why this is not necessary, as it is a document provided to the selling lender for reconciliation purposes. For transfer sales, is there a report that the selling lender can pull down from the system? If so, when is it available? For manual sales, the lenders will not have access to Great Lakes' reports that they can pull down since they are not on the system. These lenders would need their reports sent out by Great Lakes via overnight mail.

Great Lakes Response.

Based on the conference call regarding the Request for Clarification, Great Lakes agrees to fax the Reconciliation reports to both the buyer and the seller on the morning following the sale. Transfer summary reports and detailed transfer reports (if requested by the buyer or seller) will be forwarded by first class mail. In the future if the State determines that the reports should be sent via overnight mail, Great Lakes will use the States overnight billing numbers.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

Task 24

28. b. MHESLA policy must be consistently applied to all of its borrowers. The policy allows repurchase of defaulted loans if there was error by a party other than the borrower that caused the default.

Great Lakes Response.

GLHEGC's policy is consistent with MHESLA' policy.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

29. c. MHESLA expects to be the rehabilitation lender when the rehabilitated loans were previously held by MHESLA.

Great Lakes Response.

Great Lakes will forward your request to be a purchaser of rehabilitated loans to GLHEGC. Rehabilitated loan sales are limited to three purchasers to streamline the sale process. There are currently several lenders on the waiting list.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.
No response needed.

Task 26

30. MHESLA financial information needs to be by bond fund. The Great Lakes response to paragraph h. includes the statement "Each bond portfolio will have its own set of reports." Are all reports divided by bond fund?

Great Lakes Response.

Yes, all reports that are sent to MHESLA will be divided by the bond fund's unique six-digit numeric portfolio number.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.
No response needed.

31. b. Some bond documents require subsidized and unsubsidized Stafford loan data (# of loans, principal balance, etc.) separately by bond fund. Is there a report that provides this information?

Great Lakes Response.

The monthly Statistical Report which is produced by bond fund breaks down the Stafford principal balance by subsidized and unsubsidized totals. The monthly BLIS extract file includes information about every loan. Additional information, such as the number of subsidized vs unsubsidized Stafford loans, would be available from the extract file. Great Lakes did discuss its servicing reports in a conference call. If MHESLA's accounting department has questions, please have them call Mike Noack at 608-246-1404.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.
No response needed.

32. g. MHESLA may be able to provide needed software and other materials to create special reports, but might need Great Lakes assistance with set up, training, etc. If MHESLA is not able to secure needed materials; Great Lakes would need to provide them. MHESLA would reimburse Great Lakes for material costs as discussed in Tasks 1 and 2. Can Great Lakes provide this assistance?

Great Lakes Response.

Great Lakes will agree to provide any needed software, materials, set up and/or training to MHESLA on a cost reimbursement basis.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.
No response needed.

33. Reports

The Great Lakes' Lender Manual does not include reports that correspond to the Management Loan Servicing and Management Loan Consolidation Reports identified below.

Management Loan Servicing Reports

Default Claims Filed, #2, page 61.
Default Claims to be Filed, #3, page 61.
Default Claims Recalled, #4, page 62.
Default Claims Returned Missing Information, #5, page 62.
Loss of Guarantee Report, #12, page 66.
Portfolio Breakdown – Loan Status by School Type, #16, page 68.

Management Loan Consolidation Reports

Consolidation Loan – Funds Transfer Request, #2, page 70.
Loans Consolidated by Another Lender, #3, page 71.

MHESLA needs more information regarding Great Lakes' system and procedures to determine if these reports are still needed.

Great Lakes Response.

Default Claims Filed and to be filed are shown in summary on the Statistical Report. All delinquent accounts are listed in the Delinquency Report sorted by days delinquent. Recalling default claims is an automated process that does not produce a report. This information could be derived by MHESLA by comparing the delinquency reports for successive months and then determining that accounts that have dropped off the most recent month's report had their delinquency cured by something other than a claim payment. Information regarding claims returned for missing information is only available to MHESLA in account history messages. MHESLA could review history messages for accounts greater than 390 days of delinquency. Loss of loan guarantees will be communicated to MHESLA by phone call. There is a standard monthly report that separately reports all proprietary school type volume in the portfolio by loan status and delinquency. Great Lakes does report the school type for each loan on its monthly extract file. This information could be summarized by MHESLA. For GLHEGC consolidation loans, Great Lakes does have daily summary and detailed disbursement reports. Great Lakes has two special payment type codes for consolidation payments. One code identifies consolidation payments received from Federal Direct and another payment code identifies consolidation payments received from other FFELP lenders. This information is reported on the Transaction reports. Identification of the consolidating lender/originator is available from the special LVC reports or in the account history notations.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.
No response needed.

