

STATE OF MICHIGAN  
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET  
 PROCUREMENT  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48913

**CHANGE OF CONTRACTOR NAME AND OR TAX IDENTIFICATION NUMBER**

**CONTRACT NO. 071B6200177**

hereafter referred as

**CONTRACT NO. 071B2200272**

between

**THE STATE OF MICHIGAN**

and

CURRENT NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Sallie Mae, Inc. 11100 USA Parkway MC 595 Fishers, IN 46037	John Gennet	john.gennett@salliemae.com
	TELEPHONE	NEW CONTRACTOR #, MAIL CODE
	(317) 578-6658	

PREVIOUS NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Sallie Mae, Inc. 11100 USA Parkway MC595 Fishers, IN 46037	John Gennet	john.gennett@salliemae.com
	TELEPHONE	PREVIOUS CONTRACTOR #, MAIL CODE
	(317) 578-6658	

DESCRIPTION OF CHANGE NOTICE:
<p>THE CONTRACTOR HAS NOTIFIED THE STATE OF MICHIGAN OF A CHANGE IN ITS BUSINESS NAME AND OR TAX IDENTIFICATION NUMBER. DUE TO THE INTERNAL SYSTEMS RELATED TO THE RELEASE OF CONTRACTOR PAYMENTS, A NEW CONTRACT NUMBER MUST BE ASSIGNED. THE NEW CONTRACT NUMBER IS 071B2200272. EXCEPT FOR THE NEWLY-ASSIGNED NUMBER, THE CONTRACT TERMS AND CONDITIONS REMAIN IN EFFECT.</p> <p>THIS CHANGE IS EFFECTIVE: 08/09/2012</p>
<p><b>\$6,651,235.68 REMAINING ON CONTRACT #071B6200177 TO BE TRANSFERRED TO CONTRACT #071B2200272.</b></p>

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	TREA	Janet McKeown	(517) 335-1723	<a href="mailto:mckeownj@michigan.gov">mckeownj@michigan.gov</a>
BUYER:	DTMB	Angela Buren	(517) 373-0325	<a href="mailto:burena@michigan.gov">burena@michigan.gov</a>

CONTRACT SUMMARY:			
DESCRIPTION: (Descriptive Contract Title (Not always the same language as provided in MAIN))			
<b>Student Loan Processing Services – Department of Treasury</b>			
INITIAL TERM	EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS
5 Yrs.	March 1, 2006	February 28, 2013	No Options
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> YES <input type="checkbox"/> NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

<p><b>FOR THE CONTRACTOR:</b></p> <p style="text-align: center;">Sallie Mae, Inc.        _____        Firm Name</p> <p style="text-align: center;">_____        Authorized Agent Signature</p> <p style="text-align: center;">_____        Authorized Agent (Print or Type)</p> <p style="text-align: center;">_____        Date</p>	<p><b>FOR THE STATE:</b></p> <p style="text-align: center;">_____        Signature  <b>Jeff Brownlee, Chief Procurement Officer</b></p> <p style="text-align: center;">_____        Name/Title  <b>DTMB Procurement</b></p> <p style="text-align: center;">_____        Enter Name of Agency</p> <p style="text-align: center;">_____        Date</p>
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STATE OF MICHIGAN  
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET  
PROCUREMENT  
P.O. BOX 30026, LANSING, MI 48909  
OR  
530 W. ALLEGAN, LANSING, MI 48933

March 15, 2012

**CHANGE NOTICE NO. 8**  
**TO**  
**CONTRACT NO. 071B6200177**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Sallie Mae, Inc.</b> <b>11100 USA Parkway</b> <b>Fishers, IN 46038</b>  <a href="mailto:jgennett@salliemae.com">jgennett@salliemae.com</a>	TELEPHONE (317) 578-6658 <b>John Gennett</b>
	BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
	Contract Compliance Inspector: Janet McKeown (517)335-1723 <a href="mailto:McKeownJ@michigan.gov">McKeownJ@michigan.gov</a> <b>Student Loan Processing Services – Department of Treasury</b>
CONTRACT PERIOD: From: <b>March 1, 2006</b> To: <b>February 28, 2013</b>	
TERMS <b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B. <b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective immediately, the attached Payment Card Industry (PCI) language is incorporated into this Contract.

The Contract Compliance Coordinator has changed to Janet McKeown.

All other terms, conditions, pricing, and specifications remain the same.

**AUTHORITY/REASON:**

Per agency/vendor agreement and DTMB Procurement's approval.

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$65,734,336.00**

**Contract No. 071B6200177**  
**Change Notice No. 8**

**2.093 PCI Data Security Requirements**

- (a) Contractors that process, transmit, or store credit/debit cardholder data, must adhere to the Payment Card Industry (PCI) Data Security Standards. The Contractor is responsible for the security of cardholder data in its possession. The data may only be used to assist the State or for other uses specifically authorized by law.
- (b) The Contractor must notify the CCI (within 72 hours of discovery) of any breaches in security where cardholder data has been compromised. In that event, the Contractor must provide full cooperation to the Visa, MasterCard, Discover and state Acquirer representative(s), and/or a PCI approved third party to conduct a thorough security review. The Contractor must make the forensic report available within two weeks of completion. The review must validate compliance with the current PCI Data Security Standards for protecting cardholder data.
- (c) The Contractor must properly dispose of cardholder data when it is no longer needed. The Contractor must continue to treat cardholder data as confidential upon contract termination.
- (d) The Contractor must provide the CCI with an annual Attestation of Compliance (AOC) or a Report on Compliance (ROC) showing the contractor is in compliance with the PCI Data Security Standards. The Contractor must notify the CCI of all failures to comply with the PCI Data Security Standard.

**STATE OF MICHIGAN**  
**DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET**      **January 31, 2012**  
**PROCUREMENT**  
**P.O. BOX 30026, LANSING, MI 48909**  
 OR  
**530 W. ALLEGAN, LANSING, MI 48933**

**CHANGE NOTICE NO. 7**  
**TO**  
**CONTRACT NO. 071B6200177**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Sallie Mae, Inc.</b> <b>11100 USA Parkway</b> <b>Fishers, IN 46038</b>  <a href="mailto:jgennett@salliemae.com">jgennett@salliemae.com</a>		TELEPHONE (317) 578-6658 <b>John Gennett</b>
		BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
Contract Compliance Inspector: Jo Courtright <b>Student Loan Processing Services – Department of Treasury</b>		
CONTRACT PERIOD:                      From: <b>March 1, 2006</b> To: <b>February 28, 2013</b>		
TERMS  <b>N/A</b>	SHIPMENT  <b>N/A</b>	
F.O.B.  <b>N/A</b>	SHIPPED FROM  <b>N/A</b>	
MINIMUM DELIVERY REQUIREMENTS  <b>N/A</b>		

**NATURE OF CHANGE(S):**

**Effective immediately this Contract is hereby INCREASED by \$12,000,000.00 and EXTENDED to February 28, 2013. All other terms, conditions, specifications and pricing remain the same.**

**AUTHORITY/REASON:**

**Per agency/vendor agreement, Ad Board approval on 2/21/2012 and DTMB Procurement's approval.**

**INCREASE: \$12,000,000.00**

**TOTAL REVISED ESTIMATED CONTRACT VALUE:                      \$65,734,336.00**

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

March 1, 2011

CHANGE NOTICE NO. 6  
 TO  
 CONTRACT NO. 071B6200177  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR		TELEPHONE (317) 578-6658 <b>John Gennett</b>
<b>Sallie Mae, Inc.</b> <b>11100 USA Parkway</b> <b>Fishers, IN 46038</b>  <a href="mailto:jgennett@salliemae.com">jgennett@salliemae.com</a>		
		BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
Contract Compliance Inspector: Jo Courtright <b>Student Loan Processing Services – Department of Treasury</b>		
CONTRACT PERIOD: From: <b>March 1, 2006</b>		To: <b>February 28, 2012</b>
TERMS	<b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		

**NATURE OF CHANGE(S):**

Effective immediately this Contract is hereby **INCREASED** by \$4,057,152.00 and **EXTENDED** to 3/1/2012. Also, the attached pricing sheet is hereby incorporated into this Contract.

All other terms, conditions, specifications and pricing remain the same.

**AUTHORITY/REASON:**

Per agency/vendor agreement, Ad Board approval on 3/1/2011 and DTMB/Purchasing Operations' approval.

**INCREASE: \$4,057,152.00**

**REVISED AUTHORIZED SPEND LIMIT REMAINS: \$53,734,336.00**

January 25, 2011

Melissa Castro  
 DTMB-Purchasing Operations  
 2<sup>nd</sup> Floor, Mason Building  
 P.O. Box 30026  
 Lansing, MI 48909

**Re: Consent to Extend Servicing Contracts**

Dear Melissa:

The State of Michigan has entered into the following referenced contract with Sallie Mae Inc. ("Sallie Mae") and Student Assistance Corporation ("SAC"), respectively:

1. **Sallie Mae, Inc., Contract No. 071B6200177; and**
2. **Student Assistance Corporation, Contract No. 071B6200178**

Sallie Mae and SAC each agree to extend the above-referenced contract to which it is a party for a period of six months, beginning March 1 2011 through August 31, 2011, contingent upon and subject to both Sallie Mae's and SAC's receipt of a signed contract "Change Notice", in form and substance acceptable to it, from the State of Michigan setting forth and agreeing to the term of the contract extension and the applicable pricing revisions as described below:

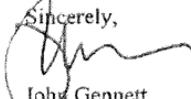
1. **Sallie Mae, Inc., Contract No. 071B6200177, Pricing**

	<u>Old Rate</u>	<u>New Rate</u>
<b>Default Collections</b>		
Direct Recoveries	14.50%	12.75%
Rehabilitations	22.90%	19.75%
FORD Consolidations	5.20%	4.95%
<b>Printing/Mailing Billing Notices</b>		
	<b>Not billed</b>	<b>Billed Monthly</b>
Per page printed:		\$0.021
Per envelope mailed:		\$0.018
Operations and postage costs:		
1 oz. letter:		\$0.56
2 oz. letter:		\$0.72
Postage costs are automatically adjusted to reflect any increase in U.S. postage rates.		

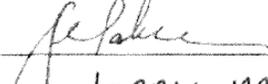
2. **Student Assistance Corporation, Contract No. 071B6200178, Pricing**

Cost per dollar cured	0.10%	0.15%
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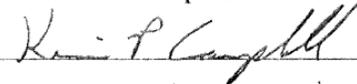
The pricing for all other services and support provided under each of the contracts, including the methodology for calculating monthly servicing fees, shall remain the same, and except as specifically described above, all other terms and conditions of the respective contracts shall remain in full force and effect, through August 31, 2011.

Sincerely,  
  
John Gennett  
Director  
Sallie Mae Inc.

**Sallie Mae, Inc:**

By:   
Name: JERRY MAHER  
Title: Senior Vice President

**Student Assistance Corporation:**

By:   
Name: Kevin P. Campbell  
Title: Sr. Director & President, SAC

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

July 29, 2010

CHANGE NOTICE NO. 5  
 OF  
 CONTRACT NO. 071B6200177  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR		TELEPHONE (317) 578-6658 <b>John Gennett</b>
<b>Sallie Mae, Inc.</b> <b>11100 USA Parkway</b> <b>Fishers, IN 46038</b>  <a href="mailto:jgennett@salliemae.com">jgennett@salliemae.com</a>		BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
Contract Compliance Inspector: Jo Courtright <b>Student Loan Processing Services – Department of Treasury</b>		
CONTRACT PERIOD: From: <b>March 1, 2006</b> To: <b>February 28, 2011</b>		
TERMS	<b>N/A</b>	SHIPMENT <b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		

**NATURE OF CHANGE(S):**

Pursuant to Section 1.104.4i of this Contract, effective April 20, 2010, the timeline for sending borrower accounts to the Portfolio Management Unit of Sallie Mae for collections assistance is hereby extended from 120 days with no payment to 180 days with no payment. All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

Per agency/vendor concurrence and DTMB/Purchasing Operations' approval.

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$49,677,184.00**

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 7, 2009

CHANGE NOTICE NO. 4  
 OF  
 CONTRACT NO. 071B6200177  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR		TELEPHONE (317) 578-6658 <b>John Gennett</b>	
<b>Sallie Mae, Inc.</b> <b>11100 USA Parkway</b> <b>Fishers, IN 46038</b>  <a href="mailto:jgennett@salliemae.com">jgennett@salliemae.com</a>			
		BUYER/CA (517) 241-1916 <b>Jim Wilson</b>	
Contract Compliance Inspector: Jo Courtright <b>Student Loan Processing Services – Department of Treasury</b>			
CONTRACT PERIOD:		From: <b>March 1, 2006</b>	To: <b>February 28, 2011</b>
TERMS	<b>N/A</b>	SHIPMENT	<b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM	<b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS		<b>N/A</b>	

**NATURE OF CHANGE(S):**

PeopleSupport, Inc. is hereby added as an approved Subcontractor to provide services handling a portion of originators-related inbound borrower calls.

All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

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

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$49,677,184.00**

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

November 5, 2008

**CHANGE NOTICE NO. 3**  
**OF**  
**CONTRACT NO. 071B6200177**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR		TELEPHONE (317) 578-6658 <b>John Gennett</b>	
<b>Sallie Mae, Inc.</b> <b>11100 USA Parkway</b> <b>Fishers, IN 46038</b>  <a href="mailto:igennett@salliemae.com">igennett@salliemae.com</a>			
		BUYER/CA (517) 241-1916 <b>Jim Wilson</b>	
Contract Compliance Inspector: Jo Courtright <b>Student Loan Processing Services – Department of Treasury</b>			
CONTRACT PERIOD:		From: <b>March 1, 2006</b>	To: <b>February 28, 2011</b>
TERMS	<b>N/A</b>	SHIPMENT	<b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM	<b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS		<b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective October 17, 2008, PeopleSupport, Inc. is approved as a subcontractor for selected post-claim assistance functions. These functions include:

- Handling borrower calls routed through the post-claim assistance IVR system;
- Responding to telephone inquiries;
- Generating borrower requested letters and forms;
- Researching credit bureau disputes and returning results to each credit bureau.

All other functions, including payment research, written correspondence, school and lender calls that route out of the IVR, and print and mail services will continue to be processed by Sallie Mae post claim assistance staff located in Fishers, Indiana.

Subcontractor address: **PeopleSupport, Inc.**  
**2049 Century Park East, Suite 300**  
**Los Angeles, CA 90067**

All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

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

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$49,677,184.00**

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

October 9, 2007

CHANGE NOTICE NO. 2  
 OF  
 CONTRACT NO. 071B6200177  
 between  
 THE STATE OF MICHIGAN  
 and

NAME & ADDRESS OF VENDOR		TELEPHONE (317) 578-6658	
<b>Sallie Mae, Inc.</b> <b>11100 USA Parkway</b> <b>Fishers, IN 46038</b>  <a href="mailto:jgennett@salliemae.com">jgennett@salliemae.com</a>		<b>John Gennett</b>	
		BUYER/CA (517) 241-1916	
Contract Compliance Inspector: Jo Courtright			
<b>Student Loan Processing Services – Department of Treasury</b>			
CONTRACT PERIOD:		From: <b>March 1, 2006</b>	To: <b>February 28, 2011</b>
TERMS	<b>N/A</b>	SHIPMENT	<b>N/A</b>
F.O.B.	<b>N/A</b>	SHIPPED FROM	<b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS		<b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective October 1, 2007, the following changes are incorporated into this Contract:

- 1.) Change Direct Recoveries from 18.8% to 14.5% (Appendix A, Attachment 2) per attached proposal dated September 24, 2007.
- 2.) Change Account Maintenance Fee (AMF) from 0.065% to 0.039% per Section 1.6.1.b of this Contract.

All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

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

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$49,677,184.00**

# Guarantor cash retention rate changes – contract change proposal

9/24/07

Issue: The guarantor cash retention fee is being reduced from 23% to 16% effective 10/1/07. Michigan pays Sallie Mae 18.8% for all cash collections, thus the new fee would cause a loss of revenue to Michigan.

Proposal: Portfolio Management proposes a reduction in our fee from 18.8% to 14.5%

## Cash/AWG

<u>Fee structure</u>	<u>Now</u>	<u>Proposed</u>
Michigan receives	23.0%	16.0%
Michigan pays PM	18.8%	14.5%
PM pays the contractors	14.5%	13.0%

Impact calculations below are based on \$4,243,366 in Cash /Awg recoveries during the prior 12 months (Sept 2006 – August 2007).

	<u>Now</u>	<u>Proposed</u>	<u>Impact</u>
Michigan cash revenue	\$975,975	\$678,938	-\$297,037
Less: PM fees	\$797,753	\$615,289	-\$182,464
Net Michigan impact			<b>-\$114,573</b>

Portfolio Management fees	\$797,753	\$615,289	-\$182,464
Less: Agency fees	\$615,289	\$551,638	-\$63,651
Net PM impact			<b>-\$118,813</b>

Conclusion: Portfolio Management is suggesting participating in slightly over half of the net impact. This proposal reflects a 23% reduction in fees to PM vs. the government's 30% reduction. If fees are reduced as shown above, it will allow us to maintain an appropriate fee stratification that emphasizes cash first, then rehabs, followed by consolidation. In addition, we anticipate that 13% cash fees will prevail with our other guarantors, and we do not want to disadvantage the focus the Michigan portfolio might receive from the collection agencies. Of course, we will continue to review the fee structure in the future for opportunities to maximize recoveries.

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 29, 2007

**CHANGE NOTICE NO. 1**  
**OF**  
**CONTRACT NO. 071B6200177**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Sallie Mae, Inc.</b> <b>11100 USA Parkway</b> <b>Fishers, IN 46038</b>  <a href="mailto:jgennett@salliemae.com">jgennett@salliemae.com</a>	TELEPHONE (317) 578-6658 <b>John Gennett</b>
	BUYER/CA (517) 241-1916 <b>Jim Wilson</b>
	Contract Compliance Inspector: Jo Courtright <b>Student Loan Processing Services – Department of Treasury</b>
CONTRACT PERIOD: From: <b>March 1, 2006</b> To: <b>February 28, 2011</b>	
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>	

**NATURE OF CHANGE(S):**

The revised Section 1.6 is hereby incorporated into this Contract. This revises and replaces all previous versions of Section 1.6. NOTE: The Buyer for this Contract is changed to Jim Wilson. All other terms, conditions, specifications, and pricing remain the same.

**AUTHORITY/REASON:**

Per agency request and DMB/Purchasing Operations approval.

**TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$49,677,184.00**

## 1.6 Compensation and Payment

All prices/rates quoted in this Contract will be firm for the duration of the Contract. No price changes will be permitted.

See Appendix A, Servicer Price Proposal.

### 1. Pricing for Services

The pricing for services performed under this Contract will be performance-based to ensure the appropriate Servicer incentive to maintain a high level of quality in the services it provides to MGA and its participating students, families, schools, lenders, lender servicers, and secondary markets.

If for any reason federal law or ED should change its methods/rates of payments to MGA, then the State has the right to amend the pricing structure in place with the Servicer per section 2.8.

#### a. Portfolio Management Fee

**In the event that Reauthorization of HEA creates changes to statutory/regulatory guarantor funding levels, the following guidelines will be used to adjust pricing during the term of this contract:**

**For each recovery type:**

**$(\text{New retention rate} / \text{Current retention rate}) \times \text{Portfolio Management Fees per Appendix A, Attachment 2} = \text{New Portfolio Management Fee.}$**

**For Direct and FFELP Consolidation recovery types, the Portfolio Management Fee shall not fall below the following minimum percentages:**

**Direct Consolidations: 5.2%**

**FFELP Consolidations: 6.2%**

#### b. New Loan and Account Maintenance Fee

In the event that Reauthorization of HEA creates changes to statutory/regulatory guarantor funding levels, the following guidelines will be used to adjust pricing during the term of this contract:

New Loan fee:  $(\text{New LPIF rate per HEA, as amended,} \times 62.5\%) \times \text{new loan guarantees, as described in 1.6.2.a.}$  The proportionate share of 62.5% is determined as follows: .25% new loan fee / .40% current statutory LPIF fee = 62.5%.

Account Maintenance Fee:  $(\text{New AMF as per HEA, as amended,} \times 65\%) \times \text{MGA loans outstanding, billed as described in 1.6.2.a.}$  The proportionate share of 65% is determined as follows: .065% Account Maintenance Fee / .10% current statutory AMF fee = 65%.

## 2. PERFORMANCE DEFINITIONS:

**a. New Loan and Account Maintenance Fee:** This fee category will consist of the Servicer's pricing for new loan guarantees (New Loan Fee) and for the fee on MGA loans outstanding (Maintenance Fee) to cover ongoing account service to the point of account delinquency. The Servicer must actively promote MGA's FFELP in the state of Michigan.

The contract price for the New Loan Fee shall be calculated by multiplying new loan guarantees by the billing rate per Appendix A, Attachment 1

New loans guaranteed  $\times$  .25% = New Loan Fee paid to Servicer, billed monthly.

New loan guarantees are a total of: Federal Stafford (subsidized and unsubsidized), PLUS, and Consolidation loan volume.

The contract price for the Account Maintenance Fee shall be calculated by multiplying MGA loans outstanding by the billing rate per Appendix A, Attachment 1:

MGA loans outstanding x .065% = Account Maintenance Fee paid to Servicer, billed monthly by multiplying one-twelfth of the annual billing rate x MGA month-ending loans outstanding.

The new loan incentive fee is eliminated.

- b. Default Portfolio Management Fee:** The Servicer must base its default portfolio management fee on a rehabilitation strategy and a percentage of gross recoveries (see section 1.104.4i). From that fee the Servicer will be responsible for paying collection costs to all collection subcontractors. The Servicer also will negotiate collection subcontractor agreements and assume responsibility for collection subcontractor performance. The Servicer must maintain data that justifies the allocation of business to collection subcontractors based on their performance.

The Contract price for the Default Portfolio Management Fee shall be calculated at \$35,000,000 multiplied by the percentage bid by the Servicer for each 12-month period of the Contract.

- c. Default Aversion Fee (DAF):** The DAF fee submitted by the Servicer or Default Aversion Contractor must be based on all (first-time and repeat) DAARs that it successfully cures. A cure is defined as any account brought to zero days delinquent. The Servicer or Default Aversion Contractor must also identify the time limit it will impose for performing default aversion activities on repeat DAARs at no charge (see section 1.104.4f).

**d. Conversion**

Changing a Servicer is a high-risk enterprise for a FFELP guarantor. If a Servicer does not deliver excellent results for a guarantor conversion, the guarantor is at significant risk of providing poor service to borrowers, schools, and lenders. The transition must be seamless to MGA customers and the conversion must be managed by the Servicer to ensure no interruption of service (see section 1.104.2a [Implementation Planning]). Risks to MGA include: not delivering conversion project milestones in a timely fashion; delayed system implementation; the quality of data conversion negatively affecting the accuracy of borrower, school, and lender/servicer/secondary market records; customer training for new procedures and processes; and customer satisfaction with new procedures and processes. Because of the risk associated with business and data conversions, the success of the conversion will be measured based on the comparison of MGA volume for the first 12 months of operation under the Contract compared to the prior year. If MGA experiences a reduction in loan volume for this period that is not attributable to new regulation, a change in MGA policy, or an overall decline in the national FFELP market at a percentage consistent with the MGA decline in volume, the Servicer will be penalized for the loss of business in accordance with the tiered structure below:

<b>Tier for Lost Volume Penalty</b>	<b>Penalty Fee Formula</b>
3-10% Volume Decline	5% multiplied by total first year fees
11-20% Volume Decline	10% multiplied by total first year fees
>20% Volume Decline	20% multiplied by total first year fees

Service fee is comprised of all fees under this contract (i.e. loan origination/maintenance fee, default fee, etc.).

**e. Operational Service Levels**

Liquidated damages may also be assessed due to the Servicer's failure to meet the stated/agreed upon service levels as required in section 1.104 of the CONTRACT, at the discretion of the State. Liquidated damages may be assessed as appropriate to the nature of the service level requirement per section 2.703. In addition, the Servicer, Early Intervention Contractor and Default Aversions Contractor will be held liable for any penalties, interest charges, forfeiture of loan guarantees, or any other monetary damages assessed against MGA due to the Servicer's violation of contracted service levels in accordance with all federal laws and regulations.

**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 17, 2006

**NOTICE**  
**OF**  
**CONTRACT NO. 071B6200177**  
**between**  
**THE STATE OF MICHIGAN**  
**and**

NAME & ADDRESS OF VENDOR  <b>Sallie Mae, Inc.</b> <b>11100 USA Parkway</b> <b>Fishers, IN 46038</b>  <a href="mailto:jgennett@salliemae.com">jgennett@salliemae.com</a>		TELEPHONE (317) 578-6658 <b>John Gennett</b>
		BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Jo Courtright <b>Student Loan Processing Services – Department of Treasury</b>		
CONTRACT PERIOD: From: <b>March 1, 2006</b> To: <b>February 28, 2011</b>		
TERMS <b>N/A</b>	SHIPMENT <b>N/A</b>	
F.O.B. <b>N/A</b>	SHIPPED FROM <b>N/A</b>	
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		

**Estimated Contract Value: \$49,677,184.00**

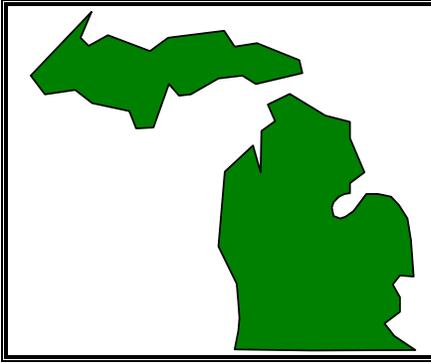
**STATE OF MICHIGAN  
 DEPARTMENT OF MANAGEMENT AND BUDGET  
 ACQUISITION SERVICES  
 P.O. BOX 30026, LANSING, MI 48909  
 OR  
 530 W. ALLEGAN, LANSING, MI 48933**

**CONTRACT NO. 071B6200177  
 between  
 THE STATE OF MICHIGAN  
 and**

NAME & ADDRESS OF VENDOR  <b>Sallie Mae, Inc.          11100 USA Parkway          Fishers, IN 46038</b>  jgennett@salliemae.com	TELEPHONE (317) 578-6658 <b>John Gennett</b>  BUYER/CA (517) 373-1080 <b>Melissa Castro, CPPB</b>
Contract Compliance Inspector: Jo Courtright <b>Student Loan Processing Services – Department of Treasury</b>	
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TERMS <span style="float: right;"><b>N/A</b></span>	SHIPMENT <span style="float: right;"><b>N/A</b></span>
F.O.B. <span style="float: right;"><b>N/A</b></span>	SHIPPED FROM <span style="float: right;"><b>N/A</b></span>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	
MISCELLANEOUS INFORMATION:  <b>Estimated Contract Value: \$49,677,184.00</b>	

---

<b>FOR THE VENDOR:</b>  <b>Sallie Mae, Inc.</b> _____ Firm Name  _____ Authorized Agent Signature  _____ Authorized Agent (Print or Type)  _____ Date	<b>FOR THE STATE:</b>  _____ Signature <b>Sean L. Carlson</b> _____ Name <b>Director, Acquisition Services</b> _____ Title  _____ Date
--	--



**STATE OF MICHIGAN  
Department of Management and Budget  
Acquisition Services**

Student Loan Processing Services (Servicer Operations Only)

Buyer Name: Melissa Castro  
Telephone Number: 517-373-1080  
E-Mail Address: [castrom@michigan.gov](mailto:castrom@michigan.gov)



**Student Loan Processing Services**

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**APPENDICES**

- A PRICE PROPOSAL (SERVICER)**
- B Clarification Questions and Responses Dated 12/21/06**
- C Clarification Questions and Responses Dated 12/7/05**



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

### **1.0 Project Identification**

#### **1.001 PROJECT REQUEST**

The purpose of this Contract is to provide state-of-the-art school, lender, and guarantee agency services for supporting all guaranty agency functions of the Michigan Guaranty Agency (MGA).

#### **1.002 BACKGROUND**

The State of Michigan, Department of Treasury, Michigan Higher Education Assistance Authority – Office of Michigan Guaranty Agency (MGA) serves as the guarantor of the post-secondary education loan guaranty programs for the State of Michigan. MGA currently administers five different types of Federal Family Educational Loan Program (FFELP) under the following programs:

- Federal Subsidized Stafford Loan Program (implemented 1962)
- Federal Unsubsidized Stafford Loan Program (implemented 1992)
- Federal PLUS Loan Program (implemented 1982)
- Federal Supplemental Loans to Students (SLS) (implemented 1982)
- Federal Consolidation Loan Program (implemented 1988).

As of April 30, 2005, approximately \$3,000,000,000 in loans is outstanding for these five programs.

MGA has significant demand for services. In 1986, MGA contracted for a strategic review of program goals, objectives, and alternatives to determine the proper future role of the program. As a result of that study, an RFP was written to select a Servicer to provide state-of-the-art school, lender, and guarantee agency services and allow MGA to provide the latest technology to its borrower, school and lender clients. The incumbent contract, awarded to Sallie Mae Servicing Corporation expires February 28, 2006. It is the goal of MGA to continue providing clients the superior products and services they have come to expect. MGA also faces the challenge of implementing extensive federal regulatory changes while maintaining and enhancing its services to clients.

### **1.1 Scope of Work and Deliverables**

#### **1.101 IN SCOPE**

By contracting with Servicer, MGA seeks to accomplish the following major objectives:

1. Provide and maintain superior computer and other services to support all MGA loan guarantee servicing functions for participating schools and lenders, including such features as:
  - a. Real-time (instant) guarantee for loans transmitted by MGA or its clients, with confirmation of the guarantee in less than one minute, two hours or 24-hour loan guarantee approval for electronic receipt. Schools or lenders choose delivery time.
  - b. Technical assistance in maintaining a range of options for software, hardware, and telecommunications for electronic exchange of information (PC-based, cartridge, electronic transmission, Internet-based, on-line processing, etc.) among the Servicer, MGA, MGA clients, and other required outside entities (Michigan Department of Treasury - Collections Division, U.S. Bureau of Internal Revenue [IRS], National Student Loan Data System [NSLDS], etc.).
  - c. Volume sourcing/procurement, documentation, training, and distribution/implementation assistance for the above section 1.101.1.b (including initial/ongoing billing for such services via MGA or directly to clients, as appropriate to meet state and federal requirements).



- d. Full lender service options including, but not limited to, maintenance of lender records, automated electronic funds transfer (EFT), integrated/tightly interfaced “state-of-the-art” options for “full service” and “data processing only” lender portfolio servicing, and other loan distribution services.
  - e. Integrated collection process that includes predictive dialing, outbound call processing including automated call distribution capability with integrated immediate file access and viewing, electronic check writing, real-time changes, on-line report generation, and integration to collection tool service providers (e.g., credit bureaus, bankruptcy databases, etc.).
  - f. Appropriate secured access control for on-line inquiry/update of databases by MGA, schools, and lender staffs. (See section 1.104.3b6.)
2. Continue contracting of selected administrative and clerical support activities to the Servicer. Exhibit A-1 shows a summary of guaranty agency functions performed by Servicer and MGA.
  3. Conform/streamline the operations of MGA as much as possible to the Servicer’s existing systems capabilities/procedures in order to reduce the amount of time necessary to modify and implement the Servicer’s systems.
  4. Provide MGA with automated changes to systems as a result of federal regulation changes. These changes need to be implemented as required by federal regulations, to eliminate manual corrections and to ensure efficiency and accuracy.
  5. Design any required Servicer system modifications and select/implement required equipment (computer hardware, telecommunications networks, telephone answering, predictive dialing equipment, etc.) to minimize the technical difficulty and future costs associated with potentially converting operations back to MGA or a successor Servicer at the end of the Contract.
  6. Maintain a strong Michigan presence for the MGA programs. MGA will not require the Servicer to maintain an office in Michigan. However, the Servicer must provide sufficiently trained, professional staff, including a contract and operations manager/liaison.



**Exhibit A-1**

Michigan Guaranty Agency Support Strategy/Objectives			
	Function	Computer System Development/ Processing Services/Maintenance	Administrative Staffing
a	Loan Application Processing and Approval	S	S
b	Guarantee Fee Billing	S	S
c	Borrower Account Maintenance	S	S/M
d	Skip-Tracing	S	S/M
e	Early Intervention Services	E	E and/or M
f	Default Aversion Services	D	D and/or M
g	Claims Processing	S	S/M
h	Borrower Delinquency/Default Self-Serve Internet Site	S	S
i	Collections	S	S/M
j	School/Lender File Maintenance	S	S/M
k	Federal Reporting	S	S/M
l	School/Lender Program Review/Technical Assistance Support Services	S	S/M
<p>Legend                      "S" = Primary/Secondary Servicer(s)                      "E" = Early Intervention Contractor                      "D" = Default Aversion Contractor                      "M" = Michigan Guaranty Agency</p>			



## 1.102 OUT OF SCOPE

The following is currently considered Out of Scope for this Contract, however, the State reserves the right to add this to the scope of the contract at any time deemed appropriate by the State:

MGA is considering applying for a Voluntary Flexible Agreement (VFA) with the U.S. Department of Education (ED). Once application has been made and approved by ED, the Servicer must be able to accommodate any changes in processing necessary to support the agreement. A Contract Amendment would be executed (see section 1.403).

Contractor Response to Task:

*Should MGA apply for a VFA and subsequently receive approval from the U.S. Department of Education, Sallie Mae will support efforts to modify its processes to support agreement requirements. This commitment applies to both necessary system modifications and procedural changes required to support the VFA servicing requirements.*

*Any system modifications to EAGLE, the MGA database, and/or reporting requirements to support a VFA, are beyond the normal regulatory changes to systems, which are provided to MGA at no cost. Consequently, system modifications for a VFA will be billable at the prevailing system development rate for work performed. All procedural requirements for providing estimates and receiving MGA approval before work is performed will be honored. Any changes to service operations provided by Sallie Mae under this contract will be made at no additional cost to MGA.*

## 1.103 TECHNICAL ENVIRONMENT

1. MGA (see below and section 2.104.1 for existing State technology standards)

### **Connection to current Servicers**

Cisco 1751 Router  
Dell XPSB800 Servicer/CPU and Dell monitor for printer connection  
Solimar Print/Director, Platinum Edition, version 5.12, software used to print reports on laser printer

### **Autodialer**

Sun Blade 150 Workstation  
Dual Channel Single-ended Ultra SCSI Host Adapter  
DDS-4 Unipac desktop enclosure  
Sun Microsystems tape backup  
Unison 7.X Base Operating System Software  
Unison Digital Communication Processor  
Rumba Software version 5.1

### **Interactive voice response system through Intervoice**

HP DL380G3 – 6 Port IVR with OSR  
HP DL360G3 – 3 Port Speechify TTS Server  
InterSoft Version 3  
Omvia Speech Speech Works OSR-OSS  
Omvia Speech – Speechify Version 2  
Omvia Speech – Speechify TTX 2.1.6



### Imaging

2 Dell Optiplex GX150 CPUs and Dell Trinitron Monitors  
 Fujifilm MS-160X (FileNet Software)  
 Dell Optiplex GXA CPU and Dell Trinitron Monitor  
 Poweredge 2650 Server  
 Canon DR-5060F with Dell Optiplex GX110 CPU and Dell Trinitron Monitor  
 2 Minolta MS 6000 Microfilm Readers  
 2 Minolta MSP 3000 printers  
 Server Includes:

- Hewlett Packard SureStore Optical 33fx (Jukebox)
- Hewlett Packard SureStore Optical 2200mx (Jukebox)
- 1 Compaq Deskpro CPU and Dell Trinitron Monitor  
     Compaq Proliant 5500 and Compaq V55 Monitor

2. Lenders (see sections 1.104.2a1i and 3c2 for description of environment)
3. Schools (see sections 1.104. 2a1i and 3c2 for description of environment)
4. Lender servicers (see sections 1.104. 2a1i and 3c2 for description of environment).

### **1.104 WORK AND DELIVERABLE**

Servicer and other Contractor(s) shall provide services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

The following is a preliminary analysis of the major tasks involved for developing the end product of this project. It describes the scope of Servicer, early intervention and default aversion services and requirements for administrative, manual and computerized processing support addressed by this CONTRACT. The Servicer, Early Intervention Contractor and Default Aversions Contractor are not, however, constrained from supplementing this listing with additional steps, subtasks or elements deemed necessary to permit the development of alternative approaches or the application of proprietary analytical techniques.

### **1. GENERAL REQUIREMENTS**

The following general requirements will govern all features, functions, and services requested from the Servicer, Early Intervention Contractor and Default Aversions Contractor unless otherwise noted:

The Servicer must house the MGA database on its system, process loan requests, and perform functions related to education loan assistance support for MGA clients throughout the life of the contract, stringently monitor service levels, and:

- 1a. Servicer, Early Intervention Contractor and Default Aversions Contractor must ensure the prominent identification of MGA in all forms of interaction with all MGA clients, including but not limited to displaying the MGA logo on all forms, informational materials, and correspondence.

Contractor Response to Task:

*The MGA logo will continue to be prominently displayed on all forms, informational materials, and correspondence generated by Sallie Mae on behalf of MGA. As MGA's service provider, Sallie Mae will continue to promote the business and goodwill of MGA to the customers they serve.*

- 1b. Review, analyze, and understand all federal and state laws, regulations, and rules. As legislative and regulatory changes are enacted, the Servicer, Early Intervention Contractor and Default Aversions Contractor must give MGA the opportunity to review and offer ideas and concerns regarding the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's proposed system and procedural changes before design and implementation. However, the Servicer, Early Intervention Contractor and Default Aversions Contractor ultimately will be responsible for implementing changes and maintaining compliant systems and procedures. The Servicer, Early Intervention Contractor and Default Aversions Contractor must apprise MGA of the implementation schedule for changes requiring more than 90 calendar days.



To the extent that specific requirements are defined within this CONTRACT in terms of/reference to current federal or state laws/regulations/rules, those functions, features, reports, etc. must be amended accordingly as federal/state laws/regulations/rules change.

Contractor Response to Task:

*Sallie Mae makes two major release updates to its EAGLE system. Included in the release schedule are any enhancements, routine maintenance items, and other changes needed to maintain compliance to all Federal or state regulatory modifications.*

*Sallie Mae will make every effort to provide the most accurate information at the earliest possible timeframe. Information regarding the scope of each planned release will be shared with the Contract Compliance Inspector at least 30 days from the planned release date. While Sallie Mae can provide information earlier as requested, our experience shows the scope of the system release is subject to significant change. Any subsequent changes to the release scope will be shared to ensure continuity of operations between MGA and Sallie Mae.*

*We envision the addition of a Sallie Mae Technical and Marketing Manager at MGA's offices may provide assistance in communicating release information.*

*Further, other changes and modifications (patch fixes) may be made to EAGLE on a more frequent basis to correct processing anomalies and other noted exception. Sallie Mae will ensure MGA is apprised of these changes, both in scope and timing as they occur.*

- 1c. Servicer must provide experts to serve as witnesses and provide testimony on behalf of the State or MGA. Such services must be provided at the request of MGA at no additional cost to MGA. Such testimony may require the Servicer's appearance in court, at depositions, at hearings, or any other necessary circumstances.

Contractor Response to Task:

*Sallie Mae will provide this support at the request of MGA at no additional cost.*

- 1d. The Servicer, Early Intervention Contractor and Default Aversions Contractor must respond to all written inquiries and take appropriate action within five (5) days of the receipt date. Servicer, Early Intervention Contractor and Default Aversions Contractor staff responsible for drafting responses to such inquiries must have access to files and records necessary to research all issues, problems, and questions that may arise during program administration for which the Servicer, Early Intervention Contractor and Default Aversions Contractor are responsible. The Servicer's, Early Intervention Contractor's and Default Aversions Contractor's staff must be able/qualified to accurately handle questions of a complex nature (see sections 1.104.4e, 4f, 4g, and 4l).

Contractor Response to Task:

*Sallie Mae's processing standard is to respond to 95% of written inquiries, either received through e-mail or standard correspondence, within four business days. Sallie Mae consistently processes 100% of all written correspondence within this process standard. Processing times for inquiries that fall outside of this standard typically lack sufficient information (i.e. borrower demographics) to initiate or complete the requested action.*

- 1e. In cases of inquiries received from the State Treasurer, Office of the Superintendent of Public Instruction, Office of the Governor, a U.S. Senator, a U.S. Representative, a Michigan Legislator, or a Congressional or State Legislative staff member, the Servicer, Early Intervention Contractor and Default Aversions Contractor must notify the Contract Compliance Inspector or designee of the request as soon as possible but in no case more than 24 hours after receipt of the inquiry. In all cases, the Servicer, Early Intervention Contractor and Default Aversions Contractor must obtain for any of the above inquiries, the borrower's written authorization to release information to that office according to the Gramm-Leach-Bliley Act. If possible, prior to responding to such inquiries, Servicer, Early Intervention Contractor and Default Aversions Contractor staff must notify Contract Compliance Inspector or designee of the inquiry and its proposed response. All responses to such inquiries then must be handled within one (1) day of Contract Compliance Inspector or designee clearance.



## Contractor Response to Task:

*Sallie Mae will notify the MGA Contract Compliance Inspector of all inquiries as soon as possible according to this requirement. Should MGA receive an inquiry that addresses any service provided by Sallie Mae or SAC, MGA will notify the servicer in accordance with the same timeline.*

- 1f. Postsecondary Electronic Standards Council: The Servicer must have representation on the Postsecondary Electronic Standards Council and actively participate in the development of industry standards.

## Contractor Response to Task:

*Sallie Mae has representation on the NCHLP Electronic Standards Steering Committee. Jon Kroehler, Senior Vice President, presently serves on this Committee as Member-at-Large. Mr. Kroehler is responsible for Sallie Mae's loan delivery products, including development of our OpenNet loan delivery platform.*

Detailed Servicer, Early Intervention Contractor and Default Aversions Contractor data/manual processing requirements and responsibilities for MGA support are organized in the remainder of section 1.104 according to the following outline:

Program Conversion (section 1.104.2)

- a. Implementation Planning (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- b. Conversion of Master Files (and other key records/files) (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- c. Training and Documentation (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- d. School and Lender Conversion/Promotion/Coordination (Servicer)

Information Technology Management (section 1.104.3)

- a. General Requirements (Servicer, Early Intervention Contractor and Default Aversions Contractor. See section 4.304.4a through c for applicable sections to complete)
- b. Data Center Operations and Management (Servicer, Early Intervention Contractor and Default Aversions Contractor. See section 4.304.4a through c for applicable sections to complete)
- c. Information Technology Infrastructure (Servicer, Early Intervention Contractor and Default Aversions Contractor. See section 4.304.4a through c for applicable sections to complete)

Program Operations (section 1.104.4)

- a. Loan Application Processing and Disbursement (Servicer)
- b. Guarantee Fee and Disbursement Processing (Servicer)
- c. Borrower Account Maintenance (Servicer)
- d. Skip-Tracing (Servicer)
- e. Early Intervention Services (Servicer and Early Intervention Contractor. See section 4.304.4a and c for applicable sections to complete)
- f. Default Aversion (Servicer and Default Aversions Contractor. See section 4.304.4a and b for applicable sections to complete)
- g. Claims Processing (Servicer)
- h. Borrower Delinquency/Default Self-Serve Internet Site (Servicer)



- i. Collections (Servicer)
- j. School/Lender File Maintenance (Servicer)
- k. Federal Reporting (Servicer)
- l. School and Lender Program Review/Technical Assistance Support Services (Servicer)

Forms Management/Distribution Reports (section 1.104.5) (Servicer)

School and Lender Support (section 1.104.6)

- a. Professional Staff (Servicer)
- b. Common Manual: Unified Student Loan Policy (Servicer)
- c. Electronic Transmission Software, Equipment, and Processing Capabilities (Servicer)
- d. School and Lender Training Programs/Materials (Servicer)
- e. Survey of Schools and Lenders (Servicer)
- f. Mandatory School and Lender Support (Servicer)
- g. Discretionary School and Lender Support (Servicer)
- h. School and Lender Support Procedures/Reports (Servicer)
- i. General Requirements (Servicer)

Computer Software Maintenance and Enhancement (section 1.104.7)

- a. Federally Required Changes (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- b. Emergency Fixes (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- c. Discretionary Changes (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- d. System Change Procedures (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- e. Usual Servicer Billing (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- f. Progress Billing (Servicer, Early Intervention Contractor and Default Aversions Contractor)

Program Conversion/Turnover (section 1.104.8)

- a. Option A: Comprehensive System Conversion/Turnover to MGA (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- b. Option B: Conversion/Turnover to MGA or Successor Servicer (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- c. Comprehensive Plan for Operational Conversion/Turnover (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- d. Servicer Personnel (Servicer, Early Intervention Contractor and Default Aversions Contractor)



- e. Conversion Programs (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- f. Record Types (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- g. Conversion/Turnover Activities (Servicer, Early Intervention Contractor and Default Aversions Contractor)
- h. Delivery Dates (Servicer, Early Intervention Contractor and Default Aversions Contractor)

## 2. PROGRAM CONVERSION

Specific requirements for detailed operations, screen/report formats, etc., will be finalized during this task. The key Program Conversion objectives follow:

- a. Have a comprehensive conversion workplan fully documented and approved by Contract Compliance Inspector or designee within 20 business days of Contract execution, although many of the required activities may begin on day one of the Contract.
- b. Provide seamless transition with no gap in services for participating borrowers, schools, lenders and MGA while providing as many operational improvements as possible on day one of implementation.
- c. Fully inform schools, lenders, and MGA staff regarding the minimal impact of the conversion on their operations. Assist MGA in efficiently and effectively presenting any changes in operations that includes, but is not limited to, the following:
  - 1. At conversion and for the short term.
  - 2. Direction/improvement objectives for the future.
  - 3. Conversion schedule (summary version of comprehensive workplan) as it applies to each user group (e.g., MGA, school, lender, and Servicer staff).

### 2a. Implementation Planning

- 2a1. Within five (5) business days of Contract execution, the Servicer, Early Intervention Contractor and Default Aversions Contractor must begin the following activities on-site in Lansing, Michigan, in conjunction with Contract Compliance Inspector or designee:
  - a. Review current operations of all MGA functions by conducting an on-site analysis of existing MGA program operations to identify/document conversion activities and requirements. Servicer, Early Intervention Contractor and Default Aversions Contractor must involve MGA personnel as an equal partner in developing and implementing conversion activities, so MGA staff can learn the new system and procedures and provide input regarding how the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's systems and support functions will impact MGA's operations.
  - b. Define activities that Servicer, Early Intervention Contractor and Default Aversions Contractor propose MGA staff will continue to perform in-house (with Servicer only providing data processing support), including written user procedures and process "flowcharts."
  - c. Define data file/microfiche/microfilm/imaging conversion requirements, data "cleansing," and critical field initialization (see section 1.104.2b).
  - d. Identify MGA equipment and communications requirements.
  - e. Work with MGA management to recommend organizational modifications.



- f. Review Servicer, Early Intervention Contractor and Default Aversions Contractor forms/reports/computer-generated letters versus MGA forms/reports/letters to confirm “fit,” identify “must have” modifications that must be made prior to implementation, and schedule future additions/enhancements.
- g. Identify any other “must have” Servicer, Early Intervention Contractor and Default Aversions Contractor system modifications required to satisfy MGA requirements defined in this CONTRACT. The Servicer must obtain from Contract Compliance Inspector or designee “sign-off” on all “must have” computer program modifications and enhancements prior to implementation. These programming costs will not be subject to charge-back after conversion under section 1.104.7 guidelines.
- h. Develop a comprehensive systems testing plan to test all features and functions of the (modified) Servicer’s system prior to implementation, using MGA operational data (see sections 1.104.2b4 and 2.105). The testing plan must include documenting actual conversion process/steps/schedule and conversion balancing and verification procedures.
- i. MGA client visits as necessary to address unique conversion requirements (see section 1.104.3c2).

Contractor Response to Task:

*There will be no interruption in service provided. MGA can continue to support its customers without the disruption of a data conversion.*

- 2a2. The Servicer, Early Intervention Contractor and Default Aversions Contractor must prepare a comprehensive, detailed workplan with appropriate monitoring mechanisms/checkpoints for conversion of the entire data processing operation and the agreed upon administrative functions within 20 business days (one calendar month) of Contract execution. The Servicer, Early Intervention Contractor and Default Aversions Contractor must follow-up with each task in workplan (see section 1.104.2a3) to ensure timely completion; additionally, the Servicer, Early Intervention Contractor and Default Aversions Contractor are responsible for overall conversion project planning and management. Please provide a workplan with proposal. The end product of this subtask will be a comprehensive workplan, in “Gantt Chart” format, for conversion activities, detailing the following for each required activity/task:
- a. Primary responsibility.
  - b. Timeframe.
  - c. Hours/other resources required by the Servicer, Early Intervention Contractor, Default Aversions Contractor, MGA, and affected schools and lenders.

Contractor Response to Task:

*As the incumbent contractor, complex conversion planning and implementation will not be necessary.*

*As the incumbent servicer to MGA, Sallie Mae can offer MGA a significant advantage through extension of this business partnership. Sallie Mae understands MGA’s business model, school clients, and is best suited to promote MGA as the guarantor of choice in the State of Michigan.*

*Sallie Mae is proposing changes and enhancements as part of this response, which will require planning efforts with MGA. The following changes must be addressed, some which will have immediate impact in the first year of the contract.*

- a) *Set-up and installation of the Borrower Delinquency/Default Self-Service Internet Site per the response to section 1.104.4.h;*
- b) *Determining the adequacy of a collection system replacement for the current operating system as discussed in the response to section 1.104.4i1;*
- c) *Defining responsibilities and roles of a full-time technical and Marketing Manager at MGA offices in the Lansing, Michigan office, as proposed in this response in section 1.104.6a;*



- d) *Additionally, should Student Assistance Corporation (SAC), an affiliate of Sallie Mae, be secured to perform, on behalf of MGA, all early intervention contract work, the planning process will include effective transition of this work from the current servicer to SAC. While this data is available presently on the MGA database and EAGLE, transition plans must be developed and executed;*
- e) *Any desired changes to the current servicing model, specifically should MGA choose to insource any services presently performed by Sallie Mae or SAC.*

- 2a3. The Servicer, Early Intervention Contractor and Default Aversions Contractor must prepare and submit biweekly progress reports to Contract Compliance Inspector or designee, and discuss with Contract Compliance Inspector or designee significant events, key milestones, progress, problems encountered, next steps, and other information deemed necessary for the success of the conversion by either the Servicer, Early Intervention Contractor, Default Aversions Contractor or MGA.

Contractor Response to Task:

*Progress reports that provide updates to integration plans will be provided as requested.*

- 2a4. The required overall timeframe for program conversion is 90 calendar days from Contract execution. Extensions of current State contracts would be considered to allow transition to new Servicer(s), Early Intervention Contractor and Default Aversions Contractor in the Award Process (see section 4.601). Conversion must occur in a "single phase" approach per section 1.104.2b5. Please discuss Contractor's ability to meet this timeframe in the Contract.

Contractor Response to Task:

*This section will not apply. All risk inherent to transitioning servicing to an alternative servicing entity is eliminated.*

*Regarding Student Assistance Corporation (SAC) being awarded as early intervention contractor, immediate discussions must take place to transition this process from MGA's current service provider. As soon as practical, SAC will initiate conversations with MGA to discuss the work transition. SAC anticipates no system conversion work is needed, and that operational transition can be accomplished within the stated timeframe.*

- 2a5. The Servicer, Early Intervention Contractor, Default Aversions Contractor and the State must define security requirements for system and develop a "security threat matrix" during Implementation Planning (see sections 1.104.3a9 and 3b6.e).

Contractor Response to Task:

*SAC will define system security requirements to perform any new work process associated with performing work as MGA's early intervention contractor.*

## 2b. Conversion of Master Files (and other key records/files)

The current Servicer provides computer support for MGA. (A description of the computer equipment owned by MGA is provided in Section 1.103). The Servicer, Early Intervention Contractor and Default Aversions Contractor must work within MGA's current information technology environment and with the current equipment owned by MGA or provide at no additional cost to MGA the necessary changes for MGA to operate with the Servicer, Early Intervention Contractor and Default Aversions Contractor.

As part of conversion responsibilities, the Servicer, Early Intervention Contractor and Default Aversions Contractor must perform the following tasks and provide all resources required for conversion planning and implementation activities, including but not limited to:



2b1. Define specifications, code, test, implement, verify, and edit all file/data conversion programs including all loans and loan activity administered, regardless of status, including history since conversion to the current Servicer in February 1990 (see sections 1.104.2b4, 1.104.2a1.h and 2.105).

Contractor Response to Task:

*As the incumbent servicer, this section will not apply.*

2b2. Analyze and document systems requirements.

- a. Identify the data/files that must be converted from the current Servicer and other Contractors to “drive” the successor Servicer’s, Early Intervention Contractor’s and Default Aversions Contractor’s systems.
- b. Identify conversion program specifications and development (including MGA approval of specifications, program coding, and testing) necessary to convert data from the current MGA Servicer’s and other Contractors’ systems to enable the new Servicer’s, Early Intervention Contractor’s and Default Aversions Contractor’s systems to support ongoing operations.
- c. Identify and establish security access per section 1.104.3a9.

Contractor Response to Task:

*As the incumbent servicer, sections a) and b) will not apply. Should any changes be made to the current service construct between Sallie Mae and MGA, or should SAC be named contractor for early intervention servicing, the needed system access and operational requirements will be addressed accordingly.*

2b3. Define approach for initializing critical data fields on the Servicer’s, Early Intervention Contractor’s and Default Aversions Contractor’s system for which no corresponding MGA data element exists in electronic form or which exist on MGA’s current systems that the Servicer, Early Intervention Contractor and Default Aversions Contractor currently do not have the capability to support. Possible fields follow:

- a. Derivation/calculation from other/“base” data.
- b. Manual data entry from hardcopy records.
- c. Blanket field value initialization options.

Contractor Response to Task:

*Since Sallie Mae is the current servicer, there is no conversion effort.*

*However, as discussed in section 1.104.2b4, depending on the outcome of collection system changes made, a conversion to the FACS collection system is possible and Sallie Mae would work with MGA staff to execute conversion efforts accordingly.*

2b4. Develop, document, test, and execute data conversion verification/balancing procedures and reporting, including:

- a. Portfolio trial balance comparison (before and after).
- b. Balancing/verification approaches for all critical financial and non-financial data.
- c. Providing Servicer staff to perform the balancing procedures at conversion. MGA staff will assist with supervision of this function.
- d. If the conversion data provided by the current MGA Servicer is insufficient, it will be the successor Servicer’s responsibility to specify conversion format requirements and, if necessary, reimburse the



current Servicer for any additional programming required, at the standard rate per programmer hour specified in the current MGA Servicer contract. Identify data formats Contractor can accept in proposal.



- e. Develop and implement a comprehensive systems test of the resulting "MGA version" of the software and reports required for implementation to certify that the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's system is operating correctly and accurately to the specifications defined in this CONTRACT and the Program Conversion phase (section 1.104.2). Final acceptance testing, including evidence of correctness of all system transactions, reports, and overall portfolio conversion and daily system balancing, must be performed to the satisfaction of the Contract Compliance Inspector or designee, using MGA data, prior to implementation/cutover. Contract Compliance Inspector or designee must accept the testing results as complete and acceptable in writing, ("sign off") before implementation cutover can proceed (see sections 1.104.2a1.h and 2.105).

Contractor Response to Task:

*As the incumbent servicer, portions of this section will not apply.*

*Depending on the outcome of a review of the current collection system used by MGA and other guarantor customers, a conversion effort may be required to support collection activities at MGA.*

*As part of this proposal, all users of Sallie Mae's collection system (CAPS) will determine the general adequacy of this system. Based on the outcome of these meetings, including user discussion and unanimous agreement from all guarantor users, a decision will be made to either 1) make significant process improvements to the CAPS system to improve operational effectiveness, or 2) upgrade the collection system platform to FACS. In an effort to control program expenses for all collection system users, Sallie Mae intends to support only one collection platform. Regardless of the chosen scenario, upgrade costs will be shared among all users, including MGA. Please note that there may be significant cost differences depending on the chosen outcome. Work for this project is scheduled to begin in 2006.*

*Should an upgrade to FACS be unanimously chosen by all user groups, certain interface and conversion efforts will be required specific to MGA's application. For instance, interfaces must be built to allow data transfer between FACS and MGA's autodialer. Additional interfaces between other state agencies may be required. Further, borrower account data loaded to CAPS must be converted to FACS. Data mapping and integrity planning efforts must be initiated. Further, additional customization efforts for FACS may be chosen and funded by MGA, with approval, to meet any unique requirements.*

*If all users determine upgrading to FACS is desired, and upon securing agreement to fund this project, Sallie Mae will schedule discussions with MGA to facilitate the conversion planning activities.*

- 2b5. Schedule conversion and actual production cutover. Conversion must occur in a "single phase" approach; **no** phased-in approach (e.g., front-end/back-end converted separately) will be considered (see sections 1.104.2a2 and 2a4). The entire system must be implemented, including required hardware, software, telecommunications equipment/lines, and processing schedules/support as discussed in Section 1.104.3.

Contractor Response to Task:

*As the incumbent servicer, this section will generally not apply.*

*As discussed in section 1.104.2b4, depending on the outcome of the collection system review efforts, a conversion to the FACS collection system may impact MGA. Sallie Mae will schedule discussions with MGA to facilitate the conversion planning activities. Regardless of the outcome, Sallie Mae expects work on this project to begin in 2006.*

- 2b6. Verify receipt of existing data files from the current MGA Servicer, as provided in section 1.104.8g2 (Program Conversion/Turnover), with appropriate control totals and provide Contract Compliance Inspector or designee a comparable conversion balancing report upon successful conversion.



Contractor Response to Task:

*As the incumbent servicer, this section will not apply.*

*See section 1.104.2b4 for possible conversion work related to a change in collection systems used by MGA. Sallie Mae will comply.*

- 2b7. After conversion, the Servicer, Early Intervention Contractor and Default Aversions Contractor must perform all analysis and programming to resolve any data integrity issues and all oversights/problems to Contract Compliance Inspector's or designee's satisfaction, at no additional cost to MGA (see section 1.104.2b4.e). All data must be transferred/converted.

Contractor Response to Task:

*As the incumbent servicer, this section will not apply.*

*See section 1.104.2b4 for possible conversion work related to a change in collection systems used by MGA. Sallie Mae will comply.*

- 2b8. Review conversion process and results with MGA staff, Michigan Higher Education Assistance Authority Office of Fiscal Affairs staff, and the State's external/internal auditors to ensure auditability.

Contractor Response to Task:

*As the incumbent servicer, this section will not apply.*

*See section 1.104.2b4 for possible conversion work related to a change in collection systems used by MGA. Sallie Mae will comply.*

- 2b9. Significant amounts of operational information and history (documentation/correspondence since February 1990) currently are stored in original image on microfilm, microfiche and optical platters (optical disks) by MGA and the current Servicer. These documents, including the document-level indexes maintained on the MGA and the current Servicer's systems, must be transferred to the Servicer in some manner. The Servicer and MGA must be able to retrieve, update, and add information for any new documents, as well as transfer the index from the current Servicer's system. (See section 1.104.3a17 for additional details.)

Contractor Response to Task:

*As the incumbent servicer, this section will not apply.*

*See section 1.104.2b4 for possible conversion work related to a change in collection systems used by MGA. Sallie Mae will comply.*

- 2b10. Unique numbers assigned to MGA loans:

- a. Effective March 8, 1999, MGA converted to the current Servicer's new system that assigns a unique 11-digit number (MI followed by nine [9] numeric characters) to all MGA loans. This numbering system needs to be converted and continued. These numbers are passed on to NSLDS for each loan for every borrower.
- b. The Michigan Department of Treasury, Collections Division assigns an assessment number (an alpha character followed by six [6] numeric characters) to every defaulted MGA student loan that is on their collections system.

