

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

CHANGE NOTICE NO. 12
 to
CONTRACT NO. 071B6200178
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303	John Gennett	john.gennett@salliemae.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(317) 578-6658	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	TREA	Janet McKeown	(517) 335-1723	mckeownj@michigan.gov
BUYER	DTMB	Don Mandernach	(517) 241-7233	mandernachd@michigan.gov

CONTRACT SUMMARY:			
Early Intervention Services and Default Aversion Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
March 1, 2006	February 28, 2011	N/A	February 28, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2 Months	April 30, 2014
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$0.00		\$13,456,000.00		

Effective immediately, this Contract is hereby extended for two months. All other terms, conditions, specifications and pricing remain unchanged. Per vendor and agency agreement and DTMB Procurement approval.

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

CHANGE NOTICE NO. 11
 to
CONTRACT NO. 071B6200178
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303	Eric Johnson	eric.johnson@salliemae.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(317) 578-6119	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	TREA	Janet McKeown	(517) 335-1723	mckeownj@michigan.gov
BUYER	DTMB	Don Mandernach	(517) 241-7233	mandernachd@michigan.gov

CONTRACT SUMMARY:			
Early Intervention Services and Default Aversion Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
March 1, 2006	February 28, 2011	N/A	February 28, 2014
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/>	<input type="checkbox"/>	N/A	February 28, 2014
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$160,000.00		\$13,456,000.00		

Effective immediately, funds in the amount of \$160,000.00 are added to this Contract. All other terms, conditions, specifications and pricing remain unchanged. Per vendor and agency agreement, DTMB Procurement approval and the approval of the State Administrative Board on February 4, 2014.

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

CHANGE NOTICE NO. 10
 to
CONTRACT NO. 071B6200178
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303	Eric Johnson	eric.johnson@salliemae.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(317) 578-6119	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	TREA	Janet McKeown	(517) 335-1723	mckeownj@michigan.gov
BUYER	DTMB	Don Mandernach	(517) 241-7233	mandernachd@michigan.gov

CONTRACT SUMMARY:			
Early Intervention Services and Default Aversion Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
March 1, 2006	February 28, 2011	N/A	December 31, 2013
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2 Months	February 28, 2014
VALUE/COST OF CHANGE NOTICE:		ESTIMATED REVISED AGGREGATE CONTRACT VALUE:		
\$0.00		\$13,296,000.00		
Effective immediately, this Contract is hereby extended for two months. All other terms, conditions, specifications and pricing remain unchanged.				

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

September 24, 2013

CHANGE NOTICE NO. 9
 to
CONTRACT NO. 071B6200178
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303	Eric Johnson	Eric.johnsn@salliemae.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(317) 578-6119	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	TREA	Janet McKeown	517-335-1723	Mckeownj@michigan.gov
BUYER	DTMB	Don Mandernach	517-241-7233	mandernachd@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: Early Intervention Services And Default Aversion Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
March 1, 2006	February 28, 2011	N/A	September 30, 2013
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	3 Months	December 31, 2013
VALUE/COST OF CHANGE NOTICE:		ESTIMATED AGGREGATE CONTRACT VALUE REMAINS:		
\$0.00		\$13,296,000.00		

Effective immediately, this Contract is utilizing an option year for three (3) months to December 31, 2013. Please note, the buyer changed to Don Mandernach.

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

Per vendor and agency agreement, DTMB Procurement approval.



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

CHANGE NOTICE NO. 8
 to
CONTRACT NO. 071B6200178
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303	Eric Johnson	Eric.johnsn@salliemae.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(317) 578-6119	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	TREA	Janet McKeown	517-335-1723	Mckeownj@michigan.gov
BUYER	DTMB	Jim Wilson	517-241-1916	Wilsonj4@michigan.gov

CONTRACT SUMMARY:				
DESCRIPTION: Early Intervention Services And Default Aversion Services – Department of Treasury				
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW	
March 1, 2006	February 28, 2011	N/A	May 31, 2013	
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM	
N/A	N/A	N/A	N/A	
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS	
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
MINIMUM DELIVERY REQUIREMENTS:				
N/A				

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2 months	Sept. 30, 2013
VALUE/COST OF CHANGE NOTICE:			ESTIMATED AGGREGATE CONTRACT VALUE REMAINS:	
\$600,000.00			\$13,296,000.00	

Effective immediately, this contract is hereby utilizing 2 months of an option year to September 30, 2013. Contract is also increased by \$600,000.00. All other terms, conditions, pricing and specifications remain the same. Per vendor and agency agreement, DTMB Procurement approval and the approval of the State Administrative Board on July 9, 2013.

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

May 31, 2013

CHANGE NOTICE NO. 7
 to
CONTRACT NO. 071B6200178
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303	Eric Johnson	Eric.johnsn@salliemae.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(317) 578-6119	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	TREA	Janet McKeown	517-335-1723	Mckeownj@michigan.gov
BUYER	DTMB	Jim Wilson	517-241-1916	Wilsonj4@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: Early Intervention Services And Default Aversion Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
March 1, 2006	February 28, 2011	N/A	May 31, 2013
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2 months	July 31, 2013
VALUE/COST OF CHANGE NOTICE:		ESTIMATED AGGREGATE CONTRACT VALUE REMAINS:		
\$0.00		\$12,696,000.00		
Effective immediately, this contract is hereby utilizing 2 months of an option year to July 31, 2013.				
All other terms, conditions, pricing and specifications remain the same.				
Per vendor and agency agreement and DTMB Procurement approval.				

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

CHANGE NOTICE NO. 6
 to
CONTRACT NO. 071B6200178
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303	Eric Johnson	Eric.johnsn@salliemae.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(317) 578-6119	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	TREA	Jo Courtright		
BUYER	DTMB	Jim Wilson	517-241-1916	Wilsonj4@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: Early Intervention Services And Default Aversion Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
March 1, 2006	February 28, 2011		April 30, 2013
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1 month	May 31, 2013
VALUE/COST OF CHANGE NOTICE:			ESTIMATED AGGREGATE CONTRACT VALUE REMAINS:	
\$0.00			\$12,696,000.00	

Effective immediately, this contract is hereby utilizing 1 month of an option year to May 31, 2013.

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

Per vendor and agency agreement and DTMB Procurement approval.

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

CHANGE NOTICE NO. 5
 to
CONTRACT NO. 071B6200178
 between
THE STATE OF MICHIGAN
 and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303	Eric Johnson	Eric.johnsn@salliemae.com
	TELEPHONE	CONTRACTOR #, MAIL CODE
	(317) 578-6119	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	TREA	Jo Courtright		
BUYER	DTMB	Jim Wilson	517-241-1916	Wilsonj4@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: Early Intervention Services And Default Aversion Services – Department of Treasury			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
March 1, 2006	February 28, 2011		February 28, 2013
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS:			
N/A			

DESCRIPTION OF CHANGE NOTICE:				
EXTEND CONTRACT EXPIRATION DATE	EXERCISE CONTRACT OPTION YEAR(S)	EXTENSION BEYOND CONTRACT OPTION YEARS	LENGTH OF OPTION/EXTENSION	EXPIRATION DATE AFTER CHANGE
<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2 months	April 30, 2013
VALUE/COST OF CHANGE NOTICE:			ESTIMATED REVISED AGGREGATE CONTRACT VALUE:	
\$0.00			\$12,696,000.00	

Effective February 26, 2013, this contract is hereby EXTENDED by 2 months to April 30, 2013. All other terms, conditions, pricing and specifications remain the same. Per DTMB Procurement approval.

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET January 18, 2012
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

CHANGE NOTICE NO. 4
OF
CONTRACT NO. 071B6200178
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE (317) 578-6119 Eric Johnson
Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303 eric.johnsn@salliemae.com		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: Jo Courtright Early Intervention Services And Default Aversion Services – Department of Treasury		
CONTRACT PERIOD: From: March 1, 2006 To: February 28, 2013		
TERMS	N/A	SHIPMENT N/A
F.O.B.	N/A	SHIPPED FROM N/A
MINIMUM DELIVERY REQUIREMENTS N/A		

NATURE OF CHANGE(S):

Effective immediately, this Contract is hereby EXTENDED to February 28, 2013.

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

AUTHORITY/REASON:

Per agency and vendor agreement and DTMB Procurement approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$12,696,000.00

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. 3
OF
CONTRACT NO. 071B6200178
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303 <p style="text-align: right;">eric.johnsn@salliemae.com</p>	TELEPHONE (317) 578-6119 Eric Johnson
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: Jo Courtright Early Intervention Services And Default Aversion Services – Department of Treasury	
CONTRACT PERIOD: From: March 1, 2006 To: February 28, 2012	
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):

Effective immediately, this Contract is hereby **INCREASED** by \$2,896,542.00 and **EXTENDED** to February 28, 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 and vendor agreement, Ad Board approval on 3/1/2011 and DTMB/Purchasing Operations' approval.

INCREASE: \$2,896,542.00

REVISED CURRENT AUTHORIZED SPEND LIMIT: \$12,696,000.00

January 25, 2011

Melissa Castro
 DTMB-Purchasing Operations
 2nd 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:

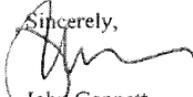
1. Sallie Mae, Inc., Contract No. 071B6200177, Pricing

	<u>Old Rate</u>	<u>New Rate</u>
Default Collections		
Direct Recoveries	14.50%	12.75%
Rehabilitations	22.90%	19.75%
FORD Consolidations	5.20%	4.95%
Printing/Mailing Billing Notices		
	Not billed	Billed Monthly
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.		

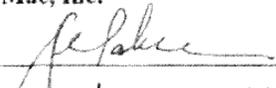
2. Student Assistance Corporation, Contract No. 071B6200178, Pricing

Cost per dollar cured	0.10%	0.15%
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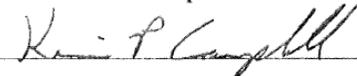
The pricing for all other services and support provided under each of the contracts, including the methodology for calculating monthly servicing fees, shall remain the same, and except as specifically described above, all other terms and conditions of the respective contracts shall remain in full force 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 MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
 OR
530 W. ALLEGAN, LANSING, MI 48933

November 12, 2009

CHANGE NOTICE NO. 2
OF
CONTRACT NO. 071B6200178
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303 <p style="text-align: right;">eric.johnsn@salliemae.com</p>	TELEPHONE (317) 578-6119 Eric Johnson
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 241-1916 Jim Wilson
Contract Compliance Inspector: Jo Courtright Early Intervention Services And Default Aversion Services – Department of Treasury	
CONTRACT PERIOD: From: March 1, 2006 To: February 28, 2011	
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):

Effective immediately, this Contract is hereby **INCREASED** by **\$3,100,000.00**.

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

AUTHORITY/REASON:

Per agency request, Ad Board approval on 11/3/09, and DMB/Purchasing Operations' approval.

REVISED CURRENT AUTHORIZED SPEND LIMIT: \$9,800,000.00

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

July 9, 2007

CHANGE NOTICE NO. 1
OF
CONTRACT NO. 071B6200178
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR		TELEPHONE (317) 578-6119
Student Assistance Corporation 4501 North Superior Drive Muncie, IN 47303 eric.johnsn@salliemae.com		Eric Johnson
		VENDOR NUMBER/MAIL CODE
		BUYER/CA (517) 241-1916
Contract Compliance Inspector: Jo Courtright		
Early Intervention Services And Default Aversion Services – Department of Treasury		
CONTRACT PERIOD: From: March 1, 2006		To: February 28, 2011
TERMS	N/A	SHIPMENT
		N/A
F.O.B.	N/A	SHIPPED FROM
		N/A
MINIMUM DELIVERY REQUIREMENTS		
N/A		

NATURE OF CHANGE(S):

Effective immediately, the contact information for this Contract is hereby changed to:

Troy Standish
Senior Director, Student Assistance Corporation
Troy.Standish@studentassistcorp.com
4501 North Superior Drive
Muncie, IN 47303
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and

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AUTHORITY/REASON:

Per Contractor/agency request and DMB/Purchasing Operations.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$6,700,000.00

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

March 17, 2006

NOTICE
OF
CONTRACT NO. 071B6200178
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Student Assistance Corporation 10550 West Charleston Blvd. Las Vegas, NV 89135	TELEPHONE (702) 804-0411 Jeff Schnell
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 Melissa Castro, CPPB
Contract Compliance Inspector: Jo Courtright Early Intervention Services And Default Aversion Services – Department of Treasury	
CONTRACT PERIOD: From: March 1, 2006 To: February 28, 2011	
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>	

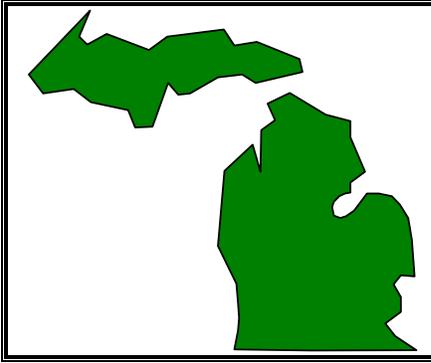
Estimated Contract Value: \$6,700,000.00

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

**CONTRACT NO. 071B6200178
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR Student Assistance Corporation 10550 West Charleston Blvd. Las Vegas, NV 89135	TELEPHONE (702) 804-0411 Jeff Schnell VENDOR NUMBER/MAIL CODE BUYER/CA (517) 373-1080 Melissa Castro
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F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION: Estimated Contract Value: \$6,700,000.00	

FOR THE VENDOR: Student Assistance Corporation _____ Firm Name _____ Authorized Agent Signature _____ Authorized Agent (Print or Type) _____ Date	FOR THE STATE: _____ Signature Elise Lancaster _____ Name Deputy Director, Acquisition Services _____ Title _____ Date
--	---



STATE OF MICHIGAN
Department of Management and Budget
Acquisition Services

Student Loan Processing Services (Early Intervention Services and Default Aversion Services)

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



Student Loan Processing Services

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APPENDICES

- A Pricing Proposal**
- B 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

Legend

- "S" = Primary/Secondary Servicer(s)
- "E" = Early Intervention Contractor
- "D" = Default Aversion Contractor
- "M" = Michigan Guaranty Agency



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:

Sallie Mae's Student Assistance Corporation (SAC) will be able to accommodate any changes in processing necessary to support MGA's Voluntary Flexible Agreement (VFA) with the U.S. Department of Education (ED). Once application has been made and approved by ED, a Contract Amendment will be executed.