Financial Reports

34. Lender Manual - The 2/29/96 letter regarding New Transaction Reports in the Lender Manual states consolidation loan reports will be under a separate lender number. How does this affect USDOE LaRS 799 reporting?

Great Lakes Response.

Consolidation loans are serviced under a unique six-digit numeric portfolio number (similar to what is used for bond reporting). This allows Consolidation loans to be reported separately from Stafford or Plus loans. Great Lakes system rolls all the unique portfolio numbers into the federal lender number for LaRS and NSLDS reporting.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.
No response needed.

35. How does Great Lakes report to the USDOE through the LaRS process, electronically or manually? Information for the LaRS reporting process is needed each quarter by bond fund.

Great Lakes Response.

Great Lakes reports LaRS information electronically. The Actual and Average Daily Loan Balance Report contains the information to what is reported for LaRS. This report is produced for every bond fund on a monthly basis and summarizes the information for the quarter to date.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

36. Portfolio by Guarantor – When a guarantor has approximately 5% or more of MHESLA's student loan portfolio, information regarding the guarantor must be disclosed in bond offering documents. MHESLA must have some way of determining this. Although initially all MHESLA loans serviced by Great Lakes would be guaranteed by GLHEGC, this is expected to change in the future. How will MHESLA be able to breakdown by guarantor the student loan portfolio being serviced by Great Lakes?

Great Lakes Response.

Great Lakes reports each guarantor under a unique six-digit numeric portfolio number (similar to what is used for bond reporting).

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

37. Monthly Consolidation Rebate Fee – This information is needed for MHESLA to process a check to pay the federal consolidation rebate fee. Will Great Lakes provide this report?

Great Lakes Response.

Great Lakes produces a monthly summary and detail report for Consolidation Rebate fees. This report is mailed to the lenders along with a copy of the federal form that must accompany the lenders check.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

38. Transaction Reconciliation Report

Is there one summary for each loan type group – Stafford, PLUS and Consolidation?

If yes, does the State have to add these report totals together to determine the portfolio total principal balance?

Great Lakes Response.

Great Lakes provides loan type group information by bond fund, guarantor or other report separators. Our reports are sent electronically, so that you can customize or summarize the data to meet your individual needs.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

39. Servicing transaction reports are generated three times per month. What are the dates the reports are generated, the 10th, 15th, etc.?

Great Lakes Response.

A report schedule through December 31, 2003 has been forwarded to MHESLA. In September or

October of each year, a report schedule is produced for the next calendar year.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

40. Servicer invoices need to be broken out by bond fund. Will invoices be broken out by bond fund?

Great Lakes Response.

Yes, invoices are by bond fund.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

Task 28

41. a. The State agrees that the incumbent servicer can only provide the data, and that it is up to the incoming servicer to then convert that data onto their system. Is this the meaning of Great Lakes' response?

Great Lakes Response.

Yes.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

No response needed.

42. e. It is not possible for Great Lakes to retain hard copy documents as the promissory note is collateral for the loan, and MHESLA must meet bond requirements regarding its security. In addition, the Gramm-Leach-Bliley Act requirements regarding privacy and safeguarding of personally identifiable financial information would not be met. Will Great Lakes adhere to the task requirement?

Great Lakes Response.

The purpose of Great Lakes' proposal in the RFP to retain the hard copy documents as custodian was to reduce the transfer cost to MHESLA and benefit the incoming servicer. Great Lakes expected that this responsibility would be documented in writing. At the time of termination, MHESLA could look to either GLHEGC as guarantor or Great Lakes to provide custodian services. If this agreement can not be reached, Great Lakes will certainly ship image copies of promissory notes and other documents to the incoming servicer. Great Lakes price for deconversion services is the fixed charge per account listed on the Price Proposal Summary plus the actual cost of additional services requested to remove an active account from the servicing system, such as copying and mailing hard copy documents.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

The State appreciates Great Lakes' suggestion and may pursue it further if there is need for this service in the future.