Contractor Response to Task:

*As the incumbent servicer, this section will not apply.*



### 2c. Training and Documentation

MGA expects that significant training and user documentation will be required from the Servicer, Early Intervention Contractor and Default Aversions Contractor for smooth conversion and ongoing operation of the Servicer's systems and required procedures.

- 2c1. The Servicer, Early Intervention Contractor and Default Aversions Contractor must define, develop, and implement MGA, school, and lender systems, user procedures/procedural documentation, and training requirements/program, approach, schedule, and staffing/responsibilities, including writing, printing, and distribution during Program Conversion (section 1.104.2). Training and user documentation must be available via the Internet; furthermore, documentation must be available via paper upon request at no cost to MGA or its clients. The Servicer, Early Intervention Contractor and Default Aversions Contractor must also deliver on-site at MGA the documentation and the training for MGA staff, including Office of Fiscal Affairs, with content, schedule, and instructors subject to approval by Contract Compliance Inspector or designee. Document procedures for MGA staff include the following:
- a. Supporting functions that will remain at MGA using the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's systems.
  - b. Providing information about the administrative and clerical support activities the Servicer, Early Intervention Contractor and Default Aversions Contractor will assume, so MGA staff can answer user questions and perform identified/approved inquiry and update/correction activities (see Exhibit A-1 in section 1.101).

#### Contractor Response to Task:

*As the incumbent servicer, portions of this section will not apply.*

*As the incumbent servicer, Sallie Mae has provided training documentation to MGA and the system user community. Further, as system enhancements are anticipated that impact MGA operations, Sallie Mae will continue to provide updates to training manuals as needed.*

*Should MGA choose to change its internal servicing model to "insource" early intervention or default aversion functions, Sallie Mae will provide all appropriate training and updates to training manuals to ensure MGA readiness to assume these functions. Action plans that include addressing training needs will be developed as needed if/when MGA changes scope.*

- 2c2. Train MGA staff and clients as necessary to facilitate a smooth, seamless transition to Servicer, Early Intervention Contractor and Default Aversions Contractor processing; additionally, ongoing training must be provided throughout Contract as needed. In similar fashion, the Servicer also must develop and deliver training seminars available in each Michigan Student Financial Aid Association (MSFAA) region and documentation for MGA clients, with content, schedule, and instructors subject to approval by Contract Compliance Inspector or designee. The Servicer must provide onsite training for MGA's top ten (10) schools by volume. Training and documentation must be provided at no additional cost to MGA or its clients. Internet-based training may be provided upon mutual agreement with MGA or its clients.

#### Contractor Response to Task:

*As the incumbent servicer, much of this section will not apply.*

*Should MGA choose to change its internal servicing model to "insource" early intervention or default aversion functions, Sallie Mae will provide all appropriate training and updates to training manuals to ensure MGA readiness to assume these functions. Action plans that include addressing training needs will be developed as needed if/when MGA changes scope.*

*Sallie Mae will offer ongoing training to MGA staff as requested. In addition, Sallie Mae will continue to offer school/lender workshops, coordinated through MGA or MASFAA to ensure schools and lenders have up-to-date information on the latest technology available. See section 1.104.6d1.*



- 2c3. System and user procedural documentation may be a combination of the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's standard and custom documentation but must have the MGA name/logo and contact information prominently displayed on it (see section 1.104.1a). The Servicer, Early Intervention Contractor and Default Aversions Contractor will be responsible for ensuring that its documentation, procedures, and training conform to the Common Manual, as well as federal and state requirements. User documentation must be available at the start of training upon initial implementation and ongoing operations throughout the Contract period per section 1.104.6d.

Contractor Response to Task:

*System documentation provided to MGA will have the MGA logo prominently displayed. Processes as described in the documentation will be updated to the extent that MGA's servicing role changes through insourcing or outsourcing activities. Processes and procedures conform to industry standards outlined in the Common Manual and conform to regulatory and statutory requirements.*

- 2c4. Both training and documentation of the revised systems and procedures must be completed within the 90-calendar day conversion period.

Contractor Response to Task:

*As the incumbent servicer, this section will not apply. Any training required as a result of MGA changing the current scope of servicing (insourcing or outsourcing) will be scheduled in proximity of the planned transition date as mutually determined by Sallie Mae and MGA.*

- 2c5. In conjunction with the final identification of report and screen names, descriptions, sources of data, intended use/function, formats, frequency, and distribution requirements for all Servicer-generated reporting, the Servicer, Early Intervention Contractor and Default Aversions Contractor must prepare a master list of MGA reports and on-line screens index/guide to document the above information in section 2c for all users.

Contractor Response to Task:

*Sallie Mae is providing a complete Appendix of all available reports from its EAGLE system, along with available on-line screens accessible to MGA. This information will reflect the latest array of system report data available to MGA. Updates to this reference will be provided periodically upon request by MGA.*

- 2c6. The Servicer must offer WebCT and other Internet training tools to assist in training clients.

Contractor Response to Task:

*Presently, Sallie Mae does not subscribe to WebCT.*

*As an alternative, Sallie Mae uses a Web conferencing service which enables participants to communicate through a live interactive desktop conference via the internet. With Web conferencing, participants can share and manipulate documents, view slide shows, work in applications, and use white boards for notes. Sallie Mae can schedule these conferences as needed to assist in a multitude of training services for MGA.*

- 2c7. Train MGA staff on working NSLDS errors, as needed (see section 1.104.4k4).

Contractor Response to Task:

*Upon request by MGA, Sallie Mae will provide training for working NSLDS errors.*

## 2d. School and Lender Conversion/Promotion/Coordination

In addition to preparing user documentation and conducting training programs for schools and lenders, the Servicer will be responsible for assisting MGA in communicating and "promoting" the conversion. This includes, but is not limited to:



- 2d1. Communicate with MGA school and lender clients via e-mail and/or written correspondence explaining the steps and schedule for conversion, highlighting the “to-do’s” and responsibilities of each of the clients (see section 1.104.1a). An Internet site must also be simultaneously developed and maintained detailing this information. For example:
- Introductory letter (includes instructions for who/when/where to call with conversion questions and any future problems).
  - Progress bulletins (status, next steps, schedule changes, etc.). Bulletins must include system availability schedules.
  - Final notice/confirmation of cutover date.
  - Any other special requirements/procedures.

Contractor Response to Task:

*As the incumbent servicer, much of this section will not apply.*

*However, any change in the scope of servicing performed either by or on behalf of MGA should be totally transparent to Michigan schools and lender clients. As example, should MGA decide to insource work performed by the default aversion contractor, this transition must occur seamlessly without any disruption to services provided to the school and lender community. Any need to provide communication externally will be coordinated between Sallie Mae, SAC and MGA.*

- 2d2. Assistance (on-site and via telephone) with system configuration, conversion/initialization, and security authorization (system access, personal computer or other). (See section 1.104.2a1.i.)

Contractor Response to Task:

*Since MGA has partnered with Sallie Mae over the last 16 years as its provider of student loan services, any concerns regarding system configuration and conversion/initialization are eliminated. On an ongoing basis, Sallie Mae will work with the Compliance Contract Inspector to ensure system security integrity is maintained throughout the life of the contract.*

- 2d3. All contact with MGA clients to carry out these and any other future activities are subject to the approval of Contract Compliance Inspector or designee throughout the term of the Contract, including the content/subject matter, frequency of contact, and Servicer staff representing the MGA/Servicer. The Contract Compliance Inspector or designee must review and approve all contacts with MGA clients. Servicer staff will represent its efforts as “on behalf of the Michigan Guaranty Agency” for this Contract. MGA reserves the right to attend any such customer contacts throughout the term of the Contract.

Contractor Response to Task:

*Sallie Mae believes all work performed under the Student Loan Processing Services contract is “on behalf of the Michigan Guarantee Agency”, acting strictly as an independent contractor under the terms of the agreement. Further, Sallie Mae strongly encourages MGA to continue to promote its own interests as the designated guarantor for the State of Michigan. Sallie Mae agrees that MGA reserves the right to attend any customer contact where a representative of Sallie Mae is in attendance for the sole purpose of promoting MGA’s guarantor-related business efforts accordingly. Be assured that Sallie Mae will always promote the use of the MGA guarantee to Michigan schools, even though school choice will always prevail when selecting guarantor or lender services.*



### 3. INFORMATION TECHNOLOGY MANAGEMENT

#### 3a. General Requirements

- 3a1. Throughout the Contract, the Servicer will provide, on behalf of MGA, all data processing, system maintenance and services necessary to administer the MGA FFELP loan programs in accordance with applicable federal laws and regulations, the laws of the State of Michigan, and MGA's rules and policies, at no additional cost to MGA.

Contractor Response to Task:

*Sallie Mae will continue to provide all data processing, system maintenance and services necessary to administer the MGA FFELP loan programs in accordance with applicable federal laws and regulations and the laws of the State of Michigan at no additional cost to MGA.*

- 3a2. The Servicer's "system" shall include hardware, software, Internet-based technology, telecommunications, and procedures that are comprehensively integrated and "state-of-the-art" relative to the data processing, communications, and guaranteed student loan industry and any related industry standards. The Servicer must provide comprehensive software and data processing support for all guaranty agency functions as specified for each of the MGA FFELP loan programs. The Servicer's system must provide state-of-the art technology including:

- a. Internet-based and E-signature technology for loan guarantees; on-line entrance/exit counseling; on-line PLUS preapproval credit check service; on-line loan status inquiries for schools, lenders, and borrowers; real-time on-line corrections for schools and lenders; on-line querying of loan data to create custom/ad hoc reports for schools, lenders, lender servicers, and MGA; on-line access to print or download standard daily, weekly, monthly or quarterly reports for schools, lenders, lender servicers, and MGA; and seamless, invisible links to and from MGA's Internet page (see <http://michigan.gov/mistudentaid>). (See sections 1.104.4a3 and 1.302.3.)
- b. A disbursement system that integrates the guarantee system and provides "hold and release" and "netting" functionality.
- c. An integrated loan origination and loan servicing system to allow schools "one-stop shopping".

Contractor Response to Task:

*Sallie Mae's EAGLE system is a Composite Application Architecture System that takes advantage of a variety of technology platforms to provide the best possible service to MGA. Our core system operates on an IBM Mainframe Sysplex running IBM's z/OS operating system. It uses Computer Associates' Integrated Data Management System (IDMS) Network databases. Building on this core system, we have implemented fully integrated client server, Expert, relational (Oracle, Sybase and MS-SQL) systems, and telecommunications to leverage business operations, achieve flexible reporting objectives, and make web reporting for schools a reality. Our approach to web enablement was developed in conjunction with IBM and has produced outstanding results in producing efficient real-time transaction processing via the web.*

*Our systems are state-of-the-art in their ability to streamline agency operation and lower costs. Sallie Mae, because of our size and strength as market leader in education, has the capability to invest millions of dollars annually in new technology and system development. Our guarantee agencies look to Sallie Mae for continued innovation and support. The EAGLE system was significantly enhanced within the last few years and continues to be refined through semi-annual system code releases. Technical performance and 24x7 system availability provides outstanding reliability. In addition, the system supports a variety of products and services (e.g., OpenNet, WhizKid, blanket guarantee) that are available to our guarantor partners and their school and lender customers.*

*Sallie Mae will continue to provide comprehensive software and data processing support for all guaranty agency functions as specified for each of the MGA FFELP loan programs.*



- a. Sallie Mae has developed and utilizes internet-based technology to provide the following services:
- **Internet-based loan guarantees** – see letter c for a description of OpenNet 2.0.
  - **E-Signature Technology** – Although Sallie Mae worked with the Department of Education to develop the voluntary standards, we elected to develop an alternative process to further streamline and simplify the loan delivery process for borrowers and schools. Sallie Mae offers an E-Signature process for students of Stafford or Consolidation loans and to parents for PLUS loans for lenders that use our Lender Funds Management services. E-signature expedites the delivery of loan funds to student and parent borrowers and simplifies the application process by reducing paper, eliminating mail time, and providing unprecedented convenience to all parties involved.
  - **On-Line Plus pre-approval credit check service** – Sallie Mae offers an on-line pre-approval credit check for parent borrowers of PLUS loans. This service allows lenders to provide more information to educational institutions prior to the loan request process. Schools submitting a pre-application form can determine if a parent will pass the credit requirements for a federal PLUS loan prior to completing a loan request.
  - **Real-time on-line corrections for schools and lenders** – OpenNet 2.0 described below is the product used by schools and lenders to make on-line corrections.
  - **On-Line status inquires for schools, lenders, and borrowers** – OpenNet 2.0 described below is the product used by schools, lenders and borrowers to inquire on the status of loans.
  - **On-line querying and reporting of loan data** – OpenNet 2.0 described below has a module specifically for this type of reporting.
  - **On-line access for reports** – Most standard daily, weekly, monthly or quarterly reports for schools, lenders, lender servicers, and MGA can be accessed on Sallie Mae's website ([www.salliemae.com](http://www.salliemae.com)) via DocumentDirect for the Internet. Report data can be customized using data mining software enabling the user to extract data contained in a formatted report to customize a new report by applying filters, sort options, etc. DocumentDirect for the Internet (DDI) allows MGA, schools, and lenders to view reports via the Web. Subscribers to the DDI service simply enter a password and ID to view, print, and download report information.
  - **Links to and from MGA's Website** – Sallie Mae's web products can be linked to MGA's website. OpenNet can be linked by Query string navigation (specifies a navigation point and optional parameters) or Web-to-Web - this offers navigation to a specified application processing entry point and allows data to be passed in a secure method. Most commonly used for W2W Esign capability.

b. The Lender Funds Management (LFM) module operates with batch and online real-time capability, providing automated movement and reconciliation of funds between schools, lenders, guarantors and our organization. The primary service is disbursing funds on behalf of the lender. External LFM customers are schools, lenders and guarantors. LFM performs daily sweeps of the EAGLE database to identify all eligible disbursements, and a "request" cycle notifies the lender to fund the disbursements with enough lead time to ensure that LFM can disburse the funds to the school by the scheduled disbursement date. The "disburse" process performs editing to ensure compliance and data integrity before any funds are disbursed.

LFM is designed to record and track all lender funds, as well as disbursement information, for all LFM-serviced lenders. The lender has several options for receipt of reporting on their funds and disbursing activities. These options are established and maintained in the client set-up data on the Customer Information (CI) System. Additionally, LFM generates, compiles, and routes completed school packets to the appropriate participating school. LFM can provide additional forecast reporting to the lender or school, as well as the "hold and release" process which provides the school with ability to control disbursements for their loans based on student or disbursement status.

Customers have the ability to "hold and release" disbursements via OpenNet 2.0.

**c. OpenNet 2.0**

Sallie Mae's OpenNet 2.0 system is an intuitive and reliable student loan delivery platform that helps schools flawlessly perform the origination and management process in a way that works within each individual school's preferred process.



*The OpenNet 2.0 platform has five distinct modules and incorporates features that enable schools to work more efficiently and communicate more effectively within the financial aid office and across other campus divisions.*

***File Management** – The cornerstone of the OpenNet 2.0 platform is File Management. File Management makes the entire loan processing cycle easier to monitor so that schools can track the file at each stage, The system proactively monitors the transmission of files and ensures that any delays are resolved smoothly, so files are delivered to their appropriate end destinations. The file transfer functionality equips schools with unprecedented efficiency for data transmission and retrieval.*

- **Application Processing** - OpenNet 2.0's Application Module continues to enhance workflow management for schools by expediting the entire loan application and disbursement process. Incorporating features like real-time updates and E-Signature capabilities. OpenNet 2.0 also seamlessly integrates with a school's own initiated flow.*



- *This provides students and parents with an intuitive process that follows each school's preferred process. The on-line PLUS Credit Check is available for the lenders that elect to use this service.*
  - **Change Transactions** – *Loan delivery has never been so easy, instinctive and user friendly. OpenNet 2.0 has completely simplified the process of making both custom and mass edits in the loan process. Receive real-time and peace-of-mind that changes have been quickly and effectively implemented within the system.*
  - **Query & Reporting** – *OpenNet 2.0's Query & Reporting Module offers industry-leading searching and reporting capabilities for enhanced visibility over numerous accounts throughout the entire process. It offers superior tracking and pinpointing for applicant population groups that may need special attention. OpenNet 2.0's sophisticated, customizable, searching capabilities allows tailoring of information sets according to the organizations personal needs.*
- Counseling** – *OpenNet 2.0 provides a companion entrance, exit, annual MPN and repayment counseling module, all online. The Counseling Module provides information on budget management, and borrower rights and responsibilities. In future releases, schools will be able to tie entrance counseling directly to their on-line application process.*

- 3a3. The Servicer's system must be easily interfaced with external systems (United States Department of Education [ED], the National Student Loan Data System [NSLDS], the National Student Clearinghouse [NSC], the Michigan Department of Treasury Collections Division, collection agencies/subcontractors, etc.) as required, and must be adaptable to regulatory changes and industry efforts (see section 1.104.1b) to provide standard ("common") forms, procedures, systems, etc. The interface with Treasury's Collections Division will be an FTP transfer in a format to be determined during Implementation Planning (see sections 1.104.2a, 2b10 and 4i2b).

Contractor Response to Task:

*Sallie Mae's system has established interfaces with the external systems: United States Department of Education (ED), the National Student Loan Data System (NSLDS), the National Student Clearinghouse (NSC), the Michigan Department of Treasury Collections Division, collection agencies, etc., and can establish interfaces with other entities as required by MGA. Due to our extensive experience, Sallie Mae can adapt to regulatory changes and industry efforts to provide standard ("common") forms, procedures, systems, etc. Sallie Mae has taken a leadership role in the development of regulatory initiatives impacting the FFELP.*

- 3a4. In order to perform the required activities, the Servicer's proposal must demonstrate the human, computer/physical (technical), and financial resources and business expertise necessary to provide appropriate manual and computer systems.

Contractor Response to Task:

*Sallie Mae is the largest private source of funding, delivery and servicing support for education loans in the United States. We originate, acquire, and hold student loans. Our current outstanding loan portfolio balance is in excess of \$100 billion dollars. Sallie Mae has structured itself to be a premier player in every phase of the student loan cycle, beginning at origination and servicing student loans to ultimately managing delinquent and defaulted loans.*

*Sallie Mae is a recognized leader in providing guarantee service support to nine distinct agencies operating in the FFELP, including MGA. We have a proven and solid track record of providing a fully integrated guarantor servicing system to MGA and our other guarantor partners through the utilization of Sallie Mae's EAGLE System. Our guarantor-servicing relationships include both state and private, non-profit firms. These customers utilize a variety of our services including full guarantor education loan program services, customized services, and distributed processing services. Including MGA, our guarantors represent 17 states, generate over \$13 billion annually in new FFELP loans, and maintain nearly \$85 billion in outstanding FFELP guarantees.*

*Dedicated personnel at our Fishers, Indiana location exemplify premier customer service standards and superior customer relationship management. Each guarantor customer is assigned designated staff to support program operations and contract administration. These individuals have extensive FFELP experience and expertise in working with our guarantor partners. Support from these individuals provides the conduit for MGA's access to all areas of expertise within Sallie Mae.*



- 3a5. Systems to be used as a basis for supporting the FFELP loans guaranteed by MGA must be in place and operational at the levels specified in this CONTRACT and support an active student loan guaranty agency operation somewhere in the United States at the time of this CONTRACT.

Contractor Response to Task:

*MGA began using Sallie Mae's EAGLE system in 1990. The EAGLE system has been modified throughout the years and will meet the requirements specified in this CONTRACT.*

- 3a6. The Servicer's system must either meet or be suitable for modification to meet all the processing requirements of this CONTRACT. The Servicer's ability to satisfy this requirement will be determined by its proposal, contact with client references, and at the State's discretion, a demonstration of system capabilities (preferably at an operational guaranty agency. See sections 4.302 and 4.5).

Contractor Response to Task:

*Sallie Mae's EAGLE system either meets or can be modified to meet expanded requirements outlined in this Contract.*

- 3a7. The Servicer will be responsible for all system development, programming, testing, and implementation throughout the Contract period, including all conversion period programming and system modifications as discussed in detail in sections 1.104.2a and 8 (Program Conversion).

Contractor Response to Task:

*Sallie Mae will perform all system development, programming, testing and implementation throughout the contract period. As discussed in section 1.104.7, Sallie Mae will charge MGA for computer programming and processing for any software, system, program, or reporting modifications requested by MGA that are not federally mandated items. If the software and/or system change is provided to other Sallie Mae customers, MGA and the participating customers will be charged its applicable, proportional share of the costs.*

*MGA will continue to participate in testing of MGA-specific requested changes, to ensure proper system execution.*

*As the incumbent servicer, Program Conversion system modifications would not apply to Sallie Mae.*

- 3a8. The Servicer must establish and execute system jobstreams and run schedules (batch processing) necessary to meet the agreed-upon schedule of daily, weekly, monthly, quarterly, annual, holiday, and other periodic processing as reviewed and approved by Contract Compliance Inspector or designee during Program Conversion activities (section 1.104.2).

Contractor Response to Task:

*Sallie Mae has established job streams and run schedules (batch processing) necessary to meet the daily, weekly, monthly, quarterly, annual, holiday, and other periodic processing requirements. This batch processing is controlled by an automatic job scheduler (Electronic Scheduling Process.) This scheduler ensures that all jobs run in the proper sequence and that all dependencies are met. This control also ensures that no unauthorized processes are run against production data.*

- 3a9. The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide on-line, keyed access to its systems for required, authorized inquiry, and updating by MGA, Servicer, Early Intervention Contractor, Default Aversions Contractor and client staffs (see section 1.104.4a) to assist in resolving all inquiries, problem situations, etc. on behalf of its clients in the various programs, including those functions for which the Servicer, Early Intervention Contractor and Default Aversions Contractor will provide administrative and clerical support, subject to appropriate system security requirements and user access restrictions (see section 1.104.3b6). Security access/update capabilities and restrictions will be defined for each user group by Contract Compliance Inspector or designee (by guaranty agency function, if necessary) with the Servicer, Early Intervention Contractor and Default Aversions Contractor during Program Conversion operational analysis activities.



Both program summary and detailed account information must be available on-line for each agency function. Records must be accessible via search by borrower Social Security number or borrower last and first name (see section 1.302.2 for ad hoc reporting requirements). Development of a unique account number for each borrower is also necessary, to comply with the privacy/identity theft legislation in place in many states.

Contractor Response to Task:

*Sallie Mae's Information Security area, a department within the Information Systems (IS) Division, has the responsibility for developing and managing an enterprise information security program, implementing and enforcing corporate information security policies and standards, and researching and recommending enhancements and solutions to corporate information security problems. Access to systems, data and resources is controlled on the basis of business need, and individuals' need to access the information as part of their job responsibilities. Information Security works with each responsible business system owner to ensure the appropriate access control requirements are defined and implemented.*

*On-line, keyed access to the Sallie Mae systems is restricted to authorized users only. Sallie Mae will work with MGA to identify each user and the type of access required.*

*Each EAGLE user has a unique user ID that is administered by security teams within IBM's Resources Access Control Facility (RACF) security software. Authorization and access control in EAGLE I are managed by associating user IDs with IDMS Class Codes which are in turn associated with screens and functions. The association between user IDs and Class Codes may be direct or it may be through IDMS Groups. Authorization and access control in EAGLE II are managed by connecting user IDs to RACF groups which are given privileges on the access list of RACF resources corresponding to each EAGLE II screen, function, and database. Access is granted to users on a "need to access" basis, which is determined by the user's Business Unit and his/her position or title and the Business System Owner for each resource.*

*RACF is configured to capture security violations on the Mainframe. Security violations reports are generated from RACF and reviewed by the Information Security group. These reports are generated and reviewed on a daily basis to provide information on possible violations.*

*Summary and detailed account information is available on-line for each agency function. Borrower information is available by Social Security number or the unique EAGLE II id assigned to each loan. If only the borrower name is known, a search can be done on the borrower's last and first name. The resulting EAGLE II id or Social Security number can be used access the borrower's account information.*

*Sallie Mae systems currently comply with privacy/identity theft legislation and continuously evolve to protect borrower's information and prove our adaptability to the different requirements of several states.*

3a10. System availability hours of the Servicer, Early Intervention Contractor and Default Aversions Contractor at a minimum must be Monday through Friday, 7:30 a.m. to 9:00 p.m. and Saturday, 9:00 a.m. to 9:00 p.m. Eastern Time (ET) according to the MGA schedule. Twenty-four/seven (24/7) would be preferable for accessibility by Interactive Voice Response (IVR) System and Internet-based access for delinquent and defaulted borrowers.

General Servicer, Early Intervention Contractor and Default Aversions Contractor operations staffing are expected to be available at a minimum 8:00 a.m. to 5:00 p.m. ET. Servicer, Early Intervention Contractor and Default Aversions Contractor staffs who oversee the availability of the system must be available to resolve system access issues during all published MGA business hours.

The Servicer, Early Intervention Contractor and Default Aversions Contractor must staff a technical Help Desk for MGA staff and MGA client telephone calls/questions regarding computer software, equipment, communications, and other technical problems. Technical requests for assistance must be handled in the same manner, via e-mail and/or the same toll-free number, and with the same service levels as all other program questions.



Holidays for both systems operation and staffing must coincide with those of MGA.

Contractor Response to Task:

*The EAGLE System is normally available 7:30 a.m. to 9:00 p.m. Monday through Friday, and 9:00 a.m. to 1:00 p.m. on Saturday, Eastern Time (ET). At month end the schedule varies slightly to accommodate month end processing. MGA has requested the system to be available Monday through Friday 7:00 a.m. to 9:00 p.m. and on Saturday from 9:00 a.m. to 9:00 p.m. While this is not the current schedule, these additional hours can be accommodated. On some Saturdays, there will be times when routine system maintenance will have to take precedence over longer system availability.*

*The Internet-based access for delinquent and defaulted borrowers is usually available twenty-four/seven (24/7) with the exception of two 30 minute windows daily: one at midnight and the other at 3:00 a.m. to recycle the system. There will be other times when routine maintenance will require the internet to be unavailable.*

*MGA's IVR availability has to match the EAGLE system availability. The MGA IVR uses screen scraping to respond to the inquiries. Screen scraping only works when the screens are available. If MGA were to switch to a different technology such as RPCs, then the IVR availability could be the same as the internet-based access.*

*Sallie Mae's operations staff are available 8:00 a.m. to 5:00 p.m. ET. The employees that oversee the availability of the system will be accessible to resolve system access issues during all published MGA business hours.*

*Sallie Mae staffs a technical Help Desk for MGA staff and MGA client telephone calls/questions regarding computer software, equipment, communications, and other technical problems. The technical requests for assistance are handled in the same manner, via e-mail and/or the same toll-free number, and as expeditiously as possible.*

*Holidays for system operation and staffing will generally coincide with those of MGA.*

- 3a11. The Servicer's, Early Intervention Contractor's and Default Aversions Contractor's systems availability/"up-time" must average 99 percent (99%) for the General Service hours of operation specified in section 1.104.3a10. The average will be calculated as a weekly average of six (6) days, Monday through Saturday, excluding MGA holidays.

Contractor Response to Task:

*Sallie Mae's systems availability/"up-time" will average at least 99 percent (99%) for the general service hours of operation. The average will be calculated as a weekly average of six (6) days, Monday through Saturday, excluding MGA holidays.*

- 3a12. All system outages/shutdowns during scheduled hours must be reported immediately to Contract Compliance Inspector or designee. Within 24 hours of problem resolution and restart, the Servicer, Early Intervention Contractor and Default Aversions Contractor must prepare a report indicating elapsed downtime hours, start/end timeframes, reason for the outage, impact on the systems (lost data, etc.) for each occurrence and resolution to mitigate future occurrences. Planned outages must be communicated at least seven (7) calendar days in advance to Contract Compliance Inspector or designee.

Contractor Response to Task:

*All system outages/shutdowns during scheduled hours will be reported immediately to the MGA Contract Compliance Inspector or designee. An informal report will be prepared within 24 hours of problem resolution and restart indicating elapsed downtime hours, start/end timeframes, reason for the outage, impact on the systems (lost data, etc.) for each occurrence and resolution to mitigate future occurrences. The formal report will take between 5 to 7 business days to complete.*

*Planned outages, when possible, will be communicated at least seven (7) calendar days in advance to the Contract Compliance Inspector or designee.*



3a13. The Servicer's, Early Intervention Contractor's and Default Aversions Contractor's Mean Time Between Failure (MTBF) of its systems during scheduled available hours must not be more than 30 days on average over a 12-month contract period. Mean Down Time (MDT) per system failure must not exceed four (4) hours.

Contractor Response to Task:

*The Mean Time Between Failure (MTBF) of Sallie Mae's systems during scheduled available hours will not be more than 30 days on average over a 12-month contract period. Mean Down Time (MDT) per system failure will not exceed four (4) hours.*

3a14. System response time, designated as the time the "enter" key or its equivalent is depressed until the requested information appears on the screen, must average from one (1) to five (5) seconds 90 percent (90%) of the scheduled "up-time." This average will be calculated as described for system availability in section 1.104.3a11.

Contractor Response to Task:

*System response time, designated as the time the "enter" key or its equivalent is depressed until the requested information appears on the screen, will average from one (1) to five (5) seconds 90 percent (90%) of the scheduled "up-time."*

3a15. Upon request, the Servicer, Early Intervention Contractor and Default Aversions Contractor must submit monthly reports that indicate actual performance versus the Contract service levels and objectives described in sections 1.104.3a10 through 3a14 (see section 1.302.2).

Contractor Response to Task:

*The monthly reports indicating actual performance versus contract service levels and objectives do not currently exist today for MGA. Upon request, they can be compiled from internal reports produced for Sallie Mae's Information Technology management.*

#### 3a16. Audit Trail

a. MGA requires that the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's systems provide a complete and accurate reflection (audit trail) of all financial and non-financial transactions affecting the databases. Transaction audit records must include at a minimum the following:

1. User ID/source of transaction
2. Date the change was posted. (Time would also be preferable.)
3. Changed from/to field values.

Contractor Response to Task:

*An important feature of the EAGLE system is the guarantor's ability to view activity and history data online. Activity data refers to a history of what was changed such as a disbursement date change, cancellation, etc. History data refers to the data values that were changed. This feature enables users to view a complete audit trail online in real time of what was changed, who changed it, and the before and after values of the change. In addition, the **Activity History Detail Report (ALHA3)** can be requested from the online screens to produce a full activity and history listing by person. Additional claim data history is available on the Transaction History report (UFTHPTR1).*

b. Complete on-line transaction history must be maintained chronologically and by account in an electronic format (DVD-R). Audit trail data must be returned to MGA at the end of the Contract, with sufficient instructions for MGA or a subsequent Servicer, Early Intervention Contractor or Default Aversions Contractor to retrieve the information.



## Contractor Response to Task:

*Transaction history is available on-line or in a report format. It is maintained chronologically and by account and stored on the database. Sallie Mae does not currently support storage of data on a DVD but will explore this requirement with MGA.*

*Upon termination of this contract, all audit trail data with sufficient instructions will be provided to MGA or the subsequent Servicer.*

- c. Standardized ("canned") on-line history messages/codes must be available for Servicer, Early Intervention Contractor, Default Aversions Contractor and MGA staff to update history based on all attempts to contact borrowers, references, schools, lenders, etc. Servicer, Early Intervention Contractor, Default Aversions Contractor and MGA staff must also be able to enter and retrieve on-line free-form history messages to cover unique situations. The Servicer, Early Intervention Contractor and Default Aversions Contractor must allow for the addition of new standardized and free form messages.

## Contractor Response to Task:

*Standardized ("canned") on-line history messages/codes are available for Sallie Mae and MGA staff to update history based on attempts to contact borrowers, references, schools, lenders, etc. Additional on-line history messages are available for originating, disbursing, and maintaining loans. The entry and retrieval of on-line free-form history messages is also accommodated in the EAGLE system. New standardized and free-form messages can be added to the systems.*

3a17. Microfilm/Microfiche/Imaging

Prior to June 10, 1996, MGA incoming and outbound documents (correspondence, reports, etc.) were microfilmed or microfiched by MGA and Servicer staff. Documents were indexed individually (with the date, account cross-reference detail, etc.) on the current Servicer's system. Back-up copies of all microfilm and microfiche are maintained off-site.

As of June 10, 1996, all MGA incoming and outbound documents received by the current Servicer have been scanned and stored as images on optical platters in a .tif format. Such documents are indexed individually by Social Security number (SSN), and indexing information is downloaded daily to MGA's imaging system. The Servicer creates a back-up copy of each platter and stores the back-up copies off-site.

All incoming and outbound documents received by MGA have been scanned and stored as images on optical platters by MGA staff since December 28, 1998, using FileNet software. MGA individually indexes its documents by SSN on the MGA imaging system. As MGA creates optical platters, back-up copies automatically are created on microfilm as well as optical platters. Back-up copies are maintained off-site.

The Servicer, Early Intervention Contractor and Default Aversions Contractor must continue to support all of these processes, which will continue in their current formats (.tif format) for the foreseeable future. In addition, MGA, Servicer, Early Intervention Contractor and Default Aversions Contractor staff must be able to view both the Servicer, Early Intervention Contractor, Default Aversions Contractor and MGA index and documents on-line for **all** imaged documents in an integrated fashion.

- a. After conversion, the Servicer, Early Intervention Contractor and Default Aversions Contractor must have compatible equipment to image and retrieve/view and read/print all existing and new documents as necessary to service existing and future business regardless of the technology involved. All equipment and installation costs must be included in the Program Conversion (section 1.104.2) or ongoing program operations costs unless otherwise specified.



## Contractor Response to Task:

*Sallie Mae will continue to support the Microfilm/Microfiche/Imaging as in the past.*

- *Prior to June 10, 1996, MGA incoming and outbound documents (correspondence, reports, etc.) were microfilmed or microfiched by MGA and Sallie Mae staff. Documents were indexed individually (with the date, account cross-reference detail, etc.) on the current system. Back-up copies of all microfilm and microfiche are maintained off-site.*
- *As of June 10, 1996, all MGA documents received by Sallie Mae have been scanned and stored as images on optical platters in a .tif format. Such documents are indexed individually by Social Security number (SSN), and indexing information is downloaded daily to MGA's imaging system. A back-up copy of each platter is stored offsite.*
- *Since December 28, 1998, all incoming and outbound documents received by MGA have been scanned and stored as images on optical platters by MGA staff, using FileNet software. MGA individually indexes its documents by SSN on the MGA imaging system. As MGA creates optical platters, back-up copies automatically are created on microfilm as well as optical platters.*

*Sallie Mae currently uses imaging technology in support of its loan origination process, loan servicing process, loan consolidation process and disbursement service offered to all lenders. Our usage of imaging technology dates back to 1992 when we implemented the FileNET system. This system currently manages the receipt and processing of over 20,000 paper FFELP loan requests per day during peak processing period.*

*Our imaging system is primarily used to store and retrieve many types of borrower documents, such as loan request for FFELP, Private Credit and Loan Consolidation, NOLGs, letters, and correspondence. Once stored, these document images are available for any type of formal or ad-hoc retrieval throughout many business processes at Sallie Mae. A secondary aspect of imaging technology is to facilitate a work management process (workflow) that automatically routes and tracks electronic documents through various business processes. We have integrated imaging technology into our FFELP loan guarantee and disbursement business processes, Private Credit loan approval process, Loan Consolidation process and Loan Servicing process. The following illustrates one of the primary uses of this technology, but is not a comprehensive description of Imaging Workflow within these processes.*

*FFELP paper loan requests are imaged upon receipt and the image is used as a replacement for the paper loan request during the entire guarantee and error correction process. We have integrated sophisticated data entry software called Captiva within our imaging and loan origination system to ensure the timely and accurate processing of FFELP loan requests. In addition, our Imaging system is used during the creation of the Notice of Loan Guarantee (NOLG). It enables the matching of NOLGs to loan requests and subsequent packaging of these documents for distribution to lenders. We have many sophisticated automated interfaces between the Sallie Mae's origination engines and the FileNET Imaging system that support this integration of Imaging into the workflow of these business processes.*

- b. The Servicer, Early Intervention Contractor and Default Aversions Contractor must image **all** incoming and outbound documents received or sent on behalf of MGA into a .tif format, including change transaction documents. The same level of indexing detail and verification (100 percent [100%] document level) also is required as follows:

1. Each item (borrower or student) uses 2 lines in the file

- a. Line 1 of the file has the following definition:

1. 1-9 (SSN)
2. 10-11 (always AA for line 1)
3. 12-43 Full Name (format is Last, First, Middle Initial)

- b. Line 2 of the file has the following definition:

1. 1-9 (SSN)
2. 10-10 (always B for line 2)
3. 11-14 (blank spaces)



4. 15-17 (document type)
5. 18-25 (document date 1)
6. 26-33 (document date 2)
7. 34-40 (cartridge number)
8. 41-45 (frame).

Documents must be imaged and made available within one (1) day of receipt. Retrieval of images must be in compliance with section 1.104.3a14. Contractor must describe the quality assurance/control process to ensure 100% of documents are imaged and indexed properly.

Contractor Response to Task:

*Sallie Mae will continue to image any MGA Stafford, PLUS or Consolidation paper application that comes into Sallie Mae processing locations for guarantee processing. The inbound paper and fax documents, such as loan request for FFELP, Private Credit and Loan Consolidation as well as borrower correspondence are indexed into the Sallie Mae's Image Repository. The electronically-signed applications via OpenNet are also indexed. The outbound documents such as Notice of Loan Guarantee (NOLG) are electronically archived from the loan origination engines into the Sallie Mae's Image Repository. The EAGLE account history summary is also electronically archived into the imaging system along with the Notice of Loan Guarantee (NOLG) for MGA access and retrieval.*

*The same quality assurance/control process currently used to ensure the documents are imaged and indexed properly will be continued. The images are viewed at indexing and any poor quality image is rejected and rescanned. When the SSN and four characters of the last name are keyed, SWIS validates that data against the Corporate Demographic Data Base (CDDB). If it does not find an exact match, the user sees an error message which gives them the opportunity to correct any keying errors. After the documents have been imaged, a percentage of each processor's work is randomly sampled and quality checked. Sallie Mae does not currently image change transactions or many "canned" outbound documents. We believe our current process does not erode operational performance nor jeopardize compliance to regulatory requirements. The additional MGA imaging requirements would add substantial cost to servicing this contract. As such, Sallie Mae has excluded this requirement from bid pricing. However, Sallie Mae desires to be responsive to MGA's requests, and wishes to further discuss these requirements. Should MGA determine that this additional requirement is critical and desirable, Sallie Mae reserves the right to adjust pricing accordingly to reflect this change.*

- c. The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide an interface to enable MGA and Servicer staff to identify all imaged documents with specific accounts on the main database. MGA must be able to access/retrieve/view/print indexing information and documents from the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's systems using existing MGA personal computers and software (see Section 1.103).

Contractor Response to Task:

*MGA's documents are archived into Sallie Mae's imaging technology. Through our web based system, IDM Search, MGA has the ability to retrieve MGA's document images for viewing and/or printing. In addition, we provide a flat file containing document image references to the MGA office each day. This information is stored into the MGA imaging system referencing back to the Sallie Mae document images.*

- d. All optical platters and the accompanying index prepared by the Servicer, Early Intervention Contractor and Default Aversions Contractor during the course of the Contract are the property of MGA and must be provided to the Contract Compliance Inspector or designee at the end of the Contract.

Contractor Response to Task:

*All MGA optical platters and accompanying index prepared by Sallie Mae during the course of the contract will be provided to the Contract Compliance Inspector or designee at the end of the contract.*

- e. The imaging system must have back-up and recovery procedures per section 1.104.3b3.



## Contractor Response to Task:

*MGA document images are stored on magnetic disk for fast and efficient retrieval and processing by MGA staff. A copy of the MGA document images is also stored on optical platters and magnetic tapes. On a daily basis, these optical platters and magnetic tapes are stored in a secured off-site storage for disaster recovery purposes.*

*Sallie Mae has a contract with a third party vendor, SunGuard, to establish data center operations handling the Sallie Mae critical systems including Sallie Mae's imaging system. Our current version of the imaging system software is stored at SunGuard facilities. We conduct a periodic test drill to ensure that our disaster recovery procedures are executable.*

- 3a18. Servicer must support Meteor and be an Access Provider and a Data Provider. Meteor retrieves information in real time directly from participating Data Providers; inquirers are able to see real-time status information. Access Providers provide an Internet service allowing users to log on and submit inquiries to Meteor. Data Providers return real-time aid information about a student in response to an inquiry.

MGA must also be able to act as a Data Provider. Servicer must also support the authentication function for MGA to be an Access Provider.

## Contractor Response to Task:

*Sallie Mae has been one of the leaders in defining Meteor. We are members of the Meteor Advisory Team and Meteor Technical team. We will continue to be an Access Provider and support MGA's role of Data Provider. If MGA wishes to become an Access Provider, Sallie Mae will provide assistance to support the authentication function on your web site.*

- 3a19. Any communication on an account must be reflected chronologically in the account history, regardless of its nature. This includes all attempted telephone contacts, actual telephone conversations, or written communication received or sent. The Servicer's, Early Intervention Contractor's and Default Aversions Contractor's system must provide the ability for any MGA contact activity to be captured and integrated in this fashion.

## Contractor Response to Task:

*The EAGLE system provides the capability to store all communication activity in chronological order.*

- 3a20. The telephone response staffs of MGA, Servicer, Early Intervention Contractor and/or Default Aversion Contractor must have immediate and convenient access to data files, including on-line system access to MGA, Servicer, Early Intervention Contractor and Default Aversions Contractor microfilm/microfiche/imaged documents as necessary to research anticipated user inquiries. If a telephone inquiry cannot be handled to the satisfaction of the user at the time of the inquiry, the Servicer, Early Intervention Contractor and Default Aversions Contractor must investigate and respond (e.g., call back) within two (2) business days of the original request.

## Contractor Response to Task:

*All users should have access to EAGLE data files and imaged documents which are needed to conduct research on borrower initiated inquiries.*

*Inbound telephone inquiries are handled in an expeditious manner, with focus on addressing borrower issues and concerns in a "once and done" work environment. There will always be exceptions to this process rule whereby additional, off-line research must be performed with follow-up efforts made to advise borrowers, schools, etc. of research results. Every attempt to provide this follow-up service within the time stated will be made, although it is reasonable to expect some items will require additional time to achieve resolution of the stated problem.*



*Sallie Mae understands the importance of prompt and attentive customer service. Additional calls made by borrowers due to lack of follow-up results in unnecessary frustration and added expense of resolving borrower issues. To that end, Sallie Mae is committed to resolving borrower concerns as quickly and efficiently as possible, and performs callbacks within 24 to 48 hours from receipt of the original call.*

- 3a21. Inquiries that cannot be handled by telephone response must be handled via written correspondence within five (5) business days of the initial request. The Servicer's, Early Intervention Contractor's and Default Aversions Contractor's system must retain a history of all inquiries and responses, even if the request is transferred to MGA for handling. MGA staff also must be able to update borrower or communications response/call log history records on the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's system.

Contractor Response to Task:

*Sallie Mae responds to 95% of e-mail and written correspondence within 4 business days. The remaining 5% of inquiries typically require advanced research and additional time to satisfactorily resolve the presented issue.*

- 3a22. Appropriate statistical data/reporting identifying call volumes, types, and the above Servicer, Early Intervention Contractor and Default Aversions Contractor performance levels in sections 1.104.3a10 through 3a14 for calls to the Servicer, Early Intervention Contractor and Default Aversions Contractor must be maintained on a weekly basis throughout the Contract period, and upon request, must be provided to Contract Compliance Inspector or designee. Call center service reports will be finalized during Implementation Planning (see section 1.104.2a).

Contractor Response to Task:

*Sallie Mae is amenable to providing requested statistics associated with call center activity. Additional discussions are required between Sallie Mae/SAC and MGA to define reporting criteria and reporting frequency.*

### 3b. Data Center Operations and Management

#### 3b1. Facilities

- a. The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide, staff, and operate facilities to satisfactorily house the staff, equipment, systems, office supplies, and processes necessary to process the volume of work and securely maintain the loan portfolio records of MGA.
- b. The Servicer's, Early Intervention Contractor's and Default Aversions Contractor's facility plans and budgets for establishing additional office/computing facilities specifically for the MGA Contract must be reviewed and approved by Contract Compliance Inspector or designee.

Contractor Response to Task:

*As the incumbent servicer for MGA, Sallie Mae's facilities are currently equipped to handle MGA's servicing needs. We welcome State representatives to visit any of our facilities for a tour of our servicing operations.*

- c. In all cases the Servicer, Early Intervention Contractor and Default Aversions Contractor must have sufficient computer processor power, disk storage, peripherals, and other hardware capacity to meet or exceed the data processing service levels in sections 1.104.3a10 through 3a14 for MGA and MGA clients.



## Contractor Response to Task:

*Sallie Mae's mainframe environment is an IBM Mainframe Sysplex running IBM's z/OS operating system. Both EAGLE I and EAGLE II reside on the mainframe and are supported by an IDMS v. 15.0 database. The MGA data resides on its own set of databases. There are four StorageTek tape robot silos, combined with STK's 'virtual tape' technology, that automate the majority of tape loading and unloading processes. The hardware includes redundant technologies and is capable of 'phoning-home' a problem and diagnostics to IBM, fail-over and continue to run without interruption in most cases.*

*EAGLE is actually a composite application architecture system structured to take advantage of a variety of technology platforms to provide the best possible service to the customer. These platforms include: mainframe, personal computers, expert systems, relational databases, Web, mid-range computers, and client server.*

- 3b2. System Operations Procedures/Documentation: The Servicer, Early Intervention Contractor and Default Aversions Contractor must document, maintain, and adhere to sufficient, organized, up-to-date and fully documented systems operations procedures. All standard run schedules (daily, weekly, etc.) agreed to in Program Conversion (section 1.104.2) must be prepared, implemented, and maintained for MGA and MGA client operations. Procedures must clearly identify program/system/data file error recovery and restart instructions for all jobs. Documentation of the above must be available for inspection during demonstration visits, as well as upon request of Contract Compliance Inspector or designee at any time during the Contract; additionally, documentation must be available via the Internet (see section 1.104.2c).

## Contractor Response to Task:

*Sallie Mae's Data Center Operations (DCO) has fully documented systems operations procedures. All standard run schedules (daily, weekly, monthly, etc.) are controlled by an automatic job scheduler (Electronic Scheduling Process.) This scheduler ensures that all jobs run in the proper sequence and that all dependencies are met. This control also ensures that no unauthorized processes are run against production data.*

*Problems arising during job execution are captured on an automated problem ticket tracking system (Computer Associates' – Service Desk). DCO staff monitor/manage these tickets and manually create others not covered by automation routines. Job restart instructions exist to handle most processing interruptions. If a job happens to fail, the operations staff first checks to see if the problem is a simple one that can be fixed by just restarting the job. If the problem is more severe, the application development team supporting the specific job is automatically paged to fix the problem. Each application development support team also has their own procedures for their specific jobs. While these procedures are not available via the internet, they are available for inspection at our Fishers, Indiana site.*

- 3b3. System Back-up and Recovery: The Servicer, Early Intervention Contractor and Default Aversions Contractor must develop, document, and perform frequent, periodic data file back-up procedures for transaction files and images, as well as systems and application software libraries. Secure off-site back-ups are mandatory for transaction and application software files. Back-up copies of system documentation, user manuals, and system operations manuals also must be stored off-site. Documentation of the above must be available for inspection during demonstration visits, as well as upon request of Contract Compliance Inspector or designee at any time during the Contract.

## Contractor Response to Task:

*The Data Center Disaster Recovery Plan requires that the data be backed up on a regular basis and be stored off-site. User libraries are backed up nightly, system libraries and MGA's databases are backed up weekly, and backup tapes are transported for offsite major storage. Copies of critical processing files created from job schedules are stored off-site daily. Data Center Operations has several dedicated 'media technician' positions whose responsibilities include ensuring controlled movement of tape and cartridges between on-site and off-site storage locations. As part of the Business Resumption Plan, copies of system and business documentation necessary to restore the system are stored off-site. MGA may, at its option, review Sallie Mae's comprehensive Disaster Recovery Plan, at our Fishers, Indiana office.*

3b4. Data File/Record Retention

- a. All electronically stored financial and non-financial transaction data/history must be available for on-line inquiry for active accounts and MGA clients as specified in section 1.104.3a9. After a loan is fully repaid or otherwise closed, the Servicer, Early Intervention Contractor and Default Aversions Contractor may move the appropriate loan detail and history records off-line, subject to applicable federal and state regulations. However, all such records must be retained indefinitely on cartridge or other appropriate media as an inactive/archived file. The Servicer, Early Intervention Contractor and Default Aversions Contractor must reactivate/reload such information to the active database upon request of the MGA. Any information necessary/required for accurate reporting, transaction editing or regulatory compliance must not be archived or deleted.

## Contractor Response to Task:

*All electronically stored financial and non-financial transaction data is available for on-line inquiry. Transaction history after October 1999 is available on-line. History prior to October 1999 is available on a report that can be requested on-line. Sallie Mae has not archived any of the MGA active or in-active accounts that were converted to EAGLE in 1990.*

- b. The Servicer, Early Intervention Contractor and Default Aversions Contractor must maintain information about MGA school, lender, lender servicer, and secondary market clients on its system, including information provided by ED, e.g., ED identification numbers, demographic information, eligibility information, etc.

## Contractor Response to Task:

*The Customer Information (CI) is a central warehouse for the capture and maintenance of customer demographic, ED identification numbers and eligibility information, and the relationship between a customer and their product and service selection. CI also provides immediate access and immediate update to customer preference information, which is accessed by all other EAGLE modules. Many customer types are supported: schools, lenders, guarantors, reinsures, loan sponsors, collection agencies, school and lender servicers, and guarantor servicers.*

*For these customer groups, CI maintains information relating to products and services used by the customer. A product is a high-level grouping of services offered to a customer type. A service defines what will be delivered to the customer, and an option defines how a service will be delivered to the customer subscribed to that service. CI is maintained and updated by our Customer Set-up area with no programmer intervention. All updates to CI information occur quickly, normally during an overnight process.*

- c. All hardcopy forms (or images) and other correspondence must be batched by account and stored indefinitely by the Servicer, Early Intervention Contractor and Default Aversions Contractor to support future auditing of MGA after they are processed and imaged by the Servicer, Early Intervention Contractor and Default Aversions Contractor (see section 1.104.3a17).

## Contractor Response to Task:

*The MGA document images are stored on magnetic disk for fast and efficient retrieval and processing by MGA staff. A copy of the MGA document images is also stored on optical platters and magnetic tapes. On a daily basis, these optical platters and magnetic tapes are stored in a secured off-site storage for disaster recovery purpose. The documents are batched by document type, guarantor, and the business area that processes them. The imaged documents are stored indefinitely and available for auditing needs.*

- d. All electronically stored data, hardcopy originals, and imaged documents are the property of MGA and must be returned to MGA in a DVD format (two [2] copies) at the end of the Contract. While in the keeping of the Servicer, Early Intervention Contractor and Default Aversions Contractor, all such materials must be stored in a fireproof room, vault, temperature/climate controlled room and/or containers having at least a two-hour fire resistance rating.



## Contractor Response to Task:

*All electronically stored data, hardcopy originals, and imaged documents will be returned to MGA at the end of the contract. The electronically stored data and imaged documents are housed in the environmentally controlled data center, vault, or off-site secured location. While the DVD format is not currently supported at Sallie Mae, we will work with MGA to determine the best media available at the time the contract is terminated.*

3b5. Disaster Recovery/Business Continuity Plan

- a. The Servicer, Early Intervention Contractor and Default Aversions Contractor must have in place a fully documented Data Center Disaster Recovery/Business Continuity Plan that identifies back-up resources and/or facilities that can process the MGA systems under Contract in the event of a disaster. Back-up processing/facilities must be fully operational within 24 hours of losing the main processing facilities.

## Contractor Response to Task:

*Sallie Mae recognizes that the continuation of our business as well as the safety and welfare of our employees and those we serve are dependent upon a strong Business Continuity Program and Data Center Disaster Recovery plan.. As such, this program requires a commitment by management and by each employee, department and vendor to the following principles and guidelines.*

*Each business unit is responsible for maintaining a Business Resumption Plan (BRP) that will allow it to provide essential operations and services in the event its employees are denied access to work-in-progress, PC/workstations, office telephones, equipment and facilities. Each unit will test its recovery plan at least annually in accordance with Sallie Mae's Business Resumption Planning (BRP) Certification Program. The need to maintain a BRP is identified as a result of the completed Business Impact Analysis (BIA) questionnaire that every Sallie Mae business unit must complete bi-annually.*

*The Sallie Mae Business Continuity Program is the overall corporate process that provides guidelines for managing loss prevention and emergency preparedness. This process defines the steps for activation of emergency response plans and identifies the emergency response team structure and responsibilities.*

*The Sallie Mae Business Continuity Program covers all facilities and locations. It is likely that just one Sallie Mae facility will be affected by a disaster. Therefore, the program is designed to be used in total, by facility, or by specific work groups, as the circumstance dictate.*

*Information Systems departments must maintain and test disaster recovery plans annually for each platform for which they are responsible in lieu of BRPs.*

*Sallie Mae has a contract with a third party vendor, SunGuard, to establish data center operations handling the Sallie Mae critical systems. We conduct a periodic test drill to ensure that our disaster recover procedures are executable and the data center can be operational in 24 hours.*

*A Crisis Management Team (CMT) has been established that will perform as the heart of the corporate response to a crisis or disaster. The CMT is the center of management and control, and the interface between those directly involved with the recovery operations, external customers and the media. In addition, a "hot" site has been established in Marianna, FL which can accommodate more than 900 employees to support any facet of Sallie Mae operations in the event of a disaster.*

- b. The Servicer's, Early Intervention Contractor's and Default Aversions Contractor's processing facilities also must 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.



## Contractor Response to Task:

*Sallie Mae's Data Center resides in Fishers, Indiana, as part of Sallie Mae's technical operations center. The entire building is monitored by security guards located at the main entrance of the facility, which provides a direct view of the main Data Center entrance, 24 hours a day, 7 days a week. Fourteen cameras have been installed in the Data Center to monitor all entry points and internal components. Monitors are located at both the security desk and within the Computer Operations console in the Data Center. In addition, security personnel perform random walkthroughs of the Data Center on a regular basis. Physical access to the computer room is restricted by a proximity badge based card-access system.*

*The Data Center has been divided into zones or rooms according to the equipment in the zone. Request for access into a zone must be requested by a manager for their personnel and approved by the Vice President (VP) of Technology Operations. The information is then entered into the security system. Each request is for a person and that person is given entry rights into the approved zones. A person must "badge into" a zone and "badge out" when leaving a zone. Not all people have access to all zones. Likewise, vendor badges limit vendor access to zones where they have equipment to maintain.*

*Two Uninterruptible Power Supplies (UPS) provide 15-20 minutes of battery backup power in case of a power outage. The building has dual power feeds from separate power sub-stations. Each power feed can be selected to supply each wing of the Fishers building. The Data Center is covered by SwitchGear providing the capability to automatically transfer power in the event of an outage.*

*In addition, there is a 2-megawatt diesel powered generator installed, which has an Auto Transfer Switch with capability to automatically transfer from failed utility power to the generator. This process is sequenced with the utility SwitchGear, thus making the generator the third line of defense. The system was designed with maintenance by-pass capabilities. The diesel generator is tested unloaded each week and loaded each quarter. Both utility power feeds must fail for 15 seconds before the generator's Auto Transfer Switch will start the diesel and pick up the load. The UPS batteries supply power during that 15 second period.*

*A SiteScan system automatically monitors both UPS systems, the halon fire prevention system and air-conditioning units that are necessary to cool the computer equipment.*

3b6. Data and System Security

- a. The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide the physical and logical system access controls and security necessary to ensure secure access by MGA and MGA clients for the functions described in this CONTRACT. Physical and logical access controls for all Servicer, Early Intervention Contractor and Default Aversions Contractor facilities, equipment, and applicable systems must be addressed during Implementation Planning (see section 1.104.2a). The following national/international security standards and publications including, but not limited to, must be adhered to:
  1. National Standards: An Introduction to Computer Security", National Institute of Standards and Technology, Computer Resource Security Center (see <http://csrc.nist.gov/cc/index.html>)
  2. Interagency Guidelines Establishing Standards for Safeguarding Customer Information; Final Rule (12 CFR Part 30, et al)
  3. The Department of Health and Human Services and the Department of Social Security Administration (Section 45d(1)(6) of the Social Security Act and Privacy Act U.S.C. 552)
  4. Social Security Number Privacy Act 454 of 2004 at <http://www.legislature.mi.gov/mileg.asp?page=print&objName=mcl-act-454-of-2004>
  5. Family Educational Rights and Privacy Act (FERPA) of 1974.

The following security control requirements must be addressed:

## a) Management Controls

- 1) Risk Assessment of operational and technological risks, including threat identification
- 2) System Life Cycle Management
- 3) System Security Certification
- 4) System Security Accreditation and Assurance



5) System Security Plans.

b) Operational Controls

- 1) User Administration, e.g., User Account Management, Password Management, etc.
- 2) Separation of Duties
- 3) Personnel Security
- 4) Security Awareness, Training, and Education
- 5) Contingency Planning, i.e., Business Continuity and Disaster Recovery Plans



- 6) Security Incident Handling
- 7) Physical & Environmental Security
- 8) Configuration Management
- 9) Media Protection, e.g., Media Labeling, Media Storage, Media Transport, Media Sanitization, etc.
- 10) System Security, e.g., Malicious Code Protection, Intrusion Detection Tools and Techniques, Spam and Spyware Protection, Security Alerts and advisories, etc.
- 11) Data Security, e.g., Data Input Restrictions, Data Processing Error Handling, Data Output Error handling, etc.

c) Technical Controls

- 1) Identification and Authentication Methods
- 2) Logical Access Controls, i.e., a technical means of controlling access
- 3) System and Communication Protection, e.g., Security Function Isolation, Denial of Service Protection, Transmission Integrity and Confidentiality, Intrusion Detection etc.
- 4) Change Control
- 5) Cryptographic Technologies
- 6) Audit Trails.

Contractor Response to Task:

**a) Management Controls**

**1) Risk Assessment of operational and technological risks, including threat identification** - Sallie Mae is highly dependent on people, processes and automated systems for its success. The integration of people, processes and technology is a requirement not only for business survival, but is a necessity if a business wishes to remain both competitive and profitable. While enhancements in automated systems and technology increase productivity and improve capability, they also create a higher level of business dependency and thus increase risk. These risks can be broadly classified as:

- Internal manipulation of systems and information for fraudulent purposes.
- Unauthorized internal or external access to systems and information for the purpose of fraud, improperly gaining access to competitive business intelligence, sabotage and other criminal acts.
- Intentional and unintentional damage to systems or data by hackers and by employees or as the result of weak or non-existent security controls.
- Business interruption caused by natural or manmade disasters, computer viruses, equipment failure or security breaches, which result in the loss of productivity, business and revenue.

Sallie Mae realizes that it must rely on both established and emerging technology in order to provide a superior product to its customers. Sallie Mae also realizes that (i) this reliance must be balanced against an acceptable level of risk, (ii) these technology risks need to be properly evaluated, monitored and controlled, and (iii) necessary security controls, mechanisms and programs need to be in place to protect corporate information assets.

In order to meet this critical business need, Sallie Mae has developed a comprehensive enterprise information security program. The Sallie Mae Chief Information Security Officer (CISO) owns the Corporate Information Security Program and is responsible for managing the Program and developing, implementing and enforcing the Program's Policy Statements. The CISO provides periodic reports regarding the status of the Program and the overall state of corporate security to the CIO, the Privacy and Security Steering Committee, the Audit Committee and the Sallie Mae Board of Directors as may be necessary or appropriate.

The overall objective of the Program is to establish effective corporate-wide policies, standards, procedures and strategies which address the security of Sallie Mae computer resources, infrastructure, data and information assets regardless of location or the medium in which such information assets reside (e.g., electronic digital, paper, etc).