1.103 TECHNICAL ENVIRONMENT

1. MGA (see below and see 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:

Sallie Mae's Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' will use MGA's logo in all interactions with MGA clients with the exceptions of SAC's system-generated 'stock' delinquency letters and reference contact letters as well as the U.S. Department of Education's deferment request forms and lender/servicer-specific forbearance request forms which do not allow for customization. SAC's system-generated borrower and reference letters are generated from the EAGLE loan guarantee system via the Borrower Pursuit System (BPS) graphic user interface..

- 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:

SAC, through its parent company Sallie Mae, makes two major release updates to the 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. SAC 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 SAC 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 SAC.

We envision the addition of a 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. SAC will ensure MGA is apprised of these changes, both in scope and timing as they occur.

SAC will review, analyze, and understand all federal and state laws, regulations, and rules. As legislative and regulatory changes are enacted, SAC as the Early Intervention Contractor and/or Default Aversions Contractor will give MGA the opportunity to review and offer ideas and concerns regarding system and procedural changes before design and implementation. However, SAC is ultimately responsible for implementing changes and maintaining compliant systems and procedures. SAC as the Early Intervention Contractor and/or 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. will be amended accordingly as federal/state laws/regulations/rules change

- 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 as parent company of SAC 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:

SAC and Sallie Mae have a processing standard that is to respond to 95% of written inquiries, either received through e-mail or standard correspondence, within four (4) business days. We consistently process 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:

SAC 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 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:

SAC's parent company Sallie Mae has representation on the NCHELP 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:

Simply stated, should the State of Michigan, Department of Treasury, Michigan Higher Education Assistance Authority, Office of Michigan Guaranty Agency (MGA) choose to award this contract to SAC, there will be no interruption in service provided. Instead, MGA can continue to support its customers without the disruption of a data conversion.

Selecting a new service provider is a significant undertaking. Further, making this decision to change system platforms involves more than moving data from one operation system to another. MGA must consider and assess the competency of alternative systems, determine interface requirements with state operating systems, minimize impact to school customer operations, transition current outsourced operations to the new servicer, map associated data fields from EAGLE to the alternative system, understand and establish new reporting requirements, train MGA employees, absorb incremental and opportunity costs associated with system conversion, to name a few. Further, this work must be performed in a manner that is transparent to the schools and borrowers served by MGA.

Using the stated deadline provided in the CONTRACT document, all conversion and training processes must be complete within 90 days after contract execution.

Within five (5) business days of Contract execution, Student Assistance Corporation (SAC) as the ‘Early Intervention Contractor’ and/or ‘Default Aversion Contractor’ will 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. SAC will 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 SAC’s systems and support functions will impact MGA’s operations.*
- b. *Define activities that SAC proposes MGA staff continue to perform in-house (with SAC 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 SAC 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” system modifications required to satisfy MGA requirements defined in this CONTRACT. SAC will 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) SAC 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).

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 Contract. 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, SAC can offer MGA a significant advantage through extension of this business partnership. SAC understands MGA's business model, school clients, and is best suited to promote MGA as the guarantor of choice in the State of Michigan.

SAC is proposing changes and enhancements as part of this response, which will require planning efforts with MGA. Should SAC receive a bid award, the following changes must be addressed to the extent they impact the scope of the relationship.

- a) Should Student Assistance Corporation (SAC) 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;*
- b) Any desired changes to the current servicing model, specifically should MGA choose to insource any services presently performed by SAC.*

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' will prepare a comprehensive, detailed work plan with appropriate monitoring mechanisms/checkpoints for conversion of the operation and the agreed upon administrative functions within 20 business days (one calendar month) of Contract execution. SAC will follow-up with each task in work plan to ensure timely completion; additionally, SAC will be responsible for overall conversion project planning and management. A high-level version of SAC's work plan is listed below.

- a. Primary responsibility: Receiving Data from MGA and MGA's schools such as separation reports and customized reports from exit interviews to assemble a list of borrowers to be contacted as part of MGA's Early Intervention program. SAC will procure this data and load it onto the Enterprise Results Based Prevention (ERBP), the system-of-record for SAC's Early Intervention services.*
- b. Timeframe: SAC will begin this effort immediately and with completion within 20 days of contract execution.*



c. *Hours/other resources required: SAC as the Early Intervention Contractor will allocate four (4) hours per school receiving MGA's Early Intervention services. These hours will be spent procuring data and feeding data into ERBP.*

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent.

- 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.

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' will 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 SAC as the Early Intervention Contractor.

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent Default Aversions Contractor.

- 2a4. The required overall timeframe for program conversion is 90 calendar days from Contract execution. Contractor(s) must discuss their ability to meet this time frame in their Contract or their required overall time frame for program conversion. 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:

As the incumbent servicer, this section will not apply. All risk inherent to transitioning servicing to an alternative servicing entity is eliminated.

Should Student Assistance Corporation (SAC) be awarded work as early intervention contractor, immediate discussions will 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.

SAC proposes that the transition of Early Intervention data take place in the first 20 days after Contract execution and include the following:

1. *Transition MGA borrowers' loan and associated data from the current Early Intervention Contractor's system to SAC's Enterprise Results Based Prevention (ERBP) system. This includes data elements such as borrower name, demographics, loan data, and contact history.*
2. *SAC will also work with MGA and the current service provider to establish contacts at the various schools where data is originated for new borrowers entering the Early Intervention program.*
3. *SAC in partnership with MGA will review the current flow, and source of data, and reporting construct and will assess the need to incorporate other third party stakeholders into the transition such proprietary and/or other 'high-risk' schools that might provide borrower separation and demographic data to the current Early Intervention Contractor.*
4. *Once approved by MGA, SAC will contact the participating schools and ensure all of the Early Intervention data is sent to SAC. SAC will monitor this transfer carefully to ensure a smooth and seamless transition for MGA and its valuable school customers.*



5. SAC will create an MGA Early Intervention Transition Plan. This will be written project plan outlining the actual conversion, time-line, and key performance indicators.
6. SAC will schedule weekly meetings during the conversion to update MGA management on key performance data and important conversion information.
7. Once the conversion is complete, SAC will continue to report critical performance data to MGA on a monthly basis at a minimum.

SAC's data transition will occur in a "single phase" approach per section 1.104.2b5.

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent Default Aversions Contractor

- 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' and the State of Michigan 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.

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' will 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 SAC. As part of conversion responsibilities, SAC as the Early Intervention Contractor will 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 relating to default aversion and early intervention services.

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent Default Aversions Contractor..

- 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 SAC and MGA, or should SAC be named contractor for early intervention servicing, the needed system access and operational requirements will be addressed accordingly. Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' will analyze and document systems requirements including:

- a. *Identifying data/files that must be converted from the current Early Intervention Contractor to 'drive' SAC as the successor Early Intervention Contractor's ERBP system.*

Identifying conversion program specifications and development (including MGA approval of specifications, program coding, and testing) necessary to convert data from the current MGA Early Intervention Contractor's systems to enable SAC as the new Early Intervention Contractor's systems to support ongoing operations.

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent Default Aversions Contractor.

- 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' will define approach for initializing critical data fields on the Enterprise Results Based Prevention (ERP) Early Intervention system for which no corresponding MGA data element exists in electronic form or which exist on MGA's current systems that the Servicer does not have the capability to support.

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent Default Aversions Contractor.

- 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 Contract.
- 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' will develop, document, test, and execute data conversion from the current Early Intervention Contractor, MGA, and participating schools, including:

- a. Borrower demographic information, loan data, and school separation dates.*
b. SAC will provide staff to perform Early Intervention services-related matters during the transition under the supervision of MGA.

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent Default Aversions Contractor

- 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' will perform its conversion in a 'single phase' approach. SAC's ERBP system will be implemented, including hardware, software, telecommunications equipment/lines, and processing schedules/support as discussed in Section 1.104.3.

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent Default Aversions Contractor.

- 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:

SAC will verify receipt of existing data files from the current MGA Early Intervention Contractor with appropriate control totals and provide Contract Compliance Inspector or designee a comparable conversion report upon successful conversion. SAC has successfully converted data previously from third parties onto SAC's systems and anticipates no issues with the proposed conversion.

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent Default Aversions Contractor.



- 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:

After conversion, Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' will 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. All data will be transferred/converted to SAC's ERBP system. ERBP has robust reporting functionalities to identify issues.

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent Default Aversions Contractor.

- 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.

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' will 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.

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent Default Aversions Contractor.

- 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.

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and 'Default Aversion Contractor' will transfer data to the Servicer in a manner deemed appropriate by MGA. The Servicer and MGA will be able to retrieve, update, and add information relating to SAC's Early Intervention and/or Default Aversions programs.

- 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' will adhere to MGA's system that assigns a unique 11-digit number (MI followed by nine [9]



numeric characters) to all MGA loans. SAC will adhere to this numbering system in its Early Intervention and Default Aversion efforts.

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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' will 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.

Training and user documentation is only available via paper and is provided at no cost to MGA or its clients. SAC will 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 SAC's systems.*
- b. Providing information about the administrative and clerical support activities SAC will assume, so MGA staff can answer user questions and perform identified/approved inquiry and update/correction activities.*

- 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and 'Default Aversion Contractor' will train MGA staff and clients as necessary to facilitate a smooth, seamless transition of processing; additionally, ongoing training will be provided throughout Contract as needed. SAC, if necessary will also develop and deliver training seminars available in each Michigan Student Financial Aid Association (MSFAA) region and documentation for MGA clients, with content, schedule, and instructor's subject to approval by Contract Compliance Inspector or designee.



If necessary, SAC will provide on-site training for MGA's top ten (10) schools by volume. Training and documentation will be provided at no additional cost to MGA or its clients. Internet-based training may be developed and provided upon mutual agreement with MGA or its clients.

- 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 and user procedural documentation may be a combination of SAC, as the Early Intervention Contractor and/or Default Aversions Contractor, standard and custom documentation but will have the MGA name/logo and contact information prominently displayed. SAC as the Early Intervention Contractor and/or 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 will be available at the start of training upon initial implementation and ongoing operations throughout the Contract period per section 1.104.6d.

- 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' will complete training and documentation of the revised systems and procedures within the 90-calendar day conversion period.

- 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:

As part of its response as primary servicer, Sallie Mae has provided 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. In an effort to avoid duplication, the State of Michigan should refer to this Appendix when reviewing available reports. 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, SAC does not subscribe to WebCT. As an alternative, SAC can offer training tools via Internet 'webinars' conducted via Intercall MeetingPlace and in certain cases, training in-person by an SAC staff member.

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

Contractor Response to Task:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' is in the process of hiring an NSLDS subject matter expert to be on staff at SAC. Upon this hiring, SAC will train MGA staff on working NSLDS errors and other NSLDS-related matters.



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:
- a. Introductory letter (includes instructions for who/when/where to call with conversion questions and any future problems).
 - b. Progress bulletins (status, next steps, schedule changes, etc.). Bulletins must include system availability schedules.
 - c. Final notice/confirmation of cutover date.
 - d. 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) 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 Contract 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 Contract, 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 provides information technology management services to SAC. The following represents services performed by Sallie Mae on behalf of SAC.

Sallie Mae has an 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.

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' will provide on-line, keyed access to the EAGLE loan guarantee system and the Enterprise Results Based Prevention (ERBP) system for required, authorized inquiry, and updating by MGA and/or the Servicer client staffs to assist in resolving inquiries, problem situations, etc. on behalf of its clients in the various programs, including those functions for which SAC will provide administrative and clerical support, subject to appropriate system security requirements and user access restrictions).

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 SAC during Program Conversion relating to the Early Intervention operational analysis activities.



Records are accessible on the EAGLE loan guarantee system and ERPB system by borrower Social Security number or borrower last and first name. EAGLE and ERBP are able to assign a unique account number for each borrower.

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:

System availability for Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' will 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. Internet-based access for delinquent borrowers and borrowers participating in MGA's Early Intervention program is 24/7 at www.studentassistcorp.com.

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' hours of operation are 8:00 a.m. to 8:00 p.m. Monday through Thursday, Fridays from 8:00 a.m. to 5:00 p.m. and 8 a.m. to 12 Noon on selected Saturdays and Sundays Eastern Time (ET). SAC's operational centers are staffed appropriately during these hours to accommodate phone, letter, and E-mail volume, SAC's hours of operations are designed to generate the highest borrower contact rate.

The SAC staff members who will oversee the availability of the system will be available to resolve system access issues during all published MGA business hours. SAC will also 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 will 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 will coincide with those of MGA.

