STATE OF MICHIGAN
CENTRAL PROCUREMENT SERVICES
Department of Technology, Management, and Budget

525 W. ALLEGAN ST., LANSING, MICHIGAN 48913
P.O. BOX 30026 LANSING, MICHIGAN 48909

CONTRACT CHANGE NOTICE

Change Notice Number **6**

to

Contract Number **071B0200174**

CONTRACTOR	
	NELNET SERVICING, LLC
	121 South 13th St
	Lincoln, NE 68508
	Kelly Hubbard
	(402) 323-4941
	kelly.hubbard@nelnet.net
	CV0065186

STATE			
	Program Manager	Dan Mullin	TREA
		517-373-1402	
		mullind@michigan.gov	
	Contract Administrator	Joy Nakfoor	DTMB
		(517) 249-0481	
		nakfoorj@michigan.gov	

CONTRACT SUMMARY

MHESLA STUDENT LOAN SERVICING

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE
April 1, 2010	March 31, 2015	0 - 1 Year	March 31, 2021

PAYMENT TERMS	DELIVERY TIMEFRAME
	N/A

ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING	
☐ P-Card	☐ PRC	☐ Other	☐ Yes	☒ No

MINIMUM DELIVERY REQUIREMENTS

N/A

DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
☐		☒	2 months	May 31, 2021

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$56,177,096.40	$0.00	$56,177,096.40

DESCRIPTION

Effective March 31, 2021 this contract is hereby extended for two months per 3/24/2020 Ad Board approval for Useful Life Extension. The new expiration date is May 31, 2021.

All other terms, conditions, specifications and pricing remain the same. Per contractor and agency agreement, and DTMB Central Procurement approval.

STATE OF MICHIGAN
CENTRAL PROCUREMENT SERVICES
Department of Technology, Management, and Budget
525 W. ALLEGAN ST., LANSING, MICHIGAN 48913
P.O. BOX 30026 LANSING, MICHIGAN 48909

CONTRACT CHANGE NOTICE

Change Notice Number **5**

to

Contract Number **071B0200174**

CONTRACTOR	
	NELNET SERVICING LLC
	121 South 13th St
	Lincoln, NE 68508
	Kelly Hubbard
	(402) 323-4941
	kelly.hubbard@nelnet.net
	CV0065186

STATE			
	Program Manager	Dan Mullin	TREA
		517-373-1402	
		mullind@michigan.gov	
	Contract Administrator	Joy Nakfoor	DTMB
		(517) 249-0481	
		nakfoorj@michigan.gov	

CONTRACT SUMMARY

MHESLA STUDENT LOAN SERVICING

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE
April 1, 2010	March 31, 2015	5 - 1 Year	March 31, 2020

PAYMENT TERMS	DELIVERY TIMEFRAME
	N/A

ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING	
☐ P-Card	☐ PRC	☐ Other	☐ Yes	☒ No

MINIMUM DELIVERY REQUIREMENTS

N/A

DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
☐		☒	1 years	March 31, 2021

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$54,177,096.40	$2,000,000.00	$56,177,096.40

DESCRIPTION

Effective March 24, 2020, this contract is extended 1 year per MPPM Chapter 5, section 7.6 Useful Life extension to an Existing State Contract; and is increased by $ 2,000,000.00. The revised contract expiration date is March 31, 2021. The following documents have also been updated:

1. Appendix B - MI-LOAN Pricing
2. Appendix B - FEELP Pricing

All other terms, conditions, and specifications remain the same. Per contractor and agency agreement, DTMB Cental Procurement approval, and State Administrative Board approval on March 24, 2020.

Appendix B - Pricing

Michigan Financial Authority shall pay the following Fees to Vendor as applicable, and in addition to any specific fees set forth in the Agreement, even lf not stated herein.

Attachment 1: Pricing FFELP	
Service	**Rate**
Monthly Servicing Fee FFELP - per Group	
In-school	$0.81
Grace	$0.81
Repayment Current	$1.58
Delinquent Consolidated	$0.81
Delinquent Nonconsolidated	$0.65
Consolidated Servicing	$1.96
Mailing Fees - *charged per mailing*	
1098-E Tax Form	1st Class Postage + Processing Cost
Privacy Statements (Task 3)	$0.10
Secondary Market (Task 12)	
Manual Conversion	
(a) In school status	$6.00
(b) All Other statuses	$9.00
Internal Transfers	$2.00
Packaging (Task 12)	Loan Portfolio Value +1%
Additional Charges:	
The following categories will be billed on a pro-rated or cost plus basis:	
Repurchaes (Task 13)	$12.00
Ad Hoc Reports (Task 14)	$50.00
Deconversion Fee (Task 3 & 16)	
Electronic Transfer	$40.00
Paper Transfer	$40.00
Claim filing fee	$35.00
System Changes (Task 1,2 & 3)	$150.00
Cure Fee	$600.00
Portfolio Tapes (Task 15)	$2,000.00
Public Awareness (Task 17) per year	N/A
Postage	$0.00
Appeal fee	$30.00
Required Vendor Audits (SSAE 16, etc)	Pro-rated cost based on volume on system (not to exceed $2,000)

Attachment 1: Pricing MI-LOAN	
Service	**Rate**
Monthly Servicing Fee Private - per Borrower	
Current	$4.75
Delinquent	$8.00
On boarding fee	$1.50
Misc. Fees	
System Changes (Task 1,2 & 3)	$150.00
Portfolio Tapes (Task 20)	$65.00
Public Awareness (Task 21) per year	$100,000.00
Ad Hoc Reports (Task 23)	$60.00
Deconversion Fee (Task 24)	
Electronic Transfer Only	$10.00
Electronic and Paper Transfer	$30.00
Additional Charges:	
The following categories will be billed on a pro-rated or cost plus basis:	
Manually Added	$25.00
Added Via Web Interface	$100.00
Line Charges from Task 1 b.	At cost
Annual Privacy Notices	First class postage plus $.10
One Time License Fee	$3,000.00
Annual Maintence Charge	$500.00
Usage Fee	Waived
Annual SAS-70 Audit	See Assumptions and Definitions

STATE OF MICHIGAN
CENTRAL PROCUREMENT SERVICES
Department of Technology, Management, and Budget
525 W. ALLEGAN ST., LANSING, MICHIGAN 48913
P.O. BOX 30026 LANSING, MICHIGAN 48909

CONTRACT CHANGE NOTICE

Change Notice Number **4**

to

Contract Number **071B0200174**

CONTRACTOR	
	NELNET SERVICING LLC
	121 South 13th St
	Lincoln, NE 68508
	Kelly Hubbard
	(402) 323-4941
	kelly.hubbard@nelnet.net
	CV0065186

STATE			
	Program Manager	Daniel Mullin	TREA
		517-373-1402	
		mullind@michigan.gov	
	Contract Administrator	Joy Nakfoor	DTMB
		(517) 249-0481	
		nakfoorj@michigan.gov	

CONTRACT SUMMARY

MHESLA STUDENT LOAN SERVICING

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE
April 1, 2010	March 31, 2015	5 - 1 Year	March 31, 2020

PAYMENT TERMS	DELIVERY TIMEFRAME

ALTERNATE PAYMENT OPTIONS	EXTENDED PURCHASING
☐ P-Card ☐ PRC ☒ Other	☐ Yes ☒ No

MINIMUM DELIVERY REQUIREMENTS

DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
☐		☐		March 31, 2020

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$54,177,096.40	$0.00	$54,177,096.40

DESCRIPTION

Effective December 19, 2018 Please note the following changes:

1. The Kelly Hubbard (Kelly.Hubbard@nelnet.net, 402-323-4941)

2. The Contract Administrator has been changed to Joy Nakfoor (nakfoorj@michigan.gov, 517-249-0481) and

3. The Program Manager has been changed to Daniel Mullin (mullind@michigan.gov, 517-373-1402).

All other terms, conditions, specifications and pricing remain the same. Per contractor and agency agreement, and DTMB Procurement approval.

STATE OF MICHIGAN
ENTERPRISE PROCUREMENT

Department of Technology, Management, and Budget
525 W. ALLEGAN ST., LANSING, MICHIGAN 48913
P.O. BOX 30026 LANSING, MICHIGAN 48909

CONTRACT CHANGE NOTICE

Change Notice Number **3**

to

Contract Number **071B0200174**

CONTRACTOR	
	NELNET LOAN SERVICES INC
	3015 S Parker Road
	Aurora, CO 80014
	Neil McConnell
	(303) 696-5520
	neil.mcconnell@nelnet.net
	*******8903

STATE			
	Program Manager	Janet McKeown	TREA
		517-335-1723	
		McKeownJ@Michigan.gov	
	Contract Administrator	Mary Ostrowski	DTMB
		(517) 284-7021	
		ostrowskim@michigan.gov	

CONTRACT SUMMARY			
MHESLA STUDENT LOAN SERVICING			
INITIAL EFFECTIVE DATE	**INITIAL EXPIRATION DATE**	**INITIAL AVAILABLE OPTIONS**	**EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW**
April 1, 2010	March 31, 2015	5 - 1 Year	March 31, 2020
PAYMENT TERMS		**DELIVERY TIMEFRAME**	
Net 45		N/A	
ALTERNATE PAYMENT OPTIONS			**EXTENDED PURCHASING**
☐ P-Card	☐ Direct Voucher (DV)	☐ Other	☐ Yes ☒ No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE				
OPTION	**LENGTH OF OPTION**	**EXTENSION**	**LENGTH OF EXTENSION**	**REVISED EXP. DATE**
☐		☐		March 31, 2020
CURRENT VALUE	**VALUE OF CHANGE NOTICE**		**ESTIMATED AGGREGATE CONTRACT VALUE**	
$54,177,096.40	$0.00		$54,177,096.40	

DESCRIPTION

Effective May 25, 2017 the Program Manager, Contract Compliance Inspector and Project Manager in Section 2.022 and 2.023 of Article 2 Terms and Conditions is changed to:

Janet McKeown
McKeownJ@michigan.gov
(517) 335-1723

All other terms, conditions, specifications, and pricing remain the same. Per agency request and DTMB Procurement approval.

STATE OF MICHIGAN
ENTERPRISE PROCUREMENT

Department of Technology, Management, and Budget
525 W. ALLEGAN ST., LANSING, MICHIGAN 48913
P.O. BOX 30026 LANSING, MICHIGAN 48909

CONTRACT CHANGE NOTICE

Change Notice Number **2**
to
Contract Number **071B0200174**

CONTRACTOR	
	NELNET LOAN SERVICES INC
	3015 S Parker Road
	Aurora, CO 80014
	Patty Peters
	(651) 265-7621
	patty.peters@nelnet.net
	*******8903

STATE			
	Program Manager	Nancy Ivy	TREASURY
		517-373-4048	
		ivyn@Michigan.gov	
	Contract Administrator	Mary Ostrowski	DTMB
		(517) 284-7021	
		OstrowskiM@michigan.gov	

CONTRACT SUMMARY

DESCRIPTION: MHESLA Student Loan Servicing

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
April 1, 2010	March 31, 2015	5 - 1 Year	March 31, 2020

PAYMENT TERMS	DELIVERY TIMEFRAME

ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING	
☐ P-card	☐ Direct Voucher (DV)	☐ Other	☐ Yes	☒ No

MINIMUM DELIVERY REQUIREMENTS

DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
☐		☐		

CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE
$54,177,096.40	$ 0.00	$54,177,096.40

DESCRIPTION: Effective October 7, 2016 the Program Manager, Contract Compliance Inspector and Project Manager in Section 2.022 and 2.023 of Article 2 Terms and Conditions is changed to:

Nancy Ivy
ivyn@michigan.gov
(517) 373-4048

All other terms, conditions, specifications, and pricing remain the same. Per agency request and DTMB Procurement approval.

Form No. DTMB-3521 (Rev. 4/2012)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract change will not be executed unless form is filed

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

CHANGE NOTICE NO. 1

to

CONTRACT NO. 071B0200174

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Nelnet Servicing, LLC	Patty Peters	patty.peters@nelnet.net
3015 S. Parker Road, Suite 400	**TELEPHONE**	**CONTRACTOR #, MAIL CODE**
Aurora, CO 80014	651-265-7621	001

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR	Department of Treasury	Carol Boak	517-373-8848	boakc1@michigan.gov
BUYER	Department of Technology, Management and Budget	Mary Ostrowski	517-284-7021	OstrowskiM@michigan.gov

CONTRACT SUMMARY:

DESCRIPTION:
MHESLA – Student Loan Servicing – Department of Treasury

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
April 1, 2010	March 31, 2015	Five (5), One (1) Year Options	March 31, 2015
PAYMENT TERMS	**F.O.B**	**SHIPPED**	**SHIPPED FROM**
N/A	N/A	N/A	N/A

ALTERNATE PAYMENT OPTIONS:	AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other	☐ Yes ☒ 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
☐ No ☒ Yes	☒	☐	5 Years	March 31, 2020

VALUE/COST OF CHANGE NOTICE:	ESTIMATED REVISED AGGREGATE CONTRACT VALUE:
$0.00	$54,177,096.40

Effective immediately this Contract is hereby AMENDED as follows:
1. Exercise the option section 2.002, extending the Contract five (5) Years to perform the Conversion activities

outlined in Task 4 of the Contract.
2. Amend Contract per attached Statement of Work. Except as noted in the attached Statement of Work, all other terms, conditions, specifications, and pricing remain the same.
3. Change the Contract Compliance Inspector to Carol Boak.
4. Change the Buyer to Mary Ostrowski.
5. Change the Primary Contact to Patty Peters.

Per Vendor and Agency agreement, and DTMB Procurement approval.

Statement of Work (SOW) for FFELP Consolidation

The Contract has been amended as follows:

1.010 Project Identification

1.011 Project Request
This is a Statement of Work (SOW) to amend the contract for Michigan Finance Authority [MFA, formerly Michigan Higher Education Student Loan Authority (MHESLA)] student loan servicing along with new pricing for servicing of its entire Federal Family Education Loan Program (FFELP) portfolio.

1.012 Background
MFA Student Loan Program (formerly MHESLA) currently administers an $890 million portfolio with approximately 244,314 FFELP loans and 80,372 borrowers. In June 2010, FFELP was terminated in favor of the Federal Direct Loan Program, and MFA was disallowed from originating new FFELP loans.

1.020 Scope of Work and Deliverables

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

   TASK 4 - CONVERSION TO INCOMING SERVICER

A. The Contractor must deconvert FFELP loans from other Servicer(s) to Contractor per Section 1.022.A, Task 4 of Contract by October 1, 2015.

B. Nelnet must reimburse up to $2,000,000 in deconversion expenses incurred by MFA from third party servicers. Based on the information provided by MFA in the SOW, it is estimated that the current deconversion expense from Servicer 1 will be $704,975 and from Servicer 3 will be $1,259,800.

	Servicer 1	Servicer 3	Estimated Total *(not to exceed $2,000,000)*
Deconversion $ per	$ 25.00	$ 25.00	
Deconversion Units	*per Loan*	*Per Account*	
Deconversion # Units	28,199	50,392	
Third Party Servicer Deconversion Expense	$ 704,975	$ 1,259,800	**$ 1,964,775**

C. Nelnet will waive 100% of costs to convert Michigan's non-Nelnet serviced FFELP portfolios to our system. The estimated value of the conversion is approximately $350,000. Should these costs run higher than $350,000, Nelnet will not invoice Michigan for any difference to load these new accounts for consolidated servicing.

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

   A. Origination Processing (Section 1.022.A, Task 5)

   B. Public Awareness (Section 1.022.A, Task 17).

1.030 Roles and Responsibilities

1. The Contractor will provide the following Staff to assist in completing TASK 4 - CONVERSION TO INCOMING SERVICER:

A. Patty Peters - Client Services

1.040 Project Plan

1.041 Project Plan Management

1. Within ten business days of Contract Change Notice 1 issuance, the Contractor must submit to the Contract Compliance Inspector or designee for final approval a detailed project plan, including project breakdown showing sub projects, activities and tasks, and resources.

1.042 Reports

The Contractor must submit written monthly summaries of the work accomplished during the reporting period and notification of any significant deviation from previously agreed-upon work plans.

1.060 Proposal Pricing

1.061 Proposal Pricing

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

APPENDIX A – PRICING

Contract 071B0200174 – Nelnet Servicing, LLC

MFA – Student Loan Programs (Formerly MHESLA)

FFELP Servicing – Loans Guaranteed by MGA, ISAC, GLHEGC, PHEAA, and USAF

Service to be Provided	Pricing for Original Contract Term *For informational purposes only.*	Unit	Pricing For 5 Year Renewal Period (4/1/15 – 3/31/20)
System Changes (Task 1,2 & 3)	$ 150	per hour	$ 150
Conversion Fee (Task 3 & 4)	$ 5	per borrower via electronic conversion	$ 0
Privacy Notices (Task 3)	$ First Class Postage + $0.10	per notice	$ First Class Postage + $0.10
Origination (Tasks 5)			
Federal Loans (excl. Cons)	$ 6	per guarantee	N/A
Consolidation Loan	$ 40	per guarantee	N/A
Credit Evaluation (Task 5)	$ Included In origination Fees	per application	N/A
Loan Servicing:			
In School/Grace Stafford/PLUS	$ 1.10	per account/month	$0.765
Repayment - Current:			
Stafford/PLUS	$2.00	per account/month	$1.505
Consolidation Loans	$2.25	per account/month	$1.860
Repayment – Delinquent:			
Stafford/PLUS	$2.75	per account/month	$2.125
Consolidation Loans	$3.15	per account/month	$2.625
Cure Fee (Task 9)	$ 600	per account	$ 600
Secondary Market (Task 12)			
Packaging	$ 1%	volume of portfolio being purchased	$ 1%
Inspection/Conversion			
Manual Conversions			
(a) In school status	$ 6	per account	$ 6
(b) All other statuses	$ 9	per account	$ 9
Internal Transfers	$ 2	per account	$ 2
Repurchases (Task 13)	$ 12	per account	$ 12
Ad Hoc Reports (Task 14)	$ 50	per report	$ 50
Portfolio Tapes (Task 15)	$ 2,000	per tape (3 per year)	$ 2,000
Deconversion Fee (Task 3 & 16)			
Electronic Transfer	$ 40	per SSN	$ 40
Paper Transfer	$ 40	per SSN	$ 40
Public Awareness (Task 17)	500,000	per year	N/A
Other Per Instance Charges:			
Claim Filing Fee	$ 35	per claim filed	$ 35
Appeal Fee	$ 30	per SSN	$ 30
On boarding fee	$ 1.50	per disbursement (details on next page)	$ 1.50
System Changes (Task 1,2 & 3)	$ 150	per hour	$ 150
Conversion Fee (Task 4)	N/A	per borrower via electronic conversion	N/A

Service to be Provided	**Pricing for Original Contract Term** *For informational purposes only.*	Unit	**Pricing For 5 Year Renewal Period** **(4/1/15 – 3/31/20)**
Origination (Task 5)	$ 75	per application	N/A
Loan Servicing:			
Current	$ 4.50	per borrower	$ 4.50
Principal & Interest Forbearance	$ 4.50	per borrower	$ 4.50
Delinquent	$ 7.60	per borrower	$ 7.60
Portfolio Tapes (Task 20)	$ 65	per tape	$ 65
Public Awareness (Task 21)	$ 100,000	per year	$ 100,000
Ad Hoc Reports (Task 23)	$ 60	per hour	$ 60
Deconversion Fee (Task 24)			
Electronic Transfer Only	$ 10	per borrower	$ 10
Electronic and Paper Transfer	$ 30	per borrower	$ 30
Rehabilitation Loans			
Manually Added	$25	per loan	$25
Added Via Web Interface	$ 100	per loan	$ 100
Line Charges from Task 1 b.	At Cost		At Cost
Annual Privacy Notices	First class postage plus $.10	per form	First class postage plus $.10
Nelnet offers NSight Services (Online Data Warehouse) In Lieu of Tapes for:			
One Time License Fee	$ 3,000	One Time	$ 3,000
Annual Maintenance Charge	$ 500	per year	$ 500
Usage Fee	$ Waived		$ Waived
Annual SAS-70 Audit	See assumptions and definitions		See assumptions and definitions

VENDOR PRICING ISSUES/QUESTIONS/CLARIFICATIONS

NELNET – FFELP PRICING

Origination Fee - $15 per loan	Define "loan". Explain how MHESLA would be billed.

Definition of Loan:
"Loan" is defined as any Loan taken out by the borrower regardless of application, note or Accont Group in the Schedule A. Further, where "Loan" means a disbursement of money to, or on behalf of, an eligible student attending an Eligible Institution (or parent of such student), contingent upon an agreement to repay, secured by a Note and Guaranteed or Insured, as applicable, in accordance with the Act and applicable Regulations, and shall include, without limitation, disbursements made in accordance with the federal Stafford Loan (subsidized and unsubsidized), and Parent Loan for Undergraduate/Graduate Students (PLUS) under FFELP programs.

How MHESLA would be billed:
MHESLA FFELP originations will be billed at the first disbursement of any new borrower loan. Any subsequent disbursements that would fund for this same loan would not incur any additional fee to MHESLA. Note - a subsidized loan would be billed as a single unit and an unsubsidized loan would be billed as a single unit.

Cure Fee 15%	MHESLA needs a per account price. Cost to cure an account should not increase because of borrower's balance.

Cure Fee = $600 per account (annually)

Higher balance loans are more challenging in a Cure / Collection environment. Nelnet has found that using the % formula has proven more effective in managing to our costs to collect. By moving to an account level pricing we will need to add an annual recurrence on the fee as in some cases these loans will take multiple years to Cure.

Deconversion Fee - $40 paper	When would MHESLA be billed for a paper deconversion fee if everything at Nelnet is imaged?

If a deconversion cannot be facilitated via electronic methods, a "paper" deconversion option will allow Nelnet to print the loan screens for records to be removed and shipped to the new servicer for manual loan add. The documents that are imaged would follow this conversion via the same process or as otherwise deemed acceptable by both parties. The work effort is not reduced in this process – thus there is no difference in fee structure. Generally, a paper process is used if the size of the portfolio is insubstantial to justify programming efforts to automate and/or the new servicer cannot support an automated data file conversion.

Nelnet indicated that MHESLA would be billed a $40 deconversion fee for every consolidation loan that is not serviced by Nelnet. MHESLA has no control over consolidation requests, especially if they will be encouraged through SAFRA. MHESLA can not agree to a deconversion fee for consolidation loans.

Nelnet will **not** bill MHESLA for any loans not serviced by Nelnet. Please provide the section where this is referenced.

Nelnet also states under deconversion wording that "Lender will be charged for any other reasonable expenses that are related to special or unique requests of the Lender." Explain what a special or unique request would be.

There may be certain requirements that would add additional costs to Nelnet's deconversion effort based on the specific business needs of MHESLA and / or their new servicer. To off set these costs – Nelnet would discuss these additional charges with MHESLA, providing a cost estimate and impact summary outside of the normal deconversion activity for review and approval. An example would be MHESLA and / or their new servicer requiring Nelnet to split the deconversion file by loan status.

New fees added by Nelnet and not on the RFP price sheet:

On Boarding Fee - $1.50 per disbursement	Does Nelnet intend to charge this in addition to a conversion fee? Would this include manual conversions?

This fee is separate from the conversion fee. It will be charged in the event MHESLA employs a 3rd party to originate their FFELP loans and requests Nelnet to subsequently load and service these loans. There would not be an origination fee – instead there would be an "on boarding" fee. This is typically facilitated using CommonLine file download processes with the 3rd party originator, but may also require a manual loan add in some cases. The fee would be the same to MHESLA whether it was automated or manually load added for servicing.

Claim Filing Fee - $35 per SSN	Not on the old price sheet

This fee has been added to our fee structure partially due to the loss of Exceptional Performer within the industry which allowed for less costly claim filing processes thus included in this new RFP price sheet

Appeal Fee - $30 per SSN	What if "acts, errors or omissions" required cure procedures? Would this fee still be charged?

If "acts, errors or omissions" requires cure procedures – this fee would be waived.

SAS 70 report – cost pro-rated among lenders	MHESLA has not been charged in the past.

To off-set the external cost of this annual audit – Nelnet pro-rates the audit fee with our lender clients that request this audit of servicing controls. This has been waived in the past.

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET **April 5, 2010**
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

NOTICE
TO
CONTRACT NO. 071B0200174
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR **Nelnet Servicing, LLC** **3015 S. Parker Road, Suite 400** **Aurora, CO 80014** **neil.mcconnell@nelnet.net**	TELEPHONE (303) 696-5520 **Neil McConnell** BUYER/CA (517) 241-1916 **Jim Wilson**
Contract Compliance Inspector: Orv Erickson (517) 373-0538 EricksonO@michigan.gov **MHESLA – Student Loan Servicing – Michigan Department of Treasury**	
CONTRACT PERIOD: From: **April 1, 2010** To: **March 31, 2015**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	

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

Current Authorized Spend Limit: $54,177,096.40

Form No. DMB 234 (Rev. 1/96)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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

CONTRACT NO. 071B0200174
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR **Nelnet Servicing, LLC** **3015 S. Parker Road, Suite 400** **Aurora, CO 80014** **neil.mcconnell@nelnet.net**	TELEPHONE (303) 696-5520 **Neil McConnell** BUYER/CA (517) 241-1916 **Jim Wilson**
Contract Compliance Inspector: Orv Erickson (517) 373-0538 EricksonO@michigan.gov **MHESLA – Student Loan Servicing – Michigan Department of Treasury**	
CONTRACT PERIOD: From: **April 1, 2010** To: **March 31, 2015**	
TERMS **N/A**	SHIPMENT **N/A**
F.O.B. **N/A**	SHIPPED FROM **N/A**
MINIMUM DELIVERY REQUIREMENTS **N/A**	
MISCELLANEOUS INFORMATION: **The terms and conditions of this Contract are those of RFP #071I9200143, this Contract Agreement and the vendor's quote. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those of the State take precedence.** **Current Authorized Spend Limit: $54,177,096.40**	

FOR THE CONTRACTOR:	**FOR THE STATE:**
Nelnet Servicing, LLC Firm Name	Signature
Authorized Agent Signature	**Sergio Paneque, Director** Name/Title
Authorized Agent (Print or Type)	**Business Services Administration** Division
Date	Date

STATE OF MICHIGAN
Department of Management and Budget
Purchasing Operations

Contract No. 071B0200174
Student Loan Servicing

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

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DEFINITIONS

"Days" means calendar days unless otherwise specified.

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

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

"Audit Period" has the meaning given in **Section 2.112.**

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

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

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

"Chronic Failure" is defined in any applicable Service Level Agreements.

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

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

"DMB" means the Michigan Department of Management and Budget.

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

"Excusable Failure" has the meaning given in **Section 2.244.**

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

"Incident" means any interruption in Services.

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

"Key Personnel" means any Personnel designated in **Section 1.031** as Key Personnel.

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

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

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

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

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

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

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

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

"Servicer" means the contractor providing loan servicing services.

"Services" means any function performed for the benefit of the State.

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

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

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

"Unauthorized Removal" means the Contractor's removal of Key Personnel without the prior written consent of the State.

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

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

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

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

Article 1 – Statement of Work (SOW)

1.010 Project Identification

1.011 Project Request

This is a Contract for student loan servicing services.

1.012 Background

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

The MHESLA administers the following three programs:

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

The work statement for the Michigan Alternative Student Loan (MI-LOAN) Program (Section 1.022-B) follows the FFELP work statement (Section 1.022-A).

Michigan Direct Student Loan Program

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

FFELP includes the following individual loan programs:

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

State Secondary Market of Michigan

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

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

Michigan Alternative Student Loan (MI-LOAN®) Program

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

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

1.020 Scope of Work and Deliverables

1.021 In Scope

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

Servicer's Response:

Notwithstanding any specific response or information provided in this proposal, in order to maintain flexibility in the methods and techniques of servicing education loans, the Servicer reserves the right to change any part of all of its equipment and computer programs, and its procedures, reports and services relating to the manner of, or the methodology used in, servicing education loans as contemplated in this proposal, without the prior consent of MHESLA; provided, however, that in no event shall such change abrogate or in any way modify the Servicer's obligations as they relate to compliance with applicable laws or the requirements of the contract.

1.022 Work and Deliverable

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

A. FFELP LOAN SERVICING

TASK 1 - SERVICING SYSTEMS

a. General

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

b. Hardware/Software to be Used by MHESLA

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

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

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

c. Servicer System Access

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

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

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

d. System Up-Time and Response Time

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

(1) The system must be available 95% or more of the total time, as determined by a weekly average of five (5) days, between the hours of 7:30 a.m. and 5:00 p.m. (EST) on weekdays (excluding State of Michigan holidays as provided).

(2) The access and response time must be maintained 95% of the time, in a range of less than five (5) seconds from the time the enter key or its equivalent is depressed, until the requested information appears on the screen.

e. Servicer-Initiated Modifications and Enhancements

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

f. Backup and Recovery

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

g. Security

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

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

h. Record Retention of Account Data

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

i. Single Borrower with Multiple Loans/Accounts

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

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

j. Business Continuity and Disaster Plan

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

k. National Systems

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

l. Guaranty Agency

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

m. Multiple Guarantors

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

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

Servicer's Response to this Task:
TASK 1 - SERVICING SYSTEMS

a. General

The Servicer complies with FFELP regulations and was one of the first companies designated as an “Exceptional Performer” by the U.S. Department of Education in 2004. To receive this designation, the Servicer had to secure a 97% or greater compliance rating through an audit of its loan portfolio in which MHESLA loans were included. In addition, to receive this designation The Servicer met all due diligence requirements and had the ability to monitor and manage billing, accounting, reconciliation, and the proper conversion of loans. The Servicer continued to receive this designation each subsequent year until the Exceptional Performer program was eliminated.

5280 Solutions, a subsidiary, is the servicing system platform vendor. The system is maintained with a DB2 database on the IBM Iseries platform. Three times a year, 5280 provides scheduled functionality upgrades. These upgrades are tested internally for functionality and defects then moved into the production environment utilizing a release and change management methodology. Regulatory changes are provided using both the release and off cycle release methodology. 5280 Solutions also provides regulatory changes within the required business timeframe; these are implemented following the release methodology.

b. Hardware/Software to be Used by MHESLA

The Servicer provides inquiry access to the Nservice system, which is the platform used to service the MHESLA FFELP loan portfolio.

c. Servicer System Access

The Nservice system allows real-time access to view accounts. MHESLA can access accounts by the Social Security Number or name of the borrower. The filters available within the Nservice history comments are listed below:

Monetary History – Includes all monetary transactions at the loan or borrower level.

Payment History – Includes all payment transactions, such as payment amount and allocation information at the borrower, group or loan level.

Inquire Loan/Disbursements – Includes all disbursement, cancellation, reschedule, reissue and refund information at the borrower or loan level.

Group History – Includes due dates, payment amounts and incentive payment counters at the group level.

Non-Monetary History – Includes all non-monetary transactions at the borrower or loan level.

Deferment/Forbearance History By Date – Includes information for all current, past and cancelled deferments and forbearances at the borrower or group level.

Display Borrower History – Includes all user entered comments, system generated comments, such as statement generation or address and phone number changes, at the borrower and, in some cases, group and loan level.

Credit Bureau History by Account Number – Includes all past credit reporting history at the loan level.

See Attachment A – FFELP Servicing Performance Report for a list of Corporate Standards in regards to average processing turnaround times. The Servicer reserves the right to modify the Corporate Standards as appropriate.

MHESLA is familiar with the data elements available on the Nservice system. The Servicer has the ability to add additional data elements to the system at MHESLA's request. If additional elements are requested, they would be subject to the system change fee in Appendix A – FFELP Pricing.

d. System Up-Time and Response Time

The Servicer has the ability to meet the system up-time and response time requirements.

Scheduled system uptimes are as follows:
Denver
- Monday through Friday, 7:00 a.m. – 9:30 p.m. (Central)
- Saturday, 7:00 a.m. – 7:00 p.m. (Central)
- Sunday upon request from business partners

Jacksonville
- Monday through Friday, 6:00 a.m. – 9:30 p.m. (Central)
- Saturday, 6:00 a.m. – 5:00 p.m. (Central)
- Sunday upon request from business partners

e. Servicer-Initiated Modifications and Enhancements

The Servicer will notify MHESLA of any servicer-initiated changes, if necessary, that impact MHESLA's program. The Servcer's Change Management Policy is used for all servicer-initiated changes. This Policy is the collective set of processes, tools and resources used by Servicer to track and maintain the integrity of the systems that are built, maintained or supported. It ensures the availability and predictability of the Servicer's products and services as well as a positive control over all changes to the IT production environments.

The Servicer shall have a reasonable time to cause such benefits of the guarantee to be reinstated. If such benefits are not reinstated within twelve (12) months of denial by Guarantor or the Department of Education, servicer will arrange for Lender to be funded the Amount the guarantor Would Have Paid and Lender's ownership will be transferred to another "Eligible Lender". Lender shall repurchase any Loan on which the guarantee is fully reinstated, from the Eligible Lender designated by Servicer at an amount equal to the then outstanding principal balance plus all accrued interest due thereon, less the amount subject to lender Risk Sharing under the Education Act and Regulations.

The Servicer would not assess cure fee for servicer error.

f. Backup and Recovery

The Servicer is able to meet this requirement.

g. Security

The Servicer will provide MHESLA with a copy of its annual SAS 70 audit report upon request.

The Servicer has a corporate security policy in place.

h. Record Retention of Account Data

The Servicer does not purge anything from its system and has the ability to provide history for each account it services.

i. Single Borrower with Multiple Loans/Accounts

All loans for a single borrower are displayed on the Inquire Borrower Groups screen.

j. Business Continuity and Disaster Plan

The Servicer has a disaster recovery plan and conducts an annual test of the plan.

k. National Systems

The Servicer is able to meet this requirement.

l. Guaranty Agency

The Servicer is able to meet this requirement.

m. Multiple Guarantors

While the Servicer supports most guarantors, at this time the Servicer does not support the following guarantors:

- Montana
- New Hampshire
- New Mexico
- North Carolina
- North Dakota
- South Carolina
- Vermont

TASK 2 - SOFTWARE MAINTENANCE AND ENHANCEMENT

a. General

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

b. Federal and State Requirements

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

c. Guaranty Agency Changes

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

d. MHELSA Requested Changes

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

The procedure to be followed is described below:

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

(2) Within 30 days of the CCI or designee's request, the Servicer will provide an itemized estimate of the costs to the CCI or designee and the timetable for implementation. The Servicer is responsible for the cost of preparing such an estimate.

(3) If acceptable, the CCI or designee will approve the requested changes and associated costs, in writing, and instruct the Servicer to proceed.

(4) If not acceptable, the CCI or designee will discuss the Servicer's estimate with the Servicer to determine what alterations may be made that would allow approval by the CCI or designee. Upon reaching agreement, the CCI or designee will approve the requested changes and associated costs, in writing, and instruct the Servicer to proceed.

(5) If the changes are also being requested by or will be offered to other lenders being serviced, the cost shall be partially supported by the Servicer or spread equally to their clients. After reaching agreement on the changes and associated costs, MHELSA will reimburse the Servicer for a portion of the costs associated with the changes at the rate for system changes identified on the pricing sheets (Appendix A). MHESLA's portion of the costs shall be determined based on a ratio of the volume of MHESLA's portfolio to the volume of all affected lenders' portfolios or other method accepted in writing by the CCI or designee.

e. Payment of MHESLA Requested Changes

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

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

f. Guaranty Services

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

Servicer's Response to this Task:

TASK 2 - SOFTWARE MAINTENANCE AND ENHANCEMENT

a. General

The Servicer understands this requirement

b. Federal and State Requirements

When major changes are mandated by federal or state statute or regulations, The Servicer's system methodology is followed in implementing all required changes. The costs for changes not mandated by federal student loan statutes or regulations are prorated among servicing clients based on servicing loan volume. Reporting requirement changes, specific to MHESLA, would need to go through the Servicer's intake process and follow Task 2d.

c. Guaranty Agency Changes

The Servicer is able to meet this requirement. The Servicer reserves the right to evaluate all changes and negotiate associated costs accordingly.

d. MHELSA Requested Changes

The Servicer is able to follow the process outlined in D 1-5 for MHESLA initiated software enhancements.

e. Payment of MHESLA Requested Changes

See Appendix A – FFELP Pricing for the system change fee.

f. Guaranty Services

The Servicer will accommodate upon request

TASK 3 - GENERAL SYSTEM AND OPERATIONAL REQUIREMENTS

a. General

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

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

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

b. Compliance

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

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

c. Borrower Benefit Initiatives

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

MHESLA's current borrower benefit initiatives include:

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

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

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

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

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

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

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

d. Combining Borrower Accounts

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

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

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

e. History

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

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

f. Audit Trail

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

g. Bond Funding Source Identification

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

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

h. Status Codes

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

i. Staff

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

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

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

j. Telephone and Internet Contacts

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

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

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

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

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

k. Written Correspondence, Notifications and Document Processing

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

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

l. Internet and Electronic Communication

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

m. Outgoing Payments

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

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

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

n. Borrower Notifications/Mailings

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

The Servicer will notify the borrower of all adjustments made to the account that affect the loan.
Mailings shall not be sent to MHESLA borrowers in an attempt by the Servicer to solicit business for its own purposes.

o. Branding Assistance

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

p. Guarantor Updates and Reports

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

q. MHESLA and/or Guaranty Agency Requests

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

r. Legislative/News Media Contacts

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

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

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

s. Record Retention

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

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

t. Facsimile and E-mail Capabilities

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

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

u. Social Security Number Changes

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

v. Name Changes

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

w. Good and Bad Address Flag

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

x. Forms and Materials

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

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

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

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

y. Overnight Delivery of Mail

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

z. Court Ordered Documentation

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

aa. Expert Witness and Testimony

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

bb. Training

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

cc. Enhancements

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

dd. MHESLA Records Held by a Third Party

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

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

ee. Interface to State of Michigan Systems

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

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

ff. Privacy Notices

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

Servicer's Response to this Task:

TASK 3 - GENERAL SYSTEM AND OPERATIONAL REQUIREMENTS

a. General

The Servicer understands this requirement.

Solicitation is considered marketing or advertising the servicer's products and/or services to a MHESLA borrower or potential MHESLA borrower when a servicer has knowledge that person is specifically inquiring about MHESLA products and/or services.

b. Compliance

The Servicer has a Policy Services team to ensure its system is in compliance with applicable federal and state laws and regulations. Additionally, the Servicer will work with MHESLA to ensure that all program changes are in compliance.

The Servicer negotiates the activities and fees necessary to cure loans that are broken by the lender, prior servicer or other entity.

Any instructions that are received from the CCI or designee that are outside of the industry standard will be reviewed by the Servicer and may have fees assessed to them based on the time and resources needed to complete the instruction.

c. Borrower Benefit Initiatives

All borrower benefit initiatives must go through the Servicer's intake process and would then follow through the process outlined in Task 2d.

d. Combining Borrower Accounts

The Servicer will support the CCI's or designee's instruction to merge a borrower's loans in support of a single servicer requirement. The Servicer has extensive experience testing conversion data from both the incoming and incumbent Servicer prospective. In addition, the Servicer has existing processes in place to receive and send both electronic and hard-copy loan documentation and to verify the presence of both the actual documentation and the required signatures needed for servicing.

e. History

Nservice provides functionality for numerous history types:

Monetary History – Includes all monetary transactions at the borrower or loan level.

Display Payment History – Includes all payment transactions, such as payment amount and allocation information at the borrower, group or loan level.

Inquire Loan/Disbursements – Includes all disbursement, cancellation, reschedule, reissue and refund information at the borrower or loan level.

Group History – Includes due dates, payment amounts and incentive payment counters at the group level.

Non-Monetary History – Includes all non-monetary transactions at the borrower or loan level.

Deferment/Forbearance History By Date – Includes information for all current, past and cancelled deferments and forbearances at the borrower or group level.

Display Borrower History – Includes all user entered comments, system generated comments, such as statement generation or address and phone number changes, at the borrower and, in some cases, group and loan level.

Credit Bureau History by Account Number – Includes all past credit reporting history at the loan level.

The system automatically generates comments but also allows for free form updates in real time.

f. Audit Trail

The Servicer is able to meet this requirement through the history records.

g. Bond Funding Source Identification

The Servicer is able to meet this requirement

h. Status Codes

Additional status code requests must go through the Servicer's intake process and would then follow through the process outlined in Task 2d.

i. Staff

The Servicer is able to meet this requirement

j. Telephone and Internet Contacts

The Servicer provides an automated phone system 24 hours a day, seven days a week with up-to date account and loan status information. Borrowers have the option to speak with a professional Customer Interaction Associate during our regular business hours of 8:00 a.m. to 8:00 p.m. (eastern), Monday through Friday.

The Solution Center is responsible for researching and resolving customer questions that are received via telephone and e-mail. Upon receipt, the research is assigned to a Solution Center Account Manager. Once the research request is resolved the Account Manager contacts the customer with the results and marks the inquiry as complete. Customers are notified of the resolution based on the method of previous correspondence (i.e. telephone or e-mail).

All requests coming into the Solution Center have an expected turn around time of 24 business hours. Due to the nature of the request and the varied turn around times, the overall Solution Center turn time may exceed 24 business hours. This is discussed with the customer on the initial phone call so they have a realistic expectation of the time frame needed to resolve the question.

In addition to the information provided on www.nelnet.com, we also offer a toll-free number and e-mail address for students to use when they need service and repayment assistance. The Servicer's Service and Repayment Center is staffed Monday through Friday, from 8:00 a.m. to 8:00 p.m. (Eastern). During these hours, professionally trained advisors are available to assist customers who contact the company by phone and e-mail for servicing and repayment assistance.

k. Written Correspondence, Notifications and Document Processing

Written correspondence, deferment forms, and forbearance forms received from the customer are reviewed and/or processed within 5 days of receipt. All incoming correspondence, including deferment and forbearance forms are retained in imaging. Approval and denial letters which are in a standard format are noted in the history with text of the letter. These letters are not currently retained in the borrowers imaging file.

If a customer requests a deferment in writing or verbally the deferment form is sent by the Nelnet associate the same day the request is received or reviewed. Borrowers can also apply for a deferment or forbearance on www.nelnet.com.

l. Internet and Electronic Communication

The Servicer's primary website for borrowers is Manage My Account (MMA), a suite of borrower self-service tools. The MMA product gives borrowers the option to make online payments, review repayment incentives, request deferments or forbearances, or view their six most recent monthly statements.

As part of the Servicer's continued focus on providing high-level service, it invested in the development of My Secure Messages. This gives borrowers access to correspondence and monthly statements using a secure online interface. My Secure Messages is a user-friendly platform, similar to any standard e-mail account. Borrowers will no longer need to keep track of paper correspondence—which falls in line with our active efforts to be environmentally responsible corporate citizens.

By implementing My Secure Messages, the Servicer is improving the borrower's experience by delivering correspondence and statements in a timely manner to one secure location that is accessible from any computer with Internet access. It also provides a safe online storage area for borrower information.

The Servicer is capable of providing the monthly MHESLA e-newsletter and would work with MHELSA to establish this process. If asked to do this, the Servicer will pursue a contract change that would permit separate pricing to cover the company's costs (See Section 2.024).

m. Outgoing Payments

The Servicer provides the borrower's name, masked SSN, and reason for remittance on payments. History comments containing who the payment was sent to, reason for payment, and the amount of the payment are made.

n. Borrower Notifications/Mailings

The Servicer currently sends deferment and forbearance approval letters at the time these adjustments are processed. Deferment and forbearance end letters are also sent to our customers approximately 30 days prior to the end date of these adjustments. In addition to these notifications, customers may also receive new disclosure statements notifying them of any capitalized interest and a statement approximately 21 days prior to their next pay date. A student's anticipated graduation date may change several times while they are in school, therefore, the Servicer does not currently send a notification each time a change is made.

o. Branding Assistance

The Servicer currently doesn't have the ability to separate billing statements, correspondence and envelopes for specific lender customers. All customers being serviced on our system currently receive a Nelnet statement, envelope, letterhead, and when appropriate the Lender is referenced on the document or in the billing statement. Electronic versions use the same method as printed copies.

p. Guarantor Updates and Reports

The Servicer's reporting processes comply with applicable federal and state statutes and regulations. The data exchanges utilized by Nelnet include the Clearinghouse, TERP, CAM, NSLDS, and proprietary account maintenance reporting. Rejects from these reporting processes are reviewed by the functional areas and adjustments are made as needed.

q. MHESLA and/or Guaranty Agency Requests

All MHESLA and guaranty agency requests must go through the Servicer's intake process and would then be processed according to the Servicer's Corporate Standards.

r. Legislative/News Media Contacts

The Servicer is able to meet this requirement.

s. Record Retention

The Servicer is able to meet this requirement.

The Servicer utilizes secure shredding bins throughout its offices and all materials containing confidential information are discarded in these bins.

t. Facsimile and E-mail Capabilities

The Servicer is able to meet this requirement

u. Social Security Number Changes

The Servicer's customer service associates seek a copy of the customer's SSN card or other approved guaranty agency documentation. Once received the required documents are used to update the borrower account and notify the associated guaranty agencies.

v. Name Changes

Demographic changes, which include name, address, phone number and e-mail address changes, are captured in the account's borrower history. The Servicer notifies the associated guaranty agencies of name changes either through NSLDS, Account Maintenance Reporting, and CAM.

w. Good and Bad Address Flag

The Servicer is able to meet this requirement.

x. Forms and Materials

The Servicer complies with federal and state regulations with regards to forms and materials that must be sent to borrowers. Any forms and materials outside of those required by federal and/or state regulations that are requested by MHESLA would go through the Servicer's intake process and would then follow through the process outlined in Task 2d.

y. Overnight Delivery of Mail

The Servicer is able to meet this requirement

z. Court Ordered Documentation

The Servicer is able to meet this requirement as long as the Servicer receives the documentation from previous lender and/or servicer.

aa. Expert Witness and Testimony

The Servicer is able to meet this requirement. The Servicer can't guarantee that we will have a person who qualifies as an expert for any given topic. The Servicer will cooperate and assist to the best of our reasonable ability.

bb. Training

The Servicer is able to meet this requirement. Operational procedures are reviewable onsite only.

cc. Enhancements

Enhancement requests from MHESLA would go through the Servicer's intake process and would then follow through the process outlined in Task 2d.

dd. MHESLA Records Held by a Third Party

The Servicer is able to meet this requirement.

ee. Interface to State of Michigan Systems

Enhancement requests from MHESLA would go through the Servicer's intake process and would then follow through the process outlined in Task 2d.

ff. Privacy Notices

As required, privacy notices will continue to be sent to all MHESLA customers.

TASK 4 - CONVERSION TO INCOMING SERVICER

For purposes of this Contract, conversion refers to the receipt and system update of MHESLA's student loan portfolio records, including all system files, electronic files, data and information in electronic or hardcopy format and hardcopy files and documents that are transferred to the incoming Servicer by the incumbent Servicer.

a. Current Servicer

For conversion/deconversion requirements, the current Servicer will hereafter be referred to as the incumbent Servicer**.**

The incoming Servicer must have the capability to accept the existing loan data information in the incumbent Servicer's transmission/media format to convert the existing system's data to the file structure required by the incoming Servicer's system. The transmission/media format of the incumbent Servicer will be provided to the incoming Servicer within one (1) week of contract issuance.

b. Time Frame for Conversion

A maximum of 120 days will be provided for conversion purposes, which will commence upon notification from the CCI or designee.

The incoming Servicer must be operational within the 120 day limit. This means the Servicer has the ability to process all activities included in and required by the contract.

c. General Requirements

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

(1) Defining specifications, coding, testing, implementation, and verification of any software and data conversion programs necessary to service loans, being converted, according to the contract.

(2) Implementation and verification of system operability, including required hardware, software, modems and circuit lines, etc to allow for receipt of loan data in incumbent Servicers identified transmission/media format.

(3) Sending an introductory letter to all borrowers within ten (10) days of conversion completion, which includes the incoming Servicer's address and toll-free telephone number, on-line help information, and an account statement. This letter must be approved in writing by the CCI or designee before implementing. For borrowers with loans already in repayment, the incoming Servicer must also immediately provide a coupon book/billing statement (if necessary) and payment instructions.

d. Testing

The incoming Servicer must develop and implement a comprehensive systems test of the conversion to confirm that their system is operating correctly and accurately to the specifications defined within the contract. The incumbent Servicer will provide test "dummy" loan data for pre-conversion testing. This test must be completed and all data and system issues resolved within two weeks of receipt of data from the incumbent Servicer.

Final acceptance testing of "live" loan data received from the incumbent Servicer, including evidence of correctness of all systems transactions, reports and overall system balancing, must be performed to the satisfaction of the CCI or designee prior to activation of system. The CCI or designee must approve the testing results as complete and acceptable in writing before activation of the system can proceed. The CCI or designee may require the incoming Servicer to perform specific system tasks to confirm accurate transfer and operability of the system. Final acceptance testing must be completed and all data and system issues resolved within two weeks of receipt of "live" data from the incumbent Servicer.

It may be necessary for both the incumbent Servicer and incoming Servicer to communicate directly to resolve any data or system issues. The CCI or designee must be notified within one business day of any discrepancies or issues that neither Servicer are able resolve.

e. Progress Reports

Biweekly progress reports must be prepared by the incoming Servicer and submitted to the CCI or designee identifying the status of the conversion including any problems encountered, the next steps and other information necessary for the success of the conversion. The incoming Servicer and the incumbent Servicer will work together to resolve all conversion/deconversion issues.

f. Loan Data Reconciliation

The incoming Servicer will be required to reconcile the converted accounts to the deconverted accounts from the incumbent Servicer. To verify that total deconverted account balances equal converted account balances, the incoming Servicer will be required to provide a report to the CCI or designee sorted by funding source or other acceptable identifier, as approved by the CCI or designee, to include, but not limited to, the total number of loans, total number of borrowers, total current principal balance, and total current interest outstanding of the converted accounts.

h. Hardcopy/Imaged Loan Documents

The incumbent Servicer will transfer all borrower files/documents (paper or imaged) to the incoming Servicer in batches identified with a tracking method acceptable to the CCI or designee. Each batch will include a transmittal listing files, in social security number order and the total number of files in the batch. The files will contain the original, signed promissory note (or if not available, a legally acceptable copy) and other pertinent loan documents necessary to validate the servicing of the loans. Prior to the transfer, a copy of each transmittal will be mailed, faxed or emailed to the incoming Servicer by the incumbent Servicer including a contact name and number.

Upon receipt of the batch, the incoming Servicer will be required to verify and acknowledge receipt of all files and documents as listed on the incumbent Servicer's transmittal. This includes, but is not limited to, verification of all social security numbers, loan numbers, and signatures being present on all promissory notes. Responsibility for the loans, files and documents included in the batch is then transferred to the incoming Servicer. The incoming Servicer will sign and date the transmittal, noting any files and/or documents not received and any unsigned promissory notes; referred to hereafter as an "exception".

The incoming Servicer must maintain a copy of each verified transmittal with exceptions noted, if necessary, and forward the original transmittal to the CCI or designee, with a copy to the incumbent Servicer. The incoming Servicer will be financially liable for any loss to MHESLA for loans where the file, documents and/or signed promissory note is not noted on the verified transmittal as an exception. The incumbent Servicer is financially liable to MHESLA for any loans where files and documents remain noted as an exception by the incoming Servicer upon completion of the conversion. The incumbent must fully compensate MHESLA within 60 days of notification from the CCI or designee for the current principal balance and accrued interest through the date payment is received by MHESLA (See Section 2.243).

By use of a bar code or other method approved by the CCI or designee, the incoming Servicer must initiate a method of tracking the borrower files received to allow for access by the Servicer's staff. This is necessary as the incoming Servicer will be responsible for proceeding within time frames of the contract with pending issues regarding these loans such as origination and repayment document processing, claim filing, etc. All financial penalties and/or fees assessed against MHESLA due to processing that does not conform to requirements of the contract are the liability of the incoming Servicer. The incoming Servicer must compensate MHESLA for the amount of its loss within 60 days of notification from the State (See Section 2.243).

Within 90 days of the completed conversion of the data base and receipt of all borrower files, the incoming Servicer must have completed an audit (1) of the promissory notes in the borrowers' file to the borrower's open loans on the data base, and (2) to confirm the presence of the application and any applicable addenda, promissory note, notice of guarantee and evidence of disbursement for each of the borrower's open loans. The incoming Servicer is responsible for requesting any missing documents from the incumbent Servicer within five (5) days of becoming aware the document is missing. A written report identifying loan and document exceptions in social security number order must be provided to the CCI or designee within fifteen (15) days following the 90-day period.

i. Electronic Records

The incoming Servicer will be required to obtain and verify receipt of any electronic record created, generated, sent, communicated, received or stored by electronic means in a form that is capable of being retained and accurately reproduced for later reference by all parties entitled to the record.

j. Notification

The incoming Servicer will notify all borrowers and eligible schools that there has been a change in the Servicer for MHESLA's student loan portfolio within ten (10) days of conversion completion. The notifications will include a letter approved by the CCI or designee from the incoming Servicer introducing their company as the new Servicer and a letter on MHESLA's letterhead (provided by CCI or designee upon request) that confirms the change in Servicer. In addition, the incoming Servicer must provide informational materials to the schools that is directed at current and future applicants explaining the change in Servicer and MHESLA's role in the student loan process. The letters and all informational materials must include information on how the borrower or school can contact the incoming Servicer. These materials must be approved by the CCI or designee before use. For all letters sent to borrowers, an entry must be made in the borrower's account history that identifies the letters and when they were sent. The notifications must be completed within 60 days after the conversion has been completed and approved in writing by the CCI or designee.

k. Costs for Conversion

Conversion fees shall be identified on the pricing sheet (See Appendix A).

l. Checks Originated by Incumbent Servicer

The incoming Servicer must indicate in the work plan (Section 1.022-A Task 4b) the method required for the incumbent Servicer to provide information on all adjustments attributed to loan disbursement checks.

Servicer's Response to this Task:

TASK 4 - CONVERSION TO INCOMING SERVICER

a. Current Servicer

The Servicer has experience receiving and processing a variety of transmission and media formats with the intent to load loan-level data for servicing.

b. Time Frame for Conversion

The Servicer has current conversion programs in place with many lenders, guaranty agencies and servicers. The Servicer has no issues with being ready and operational within 120 days from notification by the CCI or designee when a current conversion program is in place. For those lenders, guaranty agencies and servicers for which no current conversion program exists, the Servicer will follow our project methodology to identify conversion requirements and establish appropriate time frames.

c. General Requirements

Through the use of the project methodology, the Servicer has all the necessary tools and resources needed for conversion planning and implementation activities.

d. Testing

The Servicer has extensive experience testing conversion data and typically runs several mock conversions with "dummy" loan data prior to loading the "live" loan data. Depending on prior experience with the incumbent servicer, timeframes for the comprehensive system testing will be identified as part of the Servicer's project methodology.

The Servicer will work directly with the incumbent servicer and the CCI or designee to ensure the conversion is successful.

e. Progress Reports

The Servicer will coordinate and deliver to both the CCI or designee and the incumbent servicer biweekly status reports identifying the status of the conversion. The Servicer will work closely with the incumbent servicer to ensure the completion of a successful conversion.

f. Loan Data Reconciliation

The Servicer has experience reconciling the data for converted loans and will deliver balancing reports sorted in the manner identified by the CCI or designee.

h. Hardcopy/Imaged Loan Documents

The Servicer has existing processes in place to receive both electronic and hard-copy loan documentation and to verify the presence of both the actual documentation and the required signatures needed for servicing. In addition, the Servicer utilizes bar codes and will use the bar code process for tracking the files received from the incumbent servicer. The Servicer will comply with the requirements related to liability outlined in Section 2.243 and shall have a reasonable time to cause such benefits of the guarantee to be reinstated.

If such benefits are not reinstated within twelve (12) months of denial by Guarantor or the Department of Education, servicer will arrange for Lender to be funded the Amount the guarantor Would Have Paid and Lender's ownership will be transferred to another "Eligible Lender". Lender shall repurchase any Loan on which the guarantee is fully reinstated, from the Eligible Lender designated by Servicer at an amount equal to the then outstanding principal balance plus all accrued interest due thereon, less the amount subject to lender Risk Sharing under the Education Act and Regulations.