**2) System Life Cycle Management** - Systems Development is organized into project teams, each responsible for the development and maintenance of specific application subsystems. System Development performs the development and maintenance of the EAGLE application. Each application subsystem has a designated "owner" (operational



*representative), who is responsible for evaluating and prioritizing change requests to determine the impact and cost benefit and working with the development team to ensure that programs meet user requirements.*



The Systems Development Life Cycle (SDLC) includes working with business owners to clearly define the requirements of the enhancement or request, and documenting the conceptual system design and business system design for the request. The functional requirements are captured in a Requirements Traceability Matrix (RTM) and approved by both IT and business sponsorship before a solution is designed. In turn, the conceptual system design outlines how the business request will impact the current business processes. The business system design includes a description of the change, new reports, screens, batch processes, data, interfaces, prototypes, and internal and external impact. Conceptual system design and business system design deliverables are approved by all impacted business units.

The technical system design documents the balancing of logic and business rules, external layouts to technical documentation unit, necessary information to application infrastructure, interface impact, schedule changes, and a technical walkthrough.

The SDLC process continues with coding and unit testing, which includes testing data, Job Control Language (JCL), balancing rules, and schedule changes, and string testing, which includes business test scenarios, interface handshakes, and resolution of all critical issues. Following string testing, all software include in a release is turned over to an independent quality assurance team for integration testing across multiple platforms. Following integration testing, the software is turned over to an independent user team for user acceptance testing which is managed by the business quality assurance team. The final stage in the SDLC process is implementation. This includes any production environment setup, code turnover to the Software Object Management (SOM) group and operational business preparation. All Sallie Mae Application Development teams are required to follow this standard process which is documented and generally made available through the Sallie Mae Process Asset Library.

Application developers do not have update access to production libraries. The Database Administration Group, by virtue of its function, has access to the Application Development System/Online (ADS/O) programs stored in the data dictionaries on the Computer Associates' Integrated Data Management System (IDMS) database. Access to IDMS libraries and datasets is restricted to the Technical staff that require it in performance of their work activities.

The SOM group is responsible for migration of programs from development to production. The group is independent of Systems Development. The SOM group has 'update' access to the production JCL libraries and is responsible for migration of JCL and PROCs (stored JCL procedures) from development to production libraries.

**3) System Security Certification** - As part of the annual audit performed by an independent audit firm, access controls and other security features are tested to determine that they are performing properly. Annual certification is provided to MGA in the SAS70 report.

**4) System Security Accreditation and Assurance** - Information Security continues to expand Sallie Mae's security assessment capabilities to ensure compliance with corporate privacy and security policies, including extensive Internal and Third Party Service Provider Assessments and Assessment programs based on ISO-17799. Key assessment Tools and Programs include:

- ISO-17799 Assessment Suite
- Server scanning software tools
- Internet and Web App vulnerability assessment tools
- Firewall and network router evaluation tools
- Telecom and modem discovery system
- Wireless detection and security evaluation

**5) System Security Plans** - All technology platforms, (for example: Windows, UNIX, etc.) must have documentation which specifies the baseline system security requirements and administrative procedures that are necessary for implementing this Program and adequately protecting corporate computer systems and information resources. Any manager responsible for implementing, managing or administering a computer system or technology platform must develop, publish and maintain an Information Security Standards Manual (ISSM) for each computer system or technology platform they own or are responsible for managing.

Information Security Standards Manuals are developed in conjunction with the Corporate Information Security Department and contain the specific technical standards, security configuration settings, audit and logging parameters, and administrative procedures deemed necessary by the CISO to adequately protect computer systems, technology and information resources.



Each ISSM is considered a continual "work in progress" and shall be updated by the responsible manager as may be required to keep pace with technology developments and changes within Sallie Mae's technical architecture. It is the responsibility of business users, consultants and IT staff to continuously review individual Information Security Standards Manuals in order to identify specific security requirements that may need to be addressed prior to initiating a technical project, implementing a system change, contracting for the development of a computer application, or purchasing and installing new software or computer hardware. All changes or updates for any ISSM must be reviewed and approved by the Chief Information Security Officer prior to publication and implementation. Each manager who is responsible for maintaining an ISSM must submit the complete manual to the CISO on an annual basis for review, approval and certification.

#### **b) Operational Controls**

**1) User Administration, e.g., User Account Management, Password Management, etc.** - Corporate Information Security is responsible for implementing and administering an enterprise wide program for managing user account administration. This program addresses each phase of the user administration process, including creating accounts, deleting accounts, resetting passwords, providing users with access to applications and resources, auditing of user activity, reviewing user access levels and privileges, and providing routine audit reports to management.

Access into Sallie Mae computer systems, applications and data must be approved by each user's manager and if necessary, the Business System Owner or other delegated approver. It is the responsibility of the requestor to obtain approval prior to submitting a request to Information Security. It is the responsibility of Information Security staff or decentralized security coordinators to ensure that the access request has all necessary approvals prior to granting the access.

Information Security will ensure each user's access is reviewed on a regular basis by management. Users with privileged access will be reviewed more frequently.

**2) Separation of Duties** - Sallie Mae management has the primary responsibility to develop, maintain and document adequate internal controls. These controls are designed and built into all systems to provide reasonable assurance as to the integrity of the data processed and applicable compliance with the Higher Education Act and all applicable regulatory requirements. Sallie Mae has created a formal management organizational structure with appropriate levels of reporting and accountability. Assignment of responsibilities is made to segregate incompatible activities.

Sallie Mae's Board of Directors is responsible for engaging independent auditors and for ensuring that management fulfills its responsibilities in the preparation of the financial statements and maintenance of internal controls. An Audit Committee consisting of external directors meets bi-monthly with management and the auditors, both separately and jointly, to enable the Board to fulfill this responsibility.

**3) Personnel Security** - Personnel policies and practices are established and are continually monitored by management and the Human Resources Department. Performance standards are maintained for all positions and performance evaluations are conducted annually. To help ensure integrity and controls within the guarantor services processing system, Sallie Mae has organized its personnel into specialized units with specifically defined responsibilities. Written documentation of unit policies and procedures, as well as formal training programs exists to facilitate consistent performance. Directors, officers, and employees of Sallie Mae are expected to exercise the utmost good faith in the performance of their corporate duties. A written Code of Business Conduct statement establishes appropriate behavior on the part of all employees.

**4) Security Awareness, Training, and Education** - Through extensive training and education, Sallie Mae's Information Security team stays abreast of the latest technology to continually improve controls, monitoring, and reporting.

**5) Contingency Planning, i.e., Business Continuity and Disaster Recovery Plans** - The Sallie Mae Business Continuity Program is the overall corporate process that provides guidelines for managing loss prevention and emergency preparedness. This process defines the steps for activation of emergency response plans and identifies the emergency response team structure and responsibilities. This is discussed in more detail in section 1.104.3b5.

**6) Security Incident Handling** - The Chief Information Security Officer is responsible for managing, communicating, conducting and coordinating all investigations regarding information technology or related to the use or misuse of corporate computer systems, applications, data or resources. All investigations are considered business confidential and



*information related to any investigation will only be shared on a "need to know" basis. All employees and staff are required to provide their full support and assistance in regards to any investigative matter or inquiry.*



Prior to initiating any formal investigation, the CISO will first ascertain if sufficient evidence exists to warrant a formal investigation. The CISO will obtain appropriate authorization from the CIO, Legal Department, Human Resources or other senior management as appropriate, based upon the nature of the incident and the purpose of the investigation. In order to ensure that proper procedures, justification and communication channels exist for all investigative matters, the CISO will develop an approved Corporate Investigations Protocol which will outline the details regarding appropriate senior management notifications, the process of conducting investigations and communicating the results.

The CISO is responsible for developing, implementing and managing a formal Computer Incident Response Plan to document how network attacks, intrusions, NPI security breaches, virus infections or other related incidents will be handled. As part of this plan, a cross functional IT Crisis Management Team will be utilized to ensure that appropriate staff, resources and expertise is available at all times to provide a managed, coordinated response to any incident or event that may threaten the computer systems or information resources of the corporation.

In the event of a suspected or confirmed security breach involving NPI, the CISO will be responsible for notifying the CIO, the CPO, the Legal Department and other senior management as appropriate. Senior management will be responsible for determining the appropriate notification procedures to be followed in the event that any notices are required by law or otherwise to be communicated to the customer. Such communication will occur through one or more of the following methods:

- Electronic mail to the customer's last known email address on Sallie Mae's systems
- Written letter sent via U.S. mail to the customer's last known mailing address on Sallie Mae's systems
- Phone call to the customer's last known phone number on Sallie Mae's systems
- Posting a notice to the applicable Sallie Mae web site

**7) Physical & Environmental Security** - All computer rooms and the IT Data Center are considered restricted areas, and only those individuals who specifically work in these areas are authorized permanent access. Computer rooms also include network rooms and workspaces, server storage areas, data processing facilities, tape and disk storage rooms, telephone switch and PBX rooms, communication and wiring closets.

The physical security of these and all IT spaces is the responsibility of the Chief Information Security Officer. The CISO will work with Facilities Management and the responsible IT Department managers to implement the appropriate physical and electronic security controls to ensure that only authorized personnel can gain entrance to these restricted spaces. All physical and electronic security devices and controls must be approved by the CISO prior to installation.

Employees, consultants, contractors, visitors and guests who do not regularly work in these areas may be temporarily allowed entrance to a restricted computer room when:

- Authorized by a Sallie Mae employee who works in the specific area or is responsible for managing or overseeing operations for the area involved, and
- The person is being escorted by an employee who has permanent access authority to the restricted space, and
- The reason for access is justified or is necessary in order to perform work that has been authorized by management.

Each entry and exit by individuals who do not have authorized permanent access to a restricted space must be logged by an authorized employee. Access logs should be retained for a period of one (1) year and be made available for review by IT management, Information Security or Internal Audit staff upon request.

**8) Configuration Management** - The Program Management Office (PMO), a department within Sallie Mae's Information Development Division, is responsible for global project management and stewardship across all development releases of software. They establish and maintain milestones across releases and develop global and detail level timelines to represent the vision of target dates for development and testing efforts. The PMO also facilitates the prioritization of business requests and scoping of the release. The scope of a release is determined before and after the conceptual system design phase by evaluating the business priorities, application team capacity, estimated work effort per request, and release timeline. The scope is reconfirmed after the business system design phase.

**9) Media Protection, e.g., Media Labeling, Media Storage, Media Transport, Media Sanitization, etc.** – Sallie Mae understands the importance of all employees, contractors and staff to safeguard individual consumer and customer non-public personal information (NPI) and Consumer Report Information in the proper manner. The following general requirements have been established for safeguarding this information:

- NPI and Consumer Report Information should not be copied or saved to the hard drives of desktops or laptop computers
- NPI and Consumer Report Information should not be copied or downloaded to diskettes, compact disks, memory fobs or any other removable storage media



- NPI and Consumer Report Information should remain stored on network file shares, network database systems or in mainframe datasets
- Data analysis and MIS activity involving records that contain NPI and Consumer Report Information should only be performed on files that reside or are stored on network servers, network data file shares or mainframe data sets
- NPI and Consumer Report Information should be disposed of in a secure manner as described in the destruction of data sections set forth below
- NPI and Consumer Report Information should not be left out on employee's desks or posted on cubicle walls for extended periods when the employee is not present, such as during breaks, at lunch or after hours
- Printed materials containing NPI and Consumer Report Information should not be left out in open areas such as around copiers, printers and on fax machines
- Business units that routinely receive incoming faxes containing NPI and Consumer Report Information (e.g., loan applications, deferment forms, etc.) after normal business hours should use the "lock" feature on the fax machine to prevent incoming faxes from printing after a set time at night. Using the "lock" feature will store the incoming faxes in memory until a set time the next morning and then the information will print normally.

All electronic transmissions (including e-mail) of NPI or Consumer Report Information data outside of the Sallie Mae network must be encrypted using methodology approved by Information Security. NPI or Consumer Report Information that traverses the wide area or public networks as part of a bulk file transfer must be encrypted using a standard algorithm, such as AES, Triple-DES, RC5, or Blowfish. This includes file transfers between Sallie Mae locations using "private" or leased lines, and file transfers sent via the Internet to other organizations.

In addition to encrypting the data, the communication or transport service mechanism used to transport the data across the network must also use encryption as well. A secure transport mechanism – such as SFTP (Secure FTP), SCP (Secure Copy), HTTPS using Secure Sockets Layer (SSL), or TLS (Transport Layer Security) should be used to establish an encrypted transport session for purposes of providing an additional level of security around the sensitive data in transit for bulk transfers of information.

If large data files need to be sent on a regular basis between Sallie Mae and another organization (e.g., schools, lenders, guarantors, service providers, etc.), the business area works with their IT support person to select the right encryption solution for that specific purpose. Several secure solutions exist, including Connect: Mailbox, SSL, NIFT, etc.

Secure methods must be used to dispose of hardcopy data and output, including all NPI and Consumer Report Information:

- Printed material shall be shredded by an employee of Sallie Mae authorized to handle and personally shred Sallie Mae information, or by a firm specializing in the disposal of confidential records that has been approved by Legal, Facilities Management or Information Security. Media should be shredded in strips of 3/32 inches wide or less using a cross-cut destruction pattern
- Microfilm or microfiche must be cut into pieces or chemically destroyed
- If hardcopy paper, microfilm, microfiche records cannot be shredded they must be incinerated

Prior to the disposal of any computer asset or storage media, all software and data files, including all NPI data and Consumer Report Information, which reside on the asset or storage media must be destroyed or obliterated, not merely deleted. The technique which has been approved is called Disk Wiping and requires the use of a utility software program approved by Information Security to permanently make the information irretrievable and inaccessible.

**10) System Security, e.g., Malicious Code Protection, Intrusion Detection Tools and Techniques, Spam and Spyware Protection, Security Alerts and advisories, etc.** - Sallie Mae's Information Security staff actively monitors threats and vulnerabilities to our systems. When a potential threat has been identified, preventative or corrective steps are taken. Sallie Mae has invested in cutting edge forensic tools and investigative recovery software to protect the confidentiality and integrity of all information stored on our systems.

**11) Data Security, e.g., Data Input Restrictions, Data Processing Error Handling, Data Output Error handling, etc.** - Management's corporate information security philosophy is that access to systems, data and resources is controlled on the basis of business need, corporate security requirements and individuals' need to access the information as part of their job responsibilities. Information Security works with each responsible business system owner to ensure the appropriate access control requirements are defined and implemented. This policy is applied across all corporate information systems and is reflected in written procedures followed by the Security Administrators.



Each EAGLE user has a unique user ID that is administered by security teams within IBM's Resources Access Control Facility (RACF) security software. Authorization and access control in EAGLE I are managed by associating user IDs with IDMS Class Codes which are in turn associated with screens and functions. The association between user IDs and Class Codes may be direct or it may be through IDMS Groups. Authorization and access control in EAGLE II are managed by connecting user IDs to RACF groups which are given privileges on the access list of RACF resources corresponding to each EAGLE II screen, function, and database. Information Security is responsible for maintaining security within RACF and the internal EAGLE I IDMS security subsystem in line with established corporate standards.

All user activity is tracked using the security database, integrated data dictionary (IDD), and transaction logging features within our DBMS and operating system software. The security database and RACF, uniquely identify each system user by full name and department. The IDD within the DBMS identifies each system user by name and defines the transactions that the system user may perform. Each transaction performed on DBMS is written to a log that is stored on disk for later reference. This log can be used with the security database and IDD to identify all actions taken by a system user. In addition to the system generated logs, the transaction history provides a more easily accessible audit trail.

RACF is configured to capture security violations on the Mainframe. Security violations reports are generated from RACF and reviewed by the Information Security group. These reports are generated and reviewed on a daily basis to provide information on possible violations.

RACF is utilized to secure EAGLE production programs source, object and data files which are stored in protected libraries with access limited to appropriate individuals. Access into these protected programs, objects and data files will be reviewed and approved by the appropriate Information Services management of those resources.

### **c) Technical Controls**

**1) Identification and Authentication Methods** - All users, jobs and automated system processes are required to authenticate using an approved Information Security authentication methodology whenever:

- Connecting to any internal or external corporate owned computer system with the exception of web servers when a determination has been made that authentication for the individual web server is not required.
- Connecting to any hardware device located on the corporate network such as routers and switches when the access is for the purposes of providing maintenance, administering or managing the device.
- Transacting business or eCommerce with trading partners or 3rd party entities.
- Presenting communicating customer or consumer information and data.

Information Security, along with the appropriate Business Owner, will determine on a case by case basis the level of authentication that is required for each system or process based on the specific computer system being accessed, the application program in use and the classification of the information being accessed.

**2) Logical Access Controls, i.e., a technical means of controlling access** - Access to computer systems, application programs, data and other resources is generally protected at the platform or operating system level, the application level and at the data level. An employee must have the ability to log on or access a system or platform where an application runs or data resides, and then must be granted specific access to the application or resource itself. Security functionality within an application may also exist which provides additional controls by restricting access to screens, transactions, information fields and/or data.

Access to computer systems, application programs, data and resources will be controlled on the basis of business need, corporate security requirements and an individual's need to access the information as part of their job responsibilities. Information Security will work with Business System Owners and Technology System Owners to ensure the appropriate access control requirements are defined, developed, documented, implemented, administered, maintained and periodically audited in compliance with this Program.

Business System Owners and Technology System Owners are responsible for communicating access policies, approving individual access requests and reviewing security reports to validate user enrollments and access privileges given to users are valid and appropriate.

Requests to access data and resources must be individually approved by the responsible Business System Owner unless a documented and approved Access Control Strategy has been implemented which eliminates the need to approve each access request on an individual basis.



*Business System Owners will work with the Application Security Administrators responsible for administering user access to develop and maintain an appropriate Access Control Strategy for their respective applications. Access control strategies may consist of any of the following which document how access to the system, application or data will be controlled and how individual access is granted:*

- Established Security Groups within a security control system*
- Defined Business Roles using a cross referenced modeling index*
- Defined Functional Frameworks using a cross referenced modeling index*
- Access Authorization Matrixes*
- Memorandum of Instruction for Access*
- A Published Corporate Access Policy which provides the necessary approval authority*

*The access control strategy must incorporate details that can readily identify who is authorized to access the resource, the level of access that is permitted, and who is authorized to approve access for individual users.*

**3) System and Communication Protection, e.g., Security Function Isolation, Denial of Service Protection, Transmission Integrity and Confidentiality, Intrusion Detection etc.** - *Anti- virus software is installed on all network servers and on each individual computer workstation and each laptop computer throughout the corporation. Corporate virus protection is accomplished through:*

- **Prevention** - Our anti- virus software prevents the introduction of the majority of viruses into our computing environment.*
- **Detection** - A weekly anti-virus job scans all network servers and if it is determined that an executable, boot record or data file is contaminated with a virus, the appropriate steps are taken to detect and quarantine the virus.*
- **Removal** - Deletion of the virus from the infected computer may require quarantining the machine and deleting the virus, deleting the file or possibly reinstalling the operating system. The appropriate Information Technology team responding to the incident will determine the best course of action on a case by case basis.*

*Information Security is responsible for Sallie Mae's anti- virus program. Information Security will ensure the most effective anti- virus software is selected, installed and maintained. Information Security will implement the necessary procedures to ensure prompt virus detection, assessment, reporting and eradication.*

**4) Change Control** - *The Change Management process is managed by Production Control to ensure all infrastructure hardware, system software, and major application software changes are coordinated, monitored, and communicated to the impacted areas. Problem tracking processes are in place to ensure that any production problems that have the potential to impact the ability to successfully deliver documents and monetary transactions/transmissions are addressed and given the appropriate level of support for resolution. All changes are recorded in Service Desk through the Automated Help Desk (AHD) application and must have the appropriate management approval for implementation.*

*A Change Management meeting is held every Thursday to review migrations for scheduling conflicts and the presence of appropriate approvals. Migration Request Forms and component addendums are used to track all application software changes that are requested to be moved to production. These documents are attached to the OCM ticket for the change. SOM ensures that all of the appropriate documentation has been completed and that the appropriate approvals have been received prior to code migration. The SOM group maintains a Migration Checklist to ensure the correct steps are followed for migration. Computer Associates' CA-Endevor source management software is used for warehousing source and load modules and for securing access to moving code into the production environments.*

**5) Cryptographic Technologies** - *Sallie Mae may utilize cryptography software and specific cryptographic techniques to protect information that is considered private or confidential. Cryptography will be used when other available controls do not provide a level of protection that is considered adequate by the Business Owner, Legal or Technology Management. Prior to the use of cryptography to protect a resource, Information Security will complete a risk assessment to determine the level of protection necessary and will advise if the use of cryptography is appropriate.*

*In the event cryptography is determined to be an appropriate solution, Information Security along with representatives from Information Technology Group will determine the specific hardware or software encryption mechanisms and processes necessary to encrypt data. Individual encryption products and processes will be evaluated to determine the strength of the algorithm employed, the cryptography engine utilized and the procedures necessary to ensure secure encryption output.*

**6) Audit Trails** - *All Sallie Mae computing resources must be able to record and report on certain system security events, transactions and user activity.*



*Information Security will ensure a process is in place to review audit reports and system generated security event logs. Individuals, business groups and functional areas assigned responsibility for reviewing audit reports or system generated security event logs must do so on a daily basis in order to identify events or discrepancies. All security related events or possible discrepancies should immediately be brought to the attention of the Information Security Department so that the information may be evaluated in order to determine the appropriate course of action required. Additional information on this section can be found in Sallie Mae's Corporate Information Security Program. A hard copy of this document is included with this response.*

- b. The Servicer's, Early Intervention Contractor's and Default Aversions Contractor's application or data security software must provide logical access and security controls (terminal, operator ID, file level, data element level, and transaction or function level restriction capabilities) as necessary to prevent unauthorized access or updating of data.
  1. The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide proof to the Contract Compliance Inspector or designee that computer systems used for the processing, storing and transmitting of MGA information have computer access security controls including a security policy, assurance and documentation. Please identify if a SAS70 report is available and submit with proposal.

**Contractor Response to Task:**

*Information Security, a department of the Information Systems (IS) Division, has responsibility for developing and managing an enterprise information security program, implementing and enforcing corporate information security policies and standards, and researching and recommending enhancements and solutions to corporate information security problems. Management's corporate information security philosophy is that access to systems, data and resources is controlled on the basis of business need, corporate security requirements and individuals' need to access the information as part of their job responsibilities. Information Security works with each responsible business system owner to ensure the appropriate access control requirements are defined and implemented. This policy is applied across all corporate information systems and is reflected in written procedures followed by the Security Administrators.*

*Each EAGLE user has a unique user ID that is administered by security teams within IBM's Resources Access Control Facility (RACF) security software. Authorization and access control in EAGLE I are managed by associating user IDs with IDMS Class Codes which are in turn associated with screens and functions. The association between user IDs and Class Codes may be direct or it may be through IDMS Groups. Authorization and access control in EAGLE II are managed by connecting user IDs to RACF groups which are given privileges on the access list of RACF resources corresponding to each EAGLE II screen, function, and database. Information Security is responsible for maintaining security within RACF and the internal EAGLE I IDMS security subsystem in line with established corporate standards.*

*For users to gain access to EAGLE, a User Access Request Form must be completed, reviewed, and approved by a business manager responsible for the transaction screens being requested. Once the Security Administrator receives an authorized form, the form is reviewed for completeness and appropriateness and any questions are researched. Access is granted to users on a "need to access" basis, which is determined by the user's Business Unit and his/her position or title and the Business System Owner for each resource. In order for system access to be properly obtained, the request must include all required information: Name, Social Security Number (SSN), Cost Center, Employment Status, Desired Effective Date, Job Title, Mail Code, Expiration Date, Unit Name, Requested Action and System Information. The request must be approved or sent by the employee's manager or the area's designated approver. Without the required information, system access will not be granted and the form will be returned to the requestor.*

*RACF is configured to capture security violations on the Mainframe. Security violations reports are generated from RACF and reviewed by the Information Security group. These reports are generated and reviewed on a daily basis to provide information on possible violations.*

*RACF is utilized to secure EAGLE production programs source, object and data files which are stored in protected libraries with access limited to appropriate individuals. Access into these protected programs, objects and data files will be reviewed and approved by the appropriate Information Services management of those resources.*



*The SAS70 audit is performed annually by independent auditors. MGA is one of the participating guarantors serviced by Sallie Mae who receive the SAS70 report. The most recent version should be available around November 1, 2005.*

2. The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide annual testing results of all access controls and other security features to determine they are working properly. Annual certification must be provided in writing to the Contract Compliance Inspector or designee in the form of a SAS70 report.

Contractor Response to Task:

*At the election of our guarantor partners, Sallie Mae contracts with an independent public accounting firm to annually perform a Type 2, SAS 70 Audit (Effect of Service Organization on the Internal Control Environment.) The fees and expenses associated with this audit are equally divided among all guarantor partners who formally agree to participate in the audit. This method dramatically reduces participation cost. Any audit exceptions, along with management responses, are published in the final audit report.*

3. The Servicer, Early Intervention Contractor and Default Aversions Contractor are responsible for costs associated with establishing and providing secure and acceptable methods of transmitting Michigan confidential/sensitive information over telecommunication devices, for example data encryption, SSL, Public Key Infrastructure, dedicated leased line, etc. The Servicer must use data encryption techniques whenever data is transmitted to and from a remote site with the exception of a dedicated leased line. The cipher strength must be 128-bit or better and the minimum speed must be 56,000 BPS.

Contractor Response to Task:

*All electronic transmissions that contain non-public information are exchanged using accepted methods of securely exchanging data. Sallie Mae supports Secret Agent, PGP, and GnuPG data encryption software as well as SSL transmissions. All transmissions have at least 128-bit encryption and the transmission speed is more than the required 56,000 BPS.*

- c. MGA-approved requests for new/updated system access must be implemented within three (3) business days of request receipt by the Servicer, Early Intervention Contractor and Default Aversions Contractor. Within ten (10) calendar days of each month end, the Servicer, Early Intervention Contractor and Default Aversions Contractor must provide an access report to identify all authorized system users and the access rights each retains on the MGA database. Identify if access reports are available via hardcopy or electronically (see section 1.302.4).

Contractor Response to Task:

*Sallie Mae has recently implemented changes to the way requests for new user setups are processed. The new procedures allow for approved, completed requests for system access to be granted within three business days. Information Security utilizes a management reporting tool to monitor and notify management in the event the request is not processed within this timeframe. Within 10 days of each month end Sallie Mae produces several user management reports (including system users and their access rights) on user access. These reports are made available for user management viewing through Sallie Mae's report distribution mechanism.*

- d. The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide a written Security Policy governing business conduct with proposal.

Contractor Response to Task:

*Sallie Mae has millions of contractual relationships with its student and parent loan borrowers, institutional clients, along with the federal government. As a result, Sallie Mae is committed to the highest standard of conduct.*

*A written copy of Sallie Mae's Code of Business Conduct and the Corporate Information Security Program is included with this proposal.*



- e. The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide security protecting the borrower's personal and financial information from unauthorized use and theft. Payer information is of high sensitivity and high security level. The Contractor's solution will be subject to review and approval by the Department of Information Technology's Office of Enterprise Security and Treasury's Office of Security. Security protecting personal and financial information includes, but is not limited to: SSN, transmission, software, hardcopy and Internet-based reporting. The Servicer, Early Intervention Contractor and Default Aversions Contractor must develop a "security threat matrix" explaining what safeguards have been and/or will be put in place to mitigate security threats that arise when an organization handles transactions. This matrix must include the following components 1) targeted system, 2) results expected, 3) security threat, 4) mitigation strategy, 5) probability of occurrence and 6) identify any residual threat remaining. Describe security technology that Contractor uses to ensure data security. The security threat matrix will be developed during Implementation Planning (section 1.104.2a5).

Contractor Response to Task:

*Sallie Mae has developed a thorough Corporate Information Security Program to maintain the confidentiality, integrity, and availability of all corporate computer, data processing, and information assets. We participate in a continual security management program with thirty full-time professional employees dedicated to perform all necessary information security tests to validate internal controls and functions. In addition, Sallie Mae contracts with independent third party assessment firms to conduct an annual "Penetration Test" to validate the network security and the security of our Internet-facing systems and applications. The summary results of this annual assessment are available to MGA.*

*While Sallie Mae does not assess and assign risk as stated in the Security Threat Matrix guidelines above, Sallie Mae will work with the State of Michigan to gain a comfort level with our security processes.*

- f. The Servicer, Early Intervention Contractor and Default Aversions Contractor must maintain and provide a recorded inventory of all magnetic and electronic media received such that no information is lost and no access is given to unauthorized persons.

Contractor Response to Task:

*Sallie Mae uses several different methods to record and inventory magnetic and electronic media. The first is the Tape Management System (TMS). The product is used by our Data Center Operations to log and manage all magnetic files. The magnetic files are maintained in the inventory until the file is determined to be no longer necessary and the file is "scratched". All tapes and cartridges stored at the off-site facility for disaster recovery purposes are maintained in the TMS logs.*

*The OpenNet 2.0 File Management system and the DXI system log all incoming and outgoing electronic files. The File Management system handles all files for loan processing. The DXI system is also responsible for the CAM and collection vendor files.*

*The incoming magnetic files are monitored by the Data Tracking System (DTS) until the file is processed.*

- g. The Servicer, Early Intervention Contractor and Default Aversions Contractor shall define their procedure for destruction of Confidential Information during the processing of student loans under this Contract.

Upon termination or cancellation of the Contract for any reason, Servicer, Early Intervention Contractor and Default Aversions Contractor shall certify in writing to the State that the Servicer, Early Intervention Contractor and Default Aversions Contractor has destroyed all State Confidential Information.

Contractor Response to Task:

*Sallie Mae places a strong emphasis on the protection of our data, our information systems and our customers' privacy. Secure methods that are used to dispose of data and output include, but are not limited to, the following:*

- *Shredding of printed material by an employee authorized to handle and personally shred confidential information, or by an approved firm specializing in the disposal of confidential records.*
- *Media is shredded in strips of 3/32 inches wide or less using a cross-cut destruction pattern.*



- *Microfilm or microfiche is cut into pieces or chemically destroyed.*
- *Hardcopy paper, microfilm and microfiche records that cannot be shredded are incinerated.*



- *Data and information on computer hard drives are wiped or cleaned by a utility program designed to securely wipe information.*
- *Optical disk platters and CD storage media are shredded using a device equipped for this type of destruction.*

*Upon termination or cancellation of the Contract for any reason, Sallie Mae shall certify in writing to MGA that Sallie Mae has destroyed all State Confidential Information.*

### 3c. Information Technology Infrastructure

- 3c1. On-line connection between MGA office equipment (personal computers, printers, autodialers, etc.) and the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's processing facility must be Internet-based. Procurement, installation, and ongoing operating costs of this connection are the responsibility of the Servicer, Early Intervention Contractor and Default Aversions Contractor.

The Servicer must assist MGA clients in the selection and set-up of computer equipment necessary to connect to its network. The Servicer must support dial-up, dedicated-leased, toll-free connection and/or Internet-based options. The Servicer must set up "fee for service"/equipment bill-back arrangements for MGA clients upon request of Contract Compliance Inspector or designee or change in federal requirements. Contractor must identify necessary equipment for network connectivity in proposal.

#### Contractor Response to Task:

*Sallie Mae's current telecommunications network consists of a nationwide frame relay network and dedicated and dial-up lines supporting many different protocols and hosts. This telecommunications network supports more than 1,500 local and more than 1,500 remote users for access to our mainframe, AS/400, and open systems applications. We have successfully implemented connections between Sallie Mae and auto-dialers, voice response units, 3270/5250 LAN gateways, dial-up terminal networks, client server equipment, IBM host computers, non-IBM host computers, PCs, AS/400, and other mini-computers.*

*Sallie Mae currently works to assist MGA on network connectivity and the procurement and support of network and computer equipment related to their connection to Sallie Mae. Support does not presently extend to MGA's clients. Further investigation into the feasibility of such a relationship is required prior to entering into this arrangement, but Sallie Mae will work with MGA to meet this requirement.*

- 3c2. The Servicer also is responsible for establishing the networking required to support the various kinds of computer interfaces used by MGA clients for both batch and interactive processing. This includes arranging for the appropriate level of service (dedicated, dial-up, LAN, etc.) for each client, including ordering, installation, and ongoing maintenance. All dedicated circuits for MGA clients must be negotiated mutually by the Servicer, MGA, and the client. A minimum of four (4) dedicated circuits must be established.

#### Contractor Response to Task:

*Sallie Mae presently supports 1 data circuit connection to the Michigan Guarantee Agency. Sallie Mae will explore the additional data circuit needs with MGA.*

- 3c3. Costs incurred for development and usage of the above network for MGA clients will be the responsibility of the Servicer, with bill-back methods to MGA or MGA clients to be determined with/approved by Contract Compliance Inspector or designee during Implementation Planning (section 1.104.2a), subject to federal regulations.

#### Contractor Response to Task:

*Sallie Mae will explore the additional data circuit needs with MGA.*



3c4. The Servicer, Early Intervention Contractor and Default Aversions Contractor must establish network capabilities to allow transfer to either MGA or another Servicer, Early Intervention Contractor and Default Aversions Contractor at the end of the Contract period.



## Contractor Response to Task:

*Upon notification of termination of this contract, Sallie Mae will work with MGA to provide the necessary network connectivity to facilitate the transfer to MGA or another Servicer.*

- 3c5. Servicer, Early Intervention Contractor and Default Aversions Contractor must implement/integrate MGA's current letter writing software with the MGA database. Servicer, Early Intervention Contractor and Default Aversions Contractor must provide an IP address and system access for screen scraping (see section 1.104.3b6 for data/system security). MGA currently utilizes a Department of Treasury Centralized Correspondence System to produce correspondence to the borrower. This system must interface to the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's database in order to display borrower specific information. The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide an approved interface method to allow Treasury's system to access the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's database in real-time and batch mode. Examples of approved interface methods include web services, API, or direct access to the servicer's database. As State of Michigan-interfaced systems evolve and the need for interface methodology evolves, the Servicer, Early Intervention Contractor and Default Aversions Contractor must provide a mechanism for change. Please describe the Contractor's proposed solution.

## Contractor Response to Task:

*Sallie Mae will continue to provide EAGLE system access to MGA's IVR and current letter writing package to obtain borrower and loan information. The Treasury system currently interfaces with EAGLE in a batch mode with files transmitted FTP. The Treasury Department can obtain inquiry access to EAGLE in similar fashion to other collection contractors. As the State of Michigan-interfaced systems evolve, Sallie Mae will explore MGA's needs along with the shared objective of maintaining data integrity.*

- 3c6. Servicer, Early Intervention Contractor and Default Aversions Contractor must implement/integrate MGA's IVR system with the MGA database. Servicer, Early Intervention Contractor and Default Aversions Contractor must provide an IP address and system access for screen scraping (see section 1.104.3b6 for data/system security).

## Contractor Response to Task:

*As the incumbent servicer, Sallie Mae presently provides support for connectivity to client's systems, databases, and other peripheral equipment and expects support for this process to continue.*

- 3c7. The primary requirement of the network is to support the on-line interactive and batch transfer requirements set forth in this CONTRACT for student loan guarantee processing by the Servicer. The Servicer must attempt to resolve reported problems within the timeframes discussed in sections 1.104.3a10 through 3a14.

## Contractor Response to Task:

*Sallie Mae presently maintains a dedicated data circuit to MGA for the purpose of providing access to on-line interactive and batch file transfer systems. In addition, a dial backup connection is in place to provide redundancy in case of a failure of the primary circuit. Sallie Mae will attempt to resolve reported problems in an expeditious manner. Sallie Mae will explore the additional data circuit needs with MGA as identified in section 1.104.3c2.*

- 3c8. All equipment and implementation plans for the above systems and the incoming toll-free numbers, including any additional telephone sets, lines, or other equipment required within the MGA offices, must be integrated with the State's existing telephone network, subject to MGA approval and the requirements of the Michigan Department of Information Technology (DIT). Specifications for such equipment and its implementation must be approved by DIT before ordering/installation by the Servicer.



When MGA decides to take advantage of new technology (e.g., electronic signatures, equipment), new initiatives requiring system and/or procedural changes are developed (e.g., Master Promissory Note, blanket certificates of guarantee, voluntary flexible agreements), or the current equipment/systems (e.g., imaging, autodialer, or automated telephone answering/routing system) need to be replaced or upgraded, the Servicer must be able to recommend, implement, and integrate the new technology/equipment/systems and procedures. Systems and procedures must be flexible to accommodate MGA clients' needs.

Contractor Response to Task:

*Sallie Mae does not currently provide voice telephone services to MGA. As new technologies relating to MGA's network connectivity evolve, Sallie Mae will recommend solutions and, to the extent they are implemented, will provide integration with existing systems.*

#### 4. PROGRAM OPERATIONS

##### 4a. Loan Application Processing and Disbursement

MGA uses the industry standard loan applications, Master Promissory Notes, consolidation application materials, and the current Servicer's electronic exchange capabilities to the extent that they provide the information necessary for processing on the Servicer's system.

The Servicer must:

4a1. Support the hardcopy (paper) process for application guarantee. Hardcopy applications must be processed within two (2) business days of receipt by the Servicer. A small portion of paper applications are still received from MGA schools. As new industry standard paper applications, etc. are developed, the Servicer must be able to support those as well. Although the Servicer always must provide hardcopy methods of processing applications, MGA will encourage the use of electronic application processing. Hardcopy documents under this process follow:

- Industry standard Federal Stafford Loan Master Promissory Note for Federal Stafford subsidized and unsubsidized loans
- Industry standard Federal PLUS Loan Application and Master Promissory Note for PLUS loans
- Industry standard Federal Consolidation Loan Application and Promissory Note and materials.

Contractor Response to Task:

*The EAGLE system provides the capability to process paper Stafford and PLUS loan applications. Also, paper applications can be entered onto OpenNet 2.0, WhizKid, or other electronic formats as described in this response. Data screens are populated with system-retained information. OpenNet 2.0, WhizKid, and EAGLE allow customers to enter data, add, change, delete and update information with ease. Student borrower and parent borrower demographic data and loan information for loans using a paper application process is recorded on the system by individual borrower and loan type.*

*Guarantee processing for Federal Consolidation Loans is managed under a separate process, and is alternatively made available to borrowers through Sallie Mae's Loan Consolidation Processing Department on MGA's behalf. Consolidation loan applications and subsequent guarantees are directed and processed separately due to the comparatively unique processing requirements for this loan type, such as issuing loan verification certificates to lenders and receiving payoff quotes, which must be done before a guarantee can be issued for a consolidation loan disbursement. Further, selecting a guarantee for a FFELP loan consolidation is determined by measuring the relative weighting of all underlying loans to be consolidated. Specifically, a new guarantee will be assigned to the agency that holds the majority of the dollar volume of underlying loans (50% or greater).*



*The EAGLE System is able to receive and process loan data using the industry initiative – CommonRecord and CommonLine. Not only is Sallie Mae committed and involved with these industry initiatives, Sallie Mae staff, through NCHELP programs, provide leadership in the development and maintenance of these initiatives.*

*Sallie Mae understands MGA's request for all manual applications to be processed within 2 business days. While expediency is critical when processing loan requests, Sallie Mae's service level allows 90% paper or manual applications to be processed within 3 business days, and 95% processed with 5 business days, allowing for correction of rejected loan requests and missing data. The remaining 5% of manual loan requests are processed as expeditiously as possible, representing the population of loans requiring significant intervention to correct. These processing standards deliver high levels of attentive customer. Sallie Mae recommends additional discussions to be held to determine if this processing standard is acceptable to MGA or if changes are warranted.*

- 4a2. Support the current cartridge format (3480 or 3490 format, with 18 or 36 tracks). Schools and lenders must not be required to provide a different format. Specific details about the cartridge format will be provided upon award of the Contract. Describe the formats Contractor can accept.

Contractor Response to Task:

*Sallie Mae supports IBM compatible cartridge formats specified in this section.*

- 4a3. Allow schools and lenders to transmit/receive financial aid data to/from the Servicer electronically (PC, mainframe, or Internet-based), e.g., via the CommonLine<sup>SM</sup> Network, CommonLine/CommonRecord format, the Internet, or CAM (Common Account Maintenance) at the client's option. For example, a school must be able to submit certified loan data, have the borrower access the loan application via the Internet to complete his/her section, and have the Servicer's system immediately respond per section 1.104.3a14 to prevent delays caused by errors. (Also see sections 1.104.3a10 through 3a14 for system functionality requirements.)

The Servicer must be able to process applications in real time and at a minimum every two (2) hours in a batch process. A 'hold and release' option must also be available for schools, whereby a school can release loans being held via the Internet, telephone, facsimile, or a CommonLine/CommonRecord change transaction. Schools and lenders also should be able to submit real-time change transactions on-line via CommonLine/CommonRecord compliant PC-based data transfer and via the Internet and have free on-line Internet access to customizable, interactive entrance and exit counseling. The Servicer must be capable of handling electronic signatures in accordance with federal regulations. (See section 1.104.3a2)

A borrower must be able to access his/her loan application(s) via the Internet to complete the references section, e-sign, or print the application. A borrower must also be able to initiate a loan application, and if the application is not complete, be able to save the data for later submission. If the borrower does not have access to a printer or is unable to print the application, the Servicer must print the application and mail it to the borrower for signature. Schools must be able to review and certify borrower-initiated loan requests via the Internet and have the guarantees occur instantly or be deferred for batch processing overnight, at the school's option.

The Servicer must have the capability to receive loan application information by electronic transmission (i.e., cartridge, Internet, etc.), and at the direction of MGA or the MGA client, produce computer-generated FFELP Master Promissory Notes (MPNs) at the Servicer's facility. The Servicer must mail each MPN to the school, the lender, or the borrower by common carrier, at the option of the school. (See section 1.104.4a9.)

Contractor Response to Task:

*The EAGLE system and online loan transmission products will support the electronic receipt of loan request data for Federal Stafford or PLUS loans:*

- *via the Internet using OpenNet*
- *using the FFELP CommonLine Network*



- *using WhizKid*
- *direct electronic transmission using telephone communication links (PC, FTP, or mainframe)*
- *cartridge format*



*Through electronic interfaces, Sallie Mae offers a state-of-the-art processing platform to guarantee loans electronically, which complies with U.S. Department of Education statutory and regulatory requirements, and applicable statutes, regulations, directives and initiatives for the Federal Family Education Loan Program.*

*Schools can use OpenNet 2.0, WhizKid, or other transmission methods to transmit electronic loan requests. OpenNet 2.0 offers powerful features to enter data, add, change, delete and update information with ease. Student borrower and parent borrower demographic data and loan information from each guaranteed loan through an electronic process is recorded on the system by individual borrower and loan type. Further, OpenNet 2.0 users can print Master Promissory Notes (MPNs), guarantees, disclosures, reports and rosters on-line.*

*OpenNet 2.0 and EAGLE processing systems provides the capability to enter loan data for the real-time/near real-time guarantee of FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans.*

*Sallie Mae offers an "E-Signature" process to students for Stafford and Consolidation loans and to parents for PLUS loans for lenders that use our Lender Disbursement Service (LDS). E-Signature expedites the delivery of loan funds to student and parent borrowers and simplifies the application process by reducing paper, eliminating mail time, and providing unprecedented convenience to all involved parties.*

*Included in the OpenNet suite of innovations is Online Loan Application which allows Federal Stafford (MPN) and Federal PLUS (MPN) loans to be efficiently processed online. Schools can choose from two process flows (borrower-initiated or school-initiated) in customizing the OpenNet process to meet their needs. Schools can instruct applicants to apply online, on their schools' Web sites, in both processes. Schools also have the luxury of determining how long to hold requests available online. If applicants do not complete loan requests online by the school's deadline, loan request forms are printed and mailed.*

*For the school-initiated process, the school transmits the loan data via the CommonLine Application Send file, which notifies the applicant to access the data online and complete the loan request using the relevant information (e.g., references, choice of lender). If the loan request is a Master Promissory Note (MPN), the system determines whether a valid MPN exists for that applicant. If a valid MPN is not found, the loan request is populated to the Web with instructions to submit the request for guarantee. If a valid MPN is found, the process continues uninterrupted. Schools and lenders receive daily response files for the loan requests.*

*In the borrower-initiated process, the school advises the applicant to initiate the loan request online and complete their information. Once the form is completed by the applicant, the school receives a CommonLine Certification Request file to complete and submit with the loan request for guarantee. Schools and lenders can choose either the "instant guarantee" using the Online Loan Application (OLA) process or the immediate guarantee using the batch process.*

*Loans that are processed via immediate batch guarantee are processed quickly - within minutes of receipt. The immediate batch guarantee process means users can quickly guarantee up to 1,000 loan requests to meet immediate borrower needs. Instant online guarantees are processed real-time online and schools generally receive confirmation of the guarantee in less than one minute. If the applicant has completed the loan request, the school can view the loan information and certify the loan online. Once the applicant has fully completed the loan request data the applicant may print, sign, and forward the loan request to the appropriate entity.*

- 4a4. Review and Processing: The Servicer must review and edit the loan applications and, if necessary, enter the data for processing and automated guarantee approval or disapproval. Schools and lenders must be able to report on-line, via CommonLine-compliant PC-based data transfer, via CommonLine/CommonRecord format, via the Internet, and via CAM, error corrections for loans that do not pass initial system edits for on-line guarantee.

Contractor Response to Task:

*The EAGLE System includes a comprehensive set of over 1,000 edits designed to determine the completeness of a loan request and eligibility for guarantee. EAGLE loan processing edits align with federal*



*regulations, statutes, and policies specified in the Common Manual to preserve the standardization of eligibility requirements for school customers. MGA will also have the ability to specify customized edits to be applied to the guarantor's loan requests.*



*Initial loan request edits are performed when submitting loan request data online. After the loan request is keyed, all fields are reviewed and an error screen notifies the guarantor of any field with missing or improperly formatted data. Errors must be corrected or acknowledged before the request can be submitted for guarantee or transmission. Each of the edits must be passed before a loan can be guaranteed. A representative sample of the edits performed is listed below:*

- *Social Security Numbers (SSNs) are edited for validity. We receive a monthly tape from the Social Security Administration to ensure that valid SSN data is contained on EAGLE. This edit is applied to loans issued under a Blanket Guarantee once the loan data is received from the lender, and is applied to all other loans prior to guarantee.*
- *A birth date must be present and a reasonability edit is performed to ensure that the Stafford loan applicant is at least 16 years of age; the PLUS loan applicant is at least 24 years of age.*
- *The name on the loan request must match the name on previous loans, if applicable.*
- *To prevent the guarantee of a duplicate loan request, the system compares borrower SSN, loan period, ED-assigned school number, loan request type, loan type requested, and grade level on the current loan request to the same fields on prior loan requests for the same SSN. If the data in all fields match, the loan request is tracked as a possible duplicate, and the applicant's school is contacted for resolution.*
- *To prevent the guarantee of a loan for a borrower who previously received funds for which the borrower was ineligible.*
- *School and lender IDs are edited for eight and six numeric digits, respectively, and eligibility for program participation. Additionally, a guarantor may designate certain of its schools or lenders as ineligible in order to prevent the guarantee of loan certified or approved by those schools or lenders.*
- *Data on the loan request and on the EAGLE database are verified against the Global Database, described below, to search for any previous defaults.*
- *Disbursement dates are edited for compliance with federal disbursement requirements. Otherwise, school-provided disbursement dates are used in the guarantee process.*
- *Loan periods are edited for expiration and overlaps with another loan period for the same applicant.*

*Loan limits have some of the most extensive edits. The amount requested by the applicant is compared to the amount the school has determined the applicant is eligible to receive and the amount of eligibility the applicant has remaining (annual and aggregate). For Stafford loans, EAGLE first calculates eligibility for a subsidized loan, based upon school certification information, requested loan amount, and lender minimums. Additional loan amounts requested by the applicant beyond subsidized eligibility are processed on the basis of eligibility criteria for the unsubsidized loan program.*

*Data on the loan request and on the EAGLE database are verified against the Global Database for all guarantor partners to search for previous defaults. A loan request will suspend if the borrower is listed as delinquent or defaulted to allow the guarantor to verify that satisfactory repayment arrangements have been made by the borrower. This process ensures that the most current information is reviewed. If satisfactory arrangements have been made, the loan can be approved to proceed through the guarantee process.*

*EAGLE System edits are designed to review all possible error conditions during a single edit process to ensure that all correction data necessary is obtained at one time. Obviously, there are some conditions that cause further eligibility edits to suspend, such as an SSN discrepancy, since the system does not have the history record to edit against.*

*To assist lenders on loans with immediate repayment obligations, EAGLE will utilize pre-defined lender approved parameters in order to establish first payment due dates, payment amounts, repayment schedules, and accrued and capitalized interest.*

#### 4a5. Editing:

- a. When the Servicer identifies (through either manual or computerized review) loan applications that are incomplete or contain incorrect data, the Servicer must contact/notify the borrower, school, or lender via telephone, electronic means or hardcopy letter to obtain the correct or missing information. (Information that must be obtained in writing will be identified during Program Conversion planning [section 1.104.2a].)



If this cannot be accomplished by three (3) attempts within two (2) business days, the Servicer must return a facsimile copy of the application, including a certification that the information returned is an addendum to the original application, or make an electronic copy available to the borrower, school, or lender for access/edit with notification of its processing status and instructions for corrective steps.

Contractor Response to Task:

*Using EAGLE and OpenNet 2.0, Sallie Mae, on behalf of MGA, will send a response file to the postsecondary school, lender, or lender servicer submitting the loan data within twenty-four (24) hours of the initial rejection. Using OpenNet 2.0, schools will have more control and user access over the application reject process. Data errors are automatically separated and held in queue for on-line correction. This process increases efficiencies, uses one "open system" to manage files across all lenders, guarantors, and servicers.*

- b. The Servicer must perform Social Security number (SSN) verification, as required by the U.S. Office of the Inspector General, and must search to find possible problems with SSNs of MGA borrowers. To ensure system compliance, the Servicer's system must contain the table of valid SSN ranges provided by the Social Security Administration and verify the SSNs on all new applications. All requests for SSN changes must be compared to the valid SSN table and result in error messages if they do not fall into the valid range.

**Only authorized MGA staff may change/correct Social Security Numbers on the MGA database. If necessary, the Servicer must receive written authorization from Contract Compliance Inspector or designee before changing the SSN on an MGA account.**

Contractor Response to Task:

*EAGLE contains the table of valid SSN ranges provided by the Social Security Administration and verifies the SSNs on all new applications.*

*When a new loan request is received, the Social Security Number (SSN) from the new loan request is compared to SSNs that currently exist on the EAGLE System. If an SSN match is found, the name and birth date from the new loan request are compared to the name and birth date that exist on the EAGLE System for the matching SSN. If the SSN matches and either the name or the birth date also matches, the loan request is connected to the existing person record. If the SSN matches but both the name and birth date differ, a new person record is created. That loan request will automatically suspend to enable the guarantor to determine the reason two records exist on the system with the same SSN but differing names and birth dates.*

*The EAGLE System stores person and loan request information as separate records that are connected to each other. If it is determined that the loan request is connected to the incorrect person record, the loan request can be moved to the correct person by using an EAGLE screen. This may happen if the SSN on the new loan request is incorrect and the borrower has prior loans on the system under the correct SSN. The loan request under the incorrect SSN can be moved to the correct SSN without changing any of the loan request or loan or disbursement information that is connected to that loan request.*

*As MGA's servicer, Sallie Mae believes circumstances may justify correcting a SSN, such as data entry error, transposition of numbers, etc. Sallie Mae recommends MGA formally document guidance for any or all circumstances that require MGA's approval before corrections are made.*

- c. All processing edits within the Servicer's system are subject to approval/change by MGA at any time. The Servicer must allow overriding any of its system edits as required by MGA. Also, the Servicer must add, change, and delete loan application processing edits, as MGA requires based on MGA's interpretation of federal laws and regulations for the FFELP.

Loan application review and edits must include, but are not limited to, the following:

- Compliance with federal requirements.
- Compliance with MGA requirements.



- Previous loan history (unpaid default, etc.).



- Borrower eligibility.
- School eligibility.
- Lender eligibility.
- Loan amount limits, as federally mandated.
- Fraud prevention, including Social Security number edits.
- Additional data elements and edits will be specified, in the process of reviewing existing forms and formats to be supported at conversion during Program Conversion activities (section 1.104.2).

With regard to Federal Consolidation loans, the Servicer must edit the loan application data to determine if the lender has exceeded its allowed approval level.

The Servicer must validate, in compliance with the regulations of the program, the applicant's (and student's, in the case of a PLUS loan) Social Security number.

If the application meets all of the federal requirements, edits, and MGA requirements as specified in this section, as well as those that the Servicer has built into its system, then the Servicer will approve the loan request.

**Contractor Response to Task:**

*MGA may choose to override some edits within the EAGLE System. An override capacity may be specified for those edits defined by the guarantor. However, the system does not allow for the override of statutory, regulatory, or reasonability edits. The system also may be customized with certain edits to prevent guarantees for specific schools and lenders, at MGA's discretion. In addition, edits can be set to identify loan requests from certain foreign schools that may require special processing.*

*If an edit override is necessary, an override command on the appropriate correction screen must be used. Security for edit overrides is managed by individual staff system access. The guarantor determines the level of system access to be assigned to each of its staff. All actions appear on the online **Activity History** screen for audit trail purposes.*

*The EAGLE System accepts Consolidation loan data electronically or via hard copy for online data entry. The system reviews and edits loan requests by searching the EAGLE database for demographic and loan information. The editing program checks the original loan amount, current balance, and loan status of any underlying loans that currently reside on the Global Database. Further, lender consolidation limits are monitored to determine consolidation amounts in excess of agreements. Sallie Mae will take appropriate action to ensure access to the MGA guarantee for lender loan guarantee certificates in force.*

**4a6. Quality Control/Assurance**

- a. The Servicer must provide appropriate quality control/assurance measures and manual and computerized loan application tracking/status measures to ensure that all loan applications are received and processed. This tracking information must be provided via the Internet, so MGA and its clients can track and inquire as to the processing status of an application throughout the guarantee process. The Servicer's system must support NSLDS and NSC transmissions and conform to the Common Manual. Describe the Contractor's quality control/assurance process to meet this requirement.

**Contractor Response to Task:**

*The NSLDS submission file is systematically balanced to EAGLE and supporting reports are monitored monthly to detect any out of balances occurrences. The EAGLE system supports NSLDS and NSC transmissions and conforms to Common Manual requirements.*



- b. The Servicer must also ensure all data that is transmitted electronically is accurate and no data is lost during transmission. Describe the Contractor's quality control/assurance process to meet this requirement.

Contractor Response to Task:

*The cornerstone of the OpenNet 2.0 platform is File Management. File Management makes the entire loan processing cycle easier to monitor so that schools can track the file at each stage. OpenNet 2.0's first-rate tracking and monitoring capabilities provide precision control over all data. Users can go online at any time to check the progress of a loan file without having to consult multiple sources. Also, built-in data and transfer alerts advise when a file requires special attention. The system proactively monitors the transmission of files and ensures that any delays are resolved smoothly, so files are delivered to their appropriate end destinations. The file transfer functionality equips schools with unprecedented efficiency for data transmission and retrieval.*

*Sallie Mae ensures appropriate quality control measures by providing an automated document tracking system that tracks applications from the time of receipt until the loan is guaranteed. Loan request data received electronically is verified to ensure the file transmission is complete prior to release to the EAGLE System, and the sender receives an electronic acknowledgement notice. The initial submission of loan request data to the EAGLE System, whether by paper, Internet, or electronic file, creates a chronological tracking record of all activity from loan request receipt through completion of the guarantee process. This information is readily available to guarantors through the **Select Activity/History** screen that displays the applicant's name, Social Security Number (SSN), loan request received data, loan request error date, loan request return date, and guarantee date, as applicable. The EAGLE System produces numerous reports that are used internally to balance and verify guarantor data.*

*For security purposes, unique passwords are assigned to each school and lender that enable the school or lender Internet access to only data associated with their institution. Borrower inquiry is restricted by SSN, and the inquirer is provided with information associated only with that borrower's SSN. Guarantor security also requires entering a password and ID specifically assigned to the guarantor for access to its Internet-based data.*

- c. The Servicer must also ensure all data that is transmitted via hardcopy is accurate and no data/documents are lost. Describe the Contractor's quality control/assurance process to meet this requirement.

Contractor Response to Task:

*As stated previously, the initial submission of loan request data to the EAGLE System, whether by paper, Internet, or electronic file, creates a chronological tracking record of all activity from loan request receipt through completion of the guarantee process. This information is readily available to guarantors through the **Select Activity/History** screen that displays the applicant's name, Social Security Number (SSN), loan request received data, loan request error date, loan request return date, and guarantee date, as applicable.*

- d. Sufficient information to identify the tape/electronic file and the reason for the return (e.g., rejected because data is unreadable) must accompany each tape/transmission upon its return to the MGA client.

Contractor Response to Task:

*School and lender participants can choose to automatically receive an electronic response file listing the reason(s) a loan could not be guaranteed. Upon receipt of this file, the school or lender may proactively contact MGA or Sallie Mae to provide any missing or incomplete information.*

- 4a7. Be able to transmit/send approval/disapproval reports (i.e. loan application data) to schools or lenders via hardcopy or electronic transmission (i.e. cartridge, Internet, etc.) within 1-2 hours or less of the time the loan application data was received by the Servicer. Describe formats Contractor can provide.



## Contractor Response to Task:

*Schools and lenders who electronically transmit loan applications will receive an Application Response file immediately or next day, depending on how they are set up on the Customer Information (CI) database, indicating what loans have guaranteed and/or suspended and the reason for suspense. The school or lender may proactively contact MGA or Sallie Mae to provide any missing or incomplete information.*

4a8. Provide schools, lenders, and MGA the capacity and/or equipment to print those forms that are relevant to the entity, including but not limited to, the following forms/documentation/reports on-site at their offices via data transmission and/or the Internet (see sections 1.104.3a2 and 3a9):

- Master Promissory Note (MPN)
- True and exact copy of signed MPN
- Notices of loan guarantee and disclosure statements
- Adjusted notices of loan guarantee and disclosure statements
- Duplicate Master Promissory Notes, notices of loan guarantee and disclosure statements, and adjusted notices of loan guarantee and disclosure statements.

The Servicer must have the capability to print the notice of loan guarantee and disclosure at the lender's site the morning after guarantee. (Four lenders currently use this type of service.)

## Contractor Response to Task:

*Upon loan guarantee, the EAGLE System will produce a printed Notice of Loan Guarantee and Disclosure Statement (NOLG/DS) for distribution to schools and to lenders. The NOLG/DS includes all initial disclosure information required by federal regulations and statute. The school, lender, and lender servicer can subscribe, by guarantor, to receive adjusted or duplicate NOLG/DS automatically when changes or corrections require redisclosure to the borrower. The Notice of Loan Guarantee and Disclosure Statement (NOLG/DS) can be customized to incorporate the guarantor's identification into the current form layout, and sequenced either alphabetically or by Social Security Number (SSN). In addition, OpenNet 2.0 users can print Master Promissory Notes (MPNs), guarantees, disclosures, reports and rosters on-line.*

*The EAGLE System enables a non-Lender Funds Management lender to remotely print NOLG/DS via Document Direct for the Internet (DDI). Also, Remote Guarantee Printing (RGP) is a service that enables lenders to print a NOLG/DS at their offices within hours of the guarantee. In addition to quicker loan disbursements and avoiding postal delays, RGP provides:*

- *Daily updates on the EAGLE database.*
- *Daily access for printing guarantees.*
- *Ability to reprint guarantees.*
- *Ability to receive guarantees electronically and save them to a diskette for printing at convenient office times.*

*Because schools continue to strive for a paperless processing environment and are able to access loan guarantee data electronically, the remote printing of a paper NOLG/DS at the school is optional, at the discretion of the school.*

4a9. Servicer must print and mail information/documents in section 1.104.4a8 at the request of school, lender or MGA.