Sallie Mae's EAGLE loan guarantee 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:

Student Assistance Corporation's (SAC's) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' systems availability/up-time will average 99 percent (99%) for the General Service hours of operation. 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 Contract Compliance Inspector or designee within 24 hours of problem resolution and restart by Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor.' Sallie Mae will 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 will be communicated at least seven (7) calendar days in advance to Contract Compliance Inspector or designee.

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:

Sallie Mae's support for Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' Mean Time Between Failure (MTBF) of the Borrower Pursuit System (BPS) for Default Aversion and the Enterprise Results Based Prevention (ERBP) system for Early Intervention 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:

Sallie Mae’s system response time for Student Assistance Corporation’s (SAC’s) Borrower Pursuit System (BPS) for Default Aversion and the Enterprise Results Based Prevention (ERBP) system for Early Intervention, designated as the time the “enter” key or its equivalent is depressed until the requested information appears on the screen, averages 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:

Upon request, Student Assistance Corporation (SAC) as the ‘Early Intervention Contractor’ and/or ‘Default Aversion Contractor’ will submit monthly reports that indicate actual performance versus the Contract service levels and objectives. SAC publishes a monthly ‘executive dashboard’ that reports actual performance compared with MGA’s established operational performance objectives relating to Default Aversion. SAC envisions a report similar to this for this initiative.

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:

Student Assistance Corporation (SAC) as the ‘Early Intervention Contractor’ and/or ‘Default Aversion Contractor’ will use the Borrower Pursuit System (BPS) and the EAGLE loan guarantee system for Default Aversion and the Enterprise Results Based Prevention (ERBP) system for Early Intervention and will provide a complete and accurate reflection (audit trail) of all financial and non-financial transactions affecting the databases

*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:

Student Assistance Corporation's (SAC's) Borrower Pursuit System (BPS) and EAGLE system for Default Aversion and the Enterprise Results Based Prevention (ERBP) system for Early Intervention maintains a complete on-line transaction history chronologically and by account in an electronic format. Audit trail data will be returned to MGA by SAC at the end of the Contract, with sufficient instructions for MGA or a subsequent Servicer and/or Contractor to retrieve the information

Transaction history is available on-line or in a report format. It is maintained chronologically and by account and stored on the database. SAC 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 will be made available by Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' for the Servicer/Contractor and MGA staff to update history based on all attempts to contact borrowers, references, schools, lenders, etc. SAC and MGA staff will also be able to enter and retrieve on-line free-form history messages to cover unique situations. SAC's Borrower Pursuit System (BPS) and EAGLE system for Default Aversion and the Enterprise Results Based Prevention (ERBP) system for Early Intervention allows for the addition of new standardized and free form messages.

Standardized ("canned") on-line history messages/codes are available for SAC 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' in conjunction with support from Sallie Mae will continue to provide Microfilm/Microfiche/Imaging support 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' in conjunction with support from Sallie Mae will 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:

SAC's parent company 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 (CDDDB). 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 relating to SAC 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 SAC's parent company 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.

SAC's parent company 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 be 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' documents any communication on an account chronologically in the account history on the Borrower Pursuit System (BPS) and EAGLE system for Default Aversion and the Enterprise Results Based Prevention (ERBP) system for Early Intervention. This includes all attempted telephone contacts, actual telephone conversations, or written communication received or sent. The EAGLE and ERPB systems provide the ability for any MGA contact activity to be captured and integrated in this fashion.

- 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:

The telephone response staffs of MGA and Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' have immediate and convenient access to data files, including loan and demographic data. If a telephone inquiry cannot be handled to the satisfaction of the user at the time of the inquiry, the SAC will investigate and respond (e.g., call back) within 24 to 48 hours of the original request.

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.

SAC 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, SAC 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:

Inquiries that cannot be handled by telephone response will be handled via written correspondence within five (5) business days of the initial request. Student Assistance Corporation's (SAC's) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' BPS and ERBP systems retain a history of all inquiries and responses, even if the request is transferred to MGA for handling. MGA staff will be able to update borrower or communications response/call log history records on the SAC's ERPB system for Early Intervention-related matters and the Borrower Pursuit System (BPS) and the EAGLE system for Default Aversions-related matters.



Sallie Mae, on behalf of SAC, responds to 95% of E-mail and written correspondence within four (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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' has several statistical data reporting and performance measurements that it uses for operational management. These measurements are important evaluation tools in identifying call volumes, types, as well as individual, unit, and business line performance. SAC closely monitors its performance levels and can share key performance data with MGA.

Performance data as well as volume metrics are maintained and can be shared with MGA on a weekly basis throughout the Contract period, and upon request, will be provided to Contract Compliance Inspector or designee. 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' has facilities 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:

In all cases, Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' will 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.

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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' will 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) will be prepared, implemented, and maintained for MGA and MGA client operations.

SAC's procedures will clearly identify program/system/data file error recovery and restart instructions for all jobs. Documentation of the above will 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).

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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' in conjunction with support from Sallie Mae, will develop, document, and perform frequent, periodic data file back-up procedures for transaction files and images, as well as systems and application software libraries. Back-up copies of system documentation, user manuals, and system operations manuals also will be stored by SAC off-site. Documentation of the above will be available for inspection



during demonstration visits, as well as upon request of Contract Compliance Inspector or designee at any time during the Contract.

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/history will 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, Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' may move the appropriate loan detail and history records off-line, subject to applicable federal and state regulations. However, all such records will be retained indefinitely on cartridge or other appropriate media as an inactive/archived file.

Sallie Mae, on behalf of SAC, will 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.'

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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' will 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.



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, reinsurers, 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 or SAC, 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:

SAC and 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:

SAC uses Sallie Mae's Data Center that 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.

- 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 Contract.

Contractor Response to Task:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' in conjunction with support from Sallie Mae, will 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. A SAS70 report is available and is provided to MGA annually.



SAC's application or data security software provides 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.

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, SAC's parent company 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. SAC and 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:

SAC's parent company 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 Contract.

Contractor Response to Task:

SAC's parent company 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.

- 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:

SAC's parent company 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:

SAC's parent company 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' will define its 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, SAC will certify in writing to the State that the SAC has destroyed all State Confidential Information.

SAC's parent company 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, SAC and 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 Contract.

Contractor Response to Task:

As information technology provider to SAC, 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' in conjunction with Sallie Mae, will establish network capabilities to allow transfer to MGA or another Servicer and/or Contractor at the end of the Contract period.

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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor', in conjunction with support from Sallie Mae, will implement/integrate MGA's current letter writing software with the MGA database.

Further, Sallie Mae, will 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/Contractor's database in order to display borrower specific information.

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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor', in conjunction with support from Sallie Mae will implement/integrate MGA's IVR system with the MGA database. SAC will provide an IP address and system access for screen scraping.

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 – Not Applicable to this Contract

4b. Guarantee Fee and Disbursement Processing – Not Applicable to this Contract

4c. Borrower Account Maintenance – Not Applicable to this Contract

4d. Skip-Tracing

The Servicer must perform skip-tracing on borrowers and cosigners, as necessary or mandated by federal regulation. The following two (2) situations will require skip-tracing:

- Returned mail received by the Servicer.
- Requests for skip-tracing assistance from the lenders, schools, or the Contract Compliance Inspector or designee.

Lenders and schools will request skip-tracing assistance either electronically (i.e., cartridge, Internet, etc.), via hardcopy, or facsimile request for default aversion assistance form or other approved "common" federal report forms.

4d1. At a minimum, the Servicer must perform the following:

- a. Make an initial attempt to the borrower's most recent telephone number of record on MGA's database to ensure the account actually is a skip record and to obtain any useable information to locate the borrower. Servicer must begin skip-tracing activities within two (2) business days of receipt of notification from the lender or MGA and begin skip-tracing activities within two (2) business days of returned mail receipt.
- b. Call directory assistance.
- c. Use Internet resources.
- d. Contact all the schools the borrower attended to determine if they can provide more recent information.



- e. Attempt to contact, both through letters and telephone calls, all of the references and any cosigners on the borrower's loan(s).
- f. Contact credit bureaus as specified by Contract Compliance Inspector or designee.
- g. Conform to federal regulations regarding skip-tracing activities and implement process/procedure enhancements as required. (See section 1.104.1b)

Contractor Response to Task:

As MGA's Default Aversions and Early Intervention Services Contractor, Sallie Mae's Student Assistance Corporation (SAC) will perform skip-tracing activities including but not limited to the steps described above. SAC will attempt to reach an MGA 'skip-trace' borrower via telephone by calling numbers archived on the EAGLE loan guarantee system, SAC will attempt to locate the skip-trace borrower by calling his or her home, alternate, place-of-employment (POE), cellular, and/or pager numbers on file. SAC will also send letters to physical and electronic mailing addresses associated with the borrower. If these attempts-to-contact the borrower prove futile, SAC will then attempt to contact the borrower's personal references, co-signers, and co-makers via telephone, letter, and/or E-mail in an effort to identify the borrower's whereabouts.

SAC will also makes use of sophisticated skip-tracing tools such as accessing pay-per-inquiry data warehouses, researching online search engines, and referencing lender/servicer's databases.

- 4d2. If the Servicer is unable to locate the borrower within ten (10) business days using the methods identified in section 1.104.4d1, the Servicer will refer the request to MGA via existing formats/methods to use resources only available to MGA (e.g., Michigan Department of State, Motor Vehicles). The Servicer must continue skip-tracing efforts for ten (10) business days at least one contact attempt per day. If, within those ten (10) business days, the Servicer still cannot locate the borrower, the Servicer must refer the account to MGA within two (2) business days.

Contractor Response to Task:

If SAC is unable to locate the 'skip-trace' borrower within ten (10) business days using the skip-trace procedures described above, SAC will refer the request to MGA in the appropriate format within two (2) business days.

- 4d3. The Servicer must provide a dedicated screen that shows, both before and after default, all "bad" addresses and the date those addresses were listed as "bad."

Contractor Response to Task:

EAGLE and its related systems including Aversions and BPS store address data including background information such as when data was obtained or changed. EAGLE records all transactions in which demographic data is identified, changed, or deleted.

- 4d4. The Servicer must provide, at cost, access to skip-tracing services such as Find America™ and other products of a similar nature that the Servicer uses to research information for any of its clients, at the discretion of MGA.

Contractor Response to Task:

SAC will provide, at cost, access to skip-tracing services that SAC uses to research information for any of its clients, at the discretion of MGA.

- 4d5. Provide access to archived skip-trace information (account history, etc.) within one (1) business day of receipt of request (see section 1.104.3a16.b).

Contractor Response to Task:

Sallie Mae can provide MGA access to archived skip-trace data within one (1) business day. It is noteworthy that MGA will have access to the EAGLE loan guaranty system via on-site workstations at MGA's operational center(s) which enables MGA 'users' to view 'real time' updates of Sallie Mae's skip-trace activities and documentation.



4e. Early Intervention

The State is considering two (2) options for early intervention services as follow:

1. Contractor providing early intervention services
2. MGA providing early intervention services in-house with a system provided by Contractor

4e1. General Requirements for Servicer – Not Applicable to this Contract

4e2. Early Intervention Contractor Requirements

- a. The Early Intervention Contractor must provide early intervention default management services for these high-risk borrowers as follows:
 1. All activities done by the Early Intervention Contractor must be logged on its system at the time of the transaction for future retrieval and reporting to MGA.

Contractor Response to Task:

Upon receipt of the file containing the 'at-risk' student borrowers, Student Assistance Corporation (SAC) will load MGA's 'high-risk borrower' accounts onto the Enterprise Results Based Prevention (ERBP) system to receive Early Intervention activities. ERBP will be the 'system-of-record' database beyond the scope of the EAGLE loan guarantee system and the Borrower Pursuit System (BPS) for MGA borrowers receiving Early Intervention activities.

ERP enables SAC to record activities on accounts without a delinquency or default aversion assistance request (DAAR) filed. All Early Intervention activities including phone calls made and received, letters sent, returned mail, paper and electronic correspondence to and from the borrower will be documented on the ERPB system at the time of the transaction for future retrieval and reporting to MGA.

SAC proposes to install an ERPB workstation(s) on-site a MGA's operational center(s) to enable MGA to view activities performed by SAC and to effectively supervise this initiative, or use the ERPB system to manage early intervention activities should an insourcing option be considered.

2. Mail or electronically communicate two to three letters during the borrower's grace period. Generally, the first communication is sent within the first three months of grace, the second communication is sent in the last three months of grace, and the third at repayment. The letter(s) communicate necessary loan information and ask the borrower to contact the Early Intervention Contractor via a toll-free telephone line.

Contractor Response to Task:

Sallie Mae's Student Assistance Corporation (SAC) will generate a minimum of three (3) letters to the borrower during grace period and early repayment.

Early Intervention Letter #1 – Introduction (Sent during Grace Period)

The first Early Intervention letter will be sent within the first three months of grace and will inform the borrower that SAC is working on MGA's behalf and will communicate that SAC is a resource to help the borrower by phone or web to answer any student loan-related questions, provide assistance relating to repayment, and offer debt management solutions as needed.

Early Intervention Letter #2 – Payment Reminder (Sent during Grace Period)

The second piece of mail correspondence will be sent by SAC during the last three months of grace and will remind the borrower of his or her forthcoming loan payments including where to send payments, monthly payment amount, and due date. The borrower will also be advised to call SAC and his or her lender/servicer if the borrower anticipates any issues paying the established monthly payment amount. This letter will also give the borrower his or her lender/servicer(s), MGA, and Default Prevention Contractor's names and contact information including websites. The letter promotes repayment plans, consolidation options, and automatic debit solutions in an effort to make repayment easier for the borrower to prevent delinquency and default in the future.