43. h. What are the timing standards that Great Lakes is proposing?

Great Lakes Response.

Great Lakes will agree to provide its best efforts to meet the timing standards identified in Task 28 h. Borrower payments will be deposited prior to forwarding funds to the incoming servicer. If Great Lakes receives notice that the borrower payment is invalid due to NSF, Great Lakes will notify the incoming servicer. Great Lakes requests assurance from MHESLA that the incoming servicer will forward funds to Great Lakes within three days of NSF notification.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

MHESLA agrees to provide its best efforts to see to it that the incoming servicer forwards the appropriate funds to Great Lakes within three days of NSF notification if this should ever be necessary.

Task 29

The services in paragraph d are not being utilized.

The 5% amount is limited to \$50.

No response needed

Great Lakes Response.

While Great Lakes does not really understand this task, it has agreed to make Public Awareness services available to the State on an at-cost plus 5% reimbursement basis. Great Lakes will agree to the \$50 limit as long as it does not limit reimbursement of its actual costs. The annual cost reimbursement limitation of one tenth of a percent of the State's outstanding portfolio must be a shared responsibility between the State and Great Lakes. The State should not request Public Awareness services beyond this limit and Great Lakes does not have to provide these services beyond this limit.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

The State will not request Public Awareness services from Great Lakes if the State is not able to reimburse Great Lakes for the actual cost involved, plus 5% up to the \$50 maximum.

Task 30

MHESLA has access to the Michigan State Police lab for handwriting analysis if this should be needed.

No response needed

I-H Price Proposal

44. The pricing categories contained on the Price Proposal Summary sheets represent the only billing categories available to the servicer, unless otherwise specifically addressed in the contract. Great Lakes is proposing the pricing fee proposal submitted with its contract response be substituted for the Price Proposal Summary sheets contained in the contract. However, the Great Lakes pricing fee proposal does not contain categories that correspond to each category on the Price Proposal Summary sheets. For example, Great Lakes' pricing fee proposal does not include a category for Hardware/Software/Maintenance (Tasks 1 & 2), Claim Processing (Task 18), Cure Fee (Task 19), or Repurchases (Task 24). If these categories were not included in the official pricing sheets, Great Lakes would not be able to submit charges for these services.

Please use the adjusted Price Proposal Summary sheets provided and insert your fees, as appropriate. If there is a category for which Great Lakes does not intend to charge a separate fee, insert "0" in the Quotation column. The Price Proposal Summary sheet categories In-School Status, Grace Period/Repayment: Current, and Repayment: Delinquent have been replaced with the Monthly Service Fees category and corresponding breakdown from the pricing fee proposal submitted by Great Lakes. A new category has been added for a copy of Purged History.

MHESLA has agreed to the Billing Account definition proposed by Great Lakes.

Great Lakes Response.

Great Lakes has inserted its fees into the Price Proposal Summary. If Great Lakes does not

charge for a service identified on the Price Proposal Summary, we have inserted "0". If the service identified in the Task is not included in this proposal, we have inserted "NA". Great Lakes Price Proposal anticipates that MHESLA will be responsible for mailing its Gramm-Leach-Bliley privacy notices. Great Lakes will send an electronic privacy notice file to MHESLA at no additional charge. Great Lakes must modify its definition of Billing Account. After responding to the RFP, Great Lakes learned that MHESLA's incentive programs are loan based. This requirement was discovered during discussions regarding the monthly on time counter for PLUS loans. Based on this recent information, Great Lakes needs to modify the definition of Billing Account to include the following characteristics: social security number, program type, loan type, guarantor, bond fund series and incentive program differences (or unique loan level features such as loan level on time counter).

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

Price Proposal Summary Sheet

Other than the adjustments specifically agreed to within this Request for Clarification, the State expects Great Lakes to adhere to all aspects of the contract. Only those pricing categories contained on the Pricing Proposal Summary sheet provided by the State represent billing categories available to the servicer, unless otherwise specifically addressed in the contract.

Per the conference call on 8/14/03, a monthly fee for LVC processing (after the first LVC has been processed) is acceptable.