## Contractor Response to Task:

*Sallie Mae has the capability to print and mail information/documents as requested.*

4a10. Electronically transmit, mail, and/or facsimile duplicates or corrected forms, as requested, within 24 hours of request receipt.

## Contractor Response to Task:

*As requested, Sallie Mae will electronically transmit, mail, and/or facsimile duplicates or corrected forms promptly after receiving the request.*



#### 4a11. Lender Processing

- a. The Servicer must allow lenders to forward loan applications to the Servicer for MGA guarantee processing via electronic transmission (i.e. cartridge, Internet, etc.) or hardcopy form. The Servicer also must provide an Internet-based product that allows lenders to electronically transmit loan application data directly to the Servicer for guarantee and receive guarantee results.

##### Contractor Response to Task:

*One of OpenNet 2.0's key features is the ability to share data among a wide variety of lenders, servicers and guarantors. OpenNet File Management allows any lender participating in the process to receive files through File Management and/or sending files through File Management. OpenNet File Management does not change a participating lender's role with the school in any way. File Management facilitates data transfer by providing a simple system any school customer can use to send and receive files as well as obtain a substantial amount of information regarding the data transfer. OpenNet File Management allows lenders to maintain their relationship with a school while the school gets the benefits of OpenNet File Management's features.*

- b. The Servicer must be able to perform required PLUS loan credit checks for MGA lenders who indicate an interest in such service, including real-time PLUS credit checks via the Internet.

##### Contractor Response to Task:

*Sallie Mae's PLUS Credit Check Service assists lenders by reviewing Federal PLUS applicants for adverse credit histories. Any lender using MGA may participate in PLUS Credit Check Service. Features include:*

- Credit approval online, within seconds, with OpenNet, our Internet-based loan processing system. For loan requests submitted electronically, via paper, or using WhizKid, the credit approval is available within 24 hours of loan request receipt.*
- Credit results are valid for one hundred eighty (180) days.*

*If a subsequent loan request is submitted by an applicant within 180 days of the first request, the Statement of Adverse Credit is generated without a new credit report. The credit check criteria used for this service is established by the U.S. Department of Education, which has authorized certain override provisions for the lender. Although we may report adverse credit for an applicant, the lender makes the ultimate decision.*

#### 4a12. School Servicing

- a. The Servicer must provide an Internet-based system that allows schools to electronically transmit FFELP loan application data directly to the Servicer for guarantee and receive guarantee results (see section 1.104.4a3). The Servicer also must provide Internet-based capabilities, as well as mainframe to mainframe capabilities to allow schools and lenders the option of transmitting and receiving data to and from the Servicer's main database for electronic processing. (45 schools currently use this type of service.)

1. Provide PC-based software that can be used as a stand-alone or adapted for multiple users on a Local Area Network (LAN). Must support CommonLine Release 5, CommonLine Release 4, as well as CommonLine/CommonRecord as the industry implements it. Software must electronically collect, verify, document, and transmit Federal Stafford Subsidized and Unsubsidized and Federal PLUS loan data for guarantee. It must also allow schools to manage alternative loan programs. Data transmission via modem, or Internet-based mail with encryption capabilities is necessary (see section 1.104.4a3). Allow schools to maintain a database of prior loan history, including the ability to create reports from this data. Must be capable of importing Institutional Student Information Reports (ISIRs) as well as loan records created on a Financial Aid Management System (FAMS). Must be capable of supporting hold/release and creating disbursement forecasting reports.

**Contractor Response to Task:**

*In addition to using OpenNet2.0 as previously described, Sallie Mae offers schools the following products and services:*

**WhizKid for Windows** is available for download on our FTP site. This software application enables schools to electronically collect, create, edit, document, and transmit Federal Stafford, Federal PLUS, and private loan data for immediate guarantee. WhizKid also enables schools to import, update, and maintain education loan information and to generate database reports. WhizKid can be used so both the financial aid and bursar office staff can access the loan data, view disbursement registers, and transmit data. WhizKid is coded using the industry's CommonLine file. WhizKid supports CommonLine Releases 4 and 5 and can be adapted to a PC or Local Area Network (LAN) environment. Schools may create loan records either for all or only selected students, depending on their processing needs.

WhizKid also offers an **ISIR (Institutional Student Information Record) Utility** that allows schools to create data records from the ISIR. This utility has a window that enables users to enter default values for fields and indicate selection criteria. Information from the window combined with the school's preferred settings in WhizKid enable schools to create multiple loan records with minimal data entry. The latest version of the ISIR Utility is available on the FTS (File Transfer Service) site at ([www.salliemae.com/fts](http://www.salliemae.com/fts)) to school customers and is not exclusive to WhizKid users. The new utility will enable customers to create CommonLine records from the ISIR Utility with or without WhizKid.

**Direct Mainframe Connections** are available for schools whose loan volumes surpass the capacity of paper processing or WhizKid transmission methods. We accommodate these customer requirements with a dial-up link between the customer and our data center through our Mainframe-to-Mainframe service.

**Mainframe-to-Mainframe** data is output to a remote queue for pickup at the customer's convenience. No Job Control language (JCL) is required from the customer. Data files can be picked up and delivered automatically. No intervention is required to initiate the electronic session when we initiate the call. LineLink data is output to a Virtual Storage Access method (VSAM) directory. We initiate and pay for the call under the LineLink service.

**Circuit** is a series of integrated electronic financial aid products and services offered by Sallie Mae that boosts efficiency in the loan process and cuts turnaround time for guaranteeing loans. The products and services that make up Circuit are –

- 1) **Guarantee Only** scenario that enables the school or lender to transmit the loan request data for guarantee. This process assumes the lender has secured the promissory note and does not result in the printing of a loan request. This scenario is ideal for lenders who can disburse their own loans upon receipt of the Notice of Loan Guarantee and Disclosure Statement;
- 2) **Print and Guarantee** scenario that enables us to store partial loan data submitted with a CommonLine unique ID, then print and send the applicant a preprinted promissory note for signature. The loan is guaranteed after the completed promissory note is received from the applicant; and
- 3) **Guarantee and Print** scenario which enables the school or lender to transmit the loan request data for guarantee. When the loan successfully guarantees, the promissory note is printed and mailed to the borrower for signature. These processes cut down on laborious manual processing, while substantially improving data accuracy and turnaround time. In addition, the printing of an MPN is suppressed when a serial MPN is requested and the system determines that a valid MPN exists for that applicant. In each of these processes the borrower can also be directed to the web to complete the application and possibly e-sign the application.

**Custom Reporting** is an online, real-time tool that enables schools to develop customized reports. This criteria-based reporting gives schools 24-hour access to their education loan data. Reports are created from a daily extract and schools can choose how to sort, display and deliver the reports. Knowing that accurate information is crucial, data is updated every 24 hours. Schools can create as many reports as they want, as many times as they want, and enjoy the immediacy of receiving them within minutes. This service enables schools to produce special reports such as: disbursement forecasting data, borrowers not yet approved for disbursement, borrower indebtedness by grade level, breakdown of loans per lender comparing one date-specific time to another and students with valid Master Promissory Notes (MPNs) on file.



*Through our OpenNet 2.0 and EAGLE processing systems, Sallie Mae offers the capability to utilize a Hold/Release process for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans. This capability provides schools whose loans are disbursed by our Lender Funds Management (LFM) system with more control over their loan delivery process, saves the time and expense of returning undelivered funds to the lender, and keeps schools in compliance with the Cash Management regulations. These regulations require the delivery of EFT and master check funds to students' school accounts within three business days of the school's receipt of the funds. This loan delivery service means schools can either receive a scheduled disbursement or place the disbursement on hold. Schools can release loan disbursements via our Web site, toll-free telephone number, fax, or CommonLine. We present schools with a report listing all disbursements that are "on hold" more than 30 days past the scheduled disbursement date.*

*Utilizing an interactive search capability, schools can create, view, and update a list of "hold/release" borrowers on the Web and set their own parameters for the list sorted in alpha or numeric order. A limited volume of hold/release transactions can be performed in real-time; larger volumes can be batch processed. Both "hold" and "release" transactions can be requested via phone, fax, or Internet.*

*For schools who have a more automated business model, LFM can produce a CommonLine Forecast file that the school's automated system can then use to evaluate each disbursement and trigger Hold & Release CommonLine transactions back to Sallie Mae for processing.*

2. The Servicer must be able to receive and transmit loan data to/from ELM.

**Contractor Response to Task:**

*OpenNet 2.0 and EAGLE processing systems allow MGA customers to utilize other Internet-based products (e.g. ELM Resources, Banner, PeopleSoft, etc.) to process loan data and request a MGA guarantee for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans, which comply with all federal statutory and regulatory requirements.*

*The EAGLE System interacts with ELM and ELM's National Disbursement Network (NDN). ELM service bureaus send electronic files to EAGLE throughout the day. EAGLE accepts the file and responds every 15 minutes to update the ELM service bureau database for school view. EAGLE processes most files automatically. This includes application initiation as well as pre- and post- disbursement change transactions. EAGLE must have the school Customer Interface (CI) profiled to show ELM as the servicer. This directs the flow of Sallie Mae's outbound files. ELM service bureau must correctly profile the destination as EAGLE in order for the volume to flow to EAGLE. School's can be profiled for borrower initiated certification flow. Once all criteria are met on EAGLE to send the request for certification to the school, it will read the CI profile and send to the ELM service bureau. The ELM service bureau can accommodate schools strictly using ELM web face or act as a translator or interface for the school's electronic batch files.*

*EAGLE can also be profiled to send disbursements through the NDN. This is done on the school CI profile. The ELM NDN profile contains a list of valid lenders for which they disburse. This ensures that Sallie Mae disburses only NDN lenders through the NDN.*

*Sallie Mae also participates in later day funding which allows for the initiation of the file to ELM by 4:00 PST ensuring funds arrive at the school via the NDN the very next day.*

3. The Servicer must make available on the Internet all guarantee, disbursement, and loan servicing reports; additionally, MGA and its clients must be able to customize these reports on-line (see sections 1.104.3a9 and 1.302).



## Contractor Response to Task:

*The EAGLE system produces an extensive array of reports that enable timely monitoring of all processes associated with servicing the MGA guarantee. All reports will be downloaded to MGA offices for printing, and are also available on Sallie Mae's website using DocumentDirect for the Internet (DDI). Further, report data can be customized using data mining software enabling the user to extract data contained in a formatted report to customize a new report by applying filters, sort options, etc. Subscribers to the DDI service simply enter a password and ID to view, print, and download report information. All standard reports are available via microfiche, tape, and/or electronically through DDI for online viewing.*

*Sallie Mae recognizes that MGA will want ad hoc reporting capabilities. MGA will receive a monthly download of the **Loan Extract File**, representing key data records of the MGA database, to facilitate on-site generation of customized reports to meet specific needs. SAS, an ad hoc report writing tool, is available for use by MGA to compile additional reports as needed.*

- b. The Servicer must be able to perform pre-approval PLUS loan credit checks for schools who indicate an interest in such service, including real-time pre-approval PLUS credit checks via the Internet or facsimile regardless of who the lender is and who the lender is serviced by. Costs for these credit checks are to be included in the Price Proposal.

## Contractor Response to Task:

*Sallie Mae will resume providing pre-approval PLUS credit checks for schools who request this service regardless of the lender or who the lender will be serviced by. This service will be provided to MGA at an estimated fee of \$5.00 per transaction, billable monthly. Once contract award has been made, Sallie Mae will engage in conversations with MGA to understand the breadth of service desired, reporting mechanisms for credit results, etc. For pricing purposes, Sallie Mae assumes the fees for this service will be funded from Discretionary School and Lender Support fees as represented on Price Proposal Summary.*

4a13. Disbursement Services

- a. Schools are responsible for calculating and requesting appropriate disbursement dates. At times, however, it may be obvious to the Servicer that there is an error in the dates provided by schools (e.g., a disbursement date is scheduled after the end of the loan period or a second disbursement is scheduled prior to the first disbursement date). The Servicer must contact the schools directly to resolve such problems so schools can retain responsibility.

## Contractor Response to Task:

*The EAGLE System applies basic reasonability edits to all loan record update information batch and online, real-time transactions, regardless of transaction origin (internal or external source) to identify obvious data errors before updating a borrower's file. These edits check for consistency between the database and data being reported and ensure that many data input errors are recognized and marked for correction before processing is continued. The system highlights fields that do not pass the edits when the user attempts to submit the data. Changes can be made immediately, online real-time, or the transaction can be pended until the required information is obtained. Edits are applied to all transactions to ensure compliance with federal regulations and statute, to ensure that duplicate records do not exist, and to verify the alpha/numeric format and range of the changes are correct. Examples of these edits are:*

- *loan resides on the database,*
- *loan has not been previously canceled or paid-in-full,*
- *updated disbursement date does not occur before the guarantee date, and*
- *disbursement dates are within the loan period or within federal late disbursement guidelines.*

*The system highlights fields that do not pass edits when the user attempts to submit the data online. Changes can be made immediately or the transaction can be pended until the user obtains the required verification information. When status updates have been completed, the EAGLE System generates reports or files for the guarantor, schools, and lenders.*

- b. If the Servicer elects to set the disbursement date(s), the Servicer accepts the responsibility of calculating the estimated disbursement schedule in compliance with multiple disbursement



requirements contained in the Higher Education Act of 1965, as amended, and reporting this schedule to the lender. **Any liability associated with the Servicer's incorrect disbursement information shall be a liability of the Servicer.** (See section 3.307 for Contractor's liability insurance requirements.)



## Contractor Response to Task:

*In most cases, disbursement dates are established by the school, following preferences set up in the school's Customer Information (CI) profile. Sallie Mae will only set the disbursement date in cases where the date was in the past or is invalid. The date will be set as the next available day. LFM's "disburse" process performs editing to ensure compliance and data integrity before any funds are disbursed.*

- c. The Servicer must be able to accommodate a school's eligibility (based on its cohort default rate) for single disbursement, waiver of the 30-day delay for new borrowers, and other special exemptions as may be created through federal laws, rules, and regulations.

## Contractor Response to Task:

*Through the CI profile and edit processes in EAGLE, Sallie Mae can accommodate special exemptions.*

- d. The Servicer must have the capability to manage and process promissory notes in a timely manner, schedule disbursements, mail checks by overnight carrier, prepare funds, and provide MGA lenders the option of disbursement services that are tightly integrated/interfaced with MGA's databases. Costs for disbursements via check, Master Check, or EFT must be negotiated separately with lenders. Disbursements made on behalf of MGA lenders must follow federal due diligence requirements in the disbursement of loans.

## Contractor Response to Task:

*Sallie Mae can support MGA's loan disbursement needs through its Loan Disbursement Services (LDS) department, providing a single point of contact for MGA schools and lenders for all disbursement-related issues. Sallie Mae performs a "behind the scenes" disbursement function for a number of lenders that subscribe to our Loan Disbursement Services. This service will provide exceptional customer service and support for MGA schools and lenders.*

*Sallie Mae can provide schools with a single point of service for disbursement processes. Schools and lenders choosing to use our disbursement services work with one, single funding source for the receipt of funds and completion of change transactions related to their borrowers.*

*Benefits of our disbursement service include:*

- *Disbursements are made via EFT, master check, and individual check.*
- *We currently send funds using automated clearinghouse (ACH); we receive funds via ACH, wire transfer, or auto-debit.*
- *Our disbursement system, Lender Funds Management (LFM), is CommonLine compatible.*
- *Schools may request disbursements as frequently as twice daily.*
- *Disbursement options can be customized to meet the specific needs of each school.*
- *Funds are also available "on demand" via our Immediate Disbursement Service. This service enables schools to receive funds the following business day after the funds are requested if the lender is a zero-day, auto-debit lender.*
- *Immediate Disbursement Service is also available on an exception basis for "just-in-time" delivery of funds for emergency situations.*
- *Other disbursement models are supported; such as disbursement consolidation, School acting as the Lender (with or without funds movement,) and disbursement notification only.*
- *LFM will collect, pay, and refund Guarantee Fees on behalf of the Lender.*

*For lenders, the disbursement service is designed to alleviate the administrative pressures associated with loan origination and reduce expenses while providing the school with a single agent to handle all disbursement-related issues.*

*Our loan disbursement service supports promissory note tracking, lender invoicing, loan and disbursement changes, the creation of disbursement rosters, disbursement balancing, and the creation of loan origination and disbursement reports. All costs for disbursements via check, Master Check, or EFT will be negotiated separately with lenders.*

- e. If a late disbursement is requested, the Servicer must approve/disapprove and process the request per federal and MGA requirements.



## Contractor Response to Task:

*Sallie Mae supports the identification, approval, and processing of late disbursements (disbursement of loan proceeds after the loan period has expired) in accordance with federal regulations.*

4a14. Tracking: The Servicer's system must have the capability of determining if an application is a new or serial MPN so schools will not receive printed MPNs for serial loan requests when prior MPNs exist on the MGA database. In addition, the Servicer must provide all key MPN information on each CommonLine or CommonLine/CommonRecord response file, e.g., the MPN confirmation code, serial loan code, and loan phase code for all loans it disburses, and accommodate MPN origination rights transfers and MPN revocations.

The Servicer's system must also have the capability for the lender to indicate if the lender has received a signed MPN.

## Contractor Response to Task:

*The EAGLE System has the capability of storing whether a school is or is not serial eligible. This information is stored in the Customer Information (CI) profile, is viewable by the guarantor, and is updateable. When an original MPN is received for a borrower, an MPN record is created and a promissory note ID is assigned to the record. This ID is then assigned to each loan request that is received as a serial loan associated to that MPN. Borrowers with multiple MPN records will have multiple MPN record promissory note IDs. This enables the guarantor to easily identify the individual loans associated to a specific MPN. The EAGLE System also provides the guarantor the capability to easily transfer loan origination rights from one lender to another.*

*The original MPN record stores the borrower's signature date, original first disbursement date, current originating rights lender, and revocation date. These dates are used to determine the validity of the MPN. If the original first disbursement date is within 12 months of the borrower's signature date and no revocation date is recorded, the record will remain valid for 10 years. Each time a new loan request is submitted for the borrower as a serial loan, the original MPN record is accessed, provided the lender remains the same, and the school is eligible to process serial loans.*

*The system also supports both the active and passive confirmation processes. Schools that prefer students to confirm their intentions before receiving funds, but do not want to manage the confirmation process themselves, can sign up for our confirmation service.*

*Revocation of an MPN must occur if the first disbursement is not made within 12 months of the borrower signature date on the MPN, or if 10 years has passed since the first disbursement was made under the MPN. Lenders may also revoke the validity of an MPN if the borrower files bankruptcy, obtains a loan under the Lender of Last Resort (LLR) Program, or becomes delinquent on a loan made under the MPN. EAGLE stores and tracks the borrower signature date and the date of the first disbursement made under the MPN, and will not allow a new loan to be guaranteed under an MPN with dates that exceed those set forth in regulations. The lender is responsible for monitoring any discretionary revocations, and informing the guarantor to mark the MPN as revoked.*

4a15. Adjustments: When the Servicer receives information from an authorized source which allows a reallocation between a subsidized and an unsubsidized Stafford loan or an adjustment to the loan amount, the Servicer will process the upward or downward adjustment and generate the appropriate reports and output documents (new promissory note, rejection notice, etc.). If the lender already has disbursed the loan per original approval and the loan amount is increased, then the increased amount will be disclosed as another disbursement. The Servicer must accept adjustment information from an authorized source in hardcopy form, electronically (i.e., cartridge, Internet, etc.) or by telephone. The Servicer must process electronically transmitted information resulting in the adjustment of a loan amount and electronically transmit/mail revised forms to the appropriate party within 1-2 hours or less of receipt of the new information; additionally, paper forms and transmit/mail revised forms must be processed within two (2) business days of receipt.



## Contractor Response to Task:

*Pre-disbursement changes can be made by schools and lenders up to the date the funds are requested from the lender. This enables the schools and lenders to have control of making status changes on loans up to the point of disbursement. Pre-disbursement adjustments schools and lenders can complete include: cancellations, reinstatements, disbursement date changes, increases and decreases, and hold and release of funds. Loan and Disbursement changes can be made via the Web, telephone, fax, mail, E-Mail, and any CommonLine supported product and/or proprietary systems.*

*The EAGLE System also can accommodate post-disbursement changes. These can be done via the Web, telephone, fax, mail, E-mail and any CommonLine supported product and/or proprietary systems. Post-disbursement adjustments, cancellations, reissues and return of Title IV funds can be accomplished via Auto-debit, ACH, Netting, Miscellaneous Check, and/or as an Outstanding Receivable.*

*OpenNet 2.0 and EAGLE processing systems support real-time guarantee processing. This requirement can be met, although file transmission size may impact processing within MGA's requested standard of 1-2 hours. Sallie Mae's paper application processing service level is 90% processed within 3 business days, and 95% processed with 5 business days, allowing for correction of rejected loan requests and missing data. The remaining 5% of manual loan requests are processed as expeditiously as possible, representing the population of loans requiring significant intervention to correct.*

- 4a16. Denied Loan Requests: If the lender selected by the applicant subsequently denies the loan, following legal clearance by Contract Compliance Inspector or designee, the Servicer must be capable of re-generating the output documents identifying a lender of last resort or pre-approved lender. The Servicer must have a mechanism to assign equally such loans, so all lenders of last resort or pre-approved lenders receive their proportionate number of loans. MGA will identify such lenders of last resort. If MGA is not permitted to assign lenders, the Servicer must provide the applicant with a list of participating lenders.

## Contractor Response to Task:

*The Lender of Last Resort (LLR) Program ensures that students eligible for financial aid have access to Stafford loans. The EAGLE System will allow MGA or one or more of its lenders to identify borrowers meeting program criteria and process loan requests accordingly. The EAGLE System maintains an indicator to identify and track loans guaranteed under the Lender of Last Resort Program.*

- 4a17. Reinstating Guarantee: In the case of canceled loans, paid-in-full loans, or loans where MGA has removed the guarantee, Servicer and MGA staff must be able to reinstate per federal regulations the guarantee in the event of corrective information, authorized late disbursement, etc., as specified by Contract Compliance Inspector or designee. However, the system must track loans for which MGA has removed the guarantee because of due diligence or timely filing violations and, per federal regulations, automatically update the system so the guarantee cannot be reinstated after the three-year period. The Servicer must regenerate any forms in such cases at no additional cost.

## Contractor Response to Task:

*With the EAGLE system and using OpenNet 2.0 and other processing systems, Sallie Mae, on behalf of MGA, will have the capability to add/change/delete/update loan data for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans, without the cancellation and re-issuance of a guarantee.*

#### **4b. Guarantee Fee and Disbursement Processing**

The Guarantee Fee is a fee charged to borrowers by MGA to cover the loan guarantee. Lenders deduct that fee from the borrowers' loan checks and pay MGA on behalf of the borrowers. **The guarantee fee percentage is subject to change by MGA at any time.** The Servicer must be able to make any requested change within 20 business days of the request.

The MGA guarantee fee is zero percent (0%) for all borrowers whose loans were/are guaranteed:



- between October 15, 1988, and June 30, 1994, or
- on or after July 1, 1999 (to the present).



The MGA guarantee fee also is zero percent (0%) for all loans guaranteed on or after May 1, 1999 (to the present), for graduate/professional students.

The MGA guarantee fee is one percent (1%) for all borrowers whose loan were guaranteed:

- prior to October 15, 1988, or
- between July 1, 1994, and June 30, 1999. (Exception: loans for graduate/professional students guaranteed between May 1, 1999, and June 30, 1999, had a guarantee fee of zero percent [0%.])

#### 4b1. Billing Requirements

- a. The Servicer must be capable of providing a billing system to process guarantee fees in a hardcopy and electronic (i.e., cartridge, Internet, etc.) format. The Servicer must provide an electronic or hardcopy fee billing option for lenders. Please describe the Contractor's proposed system.

Fee and disbursement information must be updated within five (5) business days of receipt from the lender or prior to the next billing whichever comes first, for requests received via hardcopy. Electronic requests must be updated within within one (1) business day of receipt.

#### Contractor Response to Task:

*Sallie Mae understands that MGA does not currently charge a guarantee fee for new loan requests. Further, this policy is subject to change, either based on Reauthorization or MGA's determination. Should MGA reinstate the guarantee fee, the EAGLE system can accommodate guarantee fee billing activities in accordance with the above stated requirements. MGA and Sallie Mae will need to engage in conversations to ensure operational readiness in advance of reinstating the guarantee fee.*

*The management of guarantee fee records is accomplished through a fully-integrated EAGLE module, designed to support lenders operating in highly automated environments while also supporting the needs of lenders that prefer traditional billing management methods. Sallie Mae is also CAM compliant for Insurance Fee Billing.*

*There are three processing methods available when submitting information and payment for guarantee fees. They are Fee Express and Fee Express CAM (both electronic formats), and Standard Fee Billing (paper or hardcopy format). Each processing option is selected and set up within Eagle.*

*The electronic flow is comprised of Fee Express & Fee Express CAM. These processes allow clients to submit fee payment data electronically to Sallie Mae Servicing based on actual disbursements made in the previous month. Fee Express utilizes a proprietary format, and Fee Express CAM utilizes a common industry format. The paper flow is comprised of the standard fee billing process. This process allows a guarantor to bill monthly guarantee fees via paper statements. The statements for Standard Fee Billing are generated based on anticipated disbursement dates (for active disbursements), and are created monthly.*

*Sallie Mae's servicing standard is to have 95% of all disbursement dates updated with 5 business days from receipt and electronic updates having the necessary data elements are completed within 1 business day. Further, Sallie Mae applies additional emphasis to ensure all disbursement dates are completed by month-end.*

- b. The Servicer must be able to accommodate multiple fee structures in the event of future changes by MGA (e.g., one percent [1%], one-half percent [1/2%], one-quarter percent [1/4%], or zero percent [0%] loans with disbursements in the same period) and change the guarantee fee at any time during the Contract term within 20 business days of the date requested by the Contract Compliance Inspector or designee.

#### Contractor Response to Task:

*The EAGLE system is able to accommodate multiple guarantee fee structures and allows changes within the associated timeframe required in this Contract.*



- c. Loans subject to the zero percent (0%) guarantee fee (in addition to those subject to the one percent [1%] fee, or a fraction thereof) must be included in lenders' billing statements for lenders to transmit disbursement information to the Servicer. The Servicer must provide the capability for lenders to transmit disbursement information electronically. Describe the electronic formats Contractor can provide.

Contractor Response to Task:

*The guarantee fee billing process does not include loans on the billing statement where the guarantee fee is zero. Disbursement date updates can be processed through Fee Express CAM, or Fee Express. These files can be transmitted using either FTP or cartridge.*

- d. The Servicer must calculate/verify guarantee fee amounts as follows:
- The total fee percentage will be based on the approved amount
  - The fee will be based on the disbursed amounts
  - The fee will be based on disbursement data supplied by lenders (in either a hardcopy or electronic format). Describe the electronic formats Contractor can accept.

Contractor Response to Task:

*The EAGLE Guarantee Fee System (GFS) module calculates guarantee fees based on the criteria stated above. The system accepts files using Fee Express CAM or Fee Express using either FTP or cartridge.*

- e. The Servicer must bill lenders monthly for guarantee fees as follows:
1. Based on projected disbursement dates.
  2. For loan amounts disbursed in the preceding months.
  3. For loan amounts that could have been disbursed in the preceding months but were not disbursed (e.g., because the lender did not have a signed promissory note, etc.).
  4. In borrower account number order or alphabetic name sequence (at the lender's option) for the month (including detail of disbursement data [lender ID, Social Security number, name, actual disbursement date, guarantee fee paid, loan ID, loan program code, disbursement amount, disbursement ID, disbursement date, detail record count, and total guarantee fee paid]).

Contractor Response to Task:

*The EAGLE GFS module bills lenders based on the disbursement date. The billing statement can be sorted by borrower SSN or alphabetic order. All data fields listed are provided, with the actual disbursement date, guarantee fee paid, and total guarantee fee paid amount to be completed by the lender.*

*Further discussions are warranted regarding billing lenders for loans that could have disbursed but are held for technical reasons (promissory note not signed, etc.) to better understand the requirement for fees to be billed for loans not yet disbursed.*

- f. At the time the Servicer provides the billing statement to the lender, a listing of loans scheduled for disbursement in the next 0 to 30 and 31 to 60 days must also be provided (either hardcopy or electronically, at the lender's option). Describe the electronic formats Contractor can provide lenders.

Contractor Response to Task:

*Sallie Mae currently does not support providing a billing statement for loans scheduled to be disbursed. Further discussions are needed with MGA to better understand the nature of this requirement.*

- g. The Servicer must maintain a system for the guarantee fee to be forwarded by lenders to the Servicer automatically at disbursement on an ongoing basis.



- Monthly statements instead of invoices must be sent to each lender to show a match of forwarded fees versus amounts scheduled to be disbursed (with discrepancies highlighted) for automatic guarantee fee payment.



## Contractor Response to Task:

*Lenders can send payment of guarantee fees on a daily basis through Fee Express CAM or the Fee Express file format. Additional clarification is needed from MGA to better understand the requirement of matching forwarded fees versus amounts scheduled to be disbursed.*

- h. The Servicer must allow lenders and MGA on-line inquiry access to the guarantee fee processing system per section 1.104.3a9.

## Contractor Response to Task:

*MGA's security access to EAGLE allows for on-line inquiry to the Guarantee Fee System module.*

4b2. Fee Collection/Verification

- a. Servicer must collect fees as follows:

1. Servicer must have electronic wire transfer capability.
2. Checks must be sent to a separate lockbox account for MGA guarantee fees.
3. The Servicer must have the capability of using a "net invoicing concept" for credits due to lenders.

## Contractor Response to Task:

*Guarantee fees can be processed using a net invoicing concept as described, and payments are accepted using wire transfer or check. Should the guarantee fee be reinstated, checks will be processed using a separate lockbox account for MGA.*

- b. Lenders' failures to submit fees (if appropriate) and disbursement information will be handled by the Servicer in the following fashion:
- When 30 calendar days delinquent, the Servicer will send a notice to the lender requesting submission of the fee. Notice can be sent via hardcopy or electronically at request of lender.
  - When 60 calendar days delinquent, the Servicer will notify MGA of those lenders who have failed to respond so action can be taken by MGA. Hardcopy or electronic notices can be sent at the request of the Contract Compliance Inspector or designee.

## Contractor Response to Task:

*The EAGLE Guarantee Fee System will send standard paper billing statements at month end for all outstanding fees at day 30, 60, 90, etc. Those customers utilizing Fee Express CAM or Fee Express will receive a 60 day past due statement as of the end of the month. Sallie Mae will notify MGA of all past due fees greater than 60 days so MGA may take action as desired.*

- c. The Servicer must cancel the guarantees on loans (or disbursements in the case of second disbursements) which are not disbursed by the end of the month after the end of the loan period. The borrower, school, and lender must be notified of the cancellation or reduction. Transaction history must be maintained in the Servicer's system identifying the notification and why the loan guarantee was canceled/reduced (see section 1.104.3a16 for audit trail requirements).

## Contractor Response to Task:

*This service is presently not performed by Sallie Mae. Additional discussions are needed with MGA to further understand this requirement.*

- d. The Servicer must forward guarantee fees to MGA via EFT every month, within 15 calendar days of month end, if applicable.



Contractor Response to Task:

*Should MGA reinstate the guarantee fee, Sallie Mae will forward all fee remittances to MGA via electronic funds transfer within 15 days from each month-end.*

- e. The Servicer must allow lenders to update borrower disbursement or status information via telephone, facsimile, letter, or the billing statement, regardless of guarantee fee, without having to fill out additional paperwork.

Contractor Response to Task:

*Sallie Mae will support this requirement for reporting changes to borrower disbursements.*

#### 4c. Borrower Account Maintenance

Borrower account maintenance includes all activities, data processing, and controls associated with maintaining loan account information for pending, approved, disapproved, denied, cancelled, in-school, in grace period, deferred, in forbearance status, in repayment, consolidated, delinquent, defaulted (including claims filed and paid), repurchased, rehabilitated, and paid-in-full/closed status loans. Transactions to be processed include, but are not limited to, the following:

##### 4c1. Status Changes

The Servicer must process student status changes received via hardcopy and electronically (i.e. cartridge, Internet, etc.). MGA records/database must be updated/posted immediately for updates received on-line, updates from overnight batches must be updated within 24 hours, and updates received via mail/hardcopy form must be posted within two (2) business days of receipt by the Servicer from borrowers (which must be confirmed) or other authorized sources (lenders, lender servicers and schools). Applicable data fields follow:

- Borrower name/address
- School name/address
- Lender name/address
- ED School ID
- Original ED Lender ID
- Current ED Lender ID
- Grade level
- Loan period
- Enrollment status (full-time, half-time, less than half-time, never enrolled, graduated, withdrew, etc.)
- Effective date of enrollment status
- Start and out-of-school dates
- Date less than allowable time
- Loans guaranteed
- Increases or decreases of approved loan amounts
- Paid-in-fulls or paid-in-fulls by consolidation
- Default claims, payments, repurchases, rehabilitations, consolidations, and unguaranteed capitalized amount (Unguaranteed capitalized amount are amounts of interest penalties assessed to lenders on claims where there have been timely filing or due diligence violations. Lenders would not be paid but borrowers would owe these amounts.)
- Cancellations of guarantee by lenders/servicers
- MGA removal of guarantees due to due diligence or timely filing violations
- Consolidations of non-defaulted loans
- Cures/guarantee reinstatements
- Aggregate balance.



## Contractor Response to Task:

*The EAGLE system allows status change updates for all data fields listed above, with the following exceptions: date less than allowable time, and loans guaranteed. Additional explanation of these data fields is needed from MGA. Sallie Mae's Guarant Account Maintenance department can comply with the turnaround times established in this section.*

- 4c2. The Servicer must apply basic edits (more current information already on MGA files, obvious data errors, etc.) before applying changes to a borrower's record.

## Contractor Response to Task:

*The EAGLE system applies hundreds of process edits, including basic reasonability and compliance with Federal Regulations and applicable laws before applying changes to a borrower's record.*

- 4c3. The Servicer must be able to accept/process financial and non-financial account maintenance information and provide an appropriate on-line electronic audit trail for any and all of the following input methods (see section 1.104.3a16 for audit trail requirements):

- Hardcopy/mail data entry by the Servicer or MGA staff.
- Electronic media (i.e. diskette, compact disc, or cartridge [formats currently in place or committed must be accepted by Servicer]). MGA will consider using the Servicer's format in the future. Describe the electronic formats Contractor can accept.
- On-line/electronic transaction. Describe the Contractor's electronic capabilities (i.e. Internet, FTP, etc.)
- Telephone call or facsimile from authorized source (see section 1.104.4c7 for authorized sources)
- Database must provide on-line school enrollment history (by student, in chronological order) and other borrower account status/history information.

## Contractor Response to Task:

*The EAGLE system can be updated manually and through multiple electronic media types. EAGLE currently accepts IBM compatible cartridge formats for the proprietary Account Update File for Lenders, the Lender Transfer File, and the Clearinghouse. In addition, Eagle can accept electronic files using the Common Account Maintenance file, OpenNet, and CommonLine via FTP. Changes in account information can also be accepted using OpenNet, WhizKid, and NetWizard file submissions.*

4c4. Deferments/Forbearances

- The Servicer must accept and process forbearance and deferment information transmitted by lenders either electronically (i.e. cartridge, Internet, etc.) or by hardcopy document. Describe electronic formats Contractor can accept.
- MGA will identify the required forbearance and deferment edits during Implementation Planning (section 1.104.2a).

## Contractor Response to Task:

*The EAGLE system has the capability to receive and process deferments and forbearances via cartridge, FTP, or hardcopy format.*

4c5. Student Enrollment Status Reporting

Most schools either report student enrollment information directly to the NSLDS or to the NSC. However, a few schools (including foreign schools) continue to report enrollment information directly to MGA.

The Servicer must generate and transmit/mail Student Status Confirmation Reports (SSCRs) for those students in interim (in-school or grace) or in-school deferment status at schools that only report enrollment information to MGA. The enrollment verification requests must be generated by the Servicer based on the school's desired schedule but no less frequently than semi-annually (April and October).



Although future formats may be revised/standardized with Servicer assistance, initially, the Servicer must use MGA's existing format (electronic transmission [i.e. cartridge] or hardcopy). The Servicer must:

- a. Provide each school that does not report directly to NSLDS or NSC with its record of the "current" status on the MGA database for each student in that school for which verification is requested. Hardcopy and/or electronic records must be provided. Describe the electronic formats Contractor can provide.

Contractor Response to Task:

*The EAGLE system generates Student Status Confirmation Reports (SSCR) twice per year in hardcopy format for those schools who must respond to the SSCR. The information is also available on DocumentDirect for the Internet for the schools to download via the internet.*

- b. Provide duplicate SSCRs, upon request, within one (1) business day.

Contractor Response to Task:

*Should schools need a duplicate copy of the SSCR, copies are immediately retrievable via DocumentDirect for the Internet.*

- c. Send follow-up/reminder notices to non-responsive schools at 30, 60, and 90 calendar days after required response. **Hardcopy and/or electronic notices must be provided upon request of schools.**

Contractor Response to Task:

*Follow-ups can be performed at these requested intervals. Sallie Mae's best practices suggest that follow-up is most productive at the 60 and 90 day interval. Our experience, especially with foreign schools, is that SSCR mail time and processing can consume the majority of a 30 day interval. We can provide this service in accordance with these requirements.*

- d. Notify MGA of schools that do not report within 30 days of the reminder notice. The notice must be repeated after 60 and 90 calendar days. Hardcopy and/or electronic notices must be provided upon request of the Contract Compliance Inspector or designee.

Contractor Response to Task:

*Sallie Mae's best practices suggest that follow-up is most productive at the 60 and 90 day interval. Our experience, especially with foreign schools, is that SSCR mail time and processing can consume the majority of a 30 day interval. We can provide this service in accordance with these requirements.*

- e. Track responses on-line (see section 1.104.3a9); furthermore, the Servicer must research and resolve any information that is questionable or not provided. Update MGA's system with status information returned by the schools.

Contractor Response to Task:

*Sallie Mae tracks outgoing and incoming receipt of SSCRs so that appropriate follow ups can be performed at the 60 and 90 day intervals. Once the SSCR is received back from the school, updates are made to EAGLE. Any incomplete information is researched as needed. Since MGA participates in the Total Enrollment reporting Process (TERP), the completed SSCR is sent to NSC for processing.*

- f. The Servicer must notify borrowers, schools, MGA, lenders and lender servicers of the changes made as well as NSC electronically, as MGA participates in the Total Enrollment Reporting Process (TERP). Notification must be via hardcopy and/or electronically upon request.

Contractor Response to Task:

*As the SSCR information is updated on EAGLE, the system will generate enrollment information to other lenders/servicers that require such information. Since MGA participates in TERP, completed SSCR information is sent to NSC for processing status change updates accordingly.*



g. Processing SSCR files, including:

1. Receiving SSCR files from the NSLDS or a different third party national student loan status confirmation system
2. Processing NSLDS data on MGA's database
3. Resolving edits
4. Notifying lenders of any changes
5. If any unusual circumstances arise, researching and resolving all the issues.

Contractor Response to Task:

*The EAGLE system supports the receipt and processing functions of NSLDS Student Status Confirmation Report (SSCR) process. Changes resulting from the SSCR process and other lender reporting mechanisms are reported to lenders on the Loan Transaction Statement (LTS) or Enrollment Activity Report. Sallie Mae actively participates on NCHelp Enrollment Reporting Committees to ensure quality participation in the SSCR process and to ascertain timely response to new enrollment reporting issues.*

- 4c6. NSLDS and NSC Reporting: ED mandates participation in the NSLDS. The Servicer must ensure MGA's compliance with all NSLDS submission requirements at no additional cost to MGA. In addition, if ED requires MGA to participate in the NSC process or any other process, the Servicer must provide all system support necessary for MGA to comply, at no additional cost to MGA (see sections 1.104.4a6 and 4k4).

MGA voluntarily participates in the NSC and pays processing fees directly to the NSC. The Servicer must provide data monthly to the NSC, at no additional cost to MGA. Specific requirements for providing data to the NSC will be finalized during Program Conversion planning (section 1.104.2).

MGA reserves the right to participate in other national student loan status confirmation systems, at cost unless participation is mandated by ED (see section 1.104.7 for applicable cost information).

Contractor Response to Task:

*The EAGLE System supports the requirements of the Department of Education (ED) regarding submission of data to the National Student Loan Data System (NSLDS). ED's Data Provider Instruction (DPI) guide is used as the basis for NSLDS reporting compliance. Additionally, as a member of the NCHelp NSLDS Workgroup and in working directly with ED and its contracted vendor, Sallie Mae ensures the timely implementation of required changes, issues resolution, and overall quality process.*

*Sallie Mae currently supports MGA's voluntary participation in the NSC. A file of SSNs is sent to the NSC from the EAGLE system on a monthly basis. Sallie Mae supports all NSC options of receiving "changes only" enrollment data, "all" enrollment data or "no" enrollment data based on the selected option by MGA. The formats used by Sallie Mae and NSC are the standard National Student Loan Data System (NSLDS) enrollment file layouts.*

*Sallie Mae understands that MGA reserves the right to participate in other loan status confirmation systems at cost. Should ED mandate reporting requirements to MGA-elected student loan confirmation systems, Sallie Mae will support this service as part of servicing fees.*

- 4c7. The Servicer must be able to accept changes/updates from any/all of the following sources with appropriate user level system security (see section 1.104.3a16 for audit trail requirements):



- MGA staff
- Borrowers/students
- Schools
- Lenders/Lender Servicers/Secondary Markets
- NSLDS
- NCS.

During Program Conversion (section 1.104.2), MGA will identify the various types of maintenance transactions and requests that can be accepted from borrowers, schools, lenders, etc. MGA also will identify which requests must be provided in writing versus those requests that may be submitted via telephone, Internet, e-mail, or facsimile.

Contractor Response to Task:

*The EAGLE system allows for updates and tracks the updates by source for all entities listed above. As the incumbent servicer, Sallie Mae will continue to support appropriate account maintenance updates by type to MGA loan records.*

- 4c8. The Servicer must retain on the MGA database the ED IDs of the original lender and the current lender, as well as the original and current lender's servicer of the borrower/note on its system.

Contractor Response to Task:

*The EAGLE system supports this required functionality for loan records on the MGA database.*

- 4c9. The Servicer must be able to update a lender's entire portfolio or selected loans from that portfolio to support loan sales. If a lender's entire portfolio is sold, the Servicer must have the capability to update all the lender's loans to reflect the new holder based on the selection of the lender number. Portfolio sales may be reported by hardcopy, cartridge, or electronic transmission.

Contractor Response to Task:

*The EAGLE system has the capability to perform updates to loan holder records should MGA guaranteed loans be sold post-disbursement.*

- 4c10. The Servicer's system must be integrated to the extent that account maintenance and other file update transactions only need to be posted once to change all occurrences/uses of a particular data element for all MGA FFELP loan programs. Certain edits and other key functions also must be integrated. For example, if the Servicer segregates loan applications by loan type for servicing, a review of a Federal Stafford account/application must reflect whether another MGA Federal Stafford, PLUS, SLS, or Consolidation loan exists or has defaulted.

Contractor Response to Task:

*The EAGLE system is fully-integrated and provides the capability to update all files/records with one account maintenance update.*

- 4c11. Customer Assistance Services for Non-delinquent Accounts

The Servicer will provide customer assistance services for non-delinquent MGA borrower, parent, school, lender, and servicer clients. This includes making available a toll-free number, staffed by student loan professionals who may be located in multiple centers. These specialists, who have been trained and are knowledgeable about governmental and corporate policies and procedures, as well as communication skills, will be available to respond to telephone calls from 7:30 a.m. to 7:30 p.m., ET, Monday through Friday. Extended weekday and special Saturday hours will be scheduled during the peak processing season. In addition, an interactive voice response system must be available 24 hours/day and 7 days/week.



The Servicer is required to establish, on behalf of MGA, a sufficient number of dedicated, in-state and out-of-state incoming, toll-free telephone lines from MGA to the Servicer's processing office and from MGA's clients to the Servicer's office to handle, without obstruction or delay, electronically processed applications, enrollment and other data updates, and inquiries from applicants, borrowers, parents, schools, lenders, and other interested parties, subject to federal requirements. The Servicer's capacity of telephone lines, staff and equipment must be sufficient to handle (meaning retrieve from hold status and process the call) at least 90 percent (90%) of incoming calls per day within two (2) minutes of when the call is first received.

The Servicer will process loan requests and perform functions related to education loan assistance support for clients through the life of the loan and will stringently monitor service levels daily. Servicer will have access to MGA's database and be able to update the records with all pertinent information on-line. Select MGA staff must have the same system capabilities. (See sections 1.104.3a9 for system requirements, 3a19 and 1.302.7.)

The Servicer must provide customer assistance services to MGA, borrower, parent, school, lender, servicer, and secondary market clients and dedicate an experienced, professional level contract and operations manager/liaison to the MGA account.

**Contractor Response to Task:**

*Sallie Mae, in addition to customer service provided by MGA at its Lansing office, provides efficient and friendly customer service assistance to MGA borrowers making calls to our service centers. Collateral for MGA is designed to readily provide contact information to assist borrowers, schools and parents in getting their questions answered. For instance, for new loan originations and master promissory note applications, the MGA logo and name are prominently displayed on the front of the booklet. Mailing addresses for Sallie Mae processing centers are provided, along with web site addresses and a toll-free number for borrowers requiring assistance. Incoming calls are handled through Sallie Mae's interactive voice response system directing call volume to appropriate areas by call type. Sallie Mae uses trained professional staff to handle customer inquiries on behalf of MGA. Sallie Mae has full access to MGA's loan database and borrower records to efficiently provide service to MGA borrowers.*

*Sallie Mae's call centers are engineered to provide prompt, efficient response to incoming borrower calls. Our service level standard is to answer 70% of incoming calls within 20 seconds. This standard applies to borrower, school, and lender calls to specifically aligned groups trained to address queries from these important customer groups. Sallie Mae consistently meets or exceeds this standard. Further, our call center increases staffing levels accordingly to handle increased call volume during peak processing periods. Sallie Mae's IVR system is generally available 24/7. Access to data may be impacted for nightly batch processing month-end processing schedules.*

*Sallie Mae is dedicated to providing customer service to MGA. As in the past, this contract will be supported by a professional level contact person responsible for overall relationship management. Further, MGA will benefit from technically-savvy Business Analyst staff in Guarantor Contract Services equipped to address and resolve exception issues throughout the term of this contract.*

*Further, Sallie Mae desires to expand the level of support for the MGA contract. Specifically, Sallie Mae will explore adding a Technical and Marketing Manager located in MGA's Lansing office to specifically address customer service issues and support other market initiatives of MGA.*

**4d. Not Applicable**

**4e. Not Applicable**

**4f. Not Applicable**

**4g. Claims Processing**

Lenders file default claims in accordance with federal laws and regulations. MGA staff performs all operational functions associated with the claim review and purchase processes.



4g1. The Servicer must accept claims submitted by lenders electronically or via hardcopy. Claims submitted via hardcopy are entered onto the system by MGA staff. The Servicer must enter electronically submitted claims within one business day of receipt.



The Servicer must provide lenders and/or servicers interested in filing electronic claims with file specifications.

Contractor Response to Task:

*The EAGLE system, used by MGA over the last contract term, accepts claims submitted by lenders electronically or via hardcopy. Claims submitted via hardcopy may be entered onto the system by MGA staff. The Servicer will process a lender's electronic claim file within one business day of receipt. Electronic claim file specifications are available to lenders via the NCHELP e-library [www.nchelp.org/elibrary/index.cfm?parent=327](http://www.nchelp.org/elibrary/index.cfm?parent=327).*

- 4g2. The Servicer must provide an automated claim review system for claims submitted electronically. The Servicer's system must automatically review the lender's conversion to repayment, due diligence, and timely filing and payment history information as the claim is entered. In addition, the system must recommend claim disposition.

Contractor Response to Task:

*Sallie Mae's Electronic Claims Processing (ECP) system reviews the lender's conversion to repayment, due diligence, timely filing and financial data submitted electronically by the lender. For claims passing system edits, messages regarding the results of the review are automatically added to the borrower's online history record. The claim examiner uses this information to make a final claim disposition and, if appropriate, continue with the claim purchase.*

- 4g3. The claim review system must, at a minimum, perform the following:

- a. Update the status of MGA's database when claims are purchased and prevent automatic approval of future loans for defaulted borrowers.

Contractor Response to Task:

*The EAGLE system provides integrated logic to update the status of MGA's portfolio when claims are purchased, and prevents automatic approval of future loans.*

- b. Edit basic claim information based on critical data elements and type of claim submitted. Edits must include the following, but are not limited to:
1. SSN match (based on the Social Security Administration valid number directory and MGA's database)
  2. Lender and/or loan identification number(s) do not match MGA database
  3. Type and/or amount of claim does not match MGA database
  4. Loan not guaranteed by MGA
  5. Date of last enrollment date does not match MGA database
  6. Status (i.e., repayment) does not match the MGA database
  7. Loan is paid-in-full, canceled, defaulted, or the guarantee has been withdrawn
  8. No DAAR filed, unless not required per federal regulations
  9. All claims that edit must be returned to the submitter within one (1) business day. The returned claim must include the reason for return and resubmittal instructions.



## Contractor Response to Task:

*System edits available on EAGLE include, but are not limited to, the following:*

- 1) Social Security Number (SSN) must match the SSN on the Servicer's database;*
- 2) Lender identification number must match the lender number on the Servicer's database;*
- 3) The claim type must be valid and correct amounts must be requested;*
- 4) Loan must be guaranteed by MGA;*
- 5) The loan must not be paid-in-full, canceled, guarantee withdrawn, or already in a claim-purchased status.*

- c. An on-line tracking system that will maintain a record for each claim received. In addition, MGA staff must have the means to add and view relevant borrower information.

## Contractor Response to Task:

*Sallie Mae will provide full EAGLE system access to MGA to ensure all borrower information is available for review during claim processing.*

*The EAGLE system's Daily LRA/NOD Received Count screen is used to record or update the number of claims received each day by MGA. This creates a balancing mechanism to assure that the number of claims recorded as received matches the number entered for each day.*

*The EAGLE system's Delinquency History screen is the primary screen MGA would use to record internal actions, comments, and contacts during the course of evaluating the claim.*

- d. MGA staff must be able to perform essential functions on-line, e.g., reassign claims (individually or mass reassignment), calculate number of days between collection activities to verify timely due diligence, etc.

## Contractor Response to Task:

*The EAGLE system's Borrower LRA/NOD Reassignment screen enables MGA to reassign individual claim accounts from one specialist to another. The LRA/NOD Mass Reassignment screen enables MGA to reassign multiple claim accounts from one specialist to another specialist or up to ten (10) specialists. If accounts are reassigned to more than one specialist, percentages can be specified by MGA or the system can distribute the accounts equally.*

*The EAGLE system's Data Calculation Work screen enables MGA to calculate days between activities and to add days to a date to verify timely conversion to repayment, timely due diligence and timely claim filing.*

- e. Randomly assign claims to MGA claim review staff according to the data entry order of the claims.

## Contractor Response to Task:

*The EAGLE system randomly assigns manually-entered claims to claim review staff, based on the data entry order of the claims.*

- f. Automatically generate and mail default warning letters to the borrower and cosigner(s). In addition, the system must record all notices in the individual borrower's default record (see sections 1.104.3a19 and 3a21). (Letters must not be generated when the claim is submitted for reason of death, disability, ineligibility, school closure, false certification, fraud or bankruptcy.)

## Contractor Response to Task:

*When a default claim is accepted by the EAGLE system, a Default Warning Notice is automatically generated to the borrower and endorser, if any. The notice is automatically recorded in the borrower's history file. This notice is not generated when the claim is submitted for reason of death, disability, ineligibility, school closure, bankruptcy or false certification.*

- g. Automatically schedule purchase dates when the claim review code and purchase transaction data is entered into the system. Based on federal regulations, some purchase dates may be pended into the future, however, all other claims must be scheduled for purchase.



## Contractor Response to Task:

*The claim purchase dates are scheduled automatically for MGA when the claim review disposition code and purchase transaction are entered onto the system. The system will calculate a default claim's purchase date to be as close to the 53<sup>rd</sup> day from the claim received date, not to exceed the 53<sup>rd</sup> day. The flexibility exists for MGA to schedule a default claim for the next available purchase date. Bankruptcy, death, disability, ineligible borrower, closed school and false certification claims are scheduled for purchase on the next available purchase date as of the date of the purchase transaction.*

*A claim that is scheduled for a future purchase date may be deleted before the transaction is completed automatically by the system (approximately one week prior to the scheduled purchase date).*

- h. Process multiple reinsurance rates accurately, including those lenders/servicers who have been designated as exceptional performers by ED. For claims that pass the claim payment approval edits, the Servicer's system must identify the appropriate reinsurance percentage applicable to the loan being purchased as a claim. MGA staff must be able to correct the interest rate at the time of purchase.

## Contractor Response to Task:

*The EAGLE system accurately handles multiple insurance and reinsurance rates, including claims marked as exceptional performer claims. If necessary, MGA will be able to correct the system interest rate and/or type as necessary prior to claim purchase.*

- i. Automatically calculate interest due and interest penalties caused by due diligence violations, to the lender through the date permitted by federal regulations. MGA staff must be able to specify a maximum number of days of interest to be purchased and the dollar amount of interest to be paid.

## Contractor Response to Task:

*The EAGLE system accurately calculates due diligence interest penalties using interest calculation codes entered on the claim account prior to purchase. The flexibility exists for MGA to specify a number of days and/or dollar amount of interest to be paid to the lender.*

- j. Allow reselling of defaulted loans to lenders when approved by Contract Compliance Inspector or designee. Documentation of the sales must be recorded on-line. The system must:
1. Identify the amounts that must be received from a lender for repurchase, rehabilitation, or consolidation of the defaulted loan.
  2. Make all necessary adjustments in reports filed with credit bureaus and ED.

## Contractor Response to Task:

*The EAGLE system is able to identify the amount required to complete a repurchase, rehabilitation, or consolidation of a defaulted loan.*

*Repurchase, rehabilitation and loan consolidation transactions are documented on the EAGLE system and result in automatic adjustments in reports filed with credit bureaus and the U.S. Department of Education.*

- 4g4. The Servicer's system must have an automated review process for hardcopy claims.

## Contractor Response to Task:

*Currently, Sallie Mae supports an automated review process for claims filed electronically. Hardcopy claims are subject to a manual review. Consequently, additional discussions with MGA are warranted to meet this requirement, since Sallie Mae does not have an automated review process for hardcopy claims*

- 4g5. The Servicer must provide MGA staff with full access to its computer system. The Servicer's system must be designed for efficient entry and update of claim data. (See section 1.104.3a9).

## Contractor Response to Task:



*Since claim review processing is performed by MGA, Sallie Mae provides full system access to MGA for this process function. The EAGLE system was designed for efficient entry and update of all information, including claim data.*



- 4g6. The Servicer must have a process in place that will identify lenders that may have a percentage of their claims approved for payment prior to a complete claim review. A monthly report must be submitted to MGA listing all claims which meet MGA's criteria.

Contractor Response to Task:

*Further discussions with MGA are needed to better understand this process to meet this requirement.*

- 4g7. The Servicer's system must automatically record the purchase, update the loan status, assign the loan to the appropriate collector (or collection agency/subcontractor), and generate notification to the borrowers and collection agency/subcontractor, if applicable, when MGA staff perform on-line purchase of claims.

Contractor Response to Task:

*The EAGLE system automatically records the loan purchase, updates the loan status and, if applicable, assigns the loan to the appropriate collector (or collection agency/subcontractor). Further, EAGLE generates notification to the borrowers and collection agencies when the claim purchase information is entered onto the system and the online purchase transaction is complete.*

- 4g8. The Servicer must prepare, and submit to MGA, a weekly report detailing claim amounts to be purchased and interest due by note, subtotaled by lender for verification and processing of claim payments. This report must be received by MGA no later than the first day of the week following each purchase.

Contractor Response to Task:

*Sallie Mae will prepare and submit to MGA a weekly report detailing claim amounts to be purchased (principal and interest), subtotaled by lender. The report will be provided to MGA the first day of the week for each weekly purchase.*

- 4g9. The Servicer must track MGA's reinsurance rates and report them to the Contract Compliance Inspector or designee. This is necessary to calculate the amount of collections that can be retained by MGA.

Contractor Response to Task:

*The EAGLE system automatically calculates the correct guarantor retention. EAGLE maintains the reinsurance rate at the loan level as well as the claim level. When a borrower makes a payment, funds are applied to each of the borrower's loans evenly, unless a different allocation is specified. The Federal reporting process uses the applicable reinsurance rate for each loan to determine the appropriate allocation for the department of Education and MGA for reporting purposes. The amounts are summarized and reported on the appropriate line items of the Form 2000.*

#### 4h. Borrower Delinquency/Default Self-Serve Internet Site

- 4h1. The Servicer must provide access to a Borrower Delinquency/Default Self-Serve Internet Site for all MGA borrowers whose status is delinquent or default. The Internet site must include, but is not limited to:

- a. Log on availability for all delinquent MGA borrowers as well as those whose loans are in default.
- b. Borrower account profile, including account number, name, address, and home telephone number.
- c. Borrowers must have the ability to change personal information, if necessary.
- d. When the borrower is in a delinquent status, provide them with:
  1. The name and contact information of their lenders/servicers
  2. Total outstanding balance of all delinquent loans.
  3. Total delinquent amount of each individual delinquent loan.
  4. Options for bringing the account current that include the following:



- a. Make a promise to pay – forwarding information to each lender and/or lender/servicer.
- b. Information on how to postpone a payment through any deferment/forbearance for which the borrower may be eligible.
- c. Information on loan consolidation.
- e. When a borrower is in a default status, provide them with:
  1. Current outstanding balance.
  2. Payoff information.
  3. Current location of account.
  4. Payment summary, including the ability to view their payment history.
- f. Individual loan information, which includes disbursement date, disbursed amount, lender/servicer, school attended, and loan identification number.

Contractor Response to Task:

*As part of this response, Sallie Mae will provide to MGA use of its available Borrower Delinquency/Default Self-Service Internet product at the pricing set forth on Pricing Proposal Summary. This product will provide many of the features that meet the requirements of this CONTRACT. Should Sallie Mae be awarded a contract as primary servicer for MGA, the following action will be taken:*

- 1) Development of web functionality from prototype version;*
- 2) State website link to software product;*
- 3) Set-up and use of security application, using Secure Socket Layer (SSL) encryption;*
- 4) Basic customization of the presentation layer: State header image and colors, privacy policy, disclaimers, font style and size modifications, etc.*

*The Borrower Delinquency/Default Self-Service Internet product was demonstrated to MGA in 2004, and over the past year, has been modified to its current release format. Sallie Mae recommends, upon receiving award as the primary servicer, a meeting is scheduled to review the product format and discuss any customization requirements for this service. Pricing as exhibited on Attachment E is for standard installation of this product and basic configuration to MGA as described in number 4 above. Additional customization is available at the standard system development rates. MGA can expect work on this product to begin in 2006.*

#### 4i. Collections

Currently, MGA staffs and operates a unit to collect on defaulted loans for the first 120 days of delinquency. If MGA is unsuccessful in collecting on the debt by the 121<sup>st</sup> day, or there is a break in payments being received of 120 days, the Servicer must collect on the account (i.e., internal or external collection agency/subcontractor of their choosing). MGA reserves the right to change the timeframe for keeping accounts in-house. The Servicer will be given 90-calendar days notice if a decision is made to maintain accounts for a longer or shorter period of time.

Currently, defaulted accounts involving borrowers who owe other debts to the State of Michigan that are being collected by the State of Michigan are assigned to the Michigan Department of Treasury, Collections Division (Treasury Collections). All other defaulted accounts are assigned to external collection agencies/subcontractors via the Servicer.