Early Intervention Letter #3 – Repayment Options (Sent during Repayment)

A third letter will be sent to the borrower when the borrower enters repayment status. This letter will once again advise the borrower of the various resources, repayment plans, and debt management options that exist to help. This letter focuses on repayment plans as well as deferment, forbearance, and consolidation options.

Other Early Intervention Letters (Sent As Requested)

- Deferment and Forbearance Request Forms

- Automatic Debit, Alternative Repayment, and Consolidation Applications

At any time during the grace period or early repayment, SAC sends forbearance and deferment request forms to the borrower as needed as well as lender-specific automatic debit, alternative repayment, and loan consolidation applications when requested.

NOTE: All of the aforementioned letters generated by SAC will ask the borrower to update demographic data with his or her lender/servicer, MGA, and SAC to ensure valid demographic information is on file during the loan repayment process to prevent the borrower from entering into a skip-trace status in the future.

3. Place at least one telephone call reminding the borrower of his or her rights and responsibilities under the terms of their promissory note, as well as the consequences of default. On request, mail any deferment/forbearance forms with cover letter.

Contractor Response to Task:

Grace Period Phone Calls

SAC will make phone attempts to reach a borrower during grace period. The goal is to reach the borrower at least 45 days before the first payment due date to ensure that the borrower understands the dynamics of his or her student loan obligation including payment amount, due date, and where to send the payment as well as lender/servicer, MGA, Default Aversion Contractor, and SAC contact information including websites.

During this verbal interaction, an SAC debt management specialist will educate the borrower on long-term debt management solutions such as alternative repayment plans (e.g. standard, graduated, income-sensitive, and extended), loan consolidation, and automatic debit methods designed to prevent delinquency and default. SAC will verify the borrower's demographic data during these telephone contacts in an effort to prevent the borrower from entering into 'skip-trace status' in the future.

Early Repayment Phone Calls

SAC will make additional attempts to contact the borrower via phone once repayment begins. Upon contact, the borrower's demographic data will again be verified and updated

Content of this conversation will reiterate the borrower's options and resources that exist to help. An SAC debt management specialist will inform the borrower of the various ways to prevent delinquency and default such as automatic debit repayment programs, deferment, forbearance, alternative repayment plans, and loan consolidation. Some of these solutions may merit a conference call with the borrower, SAC, and the borrower's lender/servicer.

4. Monitor borrowers as they enter repayment. If a borrower makes his or her first payment, the Early Intervention Contractor continues to monitor them for the first six months of repayment. If the borrower does not make his or her first payment, the Early Intervention Contractor calls the borrower and mails a letter. The Early Intervention Contractor continues to work with the borrower until a Default Aversion Assistance Request (DAAR) is filed or six months into repayment, whichever occurs first.

Contractor Response to Task:

Early Repayment Monitoring and Follow-up Phone Calls

As part of MGA's Early Intervention initiative, SAC will monitor a borrower for the first six (6) months of repayment after the borrower makes his or her first payment. If the borrower does not make his or her first payment, SAC will make additional phone attempts and send one (1) letter (paper or electronic) to reach the borrower.



Early Intervention Delinquency Letter

This letter will again inform the borrower of his or her lender(s), MGA, and Default Aversion servicer contact information including websites and cover deferment and forbearance payment-suspension options, lender-specific repayment plans, consolidation opportunities, and automatic debit solutions. This letter stresses the importance for a borrower to keep his or her student loan up-to-date in order to avoid the consequences of default.

SAC will attempt to contact until the borrower brings his or her account current or in the event a DAAR is filed. Any information procured during this timeframe will be shared with the Default Aversion Contractor to ensure the most up-to-date demographic data is available to prevent the borrower from entering a skip-trace status. SAC will make use of the ERPB system to automatically generate phone calls, delinquency letters, deferment and forbearance request forms as well as to document account activities.

5. Conduct extensive skip-tracing on any returned mail or disconnected telephone numbers as described in section 4d1.

Contractor Response to Task:

Early Intervention Skip-Tracing

SAC will provide detailed skip-tracing activities for Early Intervention borrowers with invalid demographic information such as addresses associated with returned mail or disconnected telephone numbers.

SAC will attempt to locate the skip-trace borrower by calling home, alternate, place-of-employment (POE), cellular, and pager numbers on the ERBP system. SAC will send letters to physical and electronic addresses associated with the borrower. SAC will also attempt to contact the borrower's personal references, co-signers, and co-makers via telephone, letter, and/or E-mail in an effort to identify the borrower's whereabouts. SAC also will make use of Internet skip-tracing tools including accessing search engines, researching third-party data warehouses, and cross-referencing lender/servicer databases

6. Provide reports to schools via mail or email on demographic updates as defined during Implementation Planning (section 1.104.2a).

Contractor Response to Task:

SAC will generate reports to schools containing all updated demographic information via electronic and/or physical mail. In coordination with MGA, SAC will set up data sharing forums with schools to facilitate two-way communication to update demographics.

7. Provide MGA reports on employment information and demographic updates as defined during Implementation Planning (section 1.104.2a).

Contractor Response to Task:

SAC will provide all employment and demographic data to MGA in a file format acceptable to MGA. SAC will verify employment data during all borrower contacts in the Early Intervention period. During these borrower interactions, the SAC debt management specialist will attempt to procure the borrower's place-of-employment name and contact information. This employment data will be archived by SAC for future reference and could be used in the future when skip-tracing.

8. On a monthly basis, provide MGA a report detailing placement of new accounts (i.e., 1-3 months of grace, 4-6 months of grace, and in repayment).

Contractor Response to Task:

SAC will provide MGA a detailed report of Early Intervention account placements and illustrate where the accounts are in the Early Intervention 'time-line.' SAC will breakdown MGA's Early Intervention volume into subsections as directed by MGA (e.g. 1-3 months, 4-6 months, repayment, delinquency). SAC will report borrower contact and resolution activity to MGA monthly.

Perhaps of greater significance, SAC will also illustrate the impact of its Early Intervention performance by comparing MGA's Default Aversion Assistance Request (DAAR) volume (delinquencies) to years' prior



expressed both as a percentage of MGA's repayment base and as an actual number of delinquencies. This critical performance measurement showcases the effectiveness of MGA's Early Intervention program.

9. On a quarterly basis, provide reports/graphs as follows:
 - a. Borrowers split into current loan statuses (claim, grace, forbearance, deferment, paying, delinquent, and DAAR) by cohort year and total population.
 - b. Borrowers split by lender servicer.
 - c. Early Intervention Contractor's total attempts by telephone, actual contacts, and letters mailed or emailed.

Contractor Response to Task:

SAC will publish a monthly or quarterly 'executive dashboard' relating to the Early Intervention effort. This executive dashboard will be customized to MGA's specifications and can include but not be limited to data elements such as loan statuses, disposition of loans in specific cohort periods, and resolution types.

SAC can also provide a statistical breakdown of operational performance including number of phone calls, letters, and E-mails generated, successful borrower contacts, borrowers split by lender/servicer, and 'positive outcomes' such as payments made, forms completed, and delinquencies resolved. This data can be illustrated in graphs or in statistical reports whichever is preferred by MGA.

10. On a quarterly basis, not later than the 15th of January, April, July, and October, share taped conversations between the Early Intervention Contractor and borrowers via conference call with the Contract Compliance Inspector or designee for quality assurance.

Contractor Response to Task:

Upon request and in concurrence in applicable laws, SAC will record telephone conversations and share them with MGA. Also, MGA will have the opportunity to silently monitor SAC's Early Intervention phone agents via conference call at dates and times as determined by MGA to ensure unpredictability.

SAC takes quality and compliance very seriously as evidenced by the several different 'auditing entities' that monitor performance at any given time including Sallie Mae Debt Management Operations' (DMO) quality assurance unit that silently monitors phone calls and audits system documentation for both SAC centers (SAC's Western Collection Center (SAC-WCC) in Las Vegas, Nevada and SAC's Metroplex campus (SAC-IN) in Indianapolis, Indiana).

Student Assistance Corporation (SAC) also has its own quality team that silently monitors phone calls and audits system documentation. SAC operational supervisors also monitor staff phone calls and system documentation both silently and during side-by-side coaching sessions. Results from all of these audits can be shared with MGA monthly.

11. Provide MGA staff Internet access to view the Early Intervention Contractor's system. Allow staff to inquire on the status of individual borrowers, as well as see the letters sent to the borrower, attempted contacts, actual contacts, notes of what was discussed, etc.

Contractor Response to Task:

Although ERBP, the system-of-record for the Early Intervention initiative, is not technically an 'Internet-based' based system, SAC will provide MGA with an ERPB workstation(s) on-site at MGA's operational center(s) enabling MGA staff to view letters sent to the borrower, attempted phone contacts, actual contacts, account notes, and content of borrower interactions.

Access to ERBP will allow MGA to see all phone, letter, and electronic correspondence to and from borrowers as well as to monitor arrangements made, skip-trace efforts performed, and to track demographic updates.

SAC is offering MGA of total of six (6) BPS workstations to enable MGA to access to BPS to view and update borrower information.



12. The Early Intervention Contractor must track the borrowers in each month's extract and six months later compare the borrowers' current status with the original status (grace, paying, paid-in-full, deferment, forbearance, delinquent, DAAR, claim) and note if the borrower is still in good standing. Comparisons need to continue at six-month intervals through two years. Overall statistics reflecting successes and failures at every six-month interval is also required.

Contractor Response to Task:

SAC will track the borrowers in each month's extract and six (6) months later compare the borrowers' current status with the original status (grace, paying, paid-in-full, deferment, forbearance, delinquent, DAAR, claim) and note if the borrower is still in good standing. Comparisons will continue at six-month intervals through two (2) years. Overall statistics reflecting successes and failures at every six-month interval is also required. These statistics will serve as key performance indicators (KPIs) for the Early Intervention program.

SAC will use this data to refine its Early Intervention activities on behalf of MGA to become more effective and efficient with these borrower interactions. As previously mentioned, SAC will also compare current year's delinquent loan (DAAR) inventory with years' prior to assess the impact of the activities performed in grace period and early repayment prior to delinquency.

13. Must provide a toll-free telephone number for borrower's use.

Contractor Response to Task:

SAC will provide a customized toll-free number that is ideally easy for borrowers to remember.

14. When the Early Intervention Contractor receives the monthly file and it is determined that some of the borrowers in that file are back in school at least half-time or at full-time status, these accounts will be flagged and monitored. If the borrowers remain in-school for four months, the Early Intervention Contractor will issue a credit for these borrowers on the next billing statement.

Contractor Response to Task:

SAC will make a distinction between borrowers in the Early Intervention workflow and those back in an 'in-school' status. SAC will issue a \$17 credit for these borrowers in the next billing statement.

- b. The Early Intervention Contractor must provide software for MGA in-house staff to provide early intervention default management for the high-risk borrowers identified in 4e1a. The software program must include the following fields:
1. Loan Request Sequence Number
 2. Education Loan Sequence Number
 3. Guarantee Disbursement Sequence Number
 4. Personal Identification Number
 5. SSN
 6. Last Name
 7. Name Suffix
 8. First Name
 9. Middle Initial
 10. Birth Date
 11. Drivers License Number
 12. Primary Address Line
 13. Secondary Address Line
 14. City
 15. State Code
 16. Zip Code
 17. Country Code
 18. Province
 19. Postal Code
 20. Telephone Number
 21. Enrollment Status Code



22. Enrollment Status Date
23. Enrollment School ID
24. Enrollment School Name
25. Enrollment School Type
26. Anticipated Completion Date
27. School Cert Loan Begin Date
28. School Cert Loan End Date
29. Loan School ID
30. Loan School Name
31. Loan School Type
32. Education Loan Status Code
33. Education Loan Status Date
34. Education Loan Program Number
35. Guarantee Date
36. Delinquency Type Status Code
37. Delinquency Reason Code
38. Deferment/Forbearance Type Code
39. Deferment Effective Begin Date
40. Deferment Effective End Date
41. Interest Rate
42. Interest Rate Code
43. Loan Repayment Start Date
44. Lender ID
45. Lender Name
46. Servicer ID
47. Servicer Name
48. Disbursement Date
49. Disbursement Status Code
50. Disbursement Amount
51. Consummated Cancel Amount
52. Unconsummated Cancel Amount
53. Other Cancel Amount
54. School Refund Amount
55. Guarantee Amount
56. Email Address
57. Borrower alternative telephone number
58. Address validation field (valid, invalid, unknown)
59. Servicer Contact name
60. Servicer Telephone number
61. Ability to track and document the following:
 - a) Total number of telephone attempts made to the borrower
 - b) Total telephone contacts made with the borrower
 - c) Total number of letters/emails sent to the borrower
62. Ability to track and document in a standardized or free form the date, time, and staff person who entered information on a borrower's account for the following:
 - a) Telephone attempt made to the borrower and the result (no answer, line busy, left message, etc.)
 - b) Free form message when contact is made with the borrower and what was discussed during the telephone conversation
 - c) What type of letter was sent (i.e., deferment form, grace, etc.)
63. Ability to track skip-tracing efforts of return mail and telephone numbers
64. School Contact name
65. School email address



Contractor Response to Task:

The Enterprise Results Based Prevention (ERBP) will be the 'system-of-record' for MGA's Early Intervention initiative. ERBP contains all the data elements described above, SAC will provide MGA with an ERBP workstation (or workstations) at MGA's operational center(s). This will allow MGA to track performance and monitor Early Intervention borrower activity. ERBP will be used as a data repository to track borrowers in grace and/or early stages of delinquency as part of MGA's Early Intervention initiative.