The additional breakdown (Between State numbers: In school/grace and Repayment; Purchase from Lender: In school/grace and Repayment) provided under Secondary Market (Task 22) (c) Internal transfers is acceptable.

The cost associated with creation of an ad hoc report would be billed under System Changes (Task 3).

The clarification regarding the fee for Ad Hoc Reports (Task 26) is correct. The fee is to be for each report generated.

Please provide a revised Price Proposal. Provide a response for each item that has no quote.

Gramm-Leach-Bliley (GLB) Act

The State does not have the resources available to process the mailing of privacy notices in compliance with the Gramm-Leach-Bliley (GLB) Act. However, the State will reimburse Great Lakes \$.51 per notice for each privacy notice mailed on our behalf in compliance with the GLB Act. This amount is subject to change if the U.S. first class postage rate increases.

In addition, the State requires Great Lakes to comply with the following statement that has been worded to meet GLB Act contract requirements.

Great Lakes Educational Loan Services, Inc. has or will have by May 24, 2004, developed and implemented, and will maintain for the duration of this contract a comprehensive information security program that meets the Gramm-Leach-Bliley Act Standards for Safeguarding Customer Information; Final Rule, dated May 23, 2002.

Billing Account Definition

What is meant by add "incentive program differences" to the definition of a billing account. Does this mean that each loan in the MSF program will be billed separately?

Deconversion Pricing (Task 28)

The State is looking for a fixed, per unit cost. Please determine and provide such a cost.

Great Lakes response to clarification:

Price Proposal Summary Sheet-The attached price proposal summary has been revised to reflect that the cost associated with the creation of an ad hoc report will be billed under Task 3.

GLB Privacy Mailings-Great Lakes will mail MHESLA's privacy notices for the price and conditions stated above under the following conditions: MHESLA must provide copies of the notice to Great Lakes for mailing; the copies must be prefolded (both the top and the bottom edges must be folded toward the middle); the notice must fit into a standard envelope; the weight of the notice, a sheet of paper and the envelope can not exceed 1 ounce; the notices must be sorted in groups of 100 and packaged in shrink wrap to prevent warping; the notice can not reference Great Lakes or suggest that borrower call or write to Great Lakes regarding questions about MHESLA's privacy policy. Great Lakes information security program meets the GLB requirements.

Billing Account Definition-The RFP did not describe MHESLA's incentive program. Great Lakes' system ties a lender's incentive program to a billing account. After Great Lakes responded to the RFP, MHESLA mentioned during a conference call with the Coalition lenders that MHESLA's incentive program must be administered on a loan by loan basis and that this requirement mostly effected PLUS loans. As explained, the processing of a parent with multiple PLUS loans requires: multiple on time payment counters, multiple (loan level) incentive eligibility decisioning and multiple timing (loan level) for interest rate reductions. During this phone call, Great Lakes stated that if incentive program processing was different by loan (as in the case for PLUS loans but generally not the case for Stafford loans), that Great Lakes would need to develop a process to separate the loans in different accounts. MHESLA responded that this would be acceptable.

Deconversion Pricing-As requested in the Price Proposal Summary, Great Lakes has provided two fixed per unit costs for deconversion activities. The first covers all activities other than providing documents to the new servicer and the second is only for providing copies of the imaged documents.

Setup Cost for MGA Servicing-The setup cost covers testing the electronic interfaces between Great Lakes and MGA or its system provider

45. Does Great Lakes have any concerns or conflicts regarding the Contractual Services Terms and Conditions.

Great Lakes Response.

Please refer to Great Lakes' response to question 6 above.

8/14/03 - Michigan Department of Treasury, Office of Purchasing.

Please see the State's response to question #6.



Forbearance Agreement

May 29, 2002

756055006000100 BS
ROBERT E.
4380 PLANTATION BLVD #6
NY

(lender name)

Payment Reference No. 756055006000100
Stafford Loan Account with
832 755
Subsidized Principal Balance
Unsubsidized Principal Balance
Total Accrued Interest
Balance as of Today's Date
(Interest Accrues Daily - This is not a Payoff)
Interest Rate: 5.990%

By completing this form and returning it to our office, you are making an application for a temporary suspension or reduction of your regular monthly payments.