The Servicer must provide a collection system that either is a part of the Servicer's central system or a system that interfaces with the Servicer's system. Accounts must be maintainable from either system (e.g., updates to a borrower's name and/or address in one system should be updated automatically in the other system), account balances must match, etc. (See section 1.104.3b4a.)

##### 4i1. Internal Collections

The Servicer must provide a Windows-based (or equivalent) computer software/system to support MGA's collection activities as required by ED, including:



- a. Full access to the Servicer's automated collection system, so all software, computer processing, and information needed by MGA staff to perform collections is available (e.g., cosigner and reference information) and all collections activities are retained on-line on MGA's database for future retrieval and reporting. Multi-level security access to ensure that only authorized staff has access to this information is required (see section 1.104.3a9). At a minimum, the Servicer's system must include on-line access to the following information:
1. Account history.
  2. Date of default.
  3. Payoff amount (including ability to calculate payoff at a user-entered specific future date).
  4. Payment amount.
  5. Payment history.
  6. Type of payment received (e.g., AWG, offset, voluntary, etc.).
  7. Payment schedule.
  8. Address and current contact information.
  9. Name of school attended.
  10. Name of lender/servicer.
  11. Collection charges.
  12. Other charges (e.g., court costs, etc.).
  13. Principal balance.
  14. Accrued interest (including ability to calculate interest at a specific future date).
  15. Administrative Wage Garnishment information, issue notices, maintain/track process, identify accounts, etc., information including starting and ending dates, must be available.
  16. Automatically queue accounts for future "best time to contact." Best time to contact must be determined by previous attempts and actual contacts made.
  17. Cycle/refresh accounts on a daily basis.
  18. Automatic review of accounts assigned to collectors (internal or external subcontractors) on a daily basis and grouping accounts by disposition
  19. Automatic prioritization of accounts, as specified by the Contract Compliance Inspector or designee during Implementation Planning, section 1.104.2a.

**Contractor Response to Task:**

*Sallie Mae will continue to provide a computer software/system that largely meets the requirements outlined by MGA. In 2006, Sallie Mae will initiate significant action to improve the function of the ancillary collection system used by MGA, either by making significant investments in the existing platform or adopting alternative collection system platform. The scope of the changes will be at the direction of all Sallie Mae guarantor customers that use the ancillary collection system, including MGA. Further, Sallie Mae guarantor customers will share project costs either through assessment of a proportional share of enhancement costs to existing systems or direct costs associated with a replacement system, including but not limited to: annual license and maintenance fees, conversion and system interface development costs, customization of standard software packages, etc.*

*Regardless of the option chosen by all user groups, Sallie Mae will provide full access to the collection system to MGA users. The collection system maintains security levels sufficient to prevent unauthorized access and to limit users to particular system functions depending on their level of job responsibility. The system provides the following functionality:*

- 1) Account history is updated/maintained on-line, real-time.*
- 2) Date of default is displayed on each loan.*
- 3) Payoff amount can be calculated on the collection system, but it is recommended that the amount be confirmed on the system of record, EAGLE.*
- 4) Payment schedules can be created for each account (one or more borrower loans) and the payment amount is displayed for each.*
- 5) Payment history is stored at the loan level with a further breakdown by payment split between balance type.*
- 6) Payment history display includes type of payment received. The collection system currently supports distinction between regular voluntary borrower payments, IRS and state offsets, purchase adjustments, AWG payments, as well as reversals and non-sufficient funds reversals of each type.*
- 7) Address and phone number information is updated/maintained on the collection system.*



- 8) Name/address/phone numbers of the schools for which loans were disbursed are displayed and can be updated in the collection system.
- 9) Name of lender and servicer is maintained and can be updated in the collection system.
- 10) Collection charges are maintained and are automatically assessed in the collection system.
- 11) Other charges are maintained and can be manually adjusted as appropriate.
- 12) Principal balance is maintained.
- 13) Accrued interest is maintained and can be calculated forward to a user-specified date.
- 14) Administrative Wage Garnishment data is maintained and can be updated in the collection system. The system provides for a mechanism to select accounts and move them through the AWG process including automatic scheduling of required notices.
- 15) The collection system does not currently include the ability to queue accounts for a best time to contact, however this functionality could easily be developed through an optional development effort.
- 16) The collection system cycles/refreshes accounts daily in order to present accounts to collectors in such a fashion that appropriate collection effort is maintained. Further, "fail-safe" reports exist to notify management when work effort falls short of due diligence requirements.
- 17) The collection system allows management to inquire on the collectors' work queues to determine the status of their work at any time. EAGLE is used to perform review of external subcontractor work.
- 18) The collection system currently supports prioritization of accounts by balance, good phone number, good address, etc. Through optional development effort, complete prioritization of accounts per MGA specification can be provided.

- b. Automatic posting of overpayments to the billing system.

Contractor Response to Task:

*The collection system automatically posts overpayments when those payments originate from EAGLE.*

- c. Automatic due diligence audits on collectors (internal or external subcontractors) to ensure compliance with federal post-claim due diligence requirements.

Contractor Response to Task:

*The collection system provides an automatic review of accounts approaching the end of a due diligence cycle to ensure that those with insufficient collection effort are reported on the Due Diligence Report.*

- d. Display historical information in reverse chronological order in addition to chronological order by account number. (See sections 1.104.3a16b, 3a19 and 3b4.)

Contractor Response to Task:

*The ancillary collection system provided to MGA supports this functionality.*

- e. Automatic linking of two or more defaulted loans for the same borrower, including linking existing defaulted loans to those that are on the system. MGA must have access to perform this function on-line.

Contractor Response to Task:

*The collection system performs an automatic linking process for the same borrower with each new load of account data. Further, accounts can be linked/unlinked manually when desired.*

- f. A collection management system for use in evaluating staff performance. Evaluation information must be available on-line the following business day. This system must include, but is not limited to:
1. Ability to monitor the number of incoming and outgoing calls processed, by individual staff person(s).
  2. Ability to monitor all activity performed on individual accounts by individual staff person(s).
  3. Daily number of new accounts assigned to each individual staff member.
  4. Number of accounts closed and the reason for closure for each collector assigned work queue.



5. Ability to view historical system statistics in graphical form so analysis of the data in the system database can be performed.



6. Providing detailed reporting capabilities, with capability of creating detailed or summary reports on work queues based on account data in the system, as well as reports on borrowers.

Contractor Response to Task:

*Upon request, the collection system can provide:*

- 1) *The number of and identity of unique accounts updated, including updated incoming and outgoing calls during any time period specified.*
- 2) *A report of all memo activity placed on accounts by one/more individuals during a specific time period.*
- 3) *Number of new accounts/total accounts assigned each individual collector.*
- 4) *Number of accounts closed/reason for closure for each collector.*
- 5) *An extract of the data necessary to provide MGA the ability to perform historical analyses.*
- 6) *Detail/Summary reports regarding the status of work queues/and other system data.*

*Direction received by the user group (Sallie Mae guarantor customers) may determine additional reporting enhancements are desired, and, if so, will be provided as part of the 2006 initiative to improve collection system performance.*

- g. A separate on-line investigation tracking module within the collections system. The module must be based on individual accounts and include the following:
1. Detailed chronological skip-tracing activities, including contact with references, employers, etc. (written and/or verbal).
  2. Telephone attempts/contacts made.
  3. Correspondence generated and sent directly to the defaulted borrower.
  4. Wage garnishment activities.

Contractor Response to Task:

*All activity outlined above can be recorded/displayed in the account history of the collection system. Some activities are automatically recorded while other activities are entered by the collection staff. Those functions performed by the system, such as automated notices, are recorded automatically, while activities performed by the collectors, such as phone attempts/contacts are updated manually.*

*For phone attempts made by MGA's automatic dialer, history comments are automatically created from the dialer upload file.*

- h. Retaining detailed computerized history of all activities performed including demographic changes, collection activities, etc. (see section 1.104.3a16).

Contractor Response to Task:

*All activity outlined above can be recorded/displayed in the account history of the collection system. Some activities are automatically recorded while other activities are entered by the collection staff.*

- i. Ability to queue letters from the system. The Servicer must generate and mail all letters requested by MGA collection staff. Times and intervals of mailing specified by MGA or as defined by federal regulations.

Contractor Response to Task:

*The collection system is capable of producing mailings based on the due diligence schedule (user-defined) of an account, and/or based on the payment schedule (user-defined) of the account, upon request. Sallie Mae will provide printing and mailing services as requested and required by federal regulations.*

- j. Automatic production and mailing of delinquency notices on a pre-determined day after a missed payment, automatically queue the account to the collector. MGA staff, using either standard or customized text will compose these letters. The Servicer will mail these letters within one (1) business day of request. In addition, the Servicer's system must be able to automatically generate monthly activity statements to defaulted borrowers.



## Contractor Response to Task:

*The collection system will produce a payment schedule reminder and delinquency notices on a schedule determined appropriate by MGA. Sallie Mae will print and mail these notices in accordance with MGA requirements outlined above.*

- k. Automatic creation, printing and mailing of MGA composed and standardized form letters approved by the Contract Compliance Inspector or designee as follows:
  1. Letterhead and envelope used must include MGA logo and identifier (see section 1.104.1a). The Servicer's collection system must provide automated support for MGA staff to follow up on "broken promises."
  2. Contract Compliance Inspector or designee will identify during Implementation Planning, section 1.104.2a, letters to be automatically generated.
  3. Letters generated by the Servicer's system (either automatically or upon request) must be mailed from the Servicer's location.
  4. All letters generated by the Servicer or generated at the request of Servicer or MGA staff must be entered automatically in on-line history as referred to in 1.104.3a16b of this Contract.
  5. The Servicer must maintain all computer-generated letters sent to individual borrowers on optical platters for future retrieval at MGA (see section 1.104.3a17). The letters must be coded and indexed per borrower for ease of retrieval.
  6. The Servicer must automatically generate monthly statements within five (5) days of the billing cycle and mail them to defaulted borrowers once repayment schedules have been established on the system or as requested by MGA staff. The monthly statements must include a bar code to allow for automated payment posting. The bar code must include the borrower's Social Security number and/or specific account number and the scheduled payment amount. The amount must be changeable to allow for different payment amounts that the borrower might remit.
  7. All correspondence generated by or via the Servicer's system must be mailed by the end of the business day following requested production.

## Contractor Response to Task:

*As stated above, the collection system will support printing and mailing of letters and collection notices in accordance with MGA requirements.*

- 1) Letterhead will include the MGA logo as per request.*
- 2) Sallie Mae staff will work with specifications provided.*
- 3) Sallie Mae will print and mail these notices in accordance with MGA requirements outlined above.*
- 4) All notices generated by the collection system are updated to the account history automatically.*
- 5) With exception of "canned" collection letters, notices are stored for future retrieval. Imaging all letters will add significant costs to servicing this contract, with limited benefit. As such, this requirement has not been included in the CONTRACT pricing. Sallie Mae recommends further discussion with MGA to meet this requirement.*
- 6) The collection system would be able to support this function with an optional development effort.*
- 7) Sallie Mae will support the printing and mailing of letters in accordance with MGA requirements.*

- l. Allowing MGA users to define and process a variety of formats for importing new business into the collection system and updating and/or reporting changes to accounts. Describe importing methods/formats available.



## Contractor Response to Task:

*The collection system has a built-in interface with EAGLE. Accounts placed to MGA's internal collection location are downloaded in a placement file weekly and are balanced and released to the collection system in a batch process controlled by MGA staff. Should MGA desire different processes to import new business into the collection system, additional discussions with Sallie Mae are warranted to understand these requirements.*

- m. Providing an import/export module that allows users to read, report, post, translate, store, and total the payment information in the system for each borrower account. This module will include a method to identify any balance adjustments made to an account for principal, interest, collection costs, or other adjustments that may be needed on a borrower's account. Describe importing/exporting tools available.

## Contractor Response to Task:

*The collection system has a built-in interface with EAGLE. This interface includes a two-way payment transfer (payments posted on the collection system are sent to EAGLE; transversely, payments posted on EAGLE are sent to the collection system). All transactions are included on detailed reports to provide an appropriate audit trail. Further, all transactions are detailed in the payment history file maintained on both systems.*

- n. Inactive accounts must be moved to an archival system or onto optical media for storage. Records must be easily viewed and/or printed by all MGA staff. Accounts that are returned to MGA for collections must be easily retrieved from the archival system and loaded to the collections system. (See section 1.104.3a17.)

## Contractor Response to Task:

*The collection system can be modified to provide this functionality with an optional development effort. This request should be examined by all collection system user groups to determine prioritization, and cost/benefit. Currently, purged accounts are written to a report which can be archived by MGA. However, Sallie Mae maintains sufficient disk storage to allow for on-line storage of vast numbers of inactive accounts.*

- o. The Servicer's system must automatically assign accounts to MGA collector(s) based on established assignment rates approved by Contract Compliance Inspector or designee as accounts are purchased so all telephone calls and collection activities for a given account are routed to the same collector. MGA must have on-line capability of reassigning account(s). (See section 1.104.3a9.)

## Contractor Response to Task:

*The collection system will allow MGA management to effectively distribute new accounts to collectors by maintaining assignment ratios to ensure relatively equal distribution of accounts. Alternatively, the system will allow alphabetic assignment of accounts. In either case, MGA management will be able to move accounts between individual collectors or en-masse basis.*

- p. The Servicer's collection system must interface with MGA's predictive dialer as follows. (Current predictive dialer being used is Concerto Unison, version 7.x):
1. Telephone calls/attempts and letters generated from the predictive dialer must be tracked and retained on the collections system.
  2. Must document and update information from predictive dialer as collectors work accounts.

## Contractor Response to Task:

*The collection system currently provides an interface with MGA's predictive dialer.*

*1) Telephone attempts recorded by the dialer (busy/no answer/disconnect, etc.) are uploaded to the collection system on a nightly basis. Letters are generated by the collection system upon upload of certain result codes from the auto-dialer.*



*2) Phone attempts/contacts recorded by staff are updated directly on the collection system*

4i2. General System Requirements

a. The Servicer's system must:

1. Track and retain repurchase, rehabilitation, and consolidation information.



## Contractor Response to Task:

*The EAGLE system monitors, tracks and retains repurchase, rehabilitation and consolidation information via system generated reports. This information is conveyed to users via on-line access as well as hard copy reports if requested. The retention of this data is maintained for as long as MGA deems necessary.*

2. Allow for ease in moving from screen to screen. The system must transfer borrower Social Security number or account number information from current screen to subsequent screens.

## Contractor Response to Task:

*The EAGLE system provides the ability to transfer the input SSN from screen to screen.*

3. Interface services of third-party vendors (e.g., credit bureaus) and seamlessly integrate these services into the Servicer's main database through on-line menus available to MGA staff.

## Contractor Response to Task:

*The EAGLE system reports to each of the four major credit bureaus on a monthly basis. The system provides access for updating or deleting a borrower from being reported via the "Credit Bureau Reporting Status Update" screen.*

4. Automate methods and criteria for placing and/or removing accounts to/from MGA, Treasury Collections, and collection subcontractors databases. This system must be approved by Contract Compliance Inspector or designee during Implementation Planning, section 1.104.2a.

## Contractor Response to Task:

*The EAGLE Account Placement (AP) System allows for placing and removing accounts with MGA, Treasury Collections and collection subcontractors. This automated placement system tracks placements to both internal and external collection agencies, and communicates with them via electronic interface to verify both placements and returns.*

5. Contractor must use a Rehabilitation Recovery strategy for collections, or whatever method is recommended by ED, to maximize MGA's revenue and collections. A description including technology used to manage the collection portfolio and how it will use that technology to enhance the recovery rate must be included. In addition, the Contractor must describe its experience in managing collection portfolios and its success compared to the industry average over the last five (5) years.

## Contractor Response to Task:

*Sallie Mae manages collection portfolios on behalf of six guarantor clients, including MGA. We have provided this service for guarantor clients for more than twenty years. Each of our six clients consistently rank in the top ten of the guarantor performance rankings as published by ED. For federal fiscal year 2004, Sallie Mae's guarantor clients had an average total recovery rate of 37% compared to a 24% average for non-Sallie Mae guarantors. During the same period, our guarantor client's non-consolidation recovery rate (excluding FFELP and Direct loan consolidations) was 19% verses 12% for the non-Sallie Mae serviced guarantors.*

*Sallie Mae's student loan Portfolio Management System is the most innovative and advanced in the industry. It is capable of automatically monitoring dormant inventory and recalling inventory from the collection agency. This automatic process creates a sense of urgency for the collection agency to intensify their efforts and collect on the account prior to recall and reassignment. We perform account placements and exchange electronic files with each collection agency weekly. Status updates on various accounts are also performed via Sallie Mae's Portfolio Management System. Additionally, the system produces a variety of reports for MGA, outside collection agency partners and Sallie Mae management staff in order to monitor the collection progress being made on the portfolio. Sallie Mae utilizes a proven Rehabilitation and Cash Recovery strategy for collections which is perfectly aligned with MGA and ED's direction. This strategy has launched MGA and our other guarantor clients to the top of ED's guarantor performance rankings. This strategy has produced results, maximizing recoveries and revenue for MGA.*



- b. The Servicer must interface with ED, the IRS, Treasury Collections, collection agencies/subcontractors, and other entities or agencies as required.
1. The Servicer will be responsible for **all** transactions with Treasury Collections, and other collection agencies/subcontractors, if applicable.
  2. MGA is required to use the Department of Treasury Collections Division as a collection contractor as defined in section 1.104.4i paragraph 2.
    - a. Servicer must receive and send data on a daily basis in the formats defined in the RFP and this Contract. All transactions will be via FTP. Specific requirements for providing data to Treasury Collections will be finalized during Program Conversion, section 1.104.2.
    - b. MGA will pay Treasury Collections' fees directly.
    - c. Balance information for accounts assigned to Treasury Collections will be reconciled on a quarterly basis, in January, April, July and October, date to be determined by the Servicer, Treasury Collections and Contract Compliance Inspector in the month prior to the reconciliation.

Contractor Response to Task:

*Sallie Mae maintains a systematic interface with the following entities: ED, the Internal Revenue Service, Michigan Department of Treasury collections, and subcontracted collection agencies. This interface includes the two way transfer of data via secure FTP, as well as other methods required by ED.*

*Additional discussions are warranted should MGA desire a systemic interface beyond the present scope as described in this section. This request likely is unique to MGA and, if executed, would be billable under the standard system development rate.*

*Michigan Department of Treasury Collections Division will continue to be used as a collection contractor. As with the current process, MGA will pay fees to Treasury Collections directly.*

*The EAGLE system performs a systematic account reconciliation process on a quarterly basis in which collection agency account data is compared to EAGLE for the purpose of identifying discrepancies. This information is conveyed back to the collection agency via FTP.*

3. The Servicer must have an automated interface with Treasury Collections and collection agencies/subcontractors to allow information to be exchanged between their systems and the Servicer's system.

Contractor Response to Task:

*Sallie Mae, Michigan Department of Treasury collections and the sub-contracted collection agencies utilize a secure FTP for the purpose of transferring data between agencies. This data transfer is systematic based on the needs of the guarantor, collection agency, and ED. Files from each collection agency are automatically received and updated on EAGLE.*

4. The Servicer must program, test, and implement all collection subcontractor(s) interface programs, as necessary. The interfaces must include account placement (including all information needed to collect effectively), closure and reassignment, balance adjustments, payment processing, address updates, inventory reconciliation, and account status changes. Information must be exchanged via tape or electronic transmission, at Contract Compliance Inspector's or designee's option.

Contractor Response to Task:

*All sub-contracted collection agencies have been tested to verify their systems can interface with all aspects of Sallie Mae's EAGLE Account Placement (AP) system. This includes placements, closures, reassignments, balance adjustments, payment processing, address updates, inventory reconciliation, and status changes. Any new collection agency under consideration to receiving defaulted account placements most demonstrate the ability to interface with EAGLE and all affiliated systems, via a thorough testing process, before receiving live placements.*



5. Contract Compliance Inspector or designee will establish parameters for account selection. Parameters must be flexible/changeable.

Contractor Response to Task:

*All selection parameters are approved and documented by MGA and Sallie Mae. The EAGLE system allows for secured storage and flexible updating of selection parameters per MGA's and/or ED. Access to updating the selection parameters is limited and controlled by Sallie Mae's Information Security protocols.*

6. Using selection criteria mandated by ED, the Servicer must interface Treasury Collections and/or collection agencies/subcontractors for turnover (subrogation) of defaulted accounts to be assigned to ED. Accounts designated for mandatory assignments are selected annually as required by ED. Treasury Collections and/or collection agencies/subcontractors must close accounts within 24 hours of notification of manual assignment.

Contractor Response to Task:

*Sallie Mae performs its mandatory assignment (subrogation) of defaulted accounts, per ED's selection criteria, on a quarterly basis. With the EAGLE system's capability to electronically interface with MGA's Treasury Collections, collection partners and subcontractors, subrogated accounts are closed within 24 hours of notification of both the mandatory and manual assignment processes.*

7. The Servicer must interface with ED for turnover of all loans discharged due to permanent and total disability on a monthly basis as required by ED. Provide a tape of loans to be assigned to ED based on criteria approved by Contract Compliance Inspector or designee.

Contractor Response to Task:

*Sallie Mae provides monthly data cartridges to ED which contain borrowers discharged due to permanent and total disability. The data within the cartridges contains loans that are systematically identified as discharged/assigned to ED based upon MGA's approved criteria and are formatted per ED's file specifications. Sallie Mae does not discharge loans until all of the required permanent and total disability documentation is available, reviewed and is correctly completed.*

8. The Servicer must make available the services of an Administrative Law Judge (ALJ) needed to conduct Administrative Wage Garnishment hearings. These hearings are conducted via conference call between MGA staff, the ALJ, and the borrower. Hearings are conducted as needed once per month. Documentation is sent to the ALJ one week prior to the hearing. Payment to the ALJ will be done based on the orders written. Currently, MGA averages two to three orders per month.

Contractor Response to Task:

*Sallie Mae will ensure that a competent and trained Administrative Law Judge is available to conduct MGA Administrative Wage Garnishment hearings as needed.*

9. The Servicer's database must provide a cross-reference for name changes, and this information must be accessible from the collection system.

Contractor Response to Task:

*The EAGLE system provides the ability to view name changes via the "Borrower Name Change" screen within the Defaults Menu. Name changes are also forwarded to the appropriate collection agencies in a demographic update file. Borrowers can be searched by name via the "Borrower Name Inquiry" on the Global Database Menu. Any changes in the current collection system functionality not addressed in this section may require further enhancements.*



10. Notwithstanding expiration or termination of the contract, the Servicer shall be entitled to retain all paying accounts enrolled in the Rehabilitation Program for a period not to exceed 24 months after the effective date of expiration or termination. With respect to such accounts, the Servicer shall continue to fulfill all accounting and reporting obligations specified in the Contract until the accounts are transferred to MGA. See sections 2.311, 2.701, 2.702 and 1.302.

Contractor Response to Task:

*Sallie Mae is agreeable to this requirement.*

11. MGA's automated Interactive Voice Response (IVR) system and Correspondence Application system must be integrated with the MGA database/system. Any changes made to the database/system must be communicated to Contract Compliance Inspector or designee a minimum of 90 calendar days before the change will be made to ensure that programming can be secured from IVR and Correspondence Application contractors. (See Section 1.103 for IVR specifications.)

Contractor Response to Task:

*MGA's automated Interactive Voice Response (IVR) system and Correspondence Application will be integrated with the MGA database. Every attempt to provide information on system changes will be communicated to the Contract Compliance Inspector or designee as soon as practical, but no later than 30 days from implementation. Further, any subsequent changes to the system release scope will also be communicated to the Contract Compliance Inspector.*

12. The Servicer must maintain the existing level of integration with the current MGA autodialer system to support MGA collections and default prevention processing functions/staff (daily upload and download). This system must be integrated with the Servicer's systems/databases during Implementation Planning (see section 1.104.2a).

Contractor Response to Task:

*The collection system currently provides an interface with MGA's predictive dialer.*

- 1) Telephone attempts recorded by the dialer (busy/no answer/disconnect, etc.) are uploaded to the collection system on a nightly basis. Letters are generated by the collection system upon upload of certain result codes from the auto-dialer.*  
*2) Phone attempts/contacts recorded by staff are updated directly on the collection system.*

- c. In the event that MGA assigns accounts to the Servicer for collection, the Servicer's responsibilities will consist of computer and administrative support activities. Activities must include, but are not limited to:

1. Contracting with an appropriate number of collection agencies/subcontractors (if applicable) necessary to maximize effectiveness. The Servicer must increase the number of collection agency/subcontractors if external subcontractors are used at the request of the Contract Compliance Inspector or designee if collection levels are not greater than or equal to the current level.

Contractor Response to Task:

*Sallie Mae's Portfolio Management department currently has four collection agencies working on MGA's defaulted loan portfolio. We utilize several other collection agencies for other portfolios we manage, providing maximum flexibility for adding new collection agencies very quickly or replacing poor performers. All collection agencies are selected based on their ability to maximize portfolio recoveries in the desired resolution types. In addition to management of the collection agencies, we will provide a dedicated customer service representative that will provide exclusive support for the Michigan portfolio. This person will be responsible for all administrative support duties. We also have a large flexible staff capable in providing additional support at any time deemed necessary by MGA.*



2. Accepting full responsibility to ensure that all collection activities performed on behalf of MGA follow federal due diligence requirements in the collection of loans, as well as all federal and state laws, rules, and regulations governing collections. In addition, compliance with the Federal Debt Collection Practices Act and Gramm-Leach-Bliley legislation must be ensured.

Contractor Response to Task:

*Sallie Mae requires all collection agencies to be in compliance with all regulations, inclusive of FDCPA and Gramm-Leach-Bliley. In addition, all collection agencies must comply with business practices prescribed by Sallie Mae's Portfolio Management Services. In order to ensure compliance, all collection agencies are audited annually. Sallie Mae uses a dedicated auditor and distributes an executive summary of each collection agency audit upon completion.*

3. Overseeing performance of external collection agencies. All collection tools available under federal regulations, including rehabilitation, consolidation, and administrative wage garnishment must be fully utilized by external collection agencies.

Contractor Response to Task:

*Performance reports for the collection agencies, based on total recoveries and non-consolidation recoveries, are completed and distributed weekly and monthly. Sallie Mae's performance criteria are measured in a consistent manner compared to ED's guarantor rankings. Weekly recovery reports include information by recovery type, by collection agency, expressed both in dollars and percentages. Our performance evaluation system requires the collection agency to maximize recoveries utilizing a balanced recovery mix with a focus on cash recoveries and rehabilitations. Collection agencies only pursue a consolidation recovery type once they determine that a cash or rehabilitation recovery is not viable.*

4. Providing strategic placement logic, proactive account management, and enhanced reporting of collection activities and results.

Contractor Response to Task:

*Defaulted loans are placed with collection agencies on a weekly basis. Placements are made based on the published performance rankings, with higher ranking collection agencies receiving more placements. Placement software will companionate multiple loans for a borrower to ensure that multiple collection agencies are not collecting on the same borrower. This software also randomly places loans by minimizing the variance to the average based on loan age and dollar amount.*

*In addition, Sallie Mae's Portfolio Management Services monitors the placement inventory every week, and proactively moves stagnant, inactive inventory to maximize total recoveries. Sallie Mae can systematically warn accounts for non-payment, accept agency appeals, and recall accounts for replacement with another agency. This automated monitoring system creates a sense of urgency with the collection agencies, which ultimately translates into faster recoveries for the client.*

*Sallie Mae produces and distributes reports weekly and monthly, including: performance statistics, recovery rates, inventory levels, among others. Further, Sallie Mae is capable of producing ad-hoc reports upon request. In addition, we have just implemented a data warehouse which will allow for even more robust reporting and portfolio analysis to meet MGA's needs.*

5. Evaluating collection subcontractor performance (if applicable) through the use of varied performance measurement tools selected by Servicer and agreed upon by Contract Compliance Inspector or designee. Describe/define the qualitative and quantitative measures Contractor will use.

Contractor Response to Task:

*Sallie Mae's Portfolio Management Services department is the industry leader in tracking collection subcontractor performance to maximize recoveries for our guarantor partners. This is apparent by the fact that all six of our guarantor partners are ranked in the top ten based on the latest ED rankings. Our competitive program encourages maximum resolution, while promoting the appropriate recovery mix. We utilize a four-quarter average when assessing gross resolution rate and non-consolidation recovery rate.*



*Gross resolution rate includes total recoveries and non-consolidation resolution excludes all consolidation recoveries. In addition, we monitor the rehabilitation "pipeline" to determine the quality of payments, to minimize fall-out and produce accurate projections of future rehabilitated loans.*

*Sallie Mae publishes weekly performance rankings, conducts monthly business reviews with each collection agency, and hosts an annual collection agency conference to communicate prior year results and current year performance expectations. All of these activities are designed to provide timely, informative communications that produce higher results for the agencies we serve, including MGA.*

6. Adjusting account placements quarterly based on the results of the collection subcontractor performance.

Contractor Response to Task:

*Sallie Mae publishes and distributes collection agency performance rankings weekly, and adjusts placements accordingly at the end of each quarter. Rankings and placements are based on the results of a four-quarter rolling average. Sallie Mae can adjust placements activity more frequently should the need rise. New placements activities determined based on performance ranking, as well as compliance with regulations and policies.*

7. Certification of all loans eligible for federal offset based on criteria provided annually by ED.

Contractor Response to Task:

*The EAGLE system performs certification of accounts to the Treasury Offset Program in accordance with annual criteria established by ED. Selected accounts are verified through rigorous testing in order to ensure compliance.*

8. Tracking and retaining state and federal offsets on MGA database and collection system.

Contractor Response to Task:

*State and Federal offsets are documented on the EAGLE database as the funds are received. Notification of the receipt of the funds is then conveyed to the collection agencies via secure FTP.*

9. Performing all credit bureau reporting on a monthly basis as required by federal regulations.

Contractor Response to Task:

*Credit Bureau reporting is completed monthly utilizing required data transfer methods. This data is verified prior to transmission to the four major credit bureaus. All reporting is in compliance with federal requirements.*

10. Providing post-claim assistance to effectively resolve disputes between borrower(s) and external collection agencies. Assistance includes but is not limited to accepting and responding to all correspondence and telephone inquiries from defaulted borrowers assigned to external collection agencies.

Contractor Response to Task:

*Sallie Mae's Post Claim Assistance (PCA), a customer service unit designated solely for handling post claim issues, can provide effective resolution for MGA borrowers who question/dispute their loans. PCA provides comprehensive services for lenders, schools, and borrowers via the following means:*

*Telephone:*

*- An IVR application is utilized that retrieves information from the mainframe and provides important details about the customer's account. Specific queues designated by client type are designed to handle those*



*inquiries most important to the customer. Information received from the IVR is systematically downloaded to the mainframe indicating the information that was given to the customer.*

*- MGA customers always have the opportunity to transfer out of the IVR and speak with a well-trained Post Claim Assistance Specialist. All conversations handled by a representative are summarized and documented on the mainframe.*

*Correspondence:*

*PCA utilizes a correspondence application that has the ability to generate letters within seconds. Michigan Guarantee Agency's logo would appear on each letter along with PCA's contact information. The correspondence application allows PCA the opportunity to mail, fax, and/or email the letters to borrowers, and electronically transmit copies of the letters to MGA and to the assigned collection agencies. In addition, a description of the letter is documented on the mainframe.*

*Workflow:*

*All correspondence inquiries, and those telephone inquiries requiring written response, are tracked through an internal software application called Workflow. Workflow serves as our method for tracking turnaround times for all inquiries. Each inquiry is loaded to Workflow with the date of receipt which starts the monitoring period for resolution. Accounts may be transferred among departments for those transactions that must be completed by more than one area. All messages documented on the Workflow system are automatically downloaded to the mainframe so that all customer information is maintained in one location.*

11. Performing on-site compliance reviews of collection subcontractor(s) on an annual basis. Criteria for compliance review is based on federal regulations and other regulations as detailed in section 1.104.4i2.c2. A detailed written report must be provided to MGA within 15 days of completion of the review.

Contractor Response to Task:

*Sallie Mae requires all collection agencies to be in compliance with all regulations as well as Business Practices as prescribed by Sallie Mae's Portfolio Management Services department. In order to ensure compliance, all collection agencies are audited annually. The scope of the audits include: a review of accounts, compliance with regulations, collection of accounts, compliance with Portfolio Management directives, portfolio liquidity, etc. An executive summary of each collection agency audit is distributed within 15 days of its completion.*

12. Ensuring all activities entered on MGA's database is performed by the Servicer, i.e., not by external collection agencies, if applicable.

Contractor Response to Task:

*Data update activities into MGA's database are performed by Sallie Mae personnel and not external business partners. System update activities are controlled by EAGLE capability to limit system access and functionality by individual user. Sallie Mae's strict Information Security protocols and controls requires documentation and management approval for all internal and external user system access as well as semi-annual audits of internal and external user access levels*

13. Costs for all Servicer's default/collection staff activities as detailed above are to be bid separately as indicated in the Price Proposal, Attachment 2. Costs must be based on a Rehabilitation Recovery Strategy. The Servicer is responsible for paying all collection subcontractor(s) fees, see Section 1.104.4i25.

Contractor Response to Task:

*All default/collection fees will be bid separately as illustrated in our Price Proposal (Attachment 2). These fees and costs are based on our successful rehabilitation and cash recovery strategy. Sallie Mae will pay all collection agency fees, and our fee schedule accommodates this change from the previous contract pricing. Sallie Mae will no longer bill MGA for collection fees paid to outside collection vendors. Fees on Price Proposal, Attachment 2 are based on gross recoveries and not net retention.*

- d. The Servicer must notify MGA, Treasury Collections and/or external collection agencies when



account(s) are closed. If an account assigned to Treasury Collections or a collection subcontractor is closed (e.g., paid-in-full, subrogated, etc.), a tape or FTP (as defined by collection subcontractor or Treasury Collections) must be generated by the Servicer and forwarded to the appropriate entity to close the account. Notification must be on the same business day of the transaction that closed the account. Treasury Collections and the collection subcontractor must close the account within two business days. In the reverse, if Treasury Collections or Servicer/collection subcontractor closes an account for whatever reason, they will create a tape or FTP transaction and send it to the Servicer to automatically update the MGA account to the new status.

Contractor Response to Task:

*The EAGLE system notifies MGA, Department of Treasury collections, and external collection agencies nightly of all accounts closed. The daily file must be processed by the appropriate party within two business days of transmission. In the case of an account moved to paid-in-full, settled-in-full or paid, the letter of satisfaction is generated at month end, 30-days after receipt of the satisfying payment. When MGA, Treasury Collections or the collection agency closes an account, the collection agency sends a "Return" file to Sallie Mae. The Return file closes the account at the agency and notifies EAGLE that the loan is closed.*

- e. The Servicer must retain all borrower data in accordance with federal regulations (see section 1.104.3b4).

Contractor Response to Task:

*The EAGLE system contains all borrower data required by federal regulations. This data is not purged from the system. The information remains on the system when loans are paid in full, forgiven due to death or disability, assigned to ED, or not being actively pursued. Furthermore, our contracts with collection agencies require their retention of data in accordance with federal regulations.*

- f. The Servicer must generate and forward on a monthly basis a list of all accounts that are paid-in-full. The listing must include fields showing involuntary federal offsets and State of Michigan offsets of tax refunds and vendor payments. In addition, the Servicer must create, and forward to MGA for printing paid-in-full letters for all borrowers who have paid their account in full. The letters must be available to print at the MGA site within five business days of the end of each month. (See sections 1.104.1a and 1.302).

Contractor Response to Task:

*The EAGLE system automatically generates a paid-in-full letter to all borrowers whose outstanding balance has been satisfied. These letters are routed to MGA for printing to be sent to borrowers. EAGLE generates a report which lists borrowers who have had a paid-in-full letter generated during the past month. This report lists the paid-in-full date, as well as the date of the most recent federal or state tax offsets.*

- g. The Servicer is responsible for sending ED a file, in the required format, to be matched against the Debt Management Collection System (DMCS) for the National Directory of New Hires (NDNH) as follows:
1. The Servicer is responsible for obtaining all required fields and criteria used to provide this information to ED for the NDNH match.
  2. Information will be sent on a periodic basis, but not less than quarterly
  3. The Servicer must ensure that all information received from NDNH is held under strict security as required by ED, the Department of Health and Human Services and the Department of Social Security Administration (Section 45d(1)(6) of the Social Security Act and Privacy Act U.S.C. 552).
  4. The Servicer must erase all electronic files and shred or burn all paper records as required by ED, the Department of Health and Human Services and the Department of Social Security Administration.
  5. Maintain and report to ED as required on NDNH statistics by tape, FTP, etc.



6. The Servicer must provide security awareness training to all their employees who have access to the NDNH data on the requirements of the GLB, and other policies regarding the use of sensitive personal data, as well as penalties for unauthorized use or disclosure of the data.

Contractor Response to Task:

*The EAGLE system produces a data cartridge that is sent to ED on a quarterly basis for the purpose of matching borrower information with the National Directory of New Hires (NDNH). The data cartridge contains data that is formatted per ED's file specifications and contains all required fields and criteria for the NDNH match. As each match is completed, the NDNH match data is loaded and updated into the EAGLE system. After successful loading of the match data, the all data cartridges associated with NDNH are erased. The NDNH match data is transparent at the EAGLE user interface level, which provides the security of not revealing sensitive NDNH data as required by ED, the Department of Health and Human Services, and the Department of Social Security. Sallie Mae will also maintain and report the NDNH statistics as required by ED via secured file transfer.*

4i3. Payment Processing

- a. The Servicer must have the capability to provide payment processing for all internal and external MGA payments. As part of this process, the Servicer must perform the following:
  1. Provide a separate Post Office box for all MGA payments received from MGA internally held accounts.

Contractor Response to Task:

*Sallie Mae has the capability to provide and support payment processing for all internal and external MGA payments. Sallie Mae will create a separate and distinct Post Office box for the delivery of collections on all MGA internally held accounts.*

2. Post all payments received to the MGA collections system the date the payment is received. The Servicer will be responsible for transferring MGA's collection dollars daily no later than midnight on the day of receipt. MGA's share will be gross recoveries. No fees will be deducted from the deposit made to MGA's account.

Contractor Response to Task:

*Sallie Mae can post all payments received for internal MGA collections to the MGA collection system the same date the payment is received. Sallie Mae will create a remittance file and wire transfer to ensure compliance with MGA's request and Federal Regulation 682.419 (b)(6). Sallie Mae will deduct no fees from the wire transfer thereby submitting daily gross recoveries to the MGA account.*

3. Accept the following payment types: currency, check, credit card, debit card, or e-check through the Centralized Electronic Payment Authorization System (CEPAS) in use by the State of Michigan. Please note that payments received through CEPAS will automatically be deposited into MGA's account and, a payment-posting file will be provided to the Servicer for posting to the account.

Contractor Response to Task:

*Sallie Mae can accept payment types of currency, check, credit card, debit card, or e-check through CEPAS as used by the State of Michigan for all MGA internal collections. Sallie Mae understands that collections made via CEPAS will automatically be deposited into MGA's account, and a payment posting file will be created and provided to Sallie Mae for application to the MGA collection system. Furthermore, Sallie Mae can accept all aforementioned payment types for application directly to EAGLE.*

4. Match daily deposits to daily system posting report. Variances must be researched and rectified by Servicer. Monthly cash reconciliation must be performed by the Servicer to guarantee an action has been performed on all funds received. Outstanding balances are tracked and aged to



ensure timely resolution. Servicer must follow generally accepted accounting and auditing procedures.

Contractor Response to Task:

*Sallie Mae performs daily and monthly reconciliations. On a daily basis, deposits are matched against transactions processed. On a monthly basis, bank statements are reconciled to processed transactions, suspended transactions, and disbursements. All outstanding reconciling items are memorialized and aged on a formal reconciliation and each outstanding item is researched until appropriate action is taken to resolve the outstanding item. Sallie Mae follows generally accepted accounting and audit procedures.*

5. All account adjustments (payment breakdown, payment effective date, etc.) are the responsibility of the Servicer. All adjustments will be tracked and monitored against turnaround times agreed upon during Program Conversion planning, section 1.104.2.

Contractor Response to Task:

*All payments (recoveries) will be processed by Sallie Mae the same day received by utilizing Default Funds Management (DFM); a module of EAGLE. DFM allocates payments (recoveries) first to collection charges, then to accrued interest, then principal, then other charges if MGA elects to implement them. DFM applies all payments proportionately to all combined loans and/or selected loans. Payments are pro-rated by the outstanding balance of each loan.*

*All adjustments will be processed by Sallie Mae utilizing DFM. Adjustments modify the original claim purchase amount and can be allocated to either principal or interest only. In addition, adjustments must be directed towards specified loan(s). As MGA's current service provider, all adjustments will be tracked and monitored against turnaround times agreed upon during program conversion planning, section 1.104.2.*

6. If the MGA Collections Module is separate from the MGA database a remittance file must be created by the Servicer and loaded to the MGA database daily.

Contractor Response to Task:

*If the MGA collection module is separate from the MGA database, Sallie Mae can post all payments received for internal MGA collections to the MGA collection system the same date the payment is received. Sallie Mae can then create a remittance file to apply payments to the MGA EAGLE database. Creating the remittance file along with submitting a wire transfer will ensure compliance with Federal Regulation 682.419 (b)(6).*

7. Each external collection agency subcontractor is responsible for transmitting a remittance file and matching funds to the Servicer daily. The remittance file(s) must be released for posting to the collection system by 12:00a.m. ET the day received.

Contractor Response to Task:

*The collection agency is required to submit a remittance file and wire transfer to Sallie Mae daily. The collection agency remittance file should include all recoveries received by the collection agency the prior day of business. Both the file and funds shall balance prior to Sallie Mae releasing the transactions for application to DFM/EAGLE. If the electronic remittance file amount does not balance the funds entered, DFM will not allow posting of borrower payments.*

*In accordance with the 48-Hour federal regulation, Sallie Mae monitors file activity to ensure that each collection agency submits a daily remittance file. If/when a file is not received or encounters a problem with a fund/file out-of-balance, Sallie Mae immediately contacts the collection agency to obtain explanations, including reason, resolution, and estimated time of resolution.*

8. Servicer will be responsible for payment of collection subcontractor(s) fees. This includes all fee adjustments required to invalid retention of fees by collection subcontractor.

Contractor Response to Task:



*Sallie Mae will pay all collection agency fees on behalf of MGA. In accordance with MGA's request, all collection agencies will be required to submit GROSS recoveries on a daily basis and subsequently will be paid fees weekly via the balance adjustment process. However, if a need arises for fee adjustments (for any reason), Sallie Mae will perform all fee adjustments required to correct invalid retention of fees.*

*On a daily basis, EAGLE generates systemic "Balance Adjustment" reports that contain prior day activity (transactions) that were applied to EAGLE sorted by collection agency. Daily, EAGLE creates electronic payment files, which are electronically delivered to each collection agency that had collection activity. Each collection agency utilizes these daily electronic files to update their collection system with payment information (both positive and negative) along with account balance information.*

*On a weekly basis, EAGLE systemically creates weekly Balance Adjustment reports. Sallie Mae uses these reports to verify the fees for all transactions and submits a request to transfer funds via ACH to each collection agency.*

9. The Servicer will be responsible for processing all payments received on the date of receipt. The Servicer will be responsible for processing all FFELP and FDLP loan consolidation payment transactions, Rehabilitation repurchase and other repurchase transactions, the same day they are received. Rehabilitation repurchase and regular/standard repurchase requests will be obtained from the Contract Compliance Inspector or designee.

Contractor Response to Task:

*Sallie Mae will process all payments on the day of receipt. Same day processing includes processing of FFELP and FDLP consolidation transactions, rehabilitation transactions, repurchase transactions, and direct payment transactions. Sallie Mae has designed Default Funds Management (DFM); a module of EAGLE, with an automated process to ensure compliance with same day processing of the aforementioned transactions regardless of the number of transactions received. Sallie Mae will comply with MGA's request for rehabilitation repurchases and regular/standard repurchase requests to be obtained from the Contract Compliance Inspector or designee.*

10. The Servicer will be responsible for processing and posting all offset transactions received from ED (in the format they require) on the date of receipt.

Contractor Response to Task:

*Sallie Mae will process/post all offset transactions received from ED in the format required and on the date of receipt.*

11. The Servicer must identify in the system payment history record on MGA's database the source of all payments received, e.g.:
- a. Direct collection from the borrower by MGA.
  - b. Direct collection from the borrower by Treasury (or its contractor).
  - c. Direct collection from another collection subcontractor (identify specific agency).
  - d. Collection via Treasury offset of State of Michigan income tax refund or contractor offset.
  - e. Collection via IRS offset (all types).
  - f. Collection via Administrative Wage Garnishment.
  - g. Collection via levy.
  - h. Collection via consolidation.
  - i. Collection via rehabilitation
  - j. Repurchase transactions.

Contractor Response to Task:

*Sallie Mae can identify in the payment history record on MGA's database the source of all payments received. If source of payment codes do not exist, Sallie Mae can easily create additional source codes to be added to the MGA database.*

- 1) BO = Direct collection from the borrower by MGA
- 2) ST = Direct collection from the borrower by Treasury (or its contractor)
- 3) CA = Direct collection from another collection subcontractor (identify specific agency = location code)



- 4) ST = Collection via Treasury offset of State of Michigan income tax refund
- 5) IR = Collection via IRS offset
- 6) EM = Collection via Administrative Wage Garnishment
- 7) TR = Collection via levy (Trustee)
- 8) LN or LS = Collection via consolidation
- 9) LN or LS = Collection via rehabilitation
- 10) LN or LS = Repurchase transaction

12. Payments must be recorded on the MGA database using on-line entry, cartridge, or FTP transmission, and must be applied in a manner consistent with federal requirements. In each case, the dollar amounts of borrower recoveries must be edited on-line and balanced to the check amount before being posted to a borrower's account.

Contractor Response to Task:

*All payments received will be recorded on the MGA database in a manner consistent with all federal requirements. Sallie Mae will provide detailed remittance payment processing instructions to all entities submitting payments on MGA default loans. Instructions will provide guidance of file format and frequency along with specific banking information for MGA. All payments will be processed by Sallie Mae the same day received by utilizing Default Funds Management (DFM), a module of EAGLE. DFM allocates payments using the following sequence: collection charges; accrued interest; principal; and to other charges if MGA elects to implement them. DFM applies all payments proportionately to all combined loans and/or selected loans. Payments are pro-rated by the outstanding balance of each loan. DFM requires the fund amount equal the detail amount prior to posting payment to the borrowers account.*

13. Servicer will be responsible for all deposit functions associated with MGA collections.

Contractor Response to Task:

*Sallie Mae can comply and will perform all deposit functions associated with MGA collections.*

14. The Servicer is responsible for resolving suspended/pended transactions within one (1) business day. All transactions must be tracked and aged.

Contractor Response to Task:

*Each transaction that is entered into EAGLE must pass a number of systemic edits. Transactions that fail to pass all system edits suspend processing. EAGLE provides suspense reason codes for each suspended transaction. EAGLE allows the user the capability to build suspense queues in a variety of ways. Suspense queues can be built by user, by transaction, by suspense reason, by batch, by borrower, and by batch area code. Transactions that fail a system edit are immediately available to resolve. Sallie Mae has a standard operating procedure to resolve all suspended transaction within a twenty-four (24) hour period. In addition, suspense reports are available daily which provide the opportunity to track and age outstanding suspense.*

15. The Servicer is responsible for researching and responding to all requests received from borrowers, lenders, agencies or any other authorized source. In addition, Servicer will be responsible for processing any correction transactions required. All requests must be tracked and monitored against turnaround time agreed upon during Implementation Planning, section 1.104.2a.

Contractor Response to Task:

*Sallie Mae will provide effective resolution for MGA borrowers with questions on their loans. In addition, Sallie Mae will research and respond to all requests received from borrowers, lenders, agencies or any other authorized source. Each request is tracked through an application called Workflow. Workflow serves as our method for tracking turnaround times for all inquiries. Each request is loaded to Workflow with the date of receipt which starts the monitoring period for resolution. Accounts may be transferred among departments for those transactions that must be completed by more than one area. Sallie Mae will process any correction transactions required. All messages documented on the Workflow system are automatically uploaded to the MGA database mainframe so that all customer information is maintained in one location.*



16. The Servicer will be responsible for issuing all refund disbursements to borrowers, lenders, trustees, employers, etc. upon request from Contract Compliance Inspector or designee. In addition, refund requests may be based on an overpayment report generated monthly as described in section 1.302.

Contractor Response to Task:

*EAGLE supports the overpayment/refund process for all payments received. Overpayments can easily be classified into two categories, Borrower and Lender. Borrower overpayments are created when the payment received is greater than the outstanding balance of the loans. In this case, EAGLE applies the portion of the payment to satisfy the outstanding balance and moves the remaining portion into the overpayment and EAGLE creates a payable record. EAGLE matures borrower payables to ensure the payments are not returned as Non-Sufficient-Funds (NSF). Once the payable has matured, the payable advances through two levels of quality checks before being approved on-line. Once the payable has been approved, EAGLE creates a weekly refund roster and checks are disbursed to borrowers. Lender overpayments are created when the funds received from a lender for a consolidation or rehabilitation is greater than the outstanding balance of the account. Once the payable has been approved, EAGLE creates a refund roster and checks are disbursed to appropriate lenders. Sallie Mae will comply with report requirements described in section 1.302.*

17. The Servicer will be responsible for issuing all invoices and collections of payments from lenders resulting from underpayments on either consolidation or rehabilitation transactions or Non-sufficient Funds received after the account has been forwarded to the lender. Invoices for underpayments will be based upon tolerances established during Implementation Planning, section 1.104.2a.

Contractor Response to Task:

*Underpayments/Invoices can be created by EAGLE only at the lender level and at tolerances specified by MGA. If an NSF notification is received for a borrower payment on an account that has recently paid-in-full (PIF), the borrower account balance will be adjusted (increased) and the borrower account is removed from PIF status and placed back into collections. If funds received from the lender for payoff are less than the outstanding balance, EAGLE creates a receivable at an account level by lender. Once the receivable has been approved, EAGLE creates a weekly invoice roster that is submitted to the lender. All lender invoices are netted against overpayment refunds due to the lender.*

18. In the event the borrower sends correspondence with their payment, the Servicer will check the account to determine which entity is collecting on the account. If MGA is collecting on the account the correspondence will be sent to MGA via overnight mail. If the account is being collected by a collection agency/subcontractor, the correspondence should be referred to the Servicer's default/collection portfolio staff (see section 1.104.4i2c).

Contractor Response to Task:

*In the event Sallie Mae receives correspondence, Sallie Mae will determine the entity collecting upon the account. If MGA is the collecting agency, Sallie Mae will forward correspondence to MGA via overnight mail. All correspondence will be appropriately forwarded to the collecting entity as described by MGA.*

19. The Servicer must monitor, track, determine trends, report, and communicate collection subcontractor(s) performances associated with timely remittances of both positive and negative payments. In addition to supplying each collection subcontractor their performance report, the Servicer will participate in a monthly collection subcontractor review via conference call with each subcontractor collecting upon respective portfolios. Copies of the report will be made available to MGA upon request.

Contractor Response to Task:

*Sallie Mae performance measures for all collection agencies that are tracked and reported monthly include:*

- 1) Percent of transactions and dollars that comply with the regulatory 48-hour rule;*



- 2) Timely reporting of NSF transactions;  
 3) Suspended transaction percentage;  
 4) Sallie Mae procedures mandate all collection agencies must adhere to the following:
- a. Deposit all monies received the day of receipt, in a separate and distinct account established and maintained for the sole benefit of Sallie Mae;
  - b. Use a depository institution that meets all of Sallie Mae guidelines. (Combined capital and surplus of at least \$50,000,000, S&P rating of "A", Moody's rating of "A-1");
  - c. Monies deposited shall not be commingled with other clients;
  - d. Submit daily cash reconciliation no later than close of business following business day;
  - e. Submit monthly cash reconciliation no later than the 15<sup>th</sup> of the following month;
  - f. Provide duplicate monthly bank statement;

- g. Provide electronic account view access to the account activity;
- h. Prepare daily and monthly reconciliations.

*Systems, processes, procedures, standards, performance tracking, automation, and controls enable Sallie Mae to excel in all aspects of default payment processing. All of the aforementioned were designed to improve financial controls, ensure compliance with regulations, reduce cycle times, and reduce manual efforts. Sallie Mae is confident that we will excel in meeting all MGA requirements and will make reports available to MGA upon request. Sallie Mae supplies each collection agency performance reports no less frequent than monthly. Furthermore, Sallie Mae conducts monthly conference calls with each collection agency to review their performance.*

20. The Servicer must generate hardcopy and/or electronic monthly reports within five (5) days of month end to assist MGA in reconciling recoveries to remittance received and reconciliation to the Office of Fiscal Affairs' accounting system. Non-routine collection situations also must be accommodated, including overpayments, checks returned for insufficient funds, injured spouse claims, account adjustments, tax refund offsets, and ED reimbursement adjustments. When appropriate, the system automatically must generate the appropriate adjustments to the ED report form (currently Form 2000).

Contractor Response to Task:

*Sallie Mae understands all requirements and will comply with MGA's request for Sallie Mae to provide report information to assist with MGA's reconciliation process.*

#### 4j. School/Lender File Maintenance

The Servicer must maintain appropriate master, transaction, and history files for MGA schools and lenders (including lender servicers and secondary markets). This includes all activities, data processing, and controls associated with maintaining information for these entities.

- 4j1. Servicer and MGA staff must be able to update client information when they are informed of changes. Changes may be received via hardcopy/mail, electronic means, telephone call, or facsimile from MGA staff or MGA-authorized individuals at each institution (see section 1.104.3a9).

Contractor Response to Task:

*Sallie Mae will update client information on behalf of MGA when informed of changes. Changes may be submitted via hardcopy/mail, electronic means, telephone call, or facsimile from MGA staff or MGA-authorized individuals. A profile change request form is available to MGA via our website [www.salliemae.com](http://www.salliemae.com). Profile changes requested by non-authorized individuals will be reported to the MGA designee for approval authorization. Client profile settings will be completed within three business days of request receipt or by the date specified by MGA. Any deviation in service level agreement will be reported to the MGA designee.*

- 4j2. The Servicer must provide MGA, upon request, data files sorted by ED School ID, ED Lender ID, or zip code in a mailing label format (Avery label 5962 laser format). This file must contain lender and school names and addresses, and MGA must be able to print the labels on-site.



## Contractor Response to Task:

*Sallie Mae can continue to provide MGA data files sorted by ED School ID, ED Lender ID, or Zip Code. The file will be in mailing label format (Avery label 5962 laser print format) and available upon MGA's request. The file will contain lender and school names and addresses for label printing purposes and can be printed on-site at MGA.*

- 4j3. The Servicer must obtain approval from Contract Compliance Inspector or designee about any lender or school demographic information (i.e., point of contact, address, school number, etc.), and any other client profile changes before any change is made.

## Contractor Response to Task:

*All client profile changes are either initiated or authorized by MGA prior to client profile creation and/or modification. All client profile changes are captured and reported daily and can be inspected by MGA for compliance via DocumentDirect for the Internet. School eligibility is reported by the Education Department through a weekly tape file and is an automated direct update to the school profile. This information is also available via DocumentDirect for the Internet.*

**4k. Federal Reporting**

The Servicer must complete all documents required for reporting to ED or any other federal agency. MGA must review and sign off on each report after it has been prepared by the Servicer (i.e., before it is submitted to the federal agency). In addition, the Servicer must provide MGA with on-line access to the detail used to prepare each report (see section 1.104.3a9).

- 4k1. The Servicer must prepare reports in compliance with any current or future federal regulations. Prior to providing reports to MGA, the Servicer must balance and verify all data to ensure accuracy of the reports. Data must be provided as required by ED.

## Contractor Response to Task:

*The EAGLE system supports a fully automated and compliant Form 2000 process that adheres to the Department of Education statutory and regulatory requirements and to the Form layout as required by the Guaranty Agency Financial Report Instructions. An extensive error review process resides on EAGLE from the point the Form 2000 is created through and including any manual adjustments. The edit review process is designed to mirror the Department of Education's edits. Supporting detail reports and internal balancing mechanisms ensure and support the integrity of the data created.*

- 4k2. The Servicer must prepare the portions of the Guaranty Agency Quarterly Report (ED Form 2000) and all revised versions related to student loan data contained in the database according to the procedures, format, and schedule specified by ED. MGA will complete financial data related to internal operations such as investment earnings and operating expenses. The Servicer must make these reports available to the Contract Compliance Inspector or designee within five (5) business days of the end of each quarter (December 31, March 31, June 30, and September 30) for review and certification before they are submitted to ED. MGA will submit the reports to ED. These reports must be available on-line (see section 1.104.3a9).

## Contractor Response to Task:

*In compliance with federal requirements, the EAGLE system creates the applicable sections of the Form 2000, including revisions, usually by the first business day of the month. The EAGLE system produces a monthly report that provides MGA with the required data for lines MR1-MR16 (payment activity), MR17-MR42 (non-payment activity), and AR1-AR14 (loans in repayment). Supporting documentation is available on-line. Due to the nature of the information, guarantors are responsible for maintain supporting data for AR15-AR57.*



- 4k3. MGA participates in the Federal Income Tax Refund Offset Program authorized by ED as a means of recovering defaults. The Servicer must create the reports and cartridges (or other transmission media) necessary for participation, as well as comply with all regulations regarding the Federal Income Tax Refund Offset Program. The Servicer must:
- a. Generate an initial notice to borrowers of MGA's intent to seize the federal tax refund on all accounts eligible for offset and provide MGA a list identifying the borrowers notified. This list must be provided to MGA when it is generated, and the list must be available on-line (see section 1.104.3a9).
  - b. Identify and delete (deactivate) from the IRS program (Federal Income Tax Refund Offset Program) any IRS-certified borrower whose status has changed due to death, disability, paid-in-full, settled, school closing, false certification, or bankruptcy status.
  - c. Identify and certify borrowers for offset who did not make a payment after being notified.
  - d. For borrowers certified for offset, place an indicator on the borrower's on-line default record in the MGA database.
  - e. Produce tapes that meet IRS specifications, at federally required intervals, including update tapes that list payments made by certified borrowers, overpayments from IRS tax refund offsets, and deletions of certified borrowers.
  - f. Modify the tape formats, at no charge to MGA, as federal specifications change.
  - g. Post all offset recoveries less the IRS fees to the borrower's defaulted loan payment history. Also process IRS injured spouse transactions less the IRS fee to the borrower's account.
  - h. Servicer must process IRS tax refund offsets as they are received and apply offsets or assignment requests to the borrowers' loan balances or account records.
  - i. When a payment is a result of an IRS tax refund offset, the Servicer's system must automatically generate and mail to the borrower a statement indicating that the payment is a result of an IRS tax refund offset.
  - j. Maintain an IRS status on each loan throughout IRS processing in the MGA database.