- c. The software must be able to track and handle the following functions:
1. Generate two to three letters during the borrower's grace period. Generally, the first communication is sent within the first three months of grace, the second communication is sent in the last three months of grace and the third at repayment. The letter(s) communicate loan information.
 2. Interface letters with MGA's autodialer (currently places 800,000 calls per year).
 3. Track telephone calls made to borrowers reminding them of their rights and responsibilities under the terms of their promissory note, as well as the consequences of default.
 4. Generate deferment and forbearance forms on request to be mailed or emailed to borrowers.
 5. Monitor these borrowers as they enter repayment. If the borrower makes his or her first payment, MGA continues to monitor them for the first six months of repayment. If a borrower does not make his or her first payment, MGA calls the borrower and mails a letter. MGA continues to work with a borrower until a Default Aversion Assistance Request is filed or six months into repayment, whichever occurs first.
 6. Track skip-tracing efforts on any returned mail or disconnected telephone numbers.
 7. Provide reports to schools via mail or email on demographic updates.
 8. Provide reports on employment information and demographic updates.
 9. Provide reports detailing placement of new accounts (i.e., 1-3 months of grace, 4-6 months of grace, and in repayment).
 10. Provide reports/graphs:
 - a. Borrowers split into current loan statuses (claim, grace, forbearance, deferment, paying, delinquent, and DAAR) by cohort year and by total population.
 - b. Borrowers split by lender servicer.
 - c. MGA's total attempts by telephone, actual contacts, and letters mailed or emailed.
 - d. Statistical data on success of default prevention initiatives.

Contractor Response to Task:

Sallie Mae's Enterprise Results Based Prevention (ERP) is able to perform all, but not limited to, the aforementioned tasks. ERP can generate letters including deferment and forbearance request forms at specified dates and times. ERP can interface with a third-party dialing system such as Avaya.

ERP can perform several sophisticated monitoring tasks to track statuses of borrowers during the loan life cycle. ERP stores pertinent information including demographic data, employment information, loan information, and archived borrower correspondence data. ERP notifies the user if a borrower is in a skip-trace status as well, ERP can be used to generate reports to various stakeholders such as MGA, lender/servicers, and schools.

- d. If MGA is providing the early intervention services in-house, the Early Intervention Contractor must mail any correspondence generated by the Early Intervention Software program within one business day of creation. See further requirements in section 1.104.1a.

**Contractor Response to Task:**

If MGA is providing the early intervention services in-house, Salle Mae will mail any correspondence generated by the Enterprise Results Based Prevention (ERBP) system within one business day of creation.

4f. Default Aversions

Lenders must request default aversion assistance when loans reach delinquency in accordance with federal regulations.

The State is considering two (2) options for default aversion services as follows:

1. Contractor providing default aversion services
2. MGA providing default aversion services in-house with system provided by Default Aversions Contractor.

4f1. General Requirements for the Servicer – Not Applicable to this Contract**4f2. General Requirements for Default Aversions Contractor**

- a. The Default Aversions Contractor's system must include all items listed below and any others that may be defined by the Contract Compliance Inspector or designee during Implementation Planning (section 1.104.2a):
 1. Borrower Social Security number
 2. Borrower name
 3. Borrowers complete address
 4. Borrower telephone number
 5. Address validation field (e.g., valid, invalid, unknown)
 6. Borrower email address
 7. Borrower alternative telephone number (parents, cell, etc.)
 8. Date the DAAR was received
 9. Lender name and federal id number
 10. Servicer name and federal id number
 11. Servicer contact name and telephone number (if no servicer, the lender's contact name and contact number)
 12. School code and name
 13. Type of loan (Stafford, subsidized or unsubsidized, PLUS, SLS, Consolidation)
 14. Balance of the loan
 15. Delinquent amount on the loan
 16. Borrower's monthly payment amount
 17. Delinquency reason (i.e., borrower negligence, skip)
 18. Original due date of the loan
 19. Field for the current due date (changes as borrower makes payments to lenders/servicers and reports as of the current date)
 20. Date the current due date was changed
 21. Ability to track and document the following:
 - a) Total number of telephone attempts made to the borrower
 - b) Total telephone contacts made with the borrower
 - c) Total number of standardized "canned" letters sent to the borrower
 22. Ability to track and document in a standardized or free form the date, time, and staff person who entered information on a borrower's account for the following:
 - a) Telephone attempt made to the borrower and the result (no answer, line busy, left message, etc.)
 - b) Free form message when contact is made with the borrower and what was discussed during the telephone conversation
 - c) What type of letter was sent (for example: delinquent letter, no contact letter, forceful delinquency letters)
 23. Track default aversions fee billing information according to the federal regulations and laws



24. Ability to connect borrower loan information to the DAAR
25. Reference and co-signer name, address, and telephone number along with the relationship to the borrower (i.e., mother, relative, co-signer, etc.)
26. Accept and store deferment and forbearance months used
27. Name, address, and telephone number of employer

Contractor Response to Task:

Sallie Mae's Borrower Pursuit System (BPS) and the EAGLE loan guarantee system includes but is not limited to all of the items described above. The Borrower Pursuit System (BPS) is graphical user interface (GUI) for the EAGLE loan guarantee system to track the delinquent borrower loan data.

BPS is specifically designed and developed to provide default aversion service on behalf of student loan guarantors like MGA. BPS maximizes the productivity of the default aversion staff and endeavors to increase the number of successful borrower contacts and satisfactorily-resolved delinquent accounts.

With BPS, the default prevention unit has real-time retrieval of essential demographic, loan, and archived historical data from EAGLE which is displayed automatically and organized for the most effective and efficient use of time.

BPS provides online access to a comprehensive, chronological log of default aversion activities and records including correspondence sent and received. The BPS user maneuvers through the system in a "point and click" environment, quickly retrieving and updating borrower demographic and loan information from EAGLE. BPS interacts seamlessly with EAGLE loan guarantee system, the Avaya autodialing system, RightFax server, and the Novell GroupWise E-mail system. Updates applied to BPS are also applied real-time to the EAGLE System.

BPS provides for efficient default aversion activities by:

1. *Automatically determining a borrower's deferment and forbearance eligibility based on disbursement dates and embedded 'decision trees.'*
2. *Enabling a user to quickly and accurately qualify a borrower for a deferment or forbearance request by using the online 'decision trees' that prompt the user with questions the borrower must answer to qualify a borrower for a deferment or forbearance. BPS also offers deferment and forbearance eligibility requirements, certification criteria, and time-limits provided from the lender/servicer.*
3. *Automatically displaying key data elements from EAGLE in a user-friendly intuitive layout.*
4. *Providing 'online help' to users via BPS' Summary Tips that serves as a quick reference guide when performing specific tasks in BPS. BPS' Summary Tips also includes task descriptions, window descriptions, field definitions, macro definitions, report descriptions, and a glossary as well as step-by-step instructions for performing a task.*
5. *Immediately recording all account-related activities on EAGLE.*
6. *Allowing a user to record borrower "promise-to-pay" and other "delinquency resolution" information.*
7. *Enabling the user to input a code for the borrower's native language (Spanish, French, German, American Sign Language (ASL), etc.).*
8. *Recording the number of activities performed for each default aversion assistance request (DAAR) such as activities attempted, connects as well as correspondence sent and received.*
9. *Linking to various Internet sites such as the National Student Loan Clearinghouse (NSLC) and several servicers' databases for access to the most up-to-date data.*
10. *Interacting with automated dialing systems such as the Avaya predictive blend dialer.*
11. *Storing of multiple borrower addresses including primary, alternate, and mailing as well as borrower place of employment data.*

Mail can be generated to any of the addresses stored on BPS including E-Mail addresses. Telephone, fax, cellular, and pager numbers are also archived on BPS. Storage and accessibility to this data ensures that the most current demographic information is available to the user. The date of last update is provided for each listed address and telephone number to verify its updated status.

The 'Organizations' section of BPS provides demographic information for the school(s), lender(s), and servicer(s) associated with a borrower.

The 'Special Cases' section of BPS offers the user information required for bankruptcy, death, disability, school closure, false certification, and legal representation. For example, if a borrower states that he or she



has filed bankruptcy, a click on the bankruptcy section of Special Cases menu automatically provides a drop-down box listing the required information such as bankruptcy chapter number, case number, attorney information, date filed, and date of first meeting of creditors. This directs the user to obtain all required information during the conversation and that follow-up calls will not be required.

An "Important Notes" field on BPS changes color if information is entered to alert users of important data. This field is used to alert the user to specific comments or dynamics relating to the borrower, such as the best time to call, permission to discuss the account with a third party, or the hostile nature of the situation. Sending mail (e.g., deferment forms) directly to the borrower is automated with BPS including several letters specifically designed for E-Mail. Additionally, letters or forms can be transmitted directly to any personal computer (PC) or systematically faxed to the borrower via a fax server such as RightFax. An increasing number of borrowers request information be sent via E-Mail and fax, instead of mail. The use of E-Mail and fax correspondence decreases turnaround time.

BPS' 'History' display is a major feature of BPS, a click on the 'History' macro displays all DAAR activities performed, including contacts, attempts-to-contact, letters' sent and received as well as deferment and forbearance information. The user can select how account history is displayed on BPS such as in current order (most recent event last) or reverse chronological order (most recent event first). BPS' history can also be filtered to display all activities, recent activities, contacts, correspondence sent, deferment information, personal status information, or correspondence received.

- b. The Default Aversions Contractor must track and retain all default aversion activities from the receipt date of the request for assistance until the delinquencies are resolved or MGA purchases the loan(s) as a default for future retrieval. All activities must be retained by the Default Aversions Contractor indefinitely.

Contractor Response to Task:

The Borrower Pursuit System (BPS) will track and retain all default aversion activities from the receipt date of the request for assistance until the delinquencies are resolved or MGA purchases the loan(s) as a default for future retrieval. All activities will be retained by indefinitely.

- c. The Default Aversions Contractor must process and store Default Aversions Fee Billing as required by federal regulations and as agreed with the Contract Compliance Inspector or designee during Implementation Planning (Section 1.104.2a).

Contractor Response to Task:

SAC's parent company Sallie Mae will process and store Default Aversion Fee (DAF) Billing as required as required by and in accordance with federal regulations and as agreed with the Contract Compliance Inspector or designee. On a monthly basis, SAC will provide MGA with a report containing monthly and year-to-date DAF billing and rebate data.

- d. The Default Aversions Contractor must remove accounts from active status and place them in unresolved status when a Notice of Default is purchased.

Contractor Response to Task:

Sallie Mae's Student Assistance Corporation (SAC) will remove all accounts from an 'active' status and place them in an unresolved status (UNSAT) when a Notice of Default (NOD) is purchased. On BPS and EAGLE the status will read 'NOD PURCHASED' when a loan enters default.

Other BPS and EAGLE documentation messages include 'RETURNED TO LENDER' which appears when the delinquent loan as been returned to the lender and 'NOD SUB FOR PURCH' when a default claim (NOD) as been submitted to be purchased for default by MGA. Delinquent student loan accounts that have been satisfactorily resolved are documented as 'SAT' while claims that have purchased by the MGA for reasons such as bad debt default, death, disability, school closure, false certification, and bankruptcy are documented as 'UNSAT.'

- e. The Default Aversions Contractor must integrate with the current MGA autodialer system in the event MGA staff performs default aversion activities in addition to or in lieu of those provided by the Default



Aversions Contractor.

Contractor Response to Task:

The EAGLE system and BPS will integrate with the current MGA autodialer system in the event MGA staff performs default aversion activities in addition to or in lieu of those provided by the Default Aversion Contractor. EAGLE and BPS have a history of successfully integrating with various autodialing systems such as the Avaya predictive blend dialer.

- f. The Default Aversions Contractor must provide Contract Compliance Inspector or designee an overview of the borrowers contained within the cohort year by the 5th of every month. The overview will determine the year-to-date Cohort Rate, Trigger Rate, and Satisfactorily Resolved (SAT) Rate. In addition, the overview must include target goals for the Cohort, Trigger and SAT rates. The target goals will be mutually agreed upon between the Contract Compliance Inspector or designee and the Default Aversions Contractor at the beginning of each cohort year.

Contractor Response to Task:

Sallie Mae's Student Assistance Corporation (SAC) will provide the Contract Compliance Inspector or designee an overview of borrowers contained within the cohort year by the 5th of every month.

SAC proposes to continue to publish its 'MGA executive dashboard' monthly that reports SAC's performance relating to MGA's key performance indicators (KPIs) as determined by MGA's management with guidance from SAC. SAC will continue to report MGA's year-to-date and forecasted year-end trigger and cohort default rates as well as monthly and year-to-date SAT (cure) rate. The executive dashboard also provides a reconciliation of MGA's cohort repayment base and a breakdown of delinquency resolution types (payment, deferment, forbearance, consolidation, etc.). MGA's annual and 5-year goals and key performance objectives will be set by MGA's management in an annual strategic planning meeting with SAC.