Please complete this form today to avoid a delay in processing your forbearance request. If you have questions concerning this agreement, please contact our office at 800-236-4300 (toll free) or 608-246-1700. Completed forms may be faxed to 800-375-5288.

Upon receipt of the completed form, your request will be evaluated. If the Forbearance Agreement is approved, you will be notified. If the application cannot be approved, you will be contacted by this office concerning the status of your account. Remember, you are responsible for making your scheduled monthly payments until you are notified that your forbearance request has been approved.

Form with fields for Borrower's Last Name, First Name, MI, Street Address, Residence Telephone, City, State, ZIP, Employer Name, Employer's Street Address, Employer Telephone, City, State, ZIP.

I am requesting a forbearance to temporarily suspend or reduce my past due payments.

I agree to resume regular monthly payments.

I understand that at the completion of this forbearance, a new Payment Schedule and Disclosures describing my remaining obligation will be issued. Any unpaid interest will be capitalized in accordance with regulations. I further understand that I am responsible for resuming regular monthly payments as outlined on my previous schedule until the new payment schedule has been issued.

Borrower's Signature line and Date line.

Do Not Write Below This Line - To Be Completed By Lender

832 700057 755
G TIV FO SUSP 756055006





ADDENDUM #4

FMS Notification Reports

Lender Summary Report

830 [REDACTED]

Great Lakes Educational Loan Services, Inc.

Funding For Today's Loan Origination Disbursements

Date : 03/07/2003
To : 830 [REDACTED] BANK
From : Cash Operations Department
(608) 246-1524

Great Lakes has made the following loan origination disbursements today on your behalf

In order to fund those disbursements, we have initiated an ACH transaction to transfer money from your account to a Great Lakes Account

A summary of the disbursements made is provided below
You will receive by mail detached disbursements made reports to support the amounts shown below

***** Loan Origination Disbursements made on 03/07/2003 *****

Table with 5 columns: Loan Type, Transf from, Gross Disb Amt, Orig Fees Netted, Funding Amt. Rows include individual bank disbursements and a total for all loan types.

*****END OF NOTIFICATION*****



FMS Notification Reports

Lender Disbursement Detail Report

830

Great Lakes Educational Loan Services, Inc.
Disbursements Funded 03/07/2003

830 BANK

CDA-NDN EFT TOTAL:	12	28,706.60
NON CDA EFT TOTAL:	0	0.00
NET EFT DISBURSEMENT TOTAL:	12	28,706.60
NET CHECK DISBURSEMENT TOTAL:	17	47,500.68
NET FUNDING TOTAL:	29	76,207.28

Borr SSN	Borrower Name	STDNT SSN	DISB DT	SCHOOL	EFT/CHK NR	Disb NR REISS	GROSS DISB AT	NET DISB AT	GUAR FEE	LEND FEE	ORIG FEE
BANK											
	BERBERG, BEA M		03/07/03	02113600	31008141	1	5,000.00	4,700.00	0.00	0.00	300.00
	0657 DOERING, LAUR L		03/07/03	00251600	31008131	1	5,000.00	4,200.00	0.00	0.00	800.00
	0897 SHULLOOF, MAT F		03/07/03	00377800	CDA-NDN	2	1,500.00	1,410.00	0.00	0.00	90.00
	3814 GOMER, MICHEL R		03/07/03	00321900	31008136	1	2,964.00	2,786.16	0.00	0.00	177.84
TOTALS BANK					4		14,464.00	13,096.16	0.00	0.00	1,367.84

BANK											
	7620 BERBERG, KENDR C		03/07/03	00383900	31008137	1	8,000.00	7,360.00	0.00	0.00	640.00
	6878 BERBERG, M A		03/07/03	00389900	31008139	1	2,800.00	2,688.00	0.00	0.00	112.00
	7494 BERBERG, REBE A		03/07/03	00303600	31008133	1	3,000.00	2,760.00	0.00	0.00	240.00
	8071 BERBERG, TODD N		03/07/03	01085400	CDA-NDN	3	4,000.00	3,840.00	0.00	0.00	160.00
	5345 BERBERG, J S		03/07/03	00136000	31008127	1	1,091.00	1,003.72	0.00	0.00	87.28
	5345 BERBERG, J S		03/07/03	00136000	31008126	2	1,090.00	1,002.80	0.00	0.00	87.20
	2303 BERBERG, RIC A		03/07/03	00255100	31008132	1	1,000.00	920.00	0.00	0.00	80.00
	2193 BERBERG, STEP A		03/07/03	00391500	31008140	1	3,000.00	2,880.00	0.00	0.00	120.00
	4321 BERBERG, RO P		03/07/03	00377800	CDA-NDN	2	3,000.00	2,760.00	0.00	0.00	240.00
	3799 BERBERG, KIRSTI K		03/07/03	00322700	CDA-NDN	3	4,030.00	3,707.60	0.00	0.00	322.40
TOTALS BANK					10		31,011.00	28,922.12	0.00	0.00	2,088.88