Contractor Response to Task:

*Sallie Mae will produce reports, data cartridges and other necessary media for participating in the Federal Income Tax Refund Offset Program (TOP), on the behalf of Michigan Guaranty Agency (MGA), as well as comply with all regulations and guidance regarding TOP.*

*Sallie Mae will also generate initial notices to MGA borrowers that meet the MGA approved TOP criteria within the regulated time frame that allows 65 days for borrower response. Reports that list the borrowers who are notified will be available online.*

*TOP certified borrowers, who have a status change that renders them ineligible for TOP, such as death, disability, paid-in-full, settled, school closing, false certification, or bankruptcy status, will be deactivated from the TOP program by Sallie Mae.*

*Borrowers who did not make a payment during the 65-day time frame and did not have returned letters due to bad addresses will be systematically certified for TOP*

*Sallie Mae will generate data cartridges, per ED's and the IRS's file specifications. The media will contain newly certified and recertified borrowers to be forwarded to ED on MGA's behalf. A report that lists the TOP certified borrowers will be generated and available to MGA online. An indicator will be placed on each certified borrower's on-line default record within the Eagle I system. The Eagle I system will maintain the IRS status throughout the TOP process.*



*Sallie Mae will create data cartridges that meet IRS specifications, at federally required intervals. This includes update cartridges that list payments made by certified borrowers, overpayments from IRS tax refund offsets, and deletions of certified borrowers. Sallie Mae will modify the data formats, per any changes to the federal file specifications, at no charge to MGA.*

*Sallie Mae will post all offset recoveries, less the IRS fees, to the borrower's defaulted loan payment history. IRS injured spouse transactions, less the IRS fee, will be processed by Sallie Mae as well. As tax refund offsets or assignment requests are processed and posted, the Eagle I system will automatically adjust the borrower's account balance and default account record. The Eagle I system will also automatically generate a statement indicating that the payment is a result of an IRS tax refund offset, which will be mailed to the borrower.*

- 4k4. The Servicer must ensure MGA compliance with all NSLDS submission requirements. Requirements include:
- a. Running MGA's data through the necessary editing process and submitting the data to the NSLDS.
  - b. Receiving MGA's error tapes (after NSLDS processing).
  - c. Working with MGA staff to resolve error volumes, e.g., those that are widespread and/or system caused.
  - d. Processing MGA's lender reporting files entails the following:
    1. Reviewing error files.
    2. Working with MGA and its lenders/lender servicers that have errors to correct the issues.
    3. Producing NSLDS Unreported Loans files/reports and sending the reports to the lenders or their servicers upon request in a hardcopy format.
  - e. Processing SSCR files (see section 1.104.4c5.g).
  - f. Actively participate in meetings with ED, NSLDS, and the NSLDS contractor to ensure the Servicer is up-to-date on NSLDS requirements for guarantor reporting (including ED Form 2000, lender reporting, and SSCR reporting).

**Contractor Response to Task:**

*The EAGLE System supports the requirements of the Department of Education (ED) regarding submission of data to the National Student Loan Data System (NSLDS). ED's Data Provider Instruction (DPI) guide is used as the basis for NSLDS reporting compliance. Submittal errors generated through NSLDS system load process are processed on EAGLE and supporting error detail reports are systematically created. Sallie Mae will provide MGA with error resolution guidance and as a member of the NCHelp NSLDS Workgroup will keep MGA abreast of topics related to the NSLDS and related processes.*

*All NSLDS Lender Manifest reporting files are systematically processed and NSLDS Lender Manifest error files are generated. Lender Manifest error files are monitored for fluctuating error rates and lender or lender/servicer contact is initiated on uncharacteristic error rates to resolve reporting issues. Several reports are created from the EAGLE system to monitor lender compliance with NSLDS Lender Manifest reporting. The Unreported Loans report series provides summary statistics and detail data on unreported loans. The NSLDS Lender Manifest Unreported Loans detail reports are sent directly to the lender or lender servicer for response.*

*The EAGLE system supports the receipt and processing functions of NSLDS Student Status Confirmation Report (SSCR) process. Changes resulting from the SSCR process are reported to lenders on the Loan Transaction Statement (LTS) or Enrollment Activity Report.*



*Sallie Mae actively participates on various Department of Education and/or NCHHELP support workgroups, including, the NCHHELP/ED NSLDS Workgroup, NCHHELP Enrollment Reporting Committee, NCHHELP/ED Form 2000 workgroups, NCHHELP Program Operations Committee, and the NCHHELP Electronic Standards Committee to ensure that Sallie Mae is up-to-date on reporting requirements.*

- 4k5. The Servicer must calculate/report on the various types of default rates by lender and by school for the cohort or fiscal year. Gross and net cumulative rates are calculated using data provided on ED Form 2000. The trigger rate is calculated using data from ED Form 2000 on loans in repayment and from ED Form 2000 on cumulative defaults. Cohort default rates are available through the NSLDS with data provided by the Servicer. In addition, the Servicer must calculate/report the following default and recovery rates by lender and school:
- Cumulative gross default rate: ratio of defaults [bad debt and uncollectible loans] to matured paper.
  - Cumulative net default rate: ratio of defaults minus net recoveries to matured paper.
  - Recovery rates (included in the default rates explained above).
  - Default performance rate: annual number which is calculated by dividing the amount of bad debt purchased during the prior fiscal year by the amount in repayment at the end of the prior fiscal year. This must be available for viewing on-line (see section 1.104.3a9).

Contractor Response to Task:

*The EAGLE system uses the data reported on the ED Form 2000 annual section of the previous fiscal year end to determine the denominator of the reinsurance trigger calculation. The current reinsurance rate is displayed on the EAGLE system and is accessible to MGA. The Form 2000 is submitted based on the calculated trigger rate.*

*Cohort performance is available using NSLDS data submitted by Sallie Mae on behalf of MGA, and can be calculated at the school or lender level.*

- 4k6. MGA staff must be able to change account information on the Servicer's system based on schools' successful appeals of their cohort default rates (see section 1.104.3a9).

Contractor Response to Task:

*Account status information associated with Cohort Default Rates is accessible and updatable on the EAGLE database. Any corrections based on MGA's successful appeal shall be made by Sallie Mae on behalf of MGA.*

#### 4I. School and Lender Program Review/Technical Assistance Support Services

MGA is required by federal regulations to review schools' and lenders' compliance with program statutes, regulations, and policies. MGA views this function not only as enforcing program compliance, but as an opportunity to offer various types of assistance to its school, lender, and lender servicer clients.

To support this function, various kinds of electronic data processing support are required from the Servicer. Chief among them is the need for listings of borrowers within "designated categories" and "designated time frames" from which to select random samples. Similar but different borrower listings are needed in relation to the assessment of liability to facilitate a school's identification of all noncompliance cases in a population when the random sample indicates a noncompliance violation is widespread and system-caused.

Since default rates for schools and lenders are monitored by MGA and ED in relation to participation in the FFELP, schools and lenders need to know who their defaulted borrowers are.



411. The Servicer must generate borrower listings via an ad hoc report writer tool or on-line report generation from which program review sample cases may be selected or the extent of a noncompliance liability can be identified. These listings may range from the entire population of a school or lender to a small subset. The Servicer must have commonly used programs available to MGA for typical report data requested for school and lender reviews. MGA also must be able to define data parameters according to a specific need (see section 1.302.3 for ad hoc reporting requirements). These listings are to be printed at MGA and available on-line (see section 1.104.3a9). Borrower listings and defaulted borrower listings must be delivered to MGA within 48 hours of the receipt of the electronically transmitted request.

Contractor Response to Task:

*Sallie Mae will provide borrower listings via an ad hoc report based upon request. Sallie Mae will continue to provide SAS report writing tools to allow MGA to generate ad hoc reports as needed. While every attempt to comply with the 48 hour response time, certain circumstances may prevail that will impact delivery time, including: backlog of ad hoc reports to be created, month-end system processing scheduling that may impede available CPU time, delaying report output, etc.*

412. The Servicer must provide listings of defaulted borrowers on-line for any school or lender and receive electronically transmitted requests for the listings on-line from MGA. These listings may be hardcopy or, at MGA's option, electronically transmitted on-line/via Internet to MGA or the school/lender being reviewed. Borrower listings and defaulted borrower listings must be delivered to MGA within 48 hours of the receipt of the electronically transmitted request.

Contractor Response to Task:

*Sallie Mae will provide borrower listings via an ad hoc report based upon request. Sallie Mae will continue to provide SAS report writing tools to allow MGA to generate ad hoc reports as needed. While every attempt to comply with the 48 hour response time, certain circumstances may prevail that will impact delivery time, including: backlog of ad hoc reports to be created, month-end system processing scheduling that may impede available CPU time, delaying report output, etc.*

## 5. FORMS MANAGEMENT/DISTRIBUTION

The Servicer will be responsible for the management and distribution of all manual and computer-generated MGA forms, including camera-ready forms required elsewhere in this CONTRACT (section 1.104.4a1). The Servicer must design the forms and assist MGA in identifying key data elements needed to comply with changes in federal law and achieve efficient data entry onto the MGA database (i.e., design forms with critical data fields noted and sorted for efficient data entry). All formats, content, logos, and contact information will be subject to approval by Contract Compliance Inspector or designee. The Servicer must provide MGA and its borrower, school, and lender clients adequate quantities of forms to meet MGA requirements (see Price Proposal, Attachment 3 for estimated quantities). All federal forms must be provided at no cost to MGA or its clients

### 5a. General Requirements

The Servicer will be responsible for all manual and computer-generated forms as follows:

- 5a1. Design (subject to Contract Compliance Inspector or designee approval, and obtain approval from ED, if necessary). The Servicer must design new/revised forms and have the forms approved for printing/reprint within 20 business days of request from Contract Compliance Inspector or designee.

Contractor Response to Task:

*As primary servicer, Sallie Mae will continue to support the design of new forms for MGA. Costs for custom forms design may be billed to MGA at Sallie Mae's discretion. While every attempt to achieve forms design and approval within the 20 days as requested will be made, longer turnaround times are possible depending upon the complexity of design and securing the most favorable pricing for MGA.*

- 5a2. Production/Printing



- a. Refer to Department of Management and Budget (DMB) standard information (State Administrative Guide procedure 0330.01 [Printing and Copying Requirements and Approval Process] at [http://www.michigan.gov/dmb/0,1607,7-150-9131\\_9347-28031--,00.html](http://www.michigan.gov/dmb/0,1607,7-150-9131_9347-28031--,00.html))
- b. For the ED approved forms (PLUS MPN, Stafford MPN, Consolidation Application, Deferment forms, etc.), follow the specifications provided with each form.
- c. For the existing customized forms/brochures.
- d. Establish a total turnaround time for new/revised forms (from MGA request to delivery of stock) that does not exceed 20 business days after MGA approval.

## Contractor Response to Task:

*As primary servicer, Sallie Mae will continue to coordinate forms production and printing for MGA. While every attempt to place new and revised forms orders within the 20 days as requested will be made, longer turnaround times are possible depending on the complexity of design and securing the most favorable pricing for MGA.*

*Some forms used by MGA are printed within Sallie Mae's own copy center, typically at a cost that is favorable to using external vendors. Sallie Mae will continue to use our copy center resources where appropriate.*

- 5a3. Providing inventory management/tracking/monitoring. Describe Contractor's inventory management methodology/process and facilities to store inventory.
  - a. Provide at a minimum a quarterly report of the MGA on-hand inventory on-line (count by type of form, usage for the period, summary/annual statistics, etc.)

## Contractor Response to Task:

*As primary servicer, Sallie Mae will continue to maintain MGA form inventory, usage and reorder points for MGA. Sallie Mae will provide a quarterly report of forms inventory and usage statistics to MGA as requested.*

- 5a4. Pre-Printed loan applications: When approved by Contract Compliance Inspector or designee, the Servicer must provide schools and lenders with supplies of pre-printed loan applications with the school and/or lender name(s) and ED identification (ID) number(s).

## Contractor Response to Task:

*Sallie Mae will provide customized pre-printed loan applications with school/lender names and identification numbers as directed by MGA.*

- 5a5. Distributing forms: Distribution costs must be included in the Price Proposal of the Contractor's proposal. Forms must be distributed within one (1) business day of request; furthermore, forms must be received by requester within three (3) business days of request. Overnight requests must be approved by Contract Compliance Inspector or designee.

## Contractor Response to Task:

*Distribution costs are including in forms pricing as supplied in the Price Proposal. Sallie Mae will attempt to provide expeditious fulfillment of MGA forms using the above stated requirements. Use of occasional, non-excessive overnight shipping for emergency requests will be performed at Sallie Mae expense.*

- 5a6. Updating forms to reflect federal, state, and other changes are subject to Contract Compliance Inspector or designee approval. All form changes due to changing federal laws or regulations must be provided at no cost to MGA or its clients.

## Contractor Response to Task:



*As requested, modification to forms resulting from changes in federal and state regulations are subject to approval by the Contract Compliance Administrator. Costs for modifying forms for changes of this nature will be provided at no cost to MGA.*

- 5a7. Making all changes and distributing forms/documentation to schools and/or lenders, so forms/documentation are received at least ten (10) business days before system implementation of a scheduled change or cut-off date of an obsolete form. A cover letter to explain the change(s) and appropriate user/system documentation updates must accompany all form and procedure changes.

Contractor Response to Task:

*Given a number of circumstances that exceed Sallie Mae's control, we will make every attempt to meet this requirement as directed by MGA. We understand the importance of meeting this requirement.*

- 5a8. Create, produce/print, distribute, and update on an ongoing basis the following materials (brochures, user documentation/manuals, training manuals, and reference materials), all of which are subject to approval by Contract Compliance Inspector or designee:
- a. High-quality program description brochures, including:
    1. Federal Stafford loan brochure
    2. Federal PLUS loan brochure
    3. Federal Consolidation brochure
    4. Check Free brochure
    5. Having Trouble Repaying Your Student Loan brochure
    6. Loan Default BLOTS Your Record brochure
    7. Other brochures as developed (up to five [5] different types of brochures).

Contractors must estimate requirements for all brochures based on MGA's projected volumes and the Contractor's experience. If actual volumes significantly exceed bid quantities, separate provision will be made as needed via Contract Amendment/Change Notice (see section 1.403).

Contractor Response to Task:

*Sallie Mae is providing estimates of forms printing costs on Price Proposal, Attachment 3 as requested. Based on the supplied quantity, prices are quoted either per unit or per thousand, depending on the pricing received by the print vendor. Pricing for quantities above the usage estimates are assumed to be the same as the listed unit costs. Additional quantities above current usage may be obtained at a lower cost, especially if ordered as one print run. Also, some forms listed are printed internally at Sallie Mae's copy center, and costs for these items are estimated. Prices include warehousing and other fulfillment-related expenses.*

## 6. SCHOOL AND LENDER SUPPORT

MGA requires the Servicer to assist in the MGA servicing efforts with borrowers, schools, and lenders with the following objectives:

1. Establish a plan and execute efforts to expand MGA's current loan volume.
  - Provide dedicated staff (resource person to be known as the Servicer's representative) that will educate/update and technically assist (programming systems) MGA staff, schools, and lenders regarding the Servicer's products and services that are included in MGA's products and services (Technical and Marketing Manager).
2. Increase MGA market share/loan volume.
3. Assist schools interested in beginning, maintaining or renewing their participation in the FFELP with the MGA guarantee.



The Servicer must perform the following school and lender support activities:

#### 6a. Professional Staff

The Servicer must provide trained professional staff who are knowledgeable of the guaranteed student loan industry and the MGA/Servicer's systems/services to meet, as requested, with MGA schools and lenders on behalf of MGA to discuss MGA's guarantee and the Servicer's products and services made available by MGA (Technical and Marketing Manager).

Contractor Response to Task:

*Sallie Mae is committed to expanding the level of responsiveness to the needs and business operation of MGA.*

*To facilitate this goal, Sallie Mae intends to expand its Guarantor Contract Services staff and increase support to MGA. Further, and to the extent permissible by Michigan State law, Sallie Mae wishes to explore the prospect of this staff addition to be housed at MGA's Lansing office. This action, in our opinion, will strengthen communication, and provide on-site expertise to MGA regarding systems and processes covered by this CONTRACT. Also, this staff addition would be responsive and provide support to MGA's overall business objectives, which may include:*

- 1) providing information for EAGLE semi-annual releases to MGA staff, and tracking changes in scope;*
- 2) monitoring the completion of project enhancements (collection system enhancements, back-end web development), and working with MGA staff to achieve effective execution of these strategies;*
- 3) assist MGA with mandatory client visits;*
- 4) facilitating school and lender surveys and initiatives,*
- 5) support business advancement opportunities to the extent appropriate;*
- 6) be responsive to MGA staff and serve as an interface to Sallie Mae operations;*
- 7) training support for MGA staff.*

*This position will be fully-funded by Sallie Mae, and will hold responsibilities as the Technical and Marketing Manager for the MGA contract. We recommend additional discussions to be held with the MGA Executive Management to explore the feasibility of this initiative. Further, job responsibilities and expected benefits to MGA must be identified and discussed. Further, conversations must be held that identify functions that are "mandatory support" versus "discretionary support", since the latter items are billable to MGA as Discretionary School and Lender Support.*

*We feel this action may provide a level of unprecedented support to MGA, and are confident of the benefits derived from this initiative. Upon contract award, discussions between MGA and Sallie Mae should take place.*

*The addition of this position will not impact the function of the Contract Manager/Liaison function as listed in section 1.201. Further this position will integrate with existing Guarantor Contract Services staff based in Fishers, Indiana that presently provides support the MGA contract. Names, job descriptions and experience of these individuals are provided in section 4.303.*

#### 6b. Common Manual: Unified Student Loan Policy

The current Servicer provides approximately 350 copies of the complete industry common policy manual, in hardcopy (quantity=200) and compact disc (quantity=150) format, to MGA school and lender clients and MGA staff when published annually. MGA prints and distributes periodic updates as they are published.

The Servicer must continue to provide complete manuals to all MGA clients and staff who currently have this manual, and must print and distribute up to an additional 50 manuals, as directed by MGA. All materials must prominently display MGA identification/logo approved by Contract Compliance Inspector or designee (see section 1.104.1a).

Print and distribute the *Common Manual* within 90 calendar days of Contract award in conjunction with conversion implementation.



All costs associated with this task must be included in the Servicer's base contract price for operations. Additional copies of the manual above the initial 400 must be provided and distributed upon request of MGA. Unit cost above estimated quantity must be provided in Price Proposal.

Contractor Response to Task:

*As servicer to MGA, Sallie Mae will continue to provide up to 400 copies of Common Manual updates as requested. Costs for this service are included in standard fees per Price Proposal. At MGA request, additional copies of the manual will be distributed at no additional cost to MGA. All copies of the Common Manual will prominently display the MGA name and logo.*

#### 6c. Electronic Transmission Software, Equipment, and Processing Capabilities

Provide electronic transmission software and capabilities equivalent to those currently provided (PC-based or Internet-based software) by MGA to support existing service levels for electronic transmission of data between the Servicer and MGA clients at no additional cost to MGA or its clients. This requirement applies to any school and lender electronic communication services described elsewhere in this CONTRACT that are currently installed and operational.

Provide PC-based software that can be used as a stand-alone or adapted for multiple users on a Local Area Network (LAN). Must support CommonLine Release 5, CommonLine Release 4, as well as CommonLine/CommonRecord as the industry implements it. Software must electronically collect, verify, document, and transmit Federal Stafford Subsidized and Unsubsidized and Federal PLUS loan data for guarantee. It must also allow schools to manage alternative loan programs. Data transmission via modem, or Internet-based mail with encryption capabilities. Allow schools to maintain a database of prior loan history, including the ability to create reports from this data. Must be capable of importing Institutional Student Information Reports (ISIRs) as well as loan records created on a Financial Aid Management System (FAMS). Must be capable of supporting hold/release and creating disbursement forecasting reports.

Internet-based software that allows for on-line loan processing, E-Signature, and exchange of files with any lender, servicer, or guarantor partners. Allows school to track and monitor data transmissions on-line, create custom reports, and review guarantee, disbursement, and servicing data. Supports hold/release disbursement options.

Contractor Response to Task:

*As previously mentioned in section 1.104.4a3, the EAGLE system and online loan transmission products will support the electronic receipt of loan request data for Federal Stafford, PLUS, or alternative loans:*

- *via the Internet using OpenNet*
- *using the FFELP CommonLine Network*
- *using WhizKid*
- *direct electronic transmission using telephone communication links (PC, FTP, or mainframe)*
- *cartridge format*

*Through electronic interfaces, Sallie Mae offers a state-of-the-art processing platform to guarantee loans electronically in an open format for all lenders, servicers, and guarantors, and complies with U.S. Department of Education statutory and regulatory requirements, and applicable statutes, regulations, directives and initiatives for the Federal Family Education Loan Program. Processes for E-Signature and hold/release disbursement functions are also supported.*

*Also mentioned, Sallie Mae's WhizKid product offers an **ISIR** (Institutional Student Information Record) **Utility** that allows schools to create data records from the ISIR. The latest version of the ISIR Utility is available on the FTS (File Transfer Service) site at ([www.salliemae.com/fts](http://www.salliemae.com/fts)) to school customers and is not exclusive to WhizKid users.*

#### 6d. School and Lender Training Programs/Materials

Prepare and conduct, with approval and participation from Contract Compliance Inspector or designee, school and lender training programs/materials for the following:



6d1. Ongoing training, with content and timing as requested by the Contract Compliance Inspector or designee throughout the Contract. School and lender training workshops must be provided bi-annually, in April or May and October or November. Costs for this mandatory support must be included in the Price Proposal. Ongoing training includes, but is not limited to, the following:

- a. Program/regulatory changes.
- b. Basic “refresher” courses.
- c. ED, State, MGA, or Servicer-specific operational/procedural/policy issues or changes.
- d. New school and lender product offerings.

Contractor Response to Task:

*Sallie Mae will provide training materials and, in conjunction with MGA, will conduct training sessions semi-annually for MGA schools and lenders at no additional cost to MGA. Sallie Mae’s experienced training team will conduct educational training workshops for schools and lenders and will work closely with MGA to develop a training agenda and materials suitable to MGA.*

*As discussed in Section 1.104.6a, Sallie Mae expects the proposed Technical and Marketing Manager position based in the Lansing office will also coordinate and/or facilitate training efforts at MGA. The outcome of this initiative will ensure that MGA staff will use systems in the most efficient manner possible.*

6d2. Other training with content and timing as requested by the Contract Compliance Inspector or designee throughout the Contract will be considered discretionary and paid upon completion per section 2.202 (Contract Payment). Other training includes, but is not limited to, periodic seminars for training/retraining of MGA, lender, and school staff.

Contractor Response to Task:

*Other needed training, at the request of MGA, will be provided to MGA staff, lender, and school customers. Sallie Mae believes that certain training activities may be accomplished by the proposed on-site Technical and Marketing Manager. In the event additional resources are needed to accomplish requested “ad hoc” training, expenses associated for this service will be billable at cost to MGA upon completion. For purposes of this Contract, Sallie Mae assumes costs for this service will be covered by Discretionary School and Lender Support per Price Proposal Summary.*

## 6e. Survey of Schools and Lenders

6e1. Once every two years prepare, conduct, and tabulate/analyze a survey of MGA-participating schools and lenders to assess their satisfaction with MGA and the Servicer. The survey instrument and topics are subject to MGA’s approval, and should contain at a minimum the following subject areas pertaining to MGA: Overall Impression, Image, School Services Unit, Materials, Workshops, Customer Services, and Problem Resolution.

Contractor Response to Task:

*Once every two years, Sallie Mae will facilitate the execution of a school and lender survey to assess the satisfaction of MGA and Sallie Mae service as provided to the higher education community in the State of Michigan.*

*Sallie Mae and MGA will provide guidance for the survey content and scope. To achieve maximum results from this effort, Sallie Mae recommends using a professional survey organization to perform actual survey execution and response tabulation. Expenses for this service will be billed to MGA at cost. Since the scope of the survey will likely determine final cost, for purposes of this CONTRACT response, Sallie Mae assumes each survey will cost \$30,000. Actual survey expenses will be billed to MGA. The cost estimate for survey activity is reflected on Price Proposal, Cost Summary.*



## 6f. Mandatory School and Lender Support

Provide the following *mandatory* support at no additional cost to MGA, schools or lenders:

- 6f1. Minimum forty-eight (48) hours monthly at MGA client sites, pre-approved by Contract Compliance Inspector or designee.

Contractor Response to Task:

*As discussed in section 1.104.6.a, Sallie Mae will comply with this requirement and anticipates the proposed Technical and Marketing Manager position, located on-site at MGA's Lansing office, can assist and support the mandatory school/client visits as requested.*

- 6f2. Participation at MGA Guaranty Agency Advisory Committee (GAAC) meetings (currently held in February, May, and December).

Contractor Response to Task:

*Sallie Mae will continue to provide representation at the MGA Guaranty Agency Advisory Committee meetings held per the current schedule. This support will be provided by the Contract Manager/Liaison. Additional representation will be provided by Sallie Mae depending on topics discussed.*

## 6g. Discretionary School and Lender Support

- 6g1. Provide additional *discretionary* school and lender support over and above the mandatory support specified in 1.104.6f **only when requested and pre-approved** by Contract Compliance Inspector or designee. The State will reimburse up to \$200,000.00 per year.

Contractor Response to Task:

*As discussed in section 1.104.6.a. of this proposal, Sallie Mae is proposing an on-site Technical and Marketing Manager to support MGA initiatives, and will be available to provide school and lender support. Any requested discretionary support over and above the mandatory support will be billable to MGA. Sallie Mae will advise MGA of the costs for discretionary support in advance of the work being performed.*

- 6g2. All travel hours will be paid as if the Servicer representative has a Lansing office location. (For example, for a commitment in Detroit, MGA would pay for travel time from Lansing to Detroit but not from the Servicer's home office to Lansing.) If the destination were closer to the Servicer's office, travel hours would be paid as if travel originated at the Servicer's office.

Contractor Response to Task:

*The above methodology is acceptable when determining billable costs to MGA for any discretionary school and lender support services rendered in this contract.*

- 6g3. All auditable out-of-pocket expenses for travel and lodging will be reimbursed at cost, up to a maximum of authorized State rates. Please see [http://www.michigan.gov/dmb/0,1607,7-150-9141\\_13132---,00.html](http://www.michigan.gov/dmb/0,1607,7-150-9141_13132---,00.html) for current rates.

Contractor Response to Task:

*Sallie Mae understands and agrees that all auditable out-of-pocket travel expenses will be reimbursed by MGA at the rates referenced above.*

## 6h. School and Lender Support Procedures/Reports

The Servicer must abide by the following customer contact procedures:



- 6h1. The Servicer must provide Contract Compliance Inspector or designee a monthly status report of all school and lender contacts made by the Servicer on behalf of MGA (in person, by telephone, or by mail), highlighting unscheduled visits due to emergencies or unforeseen circumstances.

Contractor Response to Task:

*Sallie Mae agrees that MGA will have full knowledge of school visits planned by the Technical and Marketing Manager as described in section 1.104.6.a. Further, it is likely that representation from MGA will accompany the Technical and Marketing Manager during most if not all visits made on behalf of MGA.*

- 6h2. The Servicer must provide Contract Compliance Inspector or designee a weekly schedule of planned contacts for pre-approval a week in advance, whether or not discretionary reimbursement is expected.

Contractor Response to Task:

*Sallie Mae agrees that MGA will have full knowledge of school visits planned by the Technical and Marketing Manager as described in section 1.104.6.a. Further, it is likely that representation from MGA will accompany the Technical and Marketing Manager during most if not all visits made on behalf of MGA.*

- 6h3. All correspondence from the Servicer to borrowers, schools, and lenders must clearly and prominently identify that the correspondence has been generated on behalf of MGA (see section 1.104.1a).

Contractor Response to Task:

*All correspondence sent on behalf of MGA will be clearly identified through the use of MGA letterhead, or by clear notation of MGA's name above the servicer's address.*

## 6i. General Requirements

- 6i1. Agreements/contracts for servicing capabilities with lenders will be between the Servicer and interested lenders. These contracts will stipulate that the Servicer will assume financial liability for any loss by the lenders due to the Servicer's action or omission.

Contractor Response to Task:

*Any agreements/contracts for lender servicing capabilities are between Sallie Mae and respective lenders. Further, the assignment of liability is subject to negotiation between Sallie Mae and the lender, and the associated terms will reflect the best interest of both parties engaged in the transaction.*

- 6i2. Servicing on behalf of MGA lenders must follow applicable federal due diligence requirements in the making, disbursing, servicing, and collection of loans.

Contractor Response to Task:

*With more than 30 years experience in the student loan industry and over \$100 billion portfolio of managed student loans, Sallie Mae has a successful track record in providing loan servicing to more than 7 million borrowers. As the largest single holder of FFELP loans, Sallie Mae is fully compliant with all applicable federal laws and regulations.*

- 6i3. Servicer(s)/Contractor(s) are prohibited from marketing/selling products/services to Michigan schools and lenders using a guarantor other than MGA. Servicer(s)/Contractor(s) are prohibited from being accompanied by another guarantor when visiting/meeting with Michigan schools and lenders without prior permission from the Contract Compliance Inspector or designee.

Contractor Response to Task:

*Sallie Mae will always promote and encourage use of the MGA guarantee in the State of Michigan. As an advocate of school choice, MGA understands that Michigan schools are free to select alternative and competing services from other guarantee agencies. Sallie Mae will never actively promote a competing guarantor's services in the State of Michigan, yet we also respect a school's decision to choose alternative*



*services. We believe this is consistent with MGA's philosophy. For purposes of this contract, it is in Sallie Mae's best interest to promote and encourage the success and continued vitality of MGA.*

- 6i4. Servicer(s)/Contractor(s) are prohibited from partnering with any other guarantor to provide products/services to any Michigan school.

Contractor Response to Task:

*Sallie Mae will always promote and encourage use of the MGA guarantee in the State of Michigan. As an advocate of school choice, MGA understands that Michigan schools are free to select alternative and competing services from other guarantee agencies. Sallie Mae will never actively promote a competing guarantor's services in the State of Michigan, yet we also respect a school's decision to choose alternative services. We believe this is consistent with MGA's philosophy. For purposes of this contract, it is in Sallie Mae's best interest to promote and encourage the success and continued vitality of MGA.*

- 6i5. All of the products and services included in this CONTRACT will be available to all MGA participating schools regardless of their chosen lender partners as well as all MGA participating lenders regardless of who the lender is serviced by, the lender code used by the lender, or other lender-chosen partners.

Contractor Response to Task:

*Sallie Mae intends to provide its products and services to all MGA participating schools. There may be certain products and services, either now or in the future, that may not be available as requested. Additional discussions are required with MGA to identify if any specific products and services are encompassed by this request.*

*Consistent with our response to section 1.104.4a12b, Sallie Mae will resume providing pre-approval PLUS credit checks for schools who request this service regardless of the lender or who the lender will be serviced by. This service will be provided to MGA at an estimated fee of \$5.00 per transaction, billable monthly. Once contract award has been made, Sallie Mae will engage in conversations with MGA to understand the breadth of service desired (impacting transaction cost), reporting mechanisms for credit results, etc. For pricing purposes, Sallie Mae assumes the fees for this service will be funded from Discretionary School and Lender Support fees as represented on Price Proposal Summary.*

## 7. COMPUTER SOFTWARE MAINTENANCE AND ENHANCEMENT

Periodically MGA will want to enhance the services provided to borrowers, schools, and lenders or more effectively/efficiently work with outside entities (e.g., clients, ED, Treasury Collections, collection subcontractors, etc.). Some changes will be requested to accommodate the needs of MGA staff.

For certain types of software program/system modifications and enhancements during ongoing operations after Contract implementation cutover, MGA will reimburse the Servicer, Early Intervention Contractor and Default Aversions Contractor at the Contract rate per programmer hour bid in the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's proposal or otherwise negotiated by the State. The State's Project Management Methodology or other alternative method approved by Contract Compliance Inspector or designee will be used to manage system modifications/enhancements (see sections 1.104.7d and 2.104.2). The objectives of MGA in requiring this are to:

- Allow MGA to effectively manage system modifications and minimize the related expense.
- Sign-off on the specifications and intent of all changes before the Servicer performs the work.
- Understand and approve cost/benefit of changes requested.
- Manage the priorities and timeframes of systems changes.
- Manage/minimize the impact on MGA and its borrower, school, and lender clients.



- Separate MGA-requested programming/system modifications and enhancements costs from mainstream/routine/required program operational expenses to allow Servicer, Early Intervention Contractors and Default Aversions Contractors to bid “clean” operations pricing for the Contract period.

### 7a. Federally Required Changes

Computer software/system modifications necessary to meet federal reporting and processing requirements must be included in the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's base Contract bid for program operations.

Contractor Response to Task:

*Sallie Mae will perform computer software system modifications required as a result of changes in federal laws, rules, or regulations mandated by the U.S. Department of Education. These changes will be made at no additional cost to MGA.*

### 7b. Emergency Fixes

“Emergency fixes” necessary to correct the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's production program/system failures and to maintain service operations will not be reimbursed by MGA. All production program/system failures (emergency fixes) must be corrected by the Servicer within two (2) calendar days. The Servicer must notify MGA the next business morning of any emergency fixes necessary to correct the production program/system failures by the next business morning that includes the following information:

1. Nature/description of the problem.
2. Action/user/situation that caused the problem.
3. Change/correction applied and its impact on operations.
4. Additional steps required to correct the situation and prevent future occurrences of the same problem.

Contract Compliance Inspector or designee will immediately notify the Servicer if MGA staff determines that there is a defect or failure in the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's system that could have an impact on the system's production.

Contractor Response to Task:

*Sallie Mae will provide MGA a description of the problem, the cause of the problem, the corrective action taken and any operational impacts, and any additional steps necessary to prevent future occurrences of the problem. Sallie Mae will provide MGA with a projected timeframe for completion, the reason for the delay, if any, and assist in developing any necessary workarounds. Sallie Mae will bear the expense of making any emergency fix to its systems at no cost to MGA.*

*Sallie Mae will take every effort to provide system corrections as soon as possible. A two (2) calendar day commitment to provide correction measures cannot be assured, since system diagnostics often will consume this time period before corrections will be made. Be assured that Sallie Mae, as servicer for multiple guarantee agencies, has a vested interest in correcting program/system failures as quickly as possible.*

### 7c. Discretionary Changes

1. MGA will reimburse the Servicer, Early Intervention Contractor and Default Aversions Contractor at the Contract rate per programmer hour for all program/system changes requested by Contract Compliance Inspector or designee that are not federally mandated. This rate must include **all** costs associated with program specification, development, testing, and turnover, including any associated computer processing and system execution costs.

The Servicer, Early Intervention Contractor and Default Aversions Contractor must document and



itemize all costs in writing to Contract Compliance Inspector or designee if any such discretionary modification transferred to the production environment causes the Servicer, Early Intervention Contractor and Default Aversions Contractor to incur substantive ongoing costs of any kind. Separate provision will be made as appropriate. Development hours, system execution costs, and any other charges must be itemized by project/modification request number for all non-federally mandated changes.

This process will apply to all change requests by using the State's Project Management Methodology or other alternative method approved by Contract Compliance Inspector or designee to manage system modifications/enhancements (see section 2.104.2).

Contractor Response to Task:

*For non-federally required MGA requested system changes/enhancements, Sallie Mae will provide an estimate letter for the project that includes all estimated costs associated with program specification, development, testing, turnover, computer processing, system execution, and ongoing operational costs, if applicable. Please note additional testing by MGA staff may be necessary. Sallie Mae will not perform any of these MGA requested system changes without MGA's prior approval.*

*Although the State of Michigan uses a standard Project Management Methodology, alternatively, Sallie Mae uses its own project management process for system development and processing.*

*Sallie Mae's Application Development Department is required to follow the processes defined in the Sallie Mae Process Asset Library (SMPAL) for all application development work. SMPAL includes comprehensive project management processes in accordance with the Project Management Institute's Project Management Body of Knowledge (PMBOK) criteria. These processes outline:*

- **Project Initiation**: *This process involves initiating and formally recognizing that a new software development enhancement request or initiative exists through the development and review of the Scope Statement. The Scope Statement will serve to form the basis for an agreement between the project and the projects customer on the scope of the new enhancement request or initiative. It provides a documented foundation for making future project decisions and for confirming or developing a common understanding of project scope among the stakeholders. This process links the initiative to the ongoing work of the performing organization. Note that some initiatives may not be formally documented in a Scope Statement until after the preliminary amount of work has been completed such as a feasibility study, a preliminary plan, or a certain degree of analysis.*

- **Tailoring SMPAL**: *This process focuses on tailoring the SMPAL process assets to ensure project deliverables fit the needs of the individual projects. SMPAL is a compilation of Sallie Mae IT Application Development standard processes. It provides a comprehensive set of software process elements for software development projects, and the relationships (e.g., ordering and interfaces) between these process elements. It offers a starting point for selecting and customizing the processes appropriate for specific projects. Once SMPAL is tailored for a specific software development project, it serves as the operational definition of the software development process for that project and may be referred to as the projects systems development life cycle (SDLC). It is well characterized and is described in terms of software standards, procedures, tools, and methods. The tailoring process also has links to the criteria used by Process and Product Quality Assurance (PPQA) in completing reviews or coaching on project deliverables. If a project has been selected for engagement by PPQA, the PPQA team will participate in defining and approving tailoring choices. PPQA Reviews on the project will use the tailoring matrix as the baseline for review for project compliance.*

- **Project Planning**: *This process involves developing the overall project schedule according to a documented procedure, taking into account the size of the software work products and the effort involved. The project schedule represents the planned dates for performing activities and the planned dates for meeting milestones. Developing the project schedule requires identification of the following: Project life cycle model System Development Life Cycle (SDLC) Work packages within each phase Resources available to the project Internal and external constraints placed on the schedule. The project schedule can be completed in conjunction with the Project Plan.*

- **Track, Monitor, and Report Progress**: *This process includes the activities to track, monitor, control, and report on project progress. It also includes updates of the project plan and project schedule to address changes. Monitoring concentrates on measuring and reporting on project performance in comparison with the project plan. Controlling focuses on analyzing the information supplied by monitoring and taking corrective actions to bring expected future performance in line with the project plan. Controlling*



*also includes taking preventive action in anticipation of possible problems. The project plan is revised as the project progresses to address changes in requirements and commitments, inaccurate estimates, corrective actions, and process changes.*

*- **Managing Issues, Risks, and Scope Changes:** These processes describe the activities related to identifying, managing and resolving issues, risks, and scope changes. Issues are defined as matters or problems worthy of special attention which may impede project progress, about which no agreement has yet been reached, and that need to be addressed (usually soon) in order to meet requirements under the existing scope. Risks are defined as circumstances or events that have the potential to have a negative impact on the project. Negative impacts may include: schedule slippage, cost increases, less functional deliverables, and other threats to customer satisfaction. Scope Changes are defined as any modification to the scope that will materially impact the project is considered a scope change and is subject to the Manage Scope Changes process. These processes allow for an effective management of a visible decision-making process, a means for reaching consensus on questions concerning the project, and a project audit trail.*

*We are confident our Project Management methodology will meet the State of Michigan's requirements.*

2. The cost of preparing the cost information for discretionary changes will be borne by the Servicer, Early Intervention Contractor and Default Aversions Contractor unless otherwise agreed to in writing by Contract Compliance Inspector or designee. Approval to develop cost information will be provided per section 1.104.7c1.

Contractor Response to Task:

*Sallie Mae agrees to bear the cost of preparing estimates for MGA-requested system changes/enhancements.*

3. For major changes, the Servicer, Early Intervention Contractor and Default Aversions Contractor may structure a separate "project" to develop specifications and estimates for approval. Please describe Contractor's criteria for separate "projects" if applicable.

Contractor Response to Task:

*Sallie Mae's typical release cycles occur semi-annually (Spring and Fall) along with monthly "patch work" changes for modification or corrections when/if needed. System changes and compliance issues may be installed or implemented independent of the release cycle, if necessary.*

4. MGA reserves the right to alter, delay, or cancel implementation of any change except those that are federally mandated according to specific methods and timeframes.

Contractor Response to Task:

*MGA can alter, delay, or cancel any requested project or change by notifying Sallie Mae. Sallie Mae may charge MGA for any work completed up to the point of cancellation. MGA may not cancel any federally mandated or non-MGA requested project.*

## 7d. System Change Procedures

For either federally required or MGA-requested changes, the Servicer, Early Intervention Contractor and Default Aversions Contractor must adhere to the following procedures for system modification and enhancement:

- 7d1. All software/systems modifications or enhancements requested/recommended by the Servicer, Early Intervention Contractor, Default Aversions Contractor or Contract Compliance Inspector or designee, participating schools and lenders, or related organizations (e.g., the State of Michigan Legislature, Treasury Collections, etc.) must be specified, documented, and estimated in terms of programmer hours, system execution costs, and any other applicable costs, elapsed time required, and overall development cost by the Servicer, Early Intervention Contractor and Default Aversions Contractor prior to the Servicer, Early Intervention Contractor and Default Aversions Contractor beginning work. All such requests must be presented and discussed periodically with Contract Compliance Inspector or



designee for review, prioritization, and written approval/sign-off before beginning work (see section 1.104.7c for system change request process).

**Contractor Response to Task:**

*The FFELP industry is highly regulated and operates in a vastly competitive environment. As such, systems, processes, and procedures are continually evaluated and enhanced to conform to changing regulatory requirements and anticipated market needs.*

*For MGA requested projects, the process includes MGA providing specifications for the modification and then Sallie Mae's Technology Group determining the hours required for programming and development, testing, turnover, initial and ongoing system execution charges, and any other applicable costs. MGA will then receive a written estimate, including an estimated range for the cost to develop and implement the modification, for approval. Work will not be initiated on a MGA-specific modification without MGA's authorization. To ensure proper execution, MGA will be involved in the review of testing of MGA-specific requested changes.*

*For federally mandated changes, the modifications will be specified, documented, and estimated in terms of programmer hours, elapsed time required, and overall development processing by Sallie Mae prior to beginning work. Since federal regulatory changes are not billed to MGA, our focus will be to provide specifications and development/implementation schedules to ensure MGA is apprised of Sallie Mae's strategy and timeline to meet the new requirements.*

- 7d2. If the requested software or system changes are provided to any of the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's other customers, MGA may only be charged its applicable, proportional share of the costs.

**Contractor Response to Task:**

*Sallie Mae will charge MGA for computer programming and processing for any software, system, program, or reporting modifications requested by MGA that are not federally mandated items. If the software and/or system change is provided to other Sallie Mae customers, MGA and the participating customers will be charged its applicable, proportional share of the costs. If any software, systems, program or reporting modifications are made that are not a result of a request from MGA, but MGA receives benefit, that item is considered an enhancement and MGA and all participating customers will be charged a proportional share of the costs.*

**7e. Usual Servicer Billing**

- 7e1. The Servicer, Early Intervention Contractor and Default Aversions Contractor must itemize the invoice to MGA for completed modifications at the end of the month in which the modifications are completed (including specified program/system testing to the satisfaction of Contact Compliance Inspector or designee) (see section 2.202 for Contract Payment).

**Contractor Response to Task:**

*Completed system modifications will be listed separately on the monthly invoice. The invoice will include the project number, a brief description of the project, actual hours expended, and the billable portion to MGA. There may be timing differences between when the project is billed from when it was actually implemented. This timing difference may occur if the original implementation is near month-end or if the project effort was extensive, which requires post-implementation support.*

- 7e2. Unless otherwise specified by Contract Compliance Inspector or designee, completed requests must be implemented operationally within 20 business days for final acceptance testing per section 2.105 (PARE), including documentation and communication of changes in advance to all affected users as required in section 1.104.5a7.

**Contractor Response to Task:**

*Sallie Mae will comply with this request. Sallie Mae strives to implement completed projects in a very timely manner. However, there are times when it is more effective to "bundle" issue resolution, enhancements,*



*and regulatory compliance. This strategy provides a more efficient environment for testing; resulting in fewer hours expended and ultimately lowers costs to MGA and other guarantor customers.*

#### 7f. Progress Billing

For major development projects requiring more than 20 calendar days from start date to completion, the Servicer, Early Intervention Contractor and Default Aversions Contractor may establish a progress billing approach based on percent of completion at the end of a given billing period; furthermore, the progress billing approach must be approved by the Contract Compliance Inspector or designee in the system change request process in section 1.104.7c.

Contractor Response to Task:

*As is the current process with MGA and Sallie Mae today, MGA may be billed for major projects after semi-annual system release implementation. For those items that cross multiple releases, work performed may be "progress billed" after each release implementation.*

### 8. PROGRAM CONVERSION/TURNOVER

At the end of the Contract period, MGA requires that the Servicer, Early Intervention Contractor and Default Aversions Contractor provide assistance in transferring contracted operations, systems, and any MGA-owned equipment and materials in operation or storage/inventory to either MGA, another Servicer, Early Intervention Contractor, Default Aversions Contractor or a combination of the four. MGA's major objectives are to:

- Provide for an orderly and controlled transition to either MGA or a successor Servicer, Early Intervention Contractor and Default Aversions Contractor.
- Minimize any disruption of processing and services provided to MGA or MGA borrower, school, and/or lender clients.

#### 8a. Option A: Comprehensive System Conversion/Turnover to MGA

If the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's guaranty agency software to support all FFELP loan programs is available for sale or licensing to MGA for internal use after the Contract period, the Servicer, Early Intervention Contractor and Default Aversions Contractor will be required to support the conversion/turnover of the entire system (software, hardware, and communications for MGA and its clients' interface software and equipment) to MGA at the end of the Contract period. Continued maintenance of the software will also be necessary. Please complete the cost information in Price Proposal.

Contractor Response to Task:

*Sallie Mae's EAGLE system could be available for use on a leased, or "distributed basis" to MGA, should this option be chosen upon termination of the current lease period. Should MGA desire to exercise this option, appropriate fees and contract terms must be determined at that time. Pricing for this service will be a function of future MGA loan volume and overall size of the outstanding loan portfolio. Assuming this transaction is amenable to both MGA and Sallie Mae, the FFELP program will likely undergo significant changes, which could impact program complexity and software maintenance costs. Therefore, it is difficult to forecast associated costs of service with any expectation of reasonable accuracy. Consequently, any fees associated with this option will be negotiated during the last 12 months of the servicing agreement.*

#### 8b. Option B: Conversion/Turnover to MGA or Successor Servicer

If Option A is not available from the selected Servicer, Early Intervention Contractor and Default Aversions Contractor or Option A is not exercised by MGA at the end of the Contract period, the Servicer, Early Intervention Contractor and Default Aversions Contractor must support the conversion/turnover to either a designated State of Michigan data center or to a successor Servicer, Early Intervention Contractor and Default Aversions Contractor, at the option of MGA.

If both options are available from the Servicer, Early Intervention Contractor and Default Aversions



Contractor, MGA reserves the right to select which option will be implemented at the end of the Contract period.

In either case, MGA requires that all software, computer and telecommunications equipment purchased to support the MGA Contract be selected for compatibility with the MGA technical environment (see *Section 1.103*) wherever possible to minimize the conversion/turnover effort/cost should MGA decide to bring processing back in-house at the termination of the Contract, if necessary. The Contract Compliance Inspector or designee must approve software, computer, and telecommunication equipment before its purchased.

For either option in sections 1.104.8a or 8b, the following will be required of the Servicer, Early Intervention Contractor and Default Aversions Contractor:

**Contractor Response to Task:**

*At the end of the contract period, Sallie Mae will provide assistance in deconverting operations and data to MGA, another servicer, or a combination of the two. Sallie Mae will provide assistance with the following three objectives:*

- To provide an orderly and controlled transition to either MGA or a successor to Sallie Mae;*
- To minimize any disruption of processing and services provided to MGA and its schools, lenders, and borrowers, and;*
- To shut-down the database to conclude MGA transaction processing.*

*To facilitate turnover activities, the State of Michigan can expect certain costs will be billed to MGA at the prevailing programmer hourly rate (\$95.00 per hour). Hourly usage for program turnover activities will vary, depending on the requirements of MGA and/or the successor servicer. A "routine" turnover project can consume up to 5,000 technical hours. Assuming 40% of these hours are billable, MGA can expect to pay \$200,000 for program turnover activities. This is merely a cost estimate, and actual charges will apply.*

### **8c. Comprehensive Plan for Operational Conversion/Turnover**

The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide a comprehensive plan for the operational conversion/turnover to the Contract Compliance Inspector or a successor Servicer, Early Intervention Contractor and Default Aversions Contractor of all FFELP loan programs and their accumulated operational data files, documentation, and other related information within 20 calendar days of notification of a new Contract award to another Servicer, Early Intervention Contractor and Default Aversions Contractor or Contract termination to facilitate the smooth transfer of operations and accumulated history for continued operation. Total transition/conversion of the specifications in this Contract (section 1.104) must be completed within 90 calendar days of notification. Please describe the Contractor's ability to meet a lead-time shorter than 90 days.

**Contractor Response to Task:**

*Upon written notification from MGA, Sallie Mae will provide, within 20 business days of notification of a new contract award to another servicer or contract termination, a high level plan for the operational turnover of all accumulated data files, documentation, and other related information. This deconversion plan will be provided to MGA and organized in a manner that provides a smooth decoupling and shut-down of the System to prevent transactions from being processed on the system after the expiration or termination date of the contract and that will provide for the transfer of data and program operation material. This plan will be revised and adjusted based on concurrent discussions with either State system administrators or the successor servicing entity.*

*A key component of a successful deconversion is the establishment of the proper schedule of activities. A rapid completion timetable to remove loan data from the existing system is readily attainable. Data turnover functions external to Sallie Mae, such as database design, data mapping, transfer testing, actual data transfer, and user and client training, will almost certainly require a longer time period than 90 days. Sallie Mae, in conjunction with MGA's overall turnover plan, can provide MGA loan records and complete system cutover and shutdown activities within the 90 day time period or sooner, should notice of contract termination be served.*

### **8d. Servicer Personnel**



The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide personnel with first-hand knowledge of the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's MGA support operations and computer systems to work with the appropriate MGA and/or successor Servicer, Early Intervention Contractor and Default Aversions Contractor staff to define the specifications for conversion of computerized information in a manner consistent with the approach and degree of completeness defined in Program Conversion (section 1.104.2).

Contractor Response to Task:

*Sallie Mae will provide staff with first-hand knowledge of Sallie Mae's support operations and computer systems to work with the appropriate MGA or successor servicer staff to ensure specifications for conversion of computerized information is defined in a manner consistent with those identified in the Program Conversion section of this proposal.*

## 8e. Conversion Programs

8e1. Any conversion programs necessary to provide conversion data in formats that are acceptable to MGA and the successor Servicer, Early Intervention Contractor and Default Aversions Contractor must be written and tested to the satisfaction of the Contract Compliance Inspector or designee by the successor Servicer. Describe the file formats available from the Contractor. (See section 2.105 for PARE requirements.)

Contractor Response to Task:

*Any conversion programs Sallie Mae develops to provide conversion data will be written and tested to the satisfaction of MGA. Sallie Mae will provide to MGA, or a successor servicer, IBM compatible cartridges containing loan data and documentation describing the files, records, and data fields.*

8e2. The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide electronic copies of current MGA data files as of the scheduled conversion testing date(s) and the actual production cutover date in existing file formats. Describe the electronic media/file formats Contractor can provide.

Contractor Response to Task:

*Sallie Mae will provide electronic copies of current MGA data files for conversion testing and actual production cutover in the file formats existing at the time of the deconversion. The data files will be provided via IBM-compatible cartridges.*

8e3. All file indexing and other data relationships/dependencies represented in the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's data file structures must be either documented or sufficiently explained so these relationships can be reconstructed as appropriate by the successor Servicer, Early Intervention Contractor and Default Aversions Contractor in accordance with its Program Conversion (see section 1.104.2).

Contractor Response to Task:

*As previously mentioned, Sallie Mae will provide the needed expertise to assist in the data mapping efforts to ensure appropriate integrity is maintained.*

## 8f. Record Types

The Servicer, Early Intervention Contractor and Default Aversions Contractor must work with MGA to plan for a successful program conversion and provide electronic media approved by the Contract Compliance Inspector or designee containing MGA data, documentation that describes the files, records and data fields contained on the tapes, and technical support per section 1.104.3a10. The data supplied must include the following records:

8f1. School, lender, and collection agency/subcontractor data



- 8f2. Borrower, applicant, and loan data
- 8f3. Early intervention data
- 8f4. Default aversion data
- 8f5. Defaulted loan and postclaim collection data.

Contractor Response to Task:

*As previously mentioned, Sallie Mae will provide the needed expertise and documentation to assist in the data mapping efforts to ensure appropriate integrity is maintained.*

*In order for MGA to test its data conversion mapping software, Sallie Mae will provide MGA and/or the successor servicer with a set of test data records on IBM compatible cartridges prior to the scheduled deconversion of the full MGA database.*

### 8g. Conversion/Turnover Activities

The Servicer must perform the following activities "as of" the conversion/turnover date determined in section 1.104.8c for all MGA programs:

- 8g1. Reconcile MGA reserve funds, operating funds, and guarantee fee billings.

Contractor Response to Task:

*Sallie Mae will reconcile the guarantee fee billings as of the conversion/turnover. We will provide existing reports to assist MGA with the reconciliation of MGA federal reserve and operating funds. Activities for these and other critical processes will be coordinated with MGA and the successor servicing entity as part of the turnover plan development and implementation.*

- 8g2. Prepare electronic media (see section 1.104.8e2) of the MGA database and provide the formats/data to the specifications developed by/with the Contract Compliance Inspector or its successor Servicer, Early Intervention Contractor and Default Aversions Contractor as discussed in section 1.104.8e (see section 1.104.8f for record types). Any applicable user documentation (file specifications, formats, etc.) needed to facilitate the transfer of data to a successor system, up-to-date as of turnover date must be transferred to MGA at the end of the Contract Period. All operational records retained/archived/imaged throughout the Contract period including, but not limited to, the following:
  - a. Optical platters and corresponding index data
  - b. Archived computer data tapes required by federal law or regulation for extended retention periods
  - c. Activity logs and other audit trail data, in computer readable/ convertible form
  - d. Hardcopy applications/promissory notes and Master Promissory Notes
  - e. Any other operational documentation specified to be retained elsewhere in this CONTRACT.

Contractor Response to Task:

*At the end of the contract period, upon termination, Sallie Mae will turn over to MGA or its new servicer, all operational records retained, imaged, or archived throughout the contract period, including, but not limited to items a) through e) listed above.*

- 8g3. Calculate/report necessary control totals at conversion for all MGA loan programs.

Contractor Response to Task:

*Sallie Mae will prepare and submit deconversion files of MGA data. The files will contain header and trailer records with control totals and other information to assist in auditing the proper transfer of pending transaction loan data. In addition, Sallie Mae will provide control totals in hard copy reports for all the MGA loan programs present in Sallie Mae's System. These totals may be used to audit the proper transfer of data.*



- 8g4. Organize and transfer all MGA forms, materials, documents, and files. All forms, documents, materials, and files must be boxed and labeled with a description of the contents (see sections 1.104.5a3 for forms inventory). Supply inventories, including any applicable paper forms (MGA hardcopy applications, etc.) which are not specific to the Servicer's computer systems must also be transferred to MGA at the end of the Contract period (see section 1.104.5a5 for distribution).

Contractor Response to Task:

*Sallie Mae will identify, organize, and transfer all MGA program forms, materials, documents, files, reports, and any MGA supply inventories to MGA upon the termination of this contract. All information will be boxed and labeled with a description of the contents.*

- 8g5. Identify, organize, and transfer all unprocessed or rejected applications in process (see section 1.104.4a). Applications must be organized by Social Security number (SSN).

Contractor Response to Task:

*Sallie Mae, in conjunction with MGA, will identify, organize, and transfer all unprocessed or rejected applications in process. Sallie Mae will organize the applications by SSN. Sallie Mae will work with MGA to establish cut-off dates to prevent unprocessed applications. Hardcopy applications can be sorted in SSN order. Electronic applications can be sorted in SSN order before being shipped.*

- 8g6. Identify, organize, and transfer all other unprocessed transactions received or rejected transactions in process. Transactions must be organized by transaction type and SSN.

Contractor Response to Task:

*Sallie Mae, in conjunction with MGA, will identify, organize, and transfer all unprocessed transactions received or rejected transactions in progress that have not been posted onto the system. Sallie Mae will organize unprocessed transactions by type and SSN order.*

- 8g7. Identify, organize, and transfer all unresolved default aversion or other incomplete requests for assistance. If a Default Aversion and/or Early Intervention Contractor is selected, this specification will apply to the applicable contractors (see sections 1.104.4e and 4f).

Contractor Response to Task:

*Upon termination of this contract, Sallie Mae will identify, organize and transfer all unresolved default aversion or other incomplete requests for needing processing to MGA or the successor servicer.*

- 8g8. Generate all necessary end-of-period and cumulative year-to-date reporting to accurately reflect all MGA activity posted as of the cutover date in accordance with federal regulations and to support conversion balancing (see sections 1.104.8g1 and 8g3).

Contractor Response to Task:

*Sallie Mae will generate all necessary end-of-period and cumulative year-to-date reporting to accurately reflect all MGA activity posted by MGA as of the deconversion/cutover date in accordance with federal regulations and to support conversion balancing.*

- 8g9. Direct all mail, other correspondence, tapes, electronic transmissions, telephone calls, etc. received at the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's facility to MGA or the successor Servicer, at no additional cost to MGA. Hardcopy correspondence must be forwarded within 48 business hours of receipt. Tapes, telephone calls, electronic transmissions, etc. must be transferred within 24 business hours of receipt by the Servicer, Early Intervention Contractor and Default Aversions Contractor.

Contractor Response to Task:



*Upon termination of this contract, Sallie Mae will direct all MGA mail, other correspondence, tapes, electronic transmissions, telephone calls, etc. to MGA or the successor Servicer at no additional cost to MGA. All hardcopy correspondence will be forwarded within 48 business hours of receipt. All tapes, telephone calls, electronic transmissions, etc will be transferred within 24 business hours of receipt by Sallie Mae. These and other cut-off activities will be coordinated with MGA and the successor servicing entity as part of the conversion planning activities.*

8g10. All computer, telephone, or other operating equipment purchased or leased by/acquired solely to support the MGA contract that can be used in supporting MGA on a free-standing basis by MGA or a successor Servicer, Early Intervention Contractor and Default Aversions Contractor must be turned over to MGA at the end of the Contract period, if necessary.

Contractor Response to Task:

*To the extent that the State of Michigan has funded any acquisition of equipment for the sole purpose of supporting its servicing operation, such equipment will be returned to MGA at the termination of the servicing contract. Equipment purchased and owned by Sallie Mae will be redeployed within Sallie Mae and is not subject to this provision.*

8g11. Specifications documentation for all changes made during Program Conversion (section 1.104.2) and during the course of the Contract as described in section 1.104.7 (Computer Software Maintenance and Enhancement) of this CONTRACT.

Contractor Response to Task:

*Because Sallie Mae is the incumbent Servicer to MGA, this item does not apply.*

8g12. Transfer any custom software developed solely to support MGA that can be transferred to MGA or a successor Servicer, Early Intervention Contractor and Default Aversions Contractor.

Contractor Response to Task:

*Any custom software developed solely to support MGA will be transferred to MGA or a successor Servicer at the termination of this contract.*

Each deliverable in section 1.104.8 must be forwarded to the satisfaction of the Contract Compliance Inspector prior to final payment.

## 8h. Delivery Dates

All turnover tasks called for from the Servicer, Early Intervention Contractor and Default Aversions Contractor must be completed by the scheduled delivery dates to MGA or its successor Servicer, Early Intervention Contractor and Default Aversions Contractor.

## 1.2 Roles and Responsibilities

### 1.201 CONTRACTOR STAFF, ROLES, AND RESPONSIBILITIES

1. Contract and Operations Manager/Liaison per section 1.104.4c11
2. Technical and Marketing Manager (section 1.104.6a).

### 1.202 STATE STAFF, ROLES, AND RESPONSIBILITIES

1. Contract Compliance Inspector per section 2.401.
2. Audit and Program Review Division: staff travels to schools and lenders performing compliance audits as required by ED.
3. Guaranty Services Division: staff oversees the Customer Service and School Services sections.
4. Customer Services Division: staff provides technical advice to lenders, schools and borrowers that are not getting information needed from the Servicer.
5. School Services Division: staff oversees the needs of the schools in MGA's portfolio.



6. Training and Development Division: staff provides outreach services.
7. Claims and Collections Division: staff are responsible for purchasing claims and doing the in-house collections on defaulted loans.

### 1.203 OTHER ROLES AND RESPONSIBILITIES

1. Schools (see section 1.104)
2. Lenders (see section 1.104)
3. Borrowers (see section 1.104)
4. Lender servicers (see section 1.104).