The Servicer would not assess cure fee for servicer error.

i. Electronic Records

The Servicer has existing processes in place to receive both electronic and hard-copy loan documentation and to verify the presence of both the actual documentation and the required signatures needed for servicing.

j. Notification

The Servicer's borrower notification process is in compliance with regulations set through the Common Manual (3.4.B). In addition, a comment identifying the notification being sent to the borrower is automatically uploaded into the borrower's servicing history. School notification will be handled in conjunction with the CCI or the designee and will be completed within the time frame set here within. Request from CCI or the designee to send a separate letter on MHESLA letterhead can be handled on a separate fee basis through a change request.

k. Costs for Conversion

See Appendix A – FFELP Pricing

l. Checks Originated by Incumbent Servicer

The Servicer's current process to receive information from the incumbent servicer regarding adjustments needed on loan disbursement checks is through secure email into z-Conv-LE@nelnet.net. The Servicer will work with the incumbent servicer to identify the necessary information required to accurately process all needed adjustments and how to securely send PII information to the Servicer.

TASK 5 - LOAN SERVICING: ORIGINATION PROCESSING

a. General

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

b. Application Requests

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

c. Application Methods

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

d. Loan Type

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

e. PLUS Loan Applicant Prescreening

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

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

f. Application Review

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

g. MHESLA Specific Application Criteria

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

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

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

h. PLUS Loan Credit Assessment

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

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

i. Other Application Credit Assessment

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

j. Application Assessment

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

k. Appeals

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

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

l. Guarantee

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

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

m. Check Stock

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

(1) Check Information

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

(2) Check Stub Information

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

n. Disbursement

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

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

o. Disclosures

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

p. Account Maintenance

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

q. Default Fee

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

r. Post Disbursement Processing

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

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

s. Servicing Fees

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

t. Liability

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

Servicer's Response to this Task:

TASK 5 - LOAN SERVICING: ORIGINATION PROCESSING

a. General

The Servicer is able to meet this requirement for the FFELP program.

b. Application Requests

The Servicer's standard process does not include mailing applications to borrowers. If a borrower requests an application, the Servicer will direct them to its website to view, complete, and print (if they do not want to electronically sign) their application. In the event a school has certified a loan and the Servicer has not received an MPN from the borrower, The Servicer will mail that borrower a letter at specified intervals directing them to the website to complete their application. In the extreme event a borrower does not have access to an Internet connection; a blank application can be mailed to the borrower at their request.

c. Application Methods

The Servicer has the ability to generate and process both paper and electronically signed applications.

Within the online application, MHESLA has a choice of lender specific information they would like to display. 1) a generic webpage that contains basic application information or 2) a MHESLA branded webpage that contains their logo, their borrower benefits, and some additional borrower centric information. These would be subject to the system change fee in Appendix A – FFELP Pricing.

When a borrower is completing an online application, if they choose to print and wet-sign that application vs. e-signing, the application will print with MHESLA's name and lender code in the appropriate fields. That application will not contain MHESLA's logo on the application itself.

d. Loan Type

The Servicer is able to meet this requirement.

e. PLUS Loan Applicant Prescreening

The Servicer is able to meet this requirement.

f. Application Review

The Servicer is able to meet this requirement.

g. MHESLA Specific Application Criteria

The Servicer is able to meet this requirement.

h. PLUS Loan Credit Assessment

The Servicer is able to meet this requirement.

i. Other Application Credit Assessment

The Servicer is able to meet this requirement.

j. Application Assessment

The Servicer is able to meet this requirement.

k. Appeals

The Servicer is able to meet this requirement.

l. Guarantee

The Servicer is able to meet this requirement.

m. Check Stock

The Servicer's check stock contains the name of the lender and the address of the servicer

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Lincoln, NE 68501-2596

The Servicer's check stubs do not contain the full borrower SSN #, only the last four digits; this is done for security purposes. The Servicer's check stubs do not show specific origination fees and guarantee fees. Stubs do contain the full loan amount (gross) and the disbursed loan amount (net).

n. Disbursement

Schools that receive their disbursements via individual check and master check will receive printed disbursement rosters with the checks. All schools have the opportunity to receive and view disbursement registers electronically either through a file transfer or download. The Servicer does not fax disbursement registers to schools.

For the Servicer's paper checks, all PLUS loan checks are made co-payable to the borrower and the school. Foreign school Stafford checks may be made co-payable to school and the borrower.

Disbursement varies by lender preference but can occur in five business days after receipt of all required consolidation application information.

o. Disclosures

The Servicer currently emails Initial and Revised disclosures to borrowers that have valid email addresses. Borrowers that do not have valid email addresses receive a paper disclosure in the mail.

p. Account Maintenance

The Servicer is able to meet this requirement.

q. Default Fee

The system calculates the fees and withholding at the time of disbursement. The Servicer can have the fees paid to the CCI or designated agency as indicated.

r. Post Disbursement Processing

The Servicer is able to meet this requirement.

s. Servicing Fees

See Appendix A – FFELP Pricing

t. Liability

The Servicer will comply with the requirements related to liability outlined in Section 2.243

TASK 6 - LOAN SERVICING: GENERAL LOAN SERVICING

a. General

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

b. Cancellation Note Processing

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

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

c. Yearly Contact

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

d. Assessment of Information

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

e. Student Requests for Enrollment Forms

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

f. Ineligible Loan/Disbursement

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

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

Servicer's Response to this Task:

TASK 6 - LOAN SERVICING: GENERAL LOAN SERVICING

a. General

The Servicer is able to meet this requirement.

b. Cancellation Note Processing

The Servicer will send the borrower, school, or borrower and school (depending on the situation) a letter informing them of any disbursement cancellation. The Servicer does not cancel the MPNs and send them back to the borrower because if a disbursement has taken place on that MPN, it needs to be retained for Claims purposes.

If a borrower requests the Servicer to cancel their application, the MPN will be made invalid within the system so no further loans can be added to it. Once this transaction has occurred, if a borrower wants to take out additional loans through the Servicer a new MPN would be required from the borrower.

c. Yearly Contact

The Servicer currently sends each borrower at least one statement per year to report the customers interest (1098). This statement provides the customer with all of the information currently displayed on a normal monthly billing statement including the status of the customer's loans.

d. Assessment of Information

The Servicer currently utilizes the certification date on school related information to determine the newest and most accurate information. Unless a clear discrepancy exists, or in cases where no status is provided between two conflicting separation dates, the most recently certified information will be used. If research is needed, the Servicer will work with the Clearinghouse to obtain the necessary information from the schools reporting through them. If the school is not a member of the Clearinghouse, The Servicer will phone them in an attempt to obtain the necessary information to resolve any discrepancies.

e. Student Requests for Enrollment Forms

In-school deferments can be requested through the Servicer's service and repayment associates and are also available via our online tools. Customers can request deferments or forbearances via the web and it will process automatically in many cases. In addition, customer service agents have online access to the Clearinghouse and can submit an in-school deferment request for processing if the school is a Clearinghouse school. The Servicer will follow the Common Manual as it relates to repurchases and recalls in a post claim payment scenario (section 13.2.b, 13.5, and 11.1.g).

f. Ineligible Loan/Disbursement

The Servicer is able to meet this requirement

TASK 7 - LOAN SERVICING: REPAYMENT

a. General

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

b. Combined Billing

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

c. Monthly Borrower Billing

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

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

d. Method of Payment

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

e. Monthly Payment Amount

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

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

f. Verification Certificates From Other Consolidation Lenders

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

g. Due Diligence

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

h. Skip Tracing

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

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

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

i. School Notification of Delinquent Loans

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

j. Specialized Collection

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

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

k. Deferment and Post-Deferment Grace Accumulators

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

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

l. Deferment Documentation

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

m. Discretionary Forbearance

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

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

n. Forbearance Accumulators

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

o. Forbearance Form

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

p. Processing Forbearance Requests

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

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

q. Forbearance Payment Options

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

r. Reporting to Credit Bureaus

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

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

s. Credit Bureau Disputes and Corrections

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

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

t. Credit Verification Inquiries

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

Servicer's Response to this Task:

TASK 7 - LOAN SERVICING: REPAYMENT

a. General

The Servicer is able to meet this requirement.

b. Combined Billing

Whenever possible, the Servicer combines and bills the borrower for all loans in one billing statement.

c. Monthly Borrower Billing

The Servicer allows the borrower to receive statements either electronically or by mail. The Servicer notifies the borrower that a payment is due approximately 21 days prior to the due date. Due to changes contained within HERA, borrowers using ACH will start receiving monthly notification in July of 2009.

d. Method of Payment

The Servicer offers some of the most robust repayment services in the education finance industry at no cost to the borrower or MHESLA. Borrowers have multiple choices from which to make their payments: Borrowers can make payments via the following methods:

Check – Mailed to our lockbox facility or directly to Nelnet for special instruction processing

Kwikpay – Automated recurring ach payments; borrowers can sign up via Nelnet.com

Nelnetpay – One-time or future scheduled ach payment made via Nelnet.com

Mastercard RPPS or Visa ePay – Electronic payments made by the borrower at their bank or on-line payment service.

Additional payment options are available to the borrower at a charge:

CSR – One-time or future dated ACH payments made while speaking with a Customer Service Professional, in some cases the borrower can use a credit card. There is an $8.00 convenience fee for this payment as the payment is applied the same day if received prior to 4:00 pm (Eastern).

IVR – One-time or future dated ACH payment made via the Servicer's integrated voice recognition (IVR) system. There is a $6.00 convenience fee for this payment as the payment is applied the same day if received prior to 6:00 pm (Eastern).

e. Monthly Payment Amount

The SLSS servicing system sets the customers payment amount at the lowest possible payment amount which will pay the loan off in the remaining term and satisfy the annual minimum payment amount required. Customers may make arrangements to make smaller payments than initially required by applying for an income sensitive repayment plan, a reduced payment forbearance, or an income based repayment plan (after 07/01/09).

f. Verification Certificates From Other Consolidation Lenders

The Servicer is able to meet this requirement.

g. Due Diligence

The Servicer is capable of providing MHESLA a copy of all modified collection notices in advance of implementation, but the collection notices cannot be customized at a specific lender level. The Servicer does provide distinctive space on the monthly customer statement for specific lender information if the borrower has a single lender ID.

h. Skip Tracing

Forward addresses provided via Max Mover are automatically updated to our system. If correspondence is returned to the Servicer without a forwarding address, an associate immediately attempts to locate the borrower. Phone calls to the borrower, coupled with the Accurint Web-based tool, are utilized to obtain new address information.

The current LexisNexis skip trace functionality consists of a daily batch process for all borrowers that do not currently possess a valid phone number. New phone information is returned and automatically compared and updated.

The Servicer's fully automated skip tracing process for phone skips places an automated comment in the borrower's servicing history when it requests and updates phone information. Forward addresses received via Max Mover automatically generate an address update with a borrower history comment as well.

The Servicer utilizes the FFELP industry Common Account Maintenance Series 40 records to notify guaranty agencies when locate assistance is necessary. Furthermore, the Servicer routinely partners with guarantors to improve default prevention and increase skip tracing success.

i. School Notification of Delinquent Loans

The Servicer can provide a report of delinquent loans that schools can access electronically.

j. Specialized Collection

The Servicer offers enhanced default management options that can be selected individually or in combination to supplement the due diligence efforts already provided as part of the standard servicing that exceeds industry requirements. MHELSA can partner with our Analytics team to determine the most effective way to obtain the desired results.

k. Deferment and Post-Deferment Grace Accumulators

The Nservice system maintains a history of all deferments that were processed on a customers account. This history provides the dates of the deferment as well as the number of months and days used in each deferment. For time limited deferments the system can also calculate the number of days the customer has not yet used. One exception is for consolidation loans where time has been used on underlying loans. In these cases, associates must manually review the account, including the customer's deferment history to determine if the maximum time has been used.

We do not currently track the number of months of post deferment grace a customer has received. However, due to regulations concerning processing of the post deferment grace period following an unemployment deferment we have created a report to identify these accounts so they may be reviewed.

l. Deferment Documentation

The Servicer responds to all requests for a deferment made by the customer. Approval or denial letters sent off of the Nservice system are noted in the customer's history and the text is available online in system control.

m. Discretionary Forbearance

When a forbearance form is received from a customer, the customer's forbearance history is reviewed to determine the number of months of discretionary forbearance that has already been used. If the customer has already used 60 months or more of discretionary forbearance time, a letter is sent to them advising that they have already used 60 months of forbearance, however, they may be eligible to receive a one time extension by contacting MHESLA at the phone number provided. If MHESLA provides direction that additional forbearance time should be given the forbearance will be processed on the customer's account.

n. Forbearance Accumulators

The Nservice system maintains a history of all forbearances that were processed on a customer's account. The history provides the dates of the forbearance as well as the number of months and days used per occurrence. Time limited forbearances are reviewed prior to processing to ensure the customer does not exceed the maximum time allowed.

o. Forbearance Form

The Servicer's forbearance form contains verbiage which allows for the capitalization of unpaid interest that accrues during the forbearance period. This verbiage also includes a reaffirmation of the debt and a promise to repay the loan according to the terms of the customer's promissory note. Similar language is used by CIC in the verbal forbearance scripts.

p. Processing Forbearance Requests

The Servicer responds to requests for forbearance in writing regardless of the approval or denial. These letters are noted in the customer's history and copies of the verbiage are available in system control. Forbearance's are imaged and retained for future reference.

q. Forbearance Payment Options

Customers are given the option to make payments during their forbearance period. Any interest that has accrued but has not been paid during the forbearance period will be capitalized when the forbearance ends regardless of whether or not the customer initially decided to make interest payments on the loan.

r. Reporting to Credit Bureaus

The Servicer reports all FFELP loans to the Credit reporting agencies on a monthly basis beginning when the loan is disbursed. The Servicer can support lender-specific reporting requirements, specifically reporting customers who are less than 60 days past as current; All loans that are 60 days or more past due will be reported in the corresponding delinquency status. Monthly updates will continue to be provided until the loan reflects a zero balance or is transferred. When MHESLA notifies the Servicer of a rehabilitated loan, a credit correct will be sumbitted to replace the default status with a transferred status to all credit reporting agencies within 5 business days of receipt.

s. Credit Bureau Disputes and Corrections

The Servicer will review and respond to all credit disputes filed by MHESLA customers. If disputes are filed through the credit reporting agencies (e-oscar) the dispute will be responded to in accordance with the credit reporting guidelines outlined in the fair credit reporting act (FCRA). Disputes filed directly with the Servicer will be reviewed within 5 business days. If it is determined that a correction is necessary the correction will be submitted to the credit reporting agencies (e-oscar) within 3 business days of making this determination.

t. Credit Verification Inquiries

When a customer requests a credit information letter (aka mortgage letter), the Customer Interaction Center will complete the information and provide the letter to the customer within 5 business days. Customers can also obtain a credit information letter by logging onto Manage My Account and selecting Print Loan Verification Letter.

TASK 8 - LOAN SERVICING: CLAIM PROCESSING

a. General

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

b. Claim Package

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

c. Account Adjustment

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

d. Incomplete Claims

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

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

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

f. Claim Withdrawal

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

g. Denied Claim

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

h. Monitoring Claim Payments

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

Servicer's Response to this Task:

TASK 8 - LOAN SERVICING: CLAIM PROCESSING

a. General

Default claims will be filed no later than 330 days delinquent per Common Manual.

b. Claim Package

The Servicer will follow appropriate guaranty agency requirements as provided in the Common Manual.

c. Account Adjustment

The exception to this requirement is the correction of separation dates, in which no written authorization is required. In other cases, the Servicer will wait for a response from CCI or designee for 3 business days before proceeding with the adjustment.

d. Incomplete Claims

The Servicer will attempt to locate the missing documents within the established Common Manual timeframes. The Servicer will contact the CCI or designee within 10 days. The Servicer shall have a reasonable time to cause such benefits of the guarantee to be reinstated. If such benefits are not reinstated within twelve (12) months of denial by Guarantor or the Department of Education, servicer will arrange for Lender to be funded the Amount the guarantor Would Have Paid and Lender's ownership will be transferred to another "Eligible Lender". Lender shall repurchase any Loan on which the guarantee is fully reinstated, from the Eligible Lender designated by Servicer at an amount equal to the then outstanding principal balance plus all accrued interest due thereon, less the amount subject to lender Risk Sharing under the Higher Education Act and Regulations.

The Servicer does not assess a cure fee for its servicing error.

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

Payments that are received after a claim has been filed are held in a suspense account. These payments are regularly reviewed to determine if they can be applied to recall the account. If the payment is enough to bring the account under 210 days delinquent, the claim status is removed and the payment is applied.

f. Claim Withdrawal

The Servicer will withdraw the claim and apply the item(s) received to all applicable loans within ten (10) days of receipt. Following the processing of those items, the Servicer will fax the CCI or designee a daily listing of those accounts.

g. Denied Claim

The Servicer shall have a reasonable time to cause such benefits of the guarantee to be reinstated. If such benefits are not reinstated within twelve (12) months of denial by guarantor or the Department of Education, servicer will arrange for lender to be funded the amount the guarantor would have paid and the lender's ownership will be transferred to another "eligible lender". Lender shall repurchase any loan on which the guarantee is fully reinstated, from the eligible lender designated by servicer at an amount equal to the then outstanding principal balance plus all accrued interest due thereon, less the amount subject to lender risk sharing under the Higher Education Act and applicable regulations.

The Servicer would not assess cure fee for servicer error.

h. Monitoring Claim Payments

The Servicer will monitor accounts to ensure that payments are received. The Servicer's production reports provide detailed information about claim accounts.

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

a. General

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

b. Loss of Guarantee

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

c. MHELSA Billing

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

d. Cure Procedures

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

e. Cure Attempt Time Limit

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

f. History Comment

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

g. Financial Liability

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

(1) Violations, not cured within MHESLA's specified time period (See Section 1.022-A Task 9e), that would result in a denied claim if filed with the guaranty agency.

(2) Denied claim that is not cured within MHESLA's specified time period (See Section 1.022-A Task 9e).

(3) Loss of guarantee for which there is no cure. When there is no cure available, there is no cure time period and the Servicer must reimburse MHESLA within 60 days.

(4) Returned claims that are deficient in documentation which the Servicer cannot locate nor has acceptable copies.

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

h. Assignment of Note

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

i. Deletion of Accounts

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

Servicer's Response to this Task:

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

a. General

The Servicer understands this requirement.

b. Loss of Guarantee

The Servicer is able to meet this requirement.

c. MHELSA Billing

The Servicer is able to meet this requirement. The cure fee shall not apply to loans that have lost their guarantee due to an error or omission of the Servicer.

d. Cure Procedures

The Servicer is able to meet this requirement.

e. Cure Attempt Time Limit

The Servicer begins the cure process based upon the guidelines set forth within the Common Manual.

f. History Comment

The Servicer is able to meet this requirement.

g. Financial Liability

The Servicer is able to meet this requirement.

h. Assignment of Note

The lender shall repurchase any loan on which the guarantee is fully reinstated, from the eligible lender designated by servicer at an amount equal to the then outstanding principal balance plus all accrued interest due thereon, less the amount subject to lender risk sharing under the Higher Education Act and applicable regulations.

i. Deletion of Accounts

The Servicer is able to meet this requirement.

TASK 10 - LOAN SERVICING: APPLICATION OF PAYMENTS

a. General

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

b. Payments Received

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

c. Payment Review/Borrower Notification

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

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

d. Date of Payments

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

e. Application of Borrower Payments

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

f. Payments and Refunds Received by the State

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

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

g. Late Charges and Collection Costs

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

h. Non-Sufficient Funds (NSF) Check

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

i. Overpayments of $5 or More

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

j. Account Balances of $25 or Less

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

k. Claim Payments

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

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

l. Monthly Servicing Fees

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

Servicer's Response to this Task:

TASK 10 - LOAN SERVICING: APPLICATION OF PAYMENTS

a. General

All payments received by the Servicer are posted to the borrower's loans which creates a record of the payment amount, posted date, effective date, and application on our servicing system.

b. Payments Received

98% of all borrower payments are received and processed through automated files. The remaining 2% are comprised of special instruction payments, payments from a lender, and rejected lockbox payments. All payments that need manual application are first received by the mail facility and stamped with the receipt date. The payments are then delivered to an Inventory Control department that creates batches of payments. The batch lists the number of payments, type of payment, total dollar amount of the payments, and the effective date of the payments. An Inventory Control System is utilized to track the creation, work in progress, and completion of the batches on a daily basis.

Additionally, all batches are imaged and payment images can be found by batch number. The standard for processing borrower payment exceptions is three business days and the effective date is the date of receipt. On average, exception payments are processed within one day.

c. Payment Review/Borrower Notification

The Servicer does review all correspondence received with a payment and takes appropriate action.

d. Date of Payments

All exception payments (2% of total volume) are processed within the three day standard and the average is one day. The incumbent servicer or state utilizes a transmittal form and indicates the original date of receipt and that date is used as the effective date. If the Servicer receives the payment directly, the stamped receipt date is the effective date.

e. Application of Borrower Payments

The Servicer's Loan Servicing system automatically applies borrower payments in the following order: fees, interest, and then principal. The payment is also apportioned to all outstanding loans based on the loan type, due date, and payment amount.

f. Payments and Refunds Received by the State

The Servicer has a standard transmittal form via Excel that contains the requested information. All payment types received via a transmittal are applied within five business days and the original date of receipt by the State is used as the effective date.

g. Late Charges and Collection Costs

Late charges are table driven and are easy to change or update. Collection costs can be input at any time.

h. Non-Sufficient Funds (NSF) Check

Payments received and posted by the Servicer's lock-box provider that are returned as NSF are converted into an ach debit and redeposited. After the second return, the payment is removed from the borrower's account, servicing history is updated, and the borrower is notified.

i. Overpayments of $5 or More

Borrower payment overpayments are aged 30 days before being returned to the borrower. After the payment has aged 30 days, the standard is to process the refund within 20 business days.

j. Account Balances of $25 or Less

Small balance write off limits and the timing of the write off is selected by the lender. Once this has been set up in the servicing system the write off is automatically applied by the system. Write off activity is included in various system reports.

k. Claim Payments

The Servicer is able to meet this requirement.

l. Monthly Servicing Fees

See Appendix A – FFELP Pricing

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

a. General

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

b. Loan Status and Bond Funding Source Identifier

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

c. Processing Time

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

d. Note Processing

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

(1) The Servicer will mark the original promissory note(s) as "Paid" and return it to the borrower. A copy of the promissory note(s) marked "Paid" must be retained in the borrower's file.

(2) The Servicer will inform the borrower that the "Paid" promissory note is available upon request when notifying the borrower of the paid-in-full status. If the borrower requests the promissory note(s), a copy of the promissory note(s) marked “Paid” must be retained in the borrower’s file.

Servicer’s Response to this Task:

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

a. General

The Servicer is able to meet this requirement.

b. Loan Status and Bond Funding Source Identifier

Paid in full accounts are maintained on the servicing system and are viewable on-line.

c. Processing Time

The Servicer notifies the borrower that their loan is paid in full via a letter 45 days after the payment is applied.

d. Note Processing

The Servicer notifies the borrower that their loan is paid in full via a letter 45 days after the payment is applied. The promissory note is not automatically returned but the borrower can request a copy.

TASK 12 - LOAN SERVICING: SECONDARY MARKET LOAN SUPPORT

a. General

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

b. Lender Marketing and Contracts

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

c. Loans Eligible for Purchase

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

d. Instructions for Purchase

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

e. Packaging for Manual Sale Conversions

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

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

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

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

g. Inspection of Documents for Manual and Transfer Conversions

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

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

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

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

h. Sale and Conversion of Loans to the System

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

i. Sale Amounts

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

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

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

j. Reconciliation

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

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

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

l. Exception Loans

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

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

m. Resolution of Exception Loans

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

n. Servicing of the Loans

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

o. Notification to the Borrower (manual conversions only)

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

p. Guaranty Agency Reporting

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

Servicer's Response to this Task:

TASK 12 - LOAN SERVICING: SECONDARY MARKET LOAN SUPPORT

a. General

The Servicer understands this requirement.

b. Lender Marketing and Contracts

The Servicer currently provides this support and will continue to do so for the State of Michigan and MHESLA for FFEL Loans.

c. Loans Eligible for Purchase

The Servicer will work with the CCI or designee to identify the loans eligible for purchase based on the criteria specified.

d. Instructions for Purchase

The Servicer will work directly with the CCI or designee to facilitate all purchases, whether the purchase results in a conversion or a transfer. The Servicer will accommodate the use of the forms approved by the CCI or designee and will be able to make revisions as needed.

e. Packaging for Manual Sale Conversions

As an incoming Servicer, the Servicer has traveled to a lender's location to perform an audit of the prospective loans to be acquired. These audits included verification of proper loan documentation, servicing histories and prepping files for transfer. The Servicer can perform this task for MHESLA if requested.

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

The Servicer will notify the lender and the CCI or designee within 24 hours of receipt that the loans have arrived and verify if all of the expected boxes are received.

g. Inspection of Documents for Manual and Transfer Conversions

The Servicer has existing processes in place to receive both electronic and hard-copy loan documentation and to verify the presence of both the actual documentation and the required signatures needed for servicing. The Servicer will comply with the requirements related to liability outlined in Section 2.243

h. Sale and Conversion of Loans to the System

As the incoming Servicer, the Servicer will accept responsibility for processing all sales and converting all loans on a schedule agreed upon with the CCI or designee.

i. Sale Amounts

The Servicer is able to meet this requirement.

j. Reconciliation

The Servicer has experience reconciling the data for converted loans and will deliver the balancing reports, both electronically and through hard copies, sorted in the manner identified by the CCI or designee.

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

The Servicer will work closely with the lender or incumbent Servicer to ensure that all post-sale loan activity is received and processed timely and accurately.

l. Exception Loans

The Servicer is able to meet this requirement.

m. Resolution of Exception Loans

The Servicer will work directly with the CCI or designee to determine the best course for resolution of exception loans.

n. Servicing of the Loans

The Servicer is able to meet this requirement.

o. Notification to the Borrower (manual conversions only)

The Servicer's borrower notification process is in compliance with regulations set through the Common Manual (3.4.B). In addition, a comment identifying the notification being sent to the borrower is automatically uploaded into the borrower's servicing history.

p. Guaranty Agency Reporting

The Servicer is able to meet this requirement.

TASK 13 - LOAN SERVICING: REPURCHASES

a. General

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

b. Default Repurchases

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

c. Rehabilitation Repurchases

MHESLA serves as a rehabilitation lender for the guaranty agencies.

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

d. Borrower Documentation to Support Repurchase

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

e. Guaranty Agency Documentation

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

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

f. Funding Source

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

g. Account Payment to the Guaranty Agency

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

Servicer's Response to this Task:
TASK 13 - LOAN SERVICING: REPURCHASES

a. General

The Servicer understands this requirement.

b. Default Repurchases

The Servicer will process repurchases for MHESLA through a proven process that is in compliance with regulations set through the Common Manual (13.5). In addition, the Servicer utilizes the Administrative Office of the U.S. Courts PACER system to verify bankruptcy detail.

c. Rehabilitation Repurchases

The Servicer has existing processes in place to receive both electronic and hard-copy loan documentation and to verify the presence of both the actual documentation and the required signatures needed for servicing. The Servicer will receive documentation and data elements from the Guarantor to create an account record for the borrower.

d. Borrower Documentation to Support Repurchase

The Servicer will accept responsibility for securing and retaining all documentation needed to accurately complete the repurchase.

e. Guaranty Agency Documentation

The Servicer is able to meet this requirement.

f. Funding Source

The Servicer will work directly with the CCI or designee to receive and document the source of funding for repurchases.

g. Account Payment to the Guaranty Agency

The Servicer is able to meet this requirement.

TASK 14 - LOAN SERVICING: FINANCIAL AND MANAGEMENT REPORT REQUIREMENTS

a. General

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

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

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

b. Funding Source Listing

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

Fund Source	Fund Source
Operating Funds	XVII-C
XII-A & B	XVII-F & H1-2
XII-M & N	XVII-H3-6
XII-P	XVII-J
XII-Q	XVII-K
XII-R	XVII-L1
XII-S	XVII-L2
XII-T	XVII-M & N
XII-U	XVII-01
XII-V & W	XVIII-02
XII-Z1	20
XII-Z2-3	21A

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

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

c. Reporting Method

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

d. Timeliness

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

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

e. Report Formats

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

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

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

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

All management reports must be separated by guarantor.

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

f. Ad Hoc Reports

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

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

g. Reports

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

Servicer's Response to this Task:

TASK 14 - LOAN SERVICING: FINANCIAL AND MANAGEMENT REPORT REQUIREMENTS

a. General

The Servicer is able to meet this requirement.

b. Funding Source Listing

The Servicer is able to meet this requirement.

c. Reporting Method

The Servicer provides production reports via the internet through Nelnet's Lender Web Reports.

d. Timeliness

The Servicer is able to meet this requirement. Nelnet will comply with the requirements related to liability outlined in Section 2.243

e. Report Formats

The Servicer provides standard production reports to meet MHESLA's data needs. Modifications to production reports requested by MHESLA would go through the Servicer's intake process and then follow through the process outlined in Task 2d. A sample of current production reports has been included as Attachment K – FFELP Production Reports.

f. Ad Hoc Reports

The Servicer is able to provide one time reports or new reports on a regular basis based upon requests from MHESLA. One-time reports or new reports on a regular basis will be billed at the system change rate listed in Appendix A.

The Servicer can provide MHESLA access to a reporting tool to generate their own reports.

g. Reports

The Servicer is able to provide the requested reports.

TASK 15 - LOAN SERVICING: AUDIT AND PROGRAM REVIEW REQUIREMENTS

a. General

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

b. Audits and Program Reviews

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

c. Borrower Records

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

d. Servicer Information

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

e. Portfolio Analysis

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

f. Servicer Financial Statements

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

Servicer's Response to this Task:

TASK 15 - LOAN SERVICING: AUDIT AND PROGRAM REVIEW REQUIREMENTS

a. General

The Servicer understands this requirement.

b. Audits and Program Reviews

Lender, at its own expense, with prior notice to the servicer and during the servicer's normal business hours, may perform or arrange to have audits performed of the servicer's servicing activities on the lender's eligible loans ("External Client Audits"). All External Client Audits of the Servicer's processes, functions, or accounts, regardless of frequency, will be coordinated through Servicer's Audit Services. As such, Audit Services shall supply a lender with 40 hours of assistance on an annual basis to address these audits. Any assistance provided beyond the 40 hours shall be charged at a rate of ninety-five dollars ($95.00) per hour to the lender on the monthly fee statement. The foregoing fee is subject to change at the Servicer's reasonable discretion and upon at least sixty (60) days advance written notice to the lender. Upon request, the lender may participate in receipt of the Department of Education Lender Audit Guide and Servicer's SAS 70 reports.

c. Borrower Records

The Servicer is able to meet this requirement.

d. Servicer Information

The Servicer is able to meet this requirement.

e. Portfolio Analysis

The Servicer is able to meet this requirement by providing the 4-Pack data file.

f. Servicer Financial Statements

The Servicer is able to meet this requirement by providing the company financial statements filed with the SEC.

TASK 16 - LOAN SERVICING: DECONVERSION TO ANOTHER SERVICER

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

a. Time Frame for Conversion

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

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

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

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

b. Incumbent Servicer Support

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

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

c. Loan Data Records (Actively Servicing)

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

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

d. Hard Copy Loan Documents (Actively Servicing)

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

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

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

e. Loan Records/Documents (Non-Active)

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

f. Unprocessed Documents

(1) Received During Deconversion Period

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

(2) Received After Contract Termination

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

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

g. Checks Originated by Incumbent Servicer

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

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

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

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

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

h. Proof of Delivered Loan Proceeds

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

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

i. Denied Claims

(1) Claim Originally Submitted by Incumbent Servicer

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

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

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

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

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

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

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

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

j. Costs for Deconversion to Another Servicer

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

k. Liability

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

Servicer's Response to this Task:

TASK 16 - LOAN SERVICING: DECONVERSION TO ANOTHER SERVICER

a. Time Frame for Conversion

The Servicer uses a standard file format layout that could be provided within one day of the request from the CCI or designee

The Servicer has extensive experience testing conversion data from both the incoming and incumbent servicer prospective. The Servicer will work directly with the incoming servicer and the CCI or designee to determine the resources required to support the deconversion. Timeframes for the deconversion will be identified as part of the the Servicer's project methodology. The resources necessary to ensure a successful deconversion will affect the timeframe for beginning the work. The Servicer will generate "dummy" loan data or test "dummy" loan data prior to processing the "live" loan data.

b. Incumbent Servicer Support

The Servicer is able to meet this requirement.

c. Loan Data Records (Actively Servicing)

The Servicer has extensive experience deconverting loan data, electronically and manually, for delivery to an incoming servicer.

d. Hard Copy Loan Documents (Actively Servicing)

The Servicer currently stores all loan and servicing documentation on an imaging system and has existing processes in place to send and receive both electronic and hard-copy loan documentation. In addition, the Servicer will support the use of transmittals to verify files being sent to the incoming servicer. Within 90 days of the completed conversion of the data base and receipt of all borrower files, the incoming servicer must have completed their audit and provided the Servicer with a list of any exceptions. The Servicer shall have a reasonable time to cause such benefits of the guarantee to be reinstated. If such benefits are not reinstated within twelve (12) months of denial by guarantor or the Department of Education, servicer will arrange for lender to be funded the amount the guarantor would have paid and lender's ownership will be transferred to another "Eligible Lender". Lender shall repurchase any loan on which the guarantee is fully reinstated, from the eligible lender designated by servicer at an amount equal to the then outstanding principal balance plus all accrued interest due thereon, less the amount subject to lender risk sharing under the Higher Education Act and applicable regulations.

The Servicer would not assess cure fee for servicer error.

e. Loan Records/Documents (Non-Active)

The Servicer has existing processes in place to send and receive both electronic and hard-copy loan documentation and to verify the presence of both the actual documentation and the required signatures needed for servicing. See FFELP Servicing Task 1 section H for the Servicer's system purge rules. The Servicer's technical imaging team currently have methods in place to receive and transmit imaged documents (.tiff or .pdf) via a secured FTP process.

f. Unprocessed Documents

When a document is received for a deconverted loan (P92 status with a MHESLA lender id) The Servicer's associates can print the document from Hummingbird and place it in a designated location to be forwarded to the new servicer. There could be a few instances, NSC/TERP/Guarantor Comp Reports for example, where the information is received electronically and eliminated in the SCA process due to the customers P92 status - this is rare since we eliminate paid loans from files that we provide to the Clearinghouse.

g. Checks Originated by Incumbent Servicer

The Servicer is able to meet this requirement.

h. Proof of Delivered Loan Proceeds

The Servicer retains electronic copies of the checks and will be able to comply with this request within the timeframe given once the servicing contract is initiated.

i. Denied Claims

i.1. The Servicer will send the incoming Servicer the documentation supporting a recall within 10 days. The Servicer sends MHESLA the following reports:

Default Clms Returned MHESLA
Refiled Claims MHESLA
Uninsured Summ by Lndr MHESLA

i.2. The Servicer does not provide a weekly status of cure processing to the CCI or the designee for each denied claim. If the documentation that is missing was received or held by the incumbent servicer, the incoming servicer will request the required documentation from the incumbent servicer who will initiate a request for documentation within 10 days.

j. Costs for Deconversion to Another Servicer

See Appendix A – FFELP Pricing

k. Liability

The Servicer shall have a reasonable time to cause such benefits of the guarantee to be reinstated. If such benefits are not reinstated within twelve (12) months of denial by guarantor or the Department of Education, servicer will arrange for the lender to be funded the amount the guarantor would have paid and the lender's ownership will be transferred to another "Eligible Lender". The lender shall repurchase any loan on which the guarantee is fully reinstated, from the eligible lender designated by servicer at an amount equal to the then outstanding principal balance plus all accrued interest due thereon, less the amount subject to lender risk sharing under the Higher Education Act and applicable regulations

TASK 17 – LOAN SERVICING: PUBLIC AWARENESS

a. General

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

b. Informational/Application Materials

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

c. Training and Informational Sessions

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

d. Borrower Mailings

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

e. Cost for Public Awareness

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

Servicer's Response to this Task:

TASK 17 – LOAN SERVICING: PUBLIC AWARENESS

a. General

The Servicer is able to meet this requirement.

b. Informational/Application Materials

The Servicer is able to meet this requirement.

c. Training and Informational Sessions

The Servicer is able to meet this requirement.

d. Borrower Mailings

The Servicer is able to meet this requirement.

e. Cost for Public Awareness

The Servicer is able to meet this requirement.

B: MI-LOAN LOAN SERVICING

TASK 1 – SERVICING SYSTEMS

a. General

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

b. Hardware and Software to be Used by the State

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

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

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

c. Servicer System Access

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

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

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

d. System Up-Time and Response Time

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

(1) The system must be available 95% or more of the total time, as determined by a weekly average of five (5) days, between the hours of 7:30 a.m. and 5:00 p.m. (EST) on weekdays (excluding State of Michigan holidays, as provided).

(2) The access and response time must be maintained 95% of the time, in a range of less than five (5) seconds from the time the enter key or its equivalent is depressed, until the requested information appears on the screen.

e. Servicer-Initiated Modifications and Enhancements

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

f. Backup and Recovery

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

g. Security

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

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

h. Record Retention of Account Data

After an application or a loan has been cancelled, disapproved or paid-in-full, the Servicer must be able to provide a complete history including detail data and documentation for record retention periods required by state and federal law, and periods identified by the CCI or designee.

i. Business Continuity and Disaster Plan

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

Servicer's Response to this Task:

TASK 1 – SERVICING SYSTEMS

a. General

The Servicer is currently servicing the MI-LOAN portfolio in accordance with applicable laws and regulations. .

b. Hardware and Software to be Used by the State

The Servicer is currently and will continue to provide access to the STAR system which is utilized to service the MI-LOAN portfolio. A dedicated circuit is in place to provide inquiry and update capability. See Appendix B for costs associated with the circuit.

c. Servicer System Access

The STAR system enables MHESLA to view accounts in real time. MHESLA can access accounts by the social security number, name or participant id of the borrower or co-signer. The filters available within the servicing history comments are billing method, collection, interest paid, reprint application, adjustments, letter generation, maintain borrower, new note, and follow-up. The filters available within the transaction history are disbursement, capitalization, monetary adjustment, status change, accrual, payments, write-offs, write-ups, fees, retroactive adjustments, supervisory adjustments, refinance, next due changes, refunds, and incentives.

The Servicer can make the appropriate updates in the timeframes specified using business days as a guideline.

MHESLA is familiar with the data elements available on the STAR system. The Servicer has the ability to add additional data elements to the system at MHESLA's request. If additional elements are desired, they would be subject to the System Changes fee in Appendix B.

d. System Up-Time and Response Time

The Servicer can accommodate the system up-time and response time requirements.

e. Servicer-Initiated Modifications and Enhancements

The Servicer will notify MHESLA of any servicer-initiated changes that impact MHESLA's program.

f. Backup and Recovery

The servicing system, as well as documentation associated with the system, is backed up daily. The backups are sent off-site to a secure backup facility in Denver, Colorado. The Servicer can demonstrate the ability to restore the files upon MHESLA's request.

g. Security

The Servicer will continue to provide MHESLA with a copy of its annual SAS70 audit. MHESLA has a copy of the Servicer's most recent SAS70 audit.

h. Record Retention of Account Data

The Servicer has never purged loans from the STAR system and has the ability to provide history for each account it services.

i. Business Continuity and Disaster Plan

The Servicer has a disaster recovery plan in place and conducts an annual test of the plan.

TASK 2 – SOFTWARE MAINTENANCE AND ENHANCEMENT

a. General

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

b. Federal and State Requirements

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

c. MHESLA Requested Changes

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

The procedure to be followed is described below:

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

(2) Within 30 days of the CCI or designee's request, the Servicer will provide an itemized estimate of the costs to the CCI or designee and the timetable for implementation. The Servicer is responsible for the cost of preparing such an estimate. If enhancements are not completed within agreed upon time table, MHESLA will reduce the monthly servicing contract payment by 5% of enhancement cost thereafter until completion of enhancements.

(4) If acceptable, the CCI or designee will approve the requested changes and associated costs, in writing, and instruct the Servicer to proceed.

(5) If not acceptable, the CCI or designee will discuss the Servicer's estimate with the Servicer to determine what alterations may be made that would allow approval by the CCI or designee. Upon reaching agreement, the CCI or designee will approve the requested changes and associated costs, in writing, and instruct the Servicer to proceed.

(6) If the changes are also being requested by or will be offered to other lenders being serviced, the cost will be partially supported by the Servicer or spread equally to their clients. After reaching agreement on the changes and associated costs, MHESLA will reimburse the Servicer for a portion of the costs associated with the changes at the rate for system changes identified on the pricing sheets (Appendix B). MHESLA's portion of the costs shall be determined based on a ratio of the volume of MHESLA's portfolio to the volume of all affected lenders' portfolios or other method accepted in writing by the CCI or designee.

b. Payment of MHESLA Requested Changes

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

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

Servicer's Response to this Task:

TASK 2 – SOFTWARE MAINTENANCE AND ENHANCEMENT

a. General

The Servicer understands this requirement.

b. Federal and State Requirements

The Servicer utilizes a Policy Support team to be apprised of any changes to federal and state laws. When these changes are initiated, the Servicer evaluates the requirements and implements the necessary changes into its systems or procedures. The Servicer participates in various industry committees in order to help influence suggested changes to federal and state laws and to stay abreast of all existing and new requirements.

c. MHESLA Requested Changes

The Servicer is able to follow the process outlined above for MHESLA initiated software enhancements. The Servicer would consider the timeframe in 2C to begin once mutually agreed upon requirements are received. The Servicer assumes no responsibility for delays attributed to other entities including but not limited to MHESLA, credit agencies, phone companies, etc.

d. Payment of MHESLA Requested Changes

See Appendix B for the System Changes fee.

TASK 3 – GENERAL SYSTEMS AND OPERATIONAL REQUIREMENTS

a. General

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

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

MHESLA borrowers or potential borrowers asking for alternative loan information involving and referencing MHESLA shall not be solicited by the Servicer.

b. Compliance

The Servicer's system and operations must comply with federal and state statute, regulations, procedures and/or reporting requirements, and CCI or designee directions. The Servicer must adhere to all instructions received from the CCI or designee with regard to MHESLA's portfolio. When program changes are initiated, the Servicer is responsible to identify the legal requirements and assist MHESLA to meet these requirements and advise when and how they are in compliance. As soon as detected, the Servicer must initiate corrective action for all servicing errors, regardless of the source of the error and the party responsible, and immediately advise the CCI or designee of the situation. Notice of the corrective action must be provided to the borrower and all appropriate parties by the Servicer.

c. Borrower Benefit Initiatives

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

MHESLA's current borrower benefit initiatives include:

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

d. History

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

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

e. Audit Trail

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

f. Bond Funding Source Identification

Loans are financed through multiple funding sources (See Section 1.022-B Task 23b), which must be identified by separate codes (bond fund codes). The Servicer's system must be able to accommodate existing funding sources and new funding sources as necessary. Bond funding source identification is necessary for accounting purposes and is a required sort for many reports. The codes apply to each individual loan and must be visible on the systems for MHESLA's use.

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

g. Status Codes

The Servicer's system must utilize a series of status codes, which are updated with the proper status as the activity occurs, and can be used to track application processing and identify the status of loans/accounts. These statuses must include, but are not limited to, approved, disapproved, cancelled, disbursed, repayment, forbearance, bankruptcy, death, disability, delinquency, default and collections. These codes must be viewable to MHESLA. A list of current statuses are provided in Appendix E.

h. Staff

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

Staff must be knowledgeable of and adhere to the CCI or designee's direction when addressing issues/questions, such as policy advising the borrower to contact MHESLA when a loan is in default or collection status.

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

i. Telephone and Internet Contacts

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

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

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

The Servicer must provide a Web site Help Line. This may include, but is not limited to, staffing by live service representatives during the Servicer's business hours, providing customer self-service technology or customer relationship management resources.

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

j. Written Correspondence and Document Processing

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

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

k. Internet and Electronic Communication

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

l. Outgoing Payments

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

- Borrower's name
- Borrower's identifying number
- Loan/Promissory note identifier
- Bond funding sources identifier
- Reason for remittance, such as loan overpayment or payment received after death or total and permanent disability of student or death of all financially responsible parties to the loan.

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

m. Borrower Notifications/Mailings

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

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

n. Branding Assistance

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

o. MHELSA Requests

If MHESLA staff requests the Servicer to take specific action, the Servicer must comply within two (2) days. If MHESLA staff requests information from the Servicer, the Servicer must forward required information within five (5) days. This includes, but is not limited to, verbal responses, requests for copies of account documents/materials or the borrower's file, mailing of forms, account maintenance, etc.

p. Legislative/News Media Contacts

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

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

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

q. Record Retention

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

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

r. Facsimile and E-mail Capabilities

The Servicer must have facsimile and e-mail capabilities to enable MHESLA, schools, borrowers and other MI-LOAN Program participants to immediately send materials to the Servicer or immediately receive materials from the Servicer. Costs for facsimile and e-mail transmissions generated by the Servicer will be the responsibility of the Servicer. All sensitive data must be protected against theft.

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

s. Social Security Number Changes

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

t. Name Changes

The Servicer will update the demographic file to reflect all name changes by the borrower or cosigner, and record the documenting source and prior name in the account history file.

u. Good and Bad Address Flag

The Servicer must have a method viewable on the Servicer's system to identify for MHESLA if the borrower's demographic information is accurate or inaccurate. In addition, the Servicer's system must trigger mailings addressed to the borrower in care of the cosigner, if applicable, if the borrower's address is flagged as a bad address.

v. Forms and Materials

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

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

Any revisions needed in the materials or forms provided by the Servicer because of MHESLA requested changes are the financial responsibility of the Servicer.

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

w. Overnight Delivery of Mail

If MHESLA staff requests the Servicer to mail materials for overnight delivery, MHESLA will absorb the actual postage costs of such mailing. The CCI or designee will provide instructions regarding billing.

x. Court Ordered Documentation

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

y. Expert Witness and Testimony

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

z. Training

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

aa. Enhancements

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

bb. MHESLA Records Held by a Third Party

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

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

cc. Interface to State of Michigan Systems

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

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

Servicer's Response to this Task:

TASK 3 – GENERAL SYSTEMS AND OPERATIONAL REQUIREMENTS

The Servicer's response to this section assumes process and response times are measured in business days.

a. General

The Servicer understands this requirement.

b. Compliance

The Servicer will work with it's Policy Services and MHESLA to ensure that the system is in compliance with federal and state laws. It is assumed by the Servicer that any change MHESLA puts forth for its program will have been vetted by MHESLA and deemed to be in compliance with applicable law.

c. Borrower Benefit Initiatives

The Servicer is currently supporting the reduction of interest for MI-LOAN borrowers utilizing ACH. The STAR system has the ability to support additional benefits, as well as restricting benefits to a specific population of borrowers

The Servicer will also be able to support the rehabilitation option. There are two fees associated with this option outlined in Appendix B. One fee represents a manual application process and the other fee represents the on-line application process outlined in the Processing Manual

The setup and maintenance associated with additional borrower benefits for the MI-LOAN program will be subject to the System Changes fee in Appendix B.

d. History

The servicing and transaction history screens on STAR track all activity and interaction associated with a borrower's account. The system automatically generates comments but also allows both the Servicer and MHESLA to complete free form updates in real time.

e. Audit Trail

The STAR system provides the necessary audit trail as outlined.

f. Bond Funding Source Identification

STAR has the ability to assign individual loans to specific bond funds. This information is utilized in the MHESLA reports and is viewable on the system. Bond transfers will be subject to the System Changes fee in Appendix B.

g. Status Codes

As indicated, MHESLA is familiar with the status codes available on the STAR system. All of these codes are viewable by MHESLA.

h. Staff

The Servicer evaluates its staffing on a regular basis as workloads change. The Servicer has training specific to MHESLA loans that has been in place since 1998. The Servicer provides training updates and refreshers to associates as necessary.

i. Telephone and Internet Contacts

The Servicer has a toll-free line available to callers during the hours stated. The interactive voice response system utilized, allows callers to opt out and reach a representative if they choose. The Servicer can provide the reports specified.

The Servicer's call center representatives have access to the STAR servicing system and an online reference guide that outlines the requirements of each loan program to assist them in answering questions and resolving issues. For more complex questions that require research, The Servicer is able to meet the requirement stated above.

The Servicer is able to mail or e-mail forms to borrowers or co-signers as requested. The call center representatives are able to assist callers with problems related to use of the web-site.

The Servicer will respond to electronic or telephone requests within five business days.

j. Written Correspondence and Document Processing

The Servicer handles correspondence within five business days. Incoming correspondence is imaged and all outgoing correspondence is maintained in the borrower history.

k. Internet and Electronic Communication

The Servicer has the ability to communicate with borrowers electronically. The STAR system has the ability to generate e-mails to borrowers or co-signers based on triggering events on the loan such as a status change from forbearance to repayment. If requested, the Servicer would have the ability to e-mail a monthly newsletter to MI-LOAN borrowers. The time associated with the development and ongoing maintenance of this process would be subject to the System Changes fee in Appendix B.

l. Outgoing Payments

The Servicer can accommodate this requirement.

m. Borrower Notifications/Mailings

The Servicer can accommodate this requirement.

n. Branding Assistance

The Servicer has worked on several initiatives with MHESLA that involved specific branding requests. The Servicer will continue to assist as requested. These requests may be subject to the System Changes fee in Appendix B.

o. MHESLA Requests

If MHESLA staff requests the Servicer to take specific action, the Servicer will comply within two business days. If MHESLA staff requests information, the Servicer will forward required information within five business days

p. Legislative/News Media Contacts

The Servicer can meet the requirements for media and legislative contacts. Also, within one business day of receiving written approval from the CCI or designee, the Servicer will provide the approved response to the party making the inquiry.

q. Record Retention

The Servicer retains all original collateral in an electronic or paper format. Electronic images are stored at an off-site location while paper documents are housed in a fire resistant vault at the Servicer's site. Electronic images are stored in a .tiff file format.

The Servicer utilizes secure shredding bins throughout the office and all materials containing confidential information are discarded in these bins.

r. Facsimile and E-mail Capabilities

The Servicer has the ability to fax and e-mail borrowers and schools. The Servicer is in the process of evaluating an electronic communication interface which would enable borrowers to receive various pieces of communication electronically or on paper.

s. Social Security Number Changes

The Servicer can accommodate this requirement.

t. Name Changes

The Servicer can accommodate this requirement.

u. Good and Bad Address Flags

The Servicer has a visible indicator on the servicing system to reflect valid or invalid addresses and/or phone numbers. The servicing system will trigger letters at a specified time frame to both the borrower and/or the co-signer requesting updated demographic information.

v. Forms and Materials

The cost of printing and distributing forms and materials are included in the monthly servicing fees. The expenses related to any changes requested by MHESLA will be passed on to MHESLA.

w. Overnight Delivery of Mail

The Servicer can accommodate this requirement.

x. Court Ordered Documentation

The Servicer can accommodate this requirement.

y. Expert Witness and Testimony

The Servicer will work with MHESLA as requested.

z. Training

The Servicer can accommodate this requirement.

aa. Enhancements

The Servicer is willing to assist MHESLA with enhancements such as those described above. These enhancements may be subject to the System Changes fee in Appendix B.

bb. MHESLA Records Held by a Third Party

The Servicer can accommodate this requirement.

cc. Interface to State of Michigan Systems

The Servicer is willing to assist MHESLA with interfaces such as this.

TASK 4 – CONVERSION TO SERVICER

For purposes of this Contract, conversion refers to the receipt and system update of MHESLA's student loan portfolio records, including all system files, electronic files, data and information in electronic or hardcopy format and hardcopy files and documents that are transferred to the incoming Servicer by the incumbent Servicer.

a. Current Servicer

For conversion/deconversion requirements, the current Servicer will hereafter be referred to as the incumbent Servicers*.*

The incoming Servicer must have the capability to accept the existing loan data information in the incumbent Servicer's transmission/media format to convert the existing system's data to the file structure required by the incoming Servicer's system. The transmission/media format of the incumbent Servicer will be provided to the incoming Servicer within one (1) week of contract issuance.

b. Time Frame for Conversion

A maximum of 120 days will be provided for conversion purposes, which will commence upon notification from the CCI or designee.

The incoming Servicer must be operational within the 120 day limit. This means the Servicer has the ability to process all activities included in and required by the contract.

c. General Requirements

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

(1) Defining specifications, coding, testing, implementation, and verification of any software and data conversion programs necessary to service loans, being converted, according to the contract.

(2) Implementation and verification of system operability, including required hardware, software, modems and circuit lines, etc to allow for receipt of loan data in incumbent Servicers identified transmission/media format.

(3) Sending an introductory letter to all borrowers within ten (10) days of conversion completion, which includes the incoming Servicer's address and toll-free telephone number, on-line help information, and an account statement. This letter must be approved in writing by the CCI or designee before implementing. For borrowers with loans already in repayment, the incoming Servicer must also immediately provide a coupon book/billing statement (if necessary) and payment instructions.

d. Testing

The incoming Servicer must develop and implement a comprehensive systems test of the conversion to confirm that their system is operating correctly and accurately to the specifications defined within the contract. The incumbent Servicer will provide test "dummy" loan data for pre-conversion testing. This test must be completed and all data and system issues resolved within two weeks of receipt of data from the incumbent Servicer.

Final acceptance testing of "live" loan data received from the incumbent Servicer, including evidence of correctness of all systems transactions, reports and overall system balancing, must be performed to the satisfaction of the CCI or designee prior to activation of system. The CCI or designee must approve the testing results as complete and acceptable in writing before activation of the system can proceed. The CCI or designee may require the incoming Servicer to perform specific system tasks to confirm accurate transfer and operability of the system. Final acceptance testing must be completed and all data and system issues resolved within two weeks of receipt of "live" data from the incumbent Servicer.

It may be necessary for both the incumbent Servicer and incoming Servicer to communicate directly to resolve any data or system issues. The CCI or designee must be notified within one business day of any discrepancies or issues that neither Servicer are able to resolve.

e. Progress Reports

Biweekly progress reports must be prepared by the incoming Servicer and submitted to the CCI or designee identifying the status of the conversion including any problems encountered, the next steps and other information necessary for the success of the conversion. The incoming Servicer and the incumbent Servicer will work together to resolve all conversion/deconversion issues.

g. Loan Data Reconciliation

The incoming Servicer will be required to reconcile the converted accounts to the deconverted accounts from the incumbent Servicer. To verify that total deconverted account balances equal converted account balances, the incoming Servicer will be required to provide a report to the CCI or designee sorted by funding source or other acceptable identifier, as approved by the CCI or designee, to include, but not limited to, the total number of loans, total number of borrowers, total current principal balance, and total current interest outstanding of the converted accounts.

h. Hardcopy/Imaged Loan Documents

The incumbent Servicer will transfer all borrower files/documents (paper or imaged) to the incoming Servicer in batches identified with a tracking method acceptable to the CCI or designee. Each batch will include a transmittal listing files, in social security number order and the total number of files in the batch. The files will contain the original, signed promissory note (or if not available, a legally acceptable copy) and other pertinent loan documents necessary to validate the servicing of the loans. Prior to the transfer, a copy of each transmittal will be mailed, faxed or emailed to the incoming Servicer by the incumbent Servicer including a contact name and number.

Upon receipt of the batch, the incoming Servicer will be required to verify and acknowledge receipt of all files and documents as listed on the incumbent Servicer's transmittal. This includes, but is not limited to, verification of all social security numbers, loan numbers, and signatures being present on all promissory notes. Responsibility for the borrower loans, files and documents included in the batch is then transferred to the incoming Servicer. The incoming Servicer will sign and date the transmittal, noting any files and/or documents not received and any unsigned promissory notes; referred to hereafter as an "exception".