FMS Notification Reports

Lender Disbursement Detail Report (Continued)

BANK [REDACTED]

[REDACTED]-6008	[REDACTED]	JACQ M	[REDACTED]008	03/07/03	00312700	31008135	1	1,250.00	1,250.00	0.00	0.00	0.00
[REDACTED]-6008	[REDACTED]	JACQ M	[REDACTED]008	03/07/03	00312700	31008134	2	1,250.00	1,250.00	0.00	0.00	0.00
[REDACTED]-5703	[REDACTED]	BET J	[REDACTED]5703	03/07/03	00377800	CDA-NDN	2	1,089.00	1,089.00	0.00	0.00	0.00
[REDACTED]-0169	[REDACTED]	ERIC A	[REDACTED]169	03/07/03	00234200	31008128	1	2,500.00	2,500.00	0.00	0.00	0.00
[REDACTED]-0169	[REDACTED]	ERIC A	[REDACTED]169	03/07/03	00234200	31008129	2	2,500.00	2,500.00	0.00	0.00	0.00
[REDACTED]-7651	[REDACTED]	RYAN D	[REDACTED]651	03/07/03	00238800	31008130	1	3,340.00	3,340.00	0.00	0.00	0.00
[REDACTED]-6457	[REDACTED]	REBECCA S	[REDACTED]457	03/07/03	00377800	CDA-NDN	2	3,150.00	3,150.00	0.00	0.00	0.00
[REDACTED]-0862	[REDACTED]	MI A	[REDACTED]862	03/07/03	00377800	CDA-NDN	2	1,750.00	1,750.00	0.00	0.00	0.00
[REDACTED]-4993	[REDACTED]	STA M	[REDACTED]993	03/07/03	00377800	CDA-NDN	2	1,100.00	1,100.00	0.00	0.00	0.00
[REDACTED]-0308	[REDACTED]	MICHAEL	[REDACTED]308	03/07/03	00377800	CDA-NDN	1	4,450.00	4,450.00	0.00	0.00	0.00
[REDACTED]-0308	[REDACTED]	MICHAEL	[REDACTED]308	03/07/03	00377800	CDA-NDN	2	4,450.00	4,450.00	0.00	0.00	0.00
[REDACTED]-7520	[REDACTED]	LINSE A	[REDACTED]520	03/07/03	00380000	31008142	1	3,000.00	3,000.00	0.00	0.00	0.00
[REDACTED]-4001	[REDACTED]	CARI S	[REDACTED]4001	03/07/03	00377800	CDA-NDN	1	500.00	500.00	0.00	0.00	0.00
[REDACTED]-4001	[REDACTED]	CARI S	[REDACTED]4001	03/07/03	00377800	CDA-NDN	2	500.00	500.00	0.00	0.00	0.00

TOTALS BANK [REDACTED] 14 30,829.00 30,829.00 0.00 0.00 0.00

U.S. BANK GRADUATE EDUCATION LOAN

[REDACTED]-5433	[REDACTED]	JOHN J	[REDACTED]5433	03/07/03	00386300	31008138	1	3,500.00	3,360.00	0.00	0.00	140.00
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TOTALS BANK [REDACTED] 1 3,500.00 3,360.00 0.00 0.00 140.00