SAC will also provide MGA with a monthly reconciliation of the cohort 'repay base' this will better enable MGA and SAC to forecast year-end cohort default rate as well as to target borrowers within a specified cohort period. By targeting MGA 'cohort' borrowers SAC can provide enhanced and ancillary default aversion activities to this cohort population in an attempt to achieve optimum cohort default rates on behalf of MGA.

- g. The Default Aversions Contractor must track the borrowers statuses (paying, paid in full, deferment, forbearance, delinquent claim) at the end of each cohort year. A comparison of the report status and the status obtained six months later must be prepared and continue at six month intervals until the account is paid in full. The Default Aversions Contractor must submit a report to the Contract Compliance Inspector or designee documenting if the borrower remains in good standing. The Default Aversions Contractor must submit overall statistics reflecting successes and failures at six-month intervals.

Contractor Response to Task:

Sallie Mae's Student Assistance Corporation (SAC) will track borrowers' statuses (paying, paid-in- full, deferment, forbearance, delinquent claim) at the end of each cohort year. A comparison of the report status and the status obtained six (6) months later will also be prepared and continue at six (6) month intervals until the account is paid-in-full. SAC will submit a report to the Contract Compliance Inspector or designee documenting if the borrower remains in good standing. SAC will submit overall statistics reflecting successes and failures in six-month intervals in an attempt to identify performance gaps and predict future MGA cohort borrower behavior.

SAC recognizes the importance of achieving an optimum cohort default rate on behalf of MGA. A favorable cohort default rate enables MGA to effectively promote itself to students and schools in the state of Michigan and to protect its current volume from 'consolidation erosion' Cohort default rate is one of the key performance indicators (KPIs) reported monthly by SAC to MGA in its executive dashboard.

SAC suggests that MGA strongly consider SAC's proposal for all-inclusive debt-management solution in which SAC will provide Early Intervention and Default Aversion services on behalf of MGA. This proposed



'debt management solution' is a 'holistic' approach that enables SAC to better manage MGA's cohort and trigger default rates by having the ability to provide guidance and counseling at the earliest stage in the life-of loan process when borrowers are in grace prior to DAAR being filed, then continuing throughout repayment, and providing default aversion in the event of delinquency.

Efficiencies gained by SAC under this model includes procuring valid demographic data prior to delinquency, preventing loans from entering a delinquent (DAAR) status thus reducing the need for Default Aversion services in the future, and the customer relationships established with borrowers during grace and early repayment prior to delinquency. The efficiencies gained by SAC are also passed along to MGA in the form of a price concession if MGA chooses SAC to perform both Default Aversion and Early Intervention services (See Price Proposal).

Another advantage of this proactive Early Intervention/Default Aversion model is that SAC could more accurately track MGA's cohort 'pool' of borrowers offering a MGA higher level of service that should reduce MGA's delinquency volume and default rates to new historic lows. In recent history, SAC has helped MGA lower its cohort default rate from 9.7% in 2001 to a historic low of 5.1% in 2003 by providing Default Aversion services only. SAC feels that by also performing Early Intervention in addition to its Default Aversion services would create another performance lift lowering MGA's cohort and trigger default rates in future years.

4f3. General Requirements for Both Servicer and Default Aversions Contractor

- a. The Servicer must provide the ability for the Default Aversions Contractor and MGA staff to enter and store for future on-line retrieval any changes made to the borrower's account. Changes include, but are not limited to, the borrower's, co-signer's and reference's name, address, telephone number, etc., (see sections 1.104.3a16, and 1.104.2a).

Contractor Response to Task:

Sallie Mae will provide the ability for the Default Aversions Contractor and MGA staff to enter and store for future on-line retrieval any changes made to the borrower's account; data elements include, but are not limited to, the borrower's, co-signer's and reference's name, address, and telephone number.

- b. All contractors must age all DAARs on the assumption that no further payments were made by the borrower to the lender. Aging must begin with the date default aversion assistance is required by federal regulations and continue through the cure of the delinquency or when the account is purchased as a default by MGA.

Contractor Response to Task:

Sallie Mae's Student Assistance Corporation (SAC) will 'age' all DAARs on the assumption that no future payment will be made by the borrowers to the lender. 'Aging' will begin with the date default aversion assistance is required by federal regulations and continue through the cure of the delinquency or when the account is purchased as a default by MGA.

It is noteworthy that SAC provides the same level of default aversion activities to borrowers regardless of the MGA's ability to receive a default aversion fee (DAF). SAC works all borrower delinquencies (not just first-time delinquencies) under a 'results-based' performance model endeavoring to achieve optimum default rates on behalf of MGA not just fulfilling minimum due diligence requirements.

- c. The Servicer must provide a default aversion system that coordinates information from the Default Aversions Contractor's system for MGA inquiry, update and for reporting to the federal government in accordance with the federal regulations and laws.

Contractor Response to Task:

Sallie Mae will provide the EAGLE loan guarantee system that coordinates information from the Default Aversions Contractor's system for MGA inquiry, update, and for reporting to the federal government in accordance with federal regulations and laws.



- d. All Contractors must track each DAAR and have in place a mechanism to allow for reimbursement from/repayment to ED in compliance with federal regulations with regard to Default Aversion Fee billing and rebates.

Contractor Response to Task:

Sallie Mae with the use of the EAGLE loan guarantee system allows for reimbursement from/repayment to the U.S. Department of Education in compliance with federal regulations with regard to Default Aversion Fee billing and rebates.

- e. Costs for interfacing with the Servicer and Default Aversions Contractor must be included in the Price Proposals.

Contractor Response to Task:

Costs for interfacing with the Servicer and Default Aversions Contractor are included in the Price Proposals.

4f4. Default Aversions Contractor Requirements

- a. The Default Aversions Contractor must provide complete access to its automated default aversion system, so that all software, computer processing, and information needed to perform and/or oversee default aversions is available to MGA staff. MGA staff must have all-inclusive inquiry and view access on all borrower accounts.

Contractor Response to Task:

Sallie Mae will provide complete access to the EAGLE loan guarantee system so that all software, computer processing, and information needed to perform and/or oversee default aversions is available to MGA staff. MGA staff will have all-inclusive inquiry and view access on all borrower accounts on EAGLE.

- b. The Default Aversions Contractor must comply with the following: Gramm-Leach-Bliley Act (GLB), Fair Debt Collection Practices Act (FDCPA), and state law at no cost to MGA (see section 1.104.7a).

Contractor Response to Task:

Sallie Mae's Student Assistance Corporation (SAC) voluntarily complies with the principles of Fair Debt Collection Practices Act (FDCPA). SAC will also follow all Federal and state laws.

The SAC default prevention staff is tested on its knowledge of the FDCPA annually. A module of SAC's new hire training is dedicated to FDCPA as well as ongoing refresher training and updates for SAC's tenured staff. SAC's entire default prevention staff must pass the FDCPA exam in order to communicate with and provide default prevention to MGA student borrowers.

Sallie Mae and SAC also comply with the Gramm-Leach-Bliley Act (GLP).

- c. The Default Aversions Contractor must also perform the following:

1. Enter default assistance information onto their system on the date it is received from the Servicer.
2. The day following receipt of the DAAR, the account must be loaded to a predictive dialer for ten (10) business days, or until contact is made with the borrower, whichever occurs first.
3. When no contact is made with the borrower within 30 calendar days from the receipt of the DAAR, attempt to locate a new address and telephone number.
4. When no contact is made with the borrower in 60 calendar days from the receipt of the DAAR, contact all references. When unsuccessful at contacting references by telephone, skip account and send correspondence requesting them to contact the Default Aversions Contractor.
5. Upon receipt of a DAAR, send correspondence to borrowers (and cosigners, when applicable). The format of the letters will be discussed during Implementation Planning (section 1.104.2a).
6. Send correspondence to the borrower at ten (10) days after DAAR is filed and at 30-day intervals thereafter until the account is satisfactorily or unsatisfactorily resolved. The content of the correspondence must get progressively stronger as the account is aged, in an attempt to urge the borrower to make payments. Letters must be reviewed and approved by Contract Compliance



Inspector or designee prior to use.

Contractor Response to Task:

Sallie Mae's Student Assistance Corporation (SAC) will:

- 1. Enter default aversion data onto the Borrower Pursuit System (BPS) graphical user interface (GUI) on the date a default aversion assistance request (DAAR) is received from the Servicer.*
- 2. SAC makes use of the Avaya 'predictive blend' automated dialer which makes and receives a blend of inbound and outbound phone calls. The Avaya dialer predicts call volume and assigns phone agents to effectively accommodate inbound and outbound calls. The day following receipt of the DAAR, the account will be loaded onto the Avaya predictive dialer for ten (10) business days, or until contact is made with the borrower, whichever occurs first.*
- 3. When no contact is made with the borrower within 30 calendar days from the receipt of the DAAR, SAC will provide skip-trace activities in an attempt to locate a new address and telephone number.*
- 4. When no contact is made with the borrower in 60 calendar days from the receipt of the DAAR, SAC will contact all references as well as provide other skip-tracing activities in an effort to locate new demographic data for the student loan borrower. Intensified skip-trace efforts are put forth if no contact is made with the borrower within 60 days. When unsuccessful at contacting references via telephone, SAC will then send correspondence requesting the references to contact the Default Aversions Contractor.*
- 5. Upon receipt of the DAAR, SAC will send an 'initial delinquency letter' informing the borrower of the loan details, status, pertinent contact information, and will encourage the borrower to contact SAC and his or her lender/servicer for assistance in resolving the delinquency in order to prevent default. SAC can make use of the existing MGA letter series or change the format as discussed in Implementation Planning.*
- 6. SAC will send the Initial Delinquency Letter within ten (10) days after DAAR is filed and letters will continue at 30-day intervals thereafter until the account is satisfactorily or unsatisfactorily resolved. SAC's delinquency letters sent on MGA's behalf get progressively stronger as the account is aged in an attempt to urge the borrower to make payments and to resolve the delinquency thus preventing default. All delinquency letters sent on MGA's behalf are FDCPA-compliant and will be approved by Contract Compliance Inspector or designee prior to use.*

SAC's default prevention team employs a "results-based" default prevention operating model that endeavors to achieve optimum default rates on behalf of MGA. This is in stark contrast to a minimum "due diligence" operating model. SAC employs a 'call-to-contact' strategy in which phone calls persist until contact is established with a student loan borrower or an appropriate third party. SAC offers 'life-of-loan cycle' debt management solutions instead of short-term delinquency resolution tactics, this includes identifying long-term strategic debt management resolutions such as automatic debit repayment options, alternative repayment plans, and if appropriate consolidation programs.

SAC subscribes to a specific 'resolution sequence' when resolving student loan delinquencies to prevent default and to promote repayment. SAC's 'resolution sequence' promotes payment resolutions and encourages the borrower to include his or her student loan payment into a monthly budget. The 'sequence' of solicited resolutions is as follows:

- 1. Up-to-date payments and/or deferment entitlements will be identified first.*
- 2. Partial payment arrangements bringing the loan current within 14 days will be solicited next.*
- 3. Deferment coupled with a long-term debt management strategy will be solicited next.*
- 4. Forbearance supplemented with a long-term debt management strategy will be solicited last.*

SAC will establish follow-up communication via the Avaya automated dialing system as well as personalized contacts to ensure the arrangements the borrower agreed upon satisfactorily resolved the delinquency. SAC has access to proprietary databases, pay-per-inquiry search engines, and Internet data warehouses to locate hard-to-find borrowers when skip tracing.

**SAC's Activity Time Line for SAC Delinquent Accounts
Day 60-90 (Early-Stage Delinquency)**

- A Default Aversion Assistance Request (DAAR) is filed with MGA by a lender/servicer to initiate default prevention efforts.*
- An "Initial Delinquency" letter is automatically sent to inform borrowers of the delinquency and to notify the borrower of the parties involved as well as offering various routes to resolution.*
- Accounts are stratified by various data elements including cohort year, skip-trace status, and balance.*



- Accounts with valid phone numbers are loaded onto the Avaya automated dialing system to receive phone calls.
- Accounts with invalid demographic data are assigned to receive skip tracing activities.

Day 90-200 (Middle-Stage Delinquency)

- Attempts are made to contact borrowers through specialized automated dialer, letter, and E-mail campaigns.
- Additional delinquency notices are sent to alert borrowers of the seriousness of the delinquency and consequences of default.
- In-depth skip tracing activities are provided as necessary including:
 - Attempting to reach the borrower at archived phone numbers and E-mail and physical addresses.
 - Contacting personal references, co-makers, and co-borrowers via phone, letter, or E-mail.
 - Altering calling times to add variability to establish contact with hard-to-reach borrowers.
 - Sending "batches" to data warehouse(s) for data cross-referencing.
 - Assigning accounts to a specialized SAC skip-tracing unit or specialist.

Day 200-270+ Default Claim Filing (Late-Stage Delinquency)

- Accounts may be assigned to top-performing default prevention specialists to ensure the highest level of default prevention and skip-tracing performance.
- A "Final Demand Letter" is sent to alert the borrower of the serious nature of this late-stage delinquency and informs the borrower of default consequences.
- Enhanced skip-tracing activities are provided using various resources to locate skip-trace borrowers.
- Additional phone and letter activities are made to in order to locate borrowers and resolve late-stage delinquencies.