The incoming Servicer must maintain a copy of each verified transmittal with exceptions noted, if necessary, and forward the original transmittal to the CCI or designee, with a copy to the incumbent Servicer. The incoming Servicer will be financially liable for any loss to MHESLA for loans where the file, documents and/or signed promissory note is not noted on the verified transmittal as an exception. The incumbent Servicer is financially liable to MHESLA for any loans where files and documents remain noted as an exception by the incoming Servicer upon completion of the conversion. The incumbent must fully compensate MHESLA within 60 days of notification from the CCI or designee for the current principal balance and accrued interest through the date payment is received by the State (See Section 2.243).

By use of a bar code or other method approved by the CCI or designee, the incoming Servicer must initiate a method of tracking the borrower files received to allow for access by the Servicer's staff. This is necessary as the incoming Servicer will be responsible for proceeding within time frames of the contract with pending issues regarding these borrower's loans such as origination and repayment document processing, claim filing, etc. All financial penalties and/or fees assessed against MHESLA due to processing that does not conform to requirements of the contract are the liability of the incoming Servicer. The incoming Servicer must compensate MHESLA for the amount of its loss within 60 days of notification from the State (See Section 2.243).

Within 90 days of the completed conversion of the data base and receipt of all borrower files, the incoming Servicer must have completed an audit (1) of the promissory notes in the borrowers' file to the borrower's open loans on the data base, and (2) to confirm the presence of the application and any applicable addenda, promissory note, notice of guarantee and evidence of disbursement for each of the borrower's open loans. The incoming Servicer is responsible for requesting any missing documents from the incumbent Servicer within five (5) days of becoming aware the document is missing. A written report identifying loan and document exceptions in social security number order must be provided to the CCI or designee within fifteen (15) days following the 90-day period.

i. Electronic Records

The incoming Servicer will be required to obtain and verify receipt of any electronic record created, generated, sent, communicated, received or stored by electronic means in a form that is capable of being retained and accurately reproduced for later reference by all parties entitled to the record.

j. Notification

The incoming Servicer will notify all current borrowers and eligible schools that there has been a change in the Servicer for MHESLA's student loan portfolio within ten (10) days of conversion completion. The notifications will include a letter approved by the CCI or designee from the incoming Servicer introducing their company as the new Servicer and a letter on MHESLA's letterhead (provided by CCI or designee upon request) that confirms the change in Servicer. In addition, the incoming Servicer must provide informational materials to the schools that is directed at current and future applicants explaining the change in Servicer and MHESLA's role in the student loan process. The letters and all informational materials must include information on how the borrower or school can contact the incoming Servicer. These materials must be approved by the CCI or designee before use.

For all letters sent to borrowers, an entry must be made in the borrower's account history that identifies the letters and when they were sent. The notifications must be completed within 60 days after the conversion has been completed and approved in writing by the CCI or designee.

k. Costs for Conversion

Conversion fees shall be identified on the pricing sheet (See Appendix B).

j. Checks Originated by Incumbent Servicer

The incoming Servicer must indicate in the work plan (Section 1.022-A Task 4b) the method required for the incumbent Servicer to provide information on all adjustments attributed to disbursement checks.

Servicer's Response to this Task:

TASK 4 – CONVERSION TO SERVICER

a – j). The Servicer is currently servicing the MI-LOAN portfolio, so a conversion will not be applicable.

TASK 5 – ORIGINATION PROCESSING

a. General

The Servicer must provide complete origination processing for MI-LOAN Program loan applications. This includes, but is not limited to, entry onto the system and complete system maintenance, screening for accuracy and completeness, securing all needed forms and any missing data, accessing and processing for approval or disapproval, ensuring that the borrower and cosigners, if applicable, meet the program requirements (as specified in the contract), including the credit standards and requirements, loan disbursement, and disbursement cancellation or re-issuance, as appropriate.

b. Processing Manual

Appendix G is a copy of the MI-LOAN Processing Manual, which provides a thorough description of the MI-LOAN Program process and requirements.

The Servicer is responsible for the information, functions, and responsibilities contained in this manual. The manual may be revised during the period of this contract as the MI-LOAN Program evolves. The Servicer must adhere to all future changes to the manual as requested in writing by the CCI or designee.

c. Application Requests

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

d. Application Methods

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

e. Loan Type

The system must also identify the type of loan application that is being processed.

f. Loan Participants

Most MI-LOAN Creditworthy Loan Program loans have a cosigner(s). The Servicer's system must be capable of cross-referencing students, cosigners and borrowers. This process must identify the loans and borrowers that the cosigners and students are associated with. MI-LOAN Program borrowers are not required to maintain the same cosigners on additional MI-LOAN Program loans. If, on subsequent loans, the applicant can meet the creditworthy standards on their own, a cosigner(s) would not be required.

g. Application Review

The Servicer is responsible for reviewing loan applications for accuracy and completeness. If an application is deficient in any way, it is the Servicer's responsibility to obtain any additional information or corrections necessary before proceeding with processing. The Processing Manual (Appendix G) provides more information regarding application review.

h. Credit Standards

The MI-LOAN Program is a credit based student loan program. There are currently two sets of credit standards within the MI-LOAN programs – Creditworthy and Credit Ready. The credit standards are identified in the Processing Manual (Appendix G). Participating schools may change yearly and will be identified by the CCI or designee.

The Servicer is responsible for securing a credit report on the applicant or cosigner(s), as outlined in the Processing Manual (Appendix G), and reviewing it to determine whether the required credit standards have been met. The Servicer must be able to support both manual and electronic retrieval and review of credit reports. The credit report must be either imaged or a hard copy housed in the loan folder. A copy of the current "Credit Standards and Requirements" will be provided.

i. Application Assessment

Applications must be assessed to determine if they meet MI-LOAN Program loan criteria, including credit standards and requirements, and processed for approval or disapproval accordingly. If an application is disapproved, the reason(s) for disapproval must be entered into the loan history and the applicant, school and cosigners, if applicable, notified of the disapproval action. The Servicer will be responsible for responding to inquiries from applicants seeking clarification or further information regarding the denial. See the Processing Manual (Appendix G) for detailed information regarding application assessment, approval and disapproval.

j. Prior Loan Delinquency Review

If the borrower or cosigner, if applicable, credit score falls within the credit standards parameters requiring a "negative credit review" (which includes "all active accounts must be current"), prior to approval, the Servicer must check to see if the borrower and cosigner(s), if appropriate, have prior MI-LOAN Program loans that are delinquent. The Servicer must deny the new loan for those borrowers who have delinquent MI-LOAN Program loans.

k. School Certification

The Servicer will be responsible for obtaining and assessing the school certification of the borrower's application. The Servicer must be able to support both manual and electronic submission of school certification. The Servicer's system must be able to reproduce electronic records when printed or viewed as accurately as if they were paper records.

l. Appeals

The applicant has the right to appeal the disapproval action within 60 days of the date on the disapproval letter. The Servicer will be responsible for appeal processing.

If a telephone (verbal) or written communication is received from a disapproved applicant or cosigner, if applicable, seeking to appeal the disapproval action, the Servicer will review the appeal to ascertain if the applicant now meets MI-LOAN Program requirements and, if so, will process accordingly. Appeal requests received after the 60-day period will not be considered.

If the appeal is verbal, the Servicer must request the applicant submit supporting documentation, if applicable, and upon receipt ascertain if the applicant now meets MI-LOAN Program requirements. See the Processing Manual (Appendix G) for details on appeal processing.

MHESLA reserves the right to review any denial appeal.

m. Check Stock

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

(1) Check Information

In addition to traditional check information, the face of the check must contain MHESLA's name (Michigan Higher Education Student Loan Authority or MHESLA) as the lender of the loan, MI-LOAN Program as the loan program, the borrower identifying number, and the name and address of the Servicer.

(2) Check Stub Information

The check stub must include MHESLA's name (Michigan Higher Education Student Loan Authority or MHESLA) as the lender of the loan, MI-LOAN Program as the loan program, the name and Participant ID number of the borrower, the total loan amount, the reserve fee, the net check amount, the three to five-digit alpha-numeric funding source code, and the name and address of the Servicer.

n. Disbursement

The Servicer must be able to accommodate disbursement by check and electronic funds transfer (EFT). The school will determine the type of disbursement and format for the disbursement roster/transmittal. The school may choose more than one format for the disbursement roster/transmittal and, upon request, the disbursement roster/transmittal will be electronically provided to the school.

If the school chooses to have disbursement done by check, the Servicer must have the capability to make the check co-payable to the borrower and the school.

The Servicer will disburse the funds with the following requirements:

- The reserve fee, identified by the CCI or designee, will be deducted from the loan proceeds.
- There will be one or more disbursements
- If disbursed by check, the check will be mailed to the borrower's billing (home) address.

The Servicer must accommodate disbursement process changes as requested by the CCI or designee. See the Processing Manual (Appendix G) for more information regarding disbursement of the loan.

o. Disclosures

The MI-LOAN Program must conform to the federal Truth in Lending Act. The Servicer is responsible for preparing and mailing loan disclosures that conform to requirements of the Truth in Lending Act. The Servicer must send the disclosure to the borrower and if appropriate, a copy to the cosigner(s). A hardcopy of the disclosure must be maintained in the borrower's loan file, or the data must be stored in the system, allowing recreation of the disclosure, if needed.

p. Timeliness of Disbursement

The Servicer cannot disburse loans more than 30 days prior to the loan period beginning date. Once the loan has been approved, the Servicer must disburse the loan on the dates recommended by the school, unless those dates are in conflict with program guidelines, or otherwise directed by the CCI or designee. If a recommended disbursement date is prior to approval of the loan, the Servicer must disburse the loan in the next scheduled disbursement cycle after taking into consideration the 30-day restriction.

q. Frequency of Disbursement

MHESLA currently requires loans to be disbursed daily, Monday through Friday. However, MHESLA reserves the right to change that schedule as requested by the CCI or designee.

r. Account Maintenance

The Servicer must perform the necessary account maintenance to update the loan to disbursed status. The update must include a loan status code (See Appendix E) that identifies the loan was disbursed, the disbursement date, total disbursement amount, reserve fee amount, net disbursement amount, and the check number or an indication that the loan was disbursed by EFT, whichever is appropriate.

When the status is changed to show disbursed, if an e-mail address has been provided, the Servicer must send a MHESLA approved e-mail to the borrower and cosigners, if applicable.

s. Post Disbursement Processing

The Servicer is responsible for post disbursement processing, such as returned checks, stop payments, disbursement/loan cancellation, and disbursement reissuance. If a disbursement is to be reissued, the Servicer must reissue the disbursement in accordance with the Processing Manual (Appendix G).

t. Origination Fees

Origination processing fees may be billed for each application received and processed by the Servicer (See Appendix B). Origination processing includes providing applications to applicants through approval/disapproval and loan disbursement, if appropriate.

u. Liability

If there is a loss to MHESLA and the Servicer failed to comply with the MI-LOAN Program origination requirements, the Servicer must reimburse MHESLA to the extent of MHESLA's loss (See Section 2.243). The Servicer must provide such reimbursement within 60 days of the State's request.

Servicer's Response to this Task:

TASK 5 – ORIGINATION PROCESSING

a. General

The Servicer offers complete origination processing. The STAR and FirstApp systems are utilized to collect required data, evaluate and process applications. Edits within FirstApp ensure that consumers are providing accurate data. The origination team communicates with applicants to expedite the return of all necessary documentation. They ensure the applicant understands what type of information is needed to complete their loan application. Procedures are created that reflect the program requirements. The quality assurance program is built around the program requirements to solidify the process.

b. Processing Manual

The procedures and the quality assurance program are built to reflect the information, functions, and responsibilities contained in the MI-LOAN Processing Manual. As MHESLA makes changes to the manual, these procedures are updated and training is provided to the team as needed.

c. Application Requests

Borrowers are able to apply for loans online using FirstApp or are able to obtain a loan application via regular mail or e-mail. The FirstApp system allows Firstmark to customize the MHESLA application process. This includes the ability to use MHESLA's logo, promote borrower benefits, and pre-screen the borrower's eligibility based on multiple criterion.

d. Application Methods

The borrower can electronically complete and sign the application or they can electronically complete and print the application to allow for a "wet" signature.

e. Loan Type

The STAR system identifies the type of loan the applicant has requested.

f. Loan Participants

The STAR system is able to show the relationship between borrowers, co-signers, and students. A borrower is able to use multiple co-signers for different loans and the system will show which loans are associated to each co-signer. The application process can accommodate a co-signer if needed or allow a creditworthy borrower to apply without a co-signer.

g. Application Review

The originations team reviews applications to ensure they are accurate and complete. If the information that is received is incorrect or incomplete, the team member will contact the applicant via phone, if possible, to obtain the necessary information, and follow up with an e-mail or letter if unable to reach the applicant. The team will follow the Processing Manual when determining what documentation is needed to complete the application.

h. Credit Standards

During the application process on FirstApp, a credit report is requested to determine the credit status of the applicant based on the standards set forth by MHESLA. As needed, the originations team has the skill and ability to review the credit report manually to make credit decisions. The credit report can be stored electronically.

i. Application Assessment

Applications will be reviewed by the originations team or FirstApp, as applicable, to determine if the applicant(s) meet MI-LOAN Program loan criteria. If disapproved, a letter will be sent to the applicable parties notifying them of the denial and reasons for denial. The call center team is able to answer any questions that the denied applicant may have. The call center team is trained on all loan programs.

j. Prior Loan Delinquency Review

The system or originations team will review the application to ensure the borrower does not have any delinquent MI-LOAN Program loans prior to approval.

k. School Certification

The originations team will obtain a school certification using the school's preferred method of providing certification, including CommonLine, the Servicer's online school certification tool, and fax/e-mail. The originations team will follow up at regular intervals until certification is received.

l. Appeals

The originations team and call center team have experience handling questions and concerns regarding denied loan applications. They will obtain the information needed to evaluate the appeal, review the information provided, and will communicate the decision to the borrower.

m. Check Stock

The Servicer is familiar with the check stock requirements for the MI-LOAN program. MHESLA has approved the check stock that is in use.

n. Disbursement

The Servicer disburses funds to the school using their preferred method of receiving funds. The Servicer can accommodate disbursement by check or EFT. The Servicer is able to meet all requirements stated related to disbursal of funds and will follow the guidelines outlined in the Processing Manual.

o. Disclosures

The Servicer is able to meet all Truth in Lending disclosure requirements and has the ability to send disclosures to co-signers, if required by law, or recreate disclosures as needed.

p. Timeliness of Disbursement

The Servicer can accommodate the requirements related to timeliness of disbursement.

q. Frequency of Disbursement

The Servicer is able to disburse daily, Monday through Friday, and has the ability to change the schedule as needed.

r. Account Maintenance

The status on the loan will be changed appropriately to reflect the disbursed status. All required documentation will be included in the loan history update. The Servicer is able to send an e-mail update to the borrower and co-signer notifying them of disbursement of funds.

s. Post Disbursement Processing

The originations and/or adjustments team will handle any post disbursement processing needed. Procedures will be implemented utilizing the Processing Manual.

t. Origination Fees

Please see Appendix B for applicable origination processing fees.

u. Liability

The Servicer will comply with the requirements outlined in Section 2.243 related to liability

TASK 6 – LOAN SERVICING: GENERAL LOAN SERVICING

a. General

The Servicer is responsible for performing general servicing associated with MHESLA's portfolio in accordance with state and federal requirements, CCI or designee directions and processing manual (Appendix G). This would include cancellations, adjustments, demographic updates, etc.

b. Account Maintenance

The Servicer will update the account as necessary within five (5) days of receipt of the request and supporting documentation, if required. At the time of updating the account, an appropriate history comment must be entered in the borrower's loan history identifying the action taken and the date it occurred.

c. Other Changes

The Servicer will make any name and/or address changes as reported by the borrowers or cosigners.

d. Notification

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

e. Cancellation Note Processing

(1) The Servicer must maintain a field that identifies disbursements that have been cancelled, and a status code that identifies loans that have been cancelled.

(2) A MI-LOAN Program loan may be cancelled if the disbursed funds are returned to the State or the Servicer in accordance to the Processing Manual (Appendix G).

(3) The Servicer's system must contain a status code to identify loans that have been cancelled. See (Appendix E) for a list of currently required status codes.

(4) The Servicer must enter a history comment in the loan history identifying the reason for cancellation, update the loan to cancellation status and perform any other necessary loan maintenance in accordance with the Processing Manual (Appendix G).

(5) The Servicer will copy by microfilm, microfiche, imaging, or other format approved by the CCI or designee, the cancelled file contents. After the time frame identified by the CCI or designee, the Servicer may destroy the original file.

(6) The Servicer must notify the borrower and cosigner(s), if applicable, of the cancellation.

Servicer's Response to this Task:

TASK 6 – LOAN SERVICING: GENERAL LOAN SERVICING

a. General

The Servicer can accommodate the general servicing requirements outlined in this Contract and the MHESLA Processing Manual.

b. Account Maintenance

The account maintenance team will update the account as necessary within five business days of receiving a request from a borrower.

c. Other Changes

Borrowers can make demographic changes utilizing firstmarkservices.com, the Servicer's IVR, or by requesting the change verbally or in writing. The Servicer will update demographic information based on the borrower's request. Names will be changed based on the guidelines set forth by MHESLA.

d. Notification

The Servicer will notify the borrower of adjustments that materially affect the loan.

e. Cancellation Note Processing

The Servicer can accommodate the requirements outlined related to cancellation note processing.

TASK 7 – LOAN SERVICING: LOAN ADJUSTMENTS

a. General

Adjustments refer to modifications made to the loan data after approval of the loan. Adjustments include increases or decreases in the loan amount, changes to the loan period, changes to the cost or financial aid amounts, etc. The Servicer is responsible for making adjustments to loans in accordance with the requirements of the contract, Loan Processing Manual (Appendix G) and CCI or designee directions.

b. Loan Amount

MHESLA allows the original amount of a MI-LOAN Program loan to be adjusted.

The adjusted loan amount must conform to program restrictions and may change during the period of this contract. The CCI or designee will notify the Servicer in writing of any changes. See the Processing Manual (Appendix G) for more information regarding aggregate loan amounts and adjustments.

c. Processing

The Servicer will update the loan record as necessary upon receipt of the adjustment request and supporting documentation, if required. An entry must be made in the loan history identifying the adjustment and the date it was effective. If the adjustment is to the loan amount, the loan history must identify the original loan amount, reason for the adjustment, and the adjustment amount.

Servicer's Response to this Task:

TASK 7 – LOAN SERVICING: LOAN ADJUSTMENTS

a. General

The Servicer will comply with the contract, Loan Processing Manual, and CCI or designee directions when making adjustments to the loan data.

b. Loan Amount

The Servicer can accommodate this requirement.

c. Processing

Supporting documentation is used to accurately update all loan records upon receipt of adjustment requests. Adjustments to borrower accounts are documented in the STAR servicing system history.

TASK 8 – LOAN SERVICING: LOAN TERMS

a. General

This task identifies the terms of the loans.

b. Interest Rate

Interest rates will be assigned by the CCI or designee, in writing, and may be fixed or variable. If variable, the Servicer is responsible for notifying the borrower when the interest rate changes and making all system adjustments necessary to accommodate the revised rate. Currently, the MI-LOAN Program variable interest rate changes yearly, on July 1ST. However, MHESLA reserves the right to alter this schedule.

The Servicer must record the interest rate change for each variable rate loan in the servicing history. The history comment must identify both the old and new interest rates.
The Servicer must maintain a historical record of each interest rate that has been charged.

c. Interest Accrual

Interest begins to accrue as of the date of the first disbursement.

d. Monthly Payments

Monthly payments are required for MI-LOAN Program loans. At this time, quarterly payments are not an option. The CCI or designee will notify the Servicer, in writing, if payment options are to change.

e. First Payment Date

The first payment must be scheduled in compliance with requirements outlined in the Processing Manual (Appendix G).

f. Minimum Payment Amount

The minimum monthly payment amount is $50 per borrower, but may be higher based on the borrower's total amount of outstanding MI-LOAN Program loans or lower if the borrower has been approved for forbearance. However, when multiple loans are combined for billing, the payment amount for each individual loan may be lower than $50.

g. Repayment Length

The loan must be paid in full within the maximum repayment term authorized by the CCI or designee and identified in the promissory note. Currently, the MI-LOAN Program has 15- and 25-year maximum repayment terms, depending on the terms of the promissory note. The maximum repayment term includes any authorized periods of forbearance.

h. Graduated Payments

The Servicer must be able to offer multi-level graduated payments to borrowers to facilitate repayment of the loans. A change notice will be issued if graduated payments are needed (See Section 2.024).

i. Forbearance

Currently, the MI-LOAN Program allows for a maximum of 60 months of forbearance to assist borrowers who are having difficulty making their monthly payments. Depending on the promissory note, forbearance may be of either principal or principal and interest amounts and is approved in increments of up to 12 consecutive months. All forbearance months are included in the maximum repayment term. Refer to Section 1.022-B Task 11, and the Processing Manual (Appendix G), for further forbearance information.

Servicer's Response to this Task:

TASK 8 – LOAN SERVICING: LOAN TERMS

b. Interest Rate

The Servicer is currently accommodating MHESLA's fixed and variable rate products. When interest rates change, the Servicer includes a notice regarding the rate change on the monthly bill. If a borrower is not scheduled to receive a bill within the month, the Servicer will send an e-mail or letter regarding the rate change.

The Servicer's system reflects a history of the interest rates in the profiles. In addition, the rate is available in the note snapshot.

c. Interest Accrual

The Servicer can accommodate this requirement.

d. Monthly Payments

The Servicer can accommodate MHESLA's payment frequency and will work with MHESLA to change that frequency if requested. Changes may be subject to terms outlined in Task 2c.

e. First Payment Date

The Servicer can accommodate the requirements of the first payment date.

f. Minimum Payment Amount

The Servicer can accommodate the minimum payment requirement.

g. Repayment Length

The Servicer can accommodate various repayment terms including those currently required by the MI-LOAN program.

h. Graduated Payments

The Servicer will work with MHESLA on this requirement if requested.

i. Forbearance

The Servicer can accommodate this requirement.

TASK 9 – LOAN SERVICING: BILLING BORROWER

a. General

The Servicer is responsible for billing the borrower for repayment of their loan(s).

b. Monthly Borrower Billing

The Servicer will bill the borrower and the cosigner by utilizing a paper monthly billing statement or electronic statement based on the borrower/cosigner preference. The Servicer must provide the monthly statement to the borrower and cosigner no later than 25 days prior to the first scheduled payment date. Subsequent monthly statements must be provided for all loans, regardless of whether a payment is due or not, no later than 25 days prior to the scheduled payment date. The only exception is defaulted loans, which do not receive a monthly statement. Should a duplicate statement be required, the Servicer will issue duplicates at no cost.

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

The Servicer will combine and mail monthly billing statements for all loans whenever possible to the borrower or cosigner(s), if applicable or based on borrower/cosigner preference, via e-mail, as the method of billing. Refer to the Processing Manual (Appendix G), for details.

MHESLA reserves the right to elect to use other billing methods at some point in the future (See Section 2.024).

c. Method of Payment

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

d. Amount of Payment

The minimum payment amount per borrower is $50. As additional loans for a borrower are added to the system, the payment amount due on each loan will be reduced to the lowest amount possible which will still repay the loan within the maximum repayment period allowed for that loan. The reduced payment amount for each loan is based on the outstanding loan principal to the total outstanding loan principal of all loans combined.

e. Timing of Billing

The first billing statement must be sent to the borrower and cosigner(s), if applicable, 21 days prior to the first scheduled payment. Subsequently, the monthly billing statement must be sent no later than 21 days before the next payment is due.

Servicer's Response to this Task:

TASK 9 – LOAN SERVICING: BILLING BORROWER

a. General

The Servicer can accommodate this requirement.

b. Monthly Borrower Billing

The Servicer can accommodate paper or electronic statements to the borrower/co-signer.

Please note if MHESLA chooses to send statements only to borrowers, the "Loan Servicing" fee listed in Appendix B may be reduced. The Servicer would like to discuss the customer service implications of beginning to send statements to co-signers and borrowers at the consummation of this agreement.

The Servicer currently bills MI-LOAN borrowers 21 days prior to all next payment due dates. The Servicer is able to support both the first billing statement and subsequent billing statements to generate 21 days before the next payment is due. The Servicer can make the adjustment to bill both the borrower and the co-signer simultaneously.

The Servicer can suspend billing statements for those borrowers or co-signers enrolled in KwikPay, the Servicer's ACH program.

c. Method of Payment

The Servicer's accommodates the following payment methods: check, money order, telephone payments, web payments and KwikPay (automatic debit program). The Servicer currently charges fees for payments made via the telephone. If MHESLA were to reconsider allowing the Servicer to charge a fee for telephone payments the Loan Servicing in Schedule B may be reduced.

d. Amount of Payment

The Servicer can accommodate this requirement.

e. Timing of Billing

The Servicer does not have two separate criteria for generating the first statement and the subsequent statements. The Servicer is able to generate statements 21 days before both the first billing statement and for all subsequent billing statements.

TASK 10 – LOAN SERVICING: APPLICATION OF PAYMENTS

a. General

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

b. Payments Received

Each business day, all payments and accompanying materials are to be microfilmed, imaged or captured in a format approved by the CCI or designee. The payments must be deposited on the date of their receipt.

c. Payment Review/Borrower Notification

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

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

d. Date of Payments

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

e. Application of Borrower Payments

(2) Payment Application

Payments are to be applied first to accrued interest, then to the principal balance. If the payment equals the scheduled payment amount, the Servicer will advance the next payment due date by one month. If the payment does not equal the scheduled payment amount, refer to Section 1.022-B Task 10f & j.

If the payment is greater than the scheduled payment amount, the payment will be applied first to the accrued interest, then to the current principal due, then to late charges/fees. Any remaining funds will be applied to principal. The due date will not be advanced more than 30 days into the future unless approved by the CCI or designee.

(3) Multiple Loans

Payments must be proportionately applied to the outstanding loans contained within the account unless specified otherwise by the payee.

(3) Funding Source

Payments must be identified by the appropriate bond fund accounts (See Section 1.022-B Task 23b) based on the proportionate amount applied to the loan(s).

f. Partial Payments

In the case of partial payments (less than the scheduled payment amount), the Servicer will not advance the next payment date except as authorized by the CCI or designee. When additional payment is received from the borrower which, when added to the partial payment, equals a scheduled payment amount, the Servicer will advance the next payment date.

g. Payments and Refunds Received by the State

The Servicer will devise and make available a transmittal form, which MHESLA will use, in transmitting payments or refunds received by the State. The CCI or designee must approve, in writing, the transmittal form before use. The transmittal form must allow for individual loan identification, the type of payment (regular payment, refund, forbearance payment) and the date the payment was received by the State. All payments received by the State are to be processed with an effective date as of the date that the State received the payment. The Servicer must post payments or refunds received from MHESLA to the borrower's loan within five (5) days of receipt of MHESLA's transmittal.

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

h. Late Charges

MHESLA currently does not assess a late charge if the borrower is late in making payments. However, MHESLA reserves the right to implement late charges through the duration of this contract. If MHESLA should take such action the CCI or designee and Servicer will determine the process and, the State will notify, via a change notice, the Servicer 90 days prior to implementation (See Section 2.024).

i. Nonsufficient Funds Check (NSF)

If a check is returned as NSF, within 24 hours of receipt of the returned check, the Servicer must resubmit the check for payment. The payment need not be reversed off the account at that time. If the check is accepted for payment after the second submission, there is no further processing required by the Servicer. If the check is refused the second time, the Servicer MUST reverse the payment off of the account and resume due diligence as though the payment had not been received (See Section 1.022-B Task 12). This maintenance must occur within three (3) days of the Servicer's receipt of the second refusal. The Servicer must return the refused check to the borrower and request replacement of the payment.

j. Paid-In-Full Overpayments of $5 or More

If the account is overpaid, the Servicer will wait 30 days from the date that the last payment is received (to make sure that the check clears the bank), and will then return the overpayment to the borrower. The refund check must be mailed as soon as possible, but no more than 60 days from the date that the last payment was received. The Servicer must complete paid-in-full processing within 15 days from the date that the refund is mailed. The Servicer is financially liable for any refunds that they make in error (See Section 2.243). In the future, MHESLA may, at its discretion, assume processing of these refunds. This change will be communicated via a change notice (See Section 2.024).

k. Remaining Balance

The Servicer must write off the balance remaining on an account thirty (30) days after the final billing statement has been sent if the balance is equal to or less than an amount as determined by the CCI or designee. Currently, this amount is $10 or less, but may change. Once the write off is completed, the Servicer will proceed with paid-in-full processing (See Section 1.022-B Task 19).

l. Default Payments

The Servicer must apply payments that are received for defaulted loans. This includes payments received by the Servicer directly from the borrower/cosigner and those transferred to the Servicer from MHESLA. However, the due date (delinquent date) must not be changed when the payments are applied. The due date on a defaulted loan is frozen as of the point of default and may not be changed. Payments received by the Servicer directly from borrowers must be identified, in writing, to the CCI or designee.

Loans may be not removed from default status unless specifically authorized, in writing, by the CCI or designee.

Servicer's Response to this Task:

TASK 10 – LOAN SERVICING: APPLICATION OF PAYMENTS

a. General

The Servicer is able to record and apply all payments received to the borrower's loans.

b. Payments Received

Payments are imaged and deposited on the date of receipt.

c. Payment Review/Borrower Notification

Correspondence received with payments is imaged upon receipt. The payment processing team reviews correspondence received and takes the appropriate action. Regular correspondence received with payments is reviewed and responded to appropriately by the customer correspondence team. Borrowers are directed to mail correspondence including disputes to the Servicer's correspondence address.

d. Date of Payments

The Servicer can accommodate this requirement. For phone and web payments, the payment is considered "received" on a date if it is submitted prior to the end of a Business Day as defined in this RFP. Any payments submitted outside of a Business Day will be considered "received" on the next available Business Day.

e. Application of Borrower Payments

Payment due dates will not be advanced more than 59 days in the future. The Servicer is able to meet the requirements related to multiple loans and funding source.

f. Partial Payments

The Servicer will not advance the due date for partial payments unless authorized to do so by the CCI or designee.

g. Payments and Refunds Received by the State

The Servicer can accommodate this requirement.

h. Late Charges

The Servicer will work with MHESLA to implement a late charge into the program if requested.

i. Nonsufficient Funds Check (NSF)

The Servicer can accommodate this requirement.

j. Paid-In-Full Overpayments of $5 or More

The Servicer returns overpayments over $1 in accordance with Regulation Z.

k. Remaining Balance

The Servicer can accommodate this requirement.

l. Default Payments

The Servicer can accommodate this requirement.

TASK 11 – LOAN SERVICING: FORBEARANCE

a. General

Forbearance is available as a temporary measure for borrowers unable to make their regularly scheduled payments. It allows all or part of the monthly payment to be forborne.

b. Forbearance Type

There are two types of forbearance; forbearance of "principal only" or of "principal and interest." Only those loans disbursed on or after July 5, 1999 qualify for forbearance of principal and interest, while all loans qualify for forbearance of principal only. A "principal only" forbearance allows the borrower to pay only the amount of accrued interest each month. However, a principal and interest forbearance does not require the borrower to make payments during the forbearance period. The interest that accrues will be added to the principal balance (capitalized) at the end of the forbearance.

c. Repayment Tool

It is the right of either the borrower or cosigner to request forbearance. Justification for the request is not required. The Servicer will promote use of forbearance to help cure a delinquent account.

d. Status Code

The Servicer must have separate status codes to identify loans in each type of forbearance. It will be necessary for certain accounting reports to separate report data by type of forbearance. (See Appendix E for a list of currently required status codes.)

e. Forbearance Length

The Servicer cannot approve forbearance for more than 12-month segments. Periods of less than 12 months can be approved if requested by the borrower or cosigner.

f. Requests for Forbearance

To receive forbearance, the borrower or cosigner may provide a written request or request by telephone. They must identify which type of forbearance they are requesting (principal only or principal and interest). The forbearance request does not need to be specific as to the period covered or the amount of interest affected. If the request does not identify which type of forbearance is being requested, the Servicer will apply principal and interest forbearance or if the loan only qualifies for principal only forbearance, this type will be applied.

g. Processing

Upon receipt of a forbearance request, the Servicer must process the request and, if approved, notify the borrower and update the borrower's loan record. The Servicer should construe each forbearance request as a request for a 12-month period, unless specified otherwise by the requesting party. If the loan is delinquent, the forbearance must begin with the first day of delinquency. The forbearance type and the beginning and ending dates of the forbearance period must be entered in the loan history on the date that the maintenance occurs.

For a principal only forbearance on a delinquent loan, the Servicer may reapply the prior payment which had been applied to principal and interest to the new forbearance period, thus, assisting the borrower in meeting the interest payment requirement for the newly processed forbearance.

See the Processing Manual (Appendix G) for further information regarding forbearance.

h. Forbearance Accumulator

Each loan is allowed a maximum of 60 months of forbearance (both types combined). The Servicer's system must include a forbearance accumulator field, viewable by MHESLA, that identifies the total number of forbearance months approved for each loan. It is the Servicer's responsibility to ensure that no loan receives more than 60 months of forbearance.

i. Approval

When a forbearance request is approved, the Servicer must notify the borrower and cosigner(s), if applicable, of the approval, listing the type of forbearance and the beginning and ending dates. The wording of the approval letter must be approved, in writing, by the CCI or designee.

j. Denial

The Servicer cannot honor a forbearance request if the loan is 120 days or more delinquent, without prior approval from the CCI or designee, or if the loan has already received 60 months of forbearance. If a forbearance request is denied, the Servicer must give written notice to the requesting party of the reason for denial. An entry must be made in the loan history of the denied forbearance request and the Servicer's denial notification.

k. Documentation

The Servicer must document any forbearance request received (written or verbal/by telephone) in the loan history, and maintain a copy of any written forbearance request, and approval or denial, in hardcopy, microfilm, microfiche, imaging, or other format approved, in writing, by the CCI or designee.

Servicer's Response to this Task:

TASK 11 – LOAN SERVICING: FORBEARANCE

a. General

The Servicer understands this statement.

b. Forbearance Type

The Servicer can accommodate "principal only" or "principal and interest" forbearance types.

c. Repayment Tool

The customer service and collection teams promote forbearance as a way to cure a delinquent account or prevent delinquency.

d. Status Code

Separate status codes are used for each forbearance type. The Servicer can accommodate the reporting request related to forbearance types.

e. Forbearance Length

The Servicer can accommodate this requirement.

f. Requests for Forbearance

The Servicer can accommodate this requirement.

g. Processing

The Servicer can accommodate the requirements outlined related to forbearance processing.

h. Forbearance Accumulator

The Servicer documents the amount of forbearance used and available in the servicing history. This is viewable by MHESLA. The Servicer ensures that a loan does not receive more than 60 months of forbearance.

i. Approval

The Servicer can accommodate this requirement.

j. Denial

The Servicer can accommodate this requirement.

k. Documentation

All forbearances are imaged. Approval or denial letters are able to be recreated as needed. All activities on the borrower's account are documented in the STAR servicing system.

TASK 12 – LOAN SERVICING: DUE DILIGENCE

a. General

Due diligence must be performed on all loans which become delinquent in repayment. It is the Servicer's responsibility to perform the required due diligence as directed. Adjustments to the due diligence schedule may be made with MHESLA's authorization via a change notice (See Section 2.024).

b. Due Diligence Requirements

The Servicer must perform due diligence according to the following schedule.

Days Delinquent	Contact Type	Recipient	Actions
10	E-mail	Borrower and Cosigner(s)	1
15	Letter	Borrower and Cosigner(s)	1
15-29	Telephone Call	Borrower and Cosigner(s)	1 contact or 3 attempts
30	Letter	Borrower and Cosigner(s)	1
30	E-mail	Borrower and Cosigner(s)	1
30-45	Telephone Call	Borrower and Cosigner(s)	1 contact or 3 attempts
45-60	Telephone Call	Borrower and Cosigner(s)	1 contact or 3 attempts
50	E-mail	Borrower and Cosigner(s)	1
60	Letter	Borrower and Cosigner(s)	1
61-90	Telephone Call	Borrower and Cosigner(s)	1 contact or 3 attempts
75	Letter	Borrower and Cosigner(s)	1
90	Letter	Borrower and Cosigner(s)	1
91-120	Telephone Call	Borrower and Cosigner(s)	1 contact or 3 attempts
121	Loan Status is changed to Default – Stop all contact attempts		

In regard to telephone calls, the following applies to each required contact.

(1) The Servicer must allow the telephone to ring a minimum of six (6) times before determining that the call is a "No Answer".

(2) If the Servicer is unable to reach the borrower or cosigner(s), if applicable, on the first attempt, the Servicer must make two additional attempts at different times of the day (morning, afternoon and evening) on different days to satisfy that telephone call contact requirement.

(3) If the Servicer reaches an answering machine, the Servicer must leave its organization name and call-back number.

The Servicer will have complied with the above due diligence if the required telephone calls are made, and the required delinquent notices are sent, within seven (7) days of the noted days delinquent.

MHESLA will approve all written and verbal notices for use by the Servicer within 30 days of contract issuance.

The Servicer must provide delinquency contact via e-mail to the borrower and cosigner (if an e-mail address has been provided) and populate the servicing system with the most current e-mail addresses.

c. Due Diligence During Bankruptcy

The Servicer is responsible for continuing due diligence to the extent possible in compliance with applicable bankruptcy laws. Currently, bankruptcy statute requires that contact with all parties to a loan be discontinued for a Chapter 13 bankruptcy. However, for other bankruptcies, if the bankruptcy does not include all of the parties to the MI-LOAN Program loan, limited due diligence is still possible. For example, if the borrower files bankruptcy but the cosigner(s) is not included in the bankruptcy, the Servicer must discontinue all due diligence on the borrower but must continue due diligence on the cosigner(s). Correspondingly, if the cosigner(s) files bankruptcy but the borrower is not included, due diligence must continue on the borrower but not on the cosigner(s).

d. Service History Comments

The account history must reflect all due diligence contacts. In addition, the history comments must be in words that result in a message that is clear, complete and easily understood by MHESLA. Codes that must be converted to be understood are not acceptable.

Servicer's Response to this Task:

TASK 12 – LOAN SERVICING: DUE DILIGENCE

a. General

The Servicer can accommodate this requirement.

b. Due Diligence Requirements

The Servicer will perform due diligence according to the schedule provided. The Servicer uses a dialer for outbound due diligence calls. During each outbound call, the line is allowed to ring for a total of 30 seconds (equivalent to 7 or 8 rings). In the event that the representative is unable to contact the appropriate person, the representative will leave a message. Email diligence is not currently in place, we will set up the MILOAN program to include email diligence at the timeframes noted when it is available if we have a valid email address on record for the borrower and co-signers.

c. Due Diligence During Bankruptcy

The Servicer can accommodate this requirement.

d. Service History Comments

Due diligence contacts are updated in the history in a clear, complete manner.

TASK 13 – LOAN SERVICING: SKIP TRACING

a. General

The Servicer is responsible for skip tracing in the event the borrower's/cosigner's mail is returned as undeliverable or they are aware the telephone number is not accurate.

b. Requirements

Within five (5) days of the Servicer's receipt of information indicating the borrower's and/or cosigner(s)' address or telephone number is not accurate, the Servicer shall diligently attempt to locate the borrower and/or cosigner(s) or an accurate telephone number.

c. Skip Tracing Techniques

The Servicer is to use normal, commercial skip tracing techniques including checking available FFELP databases. These techniques include, but are not limited to, contacting every reference listed on each of the borrower's loan applications (including applications for loans that are not delinquent), relatives, the school, and any other individuals and entities identified in the borrower's loan file.

In addition, the Servicer must make inquiry into credit bureau records to determine the most current address or telephone number on record.

d. Skip Tracing is Unsuccessful

If the Servicer is unable to locate the borrower and/or cosigner(s) or secure an accurate telephone number, the Servicer must request skip-tracing assistance, in writing, from the CCI or designee within ten (10) days of Servicer's commencement of skip tracing activities.

e. Skip Tracing is Successful

When the Servicer locates the borrower and/or cosigner(s) or secures an accurate telephone number, the Servicer must appropriately update the borrower's account, the same day, with the correct address and telephone number(s).

Servicer's Response to this Task:

TASK 13 – LOAN SERVICING: SKIP TRACING

a. General

The Servicer can accommodate this requirement.

b. Requirements

The Servicer can accommodate this requirement.

c. Skip Tracing Techniques

The Servicer uses normal commercial skip tracing techniques including those listed in the Contract.

d. Skip Tracing is Unsuccessful

The Servicer can accommodate this requirement.

e. Skip Tracing is Successful

The Servicer can accommodate this requirement.

TASK 14 – LOAN SERVICING: DEFAULT

a. General

Default will occur if the loan becomes 120 days delinquent. It is the Servicer's responsibility to monitor loan delinquency and process the loan as a default if it becomes 120 days delinquent.

b. Status Code

The Servicer's system must contain status codes (Appendix E) viewable by MHESLA. The Servicer's system must be able to identify whether the loan has been transferred to the Michigan Department of Treasury Collections. The bankruptcy status codes must identify the type of bankruptcy that was filed (Chapter 7, Chapter 13, etc.).

c. Default Processing

If a loan reaches 120 days delinquent, the Servicer's system must automatically update the status of the loan to default status and update the loan history that the default occurred and the date of the default.

The Servicer must retain the defaulted loan on the system for statistical and reporting purposes, and to apply payments and accrue interest. Refer to Section 1.022-B Task 10 for payment application. Section 1.022-B Task 23 identifies the default reporting requirements.

d. File Processing

The CCI or designee may instruct the Servicer to transmit the loan folder to MHESLA. The Servicer is responsible for maintaining a copy of the file in its entirety.

e. Liability

MHESLA will review loans at default to confirm the Servicer complied with all requirements of this contract.

If there is loss to MHESLA and the Servicer failed to comply with the MI-LOAN Program servicing requirements, the Servicer must reimburse MHESLA to the extent of MHESLA's loss (See Section 2.243). The Servicer must provide such reimbursement within 60 days of the State's request.

Servicer's Response to this Task:

TASK 14 – LOAN SERVICING: DEFAULT

a. General

The STAR servicing system monitors and reports on loan delinquency. The Servicer will process loans as default at day 120 as requested.

b. Status Code

The Servicer can accommodate this requirement.

c. Default Processing

The Servicer can accommodate the requirements outlined related to default processing.

d. File Processing

The Servicer can accommodate this requirement.

e. Liability

The Servicer will comply with the requirements outlined in Section 2.243 related to liability.

TASK 15 – LOAN SERVICING: CREDIT BUREAU REPORTS

a. Membership Costs

The Servicer is responsible for the acquisition and cost for membership in one or more of the national credit bureaus, which is required to meet the servicing requirements of MHESLA's portfolio. The CCI or designee must approve the selection of the credit bureau(s) that the Servicer plans to utilize in reporting MHESLA's portfolio.

b. Monthly Reporting to Credit Bureau(s)

On a monthly basis, the Servicer will report loan information for all borrowers and cosigners to at least one (1) national credit bureau in the manner designated by the credit bureau.

The initial report must be made in the next reporting cycle after disbursement of the loan. Monthly updates on the loan will be required until the loan is no longer outstanding. The final report to the credit bureau will reflect the reason for the zero balance due (death, disability, paid in full, paid in full default, etc.).

Negative, past due reporting will be reflected once the loan reaches 60 days delinquent. Prior to 60 days delinquent, the loan will be reported as current. In the case of bankruptcy, credit bureau reports must reflect the type of bankruptcy, if required, and the appropriate status of both the borrower and the cosigner(s).

The Servicer must include costs associated with the monthly credit bureau reports in the unit price (See Appendix B).

c. Disputes

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

d. Corrections

If, as a result of either a dispute investigation or direct contact by the borrower or cosigner, it is determined that an incorrect report was submitted to the credit bureau(s), the Servicer must submit a correction the same day as the Servicer's confirmation that a correction is in order.

e. Due Diligence

MHESLA performs additional due diligence as a supplement to that performed by the Servicer in Section 1.022-B Task 12. To do this, there are times when updated demographic information is needed. To assist MHESLA, the Servicer will obtain a credit bureau report on borrowers and/or cosigner(s) when requested by the CCI or designee.

Once obtained, the credit bureau report must be mailed overnight express to the CCI or designee.

f. Credit Verification Inquiries

Borrowers seeking additional credit may authorize MHESLA to release verification of credit status to the potential creditor. Most credit inquiries request the borrower's beginning balance and date that the account was opened, current balance, monthly payment amount, next payment amount, terms, any past due amount and a rating. It is the Servicer's responsibility to respond to authorized credit inquiries and provide the data requested on behalf of MHESLA to the credit bureau(s).

Servicer's Response to this Task:

TASK 15 – LOAN SERVICING: CREDIT BUREAU REPORTS

a. Membership Costs
The Servicer reports active loans on a monthly basis to all three major credit bureaus.

b. Monthly Reporting to Credit Bureau(s)
The Servicer can accommodate this requirement as outlined in the question and answer document. However, subsequent to the issuance to this Contract MHESLA has directed the Servicer to report collection status once a loan is placed into Claim Filed status.

c. Disputes
The Servicer can accommodate this requirement.

d. Corrections
The Servicer can accommodate this requirement.

e. Due Diligence
The Servicer can accommodate this requirement and will forward the data to MHESLA via secured e-mail.

f. Credit Verification Inquires
The Servicer can accommodate this requirement.

TASK 16 – LOAN SERVICING: BANKRUPTCY

a. General

The Servicer is responsible for notifying MHESLA within one (1) day, upon receipt of bankruptcy notification.

b. Status Code

The Servicer's system must contain status codes (Appendix E) viewable to MHESLA that identify loans in bankruptcy, and which also identify the type of bankruptcy that was filed (Chapter 7, Chapter 13, etc.).

c. Account Maintenance

The Servicer must update the loan record to the appropriate bankruptcy status, and record in the loan history the date that the bankruptcy papers were received, the date the bankruptcy was filed, and the date the papers were faxed or overnight expressed to MHESLA.

The Servicer must retain loans that are in a bankruptcy status on the system.

d. Processing of Bankruptcy Documents

Upon receipt of a notification that a borrower and/or cosigner(s) have filed bankruptcy, and receipt of further bankruptcy documents, the Servicer must notify MHESLA within one (1) day and overnight express the original bankruptcy notice to the CCI or designee. Prior to doing this, a copy of the bankruptcy notice must be placed in the borrower's folder.

e. Due Diligence

The Servicer must immediately cease collection activity on the party to the loan that is named in the bankruptcy documents. As cited in Section 1.022-B Task 12, the Servicer is responsible for performing due diligence, if appropriate, on parties to the MI-LOAN Program loan that were not included in the bankruptcy.

f. State Involvement

MHESLA will handle the bankruptcy notice and follow through with the courts on any loan for which it is necessary.

Servicer's Response to this Task:

TASK 16 – LOAN SERVICING: BANKRUPTCY

a. General

The Servicer can accommodate this requirement.

b. Status Code

The Servicer can accommodate this requirement.

c. Account Maintenance

Activities on the borrower's account are documented in the STAR servicing system. The Servicer will retain loans that are in bankruptcy on the system.

d. Processing of Bankruptcy Documents

The Servicer can accommodate this requirement.

e. Due Diligence

The Servicer can accommodate this requirement.

f. State Involvement

The Servicer understands this statement.

TASK 17 – LOAN SERVICING: PERMINANTLY AND TOTALLY DISABLED

a. General

For students who become permanently and totally disabled, the MI-LOAN Program will cancel the outstanding loan balance. The Servicer is responsible for processing requests for loan cancellation for this reason.

Cancellation is not available due to the permanent and total disability of the cosigner(s), or parent borrower.

b. Loan Status

The Servicer must have a status code viewable to MHESLA that identifies loans cancelled due to permanent and total disability (See Appendix E for a list of currently required status codes.).

c. Notification

Upon receipt of information that a student is permanently and totally disabled, the Servicer will refer the correspondence/caller to MHESLA. If documentation was received, the Servicer will copy the materials by microfilm, imaging or other method approved, in writing, by the CCI or designee prior to forwarding the materials to the CCI or designee.

d. State Review

MHESLA will review the disability documentation and the CCI or designee will notify the Servicer in writing if the borrower's loan(s) are to be cancelled due to permanent and total disability.

e. Processing

Upon instructions from the CCI or designee, the Servicer will update the borrower's loan(s) to disability cancellation status, enter a history comment that the loan(s) was cancelled due to permanent and total disability and the date of the cancellation.

Payments received after the date MHESLA determines the student to be permanently and totally disabled must be returned to the sender. Those payments may have been received from someone other than the borrower. In order for the Servicer to determine the party to which the funds must be returned, the original payment document must be pulled and provided to the CCI or designee.

The Servicer must retain loans cancelled due to a permanent and total disabled status on the system for future reporting purposes.

f. File Processing

The Servicer will copy by microfilm, microfiche, imaging, or other format approved by the CCI or designee, the borrower's loan file contents. After a mutually agreed upon time frame by the Servicer and CCI or designee, the Servicer may then confidentially destroy the original file.

Servicer's Response to this Task:

TASK 17 – LOAN SERVICING: PERMINANTLY AND TOTALLY DISABLED

a. General

The Servicer understands this requirement.

b. Loan Status

The Servicer can accommodate this requirement.

c. Notification

The Servicer can accommodate this requirement.

d. State Review

The Servicer understands this statement.

e. Processing

The Servicer can accommodate the requirements outlined related to processing of permanent and total disability requests.

f. File Processing

The Servicer can accommodate this requirement.

TASK 18 – LOAN SERVICING: DEATH OF STUDENT

a. General

The MI-LOAN Program allows for loan cancellation in the event of the student's death. The Servicer is responsible for processing requests for loan cancellation for this reason.

Cancellation is not available due to the death of the cosigner(s), or borrower (if borrower is not the student). If all financially liable parties to the loan become deceased, the Servicer must notify MHESLA and provide death certificate copies for the last financially liable party.

b. Account Status

The Servicer must have a loan status code viewable to MHESLA that identifies loans cancelled due to death. (See Appendix E for a list of currently required status codes.)

c. Notification

The determination of death may be made on the basis of a death certificate or other proof approved by the CCI or designee.

d. Processing

Upon receipt of the student's death certificate, or confirmation from the CCI or designee regarding the acceptability of other documentation, the Servicer must immediately cease collection on the borrower's loan(s). The Servicer will update the borrower's loan(s) to death cancellation status, enter a history comment that the loan(s) was cancelled due to the student's death and the date of the cancellation.

Payments received from the estate or paid on the borrower's behalf after the date of the student's death must be returned to the sender. Those payments may have been received from someone other than the borrower. In order for the Servicer to determine the party to which the funds must be returned, the original payment document must be pulled and provided to MHESLA.

The Servicer must retain any loans cancelled due to death of the student on the system for future reporting purposes.

e. File Processing

The Servicer will copy by microfilm, microfiche, imaging, or other format approved by the CCI or designee, the borrower's loan file contents. After a mutually agreed upon time frame by the Servicer and CCI or designee, the Servicer may then confidentially destroy the original file.

f. Note Processing

The Servicer will notify the cosigner(s) and the parent borrower, if applicable, of the loan cancellation.

Servicer's Response to this Task:

TASK 18 – LOAN SERVICING: DEATH OF STUDENT

a. General

The Servicer understands this requirement.

b. Account Status

The Servicer can accommodate this requirement.

c. Notification

The Servicer understands this statement.

d. Processing

The Servicer can accommodate the requirements outlined related to processing loan cancellation due to a student's death.

e. File Processing

The Servicer can accommodate this requirement.

f. Note Processing

The Servicer can accommodate this requirement.

TASK 19 – LOAN SERVICING: PAID-IN-FULL PROCESSING

a. General

The Servicer will perform paid-in-full processing when the borrower's payment, or payment made on behalf of the borrower, results in the loan being paid in full.

b. Status Code

The Servicer's system must have a status code to identify loans that are paid-in-full (See Appendix E for a list of currently required status codes). The data fields pertaining to the paid in full loan(s) are not to be changed, except to update the current principal balance field when processing a refund, write-off or write-up, or if the final payment must be reversed due to non-sufficient funds. The interest rate field must reflect the interest rate at the time that the loan status changed to paid in full.

c. Processing Time

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

d. Note Processing

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

(1) The Servicer will mark the original promissory note(s) as "Paid" and return it to the borrower. A copy of the promissory note(s) marked "Paid" must be retained in the borrower's file.

OR

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

The CCI or designee must approve, in writing, the written notices used by the Servicer. Paid in full promissory notes may not be returned to anyone other than the borrower, unless approved by the CCI or designee.

e. File Processing

The Servicer will copy by microfilm, microfiche, imaging, or other format approved by the CCI or designee, the paid-in-full file contents. After a mutually agreed upon time frame between the Servicer and CCI or designee, the Servicer may then confidentially destroy the original file (See Section 1.022-B Task 3p).

f. Liability

If the Servicer returns the promissory note(s) to the borrower in error for a loan(s) which is still outstanding, the Servicer must reimburse MHESLA within 60 days the amount of the outstanding balance of the loan on which the error occurred, (See Section 2.243).

Servicer's Response to this Task:

TASK 19 – LOAN SERVICING: PAID-IN-FULL PROCESSING

a. General

The Servicer can accommodate this requirement.

b. Status Code

The Servicer can accommodate this requirement.

c. Processing Time

The Servicer can accommodate this requirement.

d. Note Processing

The Servicer can accommodate this requirement.

e. File Processing

The Servicer can accommodate this requirement.

f. Liability

The Servicer will comply with the requirements outlined in Section 2.243 related to liability.

TASK 20 – LOAN SERVICING: AUDIT REQUIREMENTS

a. General

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

b. Audits and Program Reviews

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

c. Borrower Records

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

d. Servicer Information

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

e. Portfolio Analysis

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

f. Servicer Financial Statements

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

Servicer's Response to this Task:

TASK 20 – LOAN SERVICING: AUDIT REQUIREMENTS

a. General

The Servicer can accommodate this requirement.

b. Audits and Program Reviews

The Servicer will provide the information that MHESLA needs to conduct their audit; via online access, reports, or paper copies of screens. The Servicer will not charge MHESLA for costs associated with a program review or audit.

c. Borrower Records

The Servicer can accommodate this requirement.

d. Servicer Information

The Servicer can accommodate this requirement.

e. Portfolio Analysis

The Servicer can accommodate this requirement.

f. Servicer Financial Statements

Financial statements are publicly available at www.nelnetinvestors.com.

TASK 21 – LOAN SERVICING: PUBLIC AWARENESS

a. General

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

b. Informational/Application Materials

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

c. Training and Informational Sessions

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

d. Borrower Mailings

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

e. Cost for Public Awareness

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

Servicer's Response to this Task:

TASK 21 – LOAN SERVICING: PUBLIC AWARENESS

a. General

The Servicer has resources to support MHESLA's desire to facilitate public awareness of its programs in Michigan. The Servicer's web site, employee expertise, and experienced mail vendor can be effectively leveraged to complement MHESLA's own efforts to inform and educate target audiences in the state. The Servicer is prepared to work with MHESLA to determine and implement the most effective vehicles to deliver public awareness initiatives.

b. Informational/Application Materials

The Servicer can accommodate this requirement.

c. Training and Informational Sessions

The Servicer has an extensive system training program that is administered to all new team members. This program can be easily modified to be utilized for MHESLA staff as needed. The Servicer employs a highly qualified, experienced training team that would oversee any training needs.

d. Borrower Mailings

The Servicer can accommodate this requirement by utilizing its current mail vendor to fulfill these requests.

e. Cost for Public Awareness

The Servicer understands the statement and is in agreement with this arrangement.

TASK 22 – LOAN SERVICING: FRAUD AND ABUSE

a. General

This task covers the Servicer's responsibilities regarding possible fraud and abuse cases. Refer to the Origination Section of the Processing Manual (Appendix G) for full details and requirements.

b. Signature/Endorsement Issues

If a borrower or cosigner claims that he/she did not sign the application or endorse the check(s), the Servicer must refer them to MHESLA. Upon request by the CCI or designee, the Servicer must provide MHESLA with the borrower's file folder. If the borrower also has federal student loans with MHESLA that are serviced by the Servicer, MHESLA may request materials from those loans as well. Originals of all materials are required if available. If originals are not available, clear copies are needed. The Servicer must retain a copy of all materials as the Servicer is responsible for maintaining the borrower files for all loans serviced for MHESLA.