TOTALS ALL LOAN TYPES 29 79,804.00 76,207.28 0.00 0.00 3,596.72

CDA-NDN EFT TOTAL: 12 28,706.60
 NON CDA EFT TOTAL: 0 0.00

NET EFT DISBURSEMENT TOTAL: 12 28,706.60
 NET CHECK DISBURSEMENT TOTAL: 17 47,500.68

NET FUNDING TOTAL: 29 76,207.28



ADDENDUM #5

From: "Rashke, Bruce" <BRashke@glhec.org>
To: "Adam Koenigsknecht" <KoenigsknechtA1@michigan.gov>
Date: 8/27/03 10:48AM
Subject: RE: Response to Request for Clarification #2

Adam,

I apologize if our NA created confusion. To remedy this, and as discussed with Mr. Harmon, I have inserted a fee of \$200.00 per account into each of the pricing proposals attached. I have not added any other qualifying language as the involved task states, "The servicer may not charge the State a servicing fee for unguaranteed loans if the loss of guarantee is due to the servicer's error. "

Call or write to me if you have questions.

Thank you,

Bruce J. Rashke
Chief Administration and Loan Consolidation Officer
Great Lakes Educational Loan Services, Inc.
2401 International Lane, Madison WI 53704
Office -- (608)246-1418 Fax -- (608)246-1481

-----Original Message-----

From: Adam Koenigsknecht [mailto:KoenigsknechtA1@michigan.gov]
Sent: Wednesday, August 27, 2003 7:45 AM
To: MNoack@glhec.org; Tom A. Falik
Cc: BRashke@glhec.org; DHarmon@glhec.org; RSeverson@glhec.org; Orv Erickson; Nancy Ivy; Marlene Pierce; Pat Scott
Subject: Re: Response to Request for Clarification #2

Bruce,

Mike has informed me that he is on vacation this week. We have only one concern regarding your Response to Clarification #2. On the pricing proposal, the "Cure Fee" (Task 19) has an NA. Does Great Lakes have a cure fee? If so, please revise the attached price proposals and forward back to me. If possible, please respond by 5:00 PM EST Thursday, August 28.

If you have any questions, please feel free to contact me.

Thanks,

Adam Koenigsknecht
State of Michigan
Department of Treasury
Purchasing Division
Phone: (517) 373-4555
Fax: (517) 373-6941

>>> "Noack, Michael" <MNoack@glhec.org> 08/22/03 06:27PM >>>
Adam,
I have attached our response to the request for clarification #2.
This
should give you everything you need to complete your review.

We look forward to being able to service loans for MHESLA.

Please let me know if you have any questions.

> Thanks
>
> Mike Noack
> 608-246-1404
>
> <<MHESLA Clarifications#2 Great Lakes Response 8-22-03.doc>>
<<MHESLA
> Revised Pricing GLHEGC 8-22-03.doc>> <<MHESLA Revised Pricing MGA
> 8-22-03.doc>> <<Disbursement Reports.doc>> <<Forbearance
> Agreements.doc>> <<MHESLA Student Loan Guar Rider.doc>>

CC: "Harmon, David" <DHarmon@glhec.org>, "Severson, Richard"
<RSeverson@glhec.org>, Orv Erickson <EricksonO@michigan.gov>, Nancy Ivy <IvyN@michigan.gov>,
Marlene Pierce <PierceM1@michigan.gov>, Pat Scott <ScottPW@michigan.gov>, "Noack, Michael"
<MNoack@glhec.org>, "Tom A. Falik" <FalikT@michigan.gov>

ADDENDUM #6
MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
FFELP Servicing ITB
Price Proposal Summary For Loans Guaranteed by GLHEGC