## 1.3 Project Plan

### 1.301 PROJECT PLAN MANAGEMENT

#### I. Project Control

- a. The Contractor will carry out this project under the direction and control of the Contract Compliance Inspector or designee.
- b. Although there will be continuous liaison with the Contractor team, the Contract Compliance Inspector or designee will meet monthly at a minimum (and more often as required during Program Conversion [section 1.104.2] and the early months of implementation) with the Contractor's project manager, either face-to-face or via conference call, for the purpose of reviewing progress and performance service level reports and to provide necessary guidance to the Contractor or MGA in solving problems which arise.
- c. The Contractor will submit brief written monthly 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 Contract Compliance Inspector; and notification of any significant deviation from previously agreed upon work plans.
- d. Within 20 business days of the award of the Contract, the Contractor will submit to the Contract Compliance Inspector for final approval a work plan for conversion and subsequent operation as specified in section 1.104.2a (Implementation Planning). This final implementation plan must be in agreement with section 4.305 as proposed by the Contractor 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 titles 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 both Servicer and MGA 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 the work plan.

### 1.302 REPORTS

Section 1.302 provides information about system reports and contains summary details about key operational and management reports presently used by MGA. MGA and its school and lender clients must have access to education loan account information which will allow report data to be viewed, transferred, and printed with greater flexibility via the Internet. MGA borrowers must be able to view their account status via the Internet, seven (7) days a week, 24 hours a day.

The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide operations and management reporting for all required functions. All necessary information must be available in a manner,



format (i.e., electronic reports to Solimar print/director [see Section 1.103), and frequency consistent with the intended use of the current MGA reports. Servicer systems that produce meaningful, exception-oriented standard reporting (e.g., date range or condition driven, etc.) and have good (i.e., acceptable to MGA) on-line exception-oriented inquiry capabilities that preempt hardcopy or imaged documents will receive more favorable evaluation. All fixed-format (scheduled, exception-based, or on request) reports to be produced for MGA shall be confirmed and approved for format, content, frequency, and delivery media (hardcopy, cartridge, on-line, microfilm, microfiche, optical disk, etc.) by MGA during Implementation Planning (section 1.104.2a).

1. The Servicer, Early Intervention Contractor and Default Aversions Contractor must include samples of all standard or special reports/forms/letters needed to provide regulatory and MGA management information. Refer to the individual sections of this CONTRACT for specific information about the required litigation (section 3.103) status reports (section 1.104.2a3), and on-line processing (section 1.104.3a9). At minimum, the Servicer's, Early Intervention Contractor's and Default Aversions Contractor's other ongoing reports for section 1.104 must be equivalent to those listed below, organized by guaranty agency function as follows:
  - a. Loan Application Processing and Disbursement (section 1.104.4a)
  - b. Guarantee Fee and Disbursement Processing (section 1.104.4b)
  - c. Borrower Account Maintenance (section 1.104.4c)
  - d. Skip-Tracing (section 1.104.4d)
  - e. Early Intervention (section 1.104.4e)
  - f. Default Aversion (section 1.104.4f)
  - g. Claims Processing (section 1.104.4g)
  - h. Collections (section 1.104.4i)
  - i. School/Lender File Management (section 1.104.4j)
  - j. Federal Reporting (section 1.104.4k)
  - k. School and Lender Program Review/Technical Assistance Support Services (section 1.104.4l)
  - l. Forms Management/Distribution (section 1.104.5).

**Contractor Response to Task:**

*Sallie Mae has included a complete inventory of system-generated reports from the EAGLE system available to MGA. These reports, equivalent to those summarized in the RFP, are provided in this response as the Appendix. Reports are available for the operational processes listed in this section. Reports can be downloaded online using DocumentDirect for the Internet, and imported into other software products such as Microsoft Excel. Additional reports can be created should MGA identify additional reporting requirements not represented in this Appendix.*

2. Upon request, the Servicer, Early Intervention Contractor and Default Aversions Contractor must submit monthly reports that indicate actual performance versus the Contract service levels and objectives described in sections 1.104.3a10 through 3a14 (section 1.104.3a15).
3. The Servicer, Early Intervention Contractor and Default Aversions Contractor must provide ad-hoc, inquiry, and report/writer tools (fixed format "on-request" reports are not included here) and capabilities on its systems with arithmetic operation capabilities for use by MGA and its clients. The tools must be easily used by non-technical staff. The system must be capable of running programs and producing output within minutes to 24-hours of the request, at a maximum, without noticeably impacting on-line users. When creating programs, MGA must have access to query on all fields contained within the MGA database. MGA must have access to each month's new loan activity and system updates within the first two days of the following month as well as the 12 previous months. The Servicer, Early Intervention Contractor and Default Aversions Contractor must also provide a test database environment that can be used when testing newly created/written programs. The output for the test database must be immediate. Standard daily availability (e.g., restricted on-line hours, overnight only, etc.) must meet the specifications of section 1.104.3a10. Describe any technical requirements for ad hoc in proposal.

**Contractor Response to Task:**

*Sallie Mae recommends further discussions be held with MGA to define service performance levels measuring contract performance and compliance to service level objectives. Sallie Mae will provide reports*



*no less frequently than on a monthly basis that reflect actual servicer performance against stated objectives.*

*Sallie Mae makes available to MGA staff the SAS report writing tool, which can be used to generate ad hoc reports as necessary. Depending on processing requirements, SAS queries may be available within minutes of job submission, or through nightly batch job processing. Certain conditions, such as month-end processing, may lower CPU availability and impact requested turnaround times. MGA may use actual extract data instead of a test database to test newly- created programs. It is Sallie Mae's belief that MGA has the capability to write SAS reports for ad hoc reporting purposes.*

4. Input control reports must be generated for all MGA client input processed (data files). These reports must be archived by the Servicer and recalled within three business (3) days of a request by the Servicer, MGA, or MGA clients to verify processing of information. In addition, a report by type of transaction (lender transfers, lender manifest data, lender requests for default aversion assistance, etc.) must be provided to MGA weekly. At a minimum, the input control and MGA report must indicate the audit trail information in section 1.104.3a16 and the following:
- Tape volume/serial number or transmission identifier.
  - Identity of MGA client who submitted the data.
  - Date the MGA client created the tape or electronic transmission.
  - Type of transaction(s) being reported.
  - Date the Servicer received data from MGA client.
  - If tape/file is unusable, date returned to/notified MGA client.
  - Date data entered on MGA's database.
  - Number of records read.
  - Number of records processed.
  - Number of records rejected.
  - Number of damaged records/blocks.

**Contractor Response to Task:**

*Information as requested by MGA includes input control reports. Please refer to the RFP for a full representation of reports available through the EAGLE system. Should MGA desire additional reports not provided through the suite of reports available on EAGLE, custom report writing is available.*

5. Access Rights Reports: Within ten (10) calendar days of each month end, the Servicer, Early Intervention Contractor and Default Aversions Contractor must provide an access report to identify all authorized system users and the access rights each may perform on the MGA database (see section 1.104.3b6.c).
6. Provide a weekly report that certifies the turnaround times stated in section 1.104.4a. The turnaround time for guaranteeing a loan is the time it takes from the date the application is received by the Servicer until the date the notice of loan guarantee and disclosure statement is generated/transmitted.
7. Customer Assistance Services for Non-delinquent Accounts: Provide quarterly statistics regarding number of calls and issue categorization of same. Also, provide information on hold time, call length, etc. (see section 1.104.4c11).



8. Document and prepare weekly overpayment reports for offset reimbursements when warranted, and report this information on ED Form 2000 (see sections 1.104.4i3a10 and 4k3).
9. Generate reports weekly to MGA and collection subcontractors to identify IRS tax refund offsets and new outstanding loan balances. These reports must be available on-line (see sections 1.104.3a9, 4i3a10 and 4k3).
10. Generate error reports monthly, printed at MGA's site, to allow MGA staff to resolve the errors appropriately. These reports must be available on-line (see section 1.104.4c6 and 4k4).
11. Produce NSLDS Unreported Loans files/reports and send the reports to the lenders or their servicers upon request in a hardcopy format (see section 1.104.4k4).
12. Generate all necessary end-of-period and cumulative year-to-date reporting to accurately reflect all MGA activity posted as of the cutover date in accordance with federal regulations and to support conversion balancing (see section 1.104.8g8).
13. Lists of borrowers whose remaining total (combined) outstanding balance (principal, interest, collection costs, and other charges) is less than \$25 or an amount specified by Contract Compliance Inspector or designee must be sent to MGA monthly (see section 1.104.4i).
14. The Servicer must provide a weekly list of defaulted borrowers whose next scheduled payment will pay the account in full (see section 1.104.4i).
15. Document and prepare weekly overpayment reports for offset reimbursements when warranted, and report this information on ED Form 2000 (see section 1.104.4k3).
16. Portfolio Reporting

MGA requires information about its portfolio to analyze the loans of lenders and schools and assess the risk associated with each.

- a. A small number of MGA loans made previous to the federal loan programs currently exist on the MGA database. The Servicer must include these loans in its reporting for MGA.
- b. The Servicer will be responsible for all report preparation costs and procurement of required supplies. Reports must be available by a schedule and format/medium defined by MGA with the Servicer during Implementation Planning activities (section 1.104.2a). On-line, exception-oriented inquiry capabilities acceptable to MGA may preclude hardcopy printing. At a minimum, the Servicer must provide reports for portfolio analysis that are equivalent to those currently provided to MGA.
- c. Daily reports must be provided by 8:00 a.m. ET the next morning.
- d. Weekly reports must be provided by the first business day of each week at 8:00 a.m. ET.
- e. Monthly reports must be provided within five (5) business days of month-end.
- f. Quarterly and annual reports must be provided within 15 business days of the reporting period end.
- g. All output documents requiring mailing (forms, reports, correspondence, etc.) must be postmarked by the next day after generation.
- h. On-request (static reports) and ad hoc (flexible format) reports must be provided within 24 hours of the time the reports are requested.
- i. Any additional, specific requirements will be finalized by report as required during Implementation Planning activities (see section 1.104.2a).



## Contractor Response to Task:

*The above reporting requirements can be met. Specific responses to these requirements follow:*

*Access rights reports are available to MGA by the eighth day of the month following month-end processing. Statistics for inbound call center activities are available; discussions with MGA must take place to understand desired metric reporting. Weekly overpayment reports are provided on the Refund Roster (DFMBRP01) and information is included in line MR-4 of the Form 2000. Reports are available that identify IRS tax refund offsets, new outstanding loan balances, NSLDS unreported loan files, and weekly overpayment reports for offset reimbursements. Also, Sallie Mae can provide a report of all outstanding loan balances less than \$25.00 or a listing of borrowers whose next scheduled payment will pay the account in full. Sallie Mae can meet the reporting frequencies identified in this section, either through the generation of existing reports, or available loan extract files that enable MGA to generate ad hoc reports remotely. Additional reporting needs for MGA can be provided as necessary.*

17. Reports must be sent to MGA within one (1) business day after they are prepared.
18. Annual reports must be provided by the 15<sup>th</sup> day of the month following MGA's fiscal year end (September 30).

**1.4 Project Management****1.401 ISSUE MANAGEMENT**

Issues are those things that endanger the project. They include imminent threats and events that may have already occurred. Identify how issues will be captured, reported and escalated. Define the issue escalation process to include whether escalation will be based on age, severity, budget impact, etc. and where the escalation levels are.

## Contractor Response to task:

*Sallie Mae has a business unit solely dedicated to supporting its guarantor customers. This ten-person unit of Business Analysts is responsible for receiving, tracking and resolving issues from guarantors, representing guarantors interests in project activities, providing written documentation on system enhancements and providing information on industry initiatives.*

*Issues reported by the guarantor or its customers, are logged and tracked using Service Desk. This application has an automatic routing and escalation function that is flexible by pre-defined categories and data elements. Many data fields are captured in Service Desk such as, issue description, impacted system, affected customer, priority and need by date. Issues that are logged can be electronically routed to a business area or to Information Technology or prompt resolution and escalation can be triggered by pre-defined data such as priority or need by date. The escalation path can also be defined by using the business area and technology groups defined within Service Desk. Outstanding issues can also be triggered to automatically escalate to business area management, technology management or to Guarantor Services management.*

*Service Desk also supports end user reporting. Report parameters can be defined by using the various data elements contained within Service Desk and can be produced for the guarantor on a regular basis or as an ad-hoc request. Reports can also be created for management to monitor outstanding issues.*

**1.402 RISK MANAGEMENT**

Risks and issues are not the same. Risks are those things that can be assumed or anticipated in a project. Issues are imminent threats or things that have already occurred. Risk management generally involves (1) identification of the risk, (2) assigning a level of priority based on the probability of occurrence and impact to the project, (3) definition of mitigation strategies, and (4) monitoring of risk and mitigation strategy. Risk assessment review should be conducted on a regular basis. Please describe Contractor's risk management process.

A security threat matrix must be developed per section 1.104.3b6e.



## Contractor Response to task:

*Risk management is critical in managing circumstances or events that could potentially have a negative impact on the project. Risks are concerns about potential events that may be mitigated with advance planning*

*The Manage Risks process focuses on identifying, analyzing and managing risks. Risks are circumstances or events that have the potential to have a negative impact on the project. Negative impacts may include: schedule slippage, cost increases, less functional deliverables, and other threats to customer satisfaction. It is important to realize that managing risks is an iterative process. Risks can occur at any time, and ones that are already identified will undoubtedly change in probability and impact as the project progresses.*

*Sallie Mae's Risk Management Plan includes the following activities:*

***-Identifying the risks:** Identify concerns, circumstances, or events that may prevent the project from progressing as planned. Typical methods for identifying risks include Interviews with subject matter experts, Review of risks identified on similar projects, Review of lessons learned from similar projects, Examination of specifications and requirements documents, Use of surveys and checklists.*

***-Identifying affected teams:** Following the identification of the risk, determine the teams that could potentially be impacted by the risk. Determine the individuals and/or teams who need to be involved with identifying Risk Mitigation and Contingency Plans, as well as who will specifically be responsible for coordinating these activities if the need arises.*

***-Documenting the risks:** Document the risks in the Detailed Risk Tracking Log that was established for the project. The project may use the **Detailed Risk Tracking Log** or a similar tool that uses the same elements and terminology. Elements can be added but none may be removed. In addition to the risk description, the tracking log should include the trigger conditions that indicate the risk is turning into a problem and the consequences if this occurs. This helps to determine each risk's relative importance, and is key to ensuring the potential and actual consequences of the risk are effectively addressed.*

***-Analyzing the risks:** Risk analysis includes evaluating, categorizing and prioritizing risks. Parameters for this activity include:*

- 1 .Risk Probability – the likelihood of this risk occurring, identified as either: High, Medium, or Low;*
- 2. Risk Impact – The consequence or damage expected if the risk occurs, identified as either: High, Medium, or Low;*
- 3. Trigger conditions that indicate the risk is turning into a problem; and*
- 4. Thresholds to trigger management activities.*

*Not all risks warrant active management. Some would have minimal impact or are too unlikely to occur, and some are beyond the scope of the project team to address. The categorization will help to ensure that resources are utilized where they will have the greatest chance of helping ensure a successful outcome.*

***-Handling the risks:** Risk mitigation plans are developed and implemented for selected risks to reduce the likelihood of a risk affecting the project should it occur. Contingency plans are created to provide the steps to be taken in the event the risk does become a problem. When defined thresholds are exceeded, the situation is addressed by the individuals assigned to the risk resolution, with guidance as needed from the Project Manager and Project Lead.*

### 1.403 CHANGE MANAGEMENT

If requested changes are outside the scope of this Contract, a Contract Change Request will need to be initiated by the Contract Compliance Inspector and submitted to Treasury Purchasing. Treasury and Department of Management approvals are required before the change in specifications commences (also see section 2.002).

Specification changes within the scope of this Contract will be approved/disapproved by the Contract Compliance Inspector per the State's Project Management Methodology or approved alternative (see sections 1.104.7c and 2.104.2).

## Contractor Response to task:

*Sallie Mae has developed an internal change management system to facilitate change control so that all change requests are handled in a structured and systematic way. A change request database was created as a central repository for change information. Information relevant to a given change request is available*



*for staff to review at any time. Change requests hold the potential for changing original scope in such a way that can prevent us from delivering our product within our original timeframe. Because of these risks, regular change request meetings are held. These facilitated meetings include representatives from each technical work team and analysts representing each major business area. Each proposed change request is described, impacts are discussed, and time estimates are provided by each technical area. This information is then delivered to our executive project management team to monitor, evaluate, and determine approval for any request. The impact to the existing schedule is presented along with the business need as the factors utilized to determine approval.*

## 1.5 Acceptance

### 1.501 CRITERIA

The following criteria will be used by the State to determine Acceptance of the Services and/or Deliverables provided under this SOW:

1. Program Conversion activities are completed per sections 1.104.2a through 2c, and 2.105 (PARE).

### 1.502 FINAL ACCEPTANCE

1. Program Conversion activities are completed per section 1.104.2d (School and Lender Conversion/Promotion/Coordination).

## 1.6 Compensation and Payment

All prices/rates quoted in this Contract will be firm for the duration of the Contract. No price changes will be permitted.

See Appendix A, Servicer Price Proposal.

### 1. Pricing for Services

The pricing for services performed under this Contract will be performance-based to ensure the appropriate Servicer incentive to maintain a high level of quality in the services it provides to MGA and its participating students, families, schools, lenders, lender servicers, and secondary markets.

**In the event that Reauthorization of HEA creates changes to statutory/regulatory guarantor funding levels, the following guidelines will be used to adjust pricing during the term of this contract:**

**For each recovery type:**

**$(\text{New retention rate}/\text{Current retention rate}) \times \text{Portfolio Management Fees per Appendix A, Attachment 2} = \text{New Portfolio Management Fee.}$**

**For Direct and FFELP Consolidation recovery types, the Portfolio Management Fee shall not fall below the following minimum percentages:**

**Direct Consolidations: 5.2%**

**FFELP Consolidations: 6.2%**

## 2. PERFORMANCE DEFINITIONS:

- New Loan and Account Maintenance Fee:** This fee category will consist of the Servicer's pricing for new loan guarantees (New Loan Fee) and for the fee on MGA loans outstanding (Maintenance Fee) to cover ongoing account service to the point of account delinquency. The Servicer must actively promote MGA's FFELP in the state of Michigan.

The contract price for the New Loan Fee shall be calculated by multiplying new loan guarantees by the



billing rate per Appendix A, Attachment 1:

New loans guaranteed x .25% = New Loan Fee paid to Servicer, billed monthly.

New loan guarantees are a total of: Federal Stafford (subsidized and unsubsidized), PLUS, and Consolidation loan volume.

The contract price for the Account Maintenance Fee shall be calculated by multiplying MGA loans outstanding by the billing rate per Appendix A, Attachment 1:

MGA loans outstanding x .065% = Account Maintenance Fee paid to Servicer, billed monthly by multiplying one-twelfth of the annual billing rate x MGA month-ending loans outstanding.

The new loan incentive fee is eliminated.

**b. Default Portfolio Management Fee:** The Servicer must base its default portfolio management fee on a rehabilitation strategy and a percentage of gross recoveries (see section 1.104.4i). From that fee the Servicer will be responsible for paying collection costs to all collection subcontractors. The Servicer also will negotiate collection subcontractor agreements and assume responsibility for collection subcontractor performance. The Servicer must maintain data that justifies the allocation of business to collection subcontractors based on their performance.

The Contract price for the Default Portfolio Management Fee shall be calculated at \$35,000,000 multiplied by the percentage bid by the Servicer for each 12-month period of the Contract.

**c. Default Aversion Fee (DAF):** The DAF fee submitted by the Servicer or Default Aversion Contractor must be based on all (first-time and repeat) DAARs that it successfully cures. A cure is defined as any account brought to zero days delinquent. The Servicer or Default Aversion Contractor must also identify the time limit it will impose for performing default aversion activities on repeat DAARs at no charge (see section 1.104.4f).

**d. Conversion**

Changing a Servicer is a high-risk enterprise for a FFELP guarantor. If a Servicer does not deliver excellent results for a guarantor conversion, the guarantor is at significant risk of providing poor service to borrowers, schools, and lenders. The transition must be seamless to MGA customers and the conversion must be managed by the Servicer to ensure no interruption of service (see section 1.104.2a [Implementation Planning]). Risks to MGA include: not delivering conversion project milestones in a timely fashion; delayed system implementation; the quality of data conversion negatively affecting the accuracy of borrower, school, and lender/servicer/secondary market records; customer training for new procedures and processes; and customer satisfaction with new procedures and processes. Because of the risk associated with business and data conversions, the success of the conversion will be measured based on the comparison of MGA volume for the first 12 months of operation under the Contract compared to the prior year. If MGA experiences a reduction in loan volume for this period that is not attributable to new regulation, a change in MGA policy, or an overall decline in the national FFELP market at a percentage consistent with the MGA decline in volume, the Servicer will be penalized for the loss of business in accordance with the tiered structure below:

<b>Tier for Lost Volume Penalty</b>	<b>Penalty Fee Formula</b>
3-10% Volume Decline	5% multiplied by total first year fees
11-20% Volume Decline	10% multiplied by total first year fees
>20% Volume Decline	20% multiplied by total first year fees

Service fee is comprised of all fees under this contract (i.e. loan origination/maintenance fee, default fee, etc.).

**e. Operational Service Levels**

Liquidated damages may also be assessed due to the Servicer's failure to meet the stated/agreed upon



service levels as required in section 1.104 of the CONTRACT, at the discretion of the State. Liquidated damages may be assessed as appropriate to the nature of the service level requirement per section 2.703. In addition, the Servicer, Early Intervention Contractor and Default Aversions Contractor will be held liable for any penalties, interest charges, forfeiture of loan guarantees, or any other monetary damages assessed against MGA due to the Servicer's violation of contracted service levels in accordance with all federal laws and regulations.

**1.7 RESERVED**

**Article 2 – General Terms and Conditions****2.0 Introduction****2.001 GENERAL PURPOSE**

The Contract is for student loan processing, early intervention and/or default aversion services for the State of Michigan. Orders will be issued directly to the Contractor by various State Agencies on the Purchase Order Contract Release Form.

**2.002 ISSUING OFFICE AND CONTRACT ADMINISTRATOR**

The Contract is issued by Acquisition Services, State of Michigan, Department of Management and Budget, hereinafter known as Acquisition Services, for the Department of Treasury, hereinafter known as Department of Treasury. Where actions are a combination of those of Acquisition Services and the State agencies, 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 commodities and/or services described herein. Acquisition Services is the only office authorized to negotiate, change, modify, amend, alter, clarify, etc., the specifications, terms, and conditions of the Contract. Acquisition Services will remain the SOLE POINT OF CONTACT throughout the procurement process.

**Contractor proceeds at its own risk if it takes negotiation, changes, modification, alterations, amendments, clarification, etc., of the specifications, terms, or conditions of the contract from any individual or office other than Acquisition Services and the listed contract administrator**

All communications covering this procurement must be addressed to contract administrator indicated below:

Department of Management and Budget  
Acquisition Services  
*Attn: Melissa Castro*  
2nd Floor, Mason Building  
P.O. Box 30026  
Lansing, Michigan 48909  
*(517) 373-1080*  
*castrom@michigan.gov*

**2.003 NOTICE**

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.

**2.004 CONTRACT TERM**

The term of this Contract will be for five (5) years and will commence with the issuance of a Contract. This will be March 1, 2006 through February 28, 2011.

**Option.** There are no option years available on this Contract.

**Extension.** At the sole option of the State, and with the Contractor's concurrence, the contract may also be extended. Contractor performance, quality of products, price, cost savings, and the contractor's ability to deliver on time are some of the criteria that will be used as a basis for any decision by Acquisition Services to exercise an option year.

Written notice will be provided to the Contractor within 30 days of contract expiration, provided that the State gives the Contractor a preliminary written notice of its intent to extend at least 60 days before the contract



expires. The preliminary notice does not commit the Government to an extension. If the Government exercises this option, the extended contract shall be considered to include this option clause.

## 2.005 GOVERNING LAW

Except to the extent that the Contract may be governed by Federal law, the Contract shall in all respects be governed by, and construed in accordance with, the laws of the State of Michigan. By signing this agreement, vendor consents to personal jurisdiction in the state of Michigan. Any dispute arising herein shall be resolved in the State of Michigan.

## 2.006 APPLICABLE STATUTES

The following statutes, rules, and laws are applicable to the performance of this contract; some statutes are reflected in the clauses of this contract. This list is NOT exhaustive.

MI Uniform Commercial Code (MIUCC) MCL 440. (All sections unless otherwise altered by agreement)

MI OSHA MCL §§ 408.1001 – 408.1094

Freedom of Information Act (FIOA) MCL §§ 15.231, et seq.

Natural Resources and Environmental Protection Act MCL §§ 324.101, et seq.

MI Consumer Protection Act MCL §§ 445.901 – 445.922

Laws relating to wages, payments of wages, and fringe benefits on state projects MCL §§ 408.551 – 408.558, 408.471 – 408.490, 1965 PA 390.

Department of Civil Service Rules and regulations

Elliot Larsen Civil Rights Act MCL §§ 37.2201, et seq.

Persons with disabilities Civil Rights Act MCL §§ 37.1101, et seq.

MCL §§ 423.321, et seq.

MCL § 18.1264 (law regarding debarment)

Davis-Bacon Act (DBA) 40 USCU §§ 276(a), et seq.

Contract Work Hours and Safety Standards Act (CWHSSA) 40 USCS § 327, et seq.

Business Opportunity Act for Persons with Disabilities MCL §§ 450.791 – 450.795

Rules and regulations of the Environmental Protection Agency

Internal Revenue Code

Rules and regulations of the Equal Employment Opportunity Commission (EEOC)

The Civil Rights Act of 1964, USCS Chapter 42

Title VII, 42 USCS §§ 2000e et seq.

The Americans with Disabilities Act (ADA), 42 USCS §§ 12101 et seq.

The Age Discrimination in Employment Act of 1967 (ADEA), 29 USCS §§ 621, 623 et seq.

The Old Workers Benefit and Protection Act of 1990 (OWBPA), 29 USCS §§ 626, et seq.

The Family Medical Leave Act of 1993 (FMLA), 29 USC §§ 651 et seq.

The Fair Labor Standards Act (FLSA), 29 USC §§ 201 et seq.

Pollution Prevention Act of 1990 (PPA) 42 U.S.C. §13106

Sherman Act, 15 U.S.C.S. § 1 et seq.

Robinson-Patman Act, 15 U.S.C.S. § 13 et. seq.

Clayton Act, 15 U.S.C.S. § 14 et seq.

## 2.007 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.

## 2.008 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.

**2.009 MERGER**

This document constitutes the complete, final, and exclusive agreement between the parties. All other prior writings and negotiations are ineffective.

**2.010 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.

**2.011 SURVIVORSHIP**

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 the Contract for any reason.

**2.012 NO WAIVER OF DEFAULT**

The failure of a party to insist upon strict adherence to any term of the 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.

**2.013 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.

**2.1 Vendor/Contractor Obligations****2.101 ACCOUNTING RECORDS**

The Contractor and all subcontractors shall 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 years from expiration date and final payment on the Contract or extension thereof.

**2.102 NOTIFICATION OF OWNERSHIP**

The Contractor shall make the following notifications in writing:

1. When the Contractor becomes aware that a change in its ownership or officers has occurred, or is certain to occur, that could result in changes in the valuation of its capitalized assets in the accounting records, the Contractor shall notify Acquisition Services within 30 days.
2. The Contractor shall also notify the Acquisition Services within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

The Contractor shall:

1. Maintain current, accurate, and complete inventory records of assets and their costs;
2. Provide Acquisition Services or designated representative ready access to the records upon request;



3. Ensure that all individual and grouped assets, their capitalized values, accumulated depreciation or amortization, and remaining useful lives are identified accurately before and after each of the Contractor's ownership or officer changes; and
4. Retain and continue to maintain depreciation and amortization schedules based on the asset records maintained before each Contractor ownership or officer change.

### 2.103 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 accommodates 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

### 2.104 IT 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 <http://michigan.gov/dit>.
2. ADHERENCE TO PORTAL TECHNOLOGY TOOLS. The State of Michigan, Department of Information Technology, has adopted the following tools as its Portal Technology development efforts:
  - Vignette Content Management and personalization Tool
  - Inktomi Search Engine
  - E-Pay Payment Processing Module
  - Websphere Commerce Suite for e-Store applications

**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 Department of Information Technology, Enterprise Application Services Office, e-Michigan Web Development team.**

Under special circumstances vendors that are compelled to use alternate tools must submit an exception request to the Department of Information Technology, Enterprise Application Services Office, e-Michigan Web Development team, for evaluation and approval of each alternate tool prior to proposal evaluation by the State.

### 2.105 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.**

PHASE I

The first phase shall be comprised of a specification compliance review of the system specifications in this Contract. Such system 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 system 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 Contract. Should the system pass the specification conformance review, the system shall enter Phase II of the PARE.

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 conversion dates when the Contractor certifies that the system is ready for use by the State (see section 1.104.2a).

## b. During the PARE:

All rerun times resulting from system 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 system and must be rebuilt, the time required to rebuild the files will be considered "down-time" for the system.
- 3) 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.

STANDARD OF PERFORMANCE

- a. The performance period (a period of thirty consecutive calendar days) shall commence on the conversion date. 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 99 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 (see sections 1.104.3a10 through 3a14). The State shall notify the Contractor in writing of the successful completion of the performance period. System changes shall operate in conformance with the service levels defined in sections 1.104.3a10 through 3a14.
- c. During the successful performance period, all rerun time resulting from system 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. System failure down-time shall be measured by those intervals during the performance period between the time that the Contractor is notified of system failure.
- d. Promptly upon successful completion of the performance period, the State shall notify the Contractor in writing of acceptance of the system and authorize the monthly payments to begin on the first day of the successful performance period.



- e. If successful completion of the performance period is not attained within 90 days of the conversion 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.

The PARE will be complete when the system has met the required effectiveness level for the prescribed time period.

#### **2.106 PREVAILING WAGE**

The rates of wages and fringe benefits to be paid each class of individuals employed by the Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this contract in privity of contract with the Contractor shall not be less than the wage rates and fringe benefits established by the Michigan Department of Consumer and Industry Service, Bureau of Safety and Regulation, Wage/Hour Division schedule of occupational classification and wage rates and fringe benefits for the local where the work is to be performed. The term Contractor shall include all general contractors, prime contractors, project managers, trade contractors, and all of their contractors or subcontractors and persons in privity of contract with them.

The Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this contract in privity of contract with the Contractor shall keep posted on the work site, in a conspicuous place, a copy of all wage rates and fringe benefits as prescribed in the contract. You must also post, in a conspicuous place, the address and telephone number of the Michigan Department of Consumer and Industry Services, the office responsible for enforcement of the wage rates and fringe benefits. You shall keep an accurate record showing the name and occupation of the actual wage and benefits paid to each individual employed in connection with this contract. This record shall be available to the State upon request for reasonable inspection.

If any trade is omitted from the list of wage rates and fringe benefits to be paid to each class of individuals by the Contractor, it is understood that the trades omitted shall also be paid not less than the wage rate and fringe benefits prevailing in the local where the work is to be performed.

#### **2.107 PAYROLL AND BASIC RECORDS**

Payrolls and basic records relating to the performance of this contract shall be maintained by the Contractor during the course of the work and preserved for a period of 3 years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made, and actual wages paid. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.

The Contractor shall submit a copy of all payrolls to the Contract Administrator upon request. The payrolls submitted shall set out accurately and completely all of the information required to be maintained as indicated above.

The Prime Contractor is responsible for the submission of copies of payrolls by all subcontractors upon request from the Contract Administrator

The Contractor or subcontractor shall permit the Contract Administrator or representatives of the Contract Administrator or the State of Michigan to interview employees during working hours on the job.

If the Contractor or subcontractor fails to submit required records or to make them available, the Contract Administrator may, after written notice to the Contractor, take such action as may be necessary to cause the



suspension of any further payment. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment.

#### **2.108 COMPETITION IN SUB-CONTRACTING**

The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the contract.

#### **2.109 CALL CENTER DISCLOSURE**

Vendor and/or all subcontractors involved in the performance of this contract providing call or contact center services to the State of Michigan must disclose the location of its call or contact center services to inbound callers upon request of the caller. Failure to disclose this information shall be a material breach of this agreement.

### **2.2 Contract Performance**

#### **2.201 TIME IS OF THE ESSENCE**

Subject to Section 2.603, Excusable Failures, the Contractor/Vendor is on notice that time is of the essence in the performance of this contract. Late performance of a substantive nature will be considered a material breach of this contract, giving the State a right to invoke all remedies available to it under this contract.

#### **2.202 CONTRACT PAYMENT SCHEDULE**

All invoices must reflect deliverables completed per section 1.104. The Contractor will submit a detailed monthly invoice of completed deliverables; furthermore, the invoice must list the contract number and/or purchase order number.

All invoices must be submitted to the following address (failure to do so may result in late payment):

Michigan Department of Treasury  
Michigan Guaranty Agency  
Attn: Jo Courtright  
430 West Allegan  
Lansing, MI 48922.

#### **2.203 POSSIBLE PROGRESS PAYMENTS**

The Government may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

#### **2.204 RESERVED**

#### **2.205 ELECTRONIC PAYMENT AVAILABILITY**

Public Act 533 of 2004 requires that payments under this Contract be processed by Electronic Funds Transfer (EFT). Contractor is required to register to receive payments by EFT at the Contract & Payment Express website at [www.cpexpress.state.mi.us](http://www.cpexpress.state.mi.us).

#### **2.206 RESERVED**

### **2.3 Contract Rights and Obligations**

#### **2.301 INCURRING COSTS**

The State of Michigan is not liable for any cost incurred by the Contractor prior to signing of the Contract. The State fiscal year is October 1st through September 30th. The Contractor(s) should realize that payments in any given fiscal year are contingent upon enactment of legislative appropriations. Total liability of the State is limited to terms and conditions of the Contract.

**2.302 CONTRACTOR RESPONSIBILITIES**

The Contractor will be required to assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State will consider the Contractor to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of subcontractors, including firm name and address, contact person and a complete description of work to be subcontracted. The State reserves the right to approve subcontractors and to require the Contractor to replace subcontractors found to be unacceptable. The Contractor is totally responsible for adherence by the subcontractor to all provisions of the Contract. Any change in subcontractors must be approved by the State, in writing, prior to such change.

**2.303 ASSIGNMENT AND DELEGATION**

The Contractor shall not have the right to assign this Contract, to assign its rights under this contract, or delegate any of its duties or obligations under the Contract to any other party (whether by operation of law or otherwise), without the prior written consent of the 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.

The Contractor shall not delegate any duties or obligations under the Contract to a subcontractor other than a subcontractor named and approved in the bid unless the Director of Acquisition Services has given written consent to the delegation. Contractor may assign rights and delegate obligations hereunder to any affiliate of Sallie Mae.

**Contractor must obtain the approval of the Director of Acquisition Services before using a place of performance that is different from the address that Contractor provided in the bid.**

**2.304 TAXES**

Sales Tax: For purchases made directly by the State of Michigan, the State is exempt from State and Local Sales Tax. Prices shall not include such taxes. Exemption Certificates for State Sales Tax will be furnished upon request.

Federal Excise Tax: The State of Michigan may be exempt for Federal Excise Tax, or such taxes may be reimbursable, if articles purchased under this Contract are used for the State's exclusive use. Certificates exclusive use for the purposes of substantiating a tax-free, or tax-reimbursable sale will be sent to the Contractor upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices shall not include the Federal Excise Tax.

The State's Tax Exempt Certification is available for vendor viewing upon request to the Contract Administrator.

**2.305 INDEMNIFICATION**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.

#### 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.

#### Code Indemnification

To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.

#### 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 sub clauses, 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 sub clause.

#### 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.

#### Indemnification Procedures



The procedures set forth below shall apply to all indemnity obligations under this Contract.

- (a) After receipt by the State of notice of the action or proceeding involving a claim in respect of which it will seek indemnification, the State shall promptly notify Contractor of such claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to so notify Contractor shall relieve Contractor of its indemnification obligations except to the extent that Contractor can demonstrate damages attributable to such failure. Within ten (10) days following receipt of written notice from the State relating to any claim, Contractor shall notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and prior to the State receiving Contractor's Notice of Election, the State shall be entitled to defend against the claim, at Contractor's expense, and Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during such period.
- (b) If Contractor delivers a Notice of Election relating to any claim: (i) the State shall be entitled to participate in the defense of such claim and to employ counsel at its own expense to assist in the handling of such claim and to monitor and advise the State about the status and progress of the Defense; (ii) Contractor shall, at the request of the State, demonstrate to the reasonable satisfaction of the State, Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) Contractor shall periodically advise the State about the status and progress of the defense and shall obtain the prior written approval of the State before entering into any settlement of such claim or ceasing to defend against such claim, and such approval shall not be unreasonably withheld, delayed, or conditioned, and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State shall have the right, at its own expense, to control the defense of that portion of such claim involving the principles of Michigan governmental or public law. Notwithstanding the foregoing, the State may retain control of the defense and settlement of a claim by written notice to Contractor given within ten (10) days after the State's receipt of Contractor's information requested by the State pursuant to clause (ii) of this paragraph if the State determines that Contractor has failed to demonstrate to the reasonable satisfaction of the State Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State of Michigan, or any of its subdivisions pursuant to this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State pursuant to this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.
- (c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State shall have the right to defend the claim in such manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor shall promptly reimburse the State for all such reasonable costs and expenses.

### **2.306 LIMITATION OF LIABILITY**

The Contractor's liability for damages to the State shall be limited to the value of the Contract. The foregoing limitation of liability shall not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

The State's liability for damages to the Contractor shall be limited to the value of the Contract.

Neither the Contractor nor the State shall be liable to each other, regardless of the form of the action, for consequential, incidental, indirect, or special damages. This limitation of liability shall not apply to claims for infringement of United States patent, copyright, trademark or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims



covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

### **2.307 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.

### **2.308 FORM, FUNCTION, AND UTILITY**

If the Contract is for use of more than one State agency and if the good or service provided under this Contract do not meet the form, function, and utility required by a State agency, that agency may, subject to State purchasing policies, procure the good or service from another source.

### **2.309 ASSIGNMENT OF ANTITRUST CAUSE OF ACTION**

For and in consideration of the opportunity to submit a quotation and other good and valuable consideration, the Contractor hereby assigns, sells and transfers to the State of Michigan all rights, title and interest in and to all causes of action it may have under the antitrust laws of the United States or this State for price fixing, which causes of action have accrued prior to the date of payment and which relate solely to the particular goods, commodities, or services purchased or procured by this State pursuant to this transaction.

### **2.310 RESERVED**

### **2.311 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 (6) 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.

### **2.312 WORK PRODUCT**

"Work Products(s)" shall mean any data, database content, reports, records, or other documentation prepared exclusively for, and delivered to, the State in connection with this Contract. 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.

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.



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.

### 2.313 RESERVED

### 2.314 WEBSITE INCORPORATION

State expressly states that it will not be bound by any content on the Contractor's website, even if the Contractor's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of such content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representation of the State.

## 2.4 Contract Review and Evaluation

### 2.401 CONTRACT COMPLIANCE INSPECTOR

Upon receipt at Acquisition Services of the properly executed Contract Agreement(s), the person named below will be allowed to oversee the Contract performance on a day-to-day basis during the term of the Contract. However, overseeing the Contract implies **no authority to negotiate, change, modify, clarify, amend, or otherwise alter the terms, conditions, and specifications of such Contract(s). That authority is retained by Acquisition Services.** The Contract Compliance Inspector for this project is:

Jo Courtright  
Michigan Department of Treasury  
Michigan Guaranty Agency  
430 West Allegan  
Lansing, MI 48922  
E-mail: [CourtrightJ@michigan.gov](mailto:CourtrightJ@michigan.gov).

### 2.402 PERFORMANCE REVIEWS

Acquisition Services in conjunction with the Department of Treasury may review with the Contractor their performance under the Contract. Performance reviews shall be conducted quarterly, semi-annually or annually depending on Contractor's past performance with the State. Performance reviews shall include, but not limited to, quality of products/services being delivered and provided, timeliness of delivery, percentage of completion of orders, the amount of back orders, status of such orders, accuracy of billings, customer service, completion and submission of required paperwork, the number of substitutions and the reasons for substitutions, and other requirements of the Contract.

Upon a finding of poor performance, which has been documented by Acquisition Services, the Contractor shall be given an opportunity to respond and take corrective action. If corrective action is not taken within sixty days from the date of notification of poor performance, or a reasonable amount of time as mutually agreed to by Acquisition Services and the Contractor, the Contract may be canceled for default. Delivery by the Contractor of unsafe and/or adulterated or off-condition products to any State agency is considered a material breach of Contract subject to the cancellation provisions contained herein.

### 2.403 AUDIT OF CONTRACT COMPLIANCE/ RECORDS AND INSPECTIONS

The Contractor agrees that the State may, upon 24-hour notice, perform an audit at Contractor's location(s), at the State's sole cost and expense, to determine if the Contractor is complying with the requirements of the Contract. The Contractor agrees to cooperate with the State during the audit and produce all records and documentation that verifies compliance with the Contract requirements.

## 2.5 Quality and Warranties

### 2.501 PROHIBITED PRODUCTS



The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, shall be considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Acquisition Services has approved a change.

**2.502 RESERVED**

**2.503 RESERVED**

**2.504 GENERAL WARRANTIES (goods)**

*Warranty of Merchantability* – Goods provided by vendor under this agreement shall be merchantable. All goods provided under this contract shall be of good quality within the description given by the State, shall be fit for their ordinary purpose, shall be adequately contained and packaged within the description given by the State, shall conform to the agreed upon specifications, and shall conform to the affirmations of fact made by the vendor or on the container or label.

*Warranty of fitness for a particular purpose* – When vendor has reason to know or knows any particular purpose for which the goods are required, and the State is relying on the vendor's skill or judgment to select or furnish suitable goods, there is a warranty that the goods are fit for such purpose.

*Warranty of title* – Vendor shall, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by vendor shall be delivered free from any security interest, lien, or encumbrance of which the State, at the time of contracting, has no knowledge. Goods provided by vendor, under this agreement, shall be delivered free of any rightful claim of any third person by of infringement or the like.

**2.505 CONTRACTOR WARRANTIES**

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, to the best of the Contractor's knowledge, does not infringe the proprietary rights of any third party;
6. The Contractor will perform the services in a manner that, in all material respects, complies with all applicable laws and regulations;
7. The Contractor has duly authorized the execution, delivery and performance of the Contract;
8. The Contractor is capable in all respects of fulfilling and shall fulfill all of its obligations under this contract.
9. The contract appendices, attachments, and exhibits identify all equipment and software services necessary for the deliverable(s) to perform and operate in compliance with the contract's requirements.



10. The Contractor is the lawful owner or licensee of any Deliverable licensed or sold to the state by Contractor or developed by Contractor under this contract, and Contractor has all of the rights necessary to convey to the state the ownership rights or license use, as applicable, of any and all Deliverables.
11. If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to such items as set forth in this Contract, Contractor shall assign or otherwise transfer, to the extent assignable or transferable, to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.
12. The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter this contract, on behalf of Contractor.
13. The Contractor is qualified and registered to transact business in all locations where required.
14. Neither the Contractor nor any Affiliates, nor any employee of either, has, shall have, or shall acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor shall notify the State within two (2) days of any such interest that may be incompatible with the interests of the State.
15. All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the ITB or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by such financial statements, reports, other information. Since the respective dates or periods covered by such financial statements, reports, or other information, there have been no material adverse changes in the business, properties, financial condition, or results of operations of Contractor. All written information furnished to the State by or behalf of Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make such information not misleading.

#### **2.506 STAFF**

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, which consent shall not be unreasonably withheld, conditioned, or delayed, 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.

#### **2.507 SOFTWARE WARRANTIES**

(a) Performance Warranty

The Contractor represents and warrants that Deliverables, after Final Acceptance, will perform and operate in compliance with the requirements and other standards of performance contained in this Contract (including all descriptions, specifications and drawings made a part of the Contract) for a period of ninety (90) days. In the event of a breach of this warranty, Contractor will promptly correct the affected Deliverable(s) at no charge to the State.

(b) No Surreptitious Code Warranty

The Contractor represents and warrants that Contractor shall use commercially reasonable efforts to ensure that no copy of licensed Software provided to the State contains or will contain in any known Self-Help Code or any Unauthorized Code as defined below. This warranty is referred to in this Contract as the "No Surreptitious Code Warranty."

As used in this Contract, "Self-Help Code" means any back door, time bomb, drop dead device, or other software routine designed to disable a computer program automatically with the passage of time or under the positive control of a person other than the licensee of the software. Self-Help Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee's computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

As used in this Contract, "Unauthorized Code" means any virus, Trojan horse, spyware, worm or other Software routines or components designed to permit unauthorized access to disable, erase, or otherwise harm software, equipment, or data; or to perform any other such actions. The term Unauthorized Code does not include Self-Help Code.

In addition, Contractor will use up-to-date commercial virus detection software to detect and remove any viruses from any software prior to delivering it to the State.

(c) Calendar Warranty

The Contractor represents and warrants that all software for which the Contractor 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 calendar year rollover 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 accommodates 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

(d) Third-party Software Warranty

The Contractor represents and warrants that it will disclose the use or incorporation of any third-party software into the Work Products. At the time of delivery, the Contractor shall provide in writing the name and use of any Third-party Software, including information regarding the Contractor's authorization to include and utilize such software. The notice shall include a copy of any ownership agreement or license that authorizes the Contractor to use the Third-party Software.

**2.508 EQUIPMENT WARRANTY**

To the extent Contractor is responsible under this Contract for maintaining equipment/system(s), Contractor represents and warrants that it will maintain such equipment/system(s) in good operating condition and will undertake all repairs and preventive maintenance in accordance with the applicable manufacturer's recommendations for the period specified in this Contract.

The Contractor represents and warrants that the equipment/system(s) shall be in good operating condition and shall operate and perform to the requirements and other standards of performance contained in this



Contract, when installed, at the time of Final Acceptance by the State, and for a period of one (1) year commencing upon the first day following Final Acceptance.

Within 5 business days of notification from the State, the Contractor shall adjust, repair or replace all equipment that is defective or not performing in compliance with the Contract. The Contractor shall assume all costs for replacing parts or units and their installation including transportation and delivery fees, if any.

The Contractor shall provide a toll-free telephone number to allow the State to report equipment failures and problems to be remedied by the Contractor.

The Contractor agrees that all warranty service it provides under this Contract shall be performed by original equipment manufacturer (OEM) trained, certified and authorized technicians.

The Contractor shall act as the sole point of contact for warranty service. The Contractor warrants that it shall pass through to the State any and all warranties obtained or available from the original equipment manufacturer, including any replacement, upgraded, or additional equipment warranties.

## **2.509 PHYSICAL MEDIA WARRANTY**

Contractor represents and warrants that each licensed copy of the Software provided by the Contractor is free from physical defects in the media that tangibly embodies the copy. This warranty does not apply to defects discovered more than thirty (30) days after that date of Final Acceptance of the Software by the State. This warranty does not apply to defects arising from acts of Excusable Failure. If the Contractor breaches this warranty, then the State shall be entitled to replacement of the non-compliant copy by Contractor, at Contractor's expense (including shipping and handling).

## **2.6 Breach of Contract**

### **2.601 BREACH DEFINED**

Failure to comply in all material respects with articles, sections, or subsections of this agreement, or making any false statement in this agreement will be considered a breach of this agreement giving the state authority to invoke any and all remedies available to it under this agreement.

In addition to any remedies available in law and by the terms of this contract, if the Contractor breaches Sections 2.508 or 2.509, such a breach may be considered as a default in the performance of a material obligation of this contract.

### **2.602 NOTICE AND THE RIGHT TO CURE**

In the event of a breach by the Contractor, the State shall provide the Contractor written notice of the breach, to which the Contractor shall be given sixty days 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.

### **2.603 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 hereunder 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.

## 2.7 Remedies

### 2.701 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, or are not cured within sixty days from the date of 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 re-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 7. 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.

## 2.702 RIGHTS UPON CANCELLATION

Termination Assistance. If this Contract (or any Statement of Work issued under it) is terminated for any reason prior to completion, Contractor agrees to provide for up to six (6) months after the termination all reasonable termination assistance requested by the State to facilitate the orderly transfer of such Services to the State or its designees in a manner designed to minimize interruption and adverse effect. Such termination assistance will be deemed by the parties to be governed by the terms and conditions of this Contract (notwithstanding its termination) other than any terms or conditions that do not reasonably apply to such termination assistance. Such termination assistance shall be at no additional charge to the State if the termination is for Contractor's Default pursuant to Section 2.602; otherwise the State shall compensate Contractor for such termination assistance on a time and materials basis in accordance with the Amendment Labor Rates identified within this Contract agreement.

## 2.703 LIQUIDATED DAMAGES

- A. 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.
- B. The Contractor shall substantially comply with the key service level objectives/requirements from Section 1.104 of the Contract. The State will notify the Contractor in writing of any claim requesting payment of liquidated damages. The Contractor will be given an opportunity to cure the non-compliance before being subject to payment of liquidated damages. The Contractor will be given 30 days remit payment to the State for any undisputed claims for liquidated damages. No delay by the State in assessing or collecting liquidated damages shall be construed as a waiver of such rights. If there is a disagreement whether the Contractor is in breach a service level objective/requirement, the matter may be subject to settlement or final judgement of a court of competent jurisdiction.



C. The Contractor shall not be liable for liquidated damages when 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.

D. Liquidated damages will be assessed as follows:

**Key service level objectives/requirements from section 1.104 of the CONTRACT have been summarized in the chart shown on the following pages along with their associated liquidated damage calculations**



Key Service Level Objectives/Requirements from Section 1.104 of the CONTRACT		Associated Liquidated Damage Calculations
<b>Servicer, Early Intervention Contractor and Default Aversions Contractor Operations</b>		
3a10, First Paragraph	At a minimum, the system must be available Monday through Friday, 7:30 a.m. to 9:00 p.m. ET and Saturday, 9:00 a.m. to 1:00 p.m. ET.	Subject to 10% holdback of servicing fees for the month(s) impacted.
3a11	The Servicer's, Early Intervention Contractor's and Default Aversions Contractor's on-line systems availability/"up-time" must average 99% for the general service hours of operations specified in 3a10.	Subject to 10% hold-back of servicing fees for the month(s) impacted
<b>Servicer Operations</b>		
4a5b	The Servicer must perform Social Security number (SSN) verification, as required by the U.S. Office of the Inspector General, and must search to find possible problems with SSNs of MGA borrowers. To ensure system compliance, the Servicer's system must contain the table of valid SSN ranges provided by the Social Security Administration and verify the SSNs on all new applications. All requests for SSN changes must be compared to the valid SSN table and result in error messages if they do not fall into the valid range.	If Servicer's staff makes a change to the SSN of an MGA account without prior written authorization, they will be subject to a damage of \$200 per occurrence. Correcting SSN numbers due to Contractor error are excluded from penalty assessment.
4b2d	The Servicer must forward guarantee fees to MGA via EFT every month, within 15 calendar days of month end, if applicable.	1% of fees/day late.
4g3f	Automatically generate and mail default warning letters to the borrower and cosigner(s). In addition, the system must record all notices in the individual borrower's default record (see sections 1.104.3a19 and 3a21). (Letters must not be generated when the claim is submitted for reason of death, disability, ineligibility, school closure, false certification, or bankruptcy.)	\$100.00/letter for mailing default warning letters when claim is submitted for reason of death, disability, ineligibility, school closure, false certification, or bankruptcy.
4i2b6	Using selection criteria mandated by ED, the Servicer must interface Treasury Collections and/or collection agencies/subcontractors for turnover (subrogation) of defaulted accounts to be assigned to ED. Accounts designated for mandatory assignments are selected annually as required by ED. Treasury Collections and/or collection agencies/subcontractors must close accounts within 24 hours of notification of manual assignment.	10% of file submission value for not meeting time frame established.
4i2b7	The Servicer must interface with ED for turnover of all loans discharged due to permanent and total disability on a monthly basis as required by ED. Provide a tape of loans to be assigned to ED based on criteria approved by Contract Compliance Inspector or designee.	10% of file submission value for not meeting time frame established.
4i2.b.11	For MGA planning purposes, Contractor to provide MGA high-level scope database/system changes 60 days prior to implementation, and a detailed notification of scheduled changes 30 days prior to implementation to allow for programming changes to the IVR.	Subject to 10% holdback of servicing fees for the month(s) impacted.
4i2c9	Performing all credit bureau reporting on a monthly basis as required by federal regulations.	\$100.00/occurrence past time frame.
4i3a2	Post all payments received to the MGA collections system the date the payment is received. The Servicer will be responsible for transferring MGA's collection dollars daily no later than midnight on the day of receipt. MGA's share will be gross recoveries. No fees will be deducted from deposit made to MGA's account	State's average interest rate of return for investments per day late (currently 9.9% 10-year rate of return as of 12/31/04).



4k2	The Servicer must prepare the portions of the Guaranty Agency Quarterly Report (ED Form 2000) and all revised versions related to student loan data contained in the database according to the procedures, format, and schedule specified by ED. MGA will complete financial data related to internal operations such as investment earnings and operating expenses. The Servicer must make these reports available to the Contract Compliance Inspector or designee within five (5) business days of the end of each quarter (December 31, March 31, June 30 and September 30) for review and certification before they are submitted to ED. MGA will submit the reports to ED. These reports must be available on-line (see section 1.104.3a9)	\$1,000.00/day past time frame.
4k3	MGA participates in the Federal Income Tax Refund Offset Program authorized by ED as a means of recovering defaults. The Servicer must create the reports and cartridges (or other transmission media) necessary for participation, as well as comply with all regulations regarding the Federal Income Tax Refund Offset Program.	10% of prior year's received offsets if certification is not processed by ED's deadline.
6d	School and lender training workshops must be provided bi-annually in April or May and October or November.	\$50,000 will be assessed for each workshop that does not occur during the recommended months and without MGA approval.
6e	Survey of Schools and Lenders: Once every two years prepare, conduct, and tabulate/analyze a survey of MGA-participating schools to assess their satisfaction with MGA and the Servicer. The survey instrument and topics are subject to MGA's approval, and should contain at a minimum the following subject areas pertaining to MGA: Overall Impression, Image, School Services Unit, Materials, Workshops, Customer Services, and Problem Resolution.	\$50,000.00/occurrence if more than 30% of schools and lenders provide negative reviews specific to servicer performance that deviates from servicing requirements specified in this Contract.
6e	Survey of Schools and Lenders: Once every two years prepare, conduct, and tabulate/analyze a survey of MGA-participating schools to assess their satisfaction with MGA and the Servicer. The survey instrument and topics are subject to MGA's approval, and should contain at a minimum the following subject areas pertaining to MGA: Overall Impression, Image, School Services Unit, Materials, Workshops, Customer Services, and Problem Resolution.	If survey is not conducted every two years without MGA approval, \$50,000 per occurrence will be assessed after the second year has passed.

**2.704 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.

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.

### **2.705 SUSPENSION OF WORK**

The Contract Administrator may order the Contractor, in writing, to suspend, delay, or interrupt all or any part of the work of this contract for the period of time that the Contract Administrator determines appropriate for the convenience of the Government.

If the performance of all or any part of the work is, for an unreasonable period of time, suspended, delayed, or interrupted (1) by an act of the Contract Administrator in the administration of this contract, or (2) by the Contract Administrator's failure to act within the time specified in this contract (or within a reasonable time if not specified), an adjustment shall be made for any increase in the cost of performance of this contract (excluding profit) necessarily caused by the unreasonable suspension, delay, or interruption, and the contract modified in writing accordingly. However, no adjustment shall be made under this clause for any suspension, delay, or interruption to the extent that performance would have been so suspended, delayed, or interrupted by any other cause, including the fault or negligence of the Contractor, or for which an equitable adjustment is provided for or excluded under any other term or condition of this contract.

A claim under this clause shall not be allowed:

- (1) For any costs incurred more than 20 days before the Contractor shall have notified the Contract Administrator in writing of the act or failure to act involved (but this requirement shall not apply as to a claim resulting from a suspension order); and
- (2) Unless the claim, in an amount stated, is asserted in writing as soon as practicable after the termination of the suspension, delay, or interruption, but not later than the date of final payment under the contract.

## **2.8 Changes, Modifications, and Amendments**

### **2.801 APPROVALS**

The Contract may not be 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.

### **2.802 TIME EXTENTIONS**

Time extensions for contract changes will depend upon the extent, if any, by which the changes cause delay in the completion of the various elements of performance as described in the statement of work. The change order granting the time extension may provide that the contract completion date will be extended only for those specific elements related to the changed work and that the remaining contract completion dates for all other portions of the work will not be altered. The change order also may provide an equitable readjustment of liquidated damages under the new completion schedule.

### **2.803 MODIFICATION**



Acquisition Services reserves the right to modify this contract at any time during the contract term. Such modification may include changing the locations to be serviced, additional locations to be serviced, method or manner of performance of the work, number of days service is to be performed, addition or deletion of tasks to be performed, addition or deletion of items, and/or any other modifications deemed necessary. Any changes in pricing proposed by the Contractor resulting from the proposed changes are subject to acceptance by the State. Changes may be increases or decreases. IN THE EVENT PRICES ARE NOT ACCEPTABLE TO THE STATE, THE CONTRACT SHALL BE SUBJECT TO COMPETITIVE BIDDING BASED UPON THE NEW SPECIFICATION.

**The State reserves the right to add an item(s) that is not described on the item listing and is available from the Contract vendor.** The item(s) may be included on the Contract, subject to concurrence by the Contractor, only if prior written approval has been granted by Acquisition Services.

#### 2.804 AUDIT AND RECORDS UPON MODIFICATION

DEFINITION: records includes books, documents, accounting procedures and practices, and other data, regardless of whether such items are in written form, electronic form, or in any other form

Contractor shall be required to submit cost or pricing data with the pricing of any modification of this contract to the Contract Administrator in Acquisition Services. Data may include accounting records, payroll records, employee time sheets, and other information the state deems necessary to perform a fair evaluation of the modification proposal. Contract Administrator or authorized representative of the state shall have the right to examine and audit all of the contractor's records, including computations and projections, related to:

1. The proposal for modification;
2. The discussions conducted on the proposal, including those related to negotiation;
3. Pricing of the modification; or
4. Performance of the modification.

Contractor shall make available at its office at all reasonable times the materials described in the paragraphs above.

If this contract is completely or partially terminated, the records relating to the work terminated shall be made available for 3 years after any resulting final termination settlement.

#### 2.805 CHANGES

- (a) The Contract Administrator may, at any time, without notice to the sureties, if any, by written order designated or indicated to be a change order, make changes in the work within the general scope of the contract, subject to concurrence of the servicer, including changes:
  - (1) In the specifications (including drawings and designs);
  - (2) In the method or manner of performance of the work;
  - (3) In the Government-furnished facilities, equipment, materials, services, or site; or
  - (4) Directing acceleration in the performance of the work.
- (a) Any other written or oral order (which, as used in this paragraph (b), includes direction, instruction, interpretation, or determination) from the Contract Administrator that causes a change shall be treated as a change order under this clause; Provided, that the Contractor gives the Contract Administrator written notice stating:
  - (1) The date, circumstances, and source of the order; and
  - (2) That the Contractor regards the order as a change order.
- (b) Except as provided in this clause, no order, statement, or conduct of the Contract Administrator shall be treated as a change under this clause or entitle the Contractor to an equitable adjustment.

**2.9 Additional Terms****2.901 CONFIDENTIALITY**

Contractor and the State each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it. As used in this Section, "Confidential Information" of Contractor shall mean all non-public proprietary information of Contractor (other than Confidential Information of the State as defined below) that is marked confidential, restricted, proprietary, or with a similar designation. "Confidential Information" of the State shall mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State pursuant to applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State pursuant to its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. In the case of information of either Contractor or the State "Confidential Information" shall exclude any information (including this Contract) that is publicly available pursuant to the Michigan FOIA.

*Protection of Confidential Information*

The State and Contractor will each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party will limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access thereto in order to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) such disclosure is necessary or otherwise naturally occurs in connection with work that is within such Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect such Confidential Information from unauthorized use or disclosure.