MHESLA will be responsible for mailing affidavits to the borrower or cosigner, and instruct the Servicer on what actions to take.

c. Other Issues

The Servicer will immediately contact MHESLA regarding any other signs of potential fraud and abuse. The CCI or designee will instruct the Servicer based on the individual circumstances.

Servicer's Response to this Task:

TASK 22 – LOAN SERVICING: FRAUD AND ABUSE

a. General

The Servicer understands this requirement.

b. Signature/Endorsement Issues

The Servicer can accommodate this requirement.

c. Other Issues

The Servicer has developed a complete fraud aversion program that includes immediate notification to the lender of any suspected fraud. Cases of suspected fraud are investigated by the management team.

TASK 23 – LOAN SERVICING: FINANCIAL AND REPORT REQUIREMENTS

a. General

The Servicer must provide MHESLA with reports that will be used to account for its loan portfolio and to publish an annual report, which is required by the Michigan legislature, at the close of each fiscal year (10/01 through 09/30). Statistical information required for inclusion in the annual report must be made available to MHESLA no later than 30 days following the expiration of the State's fiscal year (September 30). The Servicer must prepare reports (See Section 1.042-B) and reconciliations of all transactions affecting the student loan accounts.

Transaction categories that the Servicer's system must contain include, but are not limited to, cash payments, non-cash payments, loan disbursements, loan increases, loan reductions, loan cancellations, write-offs, write-ups, and assignment of loans to a different bond funding source (bond fund) resulting in a bond fund code change. The Servicer is responsible for preparing any other accounting reports which MHESLA deems are necessary to reconcile Servicer and State accounting records, at no additional cost to MHESLA. Reports must be provided in a method and format that is acceptable to MHESLA.

The Servicer must maintain appropriate records to support the reporting needs of MHESLA, as defined in each report of Section 1.042-B, and other funding transaction participants to whom MHESLA must provide portfolio data.

b. Funding Source Listing

Most MI-LOAN Program loans are funded through the sale of bonds. The list below identifies the various funding sources in MHESLA's current portfolio. Following the funding source number is the corresponding funding source code utilized in the computer system record. The funding source code for each loan must be viewable to MHESLA in the Servicer's system.

-- Bond Series OPER (XIII A) 002
-- Bond Series XVII-G (XIV) 120
-- Bond Series XVII-A 117
-- Bond Series XVII-B 118
-- Bond Series XVII-D 119
-- Bond Series XVII-G 120
-- Bond Series XVII-I 121
OPER 001
Bond Series XVII-P 122
Bond Series XVII-Q 123
Bond Series XVII-L 124
Bond Series 21-A (F) 125
Bond Series 21-A (V) 004

c. Servicer Financial Statements

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

d. Reporting Method

MHESLA would like to receive reports through an electronic method, such as e-mail, the Internet, or computer disk, that would allow for electronic storage (See Section 2.271 and Appendix C). However, if an electronic method is not possible, MHESLA will accept reports on paper.

e. Timeliness

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

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

f. Report Formats

MHESLA will specify the data elements required in each report; however, the format of the reports will be at the Servicer's option. A list of the currently required data elements and loan statuses is included in Appendix E.

All reports must be sectioned as specified in the individual report descriptions. Each page of each report must contain the header data below unless otherwise agreed to by the CCI or designee. All dates must be shown in month, day, century/year format (mm/dd/ccyy).

1) Servicer's name
2) Report number, if the Servicer utilizes report numbers
3) "MHESLA"
4) "MI-LOAN Program"
5) Report title as stated in the report description
6) Report period covered as stated in the report description
7) Report section as stated in the report description
8) Report subsection as stated in the report description
9) Report print date
10) Page number

For each report, the Servicer must submit a summary page stating "No Activity" when there is no activity during the report period, so MHESLA may be assured that all reports are received. The header of the summary page, for reports for which no activity occurred, must include all header information required above. The dollar amounts for all statistical reports are rounded to the nearest dollar.

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

g. Ad Hoc Reports

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

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

h. Reports

There are five types of reports required: 1) origination management reports, 2) origination statistical reports, 3) servicing operational reports, 4) servicing statistical report, and 5) financial reports. See Section 1.042-B.

The Servicer may condense the requirements of two (2) reports into one (1) report if approved, in writing, by the CCI or designee.

Servicer's Response to this Task:

TASK 23 – LOAN SERVICING: FINANCIAL AND REPORT REQUIREMENTS

a. General

The Servicer can accommodate MHESLA's requirements regarding the timing of reports. In addition, the reports that the Servicer produces for the MI-LOAN program contain all the necessary transactions as listed above.

b. Funding Source Listing

The Servicer can accommodate this requirement.

c. Servicer Financial Statements

The Servicer's financial statements are publicly available at www.nelnetinvestors.com.

d. Reporting Method

The Servicer provides the MI-LOAN reports electronically via a secure web interface.

e. Timeliness

MI-LOAN reports are generally available the first day following the report period.

f. Report Formats

The Servicer has designed the MI-LOAN reports to meet MHESLA's needs. The Servicer will work with MHESLA to modify the format or content of the reports if necessary.

g. Adhoc Reports

The Servicer will work with MHESLA to produce ad hoc reports as needed. MHESLA has the ability to create and print customized reports at MHESLA's site utilizing a download containing MI-LOAN data.

Please see Appendix B for the cost associated with ad hoc reports.

h. Reports

The Servicer understands this requirement.

TASK 24 – LOAN SERVICING: DECONVERSION TO ANOTHER SERVICER

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

a. Time Frame for Conversion

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

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

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

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

b. Incumbent Servicer Support

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

Once all loan data (electronic and hard copy/imaged) is transferred to the incoming Servicer, the incumbent Servicer must process loans according to the requirements of the contract until notified by the CCI or designee. Upon notification from the CCI or designee, the incumbent Servicer will be required to process loans only according to this task (Section 1.022-B Task 24).

c. Loan Data Records (Actively Servicing)

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

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

d. Hard Copy Loan Documents (Actively Servicing)

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

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

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

e. Loan Records/Documents (Non-Active)

MHESLA must have access to history/audit trail microfilm, microfiche, imaged documentation, electronic records, etc. through the federally mandated retention period of five (5) years after the loan is paid-in-full or paid by default claim. The incumbent Servicer must forward a copy of the electronic records, film, microfiche, imaged data, etc. to the incoming Servicer in the manner identified in section 1.022-B Task 24d. The incumbent Servicer must provide sufficient instruction to allow the incoming Servicer or MHESLA's retrieval of the documentation. The incoming Servicer must accept electronic records in the media and file format identified by the incumbent Servicer. All data and associated materials, including archived data, must be purged off the incumbent Servicer's system as instructed by the CCI or designee.

f. Unprocessed Documents

(1) Received During Deconversion Period

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

(2) Received After Contract Termination

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

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

g. Checks Originated by Incumbent Servicer

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

Because the unit cost for origination processing includes the costs associated with the functions indicated above (Section 1.022-B Task 24g), the incumbent Servicer must perform those services on the disbursements which the incumbent Servicer issued at no additional charge to MHESLA.

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

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

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

h. Proof of Delivered Loan Proceeds

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

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

i. Costs for Deconversion to Another Servicer

The pricing sheet (Appendix B) contains a separate line for deconversion costs.

j. Liability

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

Servicer's Response to this Task:

TASK 24 – LOAN SERVICING: DECONVERSION TO ANOTHER SERVICER

a. Time Frame for Conversion

The Servicer will work closely with MHESLA to understand conversion needs and work together on a plan to deconvert loans as needed. The Servicer performs a number of checks and balances throughout the conversion process to ensure a quality conversion.

b. Incumbent Servicer support

After the loans have been deconverted, the Servicer will follow the process outlined in Task 24, f.

c. Loan Data Records

The Servicer can accommodate this requirement.

d. Hard Copy Loan Documents (Actively Servicing)

The Servicer can accommodate this requirement.

e. Loan Records/Documents (Non-Active)

The Servicer can accommodate this requirement.

f. Unprocessed Documents

The Servicer can accommodate this requirement.

g. Checks Originated by Incumbent Servicer

The Servicer can accommodate these requirements.

h. Proof of Delivered Loan Proceeds

The Servicer can accommodate this requirement.

i. Costs for Deconversion to another Servicer

Please see APPENDIX B for the deconversion fee.

j. Liability

The Servicer will comply with the requirements outlined in Section 2.243 related to liability.

1.030 Roles and Responsibilities

1.031 Contractor Staff, Roles, and Responsibilities

A. Contractor must provide a project manager to act as a central point of contact for all contractual activities.

B. The Contractor shall provide resumes, for all named key personnel, including sub-contractors, who will be assigned to the Contract, indicating the duties/responsibilities and qualifications of such personnel. The Contractor will commit that staff identified in its proposal will actually be available at the start of the contract period and be ready and able to perform the assigned work. Any key personnel staff substitution must have the prior approval of the State (See Section 2.062). The bidder will provide, and update when changed, an organizational chart indicating lines of authority for personnel involved in performance of this Contract and relationships of this staff to other programs or functions of the firm. This chart must also show lines of authority to the next senior level of management and indicate who within the firm will have prime responsibility and final authority for the work.

C. The Contractor must provide a list of the companies with which any portion of the services to be performed pursuant to this contract would be subcontracted (See Section 2.070). For each company listed, provide to the CCI or designee a brief description of those services that would be subcontracted, the length of time your company has subcontracted those services to that company and the location where the subcontractor(s) will perform work at. This would also apply to any new subcontractors added during the duration of this contract.

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

D. Foreign Outsourcing of Work Prohibited

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

Servicer Response:
A. A project manager will be assigned to the task as necessary.

B. MHESLA's loans will be serviced in an environment where loans from multiple lenders are administered by a large pool of personnel. As a result specific personnel are not assigned to the servicing of MHESLA's loans.

C. Please see Subcontracting Attachment – Subcontractors for a list of companies to which certain work is subcontracted

D. The processing of work and the storage of information will be performed within the borders of the United States.

1.040 Project Plan

1.041 Project Plan Management

A. The Contractor will carry out this project under the direction and control of the Contract Compliance Inspector.

B. Although there will be continuous liaison with the Contractor team, the Contract Compliance Inspector and the Contractor will meet at least monthly, or upon the request of either party, to discuss the quality assurance measurements, the Contractor's performance and providing necessary guidance to the Contractor in solving problems which arise.

C. The Contractor shall provide a project plan with proposal including necessary time frames and deliverables for the various stages of the project and the responsibilities and obligations of both the Contractor and the State.

The Project Plan will include:

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

D. Orientation Meeting

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

Bidder Response:

A – D The Servicer is currently servicing the FFELP and MI-LOAN program for MHESLA and the systems to be utilized are already in place. Therefore, a project plan outlining timeframes for implementation is not applicable.

1.042 Reports

A: FFELP REPORTS

MANAGEMENT LOAN ORIGINATION REPORT 1

APPLICATIONS ENTERED BY SCHOOL TYPE

(a) The purpose of this report is to provide MHESLA with the volume of applications entered for proprietary/vocational and nonproprietary/nonvocational schools. Determination of the school type will be based on federal regulations and/or as determined by the Secretary of Education.

(b) Detail data elements: Federal school identification number/branch number, school name, number of applications entered by school type-proprietary/vocational, nonproprietary/ nonvocational or without federal school identification number.

(c) Report Sections:

Detail - All funding sources/loan programs. Individual loan detail is not required. Number of applications entered for each school within type of school and listed in descending number of applications entered order for all school types.

Summary - Number and percentage of applications entered for each school type and for all school types. Number of applications entered for the top ten schools and the percentage that the number of applications entered for the top ten schools is to the total applications entered.

NOTE - Subtotal percentage figures must be broken down to the tenth place and the sum of the column totals must equal 100%.

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

MANAGEMENT LOAN ORIGINATION REPORT 2

APPLICATIONS IN PROCESS

(a) The purpose of this report is to provide MHESLA a listing of loan applications entered on the Servicer's system but pending full disbursement. The Servicer must be able to identify at what stage of the approval/disbursement process the application/loan is in and the number of days that the application/loan has been pending in that status. The Servicer must recognize the following application/loan status categories: application entered, lender approved, pending guarantee, guaranteed, pending disbursement, partially disbursed, fully disbursed.

(b) Detail data elements: Social Security Number, loan number, borrower's name, fund code, loan program, application entry date, loan period end date, last scheduled disbursement date, application/loan status, number of days in that status.

(c) Report Sections:

Detail - All funding sources/loan programs. By application/loan in descending number of days pending order regardless of the status.

Summary - Number of applications/loans in process for each loan program and total applications/loans in process.

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

MANAGEMENT LOAN ORIGINATION REPORT 3

DISBURSEMENT REGISTER

(a) The purpose of this report is to provide MHESLA a daily listing of each loan disbursement issued for each disbursement date so that MHESLA may monitor the Servicer for compliance to federal regulations.

(b) Detail data elements: disbursement date, Social Security Number, loan number, borrower's name, check/EFT/master check number, disbursement method code (check, EFT, or master check), federal school identification number/branch number, loan program fund code, loan program, disbursement amount, guarantee fee amount, origination fee amount, net check/EFT/master check amount for each disbursement, disbursement number of total scheduled disbursements.

(c) Report Sections:

Disbursement Detail in Check/EFT/Master Check Number Order - Refer to the disbursement reporting requirements in the Financial Reports section for format and data elements.

Disbursement Detail in Social Security Number Order - Detail reported daily by disbursement for all funding sources/loan programs by disbursement number within Social Security Number order.

Summary by Disbursement Number - Total number of disbursements, amount disbursed, guarantee fees, origination fees, net check/EFT/master check amounts for all loan programs within funding source.

(d) The Servicer will provide the Disbursement Detail - Social Security Number Order section of the report to MHESLA on a daily basis.

MANAGEMENT LOAN ORIGINATION REPORT 4

MISSING FUND CODE NUMBER

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

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

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

(c) Report Sections:

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

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

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

MANAGEMENT LOAN SERVICING REPORT 1

DEFAULT CLAIMS FILED

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

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

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

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

(c) Report Sections:

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

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

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

MANAGEMENT LOAN SERVICING REPORT 2

DEFAULT CLAIMS TO BE FILED

(a) The purpose of this report is to provide MHESLA a listing of loans that are default for which a default claim must be submitted to the guarantor per federal regulations. Loans must be listed on the report beginning with the date of default, as defined in the federal regulations, through and including the report period in which the claim is sent to the guarantor.

(b) Detail data elements: Social Security Number, loan number, borrower's name, funding source, loan program, first disbursement date, total disbursement amount, current principal balance, default date, number of days delinquent, date the claim is submitted to the guarantor.

(c) Report Sections:

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

Summary - Total number of borrowers, number of loans and current principal balance for each default type and for total portfolio.

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

MANAGEMENT LOAN SERVICING REPORT 3

DEFAULT CLAIMS RECALLED

(a) The purpose of this report is to provide MHESLA a daily listing of loans for which the default claim has been recalled from the guarantor because either documentation or payment has been received by either the State or the Servicer which brings the loan out of default status and current to within the level of delinquency which will be determined by MHESLA. MHESLA will inform the Servicer of documentation or payments received by the State which allow recall of a default claim.

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

(b) Detail data elements: Social Security Number, loan number, borrower's name, fund code, loan program, first disbursement date, date the claim was sent to the guarantor, recall reason.

(c) Report Sections:

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

Summary - Number and outstanding principal balance of claims recalled for total portfolio.

(d) The Servicer will fax or provide electronically this report to MHESLA on a daily basis at the close of business. The daily reports for each month may be grouped together on the microfiche report and submitted to MHESLA on a monthly basis at the Servicer's option.

MANAGEMENT LOAN SERVICING REPORT 4

DEFAULT CLAIMS RETURNED

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

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

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

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

(c) Report Sections:

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

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

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

MANAGEMENT LOAN SERVICING REPORT 5

DELINQUENT LOAN REPORT

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

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

(c) Report Sections:

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

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

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

MANAGEMENT LOAN SERVICING REPORT 6

INELIGIBLE DISBURSEMENT/LOAN REPORT

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

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

(b) Detail data elements: Social Security Number, loan number, borrower's name, funding source, loan program, loan status, date the notification was received or the date the determination was made, number of the ineligible disbursement(s) per loan (first, second, etc.), disbursement date of the ineligible disbursement(s), amount of the ineligible disbursement(s), ineligibility reason, date a default claim is filed, or the date that the disbursement/loan regains eligibility.

(c) Report Sections:

Detail - All funding sources/loan programs for total portfolio by disbursement number within loan number within Social Security Number within notification/ determination date.

Summary - Number of ineligible disbursements and ineligible loans for this report period and cumulative.

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

MANAGEMENT LOAN SERVICING REPORT 7

LENDER'S REQUEST FOR ASSISTANCE

(a) The purpose of this report is to provide MHESLA a listing of each loan submitted to the guarantor for preclaims assistance in order that MHESLA may provide proof of notification in the case of an audit.

(b) Detail data elements: a minimum of the Social Security Number, loan number, borrower's name, loan program, first disbursement date, guaranteed loan amount.

(c) Report Sections:

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

Summary - Number of borrowers, number of loans for total portfolio.

(d) The Servicer will submit this report to MHESLA on the same schedule as reported to the guarantor.

MANAGEMENT LOAN SERVICING REPORT 8

LOAN STATUS CHANGE TO GUARANTOR

(a) The purpose of this report is to provide MHESLA documentation of electronic notifications submitted to the guarantor of status changes made during the report cycle on each loan as supporting documentation in the case of audit. The status changes reported will be those required by the guarantor. The report to the guarantor will be in a format acceptable to the guarantor. The report to MHESLA will be in the order specified below.

(b) Detail data elements: data elements must include but are not limited to Social Security Number, loan number ,borrower's name, loan program, first disbursement date and/or subsequent disbursement date if applicable, type of status change, old status and new status, start date and end date, demographic data changed, amounts changed.

(c) Report Sections:

Detail - Each type of status change will be a separate report section listing the data elements required by the guarantor and will include all funding sources/loan programs for total portfolio by loan number within Social Security Number order for that status change type.

Summary - Total number of loans updated for each type of status change at the end of that section.

(d) The Servicer will submit this report to MHESLA on the same schedule as required by the guarantor.

MANAGEMENT LOAN SERVICING REPORT 9

LOAN STATUS JOURNAL

(a) The purpose of this report is to provide MHESLA with a picture of the status of each loan in MHESLA's portfolio at the end of the report period during the loan's life cycle while on the Servicer's system.

(b) Detail data elements: If the Servicer currently has a report with data elements similar to the sample report, MHESLA will review the Servicer's report to determine if the detail is acceptable to MHESLA.

(c) Report Sections:

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

Summary - Number of borrowers, number of loans and outstanding principal balance for total portfolio.

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

MANAGEMENT LOAN SERVICING REPORT 10

LOAN SUMMARY AND HISTORY

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

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

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

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

Loan Summary - The loan summary must include the current:

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

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

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

(c) Report Sections

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

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

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

MANAGEMENT LOAN SERVICING REPORT 11

LOSS OF GUARANTEE REPORT

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

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

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

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

(c) Report Sections

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

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

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

MANAGEMENT LOAN SERVICING REPORT 12

OVERPAYMENT/REFUND REPORT

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

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

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

(c) Report Sections

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

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

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

MANAGEMENT LOAN SERVICING REPORT 13

PORTFOLIO ANALYSIS BY INTEREST RATE

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

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

(c) Report Sections

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

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

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

MANAGEMENT LOAN SERVICING REPORT 14

PORTFOLIO BREAKDOWN - LOAN STATUS BY SCHOOL TYPE

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

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

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

(c) Report Sections:

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

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

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

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

MANAGEMENT LOAN SERVICING REPORT 15

WRITE-OFF REPORT

(a) The purpose of this report is to provide MHESLA a listing of each loan which has had an amount written off.

(b) Detail data elements: Social Security Number, loan number(s), borrower's name, funding source, loan program, write-off date, amount written off.

(c) Report Sections

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

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

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

MANAGEMENT LOAN SERVICING REPORT 16

TRANSFER IN/OUT DAILY ACTIVITY

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

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

MANAGEMENT LOAN SERVICING REPORT 17

BORROWER BENEFITS REPORT

(a) The purpose of this report is to provide MHESLA with detail based on the borrower benefit qualification status of each loan by funding source.

(b) Detail data elements: Social Security Number, loan number(s), borrower's name, qualification status, qualification status date, number of on-time payments, current interest rate, incentive program type, principal balance, funding source.

(c) Report Sections

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

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

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

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

MANAGEMENT LOAN CONSOLIDATION REPORT 1

CONSOLIDATION LOAN - CONVERSION TO SERVICING

(a) The purpose of this report is to provide MHESLA a listing of each new consolidation loan and each loan increase, due to a subsequent disbursement to include an additional loan to the consolidation, so that MHESLA may monitor loans converted to the Servicer's servicing system for compliance to federal regulations.

(b) Detail data elements: Social Security Number, loan number, borrower's name, funding source, interest rate, indicator to identify whether a new loan is converting or a loan is being increased, disbursement date, disbursement amount converting, new total loan amount after conversion but prior to principal payments already made, conversion date.

(c) Report Sections

Detail - All funding source for total portfolio by disbursement date within Social Security Number order with page breaks between disbursement dates.

Summary - Number and amount of new loans converted, number and amount of increase adjustments and number and amount of conversions for total portfolio.

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

MANAGEMENT LOAN CONSOLIDATION REPORT 2

CONSOLIDATION LOAN - FUNDS TRANSFER REQUEST

(a) The purpose of this report is to provide MHESLA a listing of the amount and name of each creditor to be paid for loans being consolidated into one loan for which the Servicer requests a funds transfer.

(b) Detail data elements: scheduled disbursement date, Social Security Number, borrower's name, original disbursement date for consolidation loans previously made for which an increase to the loan is required, loan program of the loan being consolidated, name of each creditor who will receive a disbursement, payment amount to each creditor, total number of creditors to be paid for each borrower, total scheduled disbursement amount for each borrower.

(c) Report Sections

Detail - Each creditor in alpha order within borrower Social Security Number order for total portfolio.

Summary - Number and amount of disbursements issued for new loans to be disbursed, number and amount of disbursements for existing consolidation loans being increased, and number and amount of all disbursements for total portfolio.

(d) The Servicer will submit this report to MHESLA for each funds transfer so that it is received by MHESLA prior to the scheduled disbursement date.

MANAGEMENT LOAN CONSOLIDATION REPORT 3

LOANS CONSOLIDATED BY ANOTHER LENDER

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

(b) Detail data elements: Social Security Number, loan number, borrower name, program type, payoff amount, consolidating lender.

(c) Report Sections:

Detail - All funding sources for total portfolio by consolidating lender within Social Security Number order. Each report section must show number of borrowers, number of loans, payoff amount.

Summary - Total of all funding sources within consolidating lender and for total portfolio.

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

STATE SECONDARY MARKET LOAN MANAGEMENT REPORT 1

LOAN TRANSFER REPORT

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

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

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

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

(c) Report Sections

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

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

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

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

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

STATE SECONDARY MARKET LOAN MANAGEMENT REPORT 2

LOAN TRANSFER - NOTIFICATION TO GUARANTOR

(a) The purpose of this report is to provide MHESLA a listing of each loan included in the loan transfer notification to the guarantor in order that MHESLA may provide proof of notification in the case of an audit.

(b) Detail data elements: seller's name, seller's federal identification number, purchaser's name, purchaser's federal identification number, Social Security Number, loan number, borrower's name, loan program, first disbursement date, guaranteed loan amount.

(c) Report Sections:

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

Summary - Number of borrowers, number of loans for total portfolio.

(d) The Servicer will submit this report to MHESLA on the same schedule as reported to the guarantor.

FINANCIAL REPORT 1

PORTFOLIO RECONCILIATION: SUMMARY

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

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

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

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

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

FINANCIAL REPORT 2

PORTFOLIO RECONCILIATION: DETAIL

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

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

(b) Capitalized Interest - Capitalized interest by SSN and listing borrower name, effective date, principal, and borrower interest capitalized.

(c) Refund/Cancellations Advice - Cancellations by SSN and including borrower name, check number, effective date, principal, borrower interest, number of borrowers, number of loans, and totals for the latter four items.

(d) Cash Refunds/Cancellation - Cash refunds and cancellations by SSN and listing borrower name, effective date, posting date, principal, borrower interest, number of borrowers, number of loans, and totals for the latter four items.

(e) Loans Eligible/Ineligible for Special Allowance - Loans eligible and loans ineligible for special allowance listed by special allowance category, 799 code, interest rate, number of loans, ending principal balance, and average daily balance. The data elements of each special allowance category should be totaled.

(f) Cash Claim Payments - Default claims paid by SSN and including borrower name, effective date, posting date, amount, principal, borrower interest, late charge, collection charge, number of borrowers, and number of loans. Totals of the last seven data elements should be included.

(g) Cash Borrower Payments - Cash borrower payments by SSN and to include borrower name, effective date, posting date, amount, principal, borrower interest, late charge, collection charge, number of borrowers, and number of loans. Totals of the last seven data elements should be included.

FINANCIAL REPORT 3

NET CASH COLLECTION BY FUNDING SOURCES

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

(b) The Servicer will provide this information to MHESLA on a daily basis.

FINANCIAL REPORT 4

PORTFOLIO SUMMARY

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

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

FINANCIAL REPORT 5

CHECK /EFT DISBURSEMENT REGISTER

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

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

FINANCIAL REPORT 6

DAILY ACCOUNTING DETAIL REPORT SUMMARY

(a) The purpose of this report is to provide MHESLA detailed and summarized accounting information from the loan origination services so MHESLA may calculate the funds to be provided to the Servicer for disbursements. The report should provide a breakdown of cancellations, void checks, guarantee fees reissued checks and disbursements by funding source. The data elements include transaction type, guarantor, loan program, interest rate, total loan amount approved, total guarantee fees, total origination fees, and the total amount financed. Totals should be provided for all reductions (cancellations, voids) and additions (disbursements, reissued checks) to the amount owed to the Servicer.

(b) This report should include a summary or recap of disbursements by number of disbursements by loan program, number of checks or EFT transfers, loan amounts disbursed, and net amount disbursed by funding source.

(c) The Servicer will submit this report to MHESLA daily by facsimile or electronic media approved by the CCI or designee.

FINANCIAL REPORT 7

DAILY ACCOUNTING REPORT DETAIL

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

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

FINANCIAL REPORT 8

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

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

(b) Information summarizing the loan origination fees, lender fees, interest benefits, and special allowance reported must be provided by funding source.

(c) The Servicer must meet the conditions required by the U.S. Department of Education.

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

FINANCIAL REPORT 9

STATISTICAL INFORMATION

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

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

FINANCIAL REPORT 10

MONITORING OF COMMITMENTS BY FUNDING SOURCE

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

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

FINANCIAL REPORT 11

SUBSEQUENT DISBURSEMENTS REPORT

(a) The purpose of this report is to provide MHESLA with scheduled disbursement dates by funding source for determining cash flow needs. The report should include the disbursement date and the disbursement dollar amount.

(b) The Servicer will submit this report to MHESLA quarterly unless requested by MHESLA on a more frequent basis (monthly).

FINANCIAL REPORT 12

CURRENT LOAN SERVICING REPORT

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

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

FINANCIAL REPORT 13

STAFFORD OUTSTANDING LOAN STATISTICS

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

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

FINANCIAL REPORT 14

LENDER NOTIFICATION OF FUND TRANSFER

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

(b) The Servicer will submit this report upon each transfer.

FINANCIAL REPORT 15

DEFAULT STATISTICAL INFORMATION

(a) A report that provides summary information about loan defaults. This report should include number and dollar value of claims filed, claim proceeds received, and number and total dollar value of claims rejected and should be sorted by funding source.

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

FINANCIAL REPORT 16

PROJECTED LIFE CYCLE MATURITY REPORT

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

(b) The report must be submitted quarterly.

FINANCIAL REPORT 17

PORTFOLIO PROJECTIONS BY SCHOOL TYPE

(a) The purpose of this report is to provide MHESLA statistics of loan movement within MHESLA's portfolio by type of school for long range financial projections.

(b) Detail data elements: school types - four-year public, four-year private, two-year public, two-year private and proprietary/vocational (as determined by federal regulations), number of loans and the principal and interest amount of loans by status - originated, purchased, repayment (borrower/consolidation payments applied where the loan continues to have an outstanding balance), paid-in-full (final payments applied which include refunds, cancellations, low balance write-offs, etc.), default (payments applied and default balance write-offs).

(c) Report Sections:

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

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

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

FINANCIAL REPORT 18

PORTFOLIO BREAKDOWN - LOAN STATUS BY LOAN TYPE

(a) The purpose of this report is to provide MHESLA an analysis of its outstanding portfolio by loan status, type of loan program and billing unit to enable reconciliation of monthly servicing costs.

(b) Detail data elements: loan program types, Subsidized Stafford, Unsubsidized Stafford, PLUS, Grad PLUS, SLS and Consolidation, loan statuses, in-school, grace, deferment/forbearance, repayment current, repayment delinquent, total number of borrowers, total number of accounts, total number of loans and total outstanding principal balance, by funding source.

(c) Report Sections:

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

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

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

SCHOOL REPORT 1

FORECAST REPORT

(a) The purpose of this report is to provide a monthly report to schools reflecting future disbursement information. This report will allow schools to meet the compliance criteria with the Cash Management regulations. Further, schools will be able to cancel disbursements when the student is not eligible to receive loan funds thus reducing funds being returned and reissued.

(b) This report should meet the data criteria outlined in CommonLine Release 5 that specifically details the Forecast Report process and be CommonLine compliant.

(c) The Servicer will submit this report on a request basis to schools.

(d) If the reporting method is microfiche, hard copy is required.

SCHOOL REPORT 2

REPAYMENT REPORT

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

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

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

(c) The Servicer will submit this report on a request basis to schools.

(d) If the reporting method is microfiche, hard copy is required.

B: MI-LOAN REPORTS

ORIGINATION MANAGEMENT REPORT 1

MI-LOAN APPLICATIONS RECEIVED

(a) PURPOSE: The purpose of this report is to provide a listing and the current status of applications received.

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) applicant's requested interest type ("Fixed", "Variable" or "no interest rate selected"), 3) application received date, 4) social security number, 5) loan identifier, 6) borrower name, 7) application/loan status, 8) grade level, 9) school ID number, 10) school name.

(c) REPORT SECTIONS:

Spacing:
- Line break between each interest type within program type,
- Page break between program types, and a
- Page break between the detail/program types and summary.

Detail:
- Social security number/loan identifier order within interest type,
- Within program type.

Summary:
- Totals by program type for the:
  - ✓ Number of fixed interest rate applications received,
  - ✓ Number of variable interest rate applications received,
  - ✓ Number of "no interest rate selected" applications received, and the
  - ✓ Total number of all applications received.
- Grand totals, all program types combined, for the:
  - ✓ Number of "fixed interest rate" applications received,
  - ✓ Number of "variable interest rate" applications received,
  - ✓ Number of "no interest rate selected" applications received, and the
  - ✓ Total number of all applications received.

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

ORIGINATION MANAGEMENT REPORT 2

MI-LOAN APPLICATIONS PENDING

(a) PURPOSE: The purpose of this report is to identify applications that have been received, but have not been approved or denied as of the report date. This is a cumulative report.

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) number of days pending (number of days from received date to date of report), 3) application received date, 4) social security number, 5) loan identifier, 6) borrower name, 7) edit reason(s).

(c) REPORT SECTIONS:

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

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

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

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

ORIGINATION MANAGEMENT REPORT 3

MI-LOAN APPROVAL ROSTER

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

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

(c) REPORT SECTIONS:

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

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

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

(d) FREQUENCY: Report is to be on an approval date basis, but the Servicer may hold the reports generated for each approval date and mail them to MHESLA at the end of the week.

ORIGINATION MANAGEMENT REPORT 4

MI-LOAN DENIAL ROSTER

(a) PURPOSE: The purpose of this report is to identify applications that are denied during the report period, and the reason for the denial.

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) bond funding source number*, 3) social security number, 4) loan identifier, 5) borrower name, 6) denial date, 7) applicant's requested loan amount denied, 8) denial reason (if denied for multiple reasons, all reasons must be listed on report), 9) school ID number, 10) school name.

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

(c) REPORT SECTIONS:

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

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

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

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

ORIGINATION MANAGEMENT REPORT 5

MI-LOAN DISBURSEMENT ROSTER

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

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

(c) REPORT SECTIONS:

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

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

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

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

ORIGINATION MANAGEMENT REPORT 6

MI-LOAN DISBURSEMENT CREDIT REGISTER

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

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

(c) REPORT SECTIONS:

Spacing:
- Line break between detail and summary.

Detail:
- Check number order.

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

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

ORIGINATION MANAGEMENT REPORT 7

MI-LOAN DENIED/CANCELLED/DELETED ROSTER

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

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

(c) REPORT SECTIONS:

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

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

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

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

ORIGINATION MANAGEMENT REPORT 8

MI-LOAN SCHOOL APPROVAL ROSTER

(a) PURPOSE: The purpose of this report is to identify for the school all applications that have been approved, or pre-approved, for disbursement during the report period.

(b) DETAIL DATA ELEMENTS: 1) School code, 2) school name, 3) school contact person's name, 4) school address (street address, city state, zip code), 5) application approval date, 6) student social security number, 7) student name, 8) loan approved amount, 9) scheduled disbursement date(s), 10) loan period begin date, 11) loan period end date, 12) borrower social security number, 13) loan identifier, 14) borrower name, 15) program type, 16) approval status ("approved" or "pre-approved").

(c) REPORT SECTIONS:

Spacing:
- Page break between schools, and
- Page break before the summary section.

Detail:
- In alpha order by school name, and
- In student social security number order,
- Within each school section.

Summary:

- Summary section for each school, all program types combined, following each school's detail, for the total number of:
  - ✓ Applications approved and pre-approved, and
  - ✓ Loan amount approved.
- Summary section for all schools/all program types combined for the total number of :
  - ✓ Applications approved and pre-approved, and
  - ✓ Loan amount approved.

(d) FREQUENCY: On a daily basis.

(e) REPORTING METHOD: The Servicer will transmit each page of the detail sections of the report to the school(s) that it covers, along with a copy of the entire report to MHESLA, either electronically or by email (as identified in writing by the CCI or designee).

ORIGINATION MANAGEMENT REPORT 9

MI-LOAN DISBURSEMENTS PENDING ROSTER

(a) PURPOSE: The purpose of this report is to provide data on loans pending future disbursement.

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) bond funding source number, 3) social security number, 4) loan identifier, 5) borrower name, 6) loan amount approved, 7) scheduled disbursement date, 8) actual gross disbursement amount, 9) reserve fee amount, 10) net disbursement amount (actual gross disbursement amount minus reserve fee amount), 11) disbursement method indicator (EFT/check), 12) school name, 13) school code.

(c) REPORT SECTIONS:

Spacing:

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

Detail:

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

Summary:

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

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

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

ORIGINATION STATISTICAL REPORT 1

STATISTICS: APPLICATION PROCESSING TIME TO APPROVAL

(a) PURPOSE: The purpose of this report is to provide statistical information on the time it takes to process MI-LOAN Program applications from the date the application is received until the date the loan is approved. This report includes applications which were approved within the report period that may be in the following statuses as of the report period end date: approved (but not yet disbursed), cancelled (cancelled after disbursement), deleted (cancelled prior to disbursement), repayment, principal only forbearance, principal and interest forbearance, SSRA/repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, bankruptcy (Chapter 7, 11, 12, 13), death cancellation, disability cancellation, prepaid-in-full, and paid-in-full. Applications in a pending approval/denial status and in denied status are not included in the report. The report is separated into two application approval groups so that the overall processing time average does not appear inflated. The application approval group subsections are:

- Immediate Approval - Applications that are thoroughly and accurately completed and that need no further information or materials to be approved. These applications are received and approved without pending action.
- Delayed Approval - Applications that are incomplete or inaccurately completed and require a return to the borrower or other actions in order to approve the loan.

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) social security number, 3) loan identifier, 4) borrower name, 5) loan amount approved, 6) application received date, 7) application approval date, 8) number of days from the application received date to the application approval date.

(c) REPORT SECTIONS:

Spacing:

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

Detail:

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

Summary:

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

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

ORIGINATION STATISTICAL REPORT 2

STATISTICS: AGE OF BORROWER

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

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

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

(c) REPORT SECTIONS:

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

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

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

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

ORIGINATION STATISTICAL REPORT 3

STATISTICS: BORROWER ACCOUNTS - DISBURSED AMOUNT

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

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

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

(c) REPORT SECTIONS:

Spacing:

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

Detail:

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

Summary:

- Totals for all program types/all borrower types combined for each group, cumulative from program inception in ascending order by group, for the:
  - ✓ Number of loans, and
  - ✓ Total actual gross disbursed amounts.
- grand totals for all groups/all program types/all borrower types combined, cumulative from program inception, for the:
  - ✓ number of loans, and
  - ✓ total actual gross disbursed amounts.

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

ORIGINATION STATISTICAL REPORT 4

STATISTICS: CREDITWORTHY PROGRAM - COSIGNER STATUS

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

- No Cosigner
- Cosigner

(b) DETAIL DATA ELEMENTS: 1) Borrower type, 2) cosigner status groups, 3) number of loans, 4) loan amounts approved.

(c) REPORT SECTIONS:

Spacing:

- Line break between borrower types.
- Page break before the summary section.

Detail:

- Totals by borrower type for each cosigner status group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the:
    - Number of loans, and
    - Total loan amounts approved.

Summary:

- Totals for all borrower types combined for each cosigner status group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and

- ✓ From program inception, for the
  - Number of loans, and
  - Total loan amounts approved.

- Grand totals for all borrower types/all status groups combined for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the:
    - Number of loans, and
    - Total loan amounts approved.

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

ORIGINATION STATISTICAL REPORT 5

STATISTICS: DENIED STATUS

(a) PURPOSE: The purpose of this report is to provide statistical information on the reasons for denial for the loans in the MI-LOAN Program portfolio for the current fiscal quarter, the current fiscal year-to-date, and cumulative from program inception (10/1990). This report only includes loans that are in denied status. The denial reasons are:

- Already borrowed maximum yearly amount
- Below minimum loan amount
- Borrower ineligible per school
- Charge-off(s)
- Collection account
- Cosigner unacceptable
- Cosigners must have same address
- Debt-to-income ratio
- Delinquent credit obligations
- Delinquent more than twice
- Insufficient credit references
- Insufficient income
- Irregular employment
- Judgment
- Length of employment insufficient
- Loan period cited more that 12 months
- Missing information
- Not 18 years old
- Previous loan in default
- Prior delinquent MI-LOAN
- Prior MI-LOAN 60 days past due
- Repossession
- School not eligible for MI-LOAN
- Unable to verify employment
- Unable to verify income
- Other

(b) DETAIL DATA ELEMENTS: 1) Denial reasons, 2) number of applications, 3) applicant's requested loan amount.

(c) REPORT SECTIONS:
Spacing:

- Line break between the detail and summary.

Detail:

- Total number of applications denied, and total of applicants' requested loan amounts for each denial reason in alpha order by denial reason for the current fiscal quarter, fiscal year-to-date, and from program inception.

Summary:

- Total number of applications denied, and total of applicants' requested loan amounts for all denial reasons combined for the current fiscal quarter, fiscal year-to-date, and from program inception.

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

ORIGINATION STATISTICAL REPORT 6

STATISTICS: ENROLLMENT STATUS

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

- Full time
- Half time
- Less than half time

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

(c) REPORT SECTIONS:

Spacing:

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

Detail:

- Totals by borrower type within program type for each enrollment level group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Totals by program type, all borrower types combined, for each enrollment level group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

- Totals for each borrower type, all program types combined, for each enrollment level group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

Summary:

- Totals for all program types/all borrower types combined for each enrollment level group, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Grand totals for all enrollment level groups/all program types/all borrower types combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

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

ORIGINATION STATISTICAL REPORT 7

STATISTICS: GRADE LEVEL

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

- No grade level
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9

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

(c) REPORT SECTIONS:

Spacing:

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

Detail:

- Totals by borrower type within program type for each grade level group in ascending order by grade level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Totals by program type, all borrower types combined, for each grade level group in ascending order by grade level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Totals for each borrower type, all program types combined, for each grade level group in ascending order by grade level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

Summary:

- Totals for all program types/all borrower types combined for each grade level group in ascending order by grade level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

- Grand totals for all grade level groups/all program types/all borrower types combined, for the :
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

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

ORIGINATION STATISTICAL REPORT 8

STATISTICS: CREDITWORTHY PROGRAM - INCOME LEVEL

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

- $0 to $25,000
- $25,001 to $35,000
- $35,001 to $45,000
- $45,001 to $55,000
- $55,001 to $65,000
- More than $65,000

(b) DETAIL DATA ELEMENTS: 1) Borrower type, 2) Income level groups, 3) number of loans, 4) loan amounts approved, 5) total income amounts, 6) average borrower income level (#5 – total income amounts divided by #3 – number of loans).

(c) REPORT SECTIONS:

Spacing:
- Line break between the borrower types,
- Page break before the summary section, and
- Line break between the summary section Grand totals for number of loans and loan amounts approved and grand totals for total income amounts and the average borrower income level.

Detail:
- Totals by borrower type for each income level group, in ascending order by income level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

Summary:

- Totals for all borrower types combined for each income level group, in ascending order by income level, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Grand totals for all borrower types/all income level groups combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans,
    - Loan amounts approved,
    - Total income amounts, and
    - Average borrower income level.

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

ORIGINATION STATISTICAL REPORT 9

STATISTICS: LOAN AMOUNT

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

- Less than $500
- $ 500 to $ 1,500
- $ 1,501 to $ 2,500
- $ 2,501 to $ 3,500
- $ 3,501 to $ 4,500
- $ 4,501 to $ 5,500
- $ 5,501 to $ 7,000
- $ 7,001 to $10,000
- $10,001 to $15,000
- $15,001 to $20,000
- $20,001 to $25,000
- $25,001 to $30,000
- $30,001 to $40,000
- $40,001 to $50,000
- More than $50,000

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

(c) REPORT SECTIONS:

Spacing:

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

Detail:

- Totals by borrower type within program type for each loan amount group in ascending order by loan amount, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Totals by program type, all borrower types combined, for each loan amount group in ascending order by loan amount, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Totals for each borrower type, all program types combined, for each loan amount group in ascending order by loan amount, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

Summary:

- Totals for all program types/all borrower types combined for each loan amount group in ascending order by loan amount, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.
- Grand totals for all loan amount groups all program types/all borrower types combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Loan amounts approved.

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

ORIGINATION STATISTICAL REPORT 10

STATISTICS: LOAN VOLUME BY DEBT-TO-INCOME RATIO

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

- Up to 15.0%
- 15.1% to 20.0%
- 20.1% to 25.0%
- 25.1% to 30.0% 30.1% to 35.0%
- 35.1% to 40.0%
- 40.1% to 45.0%
- More than 45.0%

(b) DETAIL DATA ELEMENTS: 1) Borrower type, 2) Debt-to-income ratio groups, 3) number of loans, 4) loan amounts approved.

(c) REPORT SECTIONS:

Spacing:
- Line break between borrower types, and
- Page break before the summary section.

Detail:
- Totals by borrower type for each debt-to-income ratio group, in ascending order by ratio, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception
    - Number of loans, and
    - Total loan amounts approved.

Summary:
- Totals for all borrower types combined for each debt-to-income ratio group, in ascending order by ratio, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Total loan amounts approved.

- Grand totals for all borrower types/all debt-to-income ratio groups combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Total loan amounts approved.

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

ORIGINATION STATISTICAL REPORT 11

STATISTICS: LOAN VOLUME BY SCHOOL

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

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) School code, 3) school name, 4) number of loans, 5) loan amounts approved.

(c) REPORT SECTIONS:

Spacing:
- Line break between the detail sections, and
- Page break before the summary section.

Detail:
- Totals by program type for each school in ascending order by school code for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Total loan amounts approved.
- Totals by program type, all schools combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception for the,
    - Number of loans, and
    - Total loan amounts approved.

Summary:

- Totals for all program types combined for each school in ascending order by school code for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Total loan amounts approved,
- Grand totals for all schools codes/all program types combined for the:
  - ✓ Current fiscal quarter, for the
    - number of loans, and
    - total loan amounts approved,
  - ✓ fiscal year-to-date, for the
    - number of loans, and
    - total loan amounts approved, and
  - ✓ from program inception, for the
    - number of loans, and
    - total loan amounts approved.

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

ORIGINATION STATISTICAL REPORT 12

STATISTICS: SCHOOL TYPE

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

- Unknown school type
- 2-year
- 4-year

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

(c) REPORT SECTIONS:

Spacing:

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

Detail:

- Totals by borrower type within program types for each school type, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,

- ✓ Fiscal year-to-date, for the
  - Number of loans, and
  - Total loan amounts approved, and
- ✓ From program inception for the
  - Number of loans, and
  - Total loan amounts approved.

- Totals by program type, all borrower types combined, for each school type, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception for the
    - Number of loans, and
    - Total loan amounts approved.
- Totals for each borrower type, all program types combined, for each school type, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception for the
    - Number of loans, and
    - Total loan amounts approved.

Summary:

- Totals for all program types/all borrower types combined for each school type, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception for the
    - Number of loans, and
    - Total loan amounts approved.
- Grand totals for all school types/all program types/all borrower types combined, for the:
  - ✓ Current fiscal quarter, for the
    - Number of loans, and
    - Total loan amounts approved,
  - ✓ Fiscal year-to-date, for the
    - Number of loans, and
    - Total loan amounts approved, and
  - ✓ From program inception, for the
    - Number of loans, and
    - Total loan amounts approved.

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

SERVICING OPERATIONAL REPORT 1

NEW DEFAULTED LOANS

(a) PURPOSE: The purpose of this report is to identify loans entering default status. Default occurs when the borrower/cosigner fail to make a payment for 120 days after the payment due date.

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) Bond funding source number, 3) social security number, 4) loan identifier, 5) borrower's name, 6) borrower type indicator (parent/student), 7) cosigner's name, 8) "default" status effective date (day 120), 9) actual gross disbursed amount, 10) actual disbursement date, 11) principal balance, 12) accrued unpaid interest, 13) total amount due (total current principal balance plus accrued unpaid interest, 14) accrued unpaid interest effective date, 15) daily interest accrual amount (extended to four decimal places).

(c) REPORT SECTIONS:

Spacing:
- Line break between default dates, within each bond fund,
- Line break before the summary by bond fund,
- Line break between bond funds, within program type,
- Page break between program types
- Page break before summary by bond fund, all program types combined,
- Line break before grand totals.

Detail:
- All loans by Social Security Number/loan identifier order
- Within default date,
- Within bond fund,
- Within program type.
-

Summary:
- Totals by bond fund, within program type, for the:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Number of borrowers, both borrower types combined,
  - ✓ Number of parent borrower loans,
  - ✓ Number of student borrower loans,
  - ✓ Number of loans, both borrower types combined,
  - ✓ Actual gross disbursed amount,
  - ✓ Principal balance,
  - ✓ Accrued unpaid interest, and
  - ✓ Total amount due (total current principal balance plus accrued unpaid interest).
- Totals by program type, all bond funds combined, for the:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Number of borrowers, both borrower types combined,
  - ✓ Number of parent borrower loans,
  - ✓ Number of student borrower loans,
  - ✓ Number of loans, both borrower types combined,
  - ✓ Actual gross disbursed amount,
  - ✓ Principal balance,
  - ✓ Accrued unpaid interest, and
  - ✓ Total amount due (total current principal balance plus accrued unpaid interest).
- Totals by bond fund, all program types combined, for the:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Number of borrowers, both borrower types combined,
  - ✓ Number of parent borrower loans,
  - ✓ Number of student borrower loans,
  - ✓ Number of loans, both borrower types combined,
  - ✓ Actual gross disbursed amount,
  - ✓ Principal balance,
  - ✓ Accrued unpaid interest, and
  - ✓ Total amount due (total current principal balance plus accrued unpaid interest.

- Grand totals, all bond funds/all program types combined, for the:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Number of borrowers, both borrower types combined,
  - ✓ Number of parent borrower loans,
  - ✓ Number of student borrower loans,
  - ✓ Number of loans, both borrower types combined,
  - ✓ Actual gross disbursed amount,
  - ✓ Principal balance,
  - ✓ Accrued unpaid interest, and
  - ✓ Total amount due (total current principal balance plus accrued unpaid interest).

(d) FREQUENCY: The Servicer will provide this report to MHESLA on a week end basis.

SERVICING OPERATIONAL REPORT 2

LOAN DELINQUENCY STATUS REPORT

(a) PURPOSE: The purpose of this report is to track the number of loans that are delinquent on payments (regular repayment or interest only), and to provide the data necessary for MHESLA collection activities. This report should include, but is not limited to, all loans in the following statuses: repayment, principal only forbearance, principal and interest forbearance, SSRA repayment, SSRA principal only forbearance, SSRA principal and interest forbearance, default, collection, and bankruptcy (Chapter 7,11,12,13). Loans in the following statuses would not be included in this report: received, approved, disbursed, cancelled, deleted, death cancellation, disability cancellation, denied, pre-paid in full, and paid in full.

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) borrower type, 3) Bond funding source number, 4) borrower social security number, 5) loan identifier, 6) borrower name, 7) application/loan status, 8) actual gross disbursed amount, 9) interest rate, 10) current principal balance, 11) amount of unpaid accrued interest, 12) interest accrued through date, 13) monthly payment amount, 14) payment due date (due date of oldest outstanding payment), 15) number of days loan is delinquent, 16) amount delinquent, 17) last payment amount received, 18) last payment received date, 19) first time in a delinquent category indicator.

(c) REPORT SECTIONS:

Spacing:
- Page break between program types,
- Line break between borrower types,
- Line breaks between application/loan statuses,
- Line break between bond fund,
- Line breaks between the delinquent categories,
- Line/page break between summary section groups, and a
- Page break before the summary section.

Detail:
- By borrower social security number/loan identifier order,
- Within bond fund,
- Within the following delinquent categories:
  - ✓ 0 Days,
  - ✓ 1-14 days,
  - ✓ 15-29 days,
  - ✓ 30-59 days,
  - ✓ 60-89 days,
  - ✓ 90-119 days, and
  - ✓ 120 + days, Within application/loan status,
  - ✓ Within borrower type,
  - ✓ Within program type.

Summary:

- Total number of loans by program type for:
  - ✓ Each application/loan status for
  - ✓ Each delinquent category for each bond fund,
  - ✓ All delinquent categories for each bond fund,
  - ✓ Each delinquent category for all bond funds combined, and
  - ✓ All delinquent categories/all bond funds combined.
  - ✓ Each delinquent category, all statuses/all bond funds combined,
  - ✓ All delinquent categories/all statuses/all bond funds combined,
- Total number of loans by borrower type for:
  - ✓ Each delinquent category, all bond funds/all program types combined,
  - ✓ All delinquent categories/all bond funds/all program types combined,
  - ✓ Each delinquent category, all borrower types/all bond funds/all program types combined, and
  - ✓ All delinquent categories/all borrower types/all bond funds/all program types combined.
- Total number of loans by bond fund for:
  - ✓ Each delinquent category, all borrower types/all program types combined,
  - ✓ All delinquent categories/all borrower types/all program types combined,
  - ✓ Each delinquent category, all bond funds/all borrower types/all program types combined,
  - ✓ All delinquent categories/all bond funds/all borrower types/all program types combined.
- Total number of loans by application/loan status for:
  - ✓ Each delinquent category, all bond funds/all borrower types/all program types combined,
  - ✓ All delinquent categories/all bond funds/all borrower types/all program types combined,
  - ✓ Each delinquent category, all application/loan statuses/all bond funds/all borrower types/all program types combined, and
  - ✓ All delinquent categories/all application/loan statuses/all bond funds/all borrower types/all program types combined.

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

SERVICING OPERATIONAL REPORT 3

COLLECTION AGENCY INVENTORY

(a) PURPOSE: The purpose of this report is to track loans that default (payment becomes 120-days delinquent), to track defaulted loans that are placed with Treasury Collections, to monitor loans which must be removed from default, and to monitor loan balances. Loans are placed on this report if they are in either “Default” or “Collection” status as of the effective ending date of the period that the report covers.

(b) DETAIL DATA ELEMENTS: 1) Program type, 2) Bond funding source number, 3) borrower social security number, 4) loan identifier, 5) borrower name, 6) actual gross disbursed amount, 7) current principal balance, 8) amount of unpaid accrued interest, 9) interest accrued through date, 10) monthly payment amount, 11) next payment due date (due date of oldest outstanding payment at time of default), 12) number of days loan is delinquent, 13) amount delinquent (current principal balance plus amount of unpaid accrued interest), 14) last payment amount received, 15) last payment received date, 16) total amount of payments received after default (after day 121).

(c) REPORT SECTIONS:

Spacing:

- Page break between program types,
- Line break between bond funds, and a
- Page break before the summary section.

Detail:

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

Summary:

- Totals by bond fund within program type for:
  - ✓ Number of loans,
  - ✓ Number of borrowers,
  - ✓ Actual gross disbursed amount,
  - ✓ Current principal balance, and
  - ✓ Total amount of payments received after default (after day 121).
- Totals by bond fund, all program types combined for:
  - ✓ Number of loans,
  - ✓ Number of borrowers,
  - ✓ Actual gross disbursed amount,
  - ✓ Current principal balance, and
  - ✓ Total amount of payments received after default (after day 121).
- Totals by program type, all bond funds combined, for:
  - ✓ Number of loans,
  - ✓ Number of borrowers,
  - ✓ Actual gross disbursed amount,
  - ✓ Current principal balance, and
  - ✓ Total amount of payments received after default (after day 121).
- Grand totals for all bond funds/all program types combined for:
  - ✓ Number of loans,
  - ✓ Number of borrowers,
  - ✓ Actual gross disbursed amount,
  - ✓ Current principal balance, and
  - ✓ Total amount of payments received after default (after day 121).

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

SERVICING OPERATIONAL REPORT 4

CREDIT BALANCE LOANS

(a) PURPOSE: The purpose of this report is to provide a listing of each loan that has an amount that needs to be refunded to the borrower, and to provide the data necessary to monitor that refund.

(b) DETAIL DATA ELEMENTS: 1) Program type (creditworthy/credit ready), 2) borrower type (parent/student), 3) bond funding source number, 4) borrower social security number, 5) loan identifier, 6) borrower name, 7) actual gross disbursed amount, 8) credit balance amount (current principal balance), 9) last payment amount received, 10) last payment received date, 11) last payment process date, 12) loan status.

(c) REPORT SECTIONS:

Spacing:

- Line break between bond funds within program type,
- Page break between program types, and a
- Page break before the summary section.

Detail:

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

Summary:

- Totals by bond fund within program type for:
  - ✓ Number of loans,
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Actual gross disbursed amount, and the
  - ✓ Credit balance amount (current principal balance).
- Totals by bond fund, all program types combined, for:
  - ✓ Number of loans,
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Actual gross disbursed amount, and
  - ✓ Credit balance amount (current principal balance).
- Grand totals for all bond funds/all program types combined for:
  - ✓ Number of loans,
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Actual gross disbursed amount, and
  - ✓ Credit balance amount (current principal balance).

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

SERVICING OPERATIONAL REPORT 5

PAID-IN-FULL LOANS

(a) PURPOSE: The purpose of this report is to provide a listing of all loans that have been paid-in-full during the report period. The report must include, but not necessarily be limited to those loans paid in full by payment; cancellation due to bankruptcy, death or disability; overpayment refund; overpayment write-up; and underpayment write-off. The Servicer must allow sufficient time to ensure that the final payment has not been returned for insufficient funds before reporting to MHESLA.

(b) DETAIL DATA ELEMENTS: 1) Program type (creditworthy/ credit ready), 2) borrower type (parent/student), 3) borrower Social security number, 4) loan identifier, 5) borrower name, 6) bond funding source number, 7) applicant's requested interest type ("Fixed" or "Variable"), 8) actual gross disbursed amount, 9) credit balance amount (current principal balance), 10) last payment amount received, 11) last payment received date, 12) last payment process date.