PRICING PERIOD: NOVEMBER 1, 2003, THROUGH SEPTEMBER 30, 2005

<u>Service to be Provided</u>	<u>Quotation</u>	<u>Unit</u>
Conversion Fee (Task 1)	\$ NA	per borrower
Hardware/Software/Maintenance (Tasks 1 & 2)	\$ NA	per year
Dedicated Data Circuit (Task 2)		
Initial Set Up	\$ NA	set up
Service Fee	\$ NA	per month
Printers (Task 2)	\$ NA	per printer
System Changes (Task 3)	\$ 100.00	per hour
Portfolio Tapes (Task 4)	\$ 100.00	per tape
Origination (Tasks 6 & 7)		
Stafford and PLUS	\$ 7.50	per application
Consolidation	\$42.00	per application
Monthly Service Fee		
Interim (in-school) Period	\$ 1.25	per account
Grace Period	\$ 3.05	per account
First 12 Months of Repayment Period (includes Deferment, Forbearance)	\$ 3.25	per account
Remainder of Repayment Period (includes Deferment, Forbearance)	\$ 2.88	per account
LVC Processing (Task 14)	\$ 800.00	per month
Deferred Loans (Task 16)	\$ 0	per account
Claim Processing (Task 18)	\$ 0	per account
Purged History (Task 18)	\$ 5.00	per purged history
Cure Fee (Task 19)	\$ 200.00	per account
Secondary Market (Task 22)		
Packaging	\$ NA	purchased
Inspection/Conversion		
(a) In school status	\$ NA	per account
(b) All other statuses	\$ NA	per account
(c) Internal transfers		
Between State numbers:		
In school/grace	\$.50	per account
Repayment	\$ 1.50	per account
Purchase from lender:		
In school/grace	\$ 2.00	per account
Repayment	\$ 3.50	per account
Local Lender Loan Program	\$ NA	per account
Credit Evaluation (Task 23)		
Regular	\$ 2.00	per application
Pre-Approval	\$ 2.00	per application
Repurchases (Task 24)	\$ 6.00	per account
Ad Hoc Reports (Task 26)	\$ 100.00	per report generated by Great Lakes
Deconversion Pricing (Task 28)	\$ 14.00	per account
Actual cost of additional services requested to remove active account	\$ 6.00	per account
Public Awareness (Task 29)	\$.001	portfolio
Setup Cost for MGA	\$ NA	

ADDENDUM #7

OHIO HIGHER EDUCATION STUDENT LOAN AUTHORITY

FFELP Servicing ITB

Price Proposal Summary For Loans Guaranteed by MGA

PRICING PERIOD: NOVEMBER 1, 2003, THROUGH SEPTEMBER 30, 2005

<u>Service to be Provided</u>	<u>Quotation</u>	<u>Unit</u>	
Conversion Fee (Task 1)	\$ NA		per borrower
Hardware/Software/Maintenance (Tasks 1 & 2)	\$ NA		per year
Dedicated Data Circuit (Task 2)			
Initial Set Up		\$ NA	set up
Service Fee		\$ NA	per month
Printers (Task 2)	\$ NA		per printer
System Changes (Task 3)	\$ 100.00		per hour
Portfolio Tapes (Task 4)	\$ 100.00		per tape
Origination (Tasks 6 & 7)			
Stafford and PLUS	\$ 10.00		per application
Consolidation	\$ 55.00		per application
Monthly Service Fee			
Interim (in-school) Period	\$ 1.45		per account
Grace Period	\$ 3.70		per account
First 12 Months of Repayment Period (includes Deferment, Forbearance)			
Current	\$ 3.70		per account
Delinquent	\$ 5.20		per account
Remainder of Repayment Period (includes Deferment, Forbearance)			
Current	\$ 3.20		per account
Delinquent	\$ 4.70		per account
LVC Processing (Task 14)	\$ 800.00		per month
Deferred Loans (Task 16)	\$ 0		per account
Claim Processing (Task 18)	\$ 15.00		per account
Purged History (Task 18)	\$ 5.00		per purged history
Cure Fee (Task 19)	\$ 200.00		per account
Secondary Market (Task 22)			
Packaging	\$ NA		purchased
Inspection/Conversion			
(a) In school status	\$ NA		per account
(b) All other statuses	\$ NA		per account
(c) Internal transfers			
Between State numbers:			
In school/grace	\$.50		per account
Repayment	\$ 1.50		per account
Purchase from lender:			
In school/grace	\$ 2.00		per account
Repayment	\$ 3.50		per account
Local Lender Loan Program	\$ NA		per account
Credit Evaluation (Task 23)			
Regular	\$ 2.00		per application
Pre-Approval	\$ 5.00		per application
Repurchases (Task 24)	\$ 20.00		per account
Ad Hoc Reports (Task 26)	\$ 100.00		per report generated by Great Lakes
Deconversion Pricing (Task 28)	\$ 14.00		per account
Actual cost of additional services requested to remove active account	\$ 6.00		per account
Public Awareness (Task 29)	\$.001		portfolio
Setup Cost for MGA	\$25,000.00		