*News releases*

News releases (including promotional literature and commercial advertisements) pertaining to the ITB and Contract or project to which it relates shall not be made without prior written State or Contractor approval, and then only in accordance with the explicit written instructions from the State or Contractor. No results of the activities associated with the ITB and Contract are to be released without prior written approval of the State and then only to persons designated.

*Exclusions*

Notwithstanding the foregoing, the provisions of this Section will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose such information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of this Section will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose such Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of such disclosure as reasonably requested by the furnishing party.

*No Implied Rights*



Nothing contained in this Section shall be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

#### Remedies

Each party acknowledges that, if it breaches (or attempts or threatens to breach) its obligations under this Section, the other party may be irreparably harmed. Accordingly, if a court of competent jurisdiction should find that a party has breached (or attempted or threatened to breach) any such obligations, the non-breaching party shall be entitled to seek an injunction preventing such breach (or attempted or threatened breach).

#### Survival

The parties' respective obligations under this Section shall survive the termination or expiration of this Contract for any reason.

#### Destruction of Confidential Information

Promptly upon termination or cancellation of the Contract for any reason, Contractor shall certify to the State that Contractor has destroyed all State Confidential Information.

### **2.902 FREEDOM OF INFORMATION ACT**

To the extent applicable, all information in a Contractor's proposal and the Contract is subject to the provisions of the Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq

### **2.903 DISCLOSURE OF LITIGATION**

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.

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.

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.

The Contractor will provide a copy of its annual 10-K report, filed with the Securities and Exchange Commission (SEC), which provides a description of all substantive and material litigation matters. Providing the annual 10-K shall be construed as meeting the reporting requirements of this section.



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.

\*\*\* 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.

#### **2.904 Vendor/Contractor Compliance with Laws**

Contractor/vendor shall keep informed of federal, state, and local employment laws, ordinances, rules, regulations, orders, and decrees of bodies or tribunals having any jurisdiction/authority that in any manner affects those engaged in or employed on the work done under this agreement or that in any manner affects the conduct of the work done under this agreement. Contractor shall observe and comply with such laws, ordinances, rules, regulations, orders, and decrees.

#### **2.905 WORKPLACE DISCRIMINATION**

The Contractor represents and warrants that in performing services for the State pursuant to this Contract, the Contractor 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 handicap or disability. The Contractor further agrees that every subcontract entered into for the performance of any Contract or purchase order resulting here from 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 37.2201, 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.

Vendor hereby represents that in performing this contract it will not violate The Civil Rights Act of 1964, USCS Chapter 42, including, but not limited to, Title VII, 42 USCS §§ 2000e et seq.; the Americans with Disabilities Act (ADA), 42 USCS §§ 12101 et seq.; or The Age Discrimination in Employment Act of 1967 (ADEA), 29 USCS §§ 621, 623 et seq.; the Old Workers Benefit and Protection Act of 1990 (OWBPA), 29 USCS §§ 626 et seq.; the Family Medical Leave Act of 1993 (FMLA), 29 USC §§ 651 et seq.; or the Fair Labor Standards Act (FLSA), 29 USC §§ 201 et seq.

#### **2.906 ORDER OF PRECEDENCE**

This Contract constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to such subject matter and as additional terms and conditions on the purchase order shall apply.



In the event of any inconsistency between the Contractor's responses to Section 1 of this Contract and any of the Contractor's responses to the questions in Appendix B and Appendix C, the following will represent the order of precedence:

Appendix B will take precedence;

Appendix C will follow in order of precedence;

Contractor's responses as shown in Section 1 of the Contract will be last in order of precedence.

## 2.907 LIABILITY INSURANCE

### A. 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.

All insurance coverage 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 specified in this Contract or required by law, whichever is greater.

The insurers selected by Contractor shall have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if such ratings are no longer available, with a comparable rating from a recognized insurance rating agency. Companies that have been approved to do business in the State shall issue all policies of insurance required in this Contract.

See [www.michigan.gov/cis](http://www.michigan.gov/cis)

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State shall be entitled to coverage to the extent of such higher limits.

Before both parties sign the Contract 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 ("Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) shall contain a provision indicating that coverage afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without THIRTY (30) days prior written notice, except for ten (10) days for non-payment of premium, having been given to the Director of Acquisition Services, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected and be mailed to: Director, Acquisition Services, Department of Management and Budget, P.O. Box 30026, Lansing, Michigan 48909. Failure to provide evidence of coverage, may, at the State's sole option, result in this Contract's termination.

The Contractor is required to pay for and provide the type and amount of insurance checked **below**:

1. Commercial General Liability with the following minimum coverage:



\$2,000,000	General Aggregate Limit other than Products/Completed Operations
\$1,000,000	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 INSUREDS on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

2. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

3. Workers' compensation coverage must be provided in accordance with applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If a self-insurer provides the applicable coverage, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision shall not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

4. Employers liability insurance with the following minimum limits:

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

5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars (\$1,000,000.00).
6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which shall apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.
7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars (\$3,000,000.00) each occurrence and three million dollars (\$3,000,000.00) annual aggregate.
8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of such office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to the replacement value thereof, where such office space



and its contents are under the care, custody and control of Contractor. Such policy shall cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State shall be endorsed on the policy as a loss payee as its interests appear.

**B. Subcontractors**

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor shall require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) shall fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

**C. Certificates of Insurance and Other Requirements**

Contractor shall furnish to the Office of Acquisition Services certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor shall provide evidence that the State and its agents, officers and employees are listed as additional insureds, but only to the extent of liabilities assumed by Contractor as set forth in Indemnification Section of this Contract, under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

Contractor shall maintain all required insurance coverage throughout the term of the Contract and any extensions thereto and, in the case of claims-made Commercial General Liability policies, shall secure tail coverage for at least three (3) years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and shall not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor shall be responsible for all deductibles with regard to such insurance. If Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, at the State's election (but without any obligation to do so) after the State has given Contractor at least thirty (30) days written notice, the State may pay such premium or procure similar insurance coverage from another company or companies; and at the State's election, the State may deduct the entire cost (or part thereof) from any payment due Contractor, or Contractor shall pay the entire cost (or any part thereof) upon demand by the State.



Appendix A

Michigan Guaratee Agency Servicing RFP  
Price Proposal Summary

Tasks	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Program Conversion (Section 1.104.2)</b>						
<b>Computer Facilities Management (section 1.104.3)</b>						
a) Computer Facilities Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Program Operations Service Fees (Section 1.104.4)</b>						
a) New Loan Fee (see attachment 1)	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 12,500,000
b) Account Maintenance Fee (see Attachment 1)	\$ 2,145,000	\$ 2,145,000	\$ 2,145,000	\$ 2,145,000	\$ 2,145,000	\$ 10,725,000
c) Claims	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d) Collections Total (see Attachment 2)	\$ 4,570,200	\$ 4,570,200	\$ 4,570,200	\$ 4,570,200	\$ 4,570,200	\$ 22,851,000
<i>Collection costs (paid by SLM or billed to MGA)</i>						
<i>Portfolio Management Fee to SLM</i>	\$ 2,547,600	\$ 2,547,600	\$ 2,547,600	\$ 2,547,600	\$ 2,547,600	\$ 12,738,000
<i>1.104.4e1</i>	\$ 2,022,600	\$ 2,022,600	\$ 2,022,600	\$ 2,022,600	\$ 2,022,600	\$ 10,113,000
e) Interfacing with Early Age Contractor (section 1.104.4e1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
f) Interfacing with Default Aversion Contractor (Section 1.104.4f1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
g) Borrower Delinquency/Default Self-Service Internet Site (Section 1.104.4h)	\$ 179,426	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 339,426
<b>Forms Management and Distribution (Section a) Printing, Storage, and Distribution (see Attachment 3)</b>	\$ 14,352	\$ 14,352	\$ 14,352	\$ 14,352	\$ 14,352	\$ 71,758
<b>School and Lender Support (Section 1.104.6)</b>						
a) Electronic Transmission Software	\$ 30,000	\$ 200,000	\$ 30,000	\$ 200,000	\$ 30,000	\$ 90,000
b) Survey of Schools and Lenders	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 1,000,000
c) Discretionary School and Lender Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d) Common Manual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1) Unit Cost Above Estimate Quantity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Computer Software maintenance and Enhancements (Section 1.104.7)</b>						



Appendix A

Michigan Guarantee Agency Servicing RFP  
Price Proposal Summary

Tasks	Year 1	Year 2	Year 3	Year 4	Year 5	Total
a) Maintenance and Enhancements						\$ -
b) Programmer Hourly Rate	\$ 95.00	\$ 95.00	\$ 95.00	\$ 95.00	\$ 95.00	\$ -
1) 4,000 Programmer Hours Per Year	\$ 380,000	\$ 380,000	\$ 380,000	\$ 380,000	\$ 380,000	\$ 1,900,000
Program Conversion/Turnover (section 1.104.8)					\$ 200,000	\$ 200,000
Section 1.302- Reports						
a) Daily, Weekly, Monthly, and Annual reports	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b) Ad Hoc Reporting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total</b>						<b>\$ 49,677,184</b>



Appendix A

Attachment 1  
New Loan and Account Maintenance Fee

New Loan Fee

New Loans Guaranteed	LPIF Paid by Ed	%Charged by Servicer	Amount of New Loans Guaranteed	Annual fee	Five Year Totals
a) \$599,999,999.99 or less	0.40%	0.25% % X	\$ 500,000,000	\$ 1,250,000	
b) \$600,000,000 to \$649,999,999.99	0.40%	0.25% % X	\$ 600,000,000	\$ 1,500,000	
c) \$650,000,000 to \$699,999,999.99	0.40%	0.25% % X	\$ 650,000,000	\$ 1,625,000	
d) \$700,000,000 to \$749,999,999.99	0.40%	0.25% % X	\$ 700,000,000	\$ 1,750,000	
e) \$750,000,000 to \$799,999,999.99	0.40%	0.25% % X	\$ 750,000,000	\$ 1,875,000	
f) \$800,000,000 to \$849,999,999.99	0.40%	0.25% % X	\$ 800,000,000	\$ 2,000,000	
g) \$850,000,000 to \$899,999,999.99	0.40%	0.25% % X	\$ 850,000,000	\$ 2,125,000	
h) \$900,000,000 to \$949,999,999.99	0.40%	0.25% % X	\$ 900,000,000	\$ 2,250,000	
i) \$950,000,000 to \$999,999,999.99	0.40%	0.25% % X	\$ 950,000,000	\$ 2,375,000	
j) \$1,000,000,000 to \$1,049,999,999.99	0.40%	0.25% % X	\$ 1,000,000,000	\$ 2,500,000	\$ 12,500,000
k) \$1,050,000,000 to \$1,099,999,999.99	0.40%	0.25% % X	\$ 1,050,000,000	\$ 2,625,000	
l) \$1,100,000,000 to \$1,149,999,999.99	0.40%	0.25% % X	\$ 1,100,000,000	\$ 2,750,000	
m) \$1,150,000,000 to \$1,199,999,999.99	0.40%	0.25% % X	\$ 1,150,000,000	\$ 2,875,000	
n) \$1,200,000,000 to \$1,249,999,999.99	0.40%	0.25% % X	\$ 1,200,000,000	\$ 3,000,000	
o) \$1,250,000,000 or greater	0.40%	0.25% % X	\$ 1,250,000,000	\$ 3,125,000	

\* Estimate \$1,000,000,000.00 in New Loans Guaranteed (annual average based on fiscal year 2003/04 figures)

Account Maintenance Fee

Total Portfolio	AMF Paid by Ed	%Charged by Servicer	Amount of New Loans Guaranteed	Annual fee	Five Year Totals
a) \$2,499,999,999.99 or less	0.10%	0.065% % X	\$ 2,400,000,000	\$ 1,560,000	
b) \$2,500,000,000 to \$2,599,999,999.99	0.10%	0.065% % X	\$ 2,500,000,000	\$ 1,625,000	
c) \$2,600,000,000 to \$2,699,999,999.99	0.10%	0.065% % X	\$ 2,600,000,000	\$ 1,690,000	
d) \$2,700,000,000 to \$2,799,999,999.99	0.10%	0.065% % X	\$ 2,700,000,000	\$ 1,755,000	
e) \$2,800,000,000 to \$2,899,999,999.99	0.10%	0.065% % X	\$ 2,800,000,000	\$ 1,820,000	
f) \$2,900,000,000 to \$2,999,999,999.99	0.10%	0.065% % X	\$ 2,900,000,000	\$ 1,885,000	
g) \$3,000,000,000 to \$3,099,999,999.99	0.10%	0.065% % X	\$ 3,000,000,000	\$ 1,950,000	
h) \$3,100,000,000 to \$3,199,999,999.99	0.10%	0.065% % X	\$ 3,100,000,000	\$ 2,015,000	
i) \$3,200,000,000 to \$3,299,999,999.99	0.10%	0.065% % X	\$ 3,200,000,000	\$ 2,080,000	
j) \$3,300,000,000 to \$3,399,999,999.99	0.10%	0.065% % X	\$ 3,300,000,000	\$ 2,145,000	\$ 10,725,000
k) \$3,400,000,000 to \$3,499,999,999.99	0.10%	0.065% % X	\$ 3,400,000,000	\$ 2,210,000	
l) \$3,500,000,000 to \$3,599,999,999.99	0.10%	0.065% % X	\$ 3,500,000,000	\$ 2,275,000	
m) \$3,600,000,000 or greater	0.10%	0.065% % X	\$ 3,600,000,000	\$ 2,340,000	

\*\* Estimate \$3,300,000,000.00 in Total Portfolio (annual average based on fiscal year 2002/03 figures through 2nd Quarter of 2004/05)

Pricing will be based on the estimated annual volume and prorated monthly at the beginning of each contract year



Appendix A

Attachment 2  
Collections Price Proposal

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
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Tasks

- a) In House Collection System
- b) Printing and Mailing Billing/Dunning Notices
- c) Collection fees, percentages based on: estimated collection costs; actual collection costs will apply.

1. Direct Recoveries

	Range		18.80%					Total
	From	To	Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Option 1</b>	<b>\$5,400,000</b>		<b>\$1,015,200</b>	<b>\$1,015,200</b>	<b>\$1,015,200</b>	<b>\$1,015,200</b>	<b>\$1,015,200</b>	<b>\$5,076,000</b>
Collection vendor fees paid by Sallie Mae								
Includes Portfolio Management Fee								
<b>Option 2</b>	Collection fees at 15.5% (billed to MGA)		<b>\$837,000</b>	<b>\$837,000</b>	<b>\$837,000</b>	<b>\$837,000</b>	<b>\$837,000</b>	<b>\$4,185,000</b>
<b>Option 3</b>	Portfolio Mgt. Fee at 3.3% of net recoveries		<b>\$178,200</b>	<b>\$178,200</b>	<b>\$178,200</b>	<b>\$178,200</b>	<b>\$178,200</b>	<b>\$891,000</b>
	Collection fees at 15.5% (billed to MGA)		<b>\$837,000</b>	<b>\$837,000</b>	<b>\$837,000</b>	<b>\$837,000</b>	<b>\$837,000</b>	<b>\$4,185,000</b>
	Portfolio Mgt. Fee at 4.7% net retention		<b>\$178,200</b>	<b>\$178,200</b>	<b>\$178,200</b>	<b>\$178,200</b>	<b>\$178,200</b>	<b>\$891,000</b>
f.	\$6,000,000	\$6,999,999.99	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%
g.	\$7,000,000	\$7,999,999.99	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%
h.	\$8,000,000	\$8,999,999.99	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%
i.	\$9,000,000	\$9,999,999.99	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%
j.	\$10,000,000	\$10,999,999.99	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%
k.	\$11,000,000	\$11,999,999.99	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%
l.	\$12,000,000	∞	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%

2. Rehabilitations

	Range		22.90%					Total
	From	To	Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Option 1</b>	<b>\$6,600,000</b>		<b>\$1,511,400</b>	<b>\$1,511,400</b>	<b>\$1,511,400</b>	<b>\$1,511,400</b>	<b>\$1,511,400</b>	<b>\$7,557,000</b>
Collection vendor fees paid by Sallie Mae								
Includes Portfolio Management Fee								
<b>Option 2</b>	Collection fees at 13.4% (billed to MGA)		<b>\$884,400</b>	<b>\$884,400</b>	<b>\$884,400</b>	<b>\$884,400</b>	<b>\$884,400</b>	<b>\$4,422,000</b>
<b>Option 3</b>	Portfolio Mgt. Fee at 9.5% of net recoveries		<b>\$627,000</b>	<b>\$627,000</b>	<b>\$627,000</b>	<b>\$627,000</b>	<b>\$627,000</b>	<b>\$3,135,000</b>
	Collection fees at 13.4% (billed to MGA)		<b>\$884,400</b>	<b>\$884,400</b>	<b>\$884,400</b>	<b>\$884,400</b>	<b>\$884,400</b>	<b>\$4,422,000</b>
	Portfolio Mgt. Fee at 4.7% net retention		<b>\$627,000</b>	<b>\$627,000</b>	<b>\$627,000</b>	<b>\$627,000</b>	<b>\$627,000</b>	<b>\$3,135,000</b>
e.	\$7,000,000	\$7,999,999.99	22.90%	22.90%	22.90%	22.90%	22.90%	22.90%
f.	\$8,000,000	\$8,999,999.99	22.90%	22.90%	22.90%	22.90%	22.90%	22.90%
g.	\$9,000,000	\$9,999,999.99	22.90%	22.90%	22.90%	22.90%	22.90%	22.90%
h.	\$10,000,000	\$10,999,999.99	22.90%	22.90%	22.90%	22.90%	22.90%	22.90%
i.	\$11,000,000	\$11,999,999.99	22.90%	22.90%	22.90%	22.90%	22.90%	22.90%
j.	\$12,000,000	\$12,999,999.99	22.90%	22.90%	22.90%	22.90%	22.90%	22.90%
k.	\$13,000,000	\$13,999,999.99	22.90%	22.90%	22.90%	22.90%	22.90%	22.90%
l.	\$14,000,000	∞	22.90%	22.90%	22.90%	22.90%	22.90%	22.90%



Appendix A

Attachment 2  
Collections Price Proposal

Tasks

Year 1	Year 2	Year 3	Year 4	Year 5	Total
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3. FDLP Consolidations

From	Range	To					
		Year 1	Year 2	Year 3	Year 4	Year 5	
a.	\$0	8.60%	8.60%	8.60%	8.60%	8.60%	
b.	\$10,000,000	8.60%	8.60%	8.60%	8.60%	8.60%	
c.	\$15,000,000	8.60%	8.60%	8.60%	8.60%	8.60%	
<b>\$18,800,000</b>							
Option 1	Collection vendor fees paid by Sallie Mae	\$1,616,800	\$1,616,800	\$1,616,800	\$1,616,800	\$1,616,800	\$8,084,000
Includes Portfolio Management Fee							
Option 2	Collection fees of 3.4% (billed to MGA)	\$639,200	\$639,200	\$639,200	\$639,200	\$639,200	\$3,196,000
Option 3	Portfolio Mgt Fee at 5.2% of net recoveries	\$977,600	\$977,600	\$977,600	\$977,600	\$977,600	\$4,888,000
	Collection fees of 3.4% (billed to MGA)	\$639,200	\$639,200	\$639,200	\$639,200	\$639,200	\$3,196,000
	Portfolio Mgt Fee at 4.7% net retention	\$977,600	\$977,600	\$977,600	\$977,600	\$977,600	\$4,888,000
d.	\$20,000,000	8.60%	8.60%	8.60%	8.60%	8.60%	
e.	\$25,000,000	8.60%	8.60%	8.60%	8.60%	8.60%	
f.	\$30,000,000	8.60%	8.60%	8.60%	8.60%	8.60%	
g.	\$35,000,000	8.60%	8.60%	8.60%	8.60%	8.60%	
h.	\$40,000,000	8.60%	8.60%	8.60%	8.60%	8.60%	
i.	\$45,000,000	8.60%	8.60%	8.60%	8.60%	8.60%	

4. FFELP Consolidations

From	Range	To					
		Year 1	Year 2	Year 3	Year 4	Year 5	
a.	\$0.00	9.70%	9.70%	9.70%	9.70%	9.70%	
b.	\$1,000,000	9.70%	9.70%	9.70%	9.70%	9.70%	
c.	\$2,000,000	9.70%	9.70%	9.70%	9.70%	9.70%	
d.	\$3,000,000	9.70%	9.70%	9.70%	9.70%	9.70%	
e.	\$4,000,000	9.70%	9.70%	9.70%	9.70%	9.70%	
<b>\$4,400,000</b>							
Option 1	Collection vendor fees paid by Sallie Mae	\$426,800	\$426,800	\$426,800	\$426,800	\$426,800	\$2,134,000
Includes Portfolio Management Fee							
Option 2	Collection fees of 4.25% (billed to MGA)	\$187,000	\$187,000	\$187,000	\$187,000	\$187,000	\$935,000
	Portfolio Mgt Fee at 5.45% of net recoveries	\$239,800	\$239,800	\$239,800	\$239,800	\$239,800	\$1,199,000
Option 3	Collection fees of 4.25% (billed to MGA)	\$187,000	\$187,000	\$187,000	\$187,000	\$187,000	\$935,000
	Portfolio Mgt Fee at 4.7% net retention	\$239,800	\$239,800	\$239,800	\$239,800	\$239,800	\$1,199,000
f.	\$5,000,000	9.70%	9.70%	9.70%	9.70%	9.70%	
g.	\$6,000,000	9.70%	9.70%	9.70%	9.70%	9.70%	
h.	\$7,000,000	9.70%	9.70%	9.70%	9.70%	9.70%	
i.	\$8,000,000	9.70%	9.70%	9.70%	9.70%	9.70%	
j.	\$9,000,000	9.70%	9.70%	9.70%	9.70%	9.70%	
k.	\$10,000,000	9.70%	9.70%	9.70%	9.70%	9.70%	

- d) Default Collection Portfolio Staff Services
  - 1) Certification and Tracking
  - 2) Post Claim Assistance to Borrowers
- e) Administrative Wage Garnishment

Year 1	Year 2	Year 3	Year 4	Year 5	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



Appendix A

Attachment 2  
Collections Price Proposal

Tasks	Year					Total	
	Year 1	Year 2	Year 3	Year 4	Year 5		
<b>Option 1</b>	SLM Fees/Collection Costs	\$ 4,570,200	\$ 4,570,200	\$ 4,570,200	\$ 4,570,200	\$ 4,570,200	\$ 22,851,000
<b>Option 2</b>	Collection Costs billed to MGA	\$ 2,547,600	\$ 2,547,600	\$ 2,547,600	\$ 2,547,600	\$ 2,547,600	\$ 12,738,000
	SLM Fees	\$ 2,022,600	\$ 2,022,600	\$ 2,022,600	\$ 2,022,600	\$ 2,022,600	\$ 10,113,000
<b>Option 3</b>	Collection Costs billed to MGA	\$ 2,547,600	\$ 2,547,600	\$ 2,547,600	\$ 2,547,600	\$ 2,547,600	\$ 12,738,000
	SLM Fees	\$ 2,022,600	\$ 2,022,600	\$ 2,022,600	\$ 2,022,600	\$ 2,022,600	\$ 10,113,000
<b>Grand Total</b>		<u>4,570,200</u>	<u>4,570,200</u>	<u>4,570,200</u>	<u>4,570,200</u>	<u>4,570,200</u>	<u>\$ 22,851,000</u>

Note: Collection agency costs will be based on actual costs incurred, percentages reflect a weighted average for all external agencies. Collection agency costs for Options 2 and 3 will be billed and paid by MGA.

**Optional**  
Payment Posting

\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
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- \* Collection Fees: Assume \$35,200,000 will be collected each year as follows:
- a) Direct Recoveries \$ 5,400,000.00
  - b) Rehabilitations \$ 6,600,000.00
  - c) Consolidations-Direct \$ 18,800,000.00
  - d) Consolidations-FFELP \$ 4,400,000.00
- \$ 35,200,000.00



Appendix A

Attachment 3  
Forms Estimate and Price Proposal

MGA Forms  
One-Year Usage

Form #	Name	Quantity		Unit Cost	Unit Cost Above Estimate Quantity	Total Annual Cost Based on Estimated Quantity	5-Year Cost
<b>Custom Forms:</b>							
337	Request for Application and Related Materials	2,000	CC	\$ 0.03		\$ 60.00	\$ 300.00
1504	Having Trouble Repaying Your Student Loan	23,400	M	\$ 119.00		\$ 2,784.60	\$ 13,923.00
1505	BLOTS Brochure	27,500	M	\$ 85.00		\$ 2,337.50	\$ 11,687.50
1503	Federal Stafford Loan Brochure	25,300	M	\$ 70.00		\$ 1,771.00	\$ 8,855.00
1516	Federal PLUS Loan Brochure	12,200	M	\$ 70.00		\$ 854.00	\$ 4,270.00
7210	Federal Consolidation Brochure	9,400	M	\$ 75.00		\$ 705.00	\$ 3,525.00
106	Repayment Schedule and Disclosure Statement	1,200	CC	\$ 0.12		\$ 144.00	\$ 720.00
291	Request for Forbearance	600		\$ 0.03		\$ 18.00	\$ 90.00
1519A	Student Loan Exit Interview Form	50,000		\$ 39.00		\$ 1,950.00	\$ 9,750.00
1519B	Student Loan Entrance Interview Form	25,700		\$ 38.00		\$ 976.60	\$ 4,883.00
1520	Loan Maintenance	2,900	CC	\$ 0.15		\$ 435.00	\$ 2,175.00
1521	Borrower/Student Personal Information	600	CC	\$ 0.13		\$ 78.00	\$ 390.00
1522	Sub/UnSub Reallocation	100	CC	\$ 0.15		\$ 15.00	\$ 75.00
1539	Disbursement Change	300	CC	\$ 0.13		\$ 39.00	\$ 195.00
1540	Loan Change	200	CC	\$ 0.13		\$ 26.00	\$ 130.00
1541	Loan Transfer	100	CC	\$ 0.13		\$ 13.00	\$ 65.00
7069	Social Security Number Change	100	CC	\$ 0.12		\$ 12.00	\$ 60.00
7075	Return of Funds Checklist	2,300	CC	\$ 0.06		\$ 138.00	\$ 690.00
7079	Request for Claim reimbursement	200	CC	\$ 0.12		\$ 24.00	\$ 120.00
283	Loan Consolidation Disclosure Statement	700	M	\$ 0.50		\$ 0.35	\$ 1.75
281	Loan Consolidation Verification Certificate	900	M	\$ 0.60		\$ 0.54	\$ 2.70
	Check free brochure	10,000	M	\$ 197.00		\$ 1,970.00	\$ 9,850.00
<b>Federal Forms Pre-Printed w/MGA Info:</b>							
1835A	Laser Stafford MPN	11,500	M	\$ -		\$ -	\$ -
1835B	Laser Staffor MPN Booklet	18,750	M	\$ -		\$ -	\$ -
1810	4-Part Stafford MPN	26,000	M	\$ -		\$ -	\$ -
1803	Stafford MPN Certification	1,000		\$ -		\$ -	\$ -
115LC	Consolidation Application	2,000		\$ -		\$ -	\$ -
3071	Laser PLUS MPN	7,500	M	\$ -		\$ -	\$ -
3072	Laser PLUS MPN Booklet	93,500	M	\$ -		\$ -	\$ -
3073	PLUS MPN Addendum	500	M	\$ -		\$ -	\$ -
3074	PLUS MPN Certification	250	M	\$ -		\$ -	\$ -
	4-Part PLUS MPN	13,500	M	\$ -		\$ -	\$ -
M	price per thousand						
CC	printed in Sallie Mae's copy center, using estimated costs					\$ 14,351.59	\$ 71,757.95

**APPENDIX B****Sallie Mae Servicer RFP Follow-up Statement of Work Questions Dated 12/21/05****2.c.1**

MGA requests 3 new complete copies of corrected documentation be provided at the beginning of the new contract period.

*Response: Sallie Mae agrees to this request.*

**6.d.1**

Please clarify that Sallie Mae will provide the two school workshops, one spring and one fall, and that each workshop will be held in both locations (one on west side of state, one on east side of state). The lender workshop will only be one time per year in one location.

*Response: Sallie Mae will provide two school workshops in geographical locations suitable to MGA. The lender workshop will take place once per calendar year.*

**6.i.5**

Does “now made available” mean currently available today or available at the onset of the new contract period?

*Response: The phrase “now made available” is referencing as being offered as part of the new contract period. MGA is not presently set up for this process. We recommend after execution of a new contract, that the specific requirements for pre-approval PLUS credit checks be determined in order to establish operating procedures.*

**Sallie Mae Loan Processing RFP, Pricing Clarifications**

(References to Appendix E, F, and G of the RFP refer to Appendix A in the Contract)

**4.a.12.a.3.b (also ref 6.i.5)**

MGA does not believe the pre-approval credit check should be billed as a separate line item. This should be included in the cost of doing business. It appears this fee will be charged against the Appendix E titled “Discretionary School and Lender Support” account. Please verify there will not be a charge for pre-approval credit checks.

*Response: Sallie Mae agrees to waive this fee for the first 500 pre-approval credit checks requested on an annual basis. For usage levels in excess of this amount, Sallie Mae reserves the right to review activity and assess a \$5.00 per unit charge to MGA for this service.*

*It is Sallie Mae’s standard policy to bill lenders for pre-approval PLUS credit checks, specifically for loans disbursed outside of our origination platforms. MGA is requesting this premium lender service be extended to its school customers, regardless of the lender*



chosen. The fee of \$5.00 per credit check is substantially less than the standard applicable charge.

4.i.1.a (also ref pg 6 “introduction”)

What would the cost be for MGA to have FACS system for collections (understanding this is for MGA only)?

*Response: Sallie Mae recently announced plans to make improvements to the collection system platform. Led by the guarantor user group, this project will have one of two outcomes: improvements will be made to the current CAPS system (presently used by MGA) that will dramatically improve performance, or a decision will be made to move to FACS. This decision will be based on group consensus, and Sallie Mae will only support one collection system platform for use by guarantors. Said another way, all guarantor customers will either use CAPS, or alternatively, FACS.*

*While some Sallie Mae affiliates use FACS, this software is licensed specifically to that affiliate, and is not available for use by any other entity. Should the user group determine FACS is the preferred option, a new license must be purchased.*

*MGA could choose to use the FACS system independently from other guarantor customers. If a “go alone” decision is made, MGA will need to work with Ontario Collection Systems, the licensor of the FACS product. The majority of costs for this project will be at the discretion of Ontario. But, based on information available to us, we estimate an independent effort to move to FACS will be very expensive: first year costs are estimated at \$600,000, and include initial license fees, purchasing a Unix server and other hardware, maintenance costs, system conversion costs (Ontario and Sallie Mae), and IVR interface build costs. Any customization to FACS will be performed by Ontario at an estimated or the future-prevailing hourly rate of \$210 per hour. Since this would be a new project for MGA, customization costs for set-up, report writing, etc. will be significant. For instance, a 2,000 hour estimate for project development could cost an additional \$420,000. Further, MGA will also pay an annual license fee to Ontario, estimated at \$60,000 per year. The scalability of FACS for a single user is challenging: licenses are sold only in bundles of 24 seats. We estimate MGA will need to purchase two license bundles, since certain system-run processes require separate operating licenses over and above licenses for MGA staff using the system. Please note: these are cost estimates and MGA should use this information for general guidance only, since final determination of cost will be made by the FACS vendor, Ontario Collection Systems.*

*Should Sallie Mae be awarded a bid under this ITB, we strongly suggest MGA participate in the collection system improvement project. We believe that enhancements can be made to dramatically improve CAPS functionality at a small fraction of the cost of converting to FACS. Any improvements made to CAPS will be chosen by the user group and costs equitably shared. Should the group decide FACS is the preferred system, start up costs will be shared equitably, lowering MGA’s cost of entry and improving scalability of the project. On a comparative basis, we believe a FACS solution will be more costly to MGA compared to fixing CAPS.*



5.a.8

MGA requests pricing for check-free brochures based on past year usage. It was not included in Appendix E, Attachment 3 in error.

*Response: This brochure has been added to Appendix E, Attachment 3 as requested.*

Appendix E, Attachment 2

The collection cost pricing is based on a percentage for four types of payments. We are assuming that: 1) the 19% of Direct Recoveries is based on principal, interest and collection costs; 2) the 23.5% of Rehabilitations is based on principal only; 3) the 9% of FDLP Consolidations is based on principal and interest; and 4) the 10 % of FFELP Consolidations is based on principal and interest. Please confirm MGA's understanding of how SM computes these figures.

*Response: The collection cost pricing structure provided in the original response was based on principal, interest and collection costs for all recovery types. The collection cost fees will be assessed at a flat rate and billed to MGA monthly. Proposed rates include both vendor collection fees and Sallie Mae portfolio management fees. This pricing structure was submitted to enable Sallie Mae to pay collection agency fees on behalf of MGA, which was a requirement of the ITB. Said another way, under this pricing structure, **Sallie Mae will NO LONGER separately bill MGA for vendor collections costs, which is different from the present contract.***

**The following revisions and reductions are requested for pricing in Appendix E:**

Appendix E, Price Proposal Summary:

The Price Proposal Summary page should be revised to reflect all changes requested below.

Appendix E, Attachment 1:

- MGA is currently running at level (j), \$1,000,000,000.00 to 1,049,999,999.99, on New Loans and at level (j), \$3,330,000,000.00 to 3,399,999,999.99, on Account Maintenance Fees. Please provide a revised price sheet reflecting these figures.
- MGA mistakenly listed the AMF Paid by Ed as 0.40%. The AMF Paid by Ed should be 0.10%. Please provide revised pricing based on the corrected figures.
- MGA requests a reduction in the percentage charged by Servicer for the Account Maintenance Fees from 0.065% to 0.045%. MGA believes this reflects a more fair and reasonable fee based on other contracts.
- MGA requests a reduction in the percentage charged by Servicer for New Loan Fee from 0.25% to 0.18%. MGA believes this reflects a more fair and reasonable fee based on other contracts.

*Response: Appendix E, Attachment 1 has been updated as requested per the first two bullet points.*



*Regarding the last two bullet points:*

*Sallie Mae's original proposal provides \$3.2 million dollars in savings versus the current contract. These savings are primarily a result of:*

- o Lowering the new loan fee from .30% to .25%, saving \$2.5 million dollars;*
- o Lower Portfolio Management fees at the stated flat rate per recovery type, saving \$600,000 over five years;*
- o Lowering the system enhancement billing rate from \$120/hour to \$95/hour, reflecting lower overhead costs in maintaining shared systems, saving \$500,000,*
- o Aggregate savings above are offset by costs for the Borrower Delinquency/Default Self-Service Internet Site expense of \$339,000.*

*Total proposed savings represents a 6.1% reduction from the current contract.*

*The State is requesting additional reductions, lowering the Account Maintenance Fee from .065% to .045%, and New Loan Fees, from .25% to .18%. This represents an additional \$6.8 million in fee reductions. Further, lower collection rates requested in the next section represents \$3.6 million in additional reductions. In total, fee reductions offered and additional requests made by the State represent \$13.7 million dollars in lower fees, representing 25.5% of the current contract value. The magnitude of this request is significant and unmanageable.*

*Responding to the State's request for additional fee concessions, Sallie Mae will eliminate the "Loan Incentive Fee", which is part of the current contract. We estimate the Loan Incentive Fee value at \$250,000 per year. Eliminating this fee will produce additional savings of \$1.2 million dollars from the current contract.*

*Further, we are providing additional reductions in the Portfolio Management fee totaling \$700,000 over five years. See the next section for a detailed explanation of these savings.*

*With fee reductions previously submitted in the original response plus the additional reductions offered, Sallie Mae has provided \$5.2 million in estimated savings, or 9.5% of the current contract value. If the State of Michigan awards both default aversion and early intervention servicing to Student Assistance Corporation, we estimate the enterprise-wide savings to MGA for both Sallie Mae and SAC contracts is **\$7.4 million dollars, or 11.6% lower than all current agreements.***

Appendix E, Attachment 2:

- MGA requests a flat rate of 13% for the life of the contract on direct recoveries (regardless of amount recovered). MGA believes this reflects a more fair and reasonable fee based on other contracts.



- MGA requests a flat rate of 17.5% for the life of the contract on rehabilitations (regardless of amount recovered). MGA believes this reflects a more fair and reasonable fee based on other contracts.
- MGA requests a flat rate of 9% for FDLP and 10% for FFELP consolidations (regardless of amount recovered) for the life of the contract. MGA believes this reflects a more fair and reasonable fee based on other contracts.

*Response: Since the initial implementation on 12/1999 of the Portfolio Management contract with MGA, Sallie Mae has achieved superior results. We have proactively managed MGA's portfolio utilizing the top collection agencies in the industry and instituted a competitive program which motivates all agencies to outperform each other. We have transformed MGA's total recoveries from an annualized recovery rate of 13% (before the Sallie Mae contract) to an average of 35%, a 169% increase. We have increased MGA's non-consolidation recovery rate from 10.4% to 18.4%, a 77% increase. We have improved MGA's guarantor recovery rankings as they are now ranked consistently in the top 10, a vast improvement from the 25<sup>th</sup> place ranking in 1999. We have emphasized cash and rehabilitation as preferred recovery methods and the mix of MGA's recovery types, now vastly improved, is weighted 51% to cash and rehabilitation. MGA's guarantor retention has increased from 17% to 20.6%. Overall revenue to MGA has increased 225% due to improved recoveries and retention mentioned above.*

*Sallie Mae also offers MGA added value for default recovery functions. The CAPS collection system is offered at no cost to MGA. If MGA desires, Sallie Mae will provide payment processing at no additional cost. Also, since contract inception, we have assisted MGA in a variety of back-end duties, allowing MGA to dedicate resources to other valuable aspects of its business.*

*In support of our ongoing partnership with MGA and positive results we have achieved, Sallie Mae is prepared to offer additional reductions in the Portfolio Management fees as laid out below.*

*Sallie Mae has revised Appendix E, Attachment 2 to reflect lower fees and a flat rate regardless of the amount recovered. As a reminder, the rates include collection costs which are paid to collection vendors on MGA's behalf. Under this structure, collection fees are no longer billed to MGA (Option 1). Regarding the request to lower the fee structure:*

- *A rate of 13% for direct recoveries cannot be honored, as this fee structure is not sufficient to cover collection fees to vendors (an operating loss to Sallie Mae). However, Sallie Mae is willing to lower the flat rate from 19.0% to 18.80%.*
- *A rate of 17.5% for loan rehabilitations does not support MGA's objective of a loan rehabilitation recovery strategy. Specifically, a loan rehabilitation recovery at 17.5% will provide a comparatively lower margin than both FDLP and FFELP consolidation recoveries (Loan rehabilitation margin = 17.5% fee less 13.4% collection cost = 4.1% before other operating expenses; margins for consolidation recoveries: 5.6% for FDLP, 5.75% for FFELP). Successfully rehabilitating a loan*



requires a higher degree of effort compared to consolidation recoveries, carries a higher cost of recovery, and provides a substantially higher financial benefit to MGA. To provide appropriate incentive for loan rehabilitation recoveries, Sallie Mae is proposing a flat rate of 22.90% versus the 23.5% rate in the original proposal.

- Sallie Mae is proposing to lower the fee rate for FDLP from 9% to 8.60% and lower the fee rate for FFELP recoveries from 10% to 9.70%, regardless of amount recovered. These fee amounts appropriately “subordinate” consolidation recovery fees to preferred recovery methods: direct collections and loan rehabilitation.

Alternatively, Sallie Mae is providing a fee structure (Option 2) where MGA will be billed for portfolio management fees, based on net recoveries by type, and monthly vendor collection costs. Option 2 fees payable to Sallie Mae are listed below, and combined with separate billing of actual vendor collection fees, will produce the same financial outcome as the Option 1 new fee structure. The difference between Option 1 and Option 2 rates is the estimated vendor collection fee rate. Fees are based on net recoveries:

	Option 1 (SLM pays agency fees)	Option 2 (MGA pays agency fees)
Direct recovery	18.80%	3.30%
Rehabilitation	22.90%	9.50%
FDLP consolidation	8.60%	5.20%
FFELP consolidation	9.70%	5.45%

As a third alternative (Option 3), MGA may desire to maintain the current pricing structure, whereby Sallie Mae will bill MGA monthly for a percentage of net guarantor retention plus monthly vendor collection fees. Sallie Mae is willing to reduce the percentage of net guarantor retention from the current level of 50% to 47%. Again, this option will produce the same outcome to MGA as Options 1 and 2. Option 3 fee structure will be calculated as follows for each collection type:

$$\begin{aligned}
 & \text{Collection Retention by type} \\
 \text{Less: } & \text{OCA Commissions (billed to MGA)} \\
 & \text{Net Guarantor Retention} \\
 & \times 47\% \text{ Net Retention} \\
 & \text{Total Amount Due to Sallie Mae}
 \end{aligned}$$

Appendix E, Attachment 2 reflects the outcome for all three Options available to MGA.



*Additional five-year savings from this revised fee structure compared to fees provided in our original response is estimated at \$700,000. Total five-year savings from lower Portfolio Management Fees versus current contract pricing is \$1.3 million.*

*To reiterate, all fee reductions in proposal responses (original and revised) from Sallie Mae and Student Assistance Corporation will provide five-year enterprise-wide savings to MGA of \$7.4 million dollars, or 11.6% of the current value of contracts in place today. We feel total reductions made are fair and reasonable based on other contracts.*

Appendix E, Attachment 3:

- MGA mistakenly included line items for Federal Forms Pre-printed. It states clearly in section 5 of the RFP that “all federal forms must be provided at no cost”. Please provide revised pricing.

*Response: Appendix E, Attachment 3 has been updated to reflect this change.*

**APPENDIX C****Response to Clarifications for Sallie Mae Dated 12/7/05  
Student Loan Processing Services****Servicer Operations Proposal:**

- 2.c.1** Is the user documentation available via the internet?

*Training and user documentation is not available via the internet. Documentation is available in paper form at no additional cost to MGA or its clients.*

- 2.d.3.** This section asks for the review and approval by the Contract Compliance Inspector or designee of all Sallie Mae contacts made with MGA clients. Please confirm your agreement to this stipulation.

*Sallie Mae acknowledges contacts with MGA clients to fulfill requirements of the ITB for Student Loan Processing Services will be subject to review and approval of the Contract Compliance Inspector. Because these efforts are "on behalf of the Michigan Guaranty Agency", Sallie Mae encourages MGA representation and participation in such client contacts, such as client visits made to fulfill the requirements of Section 6f, Mandatory School and Lender Support.*

*Sallie Mae operates as a diverse organization providing a full spectrum of support and services to the education community. There may be instances where schools using the MGA guarantee will develop business relationships with other Sallie Mae operating affiliates offering services that are separate and distinct from the requirements of this ITB. Examples of this include, but are not limited to: campus-based collections, lender sales, and student retention consulting services. Therefore, any contacts made to support business efforts outside of the requirements of the ITB are exempt from review and approval by the Compliance Contract Inspector.*

- 3.a.2** This section states availability is 24x7, but section 3.a.10 states IVR is available 7:30am to 9pm. Please clarify.

*Sallie Mae's IVR is available 24x7. MGA's IVR availability has to match the EAGLE system availability, since the MGA IVR uses screen scraping to obtain data for inquiry responses. Screen scraping only works when the EAGLE data screens are available. If MGA were to switch to a different technology such as RPCs, IVR availability could be expanded accordingly.*



- 3.a.2** Regarding the e-signature technology (also referenced in 4.a.3), will all lenders be allowed to use e-signature? Are lenders required to use Lender Funds Management Services in order to use e-signature?

*Subject to an executed agreement, any lender may use e-signature. Lenders are not required to use Lender Funds Management Services in order to use e-signature.*

- 3.a.2** Can lenders, servicers and MGA use Open Net 2.0 for online querying and reporting of loan data?

*Lenders and servicers can use OpenNet 2.0 for online querying and reporting. At this time, query and reporting functions are not directly available to guarantors. Since rollout of OpenNet 2.0, internal development efforts have been focused on improving core functionality. Guarantor access to these functions, although not imminent, will likely be available sometime in the future.*

- 3.a.15** The State assumes that there is no additional cost for these reports. Please confirm.

*Service level reporting shall be performed at no additional cost to MGA.*

- 3.a.17.b.** Images must be available within 1 business day of receipt of the document. Not addressed in response. Please respond.

*MGA Stafford, PLUS, or Consolidation paper applications that come into Sallie Mae processing locations are imaged the same day they are received.*

- 3.a.18** MGA is unable to support the authentication function on our website and is looking to the servicer to provide the authentication function on their website which will be a reasonable facsimile of MGA website.

*This functionality can be provided to MGA using a reasonable facsimile on Sallie Mae's website. A high-level estimate to perform this work is 400 hours of system development time. It is expected that development cost for this effort is included in the ITB pricing: Computer software maintenance and enhancement costs, reflected in Appendix E.*

- 3.a.22** The State assumes that there is no additional cost for these reports. Please confirm.

*Statistical/data reporting shall be performed at no additional cost to MGA.*



- 3.b.6** Please affirm that Sallie Mae will comply with the five rules/laws/standards listed.

*Sallie Mae will comply with the five rules/laws/standards listed in this section, at minimum.*

- 3.b.6** Will MGA have access to security reports that reference MGA? How will Sallie Mae inform MGA of security violations that may affect MGA?

*A security-related event or discrepancy brought to the attention of the Chief Information Security Officer will be investigated thoroughly. Security reports monitoring this activity are designed to detect violations at the global level. Should such a breach be discovered, Information Security will generate additional query and audit reports (forensic data reports) to further pinpoint the data compromise and risk exposure. Should these reports identify any compromise to MGA data, Sallie Mae will share all generated and subsequent reports identifying the breach with the Contract Compliance Inspector. MGA will continue to have access to all reports along with knowledge of action plans in place to restore security levels.*

- 3.b.6.b.1** How often does the audit firm performing the annual SAS70 audit change?

*Over the past few years, Sallie Mae has used PriceWaterhouseCoopers (PWC) as its independent audit firm, which also performs the annual SAS70 audit. At this time, Sallie Mae foresees no change in the use of PWC for its audit needs. Prior to using PWC, Sallie Mae relied on Arthur Anderson and Ernst & Young for SAS70 audit reviews.*

- 3.c.6** Why did the proposal state that Sallie Mae “expects” support for this process to continue? Is there an anticipated change to the current process?

*Stated differently, Sallie Mae will continue to support these efforts; no change is anticipated to the current process.*

- 3.c.8** Is Sallie Mae committing to performing the actual implementation?

*Sallie Mae will support the implementation of new initiatives and will provide integration with existing systems as necessary.*

- 4.a.1** Is Sallie Mae going to continue to process consolidation applications received from ALL lenders and lender servicers that work with MGA?

*Yes, MGA should expect no changes to consolidation application processing for lenders and servicers that work with MGA.*



- 4.a.3** Please verify that Sallie Mae meets and/or exceeds the real-time/minimum every two hours requirement in batch processing.

*Yes, Sallie Mae meets or exceeds real-time/minimum guarantee processing requirements of two hours or less.*

- 4.a.3** Do you support lenders transmitting/receiving financial aid data via CAM?

*Yes, pending successful testing of all data transmission, which is required to ensure accurate submission of the data.*

- 4.a.4** Will a loan request actually suspend if a borrower is listed as delinquent status? MGA does not believe this is the current practice and needs clarification.

*Yes, a loan request will suspend if a borrower is listed as delinquent or defaulted to allow the guarantor to verify that satisfactory repayment arrangements have been made by the borrower.*

- 4.a.5.a** This section did not include a response specific to applications submitted via paper. Please provide complete response.

*The response provided applies to both electronic and paper application edit processing, whether performed through EAGLE or OpenNet 2.0. Response files are submitted within 24 hours of the initial rejection.*

- 4.a.5.b** Please confirm your understanding that Sallie Mae is not authorized to make any changes/corrections to social security numbers other than correction of data entry errors made by Sallie Mae staff.

*Sallie Mae will not make any SSN changes/corrections UNLESS it is to correct a data entry error made by Sallie Mae Staff.*

- 4.a.8** Please define who (lenders, schools and MGA) is included as an Open Net 2.0 user.

*Lenders, schools, and guarantors are all considered users of OpenNet 2.0, although the principal benefit to MGA is the automated receipt of loan application data. Lenders and servicers can use OpenNet 2.0 for online querying and reporting, whereby this functionality is not yet directly available to guarantors.*



- 4.a.12.a.3.a** MGA requires access to the custom reporting module within Open Net so that MGA can run reports based on the most recent and up-to-date loan data. Is this going to be made available to MGA?

*The query and reporting tool is not available to guarantors. While there is discussion to allow guarantor access to this functionality, development efforts have focused on improving core functionality of this project. Guarantor access to these functions, although not imminent, will likely be available sometime in the future.*

- 4.a.14** Response did not include a response addressing the last sentence of this requirement. Please provide a complete response

*The EAGLE system has the capability to receive lender files and reflect the receipt of a signed MPN.*

- 4.a.17** The RFP requested that MGA staff must be able to reinstate but the proposal appears to be stating that Sallie Mae will do this on behalf of MGA. Please explain.

*Sallie Mae can provide MGA staff with the ability to reinstate the guarantee as requested. This functionality can be modified by changing individual system user access.*

- 4.c.11** The response refers only to calls from borrowers. Please verify that lenders, servicers and schools will be included in the customer service assistance received from Sallie Mae.

*All call types (including lender and school-based) are processed through Sallie Mae's Interactive Voice Response system. The IVR will provide access for MGA, borrowers, schools and lenders, with unique menus to split call types to each customer service group. MGA should anticipate no change to the current service offered.*

- 4.c.11** Please verify that Sallie Mae will respond to phone calls from 7:30am to 7:30pm and verify extended hours during peak season.

*Sallie Mae's call center customer service representatives are available from 8:00 am to 8:00 pm Monday through Thursday and 8:00 am – 5:00 pm Friday across all U.S. time zones. Staffing levels may be expanded to encompass additional hours based on specific criteria, including, exceptionally large loan request and disbursement volumes, as examples. Further, additional staffing is used to maintain service levels for increases in peak season call volume. Additional discussions should take place should this staffing model not be sufficient to meet MGA needs.*



- 4.f.1.a** Is the “Common Pre-Claims Assistance (PCA) paper” referred to in this section the same as DAARs?

*Yes, “Common Pre-Claims Assistance (PCA) paper” is synonymous with Default Aversions Assistance Request (DAAR), formerly known as Lender’s Request for Assistance (LRA).*

- 4.f.1.d** The response does not address the requirement. Please confirm that Sallie Mae will document as requested.

*Yes, Sallie Mae will document when the DAAR is received, returned to the lender, the reason for rejection, and make documents available to MGA Default Aversions Contractor.*

- 4.g.2** Will the system actually recommend claims disposition or does an examiner? The requirement is for the system to recommend claim disposition.

*The EAGLE system makes a preliminary claim disposition recommendation. This information is documented on the system, and is provided to the lender/servicer electronically the next day (the day after the review is completed), along with detail on the individual due diligence violations (if any) that were found. This provides the lender/servicer the opportunity to provide any data that may have been inadvertently excluded from the electronic file, in order to facilitate a complete review of the claim upon first submission (thus averting the need to return and re-file claims unnecessarily). The Claim Examiner uses the system’s information and any new data provided by the lender/servicer to make the final claim disposition.*

- 4.g.3.b** The response did not address number 5 or 8 in the list of edits. Can Sallie Mae perform those edits as required?

*The Electronic Claims Processing system (part of EAGLE) identifies the lender/servicer’s reported out-of-school date (OSD) and captures that information in a message posted to Delinquency Tracking. It also provides, in a message on Delinquency Tracking, the current OSD information resident on EAGLE. In addition, if the lender/servicer’s reported OSD is later than that which is on the EAGLE system, an ‘alert’ message is added to Delinquency Tracking that tells the Claim Examiner that the lender’s OSD is greater than EAGLE’s, including the instructions, “Must Verify OSD”, to ensure this check is completed by the Claim Examiner prior to making disposition on the claim.*

*Regarding the DAAR check, the ECP system does not do this check. However, the data entry screen has such an edit, and will provide a message on Delinquency Tracking to notify the Claim Examiner that no*



*DAAR could be found for those loans. If the claim was data-entered electronically, the Claim Examiner performs this check manually.*

- 4.g.6** The task is referring to “exceptional performer” requirements. MGA wants to be notified when lenders are placed or removed from the exceptional performers (as designated by the Department of Education) list. The second part of the task is not relevant.

*Sallie Mae can provide this information to MGA. This information is also available at the following U.S. Department of Education website address:*

*<http://www.fp.ed.gov/PORTALSWebApp/fp/exceptional.jsp>*

- 4.h.1.f** With work expected to begin in 2006, what is the anticipated release date?

*The Borrower Delinquency/Default Self-Service Internet product is scheduled to be released into production for Fall 2006 (October-November timeframe). Customization work will be required; Sallie Mae recommends a meeting be established to discuss these requirements as soon as possible to achieve this expectation.*

- 4.i.1** Number 15 is a requirement and MGA expected this to be part of the contract at no additional cost. Please confirm.

*Administrative Wage Garnishment processing is included in the collection system at no additional cost.*

- 4.i.1.b** EAGLE is not the billing system. Please clarify this statement.

*The collection system receives payments from EAGLE and posts those payments in an automated fashion, including the automatic adjustment for overpayments. The collection system also allows payment entry directly on the collection system and those payments are sent to EAGLE. On directly entered payments, manual adjustments must be made to prevent the application of an overpayment to ensure that the entire payment amount is sent to EAGLE.*

- 4.i.1.f** This is a requirement, not a request. Please confirm that all evaluation information will be provided as part of this contract.

*Sallie Mae will work with MGA to define specific reporting requirements of this section. It is expected that these reports will be provided to MGA using a reporting frequency desired by MGA.*



- 4.i.1.k** Number 6 states this is optional. This is a requirement of the RFP and is expected to be part of the contract at no additional cost. Please confirm.

*To clarify this point, meeting the requirements stated in Number 6 will require a system development effort. It is expected that development cost for this effort is included in the ITB pricing: Computer software maintenance and enhancement costs, reflected in Appendix E. Outside of this maintenance and enhancement cost "pool" per section 1.104.7, there will be no additional cost for this system enhancement.*

- 4.i.1.o** Does system automatically assign accounts to collectors?

*Yes.*

- 4.i.2.b** MGA is asking for continuation of current practice as now performed and doesn't believe this is a change. Therefore, why would there be a charge for this service?

*There are no changes to current practice and therefore no expected charges.*

- 4.i.2.b.2** MGA needs requirement #2 in all parts of EAGLE and CAPS.

*EAGLE & CAPS meet all the requirements listed in 4.I.2.b.2*

- 4.i.2.b11** Currently MGA has at least 90 calendar days. MGA needs to continue to have the 90 days because State of Michigan processes require this timeframe. Please confirm.

*Every attempt will be made to provide the needed information to the Contract Compliance Inspector within the required timeframe.*

- 4.i** General question regarding Sallie Mae's response to section 4.i. In many areas, you reference the EAGLE system; however, the collection system is currently CAPS. Please clarify.

*The EAGLE system is used to store all permanent records for the Michigan Guaranty Agency. CAPS is the ancillary collection system used by MGA and other guarantor customers to perform all internal collection activities. Data reflected on CAPS is provided by EAGLE. As expected, there are multiple file interfaces between EAGLE & CAPS, including placements, recalls, warnings, suspends, and payment files. These file interfaces help insure data integrity between the two systems. In addition, we perform reconciliations to make sure the data matches between the two systems.*



- 4.i.2.c.2** The proposal did not state that Sallie Mae accepts full responsibility. Please confirm.

*Sallie Mae will accept full responsibility to ensure that all collection agency activities performed on behalf of Michigan follow all federal and state laws, rules, and regulations governing collections.*

- 4i.2.c.2** Didn't confirm that state laws would be followed. Please confirm.

*See response above.*

- 4.i.2.c.11** MGA would like access to both the detailed written response and the executive summary. Can this be provided?

*We will provide to MGA an executive summary of Portfolio Management's collection agencies audits, the detailed audit report, as well as the collection agencies' written response.*

- 4i2c13** Response states that fees paid to the collection agencies will be based on gross. In an effort to control overpayments, we would like to stipulate that fees are paid only on the amount applied to the borrowers account, exclusive of any overpayment. Please confirm.

*Sallie Mae will only pay fees on amount applied to the borrower's account, exclusive of any overpayment.*

- 4.i.3.a.2,3,7** Please verify that Sallie Mae will comply with these requirements as stated in the RFP.

*Sallie Mae will comply with all requirements.*

- 4i3a3** States that payments will be applied to the EAGLE system, but the collections system is CAPS. If this is the case will the payments be transferred to CAPS from EAGLE on a daily basis? If not, what is the timeframe for this transfer?

*A payment applied first to EAGLE will be transferred to CAPS on a daily basis. Internal Collection's payments will be applied to CAPS and transferred to EAGLE.*

- 4.i.3.a.15** What is Workflow? What system does it interface with?

*Workflow is an internally developed application used to track research requests. Workflow allows each request to be assigned and tracked to ensure timely resolution. Workflow interfaces with EAGLE.*



- 6.d.1** Please confirm your understanding that school and lender training are separate. In addition to school workshops being conducted twice per year, MGA expects to have 1 lender workshop per year.

*Yes, these training sessions are separate. Annually, Sallie Mae will provide 2 school workshops and 1 lender workshop to MGA customers at no additional charge.*

- 6.h.1 & 2** Please affirm if MGA chooses not to have a technical and marketing manager in the MGA office, any other staff of Sallie Mae that visit Michigan clients must comply with these two statements

*Sallie Mae believes the presence of a technical and marketing manager position located in the Lansing office will provide enhanced benefits and market opportunities to MGA. Further, a decision to locate this position in Lansing is based on mutual consent from both Sallie Mae and MGA. The sole purpose of establishing this position is to enhance MGA's administrative and market-based support needs, either identified in this ITB or those that are identified in the future. The support required in section 6.h.1 & 2 will be provided by Sallie Mae, regardless of the outcome of providing either on- or off-site staff.*

- 6.i.5.** What about the lenders?

*Because Sallie Mae operates as a lender under multiple market brands, there may be certain services or features offered to those brands that provide distinctive market differentiation. Consequently, Sallie Mae cannot provide assurance that "all the products and services included in the RFP" will be available to schools regardless of their chosen lenders. To the extent that MGA wishes to place its services ahead of competing guarantors operating in the State of Michigan, MGA should also respect Sallie Mae's desire to distinguish its loan products from competing lenders.*

*Sallie Mae is open to making services available in an effort to position MGA favorably with customers served. It is in our best interest to promote to Michigan schools the virtues of using the MGA guarantee. As an example of our intent, the pre-approval PLUS credit check service, which was previously retracted, is now made available to schools desiring this service. As such, should MGA wish to implement specific products and services not encompassed by the ITB, Sallie Mae is willing to engage in dialogue to explore these requests.*

- 7.b** While MGA understands the reluctance to commit to a 2 calendar days for an actual fix, please advise what timeframe Sallie Mae is willing to



commit to for providing a reliable workaround for Servicer production program/system failures.

*Sallie Mae understands the importance of providing a prompt resolution to program/system failures. A complete resolution will depend on the severity of the problem. Nonetheless, we will provide a proposed workaround to MGA for a reliable workaround either within hours or no later than two calendar days from discovery. Further we will commit to rapid response to fixing system failures, using available means to fix the system (system patch, etc.).*

**8.g.11.** What about changes made during the course of the contract not related to program conversion?

*Documentation for system changes includes a description of the change, billing data, participants (if applicable,) impact statement, and report/screen prototypes (if applicable.)*

**1.302.1.a** MGA would like access to the weekly extract in addition to the previous month's extracts at no additional cost. Is this available?

*Sallie Mae is currently working to provide the weekly and previous month's data extract to MGA. This request will be made at no additional cost to MGA.*