(c) REPORT SECTIONS:

Spacing:

- Page break between program types, and
- Page break before the summary section.

Detail:

- Borrower social security number/loan identifier order,
- Within program type.

Summary:

- Totals by program type of all fixed rate loans for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount,

- Totals by program type of all variable rate loans for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount,
- Totals by program type, all fixed and variable rate loans combined, for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount,
- Totals, all program types combined, of all fixed rate loans for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount,
- Totals, all program types combined, of all variable rate loans for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount,
- Totals, all program types combined, for all fixed and variable rate loans combined for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans, and
  - ✓ Actual gross disbursed amount.

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

SERVICING OPERATIONAL REPORT 6

WRITE-OFFS

(a) PURPOSE: The purpose of this report is to provide a listing of each loan that has had an amount written-off.

(b) DETAIL DATA ELEMENTS: 1) Program type (creditworthy/credit ready, 2) borrower type, 3) Bond funding source number, 4) borrower social security number, 5) loan identifier, 6) borrower name, 7) actual gross disbursed amount, 8) last payment received date (effective date), 9) last payment process date, 10) last payment amount received, 11) write-off amount.

(c) REPORT SECTIONS:

Spacing:
- Line breaks between bond funds,
- Page break between program types, and a
- Page break before the summary section.

Detail:
- Borrower social security number/loan identifier order,
- Within bond fund,
- Within program type.

Summary:

- Totals for each bond fund within program type for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans,
  - ✓ Actual gross disbursed amount, and
  - ✓ Write-off amount,

- Totals for each bond fund, all program types combined, for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers
  - ✓ Number of loans,
  - ✓ Actual gross disbursed amount, and
  - ✓ Write-off amount,
- Totals for all fixed rate loans, all bond funds/all program types combined, for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans,
  - ✓ Actual gross disbursed amount, and
  - ✓ Write-off amount.
- Totals for all variable rate loans, all bond funds/all program types combined, for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans,
  - ✓ Actual gross disbursed amount, and
  - ✓ Write-off amount,
- Totals for all fixed and variable rate loans combined, all bond funds/all program types combined, for:
  - ✓ Number of parent borrowers,
  - ✓ Number of student borrowers,
  - ✓ Total number of borrowers,
  - ✓ Number of loans,
  - ✓ Actual gross disbursed amount, and
  - ✓ Write-off amount.

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

SERVICING STATISTICAL REPORT 1

STATUS SUMMARY

(a) PURPOSE: The purpose of this report is to provide portfolio data for each loan status by number of borrowers and by number of loans for each bond fund.

(b) DETAIL DATA ELEMENTS: 1) Bond funding source number, 2) Loan status (description and, if applicable, code), 3) number of borrowers, 4) number of loans, 5) actual gross disbursed amount, 6) current principal balance, 7) amount of unpaid accrued interest, 8) total payoff balance (total of 6 and 7), 9) current amount due, 10) delinquent amount due, 11) late fees due, 12) total amount due (total of 9, 10 and 11), 13) number of unduplicated borrowers (necessary because a borrower may have multiple loans in multiple statuses and, therefore, the actual borrower count will be an inflated figure).

(c) REPORT SECTIONS:

Spacing:
- Line break between loan status lines and before the summary.
- Page breaks between bond funds.

Detail:
- Loan status order (numerically or chronologically) based on the life cycle of the loan, within bond fund.

Summary:
- Totals by bond fund for number of borrowers, number of loans, actual gross disbursed amount, current principal balance, amount of unpaid accrued interest, total payoff balance, current amount due, delinquent amount due, late fees due, total amount due, and number of unduplicated borrowers.
- Totals for all bond funds combined for number of borrowers, number of loans, actual gross disbursed amount, current principal balance, amount of unpaid accrued interest, total payoff balance, current amount due, delinquent amount due, late fees due, total amount due, and number of unduplicated borrowers.

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

FINANCIAL REPORT 1

ACCOUNTING REPORT: TRANSACTION SUMMARY

(a) PURPOSE: The purpose of this report is to provide MHESLA summarized information regarding accounting entries resulting from activity processed by the Servicer during the reporting period, in order to reconcile the State's general ledger with the Servicer's portfolio totals.

(b) DETAIL DATA ELEMENTS: Summaries of the following transaction types: new loans; receipts; loan adds; regular payments; payments reapplied; refunds; adjustments; write-offs; and capitalized interest, identified as to cash or non-cash transactions. Totals should include 1) Bond funding source number, 2) transaction date, 3) transaction type, 4) total transaction amount, 5) transaction amount applied to principal, 6) transaction amount applied to interest.

(c) REPORT SECTIONS:

Spacing:
- Page break between each bond funding source.

Detail:
- Transaction type within transaction date, within bond funding source.

Summary:
- Totals by bond funding source for:
  - ✓ Total transaction amount,
  - ✓ Transaction amount applied to principal,
  - ✓ Transaction amount applied to interest,
  - ✓ Prior month's ending balance,
  - ✓ And current month's ending balance after the adjustments.
- Totals for all bond funding sources combined for:
  - ✓ Total transaction amount,
  - ✓ Transaction amount applied to principal,
  - ✓ Transaction amount applied to interest,
  - ✓ Prior month's ending balance,
  - ✓ And current month's ending balance after the adjustments.

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

FINANCIAL REPORT 2

ACCOUNTING REPORT: TRANSACTION DETAIL

(a) PURPOSE: The purpose of this report is to provide MHESLA detailed information regarding accounting entries resulting from activity processed by the Servicer during the reporting period, in order to reconcile the State's general ledger with the Servicer's portfolio totals.

(d) DETAIL DATA ELEMENTS: Details of the following transaction types: new loans; receipts; loan adds; regular payments; payments reapplied; refunds; adjustments; write-offs; and capitalized interest, identified as to cash or non-cash transactions. Details should include 1) Bond funding source number, 2) social security number, 3) loan identifier, 4) borrower name, 5) transaction date, 6) transaction type, 7) total transaction amount, 8) transaction amount applied to principal, 9) transaction amount applied to interest.

(c) REPORT SECTIONS:

Spacing:
- Page break between each bond funding source.

Detail:
- Social security/loan identifier order within bond funding source.

(d) FREQUENCY: The Servicer will submit this report to MHESLA on a daily basis.

FINANCIAL REPORT 3

CASH ACTIVITY

(a) PURPOSE: The purpose of this report is to list all cash activities that affect the lender's cash account.

(b) DETAIL DATA ELEMENTS: A listing of all cash activities, including cancellations. Details should include 1) Bond funding source number, 2) social security number, 3) loan identifier, 4) borrower name, 5) total payment amount received/adjusted/cancelled, 6) payment amount applied to principal, and 7) payment amount applied to interest.

(c) REPORT SECTIONS:

Spacing:
- Page break between detail and summary.

Detail:
- Social security number/loan identifier order.

Summary:
- Totals by bond funding source for the total payment amount received/adjusted/cancelled, the payment amount applied to principal, and the payment amount applied to interest.

(d) FREQUENCY: The Servicer will submit this report to MHESLA on a daily basis.

Bidder Response:
A. FFELP Reports
The Servicer provides standard production reports to meet MHESLA's data needs. See FFELP Loan Servicing Task 14 Section D for formatting specifications.

B. MI-LOAN Reports
The Servicer has designed the MI-LOAN reports based on MHESLA's specifications.

1.050 Acceptance

1.051 Criteria

The following criteria will be used by the State to determine Acceptance of the Services or Deliverables provided under this SOW:

The services will be accepted in accordance with the requirements of the contract. In the event acceptance of the services is not described in the Contract, the CCI or designee will notify the Contractor in writing within ten (10) days following the receipt or installation of any services described in the Contract if it is not acceptable. The notice shall specify in reasonable detail the reason(s) a service is unacceptable. Acceptance shall not be unreasonably withheld but may be conditioned or delayed as required for installation and/or testing of the service.

1.052 Final Acceptance

Final acceptance is expressly conditioned upon completion of ALL deliverables, completion of ALL tasks in the project plan as approved, completion of ALL applicable inspection and/or testing procedures, and the certification by the State that Contractor has met the defined requirements.

1.060 Proposal Pricing

1.061 Proposal Pricing

Complete price proposal sheets Appendix A and/or Appendix B and submit with bid.

Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for the expense at the State's current travel reimbursement rates. See **www.michigan.gov/dmb** for current rates.

1.062 Price Term

(X) Firm Fixed Price

Prices quoted are firm for the entire length of the Contract.

1.063 Tax Excluded from Price

(a) Sales Tax: For purchases made directly by the State, the State is exempt from State and Local Sales Tax. Prices must not include the taxes. Exemption Certificates for State Sales Tax will be furnished upon request.

(b) Federal Excise Tax: The State may be exempt from Federal Excise Tax, or the taxes may be reimbursable, if articles purchased under any resulting Contract are used for the State's exclusive use. Certificates showing exclusive use for the purposes of substantiating a tax-free, or tax-reimbursable sale will be sent upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices must not include the Federal Excise Tax.

1.064 Holdback-Deleted/Not Applicable

1.070 Additional Requirements

1.071 Additional Terms and Conditions specific to this Contract-

1. Section 1.022-A.2c. Please confirm that costs for changes required by a guarantor will be charged at the system change fee identified in Appendix. A.

Servicer Response to Clarification:

Yes.

2. Section 1.022-A.3b. Please confirm fee identified in Servicer's response will be the system change fee in Appendix A.

Servicer Response to Clarification:

Yes.

3. Section 1.022-A.3x – Please confirm agreement that the printing and distribution of MHESLA program required materials such as letters and notifications are included in servicing costs.

Servicer Response to Clarification:

The Servicer will send letters and other notifications to borrowers as mandated by federal and state regulations and is included in the servicing costs. Materials unique to MHESLA will follow the process outlined in Task 2d to determine the cost.

4. Section 1.022-A.3l – The Servicer's response appears to assume e-mail as the method for e-newsletter transmission method. MHESLA would also allow for posting the newsletter on the servicers web site, other web-sites (Facebook, MySpace, etc.). Confirm the Servicer will provide e-newsletter on various web sites at the system setup fee identified in Appendix A. If Treasury requests e-mail e-newsletters, a contract change will be requested.

Servicer Response to Clarification:

The Servicer is willing to post the newsletter to thier website and other mutually agreeable websites. The system setup fee identified in Appendix A will cover the Servicer's fees, but any fees charged by other websites that MHESLA requests the newsletter be posted to will be passed onto MHESLA.

5. Section 1.022-A. 4j – Please confirm the process and fee will follow requirements in Section 1.022-A.2d.

Servicer Response to Clarification:

Yes.

6. Section 1.022-A.4d – Please provide a time frame for which testing will be completed.

Servicer Response to Clarification:

The Servicer is unable to provide a time frame until the project requirements and scope have been detailed. The amount of work and testing will depend on whether the Servicer has worked with the incumbent servicer previously in exchanging data files and the amount of technical support provided by the incumbent servicer.

7. Section 1.022-A.5m1 – Does the Servicer have the capability to include a "care of Nelnet (C/O Nelnet)" line on check stock?

Servicer Response to Clarification:

The Servicer does not currently offer an option to add a line "care of Nelnet (C/O Nelnet)" to disbursement checks. Should MHESLA require this change, this enhancement will follow the process outlined in Task 2d to determine the cost and will be subject to resource allocation.

8. Section 1.022-A.5o – MHESLA requires the Servicer to allow students to opt-in to receive e-mail disclosures. If a student does not opt-in, they will receive disclosures via mail.

Servicer Response to Clarification:

The Servicer is able to meet this requirement.

9. Section 1.022-A.8d – MHESLA will accept notification to the CCI within 5 days for missing documentation.

Servicer Response to Clarification:

The Servicer agrees to the 5 days.

10. Section 1.022-A.14f - Please confirm the Servicer will provide access to their reporting tool so that MHESLA will have the capability to generate its own reports.

Servicer Response to Clarification:

Yes.

11. Section 1.022-A.16a – Please confirm the Servicer will agree to time frames in the task.

Servicer Response to Clarification:

The Servicer will make diligent efforts to meet the time frames as outlined in the task where we are in control of outcomes. The Servicer follows a standard methodology to confirm quality and security standards are met and once a project outlines has been documented – formal time frames can be agreed to with all parties involved.

12. Section 1.022-A.16d – Please confirm the Servicer will agree to requirement and conditions of the task.

Servicer Response to Clarification:

The Servicer's response to 1.022-A.16d dated 05/12/09 outlines the conditions and process by which we agree to the stated requirements of the task.

13. Section 1.022-A.16i.1 – Please confirm five (5) days will be acceptable for the Servicer to send to the incoming servicer, documentation for supporting a claim recall.

Servicer Response to Clarification:

The Servicer agrees to the 5 days.

14. Section 1.022-A.16i.2 - Please confirm agreement to provide documentation to the incoming servicer within seven (7) days as required in the task.

Servicer Response to Clarification:

The Servicer agrees to the 7 days.

15. Section 1.022-A.16k – Please confirm the Servicer will agree to requirement and conditions of the task.

Servicer Response to Clarification:

The Servicer will agree to the task, provided however, to the extent the Servicer's inability to provide borrower data and documents reasonably required by MHESLA results in the loss of a guarantee on a loan, the process set forth in Servicer's prior response to 1.022-A.16k dated 05/12/09 shall apply. Following completion of such process and the expiration of the twelve (12) month period stated therein, if Nelnet is unable to reinstate the loan guarantee, the Servcier will reimburse MHESLA for the amount the guarantor would otherwise have paid on the loan, within sixty (60) days of MHESLA's request.

16. Section 1.022-B.1c – Please confirm the Servicer agrees to terms in Appendix E and please provide detail to demonstrate with Appendix E.

Servicer Response to Clarification:

Please see the attached update to Appendix E which reflects the information requested.

17. Section 1.022-B.2c – Please confirm agreement to 30 day time frame unless delays are the direct cause of an outside entity.

Servicer Response to Clarification:

Upon receipt of mutually agreed upon requirements, the Servicer can commit to the 30 day timeframe unless delays are caused by an entity outside of the Servicer.

18. Section 1.022-B.3v – Please confirm costs for changing forms will be charged at the system change fee.

Servicer Response to Clarification:

Yes, these will be charged at the system change fee.

19. Section 1.022-B.6d – Please describe what the Servcier means by adjustments that "materially" affect the loan.

Servicer Response to Clarification:

The Servicer would notify borrowers in situations such as forbearance approval, processing of an NSF payment, and conversion to repayment.

20. Section 1.022-B.9b – Please provide pricing for servicing w/out sending statements to co-signer.

Servicer Response to Clarification:

The pricing for servicing without sending statements to the co-signer

Current:	$4.05	per borrower
Principal & Interest Forbearance	$4.05	per borrower
Delinquent	$7.15	per borrower

21. Section 1.022-B.10e – Please clarify process for advancing the payment due date up to 59 days.

Servicer Response to Clarification:

If a borrower's due date is July 15 and the borrower sends in a payment on July 28 in an amount equal to two payments, the system would advance the due date to August 15 for the portion equal to one payment and to September 15 for the portion equal to the second payment. This advances the payment 48 days into the future. In the same situation, if the borrower had sent in the equivalent of three payments, the due date would still only have been advanced to September 15 as going another month would have pushed the due date beyond 59 days from the effective date of the payment.

The system is designed to mimic the borrower's intent. In the above example, the borrower was likely paying the delinquent payment from July 15 and the next payment due August 15.

22. Section 1.022-B.15b – Please confirm that "collection" status is considered the proper negative, past due reporting.

Servicer Response to Clarification:

From 60 days delinquent until Claim Filed status, the Servicer reports the loan to the credit bureau as past due. As defined by MHESLA in project number FM40403, collection status is the proper negative, past due reporting status for a loan in Claim Filed or Military Claim Filed status.

23. Section 1.031.d – Please confirm all services will be performed within the US. Please identify any discrepancies.

Servicer Response to Clarification:

The Servicer and its subcontractors will perform all services under this Contract within the borders of the United States. All storage and processing of information are currently, and will continue to be performed within the borders of the United States. Nelnet has no discrepancies to identify.

24. Section 1.042.aa – confirm reports will meet format requirements in section 14-e.

Servicer Response to Clarification:

The Servicer provides standard production reports to meet the needs of all clients. Modifications requested by MHESLA to production reports would go through the Servicer's intake process and then follow through the process outlined in Task 2d.

25. Section 1.021 – MHESLA requires knowledge of program changes. MHESLA does not require approval before any changes are initiated, simply that the Servicer notify MHESLA of changes to program.

Servicer Response to Clarification:

The Servicer will notify MHESLA of changes that directly impact their operations.

26. Section 2.093 – The following language regarding PCI compliance shall be incorporated into the contract.

"Contractors with access to credit/debit card cardholder data must adhere to the Payment Card Industry (PCI) Data Security requirements. Contractor agrees that they are responsible for security of cardholder data in their possession. Contractor agrees that data can ONLY be used for assisting the State in completing a transaction, supporting a loyalty program, supporting the State, providing fraud control services, or for other uses specifically required by law.
Contractor agrees to provide business continuity in the event of a major disruption, disaster or failure.
The Contractor will contact Treasury immediately to advise them of any breaches in security where card data has been compromised. In the event of a security intrusion, the Contractor agrees the Payment Card Industry representative, or a Payment Card Industry approved third party, will be provided with full cooperation and access to conduct a thorough security review. The review will validate compliance with the Payment Card Industry Data Security Standard for protecting cardholder data.

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

Servicer Response to Clarification:

The Servicer is currently modifying certain business processes and systems related to PCI compliance. We expect this to be completed by the second quarter of 2010.

27. Sections 1.042-A and 1.042-B – This section addresses the financial and management reporting needs of MHELA and other funding transaction participants, the following language shall be incorporated into the contract:

"Servicers must utilize the technology available to provide reports to MHESLA, that include data identified in this section."

Servicer Response to Clarification:

The Servicer is comfortable with the language being included in the contract as long as the Servicer may enhance its technology at its discretion, but will ensure any enhancements continue to satisfy the terms of any contract between MHESLA and the Servicer.

28. Section 2.243 – The following language shall be incorporated into the contract:

"Any financial loss to MHESLA that shall be reimbursed by the servicer is defined as the amount that the guarantor would reimburse MHELSA. If the servicer has not reimbursed MHESLA for its loss within 60 days of notification from MHESLA that a loss was incurred, the servicer shall also reimburse MHESLA interest that has accrued after the 60th day."

Servicer Response to Clarification:

Subject to Servicer's response to MHESLA clarification question #15, regarding RFP Section 1.022-A.16k, Nelnet agrees that in the event Servicer's actions result in a guarantee claim being denied, the contract should provide for the Servicer to reimburse MHESLA in the amount a guarantor would otherwise reimburse MHESLA for the guarantee claim, provided however, such reimbursement would occur only following completion of the process set forth in Servicer's original response to such Section, and following the expiration of the twelve (12) month period stated therein, such that if Nelnet is unable to reinstate the loan guarantee, The Servicer will reimburse MHESLA for the amount the guarantor would otherwise have paid on the loan, within sixty (60) days of MHESLA's request. The Servicer believes the inclusion of the language as proposed by MHESLA in clarification question #28 without proper context will result in confusion in interpreting the contract.

29. Servicers must have the capability to service loans under the terms and conditions of the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) in order to utilize the PUT Program. Please provide additional servicer functions necessary to service FFELP loans according to the requirements of various ECASLA programs. Please provide pricing for servicing FFELP loans according to the requirements of various ECASLA programs.

Servicer Response to Clarification:

The Servicer has developed programs to manage the government liquidity programs outlined in the Ensuring Continued Access to Student Loans Act (ECASLA) of 2008. Should a lender client opt to participate in these programs – The Servicer requires a contract amendment (see attached ECASLA agreement) to initiate the set up and work requirements for PUT and Participation. This amendment outlines the associated fees that would be charged by the Servicer.

Servicer Functions Necessary to Service ECASLA Programs:
In order to service ECASLA participation loans – the lender must secure a custodian and LID. The servicer must then set up this new LID on our servicing system to prepare for transactions. The servicer is required then to reflect reporting, in the format required by the Department, to the custodian on the participated portion of the loan, while maintaining normal guarantor and school and lender reporting on the non-participated portion of the asset.

Additionally, for ECASLA put transactions, the servicer must work with the lender and the Department to select eligible loans and execute a notice of intent, in the format required by the Department, 45 days before the transaction. The servicer must continue to service these selected loans during the 45-day period, locking the loans from all adjustment transactions 9-days prior to the sale – sending a final balance to the Department for review. During the 9-day lock, the servicer is responsible for continued servicing of the loans and will reconcile any monetary adjustments received during this period with the Department Service after the sale transaction. The servicer will notify the schools and guarantors of the loans sold in a put on the lenders behalf, if so requested, at the 9-day lock.

Article 2, Terms and Conditions

2.000 Contract Structure and Term

2.001 Contract Term
This Contract is for a period of five (5) years beginning April 1, 2010 through March 31, 2015. All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.150**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

2.002 Options to Renew
This Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to five (5) additional one (1) year periods.

2.003 Legal Effect
Contractor shall show acceptance of this Contract by signing two copies of the Contract and returning them to the Contract Administrator. The Contractor shall not proceed with the performance of the work to be done under the Contract, including the purchase of necessary materials, until both parties have signed the Contract to show acceptance of its terms, and the Contractor receives a contract release/purchase order that authorizes and defines specific performance requirements.

Except as otherwise agreed in writing by the parties, the State assumes no liability for costs incurred by Contractor or payment under this Contract, until Contractor is notified in writing that this Contract (or Change Order) has been approved by the State Administrative Board (if required), approved and signed by all the parties, and a Purchase Order against the Contract has been issued.

2.004 Attachments & Exhibits
All Attachments and Exhibits affixed to any and all Statement(s) of Work, or appended to or referencing this Contract, are incorporated in their entirety and form part of this Contract.

2.005 Ordering
The State will issue a written Purchase Order, Blanket Purchase Order, Direct Voucher or Procurement Card Order, which must be approved by the Contract Administrator or the Contract Administrator's designee, to order any Services/Deliverables under this Contract. All orders are subject to the terms and conditions of this Contract. No additional terms and conditions contained on either a Purchase Order or Blanket Purchase Order apply unless they are also specifically contained in that Purchase Order's or Blanket Purchase Order's accompanying Statement of Work. Exact quantities to be purchased are unknown, however, the Contractor will be required to furnish all such materials and services as may be ordered during the CONTRACT period. Quantities specified, if any, are estimates based on prior purchases, and the State is not obligated to purchase in these or any other quantities.

2.006 Order of Precedence
(a) The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to the subject matter and as additional terms and conditions on the purchase order must apply as limited by **Section 2.005.**

(b) In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of the Contract, which may be modified or amended only by a formal Contract amendment.

2.007 Headings
Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of the Contract.

2.008 Form, Function & Utility
If the Contract is for use of more than one State agency and if the Deliverable/Service does not the meet the form, function, and utility required by that State agency, that agency may, subject to State purchasing policies, procure the Deliverable/Service from another source.

2.009 Reformation and Severability
Each provision of the Contract is severable from all other provisions of the Contract and, if one or more of the provisions of the Contract is declared invalid, the remaining provisions of the Contract remain in full force and effect.

2.010 Consents and Approvals
Except as expressly provided otherwise in the Contract, if either party requires the consent or approval of the other party for the taking of any action under the Contract, the consent or approval must be in writing and must not be unreasonably withheld or delayed.

2.011 No Waiver of Default
If a party fails to insist upon strict adherence to any term of the Contract then the party has not waived the right to later insist upon strict adherence to that term, or any other term, of the Contract.

2.012 Survival
Any provisions of the Contract that impose continuing obligations on the parties, including without limitation the parties' respective warranty, indemnity and confidentiality obligations, survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

2.020 Contract Administration

2.021 Issuing Office
This Contract is issued by the Department of Management and Budget, Purchasing Operations and the Department of Treasury (collectively, including all other relevant State of Michigan departments and agencies, the "State"). Purchasing Operations is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. Purchasing Operations **is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.** The Contractor Administrator within Purchasing Operations for this Contract is:

Jim Wilson
Purchasing Operations
Department of Management and Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Wilsonj4@michigan.gov
517-241-1916

2.022 Contract Compliance Inspector (CCI)
After DMB-Purchasing Operations receives the properly executed Contract, it is anticipated that the Director of Purchasing Operations, in consultation with Treasury, will direct the person named below, or any other person so designated, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of this Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract as that authority is retained by DMB Purchasing Operations**. The Contract Compliance Inspector for this Contract is:

Orv Erickson
Michigan Department of Treasury
Michigan Higher Education Student Loan Authority
430 W. Allegan St.
Lansing, MI 48922

2.023 Project Manager
The following individual will oversee the project:

Orv Erickson
Michigan Department of Treasury
Michigan Higher Education Student Loan Authority
430 W. Allegan St.
Lansing, MI 48922

2.024 Change Requests
The State reserves the right to request from time to time any changes to the requirements and specifications of the Contract and the work to be performed by the Contractor under the Contract. During the course of ordinary business, it may become necessary for the State to discontinue certain business practices or create Additional Services/Deliverables. At a minimum, to the extent applicable, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the services/deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

If the Contractor does not so notify the State, the Contractor has no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable.

Change Requests:

(a) By giving Contractor written notice within a reasonable time, the State must be entitled to accept a Contractor proposal for Change, to reject it, or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice must be prepared and issued under this Contract, describing the Change and its effects on the Services and any affected components of this Contract (a "Contract Change Notice").

(b) No proposed Change may be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Management and Budget, Purchasing Operations.

(c) If the State requests or directs the Contractor to perform any activities that Contractor believes constitute a Change, the Contractor must notify the State that it believes the requested activities are a Change before beginning to work on the requested activities. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities. If the Contractor commences performing work outside the scope of this Contract and then ceases performing that work, the Contractor must, at the request of the State, retract any out-of-scope work that would adversely affect the Contract.

2.025 Notices
Any notice given to a party under the Contract must be deemed effective, if addressed to the party as addressed below, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third 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.

State:
State of Michigan
Purchasing Operations
Attention: Jim Wilson
PO Box 30026
530 West Allegan
Lansing, Michigan 48909

Contractor:
Nelnet Servicing
121 South 13th Street Suite 201
Lincoln, Nebraska 68508

Either party may change its address where notices are to be sent by giving notice according to this Section.

2.026 Binding Commitments
Representatives of Contractor must have the authority to make binding commitments on Contractor's behalf within the bounds set forth in this Contract. Contractor may change the representatives from time to time upon written notice.

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

2.028 Covenant of Good Faith
Each party must act reasonably and in good faith. Unless stated otherwise in the Contract, the parties will not unreasonably delay, condition or withhold the giving of any consent, decision or approval that is either requested or reasonably required of them in order for the other party to perform its responsibilities under the Contract.

2.029 Assignments
(a) Neither party may assign the Contract, or assign or delegate any of its duties or obligations under the Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign the Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign the Contract to an affiliate so long as the affiliate is adequately capitalized and can provide adequate assurances that the affiliate can perform the Contract. The State may withhold consent from proposed assignments, subcontracts, or novations when the transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.

(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. If the State permits an assignment, the Contractor is not relieved of its responsibility to perform any of its contractual duties, and the requirement under the Contract that all payments must be made to one entity continues.

(c) If the Contractor intends to assign the contract or any of the Contractor's rights or duties under the Contract, the Contractor must notify the State in writing at least 90 days before the assignment. The Contractor also must provide the State with adequate information about the assignee within a reasonable amount of time before the assignment for the State to determine whether to approve the assignment.

2.030 General Provisions

2.031 Media Releases
News releases (including promotional literature and commercial advertisements) pertaining to the RFP and Contract or project to which it relates shall not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with the RFP and Contract are to be released without prior written approval of the State and then only to persons designated.

2.032 Contract Distribution
Purchasing Operations retains the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Purchasing Operations.

2.033 Permits
Contractor must obtain and pay any associated costs for all required governmental permits, licenses and approvals for the delivery, installation and performance of the Services. The State must pay for all costs and expenses incurred in obtaining and maintaining any necessary easements or right of way.

2.034 Website Incorporation
The State is not bound by any content on the Contractor's website, even if the Contractor's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of the content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representative of the State.

2.035 Future Bidding Preclusion
Contractor acknowledges that, to the extent this Contract involves the creation, research, investigation or generation of a future RFP, it may be precluded from bidding on the subsequent RFP. The State reserves the right to disqualify any bidder if the State determines that the bidder has used its position (whether as an incumbent Contractor, or as a Contractor hired to assist with the RFP development, or as a Vendor offering free assistance) to gain a competitive advantage on the RFP.

2.036 Freedom of Information
All information in any proposal submitted to the State by Contractor and this Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq (the "FOIA").

2.037 Disaster Recovery
Contractor and the State recognize that the State provides essential services in times of natural or man-made disasters. Therefore, except as so mandated by Federal disaster response requirements, Contractor personnel dedicated to providing Services/Deliverables under this Contract will provide the State with priority service for repair and work around in the event of a natural or man-made disaster.

2.040 Financial Provisions

2.041 Fixed Prices for Services/Deliverables
Each Statement of Work or Purchase Order issued under this Contract shall specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.042 Adjustments for Reductions in Scope of Services/Deliverables
If the scope of the Services/Deliverables under any Statement of Work issued under this Contract is subsequently reduced by the State, the parties shall negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope.

2.043 Services/Deliverables Covered
For all Services/Deliverables to be provided by Contractor (and its Subcontractors, if any) under this Contract, the State shall not be obligated to pay any amounts in addition to the charges specified in this Contract.

2.044 Invoicing and Payment – In General

Invoices will show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. Invoices shall detail charges in accordance with pricing identified in the Contractor's price proposals (Appendix A and/or Appendix B).

The Contractor shall submit monthly invoices to the State. Invoices must be sent directly to the Contract Compliance Inspector or designee at the address listed in Section 2.022. Invoices shall be for a full calendar month, and shall be forwarded to the Contract Compliance Inspector or designee by the 15th day of the following month.

Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

2.045 Pro-ration
To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services shall be pro-rated for any partial month.

2.046 Antitrust Assignment
The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor, toward fulfillment of this Contract.

2.047 Final Payment
The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under the Contract, nor will it constitute a waiver of any claims by one party against the other arising from unsettled claims or failure by a party to comply with this Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Contractor's acceptance of final payment by the State under this Contract shall constitute a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.048 Electronic Payment Requirement
Electronic transfer of funds is required for payments on State Contracts. Contractors are required to register with the State electronically at http://www.cpexpress.state.mi.us. As stated in Public Act 431 of 1984, all contracts that the State enters into for the purchase of goods and services shall provide that payment will be made by electronic fund transfer (EFT).

2.050 Taxes

2.051 Employment Taxes
Contractors are expected to collect and pay all applicable federal, state, and local employment taxes, including the taxes.

2.052 Sales and Use Taxes
Contractors are required to be registered and to remit sales and use taxes on taxable sales of tangible personal property or services delivered into the State. Contractors that lack sufficient presence in Michigan to be required to register and pay tax must do so as a volunteer. This requirement extends to: (1) all members of any controlled group as defined in § 1563(a) of the Internal Revenue Code and applicable regulations of which the company is a member, and (2) all organizations under common control as defined in § 414(c) of the Internal Revenue Code and applicable regulations of which the company is a member that make sales at retail for delivery into the State are registered with the State for the collection and remittance of sales and use taxes. In applying treasury regulations defining "two or more trades or businesses under common control" the term "organization" means sole proprietorship, a partnership (as defined in § 701(a)(2) of the Internal Revenue Code), a trust, an estate, a corporation, or a limited liability company.

2.060 Contract Management

2.061 Contractor Personnel Qualifications
All persons assigned by Contractor to the performance of Services under this Contract must be employees of Contractor or its majority-owned (directly or indirectly, at any tier) subsidiaries (or a State-approved Subcontractor) and must be fully qualified to perform the work assigned to them. Contractor must include a similar provision in any subcontract entered into with a Subcontractor. For the purposes of this Contract, independent contractors engaged by Contractor solely in a staff augmentation role must be treated by the State as if they were employees of Contractor for this Contract only; however, the State understands that the relationship between Contractor and Subcontractor is an independent contractor relationship.

2.062 Contractor Key Personnel
(a) The Contractor must provide the Contract Compliance Inspector with the names of the Key Personnel.

(b) Key Personnel must be dedicated as defined in the Statement of Work to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.

(c) The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection.

(d) Contractor must not remove any Key Personnel from their assigned roles or the Contract without the prior written consent of the State. The Contractor's removal of Key Personnel without the prior written consent of the State is an unauthorized removal ("Unauthorized Removal"). Unauthorized Removals does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation, or for cause termination of the Key Personnel's employment. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies, changing business conditions that result in a restructuring of operations or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its termination and cancellation rights.

(e) The Contractor must notify the Contract Compliance Inspector and the Contract Administrator at least 10 business days before redeploying non-Key Personnel, who are dedicated to primarily to the Project, to other projects. If the State does not object to the redeployment by its scheduled date, the Contractor may then redeploy the non-Key Personnel.

2.063 Re-assignment of Personnel at the State's Request

The State reserves the right to require the removal from the Project of Contractor personnel found, in the judgment of the State, to be unacceptable. The State's request must be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request must be based on legitimate, good-faith reasons. Replacement personnel for the removed person must be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed personnel, the State agrees to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any incident with removed personnel results in delay not reasonably anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted for a time as agreed to by the parties.

2.064 Contractor Personnel Location

All staff assigned by Contractor to work on the Contract will perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel will, at a minimum, spend at least the amount of time on-site at State facilities as indicated in the applicable Statement of Work. Subject to availability, selected Contractor personnel may be assigned office space to be shared with State personnel.

2.065 Contractor Identification

Contractor employees must be clearly identifiable while on State property by wearing a State-issued badge, as required. Contractor employees are required to clearly identify themselves and the company they work for whenever making contact with State personnel by telephone or other means.

2.066 Cooperation with Third Parties

Contractor agrees to cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel. As reasonably requested by the State in writing, the Contractor will provide to the State's agents and other contractors reasonable access to Contractor's Project personnel, systems and facilities to the extent the access relates to activities specifically associated with this Contract and will not interfere or jeopardize the safety or operation of the systems or facilities. The State acknowledges that Contractor's time schedule for the Contract is very specific and agrees not to unnecessarily or unreasonably interfere with, delay or otherwise impeded Contractor's performance under this Contract with the requests for access.

2.067 Contractor Return of State Equipment/Resources

The Contractor must return to the State any State-furnished equipment, facilities and other resources when no longer required for the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.

2.068 Contract Management Responsibilities
The Contractor will be required to assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State will consider the Contractor to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of Subcontractors, including firm name and address, contact person and a complete description of work to be subcontracted. The State reserves the right to approve Subcontractors and to require the Contractor to replace Subcontractors found to be unacceptable. The Contractor is totally responsible for adherence by the Subcontractor to all provisions of the Contract. Any change in Subcontractors must be approved by the State, in writing, prior to such change.

2.070 Subcontracting by Contractor

2.071 Contractor Full Responsibility
Contractor shall have full responsibility for the successful performance and completion of all of the Services and Deliverables. The State will consider Contractor to be the sole point of contact with regard to all contractual matters under this Contract, including payment of any and all charges for Services and Deliverables.

2.072 State Consent to Delegation
Contractor shall not delegate any duties under this Contract to a Subcontractor unless the Department of Management and Budget, Purchasing Operations has given written consent to such delegation. The State shall have the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good-faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLA for the affected Work will not be counted for a time agreed upon by the parties.

2.073 Subcontractor Bound to Contract
In any subcontracts entered into by Contractor for the performance of the Services, Contractor shall require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of this Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by this Contract, assumes toward the State. The State reserves the right to receive copies of and review all subcontracts, although Contractor may delete or mask any proprietary information, including pricing, contained in such contracts before providing them to the State. The management of any Subcontractor will be the responsibility of Contractor, and Contractor shall remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor shall make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under this Contract shall not relieve Contractor of any obligations or performance required under this Contract.

2.074 Flow Down
Except where specifically approved in writing by the State on a case-by-case basis, Contractor shall flow down the obligations in **Sections 2.031, 2.060, 2.100, 2.110, 2.120, 2.130, 2.200** in all of its agreements with any Subcontractors.

2.075 Competitive Selection
The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the Contract.

2.080 State Responsibilities

2.081 Equipment
The State will provide only the equipment and resources identified in the Statements of Work and other Contract Exhibits.

2.082 Facilities

The State must designate space as long as it is available and as provided in the Statement of Work, to house the Contractor's personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the "State Facilities"). The Contractor must have reasonable access to, and, unless agreed otherwise by the parties in writing, must observe and comply with all rules and regulations relating to each of the State Facilities (including hours of operation) used by the Contractor in the course of providing the Services. Contractor agrees that it will not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for the Contractor's use, or to which the Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.

2.090 Security

2.091 Background Checks

On a case-by-case basis, the State may investigate the Contractor's personnel before they may have access to State facilities and systems. The scope of the background check is at the discretion of the State and the results will be used to determine Contractor personnel eligibility for working within State facilities and systems. The investigations will include Michigan State Police Background checks (ICHAT) and may include the National Crime Information Center (NCIC) Finger Prints. Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Finger Print Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested.

All Contractor personnel will also be expected to comply with the State's security and acceptable use policies for State IT equipment and resources. See http://www.michigan.gov/dit. Furthermore, Contractor personnel will be expected to agree to the State's security and acceptable use policies before the Contractor personnel will be accepted as a resource to perform work for the State. It is expected the Contractor will present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff will be expected to comply with all Physical Security procedures in place within the facilities where they are working.

2.092 Security Breach Notification

If the Contractor breaches this Section, the Contractor must (i) promptly cure any deficiencies and (ii) comply with any applicable federal and state laws and regulations pertaining to unauthorized disclosures. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor must report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within 10 days of becoming aware of the use or disclosure or the shorter time period as is reasonable under the circumstances.

2.093 PCI Data Security Requirements-Deleted/Not Applicable

2.100 Confidentiality

2.101 Confidentiality

Contractor and the State each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it. As used in this Section, "Confidential Information" of Contractor must mean all non-public proprietary information of Contractor (other than Confidential Information of the State as defined below) which is marked confidential, restricted, proprietary or with a similar designation. "Confidential Information" of the State must mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State under applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State under its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. "Confidential Information" excludes any information (including this Contract) that is publicly available under the Michigan FOIA.

2.102 Protection and Destruction of Confidential Information

The State and Contractor will each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party will limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect the Confidential Information from unauthorized use or disclosure.

Promptly upon termination or cancellation of the Contract for any reason, Contractor must certify to the State that Contractor has destroyed all State Confidential Information.

2.103 Exclusions

Notwithstanding the foregoing, the provisions of **Section 2.100** will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose the information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of **Section 2.100** will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

2.104 No Implied Rights

Nothing contained in this Section must be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

2.105 Respective Obligations

The parties' respective obligations under this Section must survive the termination or expiration of this Contract for any reason.

2.110 Records and Inspections

2.111 Inspection of Work Performed

The State's authorized representatives must at all reasonable times and with 10 days prior written request, have the right to enter Contractor's premises, or any other places, where the Services are being performed, and must have access, upon reasonable request, to interim drafts of Deliverables or work-in-progress. Upon 10 Days prior written notice and at all reasonable times, the State's representatives must be allowed to inspect, monitor, or otherwise evaluate the work being performed and to the extent that the access will not reasonably interfere or jeopardize the safety or operation of the systems or facilities. Contractor must provide all reasonable facilities and assistance for the State's representatives.

2.112 Examination of Records
For seven years after the Contractor provides any work under this Contract (the "Audit Period"), the State may examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules. The State must notify the Contractor 20 days before examining the Contractor's books and records. The State does not have the right to review any information deemed confidential by the Contractor to the extent access would require the confidential information to become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.

2.113 Retention of Records
Contractor must maintain at least until the end of the Audit Period all pertinent financial and accounting records (information pertaining to the Contract and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract according to generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records must be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving Contractor's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.

2.114 Audit Resolution
If necessary, the Contractor and the State will meet to review each audit report promptly after issuance. The Contractor will respond to each audit report in writing within 30 days from receipt of the report, unless a shorter response time is specified in the report. The Contractor and the State must develop, agree upon and monitor an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in the audit report.

2.115 Errors
(a) If the audit demonstrates any errors in the documents provided to the State, then the amount in error must be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four invoices. If a balance remains after four invoices, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly invoice that the balance appeared on or termination of the Contract, whichever is earlier.

(b) In addition to other available remedies, the difference between the payment received and the correct payment amount is greater than 10%, then the Contractor must pay all of the reasonable costs of the audit.

2.120 Warranties

2.121 Warranties and Representations
The Contractor represents and warrants:

(a) It is capable in all respects of fulfilling and must fulfill all of its obligations under this Contract. The performance of all obligations under this Contract must be provided in a timely, professional, and workman-like manner and must meet the performance and operational standards required under this Contract.

(b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.

(c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under this Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.

(d) If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to the items in this Contract, Contractor must assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.

(e) The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into this Contract, on behalf of Contractor.

(f) It is qualified and registered to transact business in all locations where required.

(g) Neither the Contractor nor any Affiliates, nor any employee of either, has, must have, or must acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor must notify the State about the nature of the conflict or appearance of impropriety within two days of learning about it.

(h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or must accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor must not attempt to influence any State employee by the direct or indirect offer of anything of value.

(i) Neither Contractor nor any Affiliates, nor any employee of either has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or the Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.

(j) The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.

(k) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by the financial statements, reports, other information. Since the respective dates or periods covered by the financial statements, reports, or other information, there have been no material adverse change in the business, properties, financial condition, or results of operations of Contractor.

(l) All written information furnished to the State by or for the Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make the information not misleading.

(m) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or the department within the previous five years for the reason that Contractor failed to perform or otherwise breached an obligation of the Contract.

(n) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after contract award, the Contractor is required to report those changes immediately to the Department of Management and Budget, Purchasing Operations.

2.122 Warranty of Merchantability

Goods provided by Contractor 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 Contractor or on the container or label.

2.123 Warranty of Fitness for a Particular Purpose
When the Contractor has reason to know or knows any particular purpose for which the goods are required, and the State is relying on the Contractor's skill or judgment to select or furnish suitable goods, there is a warranty that the goods are fit for such purpose.

2.124 Warranty of Title
Contractor shall, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by Contractor 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 Contractor, under this Contract, shall be delivered free of any rightful claim of any third person by of infringement or the like.

2.125 Equipment Warranty-Deleted/Not Applicable

2.126 Equipment to be New
If applicable, all equipment provided under this Contract by Contractor shall be new where Contractor has knowledge regarding whether the equipment is new or assembled from new or serviceable used parts that are like new in performance or has the option of selecting one or the other. Equipment that is assembled from new or serviceable used parts that are like new in performance is acceptable where Contractor does not have knowledge or the ability to select one or other, unless specifically agreed otherwise in writing by the State.

2.127 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 Purchasing Operations has approved a change order pursuant to **Section 2.024**.

2.128 Consequences For Breach
In addition to any remedies available in law, if the Contractor breaches any of the warranties contained in this section, the breach may be considered as a default in the performance of a material obligation of this Contract.

2.130 Insurance

2.131 Liability Insurance
The Contractor must provide proof of the minimum levels of insurance coverage as indicated below. The insurance must protect the State from claims which may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether the services are performed by the Contractor, or by any subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain under this Contract.

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

The insurance must be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by Contractor must have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if the ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract must be issued by companies that have been approved to do business in the State.
See www.michigan.gov/dleg.

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State must be entitled to coverage to the extent of the higher limits.

The Contractor is required to pay for and provide the type and amount of insurance checked ☑ below:

☑ 1. Commercial General Liability with the following minimum coverage:

$2,000,000 General Aggregate Limit other than Products/Completed Operations
$2,000,000 Products/Completed Operations Aggregate Limit
$1,000,000 Personal & Advertising Injury Limit
$1,000,000 Each Occurrence Limit

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

☑ 2. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor‘s business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

☑ 3. Workers’ compensation coverage must be provided according to applicable laws governing the employees and employers work activities in the state of the Contractor’s domicile. If the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees’ activities occur.

Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision must not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

☑ 4. Employers liability insurance with the following minimum limits:

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

☐ 5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars ($1,000,000.00) with a maximum deductible of fifty thousand dollars ($50,000.00).

☐ 6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars ($10,000,000.00), which must apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.

☐ 7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars ($3,000,000.00) each occurrence and three million dollars ($3,000,000.00) annual aggregate.

☐ 8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of the office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to its replacement value, where the office space and its contents are under the care, custody and control of Contractor. The policy must cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State must be endorsed on the policy as a loss payee as its interests appear.

2.132 Subcontractor Insurance Coverage

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor must require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) must fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

2.133 Certificates of Insurance and Other Requirements

Contractor must furnish to DMB-Purchasing Operations, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) must contain a provision indicating that coverages afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without 30 days prior written notice, except for 10 days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected. Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor must provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

The Contractor must maintain all required insurance coverage throughout the term of the Contract and any extensions and, in the case of claims-made Commercial General Liability policies, must secure tail coverage for at least three years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and must not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor is responsible for all deductibles with regard to the insurance. If the Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, then the State may, after the State has given the Contractor at least 30 days written notice, pay the premium or procure similar insurance coverage from another company or companies. The State may deduct any part of the cost from any payment due the Contractor, or the Contractor must pay that cost upon demand by the State.

2.140 Indemnification

2.141 General Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties), accruing or resulting to any person, firm or corporation that may be injured or damaged by the Contractor in the performance of this Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its Subcontractors, or by anyone else for whose acts any of them may be liable.

2.142 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.

2.143 Employee Indemnification

In any claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its Subcontractors, the indemnification obligation under the Contract must not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its Subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.

2.144 Patent/Copyright Infringement Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that the action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of the equipment, software, commodity or service, or the use or reproduction of any documentation provided with the equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

In addition, should the equipment, software, commodity, or service, or its operation, become or in the State's or Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor must at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if the option is not reasonably available to the Contractor, (ii) replace or modify to the State's satisfaction the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if the option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Notwithstanding the foregoing, the Contractor has no obligation to indemnify or defend the State for, or to pay any costs, damages or attorneys' fees related to, any claim based upon (i) equipment developed based on written specifications of the State; (ii) use of the equipment in a configuration other than implemented or approved in writing by the Contractor, including, but not limited to, any modification of the equipment by the State; or (iii) the combination, operation, or use of the equipment with equipment or software not supplied by the Contractor under this Contract.

2.145 Continuation of Indemnification Obligations

The Contractor's duty to indemnify under this Section continues in full force and effect, notwithstanding the expiration or early cancellation of the Contract, with respect to any claims based on facts or conditions that occurred before expiration or cancellation.

2.146 Indemnification Procedures

The procedures set forth below must apply to all indemnity obligations under this Contract.

(a) After the State receives notice of the action or proceeding involving a claim for which it will seek indemnification, the State must promptly notify Contractor of the claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify the Contractor relieves the Contractor of its indemnification obligations except to the extent that the Contractor can prove damages attributable to the failure. Within 10 days following receipt of written notice from the State relating to any claim, the Contractor must notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and before the State receiving Contractor's Notice of Election, the State is entitled to defend against the claim, at the Contractor's expense, and the Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during that period.

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State is entitled to participate in the defense of the claim and to employ counsel at its own expense to assist in the handling of the claim and to monitor and advise the State about the status and progress of the defense; (ii) the Contractor must, at the request of the State, demonstrate to the reasonable satisfaction of the State, the Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) the Contractor must periodically advise the State about the status and progress of the defense and must obtain the prior written approval of the State before entering into any settlement of the claim or ceasing to defend against the claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State has the right, at its own expense, to control the defense of that portion of the claim involving the principles of Michigan governmental or public law. But the State may retain control of the defense and settlement of a claim by notifying the Contractor in writing within 10 days after the State's receipt of Contractor's information requested by the State under clause (ii) of this paragraph if the State determines that the Contractor has failed to demonstrate to the reasonable satisfaction of the State the Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State under this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

(c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State may defend the claim in the manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor must promptly reimburse the State for all the reasonable costs and expenses.

2.150 Termination/Cancellation

2.151 Notice and Right to Cure

If the Contractor breaches the Contract, and the State in its sole discretion determines that the breach is curable, then the State will provide the Contractor with written notice of the breach and a time period (not less than 30 days) to cure the Breach. The notice of breach and opportunity to cure is inapplicable for successive or repeated breaches or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage, or destruction of any real or tangible personal property.

2.152 Termination for Cause

(a) The State may terminate this Contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under this Contract (including a Chronic Failure to meet any particular SLA), or (ii) fails to cure a breach within the time period specified in the written notice of breach provided by the State

(b) If this Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by this Contract from other sources. Re-procurement costs are not consequential, indirect or incidental damages, and cannot be excluded by any other terms otherwise included in this Contract, provided the costs are not in excess of 50% more than the prices for the Service/Deliverables provided under this Contract.

(c) If the State chooses to partially terminate this Contract for cause, charges payable under this Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State must pay for all Services/Deliverables for which Final Acceptance has been granted provided up to the termination date. Services and related provisions of this Contract that are terminated for cause must cease on the effective date of the termination.

(d) If the State terminates this Contract for cause under this Section, and it is determined, for any reason, that Contractor was not in breach of contract under the provisions of this section, that termination for cause must be deemed to have been a termination for convenience, effective as of the same date, and the rights and obligations of the parties must be limited to that otherwise provided in this Contract for a termination for convenience.

2.153 Termination for Convenience

The State may terminate this Contract for its convenience, in whole or part, if the State determines that a termination is in the State's best interest. Reasons for the termination must be left to the sole discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the Services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any RFP issued by the State. The State may terminate this Contract for its convenience, in whole or in part, by giving Contractor written notice at least 30 days before the date of termination. If the State chooses to terminate this Contract in part, the charges payable under this Contract must be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of this Contract that are terminated for cause must cease on the effective date of the termination.

2.154 Termination for Non-Appropriation

(a) Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this Contract. If funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available, the State must terminate this Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State must give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or the time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

(b) If funding for the Contract is reduced by law, or funds to pay Contractor for the agreed-to level of the Services or production of Deliverables to be provided by Contractor are not appropriated or otherwise unavailable, the State may, upon 30 days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in the manner and for the periods of time as the State may elect. The charges payable under this Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of the reduction.

(c) If the State terminates this Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor under this Section, the State must pay Contractor for all Work-in-Process performed through the effective date of the termination or reduction in level, as the case may be and as determined by the State, to the extent funds are available. This Section will not preclude Contractor from reducing or stopping Services/Deliverables or raising against the State in a court of competent jurisdiction, any claim for a shortfall in payment for Services performed or Deliverables finally accepted before the effective date of termination.

2.155 Termination for Criminal Conviction

The State may terminate this Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense related to a State, public or private Contract or subcontract.

2.156 Termination for Approvals Rescinded

The State may terminate this Contract if any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services under Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. In that case, the State will pay the Contractor for only the work completed to that point under the Contract. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in the written notice.

2.157 Rights and Obligations upon Termination

(a) If the State terminates this Contract for any reason, the Contractor must (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which must be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of the items included compensation to Contractor for the provision of warranty services in respect of the materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

(b) If the State terminates this Contract before its expiration for its own convenience, the State must pay Contractor for all charges due for Services provided before the date of termination and, if applicable, as a separate item of payment under this Contract, for Work In Process, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor under this Contract, at the option of the State, becomes the State's property, and Contractor is entitled to receive equitable fair compensation for the Deliverables. Regardless of the basis for the termination, the State is not obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.

(c) Upon a good faith termination, the State may assume, at its option, any subcontracts and agreements for services and deliverables provided under this Contract, and may further pursue completion of the Services/Deliverables under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

2.158 Reservation of Rights

Any termination of this Contract or any Statement of Work issued under it by a party must be with full reservation of, and without prejudice to, any rights or remedies otherwise available to the party with respect to any claims arising before or as a result of the termination.

2.160 Termination by Contractor

2.161 Termination by Contractor

If the State breaches the Contract, and the Contractor in its sole discretion determines that the breach is curable, then the Contractor will provide the State with written notice of the breach and a time period (not less than 30 days) to cure the breach. The Notice of Breach and opportunity to cure is inapplicable for successive and repeated breaches.

The Contractor may terminate this Contract if the State (i) materially breaches its obligation to pay the Contractor undisputed amounts due and owing under this Contract, (ii) breaches its other obligations under this Contract to an extent that makes it impossible or commercially impractical for the Contractor to perform the Services, or (iii) does not cure the breach within the time period specified in a written notice of breach. But the Contractor must discharge its obligations under **Section 2.190** before it terminates the Contract.

2.170 Transition Responsibilities

2.171 Contractor Transition Responsibilities

If the State terminates this Contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. If this Contract expires or terminates, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 120 days. These efforts must include, but are not limited to, those listed in **Sections 2.171, 2.172, 2.173, 2.174, and 2.175.**

2.172 Contractor Personnel Transition

The Contractor must work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor must allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by this Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors or vendors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's subcontractors or vendors. Contractor will notify all of Contractor's subcontractors of procedures to be followed during transition.

2.173 Contractor Information Transition

The Contractor agrees to provide reasonable detailed specifications for all Services/Deliverables needed by the State, or specified third party, to properly provide the Services/Deliverables required under this Contract. The Contractor will provide the State with asset management data generated from the inception of this Contract through the date on which this Contractor is terminated in a comma-delineated format unless otherwise requested by the State. The Contractor will deliver to the State any remaining owed reports and documentation still in Contractor's possession subject to appropriate payment by the State.

2.174 Contractor Software Transition

The Contractor must reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under this Contract. This must include any documentation being used by the Contractor to perform the Services under this Contract. If the State transfers any software licenses to the Contractor, those licenses must, upon expiration of the Contract, transfer back to the State at their current revision level. Upon notification by the State, Contractor may be required to freeze all non-critical changes to Deliverables/Services.

2.175 Transition Payments

If the transition results from a termination for any reason, reimbursement must be governed by the termination provisions of this Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after contract expiration that result from transition operations) at the rates agreed upon by the State. The Contractor will prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

2.176 State Transition Responsibilities

In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:

(a) Reconciling all accounts between the State and the Contractor;

(b) Completing any pending post-project reviews.

2.180 Stop Work

2.181 Stop Work Orders

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order must be identified as a stop work order and must indicate that it is issued under this **Section 2.180**. Upon receipt of the stop work order, Contractor must immediately comply with its terms and take all reasonable steps to minimize incurring 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 must either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.150**.

2.182 Cancellation or Expiration of Stop Work Order

The Contractor must resume work if the State cancels a Stop Work Order or if it expires. The parties will agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract must be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within 30 calendar 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 Contractor proposal submitted at any time before final payment under the Contract. Any adjustment will conform to the requirements of **Section 2.024**.

2.183 Allowance of Contractor Costs

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, the termination must be deemed to be a termination for convenience under **Section 2.150**, and the State will pay reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State is not be liable to Contractor for loss of profits because of a stop work order issued under this **Section 2.180.**

2.190 Dispute Resolution

2.191 In General

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work must be resolved as follows. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor must submit a letter, together with all data supporting the claims, executed by Contractor's Contract Administrator or the Contract Administrator's designee certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the claim and the supporting data are current and complete to Contractor's best knowledge and belief.

2.192 Informal Dispute Resolution

(a) All disputes between the parties must be resolved under the Contract Management procedures in this Contract. If the parties are unable to resolve any disputes after compliance with the processes, the parties must meet with the Director of Purchasing Operations, DMB, or designee, for the purpose of attempting to resolve the dispute without the need for formal legal proceedings, as follows:

(i) The representatives of Contractor and the State must meet as often as the parties reasonably deem necessary to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives must discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.

(ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.

(iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.

(iv) Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DMB, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State's final action and the exhaustion of administrative remedies.

(b) This Section will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or under **Section 2.193**.

(c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work under the Contract.

2.193 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.192** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is the that the damages to the party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

2.194 Continued Performance

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment must not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.150**, as the case may be.

2.200 Federal and State Contract Requirements

2.201 Nondiscrimination

In the performance of the Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract will contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach of this provision may be regarded as a material breach of the Contract.