Day 270+ to Recall (Default Claim Filing to Default Claim Purchases)

- SAC's default prevention team works accounts even after a default claim has been filed by the lender/servicer all the way to the default claim purchase. Phone, letter, and E-mail activity continues to contact a borrower during the 'Notice of Default (NOD)' period for approximately 45 days as coordinated with MGA until the loan is either brought current or purchased for default. During this period the claim is reviewed by MGA to ensure that due diligence has been met prior to its default claim purchase. SAC's aggressive default aversion effort in partnership with MGA's claim review process endeavors to prevent default in the latest stage of delinquency immediately prior to default.
- SAC staff identifies long-term debt management resolutions that can be executed in the most expeditious fashion.
 - SAC works with MGA lender/servicer partners to "recall" default claims thus preventing student loan defaults in the Notice of Default (NOD Active) period.
 - Once a loan is "recalled" by a lender it is not counted as a 'bad debt default' against MGA's and a school's cohort default rate because the loan is returned to repayment status.

- d. The Default Aversions Contractor must have on hand a supply of all deferment and forbearance forms which are to be mailed to the borrower upon request.

Contractor Response to Task:

Sallie Mae's Student Assistance Corporation (SAC) uses standardized deferment request forms as published by the U.S. Department of Education. SAC uses 'stock' as well as 'customized' forbearance request forms specific to lender/servicers. Certain lender/servicers prefer borrowers to use their own forbearance forms instead of a standardized or 'stock' version. Most lender/servicers also offer verbal approval of forbearance requests. SAC has contacts established with MGA's major lender/servicer partners to facilitate verbal approval of forbearance requests via conference call. This 'one-stop-shopping experience' for the MGA borrower does not necessitate the borrower having to make an additional call to his or her lender for forbearance approval.

SAC can also send borrowers lender-specific automatic debit applications with deferment and forbearance request forms. Automatic debit is solicited by SAC as a 'long-term debt management strategy' to prevent future delinquencies from occurring. When a borrower requests forbearance, SAC strongly advocates the borrower applies for an automatic debit to keep his or her account up-to-date after the requested forbearance period has expired. Automatic debit offers an easy way for the borrower to pay his or her monthly student loan payment on-time by having the lender/servicer withdraw funds automatically.



- e. The Default Aversions Contractor must image or store all free form letters sent to, and all deferment and forbearance forms received from, the borrower for future retrieval by the Default Aversions Contractor or MGA staff (section 1.104.3a17).

Contractor Response to Task:

Sallie Mae images and stores all free form letters sent to, and all deferment and forbearance request forms received from, the borrower for future retrieval by all stakeholders such as the Default Aversions Contractor or MGA staff.

- f. The Default Aversions Contractor must support an automated follow-up system for borrowers who fail to make payments or send deferments/forbearances as promised.

Contractor Response to Task:

Sallie Mae's Student Assistance Corporation (SAC) makes use of the Borrower Pursuit System (BPS) and the Avaya automated dialer to generate automated follow-up activities to borrowers who fail to make payments and/or send deferment and forbearance request forms as promised.

BPS' 'follow-up date' field enables a user to input a 'follow-up' date for the borrower to be called by the Avaya automated dialer or to receive a 'manual' phone call from an SAC default prevention specialist. The follow-up date (month/day/year) can be entered manually on BPS or the user can enter the number of days in which the borrower is to be called back. BPS also allows a user to right click on the date field to see an online calendar giving the user a graphic image to set a follow-up date.

- g. The Default Aversions Contractor must have the appropriate security for MGA and Default Aversions Contractor users who have inquiry and/or update capability (see section 1.104.3a9).

Contractor Response to Task:

Sallie Mae and Student Assistance Corporation (SAC) takes several precautionary measures to ensure that data is appropriately secure and handled with the highest level of integrity. Sallie Mae conducts quarterly reviews of system access to ensure that highest security levels are being met. Sallie Mae password-protects and encrypts sensitive data sent electronically to various stakeholders including SAC, MGA, and lender/servicers.

- h. The Default Aversions Contractor must provide, at no additional cost, skip-tracing services on all DAARs in accordance with federal regulations and laws and in accordance with the Contract.

Contractor Response to Task:

Student Assistance Corporation (SAC) will provide in-depth skip-tracing activities on all MGA-guaranteed DAARs in compliance with federal regulations and in accordance with the contract at no additional cost. SAC's skip-trace activities include, but are not limited to, calling home, alternate, mobile, place-of-employment (POE) telephone and pager numbers archived on BPS, EAGLE, and lender/servicers' database systems. SAC will also attempt to reach skip-trace borrowers at archived E-mail and physical mailing addresses. SAC will contact borrowers' personal references, loan co-signers, and co-makers via phone, letter, and E-mail in an effort to locate the borrower and resolve the delinquency.

SAC makes use of Internet resources when skip-tracing as well such as search engines, pay-per-inquiry data warehouses, and online databases. SAC has access to the three (3) major credit bureaus to procure demographic information from a borrower's credit report. At various times SAC will cross-reference demographic data on BPS with third-party data providers to identify the most current demographic information relating to a borrower, once cross-referenced, the 'freshest' data will populate the demographic data fields on the BPS system.

SAC also conducts pilot programs to test new skip-trace programs and resources such as using new search engines, third-party data providers, and data warehouses. These pilot programs are examined to determine effectiveness.

- i. If MGA opts to perform default aversion services, the Default Aversions Contractor must provide MGA with a default aversion system to perform this function. This system must include all information



provided in sections 1.104.4f2 and 1.104.4f4f above. The Default Aversions Contractor must also perform the following functions for MGA:

1. The Default Aversions Contractor must automatically generate and mail all default aversion letters to borrowers whose addresses are coded as valid or unknown. This includes letters manually requested by MGA staff and letters systematically generated from the default aversion system.

Contractor Response to Task:

Sallie Mae will provide MGA with the Borrower Pursuit System (BPS) in conjunction with the EAGLE loan guarantee system in the event that MGA opts to perform its own default aversion services. BPS includes all information provided in sections 1.104.4f2 and 1.104.4f4f.

Sallie Mae will automatically generate and mail all default aversion letters to borrowers whose addresses are coded as valid or unknown including letters manually requested by MGA staff and system-generated via BPS.

4g. Claims Processing – Not Applicable to this Contract

4h. Borrower Delinquency/Default Self-Serve Internet Site – Not Applicable to this Contract

4i. Collections – Not Applicable to this Contract

4j. School/Lender File Maintenance – Not Applicable to this Contract

4k. Federal Reporting – Not Applicable to this Contract

4l. School and Lender Program Review/Technical Assistance Support Services – Not Applicable to this Contract

5. FORMS MANAGEMENT/DISTRIBUTION – Not Applicable to this Contract

6. SCHOOL AND LENDER SUPPORT – Not Applicable to this Contract

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's, 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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor', in conjunction with support from Sallie Mae, will make computer software/system modifications necessary to meet federal reporting and processing requirements, all modifications are included in the SAC's Contract bid for Early Intervention and Default Aversion services.

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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor', in conjunction with support from Sallie Mae, will make 'emergency fixes' as necessary to correct the SAC's production program/system failures and to maintain service operations and understands that this will not be reimbursed by MGA. All production program/system failures (emergency fixes) must be corrected by the SAC within two (2) calendar days. SAC will 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.

SAC understands that the Contract Compliance Inspector or designee will immediately notify SAC if MGA staff determines that there is a defect or failure in the SAC's system that could have an impact on the system's production.



Sallie Mae/SAC 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/SAC 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:

*Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' in conjunction with support from Sallie Mae, understands that MGA will reimburse Sallie Mae 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 will include **all** costs associated with program specification, development, testing, and turnover, including any associated computer processing and system execution costs.*

Sallie Mae will document and itemize all costs in writing to Contract Compliance Inspector or designee if any such discretionary modification transferred to the production environment causes SAC 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).

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:

The cost of preparing the cost information for discretionary changes will be borne by Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion 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.

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:

For major changes, Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' may structure a separate "project" to develop specifications and estimates for approval.

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:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' understands that 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.

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:

All software/systems modifications or enhancements requested/recommended by Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion 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 SAC prior to SAC 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).

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:

If the requested software or system changes are provided to any of Student Assistance Corporation's (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' other customers, MGA may only be charged its applicable, proportional share of the costs.

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 Contract Compliance Inspector or designee) (see section 2.202 for Contract Payment).

Contractor Response to Task:

Student Assistance Corporation (SAC) as the 'Early Intervention Contractor' and/or 'Default Aversion Contractor' will 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 Contract Compliance Inspector or designee).

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:

Unless otherwise specified by Contract Compliance Inspector or designee, completed requests must be implemented by SAC 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.

SAC and Sallie Mae will comply with this request. We strive 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:

SAC and 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 Contract.

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, SAC and 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:

SAC and 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:

SAC and 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:

SAC and 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:

SAC and 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, SAC 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:

SAC and 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, SAC and 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 or SAC will be redeployed within Sallie Mae/SAC 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 SAC 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:
 - (I) 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 this section 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 summarized in the RFP, which contains samples of key operational and management reports currently used by MGA from existing computer and manual reporting systems, 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, as part of their response as primary servicer, 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.

Sallie Mae as the Servicer, and Student Assistance Corporation (SAC) Early Intervention Contractor and Default Aversions Contractor have included samples of all standard or special reports/forms/letters needed to provide regulatory and MGA management information. Sallie Mae's SAC's other ongoing reports for section 1.104 is equivalent to those summarized in the RFP, which contains samples of key operational and



management reports currently used by MGA from existing computer and manual reporting systems, organized by guaranty agency.:

Ad hoc Reports

Sallie Mae on behalf of SAC has developed an Aversion/BPS Extract file that will enable MGA to use an ad-hoc report writing tool to manipulate the data and create reports. The Aversion/BPS Extract file is designed in two sections:

The BPS section is produced weekly and lists demographic information at the borrower level, such as address and borrower status.

The Aversion section is produced daily, weekly, and monthly, and lists activity documented on each default aversion request, including all of the default aversion information (e.g., lenders, servicer, and default aversion balance).

Ad hoc reporting is accomplished by using the SAS System software, which is software for data analysis. SAS programming is accomplished through the use of IBM's on-line editor (TSO/ISPF). Further information on ad hoc reporting can be found in Section 2.3.

Standard Reports

The Error Reject report (AVRCR060) displays default aversion requests that did not pass the edit criteria and are pending correction. This report is used to research and monitor correction of rejected accounts. Any questionable or missing data can be verified or completed by SAC via telephone or by returning the form to the lender for correction, at the guarantor's discretion. The report is available daily via paper, Document Direct for the Internet (DDI), or microfiche.

A Lender Follow-Up report (AVRCR120) can be generated to lenders each week to request borrower status updates and to report new borrower information. This can assist the SAC default aversion staff in identifying any new borrower information available, to determine whether the lender has received documents promised by the borrower, and to advise the lender of additional information required or obtained. The lender may use this report as a turnaround document to report updates in account status to the guarantor.

Performance Reports

The Pre-Claim Specialist Phone Code Activity Summary report (AVRBRX50) identifies, by staff member, specific quantities of individual telephone codes that are being entered onto the EAGLE System. The report also identifies the number of default aversion assistance requests (accounts) that the staff member is working on an hour-by-hour basis. This weekly report provides useful information on individual production statistics as recorded on the EAGLE System for each staff member.

The weekly Individual Aversion Specialist Performance Measurement report (AVRCR140) summarizes default aversion assistance requests by staff identification. To assist in measuring performance, the number of active default aversion assistance requests is reported according to the number of days the account has been in default aversion status. This report indicates the resolution record of each staff member.

The daily Aversion Resolution report (ACRCR080) provides a list of the accounts resolved by individual staff members during the reporting period.

The daily Processed Accounts by Entry Processor report (AVRCR015) provides a list of all accounts entered by each staff member that were accepted by the system and placed into active status.

The Aversion Weekly Production Report by Agency (AVRCR050) summarizes weekly, by guarantor, the default aversion assistance request activity for the preceding week, and provides an aging of unresolved (active) accounts remaining at the end of the week.

The daily Activity Counter Eleventh Hour report (AVPBRA11) lists all default aversion assistance requests for accounts that are at least 110 days delinquent, and for which required default aversion activities have not been performed.



The DAF Billing Detail report (DAFBRA01) provides detailed information on those accounts that were DAF billed for the month.

The DAF Billing Summary report (DAFBRA02) provides a summary of dollar amounts that were billed for default aversion fee (DAF) during the month.

The DAF Billing Not Billed report (DAFBRA03) provides account information for those accounts that were not 'DAF-billed' for the month.

The DAF Rebate Detail report (DAFBRA04) provides detailed information on those loans that were 'DAF-rebated' for the month.

The DAF Rebate Summary report (DAFBRA05) provides a summary of dollar amounts that were 'DAF-rebated' for the month.

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 Contract.

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 Appendix 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 15th 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 Price Proposal, Appendix A.

1. Pricing for Services

The pricing for services performed under this Contract will be performance-based to ensure the appropriate Early Intervention Contractor and Default Aversions Contractor 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.

2. PERFORMANCE DEFINITIONS:

- a. 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).

- b. Operational Service Levels**

Liquidated damages may also be assessed due to the Servicer's, Early Intervention Contractor's and Default Aversions Contractor'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 accomodates 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 Failure, 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.

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 Product(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.

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 accommodate 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 the written notice of breach provided by the State, or pose a serious and imminent threat to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of cancellation to the Contractor, cancel this Contract in whole or in part, for cause, as of the date specified in the notice of cancellation.