2.202 Unfair Labor Practices

Under 1980 PA 278, MCL 423.321, et seq., the State must not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under Section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A Contractor of the State, in relation to the Contract, must not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Under Section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, after award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

2.203 Workplace Safety and Discriminatory Harassment

In performing Services for the State, the Contractor must comply with the Department of Civil Services Rule 2-20 regarding Workplace Safety and Rule 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor must comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, see http://www.mi.gov/mdcs/0,1607,7-147-6877---,00.html.

2.210 Governing Law

2.211 Governing Law
The Contract must in all respects be governed by, and construed according to, the substantive laws of the State of Michigan without regard to any Michigan choice of law rules that would apply the substantive law of any other jurisdiction to the extent not inconsistent with, or pre-empted by federal law.

2.212 Compliance with Laws
Contractor shall comply with all applicable state, federal and local laws and ordinances in providing the Services/Deliverables.

2.213 Jurisdiction
Any dispute arising from the Contract must be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to the jurisdiction on the grounds of lack of personal jurisdiction of the court or the laying of venue of the court or on the basis of forum non conveniens or otherwise. Contractor agrees to appoint agents in the State of Michigan to receive service of process.

2.220 Limitation of Liability

2.221 Limitation of Liability
Neither the Contractor nor the State is liable to each other, regardless of the form of action, for consequential, incidental, indirect, or special damages. This limitation of liability does not apply to claims for infringement of United States patent, copyright, trademark or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; 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 Contractor's liability for damages to the State is limited to two times the value of the Contract or $500,000 which ever is higher. The foregoing limitation of liability does not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; 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 is limited to the value of the Contract.

2.230 Disclosure Responsibilities

2.231 Disclosure of Litigation
(a) Disclosure. Contractor must disclose any material criminal litigation, investigations or proceedings involving the Contractor (and each Subcontractor) or any of its officers or directors or any litigation, investigations or proceedings under the Sarbanes-Oxley Act. In addition, each Contractor (and each Subcontractor) must notify the State of any material civil litigation, arbitration or proceeding which arises during the term of the Contract and extensions, to which Contractor (or, to the extent Contractor is aware, any Subcontractor) is a party, and which involves: (i) disputes that might reasonably be expected to adversely affect the viability or financial stability of Contractor or any Subcontractor; or (ii) a claim or written allegation of fraud against Contractor or, to the extent Contractor is aware, any Subcontractor by a governmental or public entity arising out of their business dealings with governmental or public entities. The Contractor must disclose in writing to the Contract Administrator any litigation, investigation, arbitration or other proceeding (collectively, "Proceeding") within 30 days of its occurrence. Details of settlements which are prevented from disclosure by the terms of the settlement may be annotated. Information provided to the State from Contractor's publicly filed documents referencing its material litigation will be deemed to satisfy the requirements of this Section.

(b) Assurances. If any Proceeding disclosed to the State under this Section, or of which the State otherwise becomes aware, during the term of this Contract would cause a reasonable party to be concerned about:

(i) the ability of Contractor (or a Subcontractor) to continue to perform this Contract according to its terms and conditions, or

(ii) whether Contractor (or a Subcontractor) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in the Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then the Contractor must provide the State all reasonable assurances requested by the State to demonstrate that:

(a) Contractor and its Subcontractors will be able to continue to perform this Contract and any Statements of Work according to its terms and conditions, and

(b) Contractor and its Subcontractors have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in the Proceeding.

(c) Contractor must make the following notifications in writing:

(1) Within 30 days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor must notify DMB Purchasing Operations.

(2) Contractor must also notify DMB Purchasing Operations 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.

(3) Contractor must also notify DMB Purchasing Operations within 30 days whenever changes to company affiliations occur.

2.232 Call Center Disclosure

Contractor and/or all Subcontractors involved in the performance of this Contract providing call or contact center services to the State must disclose the location of its call or contact center services to inbound callers if those callers inquire as to the location. Failure to disclose this information is a material breach of this Contract.

2.233 Bankruptcy

The State may, without prejudice to any other right or remedy, terminate this Contract, in whole or in part, and, at its option, may take possession of the "Work in Process" and finish the Works in Process by whatever appropriate method the State may deem expedient if:

(a) the Contractor files for protection under the bankruptcy laws;

(b) an involuntary petition is filed against the Contractor and not removed within 30 days;

(c) the Contractor becomes insolvent or if a receiver is appointed due to the Contractor's insolvency;

(d) the Contractor makes a general assignment for the benefit of creditors; or

(e) the Contractor or its affiliates are unable to provide reasonable assurances that the Contractor or its affiliates can deliver the services under this Contract.

Contractor will fix appropriate notices or labels on the Work in Process to indicate ownership by the State. To the extent reasonably possible, materials and Work in Process must be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

2.240 Performance

2.241 Time of Performance

(a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.

(b) Without limiting the generality of **Section 2.241(a),** Contractor must notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and must inform the State of the projected actual delivery date.

(c) If the Contractor believes that a delay in performance by the State has caused or will cause the Contractor to be unable to perform its obligations according to specified Contract time periods, the Contractor must notify the State in a timely manner and must use commercially reasonable efforts to perform its obligations according to the Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent the delay is caused by the State.

2.242 Service Level Agreements (SLAs)

(a) SLAs will be completed with the following operational considerations:

(i) SLAs will not be calculated for individual Incidents where any event of Excusable Failure has been determined; Incident means any interruption in Services.

(ii) SLAs will not be calculated for individual Incidents where loss of service is planned and where the State has received prior notification or coordination.

(iii) SLAs will not apply if the applicable Incident could have been prevented through planning proposed by Contractor and not implemented at the request of the State. To invoke this consideration, complete documentation relevant to the denied planning proposal must be presented to substantiate the proposal.

(iv) Time period measurements will be based on the time Incidents are received by the Contractor and the time that the State receives notification of resolution based on 24x7x365 time period, except that the time period measurement will be suspended based on the following:

1. Time period(s) will not apply where Contractor does not have access to a physical State Location and where access to the State Location is necessary for problem identification and resolution.

2. Time period(s) will not apply where Contractor needs to obtain timely and accurate information or appropriate feedback and is unable to obtain timely and accurate information or appropriate feedback from the State.

(b) Chronic Failure for any Service(s) will be defined as three unscheduled outage(s) or interruption(s) on any individual Service for the same reason or cause or if the same reason or cause was reasonably discoverable in the first instance over a rolling 30 day period. Chronic Failure will result in the State's option to terminate the effected individual Service(s) and procure them from a different vendor for the chronic location(s) with Contractor to pay the difference in charges for up to three additional months. The termination of the Service will not affect any tiered pricing levels.

(c) Root Cause Analysis will be performed on any Business Critical outage(s) or outage(s) on Services when requested by the Contract Administrator. Contractor will provide its analysis within two weeks of outage(s) and provide a recommendation for resolution.

(d) All decimals must be rounded to two decimal places with five and greater rounding up and four and less rounding down unless otherwise specified.

2.243 Liquidated Damages

The parties acknowledge that late or improper completion of the Work will cause loss and damage to the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result. Therefore, Contractor and the State agree that if there is late or improper completion of the Work and the State does not elect to exercise its rights under **Section 2.152**, the State is entitled to collect liquidated damages as set forth below:

FFELP

Conversion/Deconversion

Changing service providers is a high-risk enterprise for the State. If the incumbent or incoming Servicer, as applicable, does not comply with requirements of Section 1.022-A Task 4 or 16, the State is at significant risk of providing poor service to students, parents and schools. Therefore, business and data conversion activities must be performed with a high degree of quality and with timely results. The transition must be seamless to MHESLA's customers and the conversion must be managed by the Servicer to ensure no interruption of service. Risks to the State include: delayed system implementation; the quality of data conversion negatively affecting the accuracy of borrower records; customer dissatisfaction resulting in use of a different FFELP lender for future loans and loss of funds due to borrower nonpayment on existing loans; and the inability to secure further bond financing to fund loans. If requirements in Section 1.022-A Task 4 or 16 are not met, liquidated damages will be measured based on the comparison of FFELP volume for the first twelve months of operation under the servicing contract compared to the lowest volume for any of the three most recently completed fiscal years for both originations in the MDSLP and acquisitions in the SSM. If MHESLA experiences a reduction in loan volume for this period that is not attributable to a change in federal or state statute or regulations, guarantor policy, the Contract Administrator or designee directions, compliance with requirements of Section 1.022-A Tasks 4 & 16 or an overall decline in the national FFELP market at a percentage consistent with the FFELP decline in volume, the Servicer, which is responsible for the failure to comply with the aforementioned task(s), will be charged liquidated damages for the loss of business in accordance with the tiered structure below. The State agrees to include this provision in all agreements with incoming Servicers in order to ensure all Servicers are treated equally with respect to potential liquidated damages:

Tier for Lost Volume Damages - Liquidated Damages Formula

3-10% Volume decline	5% Multiplied by total first year servicing fees
11-20% Volume decline	10% Multiplied by total first year servicing fees
>20% Volume decline	20% Multiplied by total first year servicing fees

Operational Requirements

Liquidated Damages may be assessed due to the Servicer's failure to meet the stated requirements in the contract at the discretion of the State. In addition, the Servicer will be held liable for any penalties, forfeiture of loan guarantees, loss of loan principal and interest, loss of federal special allowance or interest benefits or any other monetary damages assessed against the State due to the Servicer's non-compliance with requirements of the contract.

Any non-compliance with requirements of the contract may result in a ten percent (10%) holdback of monthly billings until the specified requirement is resumed and resolved. Repeated failure to comply with the requirements of the contract may result in the Servicer's forfeiture of the holdback amounts, at the discretion of the State.

The State reserves the right to conduct, on-site inspection of the Servicer's operations, at the discretion of the State, to investigate reported problems or otherwise verify Servicer compliance with requirements of the contract. The burden of proof is on the Servicer for any violation claimed by the State.

If the Servicers' failure to meet processing and reporting deadlines as established within the contract results in a financial loss to MHESLA, it will be the financial responsibility of the Servicers to reimburse MHESLA for any such loss. (An example of this financial liability would be the Servicers' reimbursement of investment earnings lost on funds in a case where the U. S. Department of Education LaRS report figures are not provided within the specified timeframe or earnings were delayed due to preparation errors.) The Servicer must provide such reimbursement within 60 days of the CCI's request.

Any loss to MHESLA due to the Servicer's failure to perform any requirement under the contract, federal and state statute and/or regulations, or guarantor policy, within the time frames stated herein, will become the liability of the Servicer. This includes, but is not limited to, correction of prior Servicer or other party errors within reasonable time of discovery. The Servicer must provide reimbursement for such loss within 60 days of the CCI's request.

MI-Loan

Conversion/Deconversion

Changing service providers is a high-risk enterprise for the State. If the Servicer does comply with requirements of Section 1.022-B Tasks 4 & 24, the State is at significant risk of providing poor service to students, parents and schools. Therefore, business and data conversion activities must be performed with a high degree of quality and with timely results. The transition must be seamless to MHESLA's customers and the conversion must be managed by the Servicer to ensure no interruption of service. Risks to the State include: delayed system implementation; the quality of data conversion negatively affecting the accuracy of borrower records; customer dissatisfaction resulting in use of a different alternative student loan lender for future loans and loss of funds due to borrower nonpayment on existing loans; and the inability to secure further bond financing to fund loans. If requirements of Section 1.022-B Tasks 4 & 24 are not met, liquidated damages will be measured based on the comparison of MI-LOAN volume for the first 12 months of operation under the servicing contract compared to the prior year. If MHESLA experiences a reduction in loan volume for this period that is not attributable to federal or state statute, a change in MI-LOAN policy, compliance with the Contract Administrator or designee directions, or an overall decline in the national alternative student loan market at a percentage consistent with the MI-LOAN decline in volume, the Servicer will be charged liquidated damages for the loss of business in accordance with the following tiered structure:

Tier for Lost Volume Damages - Liquidated Damages Formula

3-10% Volume decline	5% Multiplied by total first year servicing fees
11-20% Volume decline	10% Multiplied by total first year servicing fees
>20% Volume decline	20% Multiplied by total first year servicing fees

Operational Requirements

Liquidated Damages may be assessed due to the contractor's failure to meet the stated requirements of the contract at the discretion of the State.

Any non-compliance with requirements of the contract may result in a ten percent (10%) holdback of monthly billings until the requirements are met. Repeated failure to comply with requirements of the contract may result in the contractor's forfeiture of the holdback amounts, at the discretion of the State.

The State reserves the right to conduct, on-site inspection of the contractor's operations, at the discretion of the State, to investigate reported problems or otherwise verify contractor compliance with requirements of the contract. The burden of proof is on the contractor for violation claimed by the State.

If the Servicer's failure to meet processing and reporting deadlines as established within the contract results in a financial loss to MHESLA, it will be the financial responsibility of the Servicer to reimburse MHESLA for any such loss. The Servicer must provide such reimbursement within 60 days of the CCI's request.

Any loss to MHESLA due to the current Servicer's failure to perform any requirement under this contract, federal and state statute, or MI-LOAN Program Administrative Rules (Appendix F) will be the liability of the current Servicer. This includes, but is not limited to, correction of prior Servicer or other party errors within a reasonable time following discovery. The Servicer must provide reimbursement for such loss within 60 days of the CCI's request.

2.244 Excusable Failure

Neither party will be liable for any default, damage or delay in the performance of its obligations under the Contract to the extent the default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military or otherwise), power failure, electrical surges or current fluctuations, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of a party; provided the non-performing party and its Subcontractors are without fault in causing the default or delay, and the default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans.

If a party does not perform its contractual obligations for any of the reasons listed above, the non-performing party will be excused from any further performance of its affected obligation(s) for as long as the circumstances prevail. But the party must use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay. A party must promptly notify the other party in writing immediately after the excusable failure occurs, and also when it abates or ends.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay the Contractor's performance of the Services/provision of Deliverables for more than 10 Business Days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected Services/Deliverables from an alternate source, and the State is not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance continues; (b) the State may terminate any portion of the Contract so affected and the charges payable will be equitably adjusted to reflect those Services/Deliverables terminated; or (c) the State may terminate the affected Statement of Work without liability to Contractor as of a date specified by the State in a written notice of termination to the Contractor, except to the extent that the State must pay for Services/Deliverables provided through the date of termination.

The Contractor will not have the right to any additional payments from the State as a result of any Excusable Failure occurrence or to payments for Services not rendered/Deliverables not provided as a result of the Excusable Failure condition. Defaults or delays in performance by Contractor which are caused by acts or omissions of its Subcontractors will not relieve Contractor of its obligations under the Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

2.250 Approval of Deliverables

2.251 Delivery Responsibilities

Unless otherwise specified by the State within an individual order, the following must be applicable to all orders issued under this Contract.

(a) Shipment responsibilities - Services performed/Deliverables provided under this Contract must be delivered "F.O.B. Destination, within Government Premises." The Contractor must have complete responsibility for providing all Services/Deliverables to all site(s) unless otherwise stated. Actual delivery dates will be specified on the individual purchase order.

(b) Delivery locations - Services will be performed/Deliverables will be provided at every State of Michigan location within Michigan unless otherwise stated in the SOW. Specific locations will be provided by the State or upon issuance of individual purchase orders.

(c) Damage Disputes - At the time of delivery to State Locations, the State must examine all packages. The quantity of packages delivered must be recorded and any obvious visible or suspected damage must be noted at time of delivery using the shipper's delivery document(s) and appropriate procedures to record the damage.
Where there is no obvious or suspected damage, all deliveries to a State Location must be opened by the State and the contents inspected for possible internal damage not visible externally within 14 days of receipt. Any damage must be reported to the Contractor within five days of inspection

2.252 Delivery of Deliverables

Where applicable, the Statements of Work/POs contain lists of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document ("Written Deliverable"), a good ("Physical Deliverable") or a Service. All Deliverables must be completed and delivered for State review and written approval and, where applicable, installed according to the State-approved delivery schedule and any other applicable terms and conditions of the Contract.

2.253 Testing

(a) Before delivering any of the above-mentioned Statement of Work Physical Deliverables or Services to the State, Contractor will first perform all required quality assurance activities to verify that the Physical Deliverable or Service is complete and conforms with its specifications listed in the applicable Statement of Work or Purchase Order. Before delivering a Physical Deliverable or Service to the State, Contractor must certify to the State that (1) it has performed the quality assurance activities, (2) it has performed any applicable testing, (3) it has corrected all material deficiencies discovered during the quality assurance activities and testing, (4) the Deliverable or Service is in a suitable state of readiness for the State's review and approval, and (5) the Deliverable/Service has all Critical Security patches/updates applied.

(b) If a Deliverable includes installation at a State Location, then Contractor must (1) perform any applicable testing, (2) correct all material deficiencies discovered during the quality assurance activities and testing, and (3) inform the State that the Deliverable is in a suitable state of readiness for the State's review and approval. To the extent that testing occurs at State Locations, the State is entitled to observe or otherwise participate in testing.

2.254 Approval of Deliverables, In General

(a) All Deliverables (Physical Deliverables and Written Deliverables) and Services require formal written approval by the State, according to the following procedures. Formal approval by the State requires the State to confirm in writing that the Deliverable meets its specifications. Formal approval may include the successful completion of Testing as applicable in **Section 2.253**, to be led by the State with the support and assistance of Contractor. The approval process will be facilitated by ongoing consultation between the parties, inspection of interim and intermediate Deliverables and collaboration on key decisions.

(b) The State's obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables/Services being reviewed.

(c) Before commencement of its review or testing of a Deliverable/Service, the State may inspect the Deliverable/Service to confirm that all components of the Deliverable/Service have been delivered without material deficiencies. If the State determines that the Deliverable/Service has material deficiencies, the State may refuse delivery of the Deliverable/Service without performing any further inspection or testing of the Deliverable/Service. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable or the Service begins, and the State and Contractor agree that the Deliverable/Service is ready for use and, where applicable, certification by Contractor according to **Section 2.253**.

(d) The State will approve in writing a Deliverable/Service after confirming that it conforms to and performs according to its specifications without material deficiency. The State may, but is not be required to, conditionally approve in writing a Deliverable/Service that contains material deficiencies if the State elects to permit Contractor to rectify them post-approval. In any case, Contractor will be responsible for working diligently to correct within a reasonable time at Contractor's expense all deficiencies in the Deliverable/Service that remain outstanding at the time of State approval.

(e) If, after three opportunities (the original and two repeat efforts), the Contractor is unable to correct all deficiencies preventing Final Acceptance of a Deliverable/Service, the State may: (i) demand that the Contractor cure the failure and give the Contractor additional time to cure the failure at the sole expense of the Contractor; or (ii) keep the Contract in force and do, either itself or through other parties, whatever the Contractor has failed to do, and recover the difference between the cost to cure the deficiency and the contract price plus an additional sum equal to 10% of the cost to cure the deficiency to cover the State's general expenses provided the State can furnish proof of the general expenses; or (iii) terminate the particular Statement of Work for default, either in whole or in part by notice to Contractor provided Contractor is unable to cure the breach. Notwithstanding the foregoing, the State cannot use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.

(f) The State, at any time and in its reasonable discretion, may halt the testing or approval process if the process reveals deficiencies in or problems with a Deliverable/Service in a sufficient quantity or of a sufficient severity that renders continuing the process unproductive or unworkable. If that happens, the State may stop using the Service or return the applicable Deliverable to Contractor for correction and re-delivery before resuming the testing or approval process.

2.255 Process For Approval of Written Deliverables

The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the Deliverable (and if the Statement of Work does not state the State Review Period, it is by default five Business Days for Written Deliverables of 100 pages or less and 10 Business Days for Written Deliverables of more than 100 pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable before its submission to the State. The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected before approval of the Deliverable (or at the State's election, after approval of the Deliverable). If the State notifies the Contractor about deficiencies, the Contractor will correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts will be made at no additional charge. Upon receipt of a corrected Deliverable from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.

2.256 Process for Approval of Services

The State Review Period for approval of Services is governed by the applicable Statement of Work (and if the Statement of Work does not state the State Review Period, it is by default 30 Business Days for Services). The State agrees to notify the Contractor in writing by the end of the State Review Period either stating that the Service is approved in the form delivered by the Contractor or describing any deficiencies that must be corrected before approval of the Services (or at the State's election, after approval of the Service). If the State delivers to the Contractor a notice of deficiencies, the Contractor will correct the described deficiencies and within 30 Business Days resubmit the Service in a form that shows all revisions made to the original version delivered to the State. The Contractor's correction efforts will be made at no additional charge. Upon implementation of a corrected Service from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Service for conformity and that the identified deficiencies have been corrected.

2.257 Process for Approval of Physical Deliverables

The State Review Period for approval of Physical Deliverables is governed by the applicable Statement of Work (and if the Statement of Work does not state the State Review Period, it is by default 30 continuous Business Days for a Physical Deliverable). The State agrees to notify the Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by the Contractor or describing any deficiencies that must be corrected before approval of the Deliverable (or at the State's election, after approval of the Deliverable). If the State delivers to the Contractor a notice of deficiencies, the Contractor will correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. The Contractor's correction efforts will be made at no additional charge. Upon receipt of a corrected Deliverable from the Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.

2.258 Final Acceptance

Unless otherwise stated in the Article 1, Statement of Work or Purchase Order, "Final Acceptance" of each Deliverable must occur when each Deliverable/Service has been approved by the State following the State Review Periods identified in **Sections 2.251-2.257**. Payment will be made for Deliverables installed and accepted. Upon acceptance of a Service, the State will pay for all Services provided during the State Review Period that conformed to the acceptance criteria.

2.260 Ownership

2.261 Ownership of Work Product by State

The State owns all Deliverables as they are works made for hire by the Contractor for the State. The State owns all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

2.262 Vesting of Rights

With the sole exception of any preexisting licensed works identified in the SOW, the Contractor assigns, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any the Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon the State's request, the Contractor must confirm the assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State may obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

2.263 Rights in Data

(a) The State is the owner of all data made available by the State to the Contractor or its agents, Subcontractors or representatives under the Contract. The Contractor will not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of the Contractor. No employees of the Contractor, other than those on a strictly need-to-know basis, have access to the State's data. Contractor will not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, the Contractor must only use personally identifiable information as strictly necessary to provide the Services and must disclose the information only to its employees who have a strict need-to-know the information. The Contractor must comply at all times with all laws and regulations applicable to the personally identifiable information.

(b) The State is the owner of all State-specific data under the Contract. The State may use the data provided by the Contractor for any purpose. The State will not possess or assert any lien or other right against the Contractor's data. Without limiting the generality of this Section, the State may use personally identifiable information only as strictly necessary to utilize the Services and must disclose the information only to its employees who have a strict need to know the information, except as provided by law. The State must comply at all times with all laws and regulations applicable to the personally identifiable information. Other material developed and provided to the State remains the State's sole and exclusive property.

2.264 Ownership of Materials

The State and the Contractor will continue to own their respective proprietary technologies developed before entering into the Contract. Any hardware bought through the Contractor by the State, and paid for by the State, will be owned by the State. Any software licensed through the Contractor and sold to the State, will be licensed directly to the State.

2.270 State Standards- Deleted/Not Applicable

2.280 Extended Purchasing

2.281 MIDEAL-Deleted/Not Applicable

2.282 State Employee Purchases-Deleted/Not Applicable

2.290 Environmental Provision

2.291 Environmental Provision

Energy Efficiency Purchasing Policy – The State seeks wherever possible to purchase energy efficient products. This includes giving preference to U.S. Environmental Protection Agency (EPA) certified 'Energy Star' products for any category of products for which EPA has established Energy Star certification. For other purchases, the State may include energy efficiency as one of the priority factors to consider when choosing among comparable products.

Environmental Purchasing Policy – The State of Michigan is committed to encouraging the use of products and services that impact the environment less than competing products. The State is accomplishing this by including environmental considerations in purchasing decisions, while remaining fiscally responsible, to promote practices that improve worker health, conserve natural resources, and prevent pollution. Environmental components that are to be considered include: recycled content and recyclability; energy efficiency; and the presence of undesirable materials in the products, especially those toxic chemicals which are persistent and bioaccumulative. The Contractor should be able to supply products containing recycled and environmentally preferable materials that meet performance requirements and is encouraged to offer such products throughout the duration of this Contract. Information on any relevant third party certification (such as Green Seal, Energy Star, etc.) should also be provided.

Hazardous Materials:
For the purposes of this Section, "Hazardous Materials" is a generic term used to describe asbestos, ACBMs, PCBs, petroleum products, construction materials including paint thinners, solvents, gasoline, oil, and any other material the manufacture, use, treatment, storage, transportation or disposal of which is regulated by the federal, state or local laws governing the protection of the public health, natural resources or the environment. This includes, but is not limited to, materials the as batteries and circuit packs, and other materials that are regulated as (1) "Hazardous Materials" under the Hazardous Materials Transportation Act, (2) "chemical hazards" under the Occupational Safety and Health Administration standards, (3) "chemical substances or mixtures" under the Toxic Substances Control Act, (4) "pesticides" under the Federal Insecticide Fungicide and Rodenticide Act, and (5) "hazardous wastes" as defined or listed under the Resource Conservation and Recovery Act.

(a) The Contractor must use, handle, store, dispose of, process, transport and transfer any material considered a Hazardous Material according to all federal, State and local laws. The State must provide a safe and suitable environment for performance of Contractor's Work. Before the commencement of Work, the State must advise the Contractor of the presence at the work site of any Hazardous Material to the extent that the State is aware of the Hazardous Material. If the Contractor encounters material reasonably believed to be a Hazardous Material and which may present a substantial danger, the Contractor must immediately stop all affected Work, notify the State in writing about the conditions encountered, and take appropriate health and safety precautions.

(b) Upon receipt of a written notice, the State will investigate the conditions. If (a) the material is a Hazardous Material that may present a substantial danger, and (b) the Hazardous Material was not brought to the site by the Contractor, or does not result in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Materials, the State must order a suspension of Work in writing. The State must proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State must terminate the affected Work for the State's convenience.

(c) Once the Hazardous Material has been removed or rendered harmless by the State, the Contractor must resume Work as directed in writing by the State. Any determination by the Michigan Department of Community Health or the Michigan Department of Environmental Quality that the Hazardous Material has either been removed or rendered harmless is binding upon the State and Contractor for the purposes of resuming the Work. If any incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in **Section 2.242** for a time as mutually agreed by the parties.

(d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor must bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material according to Applicable Laws to the condition approved by applicable regulatory agency(ies).

Michigan has a Consumer Products Rule pertaining to labeling of certain products containing volatile organic compounds. For specific details visit http://www.michigan.gov/deq/0,1607,7-135-3310_4108-173523--,00.html

Refrigeration and Air Conditioning:
The Contractor shall comply with the applicable requirements of Sections 608 and 609 of the Clean Air Act (42 U.S.C. 7671g and 7671h) as each or both apply to this Contract.

Environmental Performance:
Waste Reduction Program - Contractor shall establish a program to promote cost-effective waste reduction in all operations and facilities covered by this Contract. The Contractor's programs shall comply with applicable Federal, State, and local requirements, specifically including Section 6002 of the Resource Conservation and Recovery Act (42 U.S.C. 6962, et seq.).

APPENDIX A

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
FFELP Servicing
Price Proposal Summary
PRICING PERIOD: 2010 THROUGH 2015

Service to be Provided	Quotation	Unit
System Changes (Task 1,2 & 3)	$ 150	per hour
Conversion Fee (Task 3 & 4)	$ 5	per borrower via electronic conversion
Privacy Notices (Task 3)	$ First Class Postage + $0.10	per notice
Origination (Tasks 5)		
Federal Loans (excl. Cons)	$ 6	per Loan
Consolidation Loan	$ 40	per application
Credit Evaluation (Task 5)	$ Included In origination Fees	
Loan Servicing:		
In School/Grace:		
Stafford/PLUS	$ 1.10	per account/month
Repayment - Current:		
Stafford/PLUS	$ 2.00	per account/month
Consolidation Loans	$ 2.25	per account/month
Repayment – Delinquent:		
Stafford/PLUS	$ 2.75	per account/month
Consolidation Loans	$ 3.15	per account/month
Cure Fee (Task 9)	$ 600	per account
Secondary Market (Task 12)		
Packaging	$ 1%	volume of portfolio being purchased
Inspection/Conversion		
Manual Conversions		
(a) In school status	$ 6	per account
(b) All other statuses	$ 9	per account
Internal Transfers	$ 2	per account
Repurchases (Task 13)	$ 12	per account
Ad Hoc Reports (Task 14)	$ 50	per report
Portfolio Tapes (Task 15)	$ 2,000	per tape (3 per year)
Deconversion Fee (Task 3 & 16)		
Electronic Transfer	$ 40	per SSN
Paper Transfer	$ 40	per SSN
Public Awareness (Task 17)	$ 500,000	per year
Other Per Instance Charges:		
Claim Filing Fee	$ 35	per claim filed
Appeal Fee	$ 30	per SSN
On boarding fee	$1.50	per disbursement (details on next page)

Other Services Available

Nelnet offers NSight Services (Online Data Warehouse) In Lieu of Tapes for:

One Time License Fee	$ 3,000 ____	One Time
Annual Maintenance Charge	$ 500_____	per year
Usage Fee	$ Waived___	
Annual SAS-70 Audit	See assumptions and definitions	

General Rules and Assumptions

- "SSN" means those combined loans for a borrower under the same Social Security Number with the same lender ID (Department of Education Lender Identification Number). "Account" or Account group means those combined loans for a borrower with the same lender, branch, and guarantor, which loans are in the same status, are the same loan type (loan types being Stafford, Stafford Unsubsidized, PLUS, Consolidation, GradPLUS or SLS), and which have the same repayment terms, interest type (fixed loans are grouped by interest rate) and common characteristics for processes and billing.
- The full monthly servicing fee shall be paid commencing with the calendar month in which an SSN is disbursed or converted to the Nelnet system and fees will be assessed on any loan that resides on the system during any day of a calendar month.

Pricing Assumptions and Definitions

- Origination Fees (aka origination) - Fifteen dollars ($15.00) per Loan ("Loan" is defined as any Loan taken out by the borrower regardless of application, note or Account Group in this Schedule A) for each Stafford, PLUS or Grad PLUS Loan. Forty dollars ($40.00) per application for each Consolidated Loan (if applicable). In addition, reimbursement for costs in the event a credit evaluation of the borrower is to be performed by Nelnet.
- Deconversion Fee - Lender will be charged a fee of Forty Dollars ($40.00) for each SSN transferred off the Nelnet Servicing System for any reason. In addition, Lender will be charged for any other reasonable expenses that are related to special or unique requests of the Lender.
- Repurchase Fee (aka Repurchases) - per Account repurchased from the Guarantor and added to the Nelnet Servicing System; excludes any Nelnet servicing related errors.
- Delinquency Fee (aka Repayment – Delinquent) - Thirty (30) or more days past due through date of claim payment by Guarantor, or until all loans under that Account become less than thirty (30) days delinquent.
- On boarding Fee for loans originated by 3rd Party - One Dollar and Fifty Cents ($1.50) per loan disbursement for loans originated and disbursed by a third party originator and transferred to Nelnet for servicing. This fee is charged for each disbursement. Notwithstanding the foregoing, should any portfolio present an "Extraordinary Conversion", requiring additional conversion services materially beyond that customarily provided for a normal acquisition of Education Loans, then Lender agrees to pay a conversion fee mutually agreed to between Lender and Nelnet. For purposes of this Agreement, whether a portfolio presents an Extraordinary Conversion shall be determined after the data analysis, and file review, have been conducted of the portfolio by Nelnet. Factors to consider in determining whether a portfolio presents an Extraordinary Conversion are as follows:
    1. Unprocessed data.
    2. Degree to which the conversion may be automated versus manual.
    3. Integrity of the documentation. Are the files complete? Does the data match the file content?
    4. Lender adherence to its obligations and delivery schedules.
    5. Presence of backlogged processing in the portfolio.
    6. Whether prior servicing had substantial noncompliance with the Education Act and Regulations.
    7. Condition of the hard copy file documentation.

- Internal Transfers - Transfers from one Bond ID or Lender ID to a different Bond ID or Lender ID will be Two Dollars ($2.00) per account transferred.
- Appeal Fee - Thirty Dollars ($30.00) per SSN will be assessed for Nelnet to research and appeal claims which are rejected or returned by the guarantor due to acts, errors or omissions that occurred on the SSN prior to servicing by Nelnet.
- Annual SAS-70 Audit - Upon request, Lender may participate in receipt of the Department of Education Lender Audit Guide and Nelnet Servicing System SAS 70 report by paying a pro-rata share of the cost of same. The Nelnet Servicing System Internal Audit Department coordinates such participation on an annual basis and divides the aforementioned costs equally between those lenders participating.
- Special Services: For special projects and services (such as customized programming, training, consulting and implementation of special lender programs) requested by Lender that are beyond the scope of those described in this Agreement, the fees shall be assessed as quoted for each special project or service based upon the prevailing hourly rates at Nelnet, the number of hours the project or service will require of Nelnet, and the character of the requested special project or service. Projects and services of this type shall be provided only after request by Lender and after time and total cost estimate is provided by Nelnet.

VENDOR PRICING ISSUES/QUESTIONS/CLARIFICATIONS

NELNET – FFELP PRICING

Origination Fee - $15 per loan	Define "loan". Explain how MHESLA would be billed.

Definition of Loan:
"Loan" is defined as any Loan taken out by the borrower regardless of application, note or Accont Group in the Schedule A. Further, where "Loan" means a disbursement of money to, or on behalf of, an eligible student attending an Eligible Institution (or parent of such student), contingent upon an agreement to repay, secured by a Note and Guaranteed or Insured, as applicable, in accordance with the Act and applicable Regulations, and shall include, without limitation, disbursements made in accordance with the federal Stafford Loan (subsidized and unsubsidized), and Parent Loan for Undergraduate/Graduate Students (PLUS) under FFELP programs.

How MHESLA would be billed:
MHESLA FFELP originations will be billed at the first disbursement of any new borrower loan. Any subsequent disbursements that would fund for this same loan would not incur any additional fee to MHESLA. Note - a subsidized loan would be billed as a single unit and an unsubsidized loan would be billed as a single unit.

Cure Fee 15%	MHESLA needs a per account price. Cost to cure an account should not increase because of borrower's balance.

Cure Fee = $600 per account (annually)

Higher balance loans are more challenging in a Cure / Collection environment. Nelnet has found that using the % formula has proven more effective in managing to our costs to collect. By moving to an account level pricing we will need to add an annual recurrence on the fee as in some cases these loans will take multiple years to Cure.

Deconversion Fee - $40 paper	When would MHESLA be billed for a paper deconversion fee if everything at Nelnet is imaged?

If a deconversion cannot be facilitated via electronic methods, a "paper" deconversion option will allow Nelnet to print the loan screens for records to be removed and shipped to the new servicer for manual loan add. The documents that are imaged would follow this conversion via the same process or as otherwise deemed acceptable by both parties. The work effort is not reduced in this process – thus there is no difference in fee structure. Generally, a paper process is used if the size of the portfolio is insubstantial to justify programming efforts to automate and/or the new servicer cannot support an automated data file conversion.

Nelnet indicated that MHESLA would be billed a $40 deconversion fee for every consolidation loan that is not serviced by Nelnet. MHESLA has no control over consolidation requests, especially if they will be encouraged through SAFRA. MHESLA can not agree to a deconversion fee for consolidation loans.

Nelnet will **not** bill MHESLA for any loans not serviced by Nelnet. Please provide the section where this is referenced.

Nelnet also states under deconversion wording that "Lender will be charged for any other reasonable expenses that are related to special or unique requests of the Lender." Explain what a special or unique request would be.

There may be certain requirements that would add additional costs to Nelnet's deconversion effort based on the specific business needs of MHESLA and / or their new servicer. To off set these costs – Nelnet would discuss these additional charges with MHESLA, providing a cost estimate and impact summary outside of the normal deconversion activity for review and approval. An example would be MHESLA and / or their new servicer requiring Nelnet to split the deconversion file by loan status.

New fees added by Nelnet and not on the RFP price sheet:

On Boarding Fee - $1.50 per disbursement	Does Nelnet intend to charge this in addition to a conversion fee? Would this include manual conversions?

This fee is separate from the conversion fee. It will be charged in the event MHESLA employs a 3rd party to originate their FFELP loans and requests Nelnet to subsequently load and service these loans. There would not be an origination fee – instead there would be an "on boarding" fee. This is typically facilitated using CommonLine file download processes with the 3rd party originator, but may also require a manual loan add in some cases. The fee would be the same to MHESLA whether it was automated or manually load added for servicing.

Claim Filing Fee - $35 per SSN	Not on the old price sheet

This fee has been added to our fee structure partially due to the loss of Exceptional Performer within the industry which allowed for less costly claim filing processes thus included in this new RFP price sheet

Appeal Fee - $30 per SSN	What if "acts, errors or omissions" required cure procedures? Would this fee still be charged?

If "acts, errors or omissions" requires cure procedures – this fee would be waived.

SAS 70 report – cost pro-rated among lenders	MHESLA has not been charged in the past.

To off-set the external cost of this annual audit – Nelnet pro-rates the audit fee with our lender clients that request this audit of servicing controls. This has been waived in the past.

APPENDIX B

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
MI-LOAN Program Servicing
Price Proposal Summary

PRICING PERIOD: 2010 THROUGH 2015

Service to be Provided	Quotation		Unit
System Changes (Task 1, 2 & 3)	$ 150		per hour
Conversion Fee (Task 4)	n/a		per borrower
Origination (Task 5)	$ 75		per application
Loan Servicing:			
Current	$ 4.50		per borrower
Principal & Interest Forbearance		$ 4.50	per borrower
Delinquent	$ 7.60		per borrower
Portfolio Tapes (Task 20)	$ 65		per tape
Public Awareness (Task 21)	$ 100,000		per year
Ad Hoc Reports (Task 23)	$ 60		per hour
Deconversion Fee (Task 24)			
Electronic Transfer Only	$ 10		per borrower
Electronic and Paper Transfer	__$ 30		per borrower
Rehabilitation Loans			
Manually Added	$ 25		per loan
Added Via Web Interface	$ 100		per loan
Line Charges from Task 1 b.	At cost		
Annual Privacy Notices	First class postage plus $.10		per form

VENDOR PRICING ISSUES/QUESTIONS/CLARIFICATIONS

NELNET – MI-LOAN PRICING

Nelnet states they would reduce MHESLA's servicing prices if they were not required to bill co-signers. What would these reduced prices be?

If MHESLA opted to suppress co-signer billing, the reduced servicing fees would be:		
Loan Servicing:		
Current	**$4.05**	per borrower
Principal & Interest Forbearance	**$4.05**	per borrower
Delinquent	**$7.15**	per borrower

Ad Hoc Reports - $60 per hour	MHESLA asked for a per report price. How would we convert per report pricing to hours?

An hourly rate quote was to allow programming costs to be variable per the scope of the request. If MHESLA prefers a per report cost – this can be set at **$500 per report.**

Rehabilitation Loans Added Via Web Interface - $100	Why is electronic more expensive than manual?

Costs to scope and develop a web interface for rehabilitation loans was factored into the unit price for this requirement. The technology is not currently in place.

Line Charges from Task 1b. - at cost	Define; give an example; not billed in the past – why now?

Line Charges equates to Dedicated Data Circuit Service Fees. This is currently invoiced under the FFELP contract today at $750/month and would move to the Private loan contract based on the structure of this RFP.

Appendix C

Michigan Department of Treasury

Security Requirements

On award of the contract, the contractor shall comply with State and Federal statutory and regulatory requirements, and rules; National Institute of Standards and Technology (NIST) publications; Control Objectives for Information and Related Technology (COBIT); all other industry specific standards; national security best practices and all requirements herein.

The Contractor must perform annual testing of all security control requirements to determine they are working as intended. Annual certification must be provided in writing to the Contract Compliance Inspector or designee in the form of a SAS70 report.

Governing Security Standards and Publications

The State of Michigan information is a valuable asset that must be protected from unauthorized disclosure, modification, use, or destruction. Prudent steps must be taken to ensure that its integrity, confidentiality, and availability are not compromised.

The contactor shall collect, process, store, and transfer Department of Treasury personal, confidential or sensitive data in accordance with the contractual agreement, State of Michigan policies and the laws of the State of Michigan and the United States, including but is not limited to the following:

- The Michigan Identity Theft Protection Act, MCL 445.61 et seq;
- The Michigan Social Security Number Privacy Act, MCL 445.82 et seq.
- Family Educational Rights and Privacy Act

1. **State of Michigan Policies**

   - The contractor must comply with the State of Michigan information technology standards http://www.michigan.gov/dit/0,1607,7-139-34305---,00.html.

Security Risk Assessment

The contractor will be required to conduct assessments of risks and identify the damage that could result from unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems that support the operations and assets of the Department of Treasury. Security controls should be implemented based on the potential risks. The contractor shall ensure that reassessments occur whenever there are significant modifications to the information system and that risk assessment information is updated.

System Security Plan

The contractor shall develop and implement a security plan that provides an overview of the security requirements for the information system. If a security plan does not exist, the contractor shall provide a description of the security controls planned for meeting those requirements. The security plan must be reviewed periodically and revised to address system/organizational changes or problems.

Network Security

The contractor is responsible for the security of and access to Department of Treasury data, consistent with legislative or administrative restrictions. Unsecured operating practices, which expose other connected networks to malicious security violations, are not acceptable. The contractor must coordinate with the Michigan Department of Information Technology to enter the proper pointers into the State of Michigan infrastructure.

E. Data Security

The contractor has the responsibility to protect the confidentiality, integrity, and availability of State of Michigan data that is generated, accessed, modified, transmitted, stored, disposed, or used by the system, irrespective of the medium on which the data resides and regardless of format (such as in electronic, paper or other physical form).

The contractor shall:

1. process the personal data in accordance with the personal data protection laws of the State of Michigan and the United States.

2. have in place appropriate technical and organizational internal and security controls to protect the personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, and which provide a level of security appropriate to the risk represented by the processing and the nature of the data to be protected. Technical and organizational security controls must be implemented that are appropriate to the risks, such as against accidental or unlawful destruction or accidental loss, alteration, unauthorized disclosure or access, presented by the processing.

3. provide secure and acceptable methods of transmitting personal, confidential or sensitive information over telecommunication devices such as data encryption (128 bit minimum), Secure Socket Layer (SSL), dedicated leased line or Virtual Private Network (VPN).

4. supply the Department of Treasury, Security Division with information associated with security audits performed in the last three years.

5. have in place procedures so that any third party it authorizes to have access to the personal data, including processors, will respect and maintain the confidentiality, integrity, and availability of the data.

6. process the personal, confidential and sensitive data only for purposes described in the contract.

7. identify to the Department of Treasury a contact point within its organization authorized to respond to enquiries concerning processing of the personal, confidential or sensitive data, and will cooperate in good faith with the Department.

8. not disclose or transfer the personal, confidential or sensitive data to a third party unless it is approved under this contract.

9. not use data transferred by the Department of Treasury as a result of this contract for marketing purposes.

F. Media Protection

- The contractor shall implement measures to provide physical and environmental protection and accountability for tapes, diskettes, printouts, and other media containing Department of Treasury's personal, confidential and sensitive information to prevent the loss of confidentiality, integrity, or availability of information including data or software, when stored outside the system. This can include storage of information before it is input to the system and after it is output.

- The contractor shall ensure that only authorized users have access to information in printed form or on digital media removed from the information system, physically control and securely store information media, both paper and digital, restrict the pickup, receipt, transfer, and delivery of such media to authorized personnel.

G. Media Destruction and Disposal

The contractor shall sanitize or destroy information system digital media containing personal, confidential or sensitive information before its disposal or release for reuse to prevent unauthorized individuals from gaining access to and using information contained on the media.

- Personal, confidential or sensitive information must be destroyed by burning, mulching, pulverizing or shredding. If shredded, strips should not be more than 5/16-inch, microfilm should be shredded to affect a 1/35-inch by 3/8-inch strip, and pulping should reduce material to particles of one inch or smaller.

- Disk or tape media must be destroyed by overwriting all data tracks a minimum of three times or running a magnetic strip over and under entire area of disk at least three (3) times. If the CD, DVD or tape cannot be overwritten it must be destroyed in an obvious manner to prevent use in any disk drive unit and discarded. Hand tearing, recycling, or burying information in a landfill are unacceptable methods of disposal. Electronic data residing on any computer systems must be purged based on retention periods required by the Department of Treasury.

H. Access Control

The contractor must limit information system access to authorized users, processes acting on behalf of authorized users, or devices (including other information systems) and to the types of transactions and functions that authorized users are permitted to exercise. Access must be immediately removed when a staff changes job duties or leaves the employment.

Authentication Process

Authentication is the process of verifying the identity of a user. Authentication is performed by having the user enter a user name and password in order to access the system.

To help protect information from unauthorized access or disclosure, users must be identified and authenticated per the table below prior to accessing confidential or sensitive information, initiating transactions, or activating services.

Publicly available information such as the mother's maiden name, birth date, and address as the sole authenticator is not a secure means of authentication and should not be used.

Automatic user logons are prohibited. Device-to-device logons must be secured (preferably using client certificates or password via tunneled session). For certain implementations, source restrictions (sign-on can occur only from a specific device) provide a compensating control, in addition to the ID and password.

Authentication information (e.g., a password or PIN) must never be disclosed to another user or shared among users.

The authentication process is limited to three (3) unsuccessful attempts and must be reinstated by the authorized personnel (preferably the System security Administrator). User accounts should be systematically disabled after 90 days of inactivity and must be deleted after 1 year of inactivity

Password Requirements

The purpose of a password is to authenticate a user accessing the system and restrict use of a userID only to the assigned user. To the extent that the functionality is supported within the technology or product, the controls listed must be implemented.

These following controls or content rules apply at any point where a new password value is to be chosen or assigned. These rules must be enforced automatically as part of a new password content checking process.

Password Property	Value
Minimum Length	8 characters with a combination of alpha, numeric and special characters
Composition	• At least two numeric characters (0 through 9), neither of which may be at the beginning or the end of the password • A combination of two upper (A through Z) and lower case (a through z) letters • Special characters (!, @, #, $, %, ^, &, *, (,), +, =, /, <, >, ?,., :, ;, \) • UserID in password is not allowed
Expiration Requirement (Maximum Password Age):	30 days
Revocation	Passwords should be revoked after three (3) failed attempts. (Treasury strongly supports password revocation after three failed attempts if system allows) Passwords should be systematically disabled after 90 days of inactivity to reduce the risk of compromise through guessing, password cracking or other attack and penetration methods.
Temporary passwords	• Must be randomly chosen or generated • System must force the user to change the temporary password at initial login
Change process	System must force user to: • Confirm their current password/PIN, • Reenter current password/PIN • Create a new password/PIN • Reenter new password/PIN System must prevent users from being able to consecutively change their password value in a single day (The goal is to prevent recycling through password history records to reuse an earlier-used password value)
Login process	Password/PIN must not appear on the screen during the login process (The exception to this is during selection of a machine-generated password).

Encryption of passwords/PINs	Passwords must be stored and transmitted with a minimum of 128-bit encryption. Passwords must be masked when entered on any screen
Compromise of password/PIN	Must be changed immediately
Forgotten password/PIN	Must be reset by authorized person (system Security Administrator)
Current user password/PIN	Must not be maintained or displayed in any readable format on the system
Audit logs	Maintain a record of when a password was changed, deleted, or revoked. The audit trail shall capture all unsuccessful login and authorization attempts for a one year period.
Password history	Keep a password history and perform a check against the history to verify the password has not been used for a minimum of one year
Privileged account access (e.g. supervisor or root)	Security administrator must change the password for that account immediately when user changes responsibilities

I. System Security Application Control

Application controls apply to individual computer systems and may include such controls as data origin, input controls, processing controls, output controls, application access controls, application interfaces, audit trail controls, and system documentation. Application controls consist of mechanisms in place over each separate computer system to ensure authorized data is processed completely, accurately, and reliably. The contractor is responsible for ensuring application controls are in place and functioning properly within their organization. Ongoing testing and reporting of controls must be part of the business process in order to have a solid understanding of risks, strengths and weaknesses. A comprehensive solution is required to ensure that business critical applications are handled efficiently and are prioritized. Dynamic recovery procedures and fail over facilities shall be incorporated into the scheduling process whenever possible; and where manual processes are needed, extensive tools must be available to minimize delays and ensure critical services are least impacted.

J. System Auditing

The contractor must (i) create, protect, and retain information system audit log records to the extent needed to enable the monitoring, analysis, investigation, and reporting of unlawful, unauthorized, or inappropriate information system activity, and (ii) ensure that the actions of individual information system users can be uniquely traced to those users so they can be held accountable for their actions.

The contractor shall observe the following guidelines regarding system auditing:

1. Audit record should contain the following:
   - date and time of the event
   - subject identity
   - type of event
   - how data changed
   - where the event occurred
   - outcome of the event

2. System alerts if audit log generation fails

3. System protects audit information from unauthorized access

4. Audit record should be reviewed by individuals with a "need to know" on a regular basis

5. Audit logs are retained for sufficient period of time.

K. Configuration Control and Management

The configuration management policy and procedures must be consistent with applicable federal laws, directives, policies, regulations, standards and guidance.

L. Incident Reporting

The contractor must immediately notify any security incidents and/or breaches to the Contract Compliance Inspector.

- The contractor must have a documented and implemented Incident Response Policy and Procedure
- Incident handling form for consistent, repeatable process for monitoring and reporting when dealing with incidents.
- Incident response resource identified to assist users in handling and reporting incidents.
- Personnel trained in their incident response roles and responsibilities at least annually.

M. Physical and Environmental Security

The contractor shall have established physical and environmental security controls to protect systems, the related supporting infrastructure and facilities against threats associated with their physical environment.

1. The contractor shall have established environmental protection for magnetic and other media from fire, temperature, liquids, magnetism, smoke, and dust.

2. The contractor shall control all physical access points to facilities containing information systems (except those areas within the facilities officially designated as publicly accessible), review physical security logs periodically, investigate security violations or suspicious physical access activities, and initiate remedial actions.

3. The contractor shall periodically review the established physical and environmental security controls to ensure that they are working as intended.

N. Disaster Recovery and Business Continuity Plan

The contractor shall have developed, periodically update, and regularly test disaster recovery and business continuity plans designed to ensure the availability of Department of Treasury's data in the event of an adverse impact to the contractors information systems due to a natural or man-made emergency or disaster event.

O. Security Awareness Training

The contractor must ensure their staff having access to Treasury information are made aware of the security risks associated with their activities and of applicable laws, policies, and procedures related to security identified in Section A of this document, and ensuring that personnel are trained to carry out their assigned information security related duties.

- Contracted employees must obtain Department of Treasury provided security awareness training. (On-line training to be identified by the Contract Compliance Inspector).

P. Web Application Security

The contractor shall have established adequate security controls for web application(s) to provide a high level of security to protect confidentiality of data transmitted over the public internet. The controls include, but are not limited to:

1. authentication
2. authorization and access control
3. web application and server configuration (e.g., patch management, deletion of unnecessary services, separation of the operating system and the web server)
4. session management (e.g., randomly generated unique session IDs, session encryption, time-out setting for inactive session)
5. input validation (e.g., avoid shell commands, system calls, and malicious codes),
6. encryption (e.g., protect confidential or sensitive information, encryption keys, passwords, shared secret),
7. audit logs (e.g., all authentication and authorization events, logging in, logging out, failed logins).

APPENDIX D

FFELP DATA ELEMENTS FOR ON-LINE ACCESS

I. Loan Origination Screens For All Federal Loans Held By MHESLA

The servicer must provide on-line inquiry access for all applications received to be processed for the State.

(a) Data required on all screens

-Applicant's name
-Applicant's Social Security Number
-Account number, if applicable
-Loan number
-Loan program
-Current date

(b) Application data required if it is collected on the application or provided by the State, for each application received.

-Applicant's name
-Applicant's address
-Applicant's telephone number
-Applicant's date of birth
-Applicant's driver's license number
-Applicant's signature date
-Comaker/cosigner indicator (yes/no) if their data is contained on another screen
-Comaker's Social Security Number
-Comaker's name
-Comaker's address
-Comaker's telephone number
-Comaker's date of birth
-Comaker's driver's license number
-Comaker's signature date
-For a Federal PLUS Loan student:
- Social Security Number
- Name
- Address
- Telephone number

-Guarantor
-School's federal identification code, if applicable
-Loan period start date, if applicable
-Loan period end date, if applicable
-Anticipated graduation date, if applicable
-Enrollment status, if applicable
-Grade level, if applicable
-Dependency status, if applicable

-Loan amount requested
-Loan amount approved, if applicable
-Interest rate
-Guarantee date, if applicable
-Amount guaranteed, if applicable
-Fund series/loan program fund code for approved loans, if applicable

(c) Data required for each disbursement

-Disbursement number, if applicable
-Total number of disbursements scheduled, if applicable
-Scheduled disbursement date, if applicable
-Scheduled disbursement amount, if applicable
-Actual disbursement date (including increase adjustments, if applicable)
-Actual disbursement amount, if applicable
-Date disbursement cleared bank account, if applicable
-Loan origination fee, if applicable
-Guarantee fee, if applicable
-Check, EFT, master check amount (for Consolidation Loans: of disbursement mailed to each creditor)
-Check, EFT, master check number (for Consolidation Loans: of disbursement mailed to each creditor)
-Total loan amount, if applicable
-Disbursement method (check, EFT, master check), if applicable
-Cancellation date (original disbursement check returned), if applicable
-Fund series/loan program fund code, if applicable
-Date the guarantee request is sent to the guarantor, if applicable
-Date guarantee is received, if applicable
-Guarantee date, if applicable
-Amount guaranteed, if applicable

(d) Application processing status history providing the minimum information below

-Application receipt date
-Application entry date
-Date of any return notification to the applicant
-Reason for the return notification
-Date and follow-up actions taken
-Denial date
-Denial reason
-Lender approved, if applicable
-Pending guarantee, if applicable
-Date guarantee is received, if applicable
-Pending disbursement, if applicable
-Partially disbursed, if applicable
-Fully disbursed, if applicable

II. Loan Repayment Screens For All Federal Loans Held By MHESLA

The servicer must provide on-line inquiry access for all loans originated or purchased by the State.

(a) Data required on all screens

-Borrower's name
-Borrower's Social Security Number
-Account number, if the servicer has an account based system or groups loans for repayment
-Loan number(s)
-Lender grouping identifier
-Current date

(b) Borrower demographic data required

-Permanent address
-Mailing address
-Telephone number
-Good/bad address indicator
-Good/bad telephone number indicator
-Date address last updated
-Date telephone number last updated
-Prior incorrect Social Security Number

(c) Comaker/Cosigner/Student/Reference demographic data required

-Indicator to identify relationship to borrower for each person shown
-Name
-Address
-Telephone number
-Social Security Number for comaker
-Social Security Number for cosigner, if available
-Loan number for which the person is responsible or to which the person is related

(d) Individual loan data required as applicable to the loan program

-Prior lender's federal identification number
-Purchase date
-Conversion/transfer date
-Guarantor
-Loan program
-Fund series/loan program fund code
-Loan period start date (day sensitive)
-Loan period end date (day sensitive)
-For each disbursement the servicer must show:

- Disbursement date
- Disbursement amount
- Refund date
- Refund amount
- Cancellation date
- Cancellation amount

-Total amount disbursed
-Guaranteed amount
-Original school federal identification number
-Current/last school code
-Separation date (day sensitive)
-Interest rate
-Interest type
-Identifier for split 8%-10% interest rate loans
-Current status
-Date of last credit bureau report
-Interest subsidy code
-Special allowance eligibility code
-Interest and special allowance start date
-Number of grace months
-Grace end date or repayment start date
-Last disclosure date
-Date last coupon book mailed if the servicer uses coupon books for submission of payments
-Current repayment schedule (all levels)
-First payment due date
-Repayment frequency
-Number of payments made
-Number of months of deferment/forbearance granted
-Next payment due date
-Daily interest accrual amount
-Interest accrual date
-Number of days delinquent
-Amount delinquent
-Interest capitalization indicator
-Late charges due
-Collection charges due
-Principal paid
-Borrower accrued interest paid
-Forbearance interest paid
-Late charges paid
-Collection charges paid
-Current principal balance
-Borrower interest accrual amount
-Payoff amount
-Start date of unguaranteed period (day sensitive)
-End date of unguaranteed period (day sensitive)
-Last payment date
-Amount of last payment

-Partial payment amount received
-Last date interest billed to borrower
-Current/last deferment type
-Deferment/forbearance start date
-Deferment/forbearance end date
-Counter for each type of deferment/forbearance
-Date preclaims assistance requested
-Date claim filed
-Claim type
-Claim return date
-Incentive payment counter
-Date incentive awarded
-Date incentive is ended/canceled

(e) Loan servicing history must provide all information below.

The servicer must include all monetary transactions/adjustments, non-monetary transactions/status changes made to each loan, correspondence received or generated, and a detailed account of verbal contacts made with anyone regarding the loan. The servicer must be able to identify which of the borrower's loans were affected in each transaction or identify accounts affected if the servicer has an account based system or groups loans for repayment.

Each history comment must include the effective date (receipt date), post date, transaction comment and identify the person who processed each transaction.

Regarding borrower incentives, a history comment must be made indicating incentive award/end/cancel. The comment must identify the person who processed the incentive aware/end/cancel (if not done automatically by the system). A comment must also be made indicating the appropriate incentive letter has been sent (identified by letter number, if applicable), and include the date the letter was sent. In the case of an incentive end/cancel, the reason for the end/cancel must be noted in the history.

The servicer's system must be capable of performing the following functions or extracting specific transactions from the history file and listing them for quick review of the loan record as stated below.

Payment/Deferment/Forbearance Screen - The servicer must be able to extract a listing which shows the transactions below so that the State may reconcile the period from the repayment start date to the current next payment due date.

-Payments made
-Payment reversals
-Deferment periods granted
-Forbearance periods granted
-Late charges assessed
-Collection charges assessed
-Write-off amounts

The payment entries/write-offs must show the receipt date, post date and application to/reversal from principal, interest, late charges and collection charges. The listing must include a summary showing the total amount applied to each category and the total amount paid to date.

The deferment and forbearance period entries must show the receipt date, post date, type of deferment/forbearance granted and the start and end date of each deferment/forbearance.

In addition to payments and documents applied against the loan, this listing must show late charges and collection charges applied against the loan and reflect the totals outstanding not paid by payments received.

Repayment Schedule Screen - The servicer must be able to show the date that each repayment schedule was sent to the borrower by the servicer and each schedule must include the number of payments and payment amount at each level of the schedule as it appeared on the repayment disclosure statement(s) sent to the borrower through the current date. The schedule and the date of the last repayment schedule sent must be readily visible to the State. Prior schedules may be shown within the history of the loan.

Document Receipt Screen - The servicer must record every document (letter, deferment form, forbearance form, etc.) received from any source and be able to extract a listing of only
those items from the history file in order that the State may easily converse with the borrower and request copies of specific documents from the servicer's physical/filmed file records.

The listing must show the receipt date of the document, the retrieval/batch coding for immediate access to the original document prior to processing, the history posting date of the document's receipt, a description of the document (letter, school enrollment verification, guarantor report, deferment or forbearance form, etc.) and the person who entered the history comment.

Payoff Calculation Screen - The servicer must have the capability to calculate a future payoff amount based on the current principal, interest, late charges and collection charges outstanding by loan and by account if the servicer has an account based system or groups loans for repayment.

Comaker/Cosigner/Student/Reference Demographic Data Screen - The servicer must be able to provide the data below for the comaker, student and cosigner, if applicable, and for that number of references required by the guarantor.

-An indicator that identifies the relationship to the borrower
-Name
-Address
-Telephone number, if known

APPENDIX E

MI-LOAN DATA ELEMENTS/FIELDS FOR ON-LINE ACCESS

The servicer must provide on-line inquiry access for all MI-LOAN applications received to be processed for the State.

The State reserves the right to make adjustments to the required data elements whenever, in their opinion, it becomes necessary. The following is a current list of required data elements:

(a) General Data Fields (required on all screens):

- Current Date
- Student Applicant's/Borrower's Name (First, Middle Initial, Last)
- Student Applicant's/Borrower's Social Security Number
- Account Number, if applicable
- Loan Identifier
- Loan Status:
  - ✓ Received
  - ✓ Denied
  - ✓ Cancelled (disbursement check voided, funds returned to MHESLA or servicer within 30 days of disbursement, or stop payment issued – loan cancelled)
  - ✓ Deleted (application cancelled prior to disbursement)
  - ✓ Approved
  - ✓ Disbursed
  - ✓ Repayment (regular monthly payments)
  - ✓ Principal Only Forbearance
  - ✓ Principal and Interest Forbearance
  - ✓ SCRA/Repayment (Servicemembers Civil Relief Act)
  - ✓ SCRA/Principal Only Forbearance (Servicemembers Civil Relief Act)
  - ✓ SCRA/Principal and Interest Forbearance (Servicemembers Civil Relief Act)
  - ✓ Default
  - ✓ Collection
  - ✓ Bankruptcy Chapter 7
  - ✓ Bankruptcy Chapter 11
  - ✓ Bankruptcy Chapter 12
  - ✓ Bankruptcy Chapter 13
  - ✓ Death Cancellation
  - ✓ Disability Cancellation
  - ✓ Pre-Paid In Full
  - ✓ Paid In Full
  - ✓ Repayment in ACH
  - ✓ Military Repayment in ACH

(b) Demographic Data Fields:

For **All** Participants (Applicant/Borrower, Cosigners, and References):

- Name (First, Middle Initial, Last)
- Relationship to the Loan (applicant, student, cosigner, reference)
- Primary Address (for applicant: “Billing Address”, for cosigner or reference: “Permanent Home Address”; street address 1, street address 2, city, state, zip code)
- Primary Telephone Number (for applicant: “Billing Telephone” number, for cosigner or reference: “Home Telephone”; including area code)
- Secondary Address (for applicant: “Permanent Home Address” if different from “Billing Address”, for cosigner or reference: business address; street address 1, street address 2, city, state, zip code)
- Secondary Telephone Number (for applicant: “Home Telephone” number if “Permanent Home Address” is different from “Billing Address”, for cosigner or reference: “Business Telephone”; including area code)
- Good/Bad Address Indicator (specific for each address)
- Good/Bad Telephone Number Indicator (specific for each telephone number)
- Last Address Effective Date (specific for each address)
- Last Telephone Number Effective Date (specific for each telephone number)

For Applicant and Cosigner(s) only:

- Social Security Number
- Date of Birth
- U.S. Citizenship/Alien I.D. Indicator
- Driver’s License Number
- Driver’s License State
- Previous Default Indicator (regarding defaults of prior student loans)

For Cosigner(s) Only:

- Relationship to Applicant (parent, spouse, other)

For All MI-LOAN Schools (presently or formerly eligible):

- School Code
- School Name
- School Address
- School Contact Person’s Name
- School Contact Person’s Title
- School Contact Person’s Telephone Number

(c) Origination Data Fields:

- Application Received Date
- Application Entry Date
- Applicant’s Requested Loan Amount
- Applicant’s Requested Interest Type (fixed or variable)
- Enrollment Status (full time, half time, less than half time)

- School Code
- School Name
- School Certified Loan Period Start Date (MM/DD/CCYY)
- School Certified Loan Period End Date (MM/DD/CCYY)
- Grade Level
- Cost of Attendance
- Estimated Financial Aid
- Lender Code
- Credit Applicant(s)' Household Income
- Credit Applicant(s)' Empirica Score
- Credit Applicant(s)' Debt-to-Income Ratio (Carry out one decimal place and do not round)
- Date Application Returned to Applicant
- Edit Reason(s) (Reason application returned to applicant)
- Loan Reduction Code/Reason
- Loan Reduction Amount
- Loan Status (See pages 1 and 2 for list of statuses)
- Loan Status Effective Date
- Loan Status Entry Date
- Denial Reason (must be able to enter multiple denial reasons). See the Processing Manual for a list of denial reasons.
- Approval Date
- Loan Amount Approved

(d) Disbursement Data Fields:

- Scheduled Disbursement Date
- Scheduled Gross Disbursement Amount
- Actual Disbursement Date
- Actual Gross Disbursed Amount
- Reserve Fee Amount
- Net Disbursement Amount
- Check Number or Equivalent
- Interest Rate (Carried out two decimal places, i.e. 6.63%)
- Bond Fund Number
- Disbursement Cancellation Date (original funds returned within 30 days of disburse-ment or stop-payment issued)

(e) Disbursement Data Fields Continued:

- Disbursement Status:
  - ✓ Pending
  - ✓ Disbursed
  - ✓ Cancelled (check voided or stop payment issued, will be re-disbursed)
  - ✓ Deleted (cancelled prior to disbursement)

- Disbursement Status Effective Date
    - Disbursement Status Entry Date
    - Disbursement Method Indicator (EFT, Check, etc.)
    - Maximum Number of Payments Allowed (180 for a 15 year loan; 300 for a 25 year loan)
    - Number of Scheduled Payments
    - First Payment Due Date
    - Last Payment Due Date

(f) Repayment Data Elements:

- Loan Status
- Loan Status Effective Date
- Loan Status Entry Date
- Actual Gross Disbursed Loan Amount
- Cumulative (by SSN) Gross Disbursed Amount (all loans combined)
- Current Principal Balance
- School Name
- School Code
- Interest Rate (carried out two decimal places, i.e. 6.63%)
- Daily Interest Accrual Amount (Carried out four decimal places, i.e. $1.2345)
- Payment Due Date (due date of oldest outstanding payment)
- Next Payment Due Date
- Remaining Term
- Monthly Payment Amount
- Current Amount Due
- Delinquent Amount Due
- Number of Days Loan is Delinquent
- Forbearance Counter (Principal Only Forbearance /Principal and Interest Forbearance – to keep track of the number of months used/available for both types combined)
- Interest Accrued Through Date
- Amount of Unpaid Accrued Interest
- Amount of Capped Interest to Date
- Amount of Capped Interest Paid to Date
- Principal Paid to Date
- Principal Paid Current Year
- Interest Paid to Date

(g) Repayment Data Elements Continued:

- Interest Paid Current Year
- Date Billing Statement Generated
- Billing Statement Due Date
- Current Amount Billed
- Delinquent Amount Billed
- Late Fees Billed
- Total Amount Billed (Total of current amount billed, delinquent amount billed, and late fees billed)
- Type of Payment Indicator (EFT, Statement, etc.)
- Payment Received Date
- Payment Process Date
- Payment Amount Received:
  - ✓ Payment Amount Received (in total and by loan)
  - ✓ Payment Amount Applied to Interest (in total and by loan)
  - ✓ Payment Amount Applied to Principal (in total and by loan)
- Forbearance/Extension Begin Date
- Forbearance/Extension End Date
- Default Date
- Current Principal Balance at Day 121 (Default date)
- Accrued Unpaid Interest at Day 121 (Default date)
- Accumulator for Total Amount of Payments Received After Day 121 (Default date)
- Paid in Full Date
- Write-off Date
- Write-off Amount
- Write-up Date
- Write-up Amount
- Refund Date
- Refund Amount
- Date Sent to Collections
- Adjustment Effective Date
- Adjustment Process Date
- Cash/Non-cash Indicator
- Total Adjustment Amount (in total and by loan)
- Adjustment Amount Applied to Interest (in total and by loan)
- Adjustment Amount Applied to Principal (in total and by loan)

APPENDIX F

MI-LOAN PROGRAM ADMINISTRATIVE RULES

DEPARTMENT OF TREASURY

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

MICHIGAN ALTERNATIVE STUDENT LOAN PROGRAM

Filed with the Secretary of State on June 27, 2000. These rules take effect 7 days after filing with the Secretary of State (July 5, 2000).

(By authority conferred on the Michigan higher education student loan authority by sections 4, 4a, and 12 of 1975 PA 222, MCL 390 390.1154, 390.1154a, and 390.1162)

R 390.1621, R 390.1622, R 390.1623, R 390.1626, R 390.1629, R 390.1630, R390.1631, R 390.1632, R 390.1633, R 390.1634, R 390.1635 and R 390.1636 of the Michigan Administrative Code are amended as follows:

R 390.1621 Definitions; A to D.

Rule 1. As used in these rules:

(a) "Academic year" means a period of not less than 7 months that represents the traditional academic year.

(b) "Application fee" means a nonrefundable fee which is established by the authority and which is paid by the borrower to the authority at the time an application is submitted.

(c) "Application period" means the period of time designated by the authority during which applications may be submitted for processing.

(d) "Authority" means the Michigan higher education student loan authority as authorized by 1975 PA 222, MCL 390.1151 et seq.

(e) "Bankruptcy" means a judicial action in which a person is declared insolvent and in which the individual's assets, if any, are taken under court administration.

(f) "Borrower" means a student or parent.

(g) "Cosigner" means a parent, legal guardian, or other responsible individual who is jointly and separately responsible for payment of the loan. Two persons may be cosigners if they reside in the same household and jointly meet the credit standards. A cosigner shall meet all of the following conditions:

(i) Be not less than 18 years of age.

(ii) Meet the credit standards.

(iii) Not be currently in default on federal or state educational loans.

(iv) Be a United States citizen or a permanent resident.

(h) "Cost of attendance" means the cost of tuition and fees and other expenses related to attendance as determined by an eligible school for the loan period. An eligible school shall include only those costs that are permissible under the guaranteed student loan programs pursuant to title IV, part B, of the higher education act of 1965, as amended, 20 U.S.C. §1070 et seq.

(i) "Credit standards" means a credit evaluation process established by the authority, which shall include an evaluation of all of the following:

(i) Income.

(ii) Debt.
(iii) Employment history.
(iv) Credit history.
(j) “Default” means the condition that exists when the borrower and cosigner or cosigners fail to perform any of the conditions of the promissory note or the authority has determined that the borrower or cosigner or cosigners made false representation to secure a loan.
(k) “Disbursed” means the date that funds are issued for the loan.

R 390.1622 Definitions; E, F.
Rule 2. As used in these rules:
(a) “Eligible school” means a degree-granting college or university that is located in this state and that is approved by the state board of education and by the United States secretary of education for purposes of the federal family education loan program.
(b) “Estimated financial aid” means the estimated amount of assistance for which the borrower may be eligible, excluding loans under section 428B(a) of the higher education act of 1965, as amended, 20 U.S.C. §1078-2, relating to parent loans, and subpart I of part D of title VII of the public health service act of 1944, as amended, 42 U.S.C. §294 et seq., relating to training in certain health professions.
(c) “Forbearance” means a delay in the repayment of principal or principal and interest for a period of time as authorized by the authority.

R 390.1623 Definitions; I to T.
Rule 3. As used in these rules:
(a) “Interest” means the percentage of an amount of money that is paid for its use for a specified time.
(b) “Loan” means loans authorized under section 4a of 1975 PA 222, MCL 390.1154a.
(c) “Loan period” means a period of time the student expects to be enrolled and for which loan assistance is being requested. A loan period shall not be more than 12 months.
(d) “Michigan resident” means a person who is accepted for enrollment or enrolled in an eligible school located in this state or a person whose primary residence is in this state.
(e) “Promissory note” means a note which is developed by the authority, which cites the terms and conditions of a loan, and which identifies the responsibilities of the borrower and cosigner or cosigners.
(f) “Reserve fee” means a fee as established by the authority and paid by the borrower to the authority to establish a reserve.
(g) "School student loan eligibility criteria" means a school evaluation process established by the authority, which may include the following:
(i) Graduation rate.
(ii) Federal cohort default rate.
(iii) Borrower credit readiness.
(h) “Totally and permanently disabled” means the inability to work and earn money or attend school because of an impairment that is expected to continue indefinitely or to result in death.

R 390.1624 Terms defined in Act No. 222 of 1975.
Rule 4. Terms defined in Act No. 222 of the Public Acts of 1975, as amended, being §390.1151 et seq. of the Michigan Compiled Laws, have the same meanings when used in these rules.

R 390.1625 Nondiscrimination.
Rule 5. Loans are available to all eligible borrowers without regard to race, color, sex, religion, national origin, age, or marital status.

R 390.1626 Eligibility for loans.

Rule 6. To be eligible for a loan, all of the following requirements shall be met:

(a) A borrower or the student shall be a Michigan resident.

(b) The student shall have been accepted for enrollment or shall be currently in attendance at an eligible school and be making satisfactory academic progress as determined by the eligible school.

(c) A borrower shall have submitted an application during the application period authorized by the authority.

(d) A borrower shall be a United States citizen or permanent resident.

(e) A borrower shall be not less than 18 years old or an emancipated minor, pursuant to the provisions of section 4 of 1968 PA 293, MCL 722.4.

(f) One of the following loan criteria shall be met:

(1) A borrower or cosigner or cosigners shall meet the credit standards.

(2) The eligible school and borrower shall meet specific student loan eligibility criteria as determined by the authority.

(g) The student shall demonstrate eligibility based on the cost of attendance less estimated financial aid.

(h) A borrower or the student shall not currently be in default on any federal or state educational loans.

R 390.1627 Rescinded.

R 390.1628 Loan; information and documentation; written credit denial.

Rule 8. (1) The authority shall obtain the required information and documentation from the applicant and from the school and shall assess borrower eligibility.

(2) If an applicant does not qualify for a loan, the authority shall issue a written credit denial within 30 days of the date that all materials were available for assessment.

R 390.1629 Loan terms.

Rule 9. (1) Loans made to eligible borrowers are subject to all of the following conditions:

(a) The minimum loan amount shall not be less than the amount established by the authority.

(b) The maximum loan amount per academic year is the student's cost of attendance minus estimated financial aid and shall not be more than the annual amount established by the authority.

(c) A cumulative outstanding maximum amount to any 1 borrower shall not be more than the amount established by the authority.

(2) The interest rates for loans shall be determined by the authority and shall not exceed the rate permitted by state law. The interest rates may be set at fixed or variable rates and there may be multiple fixed or variable interest rates. Interest shall begin to accrue on the date the loan is disbursed.

(3) An applicant shall pay a nonrefundable application fee payable to the authority when submitting an application, if applicable.

(4) An applicant shall pay a reserve fee that shall be deducted from the loan disbursement, if applicable.

R 390.1630 Loan disbursement.

Rule 10. (1) Loan proceeds shall not be disbursed more than 1 month before the start of the loan period as specified on the application.

(2) Loans may be disbursed after the loan period has expired if authorized by the authority.

(3) The interest and reserve fee, if applicable, shall be refunded if the disbursed funds are returned to the authority within 30 days of the date of the disbursement.

R 390.1631 Repayment terms.

Rule 11. (1) Repayment of the loan shall begin within 60 days of the date that the loan is disbursed.

(2) The minimum payment of $50.00 shall be paid by the borrower or cosigner or cosigners each month.

(3) The authority may grant forbearance of principal or principal and interest payments to the borrower or cosigner or cosigners in accordance with conditions established by the authority.

(4) The authority may offer graduated repayments or a modified repayment schedule if the repayment schedule is not in violation of the provisions of subrule (7) of this rule.

(5) The authority may assess a late charge, which shall not be more than 6 cents for each dollar of each late installment, for a payment that is delinquent for more than 10 days.

(6) There shall be no penalty for prepayment of a loan.

(7) A loan shall be repaid in full within the time established by the authority.

R 390.1632 Authority responsibilities for loan collection.

Rule 12. (1) The authority shall be responsible for the collection of the loan.

(2) The authority shall make periodic reports on the borrower and cosigner or cosigners to 1 or more national credit bureaus.

(3) The authority may accelerate payment of the loan and demand payment in full of all outstanding principal, accrued interest, and late charges if either of the following conditions occurs:

(a) A borrower and cosigner or cosigners default.

(c) A borrower or cosigner or cosigners provided false information to obtain the loan.

(4) The authority may exercise all legal options to collect the loan.

R 390.1633 Default

Rule 13. (1) If a borrower and a cosigner or cosigners do not comply with the provisions of the promissory note for a period of 120 days or more, then the loan shall be declared in default.

(2) Collection costs incurred by the authority in the collection of defaulted loans may be charged to the account of a defaulted borrower and cosigner or cosigners.

R 390.1634 Death of student; effect.

Rule 14. (1) The balance on a loan shall be canceled upon the death of the student. The authority shall not attempt to collect on the loan after the authority has received a death certificate or other official notification confirming the student’s death.

(2) Payments received after the date of the student's death shall be returned to the sender.

R 390.1635 Total and permanent disability of student; effect.

Rule 15. (1) If a student is determined to be totally and permanently disabled, then the remaining loan balance shall be canceled.

(2) The student or another party shall provide documentation of the total and permanent disability which is satisfactory to the authority.

(3) A student is not considered totally and permanently disabled on the basis of a condition that existed before he or she applied for the loan, unless the student's condition has substantially deteriorated since submission of the loan application so as to render the student totally and permanently disabled.

(4) The authority shall cease collection on a loan after the authority determines that the student is totally and permanently disabled.

(5) Payments paid after the date the student became totally and permanently disabled shall be returned to the sender.

R 390.1636 Bankruptcy; effect.

Rule 16. (1) If the authority receives a notice of the first meeting of creditors from a bankruptcy court for a borrower and cosigner or cosigners, then the authority shall proceed as follows:

(a) The authority shall file proof of claim with the bankruptcy court, unless advised otherwise by the court.

(b) If, after the bankruptcy has been concluded, the authority is notified by the bankruptcy court that the loan has been discharged, then the authority shall report the bankruptcy to the credit bureau.

(c) If a payment plan is ordered by the bankruptcy court, then the bankruptcy will be reported to the credit bureau, and the authority will proceed through its collector to collect the payments as ordered by the court. Upon conclusion of the payment plan, the authority shall proceed through its collector to collect the remaining outstanding balance.

(d) If the loan is not discharged, then the authority shall establish the next payment date within 60 days. Payment shall be subject to the full force of the terms and conditions of the promissory note.

(2) If the authority receives a notice of the first meeting of creditors from a bankruptcy court for 1 of the signers of the promissory note, then the authority shall proceed as follows:

(a) The authority shall file proof of claim with the bankruptcy court, unless advised otherwise by the court.

(b) The authority shall cease billing the individual involved in the bankruptcy action.

(c) The authority may continue collections with the other signer or signers of the promissory note, as the other signer or signers remain liable for unpaid principal, interest, and late charges.

Michigan Department of Treasury
Michigan Higher Education Student Loan Authority
Michigan Alternative Student Loan (MI-LOAN®) Program

Processing Manual

September 2008

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MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
MI-LOAN PROGRAM PROCESSING MANUAL
OVERVIEW

The Michigan Alternative Student Loan (MI-LOAN®) Program was created in 1990 to provide students and their families an alternate source of loan funds to assist in meeting the costs of post-secondary education.

MI-LOAN Program policy is established by the Michigan Higher Education Student Loan Authority, a governing board, the members of which, are appointed by the Governor of Michigan. Throughout this manual, the governing board will be referred to as the "Authority".

Administrative Rules adopted by the Authority were filed with the Governor's office, and approved by the Michigan Secretary of State.

The Michigan Higher Education Student Loan Authority staff administers the program by monitoring the ongoing daily activities provided by the loan servicer for compliance to the Administrative Rules and with the servicing contract. "MHESLA" will be used when reference is made to the administrative staff.

The MI-LOAN Program was created originally as a creditworthy private loan program. On July 5, 2000, the MI-LOAN Program Administrative Rules were amended to more fully meet the needs of students, thus allowing for the creation of a credit-ready loan program. The Credit Ready Loan Program default rate proved to be significantly higher than originally anticipated, exceeding acceptable credit risk guidelines. In response, Department of Treasury Management Staff exercised their fiduciary responsibility by suspending the program, effective July 1, 2007. The MI-LOAN Program currently consists of the Creditworthy Loan Program only.

Definitions, as used in the MI-LOAN Program, are provided in the glossary. Familiarity with these terms will assist the servicer in the use of this manual.

The servicer is encouraged to contact the MHESLA staff whenever a situation arises for which direction has not been provided in this manual.

CHAPTER I. MI-LOAN PROGRAM LOAN APPLICATION PROCESS

A. LOAN APPLICATIONS

MI-LOAN Program loan applications and informational materials are provided by MHESLA in paper format and on the MI-LOAN Program Web site at www.miloanprogram.com, in electronic format. The servicer will distribute these applications and materials to potential loan applicants and cosigners.

MHESLA may require paper applications to have signatures notarized by an active notary public. The servicer must verify this item should MHESLA so require.

The servicer will provide an internet based MI-LOAN Program application which contains the same information as the paper application and informational materials. This will provide MHESLA applicants with a means of applying on-line for a MI-LOAN Program loan. This process will include 'real time' automated credit checks, immediate credit decisions, ability for applicants and if applicable, the cosigners to electronically sign (e-sign) the Promissory Note and submit to the servicer, to print the document after e-signing, and to print and wet sign for submission to the servicer.

The servicer will provide an interface with a national credit bureau's Fraud Management Platform which contains an authentication process. This interface will allow the servicer to verify contact information for customers and prospects quickly and accurately pose questions to a consumer who elects to e-sign in order to authenticate that individual.

The questions will relate to confidential information which will be confirmed by electronic matching to their credit bureau record and previous loans on the servicer's system. A response of "Duplicate" would indicate that the consumer has exceeded the number of attempts allowed within a certain time period. "Failed ID Verification" would indicate the consumer failed the initial inquiry into the credit bureau's system. The servicer must report immediately, any potentially fraudulent applications to MHESLA.

Electronic loan applications, at the time of the e-signature being applied, will require an applicant and cosigner, if any, response to at least two electronically generated questions. The questions will relate to confidential information which will be confirmed by electronic matching to their credit bureau record, previous loans on the servicer's system, etc. Question examples: What is the monthly payment amount on your auto loan, name the company that holds your mortgage, etc.

As a result, legitimate customers can access their accounts while unauthorized users are denied access. This application process will automatically update "real-time" information to the servicer's system, and contain the ability to provide information electronically to the applicant and cosigners.

In addition, a second internet based process will be available to facilitate the school certification process. Schools will receive e-mail notification of certifications pending once a day (batched nightly) and be able to complete the certification process or deny the certification with specific denial reasons on-line.

To provide applicants with easy access to the electronic application process, MHESLA and MI-LOAN eligible schools will be provided a link to the servicer's Web site, MI-LOAN Program loan application section.

The following is a breakdown of the application and informational materials:

1. MI-LOAN Program Loan Application – collects the demographic and credit information required to process the loan. The original is submitted to the servicer for processing, with copies available for the applicant and cosigners.

2. MI-LOAN Program, Promissory Note and Agreement – provided to the applicant and cosigners as a separate document. When submitting the loan application, this document is to be retained by the applicant and if applicable, the cosigner(s).

3. MI-LOAN Program, Informational Pages – provides the loan eligibility requirements, Rights and Responsibilities, and other general program information.

4. MI-LOAN Program Loan Application, Self Test – for the convenience of the applicant and/or cosigner(s) in determining potential eligibility for a MI-LOAN Program loan.

5. MI-LOAN Program Loan Application, Instructions for Completion – specific instructions for completing the MI-LOAN Program Loan Application, where to submit the application, and contact information for the servicer and MHESLA.

B. LOAN APPLICATION RECEIPT

Upon receipt, the servicer must take the following actions:

1. Date Stamp

If a paper application is received, the servicer will date stamp the "received date" on the application. If an electronically submitted application is received, the "received date" must be automatically stored and viewable by MHESLA in the servicer's system.

2. Application Folder

The servicer must create a folder to house the application, whether it is an original wet-signed paper application or a paper copy of an e-signed application. Other pertinent forms and information, i.e., addendum to the application, signed agreements, etc. will also be stored in this folder. The folder tab must contain the applicant's name (last name first), his/her social security number, and the date the applicant signed the application.

C. LOAN APPLICATION REVIEW

The servicer must add all applications to their system within 1 day of receipt. The servicer must assess all the information before determining loan approval or denial. All form letters used for contacting the applicant or cosigner must first be provided to MHESLA for review.

1. Complete Information

The servicer must verify each loan application is fully completed; the information meets the requirements of the MI-LOAN Program, and is logical. (Example: The date of birth for the parent borrower is logical when compared to the date of birth for the student.)

If information is missing, or the accuracy of the data is questionable, the servicer must attempt to obtain or verify the information in question prior to making a determination of loan approval or denial.

The servicer will complete a MI-LOAN Program Application Review Checklist during the review of each paper application or set the system to determine this same information during the applicant data entry of the electronic application.

2. Application Information Required In Writing

If the following information for the applicant, student, and/or any cosigner is incomplete, or a correction to any of these items is required, the servicer must return the application form to the applicant to be completed or corrected by the appropriate party and initialed **by that person**.

- Last Name, First Name, Middle Initial
- Date of Birth
- Social Security Number
- Signature

The items below are integral to the terms of the Promissory Note. The servicer must either return a copy of the application form to the applicant to be completed or corrected and initialed **by all appropriate parties**, or have the applicant submit the information or change in an itemized letter that has been signed by all parties to the loan. This information may be submitted by fax, email or mail. An original signature is not required.

- Applicant's Requested Loan Amount
- Interest Rate Type (Fixed or Variable)

3. Pending Application Due To Missing/Incorrect Information

All other missing information (not noted above as being required in writing) on the application or items needing clarification or correction, including those in the School Certification, may be obtained by telephone, fax, email, or mail. An original signature is not required. If this type of missing information is the only reason the application cannot be approved, the servicer must pend the application for not more than fifty-one (51) days from the date it was received, or until the missing information is received, whichever comes first.

a. The loan status on the servicer system will be "PENDING".

b. The servicer must first attempt to contact the appropriate party by telephone to obtain the information.

c. If the servicer does not obtain the information during the initial telephone call, they must immediately send the applicant a "Pending" letter by mail, and if available by email. The pending letter must contain wording that conforms to the Equal Credit Opportunity Act; including, but not limited to, what information was missing and/or what documentation is required and a deadline date (51 days from the date the application was received) for receipt of the information and/or documentation.

d. A copy of the "Pending" letter must be placed in the application folder with the application and other pertinent forms and information or saved electronically to allow for future retrieval.

e. A history comment must be entered in the loan history that the pending letter has been sent, including the itemization of the information and/or documentation requested and the deadline date given for receipt of the information and/or documentation.

f. The application must be placed on a follow-up to occur at every 10 days up to the deadline date, or until receipt of the information, whichever comes first.

g. On the 10th day of the pending period, if the information has not been received, the servicer must make a second attempt to contact the appropriate party by telephone. If the servicer is unable to make contact, a second pending notice must be sent by mail, and email if available.

1)Each 10-day cycle pending notice must contain an itemization of what information is missing and/or documentation is required, and the original 51-day deadline date for receipt of the information and/or documentation.

2)A copy of the pending notices must be placed in the applicant's loan folder with the application and other pertinent forms and information or saved electronically to allow for future retrieval.

3)A history comment must be entered in the loan history for each pending notice sent, including the itemization of the information and/or documentation requested and the deadline date given for receipt of the information and/or documentation.

4)The follow-up on the application must then be continued until the original date (51 days from receipt of the application) or until receipt of the information, whichever comes first.

h. By the end of the 51st day of the pending period, if the information has not been received, the loan is denied.

1)The loan status on the servicer system will be changed to "DENIED".

2) When there are multiple reasons for denial, the servicer must enter a servicing history comment that lists all of the reasons why the loan request was denied. If a reason for denial was due to missing information, the history comment must include what was missing so the servicer's Customer Service Representatives are able to discuss the requirements for those items should the applicant or cosigner make inquiry.

3)The servicer will immediately send the applicant a "Denial" letter by mail, and email if available. The denial letter will provide notice that all required information has not been received; include all denial reasons, the process, and the deadline for the applicant to file an appeal.

Note – The loan may only be removed from denied status on the system if the applicant submits an appeal and provides satisfactory documentation necessary to establish eligibility allowing the loan to be approved. **Chapter III** lists the information and/or documentation required for appeal of each denial reason.

i. If the information is received within the 51-day pending period, the servicer will enter a history comment explaining what information and/or type of documentation was received from the applicant/cosigner (e.g.: credit applicant's income, employment information, etc.) and proceed with the approval review process.

D. MISSING OR INCORRECT APPLICATION INFORMATION

1. Permanent Address

To comply with the federal Patriot Act, if the applicant or their reference uses a Post Office (P. O.) Box for their permanent address, the other party must provide a street address. This is also true for the cosigner(s) and their reference.

ACTION: The MI-LOAN Program loan application is pended; servicer to request corrected information.

2. Parent Or Legal Guardian

If the applicant is not the student, and the applicant is NOT at least 16 years older than the student and has not provided proof of being the parent or legal guardian.

ACTION: The MI-LOAN Program loan application is pended; servicer to request proof of date of birth for both parties, and if applicable, court documents of legal guardianship.

3. Requested Loan Amount

The application requested loan amount is less than $500.

ACTION: The MI-LOAN Program loan application is pended; servicer to request corrected information.

The requested loan amount must not cause the cumulative approved amount of the applicant's loans to exceed the program's maximum of $125,000.

ACTION: The MI-LOAN Program loan application is pended; servicer to request corrected information.

4. Loan Period

If the loan period provided by the applicant is longer than 12 months, the servicer must compare it to the loan period entered by the school in the School Certification process.

If the school provides approximately the same enrollment dates, and the loan period entered by the school is not more than 12 months, the servicer is to accept the loan period as provided by the school.

If the loan period entered by the school is also longer than 12 months contact the school for corrected information.

ACTION: The MI-LOAN Program loan application is pended; servicer to request corrected information from the school.

If the school fails to adjust the loan period and certified cost and aid figures, if required, the servicer must deny the loan request within the time frame allowed by federal regulations.

DENIAL MESSAGE: School certified loan period exceeds the 12 month maximum.

5. Driver's License Number / State

A Michigan driver's license is indicated, which does not consist of the first initial of the person's last name followed by twelve (12) numbers, or if the applicant and/or cosigner does not provide a driver's license number and failed to indicate no license available.

ACTION: The MI-LOAN Program loan application is pended; servicer to request corrected information.

6. Reference Name

The reference provided by the applicant must be a person other than the cosigner, if applicable, and must not be living with the applicant.

ACTION: The MI-LOAN Program loan application is pended; servicer to request corrected information.

The reference provided by the cosigner must be a person other than the applicant, and must not be living with the cosigner.

ACTION: The MI-LOAN Program loan application is pended; servicer to request corrected information.

7. Reference Demographics

To comply with the federal Patriot Act, if the applicant or their reference uses a Post Office (P. O.) Box for their permanent address, the other party must provide a street address. This is also true for the cosigner(s) and their reference.

ACTION: The MI-LOAN Program loan application is pended; servicer to request corrected information.

8. Monthly Gross Income

Documentation of the credit applicant's income is not required when the application is initially submitted.

If this item was not completed correctly, original documentation on company letterhead with employer signature of the applicant's monthly gross income must be received and placed in the application folder or saved electronically to allow for future retrieval

ACTION: The MI-LOAN Program loan application is pended; servicer to request corrected information.

9. Promise to Pay

The applicant and if applicable, the cosigner(s) did not sign and date the application form. If submitting electronically, the applicant and cosigner are given the option of e-signing or printing and wet signing the application. Applicant and/or cosigner(s) wet signed, but did no have signature notarized by an active notary public (should MHESLA initiate this as a requirement).

ACTION: The MI-LOAN Program loan application is pended; servicer to request corrected information.

10. Length of Employment

Documentation of the credit applicant's employment is not required when the application is initially submitted. The servicer must verify the credit applicant has at least two years of continuous employment.

Continuous employment is interpreted as employment for such periods as are commensurate with the nature of employment as provided by the employer. Some occupations, such as a teacher, do not offer employment 52 weeks a year and this interpretation recognizes these individuals as continuously employed.

If there are two credit applicants (two cosigners or borrower and cosigner together), only one must meet the two-year continuous employment requirement, unless one of them is retired. A credit applicant who is retired, and who otherwise meets the credit standards, may be granted a waiver from the two-year continuous employment requirement.

If this item was not completed correctly, original documentation on company letterhead with employer signature of continuous employment, with beginning and ending dates for each employer, for a total of the last two years or more must be received and placed in the application folder or saved electronically to allow for future retrieval.

If unable to document two years of continuous employment, the applicant may reapply under appeal, using a different cosigner.

ACTION: The MI-LOAN Program loan application is pended; servicer to request corrected information.

CHAPTER II. CREDIT REVIEW

The servicer must perform a complete review of the information provided on the application and verify compliance to the Credit Standards before issuing a Denial Notification. Once all required information is received, the servicer must make this determination within one (1) business day and immediately notify the applicant and, if applicable, the cosigner(s).

A. IDENTIFYING THE CREDIT APPLICANT

1. The applicant is the "credit applicant" when applying for a loan without a cosigner.

2. When the applicant applies for a loan with one cosigner, the applicant may choose whether he/she and the cosigner are both "credit applicants", and together must meet the credit standards or whether the cosigner alone is the "credit applicant". If he/she chooses to meet the credit standards together, the applicant and cosigner must reside together and share household income and debt.

3. When the applicant applies for a loan with a cosigner and they do not reside together and share household income and debt OR he/she chooses to have the cosigner alone meet the credit standards, the cosigner is the "credit applicant".

4. When the applicant applies for a loan with two cosigners, the cosigners must reside together and share household income and debt, and the cosigners are the "credit applicants".

B. CREDIT REPORT

The servicer must review the most recent credit report provided by a national credit bureau for the credit applicant. The credit report will contain the date it was accessed (pulled) and will be filed in the application folder with the other application documents or saved electronically to allow for future retrieval. The data contained in the credit report will be used to determine the credit applicant's eligibility with respect to the MI-LOAN Program Credit Standards and Requirements based on the following criteria:

1. Debt Reflected on the Credit Report

Only those types of debt identified in this chapter shall be used in the determination.

Use the payment amount reported by each creditor shown on the credit report. If the monthly payment amount is not given, the servicer must calculate the payment amount by dividing the original loan amount by the term of the loan as reflected on the credit report. If the credit report does not show the term of the loan, the servicer must obtain the monthly payment amount for each debt from the credit applicant.

Using the figures obtained, add the monthly debt amounts together to calculate the total monthly debt as reflected on the credit report.

2. Determining Debt-to-Income Ratio

The servicer must calculate the debt-to-income ratio. Calculation of the debt-to-income ratio is based on the credit applicant's total monthly gross income provided on the loan application, compared to the amount of his/her total monthly debts as reflected in the credit bureau report, excluding medical and related health debt. The servicer must include in the total monthly debt the projected monthly payment amount for the loan currently being requested. In order to evaluate the credit applicant's debt-to-income ratio, the servicer must confirm the amount of the credit applicant's income and debt. A Debt-to-Income Ratio worksheet will be provided by MHESLA for the servicers' use or the servicer can set the system to process the review electronically. A dated record of the debt-to-income calculation must be placed in the application folder with the other application documents or saved electronically to allow for future retrieval.

To calculate the debt-to-income ratio, divide the Monthly Gross Income provided by the applicant by the total monthly debt figure calculated from the credit report. Carry the resulting figure out two decimal places; DO NOT ROUND OFF.

In order to approve the loan, the debt-to-income ratio must be either:

- 45.0% or less with a credit score of 680 or higher, or
- 40.0% or less with a credit score of 679 and below.

Formally disputed credit trade lines reflected on the credit report are excluded, unless they are MHESLA debts and the credit report agrees with MHESLA records. The credit applicant may verbally dispute a trade line to the servicer; however, unless the credit report confirms that the trade line has been formally disputed, the servicer cannot exclude that trade line in its assessment of the credit history.

3. Credit Standards not met

The applicant is the "credit applicant" when he/she applies for a loan without a cosigner.

When the applicant applies for a loan with one cosigner, the applicant can choose whether he/she and the cosigner are both "credit applicants", and together must meet the credit standards, or the cosigner alone is "credit applicant". If he/she chooses to meet the credit standards together with the cosigner, they must reside together and share household income and debt.

When the applicant applies for a loan with one cosigner, and they do not reside together and share household income and debt, OR he/she chooses to have the cosigner alone meet the credit standards, the cosigner is the "credit applicant".

When the applicant applies for a loan with two cosigners, they must reside together and share household income and debt, and the cosigners are the "credit applicants". In this case, the applicant does not have to meet the credit standards.

If the cosigner fails to meet the credit standards, the servicer must deny the loan request; however, the reason cited in the denial letter sent to the applicant is different than the denial-letter message used in the letter sent to the cosigner.

The MI-LOAN Program loan application is denied if the credit applicant(s)/cosigner(s) failed to meet the credit standards. Provide the applicant(s)/cosigners with all of the specific reasons why he/she failed to meet the credit standards. Do not give specific information on the other parties. Also provide the name of the credit bureau from which the credit report was pulled.

4. Credit History

The credit applicant's credit score must meet the credit score established by the Authority, and the credit applicant must pass the "Negative Credit Review", if applicable, excluding medical and related health debt.

At the discretion of the Authority, the credit-scoring model and/or the credit score number below may change. Refer to the MI-LOAN Program Loan Application Review Checklist at the end of this chapter.

a. Credit Score

In order for the applicant's loan request to be approved, the credit applicant must meet the combination of credit score and debt-to-income ratio criteria below as set by the Authority.

- 680 or Higher – Credit applicants with a credit score of 680 or higher and a debt-to-income ratio of 45.0% or below meet the Authority's credit standards.

- 620 to 679 – Credit applicants with a credit score of 620 to 679, and a debt-to-income ratio of 40.0% or below, may still be eligible if they pass the "negative credit review".

- 619 and Below – Credit applicants with a credit score of 619 or below, and a debt-to-income ratio of 40.0% or below, may still be eligible if **under an automatically processed appeal** he/she is found to have a good, established credit history for a minimum of two years, **and** can pass the "negative credit review". The servicer must deny an application if he/she does not have a good, established credit history for a minimum of two years, as reflected in the credit bureau report.

b. Negative Credit Review

Credit applicants whose credit score is below 680 must pass the negative credit review which is comprised of the following four elements, excluding any formally disputed credit items as reflected on the credit report. If he/she fails the negative credit review, the servicer must deny the application using this standard *****Negative Credit Review denial message and the applicable message(s), as shown below.

***Negative Credit Review Denial Message:**
Credit applicant failed to meet the credit standards.

Negative Credit Review Denial Message plus the following, as applicable:

- Credit history reflects delinquent active accounts.
- Credit history reflects more than two 30-day delinquencies in the past 12 months.
- Credit history reflects a 60-day or greater delinquency in the past 24 months.
- Credit history reflects a charge-off, repossession, collection account, an attachment, suit, judgment, foreclosure, garnishment, or an outstanding tax lien.
- Credit history reflects a default on an education loan.

C. TOTAL MONTHLY DEBT DETERMINATION

The servicer must use the total of the credit applicant's debts, as listed on the credit report, excluding medical and related health debt.

The following guidelines are provided to assist the servicer in determining how to treat certain types of debt, and the required documentation to substantiate that type of debt.

1. Treatment of Business Expenses:
   Outstanding credit extended for business, for which the credit applicant is responsible for payment, must be included in the calculation of the total monthly debt. This may occur where a company provides a business credit card to an employee in the employee's name.

   A business debt can be excluded if the credit applicant can provide a recent copy of the credit card statement showing the previous month's balance has been paid in full, and proof that the employer is reimbursing the credit applicant for the debt. Proof can be either a copy of the employer's reimbursement check or a written statement signed the employer on company letterhead. The check amount does not have to match the paid amount on the credit card statement, but it should be comparable; i.e. the paid amount is $634.23, the employer's check amount is $592.75.

2. Treatment of Education Loans:
   Education loans are included in the credit applicant's total monthly debt provided there is an established monthly payment schedule for that indebtedness. The presence of a monthly payment amount on the credit report will constitute proof that a monthly payment schedule has been established.

   If the credit applicant provides documentation that monthly payments are not required, because the loan is in an in-school, grace or deferment status, the servicer shall exclude the loan from the total monthly debt amount.

   MI-LOAN Program loans do not qualify for deferment. A monthly payment amount is set at disbursement, and must be included in the debt-to-income ratio, whether the loan is in Repayment or Forbearance status.

3. Projected Payment for Requested Loan:
   The projected monthly payment amount for the loan being requested in this new application will be included in the calculation of the total monthly debt. The servicer must calculate the projected payment using an amortization software program that has been approved for use by MHESLA, and a copy of the amortization schedule showing the monthly payment amount must be filed in the loan folder with the other loan documentation.

   The information below, found on the application, is used to calculate the projected payment amount.

   a. The applicant's Requested Loan Amount,

   b. The interest rate, fixed or variable as indicated on the application, as of the processing date, and

   c. The maximum number of years of repayment.

D. MONTHLY GROSS INCOME

Monthly gross income includes wages, before withholding taxes and other deductions, and other acceptable income the credit applicant wants considered. Other income is limited to income that would be reported for tax purposes, or non-reported income as defined in the U.S. Master Tax Guide for the applicable tax year.

Documentation of the Monthly Gross Income figure is not required when the application is initially submitted. However, the credit applicant must enter an amount in Monthly Gross Income field on the application. If the amount is missing on the application, the servicer must contact the credit applicant to obtain it. This can be done by telephone, fax, email or mail.

Once the credit applicant has provided a Monthly Gross Income amount, either verbally or in writing, in order for that amount to be increased, he/she must provide proof of his/her **entire** gross monthly income.

1. The following guidelines are provided to assist the servicer in determining how to treat certain types of income and the required documentation to substantiate that type of income. With some types of income, in order to determine the monthly gross income, it may be necessary to determine the total annual income, then divide by twelve (12).

a. Wage Earners (Hourly / Salary Wages with Interest Earnings Only):

The credit applicant must submit a copy of his/her last (most recent) pay stub that states the year-to-date earnings. If the pay stub does not contain year-to-date earnings, the employer may provide a statement of the year-to-date earnings on their company letterhead and must accompany the pay stub. Individuals who do not receive a pay stub may submit other forms of documentation that may be considered equivalent to a pay stub, to be approved by MHESLA.

Use the following formula for determining the monthly gross income:

		First Applicant	**Second Applicant**
1. Monthly gross wages		$ _____	$ _____
2. Add other monthly income*	+	$ _____	$ _____
3. Total Monthly Gross Income	=	$ _____	$ _____
4. Add together each applicant's totals from line 3	=	$ _____	

*Other monthly income that <u>will be</u> earned in the current tax year, and that is documented by the remitter can be included in the average monthly income.

b. Self Employed or Commission Income:

The credit applicant must submit a copy of his/her previous year, signed, federal income tax 1040 form and all accompanying tax schedules. Typically, this includes federal tax schedules C, E, F, or K-1.

Use the following for determining self-employed or commission monthly gross income:

1. Adjusted Gross Income (from 1040) .....$ _____
2. Add IRA/KEOGH/SEP deductions* .....+ $ _____
3. Add mortgage interest*.....+ $ _____
4. Add other interest*.....+ $ _____
5. Add depreciation*.....+ $ _____
6. Add depletion*.....+ $ _____
7. Add other income**.....+ $ _____
8. Total Annual Average Income (add lines 1 through 7) .....= $ _____
9. Divide line 8 by line 12 for Monthly Gross Income.....÷ 12 = $ _____

* From the appropriate tax form, excluding Schedule A.
** Other monthly income that will be earned in the current tax year, and that is documented by the remitter can be included in the average monthly income.

c. Combination of Both Wages and Self Employed or Commissions Earnings:

When the credit applicant has both wages and income from self-employment or commissions, calculate the Monthly Gross Income using the Self Employed or Commission Income formula located in this section, directly above. The credit applicant's wages are already included in the Adjusted Gross Income amount.

d. Treatment of Teacher's Income:

Teachers often have a choice of being paid only during the in-school months or to receive their income paid out over the entire year. If the documentation is not clear, the servicer must contact the credit applicant to obtain the method of payment that he/she has selected. This will allow the servicer to correctly determine the annual gross wage, prior to determining the monthly gross income.

e. Treatment of Seasonal Employees Income:

The income of seasonal employees, such as a construction worker, is treated similar to that of a teacher. The credit applicant may submit a copy of his/her most recent pay stub showing the year-to-date earnings as documentation of his/her income. The servicer must contact the credit applicant to verify whether the level of compensation shown on the check stub will be received throughout the remainder of the calendar year.

The current year-to-date income may be used to determine what the Total Average Annual Income amount should be, based on the remaining length of employment for the current year. If the credit applicant's pay stub does not include year-to-date income, a letter on Company letterhead from his/her employer stating the year-to-date earnings must accompany the pay stub. This letter must be signed by the Employer.

f. Treatment of Overtime Income:

The credit applicant's pay stub may reflect overtime or premium pay. Overtime or premium pay already received is included in the year-to-date earnings, inasmuch as this reflects actual earnings. However, only the base pay (without overtime or premium pay) may be used to determine the projected earnings for the remainder of the year.

If the credit applicant wants to include anticipated future overtime for the remainder of the year in the projected earnings calculation, a letter on company letterhead from his/her employer confirming the amount of overtime pay that the applicant will receive must be submitted. This letter must be signed by the Employer.

g. Treatment of Future Bonuses:

The credit applicant must submit a letter on company letterhead from his/her employer confirming the amount of the bonus pay that will be received during the remainder of the year if he/she wants the bonus pay to be included in the projected earnings for the remainder of the year. This letter must be signed by the Employer.

h. Treatment of Work-Study Income:

Work-study income received by the student who is applying as the credit applicant is included in the monthly gross income amount. The servicer must contact the student to confirm the period of time that he/she will be receiving work-study income prior to projecting the annual income amount.

i. Treatment of Other Financial Aid:

Other financial aid income received by the student, who is applying as the credit applicant, is included in the monthly gross income amount if that aid is taxable income under the IRS Code. To include anticipated other financial aid income in the projected earnings for the remainder of the year, he/she must provide documentation confirming the amount of aid to be received and documentation that it is taxable income.

MI-LOAN PROGRAM LOAN APPLICATION REVIEW CHECKLIST

Applicant Name: _____ **SSN:** _____

A check mark designates the requirement has been met.
All these requirements must ultimately be met before approving the loan.

APPLICATION DEADLINES:

_____ Received no earlier than 3 months prior to the loan period start date.
_____ Received no later than the last day of the last month of the loan period.

ELIGIBILITY ASSESSMENT: ALL information requested must be provided:

_____ Applicant and cosigners, if applicable, must be 18 years old on the date the application is signed; or supplied proof they are an emancipated minor.

_____ If the applicant is not the student, the applicant is at least 16 years older than the student or provided proof of being the parent or legal guardian.

_____ All parties must be U. S. citizens or legal permanent residents of the U.S.

_____ The applicant, cosigners, nor student can be in default on any education loan.

_____ The school must be a MI-LOAN Program eligible school.

_____ There is NO whiteout anywhere on the application.

PROMISE TO PAY SECTION:

_____ Borrower and cosigner(s), if applicable, must date and sign this section, in ink.

CREDIT REQUIREMENTS: The Credit Bureau Report Review is based on:

(Check One)
_____ Borrower only
_____ Borrower & One cosigner, combined
_____ Primary Cosigner only
_____ Primary and secondary cosigners combined

_____ Debt to Income Ratio 45.0% or lower
_____ Credit Score 680 or higher

OR

_____ Debt to Income Ratio 40.0% or lower
_____ Credit Score 620 to 679, and
_____ Passed Negative Credit Review

OR _____ Credit Score 619 or below - Servicer must process automatic appeal reviewing for these 3 items:
_____ 1. A good, established credit history for a minimum of two years
_____ 2. Passed Negative Credit Review
_____ 3. Two years of continuous employment (only one credit applicant must meet this requirement, retired applicants are exempt).

Reviewed by: _____, [Servicer Name] Date: _____
(Print full name)

MI-LOAN PROGRAM LOAN APPLICATION
DEBT-TO-INCOME RATIO WORKSHEET

1ST CREDIT APPLICANT NAME: _____ **SSN:** _____

2ND CREDIT APPLICANT NAME: _____ **SSN:** _____

REQUESTED LOAN AMOUNT: $ _____

MONTHLY INCOME

Hourly/Salary Wages and Interest Earnings ONLY:	**1st Credit Applicant**	**2nd Credit Applicant**
a. Year-to-date gross wages (per pay stub)	$ _____	$ _____
b. Add projected gross wages for remaining year +	$ _____	$ _____
c. Add year-to-date documented other income +	$ _____	$ _____
d. Add projected other income for the remaining year +	$ _____	$ _____
e. Total annual income (add lines a through d)	$ _____	$ _____
f. Divide line e by 12 for monthly income ÷12	$ _____	$ _____
g. Total monthly income (add figures from both columns on line f together)		$ _____

Income Other Than Wages and Interest Earnings:

a. Adjusted Gross Income (from 1040)	$ _____	$ _____
b. Add IRA/KEOGH/SEP deductions* +	$ _____	$ _____
c. Add mortgage interest* +	$ _____	$ _____
d. Add other interest* +	$ _____	$ _____
e. Add depreciation* +	$ _____	$ _____
f. Add depletion* +	$ _____	$ _____
***Per appropriate tax form/schedule, excluding Schedule A**		
g. Total for each year (add lines a through f)	$ _____	$ _____
h. Total annual income (add figures from both columns on line g together)		$ _____
i. Divide line h by 2 (annual average income)		$ _____
j. Add year-to-date documented other income +		$ _____
k. Add projected other income for the remaining year +		$ _____
l. Total adjusted annual average income (add lines i through k)		$ _____
m. Divide line l by 12 for monthly average income		$ _____

MONTHLY DEBT

a. Monthly mortgage or rent payment (excluding taxes)	$ _____
b. Add monthly payments	
Paid To: _____ +	$ _____
_____ +	$ _____
_____ +	$ _____
_____ +	$ _____
_____ +	$ _____
c. Add monthly payment(s) for prior MI-LOAN Program loan(s)	$ _____
d. Add monthly payment for proposed MI-LOAN Program loan +	$ _____
e. Total monthly debt (add lines a through d)	$ _____

DEBT-TO-INCOME RATIO CALCULATION

Total Monthly Debt	÷	Total Monthly Income	=	Debt-to-Income Ratio**
$ _____	÷	$_____	=	_____%

Carry the debt-to-income ratio calculation to **two decimal places, with **no** rounding.

If the credit score is 680 or higher and the debt-to-income ratio is greater than 45.0% OR if the credit score is below 680 and the debt-to-income ratio is greater than 40.0%, the applicant(s) DOES NOT qualify.

CHAPTER III. DENIAL AND APPEAL

A. DENIAL NOTIFICATION

If the applicant does not provide all requested information and meet the following criteria, the servicer will deny the loan request. The servicer will provide a denial notification to the applicant and cosigner by mail and if available, by email which cites all applicable reasons identified in this chapter, to include all items missing or needing clarification. The Denial Notification will contain a message authored by the servicer that specifically identifies the denial reason(s), as well as any specific denial messages provided by MHESLA below.

The applicant has 60 days from the date of the denial letter to appeal the denial decision by providing documentation to refute the denial reason(s). The applicant would also be required to submit the missing information or clarify any items questioned. If, in appealing a denial, a new denial reason is created, the applicant must be given a new 60-day appeal period from the date of the newest denial.

Once the applicant/cosigner has provided acceptable documentation or information required for all denial reasons and has established eligibility for the loan, the servicer will proceed with the school certification.

B. DENIAL LETTER RECIPIENTS

In order for the denial letter to be completed, the servicer must first determine who may receive what type of information.

Information contained in the credit applicant's credit report may not be shared with other parties included in the loan request.

This includes giving credit information about one spouse to the other spouse when the applicant applies for a loan with his/her spouse as cosigner, even if the credit report pulled shows joint information for the applicant and the spouse.

C. DENIAL LETTER DATA REQUIREMENTS

Although the format of the denial letter is at the discretion of the servicer, it must be printed on MI-LOAN Program letterhead or the servicer's letterhead and contain the data elements below.