In the event that this Contract is cancelled for cause, in addition to any legal remedies otherwise available to the State by law or equity, the Contractor shall be responsible for all costs incurred by the State in canceling the Contract, including but not limited to, State administrative costs, attorneys fees and court costs, and any additional costs the State may incur to procure the services required by this Contract from other sources. All excess 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
Servicer, Early Intervention Contractor and Default Aversions Contractor Operations		
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
Servicer Operations		
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).

TERMS AND CONDITIONS**CONTRACT NO. 071B6200178**

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 by 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.

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, Appendix B will take 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

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**:

- 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 INSURED on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

3. Workers' compensation coverage must be provided 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, Attachment 1
Early Intervention Services Price Proposal**

Tasks	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Option 1 (System Provided by Contractor)						
a) Program Conversion	\$ 100,000.00					\$ 100,000.00
b) Print and Mail Correspondence	\$ 93,000.00	\$ 93,000.00	\$ 93,000.00	\$ 93,000.00	\$ 93,000.00	\$ 465,000.00
c) System/Software to Perform Function In-house	\$ 275,000.00	\$ 275,000.00	\$ 275,000.00	\$ 275,000.00	\$ 275,000.00	\$ 1,375,000.00
d) Program Conversion/Turnover					\$ 50,000.00	\$ 50,000.00
						Option 1: Grand Total
						\$ 1,990,000.00
Option 2 (Service Performed by Contractor)						
a) Program Conversion	\$ -					\$ -
b) Cost Per Borrower						
1) 0 to 9,999	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	
2) 10,000 to 19,999	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	
3) 20,000 to 29,999	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	
4) 30,000 to 39,999	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	
a. Cost for 36,000 Borrowers	\$ 864,000.00	\$ 864,000.00	\$ 864,000.00	\$ 864,000.00	\$ 864,000.00	\$ 4,320,000.00
5) 40,000 to 49,999	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	
6) 50,000 or Greater	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	
c) Credit per Borrower						
1) Credit from Contractor for Borrowers Who Return to School within two months of placement and stay in school for four months	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	
d) Program Conversion/Turnover					\$ 50,000.00	\$ 50,000.00
						Option 2: Grand Total
						\$ 4,370,000.00
Option 3: Combined Pricing: Early Intervention and Default Aversion Servicing Performed by Sallie Mae (see Appendix G, Option 3)						
a) Program Conversion	\$ -					\$ -
b) Cost Per Borrower						
1) 0 to 9,999	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	
2) 10,000 to 19,999	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	
3) 20,000 to 29,999	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	
4) 30,000 to 39,999	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	
a. Cost for 36,000 Borrowers	\$ 720,000.00	\$ 720,000.00	\$ 720,000.00	\$ 720,000.00	\$ 720,000.00	\$ 3,600,000.00
5) 40,000 to 49,999	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.00	
6) 50,000 or Greater	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	
c) Credit per Borrower						
1) Credit from Contractor for Borrowers Who Return to School within two months of placement and stay in school for four months (see note below)	see note below					
d) Program Conversion/Turnover					\$ 50,000.00	\$ 50,000.00
						Option 2: Grand Total
						\$ 3,650,000.00

Option 2 pricing assumes SAC only performs early intervention servicing and default aversion servicing is performed externally to SAC.

Option 3 pricing assumes both early age intervention and default aversion work is performed by SAC. See Option 3 on Appendix G.

Significant savings are realized by bundling these services.

NOTE: 'Credit per borrower' will vary and be applied at the prevailing rate based on annual processing volumes.



**Appendix A, Attachment 2
Default Aversions Services Price Proposal**

Tasks	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Option 1 (System Provided by Contractor)						
a) Program Conversion	\$ 100,000.00					\$ 100,000.00
b) System/Software for in-house staff to work accounts	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 500,000.00
c) Processing Lender DAAR's	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d) Interface with outside contractor, sending DAAR's for processing	\$ 31,500.00	\$ 31,500.00	\$ 31,500.00	\$ 31,500.00	\$ 31,500.00	\$ 157,500.00
e) Outside contractor information interface	\$ 63,000.00	\$ 63,000.00	\$ 63,000.00	\$ 63,000.00	\$ 63,000.00	\$ 315,000.00
f) Web Site for Delinquent and Defaulted Borrowers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
g) Print and mail correspondence	\$ 194,250.00	\$ 194,250.00	\$ 194,250.00	\$ 194,250.00	\$ 194,250.00	\$ 971,250.00
h) Program Conversion/Turnover					\$ 50,000.00	\$ 50,000.00
Option 1: Grand Total						\$ 3,380,000.00

Option 2: Service Performed by SAC, Early Intervention Performed by MGA or External Contractor Other Than SAC (pricing based on specified volume data)

a) Program Conversion	\$ -					\$ -
b) Cost Per Dollar Amount Cured						
1) \$1,399,999.99 or less	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
2) \$1,400,000 to \$1,499,999.99	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
3) \$1,500,000 to \$1,599,999.99	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
4) \$1,600,000 to \$1,699,999.99	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
5) \$1,700,000 to \$1,799,999.99	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
6) \$1,800,000 to \$1,899,999.99	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
a. Cost for \$1,800,000.00 in accounts cured	\$ 720,000	\$ 720,000	\$ 720,000	\$ 720,000	\$ 720,000	\$ 3,600,000.00
7) \$1,900,000 to \$1,999,999.99	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
8) \$2,000,000 to \$2,099,999.99	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
9) \$2,100,000 to \$2,199,999.99	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
10) \$2,200,000 to \$2,299,999.99	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
11) \$2,300,000 to \$2,399,999.99	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
12) \$2,400,000 to \$2,499,999.99	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
13) \$2,500,000 or greater	0.4000%	0.4000%	0.4000%	0.4000%	0.4000%	
c) Program Conversion/Turnover					\$ 50,000.00	\$ 50,000.00
Option 2: Grand Total						\$ 3,650,000.00

Actual Pricing will be based on the following metrics:

a) Program Conversion	\$ -					\$ -
Annual estimate of cured volume, includes first time and repeat	\$ 600,000,000	\$ 600,000,000	\$ 600,000,000	\$ 600,000,000	\$ 600,000,000	
Cost Per Dollar Amount Cured	0.12%	0.12%	0.12%	0.12%	0.12%	
Cost for Default Aversion Service	\$ 720,000.00	\$ 720,000.00	\$ 720,000.00	\$ 720,000.00	\$ 720,000.00	\$ 3,600,000.00
c) Program Conversion/Turnover					\$ 50,000.00	\$ 50,000.00
Option 2: Grand Total						\$ 3,650,000.00

Option 3 Default Aversion & Early Intervention Service Performed by SAC

a) Program Conversion	\$ -					\$ -
Annual estimate of cured volume, includes first time and repeat	\$ 600,000,000	\$ 600,000,000	\$ 600,000,000	\$ 600,000,000	\$ 600,000,000	
Cost Per Dollar Amount Cured	0.10%	0.10%	0.10%	0.10%	0.10%	
Cost for Default Aversion Service	\$ 600,000.00	\$ 600,000.00	\$ 600,000.00	\$ 600,000.00	\$ 600,000.00	\$ 3,000,000.00
c) Program Conversion/Turnover					\$ 50,000.00	\$ 50,000.00
Option 2: Grand Total						\$ 3,050,000.00

Option 2 pricing is based on default aversion services performed by SAC. Pricing will be based on total volume cured, including both first time DAF-eligible and repeat volume, using an alternative rate of .12% of total cures versus .40% of DAF-eligible cures only.

Option 3 pricing fee is only offered in the event SAC performs both Early Intervention and Default Aversion Services on behalf of MGA. Pricing for Early Intervention services is represented on Appendix F, Option 3. Significant savings are realized by bundling services.

**APPENDIX B****Response to Clarifications for SAC Dated 12/7/05****SAC's Early Intervention & Default Aversion Services Proposal:**

General The responses that state “not applicable” are very confusing. Although Sallie Mae is not the bidder for this portion, Sallie Mae is referenced repeatedly. Please resubmit responses and clarify specific to SAC.

SAC is resubmitting the response to the ITB that provides the clarification requested.

Please note that SAC is a wholly-owned affiliate of Sallie Mae, and Sallie Mae provides support services to SAC, most notably data processing services. As a result, Sallie Mae and SAC are often used interchangeably. Actual work for default aversion and early intervention services is to be performed by SAC.

1.a This is not acceptable. All mailings including “stock” must have MGA logo. Please confirm your agreement to have MGA logo on all interactions with MGA clients.

Student Assistance Corporation (SAC), as the ‘Early Intervention Contractor’ and/or ‘Default Aversion Contractor’ will use MGA’s logo in all interactions with MGA clients with the exception of the U.S. Department of Education’s deferment request forms and lender/servicer-specific forbearance request forms which do not allow for customization.

1.b MGA believes this is applicable to SAC. Please confirm your compliance with this requirement.

MGA is correct and our response was made in error. The following statement is added to SAC’s response:

SAC will review, analyze, and comply with all federal and state laws, regulations, and rules. As legislative and regulatory changes are enacted, SAC as the Early Intervention Contractor and/or Default Aversions Contractor will give MGA the opportunity to review and offer ideas and concerns regarding system and procedural changes before design and implementation. However, SAC is ultimately responsible for implementing changes and maintaining compliant systems and procedures. SAC as the Early Intervention Contractor and/or 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 ITB in terms of/reference to current federal or state laws/regulations/rules, those functions, features, reports, etc. will be amended accordingly as federal/state laws/regulations/rules change.

Adherence to all applicable laws is the responsibility of SAC.

- 2.a.4.** If SAC is chosen as the Early Intervention contractor there will be a program conversion from the existing contractor. Please address.

Should SAC be awarded work as early intervention contractor, immediate discussions will 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 limited system conversion work is needed, and that operational or program transition can be accomplished within the stated timeframe.

SAC proposes that the transition of Early Intervention data take place in the first 20 days after Contract execution and include the following:

- i. Transition MGA borrowers' loan and associated data from the current Early Intervention Contactor's system to SAC's Enterprise Results Based Prevention (ERBP) system. This includes data elements such as borrower name, demographics, loan data, and contact history.*
- ii. SAC will also work with MGA and the current service provider to establish contacts at the various schools where data is originated for new borrowers entering the Early Intervention program.*
- iii. SAC in partnership with MGA will review the current flow, and source of data, and reporting construct and will assess the need to incorporate other third party stakeholders into the transition such proprietary and/or other 'high-risk' schools that might provide borrower separation and demographic data to the current Early Intervention Contractor.*
- iv. Once approved by MGA, SAC will contact the participating schools and ensure all of the Early Intervention data is sent to SAC. SAC will monitor this transfer carefully to ensure a smooth and seamless transition for MGA and its valuable school customers.*
- v. SAC will create an MGA Early Intervention Transition Plan. This will be a written project plan outlining the actual conversion, timeline, and key performance indicators.*
- vi. SAC will schedule weekly meetings during the conversion to update MGA management on key performance data and important conversion information.*



vii. *Once the conversion is complete, SAC will continue to report critical performance data to MGA on a monthly basis at a minimum.*

SAC's data transition will occur in a "single phase" approach per section 1.104.2b5.

No conversion is necessary if SAC is selected as the Default Aversions Contractor since SAC is the incumbent Default Aversions Contractor.

2.c.1 Will user documentation be 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.

3.a.9 There is a lot of discussion about the ERBP (early intervention system) but there is no clear discussion as to what exactly will be used for the default aversion system. Please clarify.

The Enterprise Results Based Prevention (ERBP) system will be used by SAC for Early Intervention efforts provided on behalf of MGA. The Borrower Pursuit System (BPS) is currently and will continue to be used by SAC for Default Aversion efforts provided on behalf of MGA.

3.a.17 This section does not appear to specify what documents are imaged by and for SAC. Please clarify.

SAC will image borrower correspondence and documents such as deferment and forbearance request forms as well as any written correspondence (i.e. letters) received from the borrower.

3.a.21 Does MGA have access to BPS, including access to view and to update? MGA requires full access.

SAC will give MGA access to BPS to view and update borrower information. All necessary training of MGA staff will be provided by SAC.

4.e.2.a.7 If Sallie Mae is the servicer, could SAC update EAGLE II with any employment and demographic data for MGA?

Yes, SAC can send a data file to update EAGLE II with employment and demographic data for MGA.

4.e.2.a.11 How many workstations are included with this proposal?



A total of six (6) BPS workstations in included as part of this proposal.

- 4.f.4.b** The response did not address following all state laws. Please confirm that SAC will follow all federal and state laws.

SAC will comply with all applicable Federal and state laws.

- 1.302** If Sallie Mae is not the servicer, now or in the future, would the price of the reports change?

SAC's default prevention system, Borrower Pursuit System (BPS) is a graphic user interface (GUI) that 'sits atop' of Sallie Mae's loan guarantee system EAGLE. In the event that Sallie Mae is not the servicer, either now or in the future, the EAGLE system would no longer be available for interface with BPS. Consequently, SAC would need to convert the data from BPS to the Enterprise Results Based Prevention (ERBP) system. Conversion costs will apply.

More specific to this question, reports presently available through EAGLE would no longer be available. BPS and EAGLE extract files are no generated. Generating replacement reports, if not available through a successor servicer system, will likely require a system development effort, and the associated cost cannot be estimated with any high degree of accuracy.

- 1.302** Regarding Ad Hoc, currently MGA does not have access to Aversion/BPS Extract files. Is it correct that MGA will have access under the new proposal?

SAC can make available Aversions/BPS extract files for ad hoc reporting purposes.