1. The name of the loan program: Michigan Alternative Student Loan (MI-LOAN) Program
2. The applicant's name
3. The applicant's billing address
4. The account or ID number
5. The date the applicant signed the application
6. If the applicant is not the student, the student's name
7. The name of the school

8. The school code

9. The date the loan was denied

10. The "Requested Loan Amount" that was denied

11. The loan period as certified by the school

12. All reasons for denial of the loan

13. The following statement regarding appeal must be prominently displayed:
"If you wish to appeal this denial, please call our office. We must receive your request and all required/revised information no later than 60 calendar days from the date of this letter."

14. The following section regarding disclosure of information obtained from the credit bureau report:

Disclosure of Use of Information Obtained from an Outside Source

☐ Disclosure inapplicable

☐ Information obtained in a Consumer Report, prepared by a Consumer Reporting Agency:

_____ _____
Name of Firm (Area Code) Telephone Number

_____
Street Address City State Zip Code

And/or because of

☐ Information obtained from a person other than a Consumer Reporting Agency, you have the right to request in writing, within sixty (60) calendar days after the receipt of this letter, the nature of said information.

15. The following statement regarding the Federal Equal Credit Opportunity Act:

"The Federal Equal Credit Opportunity Act" prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal Agency that administers compliance with this law concerning this creditor is:

Federal Trade Commission, Regional Office
Suite 500, Mall Boulevard
118 St. Clair Avenue
Cleveland, OH 44114

16. The servicer's toll-free customer service telephone number.

D. DENIAL REASONS AND APPEAL

1. The MI-LOAN Program loan application is denied because of whiteout on the application, which renders the application null and void. **No appeal.**

2. The MI-LOAN Program loan application is denied as the pre-printed wording on the application has been altered, which renders it null and void. **No appeal.**

3. The MI-LOAN Program loan application is denied as the application was not received within the application processing deadlines. **No appeal.**

   Earliest Submission Date
   Example: The loan period beginning date is 09/2008. The application cannot be accepted before 06/01/2008.

   DENIAL MESSAGE: The MI-LOAN Program loan application is denied as it was received more than three months prior to the first day of the first month of the loan period as indicated by the applicant and/or certified by the school.

   Latest Submission Date
   Example: The loan period end date is 06/2008. The servicer must receive the application no later than 06/30/2008.

   DENIAL MESSAGE: The MI-LOAN Program loan application is denied as it was received after the last day of the last month of the loan period as indicated by the applicant and/or certified by the school.

4. School Eligibility- Ineligible school.
   DENIAL MESSAGE: The MI-LOAN Program loan application is denied. The school identified on the application is not an eligible school for the MI-LOAN Program.

   APPEAL: The applicant, or student in the case of a parent applicant, may still be eligible for a loan if the applicant/student transfers to a MI-LOAN Program eligible school and the servicer receives a certification signed by the new school prior to the end of the 60-day appeal period.

5. Date of Birth

   DENIAL MESSAGE: The MI-LOAN Program loan application is denied. The applicant or the cosigner must be at least 18 years of age on the date he/she signed the application or provide court emancipation documents.

   APPEAL: Provide proof of age or court emancipation documents.

6. Citizenship / Legal Permanent Resident

   DENIAL MESSAGE: The MI-LOAN Program loan application is denied. The applicant and/or cosigner must be a United States citizen or permanent resident.

   DENIAL MESSAGE: The MI-LOAN Program loan application is denied. The applicant or the student must be a Michigan resident.

   APPEAL: Provide proof of residency, such as driver's license or government issued identification card which contains a current address.

7. No Credit File

   DENIAL MESSAGE: The MI-LOAN Program loan application is denied. The credit bureau inquiry resulted in insufficient credit history for the credit applicant.

8. Default on Education Loan

   DENIAL MESSAGE: The MI-LOAN Program loan application is denied. The applicant, student or cosigner(s), if applicable, cannot currently be in default on a federal or state educational loan.

   APPEAL: The credit applicant must provide a confirmation of correction(s) by the credit bureau showing that his/her defaulted education loan(s) has been removed from the credit report or a letter from the creditor, confirming that the default was reported in error and will be removed, retracted or deleted from the credit report.

9. Debt To Income Ratio Not Acceptable

   DENIAL MESSAGE: The MI-LOAN Program loan application is denied. Your debt-to-income ratio reflects excessive debt.

   APPEAL: The credit applicant may either 1) provide proof of his/her entire income, showing that it is higher than originally stated on the application, or 2) provide documentation that verifies the amount of his/her outstanding monthly debts have been reduced or paid in full.

10. Insufficient credit references

    APPEAL: Within 60 days of the denial date, if the credit applicant submits a list of all of his/her creditors, in writing by fax, email or by telephone, the servicer must then send an adequate supply of Verification of Credit forms to the applicant. Each of the credit applicant's creditors must complete a Verification of Credit form and return it directly to the servicer.

    After receiving all of the Verification of Credit forms, the servicer must reassess credit eligibility.

11. Credit history reflects delinquent active accounts.

    APPEAL: The credit applicant must provide confirmation from the creditor, in the form of either a copy of a billing statement or a letter on company letterhead, signed by the creditor, that all delinquencies on active accounts have been brought current.

12. Credit history reflects more than two 30-day delinquencies in the past 12 months.

    APPEAL: The credit applicant must provide a confirmation of correction(s) by the credit bureau showing that the number of 30-day delinquencies reported in the past twelve (12) months has been reduced to not more than two, or a letter from the creditor(s), confirming that some or all of the 30-day delinquencies reported in the past twelve (12) months were reported in error and will be removed, retracted or deleted from the credit report, thus reducing the number reported in the past twelve (12) months to not more than two.

13. Credit history reflects a 60-day or greater delinquency in the past 24 months.

    APPEAL: The credit applicant must provide a confirmation of correction(s) by the credit bureau showing that the 60-day or greater delinquency(s) reported in the past twenty-four (24) months has been removed from the credit report, or a letter signed by the creditor(s) on company letterhead which items were reported in error and will be removed, retracted or deleted from the credit report.

14. Credit history reflects a charge-off, repossession, collection account, an attachment, suit, judgment, foreclosure, garnishment, or an outstanding tax lien.

    APPEAL: The credit applicant must provide a confirmation of correction(s) by the credit bureau showing that all charge-offs, repossessions, collection accounts, attachments, suits, judgments, foreclosures, garnishments, or outstanding tax liens have been removed from the credit report or a letter signed by the creditor(s), confirming that the charge-offs, repossessions, collection accounts, attachments, suits, judgments, foreclosures, garnishments, or outstanding tax liens were reported in error and will be removed, retracted or deleted from the credit report.

E. VERIFICATION OF APPEAL DOCUMENTATION

Within 5 days of receipt, the servicer must verify and reassess whether the appeal and supporting documentation, if any, is complete and in compliance with the Authority's Credit Standards and Requirements and other program requirements. If the servicer questions the adequacy of the documentation received, the servicer should contact MHESLA for a determination.

F. INADEQUATE APPEAL DOCUMENTATION

The servicer must immediately notify the applicant if the loan cannot be approved because the information submitted is inadequate or does not establish eligibility. The letter to the applicant must identify what, if any, information is still needed; a deadline date for receipt of the information; and/or why the applicant/cosigner still fails to meet the program's requirements.

Note – The initial 60-day appeal period remains in effect, and the applicant may continue to supply the servicer with information relevant to the appeal until the end of the appeal period.

G. LOAN STATUS

When the servicer denies the loan request, the loan's status on the servicer's system is changed to "DENIED".

The loan may not be removed from "DENIED status on the servicer's system until:

1. The applicant/cosigner submits documentation that is satisfactory and that establishes eligibility so the loan request may be approved, **AND**
2. The school certification process does not result in a denial.

If the documentation received from all parties to the loan and from the school establishes the applicant's eligibility for the loan, the servicer will change the loan's status to "APPROVED".

H. HISTORY COMMENTS

The servicer must enter a history comment on the servicing system outlining each communications regarding the accounts. Comments must include all of the reasons why the loan request was denied and list all missing/incorrect information/documentation.

A comment must also be entered to state what documentation was received with the appeal, and the servicer's determination of whether or not the documentation was satisfactory to establish eligibility for the loan and if not, why.

I. SECOND DENIAL

If the information submitted satisfies the original denial reason(s) but creates a new reason for denial, the servicer must make this determination within one (1) business day of receipt and immediately send the applicant a new denial letter.

Only in this situation is the applicant is entitled to a new 60-day appeal period in order to resolve the new denial reason.

J. DENIAL UPHELD

At the end of the 60-day appeal period, if the applicant has not established eligibility for the loan, the loan is "DENIED" and the denial status may not be overturned.

K. RECORD RETENTION OF DOCUMENTATION

The servicer must retain the denial letter, the appeal and accompanying documentation in the application folder with the other application documents or save it electronically to allow for future retrieval. If the denial is upheld, two (2) years after the date of the final denial, the servicer may destroy the original folder contents.

CHAPTER IV SCHOOL CERTIFICATION

School certification of the loan application is handled separately from the application itself, either electronically or on paper. If certifying on paper, the servicer must contact the school Financial Aid Office (FAO), using a form or other method approved by MHESLA, to obtain the signed certification. The servicer may accept changes to the original certification from the school by telephone, fax, mail or email. The name of the person from FAO authorizing the original certification or changes must be obtained and documented. All changes must be clearly documented in the loan history on the servicer's system.

When submitting certification on paper, schools are advised to not use whiteout. However, the servicer should not automatically deny the loan when the school uses whiteout. Instead, the servicer must contact the school to confirm the certification information. The confirmation may be taken from the school by telephone, or the school may fax, email or mail a new certification to the servicer. The name of the person from FAO authorizing the certification must be obtained and documented.

The servicer must review the School Certification to determine the amount of loan eligibility. If the School Certification determines the applicant, student or school does not meet requirements, the servicer will provide a denial notification to the school, applicant and if applicable, the cosigner(s) by mail and if available, by email which cites all denial reasons based on the school certification. The Denial Notification will contain a message authored by the servicer that specifically identifies the denial reason(s), as well as any specific denial messages provided by MHESLA below.

A. SCHOOL NAME AND SCHOOL CODE:

The servicer must deny the loan request if the school is not included on MI-LOAN Program Eligible Schools list, provided by MHESLA.

DENIAL MESSAGE: Ineligible school certified the MI-LOAN Program loan application.

B. SCHOOL LOAN PERIOD:

The loan period entered by the school cannot exceed twelve (12) months, and should approximate the applicant's requested Loan Period.

If the loan period entered by the school is longer than 12 months, the servicer must contact the school FAO to reduce the loan period so that it does not exceed 12 months. At the same time, the school must determine whether the cost and aid figures must be adjusted for the revised loan period.

If the school fails to adjust the loan period and certified cost and aid figures, if required, the servicer must deny the loan request within the time frame allowed by federal regulations.

DENIAL MESSAGE: School certified loan period exceeds the 12 month maximum.

C. COST OF ATTENDANCE AND ESTIMATED FINANCIAL AID:

The Cost of Attendance should include only those costs that are permissible under the federal guaranteed student loan program.

The Estimated Financial Aid should include all financial aid for which the student is eligible, even if the student chooses not to apply for the aid, **with the following exceptions**:

Unsubsidized Federal Stafford, Federal PLUS, and Federal Grad-PLUS Loans:
This aid should only be included if the institution has certified an application for these loan types.

College Work-Study: Such aid should be included only if the student has accepted the aid.

The servicer must deny the loan request if the Cost of Attendance less Estimated Financial Aid, as certified by the school, is less than the program's minimum loan amount of $500.

MESSAGE: School certified loan eligibility is less than the MI-LOAN Program $500 minimum loan amount.

D. GRADE LEVEL:

If the school does not provide the grade level, or uses a code that does not correspond to the following table, the servicer must contact the school to obtain the correct grade level.

Undergraduate	**Graduate or Professional**
1 = 1st Year (Freshman)	6 = 1st Year
2 = 2nd Year (Sophomore)	7 = 2nd Year
3 = 3rd Year (Junior)	8 = 3rd Year
4 = 4th Year (Senior)	9 = Beyond 3rd Year
5 = 5th Year (Undergraduate)	

E. ENROLLMENT STATUS:

If the school does not indicate enrollment status (Full Time, Half Time, Less Than Half Time), the servicer must contact the school to obtain the correct enrollment status.

F. RECOMMENDED DISBURSEMENT DATES(S):

The school may enter from one to four Recommended Disbursement Dates. If they choose not to enter disbursement dates, the servicer must set the loan to disburse in one disbursement, at the earliest disbursement date that falls within program guidelines.

G. RECOMMENDED DISBURSEMENT AMOUNTS:

The school may enter a Recommended Disbursement Amount for each Recommended Disbursement Date. The Recommended Disbursement Amounts do not have to be equal portions.

If the school chooses not to enter Recommended Disbursement Amounts, the servicer does not have to contact the school. Instead, divide the approved loan amount into equal portions among the Recommended Disbursement Dates.

If the total of the Recommended Disbursement Amounts entered by the school does not equal the approved loan amount (the lower of the Borrower Requested Amount or Cost of Attendance minus Estimated Financial Aid), the servicer must contact the school to obtain appropriate disbursement amounts.

H. ELIGIBILITY:

The school must provide a reason for refusing to certify the application. If not provided, the servicer must contact them to obtain a reason, and clearly document the loan history. If the school certifies the student is not eligible for a loan, the servicer will deny the loan request.

DENIAL MESSAGE: School certified the student is not eligible for a MI-LOAN Program loan [provide the reason].

I. SCHOOL CERTIFICATION:

The school may submit the School Certification information electronically using the servicer's on-line certification process. The school may elect to submit the certification using either a MHESLA form or the school letterhead by mail, fax, or email.

If an authorized Financial Aid Administrator failed to provide the information below when submitting a paper certification, the servicer must contact the school to obtain this required information in writing.

- The school name
- The school code
- Financial Aid Administrator signature (wet or electronic)
- School's signature date
- The student name (first, middle initial and last name)
- The last four digits of the student's Social Security Number

CHAPTER V. LOAN APPROVAL AND NOTIFICATION

Once it has been determined that the applicant/cosigner(s) meets the Authority's Credit Standards and Requirements and all other eligibility requirements, the servicer must approve the loan request within one (1) business day, and immediately notify the applicant, and if applicable, the cosigner(s).

A. DETERMINING THE APPROVED LOAN AMOUNT

The servicer must review the School Certification and the applicant's prior MI-LOAN Program loans to determine the loan amount that may be approved. The approved amount is based on the applicant's requested loan amount, the cost-minus-aid amount which the servicer calculates using the Cost of Attendance and Estimated Financial Aid figures certified by the school, and the program maximum aggregate loan amount.

If the cost-minus-aid amount is less than the program's minimum loan amount, or the school indicated the student is not eligible, the applicant does not qualify for a MI-LOAN Program loan and the servicer must deny the loan request.

For loans approved for an amount that is less than the applicant's requested loan amount, the servicer must include in the approval notification the loan reduction message given below.

1. Requested Loan Amount / Cost Minus Aid:

   To determine the applicant's eligible loan amount for the current loan request, compare the applicant's requested loan amount on the application to the cost-minus-aid amount.

   a. Requested Loan Amount Equals the Cost-Minus-Aid Amount

      The servicer may approve the loan amount requested by the applicant when the cost-minus-aid amount and the requested loan amount are the same.

      Example:
      Requested Loan Amount: $4,000
      Cost-Minus-Aid: $4,000
      Approved Loan Amount: $4,000

   b. Requested Loan Amount is Less Than the Cost-Minus-Aid Amount

      The servicer may only approve the loan amount requested by the applicant even though the cost-minus-aid amount shows that the applicant is eligible for more than the amount he/she requested. The applicant may either adjust the loan amount or submit a new loan application, for the remaining eligibility by the last day of the month in which the loan period ends, if the amount is later needed.

      Example:

      Requested Loan Amount: $5,000
      Cost-Minus-Aid: $7,000
      Approved Loan Amount: $5,000

c. Requested Loan Amount is Greater Than the Cost-Minus-Aid Amount

The servicer must not approve a loan that is greater than the cost-minus-aid amount as certified by the school.

Example:

Requested Loan Amount:	$8,000
Cost-Minus-Aid:	$6,000
Approved Loan Amount:	$6,000

DENIAL MESSAGE: The requested loan amount exceeds school costs less other financial aid.

2. Maximum Aggregate Loan Amount:

The total outstanding principal balance of the applicant's prior MI-LOAN Program loans cannot exceed the aggregate loan amount of $125,000.

3. Maximum Loan Amount:

The servicer may approve a loan for the lesser of 1) the applicant's requested loan amount, 2) the cost-minus-aid amount, 3) the maximum MI-LOAN Program loan amount remaining.

Example:

Requested Loan Amount	$ 12,000
Cost Minus Aid	$ 10,000
Maximum Aggregate Loan Amount Remaining	$ 9,000
Approved Loan Amount	**$ 9,000**

DENIAL MESSAGE: Requested loan amount exceeds the MI-LOAN Program maximum loan amount of $125,000 per borrower. The approved loan amount has been adjusted to provide the remaining amount available, if any.

B. APPROVAL LETTER

The servicer must notify the applicant and if applicable, the cosigner(s) that the loan has been approved. Using the information provided on the loan application, the approval letter (letterhead and content will be approved by MHESLA) will be mailed and if available, emailed to all parties. Notice of the loan approval must also be provided to the school Financial Aid Office.

A copy of the approval letter must be placed in the application folder with the other application documents or saved electronically to allow for future retrieval.

C. APPROVAL LETTER DATA REQUIREMENTS

The approval letter must be printed on MI-LOAN Program letterhead or the servicer's letterhead and contain the data elements listed below.

1. The name of the loan program ("MI-LOAN Program")
2. The applicant's name
3. The applicant's billing address
4. The applicant's participant ID number
5. The date the applicant signed the application
6. If the student is not the applicant, the name of the student
7. The name of the school
8. The school code
9. The date the loan was approved
10. The anticipated interest rate for the new loan
11. The gross approved loan amount
12. The reserve fee amount
13. The net loan amount
14. The loan period
15. The scheduled disbursement date(s)
16. The scheduled disbursement amount(s)
17. If applicable, the reason(s) for reduction in loan amount from the applicant's Requested Loan Amount
18. The following statement regarding interest rates:

    "The interest rate assigned to this loan will be based on the rates in effect on the date of disbursement. Variable interest rates will be adjusted on July 1st of each year."

19. The following statement regarding disbursement of the loan:

    "Disbursement(s) of this loan will be made by a check payable jointly to you and the school, or by electronic funds transfer (EFT) to the school. If disbursement is by check, the check(s) will be sent to your billing address as indicated above."

20. The following statement regarding billing and repayment of the loan:

    "[Servicer name] will bill you at the billing address provided on your MI-LOAN Program loan application. Your first payment will be scheduled within 60 days of the date of the first disbursement. The monthly payment for this loan plus any prior MI-LOAN Program loan(s) will be at least $50.00, and may be higher, depending on the total amount owed."

21. The servicer's toll-free customer service telephone number

D. MAILING ADDRESS

1. Letter to Applicant:

   The approval letter must be addressed to the applicant, and sent to the billing address, as indicated on the application.

2. Letter to Cosigner(s):

   A copy of the approval letter, sent to the applicant, must be sent to the cosigner(s) at the address indicated on the application.

E. LOAN STATUS

At the time the loan is approved, the servicer must change the loan status on the servicer system to "APPROVED", and enter the scheduled disbursement date(s) as recommended by the school. If the school recommended disbursement date(s) has passed, disbursement should be scheduled for the next available disbursement date.

F. HISTORY COMMENT

The servicer must enter a servicing history comment on the date the approval letter is sent. The history comment must include the reduction reason, if applicable.

CHAPTER VI. DISBURSEMENT OF THE LOAN

DISBURSEMENT OPTIONS

MI-LOAN Program loans may be disbursed in one, two, three or four disbursements, depending upon the recommendation of the school. The school may designate what portion of the loan is disbursed for each disbursement date.

If the school chooses not to recommend disbursement dates, the servicer must set the loan to disburse in one disbursement at the earliest disbursement date that falls within program guidelines.

If the school chooses not to designate disbursement amounts, the servicer must divide the approved loan amount in equal portions among the recommended disbursement dates.

Note: Disbursements must always be set in full dollar amounts, no cents.

As directed by MHESLA, disbursements may be made by –

Electronic funds transfer (EFT) to the school.

By check payable jointly to the borrower and the school.

Note: If the first disbursement check is not cashed within 60 days, cancel the full loan. If subsequent disbursement(s) are not cashed within 60 days, see **Chapter VI.**

If a loan becomes 60 days or more delinquent after the first disbursement has been made, but prior to subsequent disbursements, those subsequent disbursements must be cancelled. The servicer must notify the borrower, cosigner (if applicable) and school of the cancellation within 24 hours. Only the borrower and applicable cosigner(s) will be advised the reason for the cancellation is due to delinquency. If the delinquency is resolved before the last day of the last month of the loan period, the cancelled disbursement(s) may be reinstated. Before disbursing the remaining funds, the borrower, cosigner (if applicable) and school must be contacted within 24 hours of the resolution to confirm the student is still in school and that the borrower wishes to have the disbursement(s) reinstated.

INTEREST RATE

The interest rate is assigned at the time of the first disbursement and is identified to the borrower on the Federal Truth in Lending Disclosure Statement.

The applicant may have the option to choose a fixed or variable interest rate when submitting the application. If a fixed rate was chosen, the rate will remain the same for the life of the loan. If a variable rate was chosen, the interest rate may change on July 1st of each year.

RESERVE FEE

A reserve fee is by the Authority and deducted from each MI-LOAN Program disbursement.

Repayment of the reserve fee may be waived only if a disbursement/loan is cancelled in accordance with instructions provided in **Chapter VIII**, and the "CANCELLATION" section of the MI-LOAN Program Promissory Note and Agreement.

D. REPAYMENT SCHEDULE AND DISCLOSURE STATEMENT

When the loan is first disbursed, the servicer must establish a repayment schedule for the loan in order to complete the Federal Truth in Lending Disclosure Statement. The repayment schedule/monthly payment amount will be set based on the entire loan (all disbursements). If a subsequent disbursement is canceled or adjusted, the repayment schedule must be reset and the loan must be re-disclosed.

The servicer must mail a Regulation Z federal Truth in Lending Disclosure Statement to the borrower, with a copy to the cosigner(s), if applicable, at the time of the first disbursement.

The disclosure statement must be mailed to the borrower at the billing address shown on the loan application.

If disbursement is made by check, the servicer must mail both the check and the disclosure statement to the borrower at the billing address shown on the application.

The repayment schedule must meet the requirements below.

1. First Payment Due Date:

   The first monthly payment due date must be within 60 days of the date of the first disbursement.

2. Minimum Payment Amount:

   The minimum monthly payment amount is $50 per month per borrower, and may be higher depending upon the total loan amount requested plus the outstanding loan amounts of the borrower's prior MI-LOAN Program loan(s). When establishing the minimum $50 payment amount, the full regular monthly payment amount of each loan is to be taken into consideration, not the payment amount when the loan is in forbearance (of principal or principal and interest).

   If the borrower has prior outstanding MI-LOAN Program loans, the payment schedule as disclosed will be adjusted after disbursement in order to combine the loans for repayment.

3. Payment Due Day:

   If the borrower has a prior MI-LOAN Program loan(s), the servicer should set the payment due day for the new loan for the same day of the month on which payments are due for the prior loan(s) unless the borrower requests a different due day.

4. Repayment Period:

   Beginning on July 3, 1999, the maximum repayment period for a MI-LOAN Program loan was increased from 15 years (180 months) to 25 years (300 months). There are still active loans in the program with the 180-month maximum repayment period. This must be taken into consideration when determining the repayment schedule for the new loan, as each of the borrower's loans must be paid off within the maximum repayment period set for that loan.

E. CREDIT BUREAU REPORTING

The servicer must submit notification of the loan disbursement to at least one national credit bureau at the time of disbursement. Reports must be filed for both the borrower and the cosigner(s), if applicable.

F. LOAN STATUS

At the time of the first disbursement, the servicer must change the loan status on the servicer system to "DISBURSED". At the time of each disbursement, the servicer must enter the disbursement date and the amount disbursed into the servicer system.

When the status is changed to Disbursed, if an email address has been provided, the servicer will send a MHESLA approved Welcome email to the borrower and cosigners, if applicable.

G. HISTORY COMMENT

The servicer must enter history comments into the servicer system each time a disbursement is made and/or a disclosure is sent. All communications and actions must be clearly documented in the history comments.

If a hard-copy of the disclosure is not kept in the application folder, the data necessary to recreate the disclosure(s) must be kept in the servicer system.

CHAPTER VII. LOAN REPAYMENT

A. REPAYMENT SCHEDULE

When the loan is disbursed, the servicer must establish a repayment schedule for the loan that meets the criteria outlined in Disbursement Of The Loan.

1. To facilitate the submission of monthly payments the servicer will provide a monthly statement of account to the borrower and cosigner(s), if applicable, using the billing address provided by the borrower and cosigner(s). This will be provided by mail or based on borrower/cosigner preference, electronically. Regardless of the option chosen, the servicer must provide the first monthly billing statement no later than 25 calendar days prior to the first payment due date. Subsequent statements must be sent no later than 21 days prior to the next payment due day. MHESLA will be identified as the lender for the Michigan Alternative Student Loan (MI-LOAN) Program.

Upon direction from MHESLA, the servicer will impose a late fee on accounts that are 60 days or more past due. The late fee will be identified on the monthly statement, or provided by mail and, if available by email, to the borrower and applicable cosigners.

2. The servicer will provide due diligence collection action on past due accounts according to the due diligence schedule, and content of communications provided by MHESLA. Collection actions will include telephone contact, mail and email communication that is approved by MHESLA to borrowers and cosigner(s) if applicable, and continue up to default status, which is 120 days past due.

3. The servicer will provide due diligence reporting to MHESLA on past due accounts with specific requirements set by MHESLA.

B. BORROWER BENEFITS

Borrowers may elect to have their payments automatically debited from their bank account (ACH) each month. Borrowers taking advantage of this option receive a one-quarter of one percent (.025%) interest rate reduction on their loans that accrue interest.

If forbearance is granted, ACH payments will automatically resume after the forbearance period ends.

2. If the ACH payment cannot be honored, a second ACH transfer will be attempted within 24-hours, before rejecting as non-sufficient funds or unable to locate account. If there are two ACH payments that cannot be honored within a twelve-month period, ACH will be terminated and the borrower will be notified.

3. Borrowers in ACH will receive monthly billing statements, unless at their request, the servicer may stop sending monthly billing statements. The servicer must insert a history comment in the borrowers file.

4. If ACH is removed for any reason; the interest rate will revert to the current rate being charged. The effective date will be the due date of the last payment not satisfied by ACH.

C. RELEASE OF COSIGNER

The cosigner may be released from all obligations on a MI-LOAN Program loan by complying with the following terms and conditions.

1. Terms and Conditions:

   The first twenty-four (24) regular payments of principal and interest must be paid consecutively and on time (received within fifteen (15) days of the payment due date); **AND**

   The borrower must currently meet the required MI-LOAN Program credit standards and requirements, which include:

   - A debt-to-income ratio that does not exceed 45.0%.
   - Two years of continuous employment, with the exception of retired individuals who are exempt from this standard.
   - A credit history review involving factors, such as previous credit, current account status, level of debt and derogatory public record (tax liens, etc.).

2. Forbearance may be used prior to beginning the first regular payment or after the 24 consecutive payments have been completed. If the first twenty-four (24) regular payments are broken up (not consecutive) due to the use of forbearance, the cosigner release option is forfeited.

3. It is the responsibility of the borrower or cosigner to request the release of the cosigner(s) obligation for loan repayment.

4. If the servicer review determines the request will be denied the servicer will provide written notice to the borrower and appropriate cosigner. If the servicer receives further information that brings the borrower/cosigner into compliance, the request would then be approved.

5. The denial letter will include the following message(s) as appropriate:

   a) Insufficient number of consecutive on-time payments
   DENIAL MESSAGE: Less than 24 consecutive payments have been received.

   b) First 24 payments were not consecutive
   DENIAL MESSAGE: The first 24 payments were not consecutive.

   c) Payments not received on-time
   DENIAL MESSAGE: One or more payments were more than 15 days delinquent.

   d) No employment or insufficient length of employment
   DENIAL MESSAGE: The borrower did not provide 2 years of continuous employment history.

   e) Debt-to-income ratio reflects excessive obligations
   DENIAL MESSAGE: Debt to Income review reflects too many payment obligations.

   f) No income information provided
   DENIAL MESSAGE: No borrower income was listed on the application.

g) Insufficient credit history
DENIAL MESSAGE: The borrower does not have sufficient credit history.

h) Credit history does not meet credit requirements
DENIAL MESSAGE: The borrower does not meet credit requirements.

6. If the servicer review determines the request will be approved the servicer will provide written notice to the borrower and appropriate cosigner.

7. If the cosigner released is approved, at the time it is processed, the servicer must mark the cosigner in the servicer system to stop further correspondence unless required by regulation.

D. FORBEARANCE

If the borrower and/or the cosigner, if applicable, are unable to make the regular monthly payments due to a financial hardship, he/she can be approved for a forbearance of payments. Forbearance may be granted for a period of up to twelve (12) consecutive months at a time. The cumulative amount of forbearance that may be granted per loan is five (5) years (60 months), and is included in the maximum repayment period.

To receive forbearance, the borrower or the cosigner, if applicable, must submit a request in writing, by email, fax, or by telephone, to either the servicer or MHESLA. Telephone requests must be recorded in the loan history on the servicer system. Written forbearance requests may be made using a MI-LOAN Program Forbearance Request form but the form is not required. Written requests must be imaged, and recorded in the loan history on the servicer system. The servicer must obtain personal information to identify the borrower or cosigner as directed by MHESLA.

1. Types of Forbearance:

a. Principal Payments Only

If a forbearance of principal payments only is requested, the borrower must be billed each month for the amount of interest that accrues on the loan.

Dependent upon the total amount outstanding, and the forbearance option chosen, the forbearance payment may be less than the minimum $50 monthly payment amount per borrower.

b. Principal and Interest Payments

If a forbearance of principal and interest payments is requested, no monthly payments are required during the forbearance period. The interest that accrues during the forbearance period will be added to the principal balance of the loan (capitalized) at the end of the forbearance period.

2. Processing:

When a forbearance request is received, the servicer must process the request within 5 days and apply it to all of the borrower's/cosigners's loans, for a period of twelve (12) months (covering 12 payment due dates), unless otherwise specified in the request.

If the request specifies the type of forbearance for which a loan(s) does not qualify (i.e. forbearance of principal and interest on a loan disbursed prior to July 1, 1999), the servicer must apply the type of forbearance that the loan does qualify for (i.e. forbearance of principal only) and notify the borrower/cosigner accordingly.

If the request does not specify which type of forbearance, the servicer must try to contact the borrower/cosigner by telephone within 2 business days of receipt date to determine which type is to be applied. If the servicer does not reach the cosigner/borrower by telephone, they must apply the maximum type of forbearance for which the loan qualifies. If confirmation of the forbearance type is received, the servicer must document it in the loan history on the servicer system, and process the forbearance request accordingly.

When the forbearance request is received, if one or more of the loans are already in forbearance, the servicer must end the existing forbearance as of the date the new request was received, and apply the new request for twelve (12) months from the received date. This is done in order to sync the due dates of the loans.

Exception: If one or more of the loans is delinquent, the forbearance request is to be back-dated to cover the delinquency, and then run twelve (12) months from that delinquent date. This may result in the forbearance period ending sooner on some loans than others. If this is the case, the borrower can request that the forbearance end at the earliest date for all of the loans, if they wish to keep the due dates in sync. Or, processing of the next request (for the loan with the forbearance period ending sooner) will line up the due dates.

If a loan is paid in advance less than 60 days into the future, the servicer must apply the forbearance request for twelve (12) months, beginning with the future due date.

3. Approval Letter:

If the forbearance request is approved, the servicer must send the borrower and cosigner, if applicable, an approval letter on MI-LOAN Program letterhead or servicer letterhead. This letter will provide the following information for each individual loan:

a. The MI-LOAN Program, showing MHESLA as the lender.
b. Account identifier, as required to identify a specific party to the loan.
c. Loan identifier, as required to identify a specific loan (i.e., loan ID, note date, etc.).
d. Type of forbearance approved
e. Terms of the applicable forbearance type
   - Forbearance of principal only, requiring monthly interest payments
   - Forbearance of principal and interest, with no monthly payments required, and the interest capitalized (added to the principal balance) at the end of the twelve (12) month period

f. The beginning and ending dates of the forbearance period

Denial Letter:

If the forbearance request is denied, the servicer must send the borrower and cosigner, if applicable, a denial letter on MI-LOAN Program letterhead or servicer letterhead. This letter will provide the following information for each individual loan:

a. The MI-LOAN Program, showing MHESLA as the lender.
b. Account identifier, as required to identify a specific party to the loan.
c. Loan identifier, as required to identify a specific loan (i.e., loan ID, note date, etc.).
d. Denial reason:

1) If a loan is paid in advance more than 6 months into the future, the servicer must deny the forbearance request, and send a denial letter including the message below, with the date to reapply.
DENIAL MESSAGE: The Loan is paid in advance more than 6 months. You may reapply after [Month day, ccyy].

2) If the maximum forbearance allowed (five years) has been used for a loan(s), the servicer must deny the request, and send a denial letter providing the payment method options with payment address, payment by telephone number, on-line Web site address, etc., and include the message below.
DENIAL MESSAGE: Your loan(s), [loan id and/or note date], has received the maximum five years of forbearance allowed. Regular monthly payments of principal and interest are now due.

3) If either the borrower or cosigner, if applicable, did not provide identity information as required by MHESLA, the servicer must deny the request, and send a denial letter including the message below.
DENIAL MESSAGE: Your forbearance request is missing the following information. Please complete and resend, or call our office to request verbally.

E. DELINQUENCY NOTICE TO MHESLA

The servicer must report to MHESLA all loans for those borrowers who become sixty (60) days delinquent in his/her payments; either regular payment or an interest only forbearance payment. The content and format to be approved by MHESLA.

If there are pending disbursements for a loan that has become sixty (60) days delinquent, the servicer must cancel the pending disbursement(s), and notify the school, borrower and cosigner, if applicable, within 24 hours.

If the loan is brought current prior to default (prior to the 120th day of delinquency), the disbursement(s) may be reinstated.

If the loan is brought current after default, at the instruction of MHESLA, the disbursement(s) may be reinstated.

Note – The option to bring the loan current with payment, and reverse the default, is a one-time option offered by MHESLA. If the loan defaults a second time, the borrower does not have that option. In that case, the disbursement(s) could not be reinstated after default.

F. CREDIT BUREAU REPORTING

At the time of disbursement, the servicer must report MI-LOAN Program loans to at least one national credit bureau. The servicer must submit monthly updates to the credit bureau thereafter on the borrower, and the cosigner(s), if applicable. The credit bureau reporting codes and description must be agreed upon by MHESLA.

MI-LOAN Program loans are not reported as "delinquent" until they reach 60-days delinquent.

G. DEFAULT

The borrower and cosigner, if applicable, is in default on his/her loan when the payment on the loan becomes 120 days delinquent.

1. Loan Status:

   Default/Claim Status - On the 120th day of delinquency, the loan status on the servicer system must be changed to reflect a Default/Pre-Claim status and the servicer must cease all actions on the loan that are not specifically directed by MHESLA.

   Claim Filed Status – MHESLA will notify the servicer to place the loan into Claim Filed status which shows Department of Treasury, Collections Division is taking collection actions.

2. Notification to MHESLA:

   The servicer must provide MHESLA with a weekly report (see the contract report "New Defaulted Loans" report), listing all loans entering default status within the past week.

   The servicer must also provide MHESLA with a weekly report of all loans in "Default" and "Claim Filed" status. MHESLA is responsible for all collection action on defaulted loans.

   If this is the first time the loan has defaulted, MHESLA will send a default letter to the borrower and cosigner, if applicable, giving them a one-time opportunity to bring the loan current with payment, and reverse the default. Payment must be received by MHESLA within 30 days of the date of the letter. **Defaulted MI-LOAN Program loans are not eligible for forbearance.**

   If the payment is received by the 30-day deadline, MHESLA will notify the servicer to remove the loan from Default/Claim status, and place it back into Repayment status. If this payment does not clear the Financial Institution, the servicer must notify MHESLA by email within 2 business days of the NSF notification.

   If the payment is not received by the 30-day deadline, MHESLA will forward the loan to the Department of Treasury, Collections Division, for collection. At that time, MHESLA will notify the servicer to change the loan status on the servicer system to Claim Filed status.

   Note – The loan may only be removed from Default/Claim and Claim Filed statuses at the direction of MHESLA.

3. Interest Accrual and Payment Processing:

   The servicer must maintain the defaulted loan on the system and continue to update the interest accrual daily.

As payments are received by the Michigan Department of Treasury, Collection Division, and MHESLA, they will be forwarded to the servicer for posting to the loan account on the servicer system. The servicer must post those payments with an effective date equal to the date the payment was received by the Michigan Department of Treasury, Collection Division, or as otherwise instructed by MHESLA.

If the servicer receives payment on the defaulted loan from any source, the servicer must accept the payment and post it to the loan account.

H. DEFAULTED BORROWER/COSIGNER QUESTIONS

If the borrower or cosigner contacts the servicer regarding the defaulted loan, the servicer must provide contact information for MHESLA and direct the person to MHESLA. The servicer may only provide the borrower/cosigner with:

1) the account balance,
2) the accrued interest (including the per diem),
3) late fees, if applicable; and
4) payment history information.

If there are further questions regarding the default, only MHESLA will provide a response.

CHAPTER VIII. LOAN ADJUSTMENTS

The servicer will notify the school in writing within 2 business days and before disbursement of an approved increase or decreased requested loan amount that meets the criteria in this chapter. The borrower and cosigner(s), if applicable will be provided with written notice/disclosure within 5 days or according to the regulations if required sooner.

A. REQUEST FOR INCREASE TO APPROVED "REQUESTED LOAN AMOUNT"

Cost-Minus-Aid Amount is Greater Than the Requested Loan Amount:

If the cost-minus-aid amount is greater than the requested loan amount, the applicant may submit a written request for the loan amount to be increased up to an amount not greater than the cost-minus-aid amount, if:

a. The maximum number of allowable disbursements have not yet been disbursed and the servicer or MHESLA receives the request no later than the last day of the last month of the loan period; **OR**

b. The maximum number of disbursements has been made and the net disbursed amount of the last disbursement is returned within 30 days of the date of that disbursement. The request must be signed by the applicant and cosigner(s), if applicable.

2. Cost-Minus-Aid Amount is Less Than the Requested Loan Amount:

If the cost-minus-aid amount is less than the requested loan amount, the school must submit a new school certification that changes the Cost of Attendance and/or the Estimated Financial Aid figures, resulting in increased loan eligibility. The servicer must document the new certification information in the loan history. See A. 1.of this chapter regarding conditions under which the request may be approved.

Note – At no time may the loan disbursed amount exceed the approved loan amount.

B. PROCESSING/DISBURSING INCREASE TO APPROVED "REQUESTED LOAN AMOUNT"

1. All of the originally scheduled disbursements have not yet been processed.

ACTION: The servicer must spread the increase to the approved requested loan amount among the remaining disbursements, as suggested by the school.

2. The loan was originally scheduled for the maximum four (4) disbursements, and all disbursements have been processed.

ACTION: The last disbursement must be returned, in full, to the servicer or MHESLA within 30 days of the date of the disbursement. The servicer must then cancel the disbursement, and reissue it for the increased amount, at the earliest date that falls within program guidelines.

3. The loan was originally scheduled for less than the maximum four (4) disbursements and all disbursements have been processed.

ACTION: The servicer or MHESLA must receive the request to increase the approved requested loan amount by the last day of the last month of the school certified loan period. The servicer must then schedule one additional disbursement, for the amount of the increase, at the earliest date that falls within program guidelines.

C. REQUIREMENTS FOR CANCELLATION OF ENTIRE DISBURSEMENT/LOAN

The Authority establishes the requirements for cancellation. The cancellation requirements are provided to the borrower in the Promissory Note and Agreement. The servicer must process payments or refunds with an effective date as the date of receipt, and post to the loan within five (5) days of receipt.

Prior to Disbursement:

To cancel a pending disbursement(s), or an entire loan that has not yet been disbursed, the applicant or cosigner, if applicable, must call or write the servicer or MHESLA, requesting the cancellation. The servicer must document the cancellation request in the loan history; cancel the disbursement(s)/loan; and provide notice of the cancelled amount to the school within two (2) business days of the cancel date.

Once canceled, if either the applicant or cosigner, if applicable, wishes to reinstate the disbursement(s)/loan, they must send a written request to the servicer, signed by the applicant and cosigner(s), if applicable. Upon receipt of the request, the servicer must contact the school to confirm the original information remains unchanged, before proceeding with the reinstatement of the disbursement(s)/loan. Based on the school response, the servicer will reinstate the disbursement(s)/ loan and adjust the amounts accordingly.

2. After Disbursement:

After a disbursement has been processed, the borrower may decide he/she does not want the funds. In order for the disbursement, including the reserve fee, to be canceled and the accrued interest written off, either MHESLA or the servicer must receive the entire net disbursement amount within 30 days of the date of the disbursement.

NOTE: If the return of funds is due to an over award situation, refer to the "Return Of Over Award Funds" section below within this chapter.

a. Borrower Has Possession of the Disbursement Funds

If the servicer or MHESLA receives the entire net disbursement funds within the 30-day cancellation period, the servicer must cancel the disbursement, and write off the reserve fee and any accrued interest.

If the servicer or MHESLA receives the funds after the 30-day cancellation period, the servicer must post them as a payment, and the borrower remains responsible for the reserve fee and accrued interest until the loan is paid in full.

b. School Has Possession of the Disbursement Funds

If the school has possession of the disbursement funds (whether it was disbursed by EFT to them or by a check that was delivered to them), the borrower must send a written request to the school, within 30-days of the date of the loan disclosure (cancellation period), asking that the school return the funds to the servicer.

The borrower must also send a copy of this written request to either MHESLA or the servicer, to be received within the 30-day period, in order to protect the borrower in case the school fails to return the funds within the 30-day cancellation period.

1) Letter Not Received Within the 30-Day Period – If the servicer or MHESLA does not receive the letter or receives it after the 30-day cancellation period has expired, the funds will be applied as a payment. The borrower will remain responsible for payment of the loan/disbursement, including the reserve fee and accrued interest, until the loan is paid in full – **with the following exception**.

   Exception: If there is a loan history comment dated on or before the end of the 30-day cancellation period that the school is returning the entire net check amount for cancellation of the loan, the loan/disbursement, including the reserve fee, will be canceled and the accrued interest written off upon receipt of these funds.

2) Letter Received Within the 30-Day Period – If the servicer or MHESLA receives the letter within the 30-day cancellation period, when the funds are received from the school, the loan/disbursement, including the reserve fee, will be canceled and the accrued interest written off.

3) The servicer must contact the school if the funds are not received within 30 calendar days from the servicer's receipt date of the borrower's written request for return of the funds. If the school does not return the funds within 30 calendar days of the servicer's contact, the servicer will notify MHESLA.

PARTIAL RETURN OF FUNDS

When only a portion of a disbursement is returned by either the borrower or the school, either before or after the 30-day cancellation period, and an over award situation has not occurred, the funds must be processed as a payment on the loan. The borrower remains responsible for the reserve fee and any accrued interest until the loan is paid in full.

RETURN OF FUNDS PROCEDURE

1. The borrower may return funds to the servicer by either returning the original disbursement check, or sending a personal check or money order, or submitting an electronic payment.

The school may return the funds to the servicer by returning the original disbursement check, sending a school check or by wire transfer, following the instructions below.

a. Funds Returned by Wire Transfer

Prior to returning the funds by wire transfer, the school must fax the supporting information below to the servicer. The fax number, along with the account number and routing number needed to perform the wire transfer are to be provided by the servicer.

- Student name
- Last four digits of student social security number or participant ID number
- Reason for returning the funds (e.g.: "Borrower does not want loan funds.")

b. Funds Returned by Check

The mailing address for returning the loan funds by check must be provided by the servicer. The school must include the supporting information listed in above in this chapter with the check.

F. RETURN OF OVER AWARD FUNDS

The 30-day cancellation deadline does not apply when the return of funds is due to an over award situation.

1. The borrower or student has possession of the over award funds

The servicer must instruct borrowers who want to return over award funds to send a check and include, on a separate piece of paper, the information below.

- Student name
- Student account number or last four digits of student social security number
- Borrower name, if other than the student
- Borrower account number or last four digits of borrower social security number, if other than the student
- Reason for the return ("Over Award")
- Over award amount

The servicer must then obtain confirmation of the over award amount from the school, and document the amount in the loan servicing history.

The borrower may return more, or less than the amount of the over award.

a. Funds Returned are Equal To or Less Than the Over Award Amount:

Amounts returned are equal to or less than the over award amount must be applied entirely to the outstanding principal balance of the loan to reduce or cancel the loan. A proportional amount of the reserve fee must be credited to the loan account and a proportional amount of accrued interest written off.

b. Funds Returned are More Than the Over Award Amount:

The over award funds returned by the school must be applied entirely to the outstanding principal balance of the loan to reduce or cancel the loan. A proportional amount of the reserve fee must be credited to the loan account and a proportional amount of accrued interest written off.

Funds returned in excess of the over award certified by the school must be applied as a payment, and the borrower is still responsible for payment of the remaining principal balance including the reserve fee and accrued interest.

2. The school has possession of the over award funds.

The Promise to Pay section of the Promissory Note and Agreement contains a statement whereby the borrower and cosigner(s), if applicable, give permission for the school to return funds in an over award situation. Therefore, when the school has possession of the loan funds, it is not necessary for the borrower to request return of the over award amount.

The school may return the funds to the servicer by check or by wire transfer, following the instructions below.

Upon receipt of the funds from the school, the servicer must apply the over award entirely to the outstanding principal balance of the loan to reduce or cancel the loan. A proportional amount of the reserve fee must be credited to the loan account and a proportional amount of accrued interest written off.

a. Funds Returned by Wire Transfer:

Prior to returning the funds by wire transfer, the school must fax the supporting information below to the servicer. The account number and routing number needed to perform the wire transfer must be provided by the servicer.

- Student name
- Student account number or last four digits of student social security number
- Reason for returning the funds (“Over Award”)
- Over award amount

b. Funds Returned by Check:

The mailing address for the return of over award funds by check must be provided by the servicer. The school must include the supporting information, same as listed above in Funds Returned by Wire Transfer, with the check.

3. At the time the over award is processed, the servicer must change the loan status on the servicer’s system to “CANCELED” if the amount of the over award funds returned is sufficient to cancel the entire loan.

4. The servicer must enter a comment in the loan servicing history that the cancellation is due to over award funds returned by the borrower or school.

CHAPTER IX. LOAN REHABILITATION

A defaulted Michigan Alternative Student Loan (MI-LOAN) Program loan may be eligible for rehabilitation. Rehabilitation means by making on-time payments, a borrower and cosigner(s), if applicable, get one chance to repair their MI-LOAN Program payment history, which will improve their credit report.

A. ELIGIBILITY REQUIREMENTS

1. Borrower must make 9 on-time payments within a 10-month period. The 15-day grace period does apply. Any payment that exceeds the monthly payment amount due will be counted as no more than 2 payments toward the 9-payment requirement.

2. The Borrower and Cosigner(s) must submit a completed and signed Rehabilitation Request.

B. PROCESSING THE REQUEST FOR REVIEW

1. The servicer will provide an internet based MI-LOAN Program rehabilitation application process which provides the same information as the paper request for rehabilitation review, rehabilitation application and informational materials provided by MHESLA. This will allow applicants to apply on-line for rehabilitation. The process will include the ability for applicants and if applicable, the cosigners to electronically sign (e-sign) and submit to the servicer, to print the document after e-signing, and to print and wet sign for submission to the servicer.

   Electronic rehabilitation applications, at the time of the e-signature being applied, willrequire an applicant and cosigner, if any, response to at least two electronically generated questions. The questions will relate to confidential information which will be confirmed by electronic matching to their credit bureau record, previous loans on the servicer's system, etc.

   Question examples: What is the monthly payment amount on your auto loan, name the company that holds your mortgage, etc.

   This process will automatically update "real-time" information to the servicer system, and contain the ability to provide information electronically to the applicant and cosigner(s).

2. Within 5-days of receiving the rehabilitation request for review, the servicer must verify the request is completed correctly and payment requirements have been met. If an item is not completed correctly, immediately contact the requestor to obtain the information. All items can be obtained by telephone, fax, mail or email.

C. DETERMINATION OF ELIGIBILITY

1. Upon determination, a denial letter or rehabilitation application will be sent to the borrower and applicable co-signer(s) using the address provided on the rehabilitation request for review.

2. Within **5-days** of receiving the rehabilitation application, the servicer must verify the request is received by the deadline given and if completed correctly, provide the documents identified in the Disclosures section of this chapter below. If an item is not completed correctly, immediately contact the requestor to obtain the information. All items except the signatures can be obtained by telephone, fax, mail or email. All signatures must be original wet signed or e-signed.

D. REPAYMENT TERMS AND SYSTEM SET-UP

Immediately upon verification that the rehabilitation application meets all requirements stated above, the servicer will do the following:

1. Change the loan status to repayment and current.

2. Capitalize the outstanding interest to the rehabilitation date. The rehabilitation date will be set by the servicer to ensure the Repayment Disclosure is sent within 60 days from the rehabilitation date.

3. If the borrower has other outstanding loans, set the due day for all loans to the same day of the month, unless the borrower/cosigner request a specific due day.

4. Calculate and process a repayment term adjustment so the loan is paid in full no later than 15 years from the rehabilitation date.

5. Set the monthly payment amount, which is for all loans combined, to total not less than $50.00. If other loans are in forbearance, do not calculate using the forbearance monthly payment amount; use the full regular monthly payment amounts.

6. Flag the loan on the servicer system with a rehabilitation indicator that is searchable for reporting needs.

E. DISCLOSURES

1. The servicer will establish a repayment schedule for the rehabilitated loan in order to complete the Federal Truth in Lending Disclosure Statement. The repayment schedule/monthly payment amount will be set based on the defaulted loan(s) current principal balance which will include capitalization of all outstanding interest accrual.

   The repayment schedule must meet the requirements below.

   a. First Payment Due Date: The first monthly payment due date must be within 60 days of the date of the rehab date.

   b. Minimum Payment Amount: The minimum monthly payment amount is $50 per month per borrower, and may be higher depending upon the total loan amount of the rehab loans.

   c. Payment Due Day: The servicer will set the payment due date within 60 days of the rehabilitation date.

   d. Deadline: Within 45-days of the rehabilitation date provide the repayment schedule to the borrower and applicable cosigner(s).

2. The servicer must provide a Regulation Z Federal Truth in Lending Disclosure Statement to the borrower, applicable cosigner(s) at the time of the rehabilitation approval.

F. CREDIT BUREAU REPORTING

Upon approval of the rehabilitation, the servicer must report to the same national credit bureau that received the default reporting, a code to reflect the loan in repayment and current. The prior default history will not be removed as the reporting was correct. Reports must be filed for both the borrower and the cosigner(s), if applicable.

G. HISTORY COMMENTS AND RECORD RETENTION

1. The servicer must enter history comments into the servicer system each time that a comment is made and/or a disclosure is sent. All communications and actions must be clearly documented in the history comments.

2. The data necessary to recreate the disclosure(s) must be kept in the servicer system.

3. File pertinent paper documents within the collateral file, such as: Rehab Transmittal Review, Repayment Disclosure, etc.

4. Image all documents for electronic retrieval.

CHAPTER X. LOAN FORGIVENESS

A. DEATH

If the servicer becomes aware that the student, parent borrower, or cosigner is deceased, the servicer will obtain a copy of the death certificate or other documentation deemed acceptable by MHESLA. The servicer will be responsible for any costs involved.

Within 5 days of documentation receipt, the servicer will advise MHESLA, and provide copies. MHESLA will review for approval to cancel the remaining outstanding loan balance as of the date of the student's death, and all interest accrual. Upon notice from MHESLA, the servicer will proceed with the cancellation. Any payments received after the date of the student's death must be returned to the sender.

If the parent borrower is deceased, after receipt of documentation, the servicer will contact MHESLA for instructions.

If a cosigner is deceased, the loan may not be canceled. The servicer must either remove the cosigner from the system, or mark the record "deceased" and stop all due diligence, etc. to that cosigner. A history comment must be added to the loan file to indicate the cosigner is deceased.

B. STUDENT'S TOTAL AND PERMANENT DISABILITY

In order for cancellation to occur, the student or parent borrower must complete a Total and Permanent Disability Cancellation Request and Certification Form. Their physician must confirm the student's condition, sign and submit the form to the servicer. Once the servicer receives a correctly completed form, they must immediately forward that form to MHESLA for review and determination.

Once MHESLA has approved the cancellation of the loan, the servicer will be advised to cancel the remaining outstanding loan balance as of the date the student became totally and permanently disabled, and to write off any accrued unpaid interest.

Any payments received after the date the student became totally and permanently disabled must be returned to the sender.

Note – The loan may not be canceled due to the total and permanent disability of a parent or cosigner.

C. LOAN STATUS

At the time that the loan is canceled, the servicer must change the disbursement and/or loan status on the servicer system to "CANCELED", "DEATH" OR "DISABILITY", as applicable.

D. HISTORY COMMENTS AND RECORD RETENTION

The servicer must enter the reason for cancellation in the loan servicing history, along with the date the cancellation became effective (date of death, etc.).

The servicer must retain the loan folder and its contents as long as required by Federal or State statue, regulations or policy. Prior to destruction of these documents, the servicer must secure the State's written approval.

GLOSSARY

Definitions used for purposes of this manual are provided below:

APR: "Annual Percentage Rate" pertains to the federal Truth in Lending law that requires any up-front fees to be disclosed as finance charges. The APR that is disclosed to the borrower when the disbursement is issued will reflect a higher rate than the actual interest rate because the reserve fee is factored in over the loan repayment period as a cost of credit.

AUTHORITY: "Authority" as used in this document means the Michigan Higher Education Student Loan Authority governing board appointed by the Governor.

APPLICANT/ BORROWER: "Applicant/borrower" is either the student or the student's parent (biological or adoptive parent or legal guardian), even if credit was approved based on the cosigner's financial situation.

PRE -CLAIM: A defaulted loan is 120 days delinquent for a scheduled payment and is pending to be transferred to Treasury Collections.

CLAIM FILED: Loan is being sent to Treasury Collections for collection activity.

COSIGNER: "Cosigner" means a parent, legal guardian, or other responsible individual who is jointly and separately responsible for payment of the loan. Reference to "cosigner" includes both the primary and secondary cosigner, unless stated otherwise.

CONTINUOUS EMPLOYMENT: "Continuous employment" is interpreted as employment for such periods as are commensurate with the nature of employment as provided by the employer.

CREDIT: "Credit" is all debt as reflected on the applicant/cosigner credit report; excluding medical and health related debt, and any formally disputed credit items.

CREDIT APPLICANT: "Credit applicant" is the person or persons (applicant and/or cosigner(s)) on which the credit is being based and for whom a credit bureau report is pulled.

CREDIT STANDARDS: "Credit standards" refer to the MI-LOAN "Credit Standards and Requirements" as adopted by the Michigan Higher Education Student Loan Authority.

DEFAULT: "Default" occurs when a MI-LOAN Program loan becomes 120 days delinquent for a scheduled payment.

DEFERMENT: "Deferment" is not available in the MI-LOAN Program.

ELIGIBLE SCHOOL: "Eligible school" for the MI-LOAN Program is a degree-granting college or university that is located in the state of Michigan, and that is approved by the State Board of Education and by the United States Secretary of Education for purposes of the Federal Family Education Loan Program. The authority to designate a school as an eligible institution under MCL 390.1152 was transferred by executive order to the Department of Labor and Economic Growth (DLEG). The Office of Postsecondary Services in DLEG periodically publishes a listing of institutions that it has approved. Creditworthy eligible schools are listed on the MI-LOAN Program website; www.miloanprogram.com.

FORBEARANCE: "Forbearance" means a delay in the repayment of principal or principal and interest. The maximum length of forbearance is five (5) years (60 months) in up to 12-month increments, per loan.

LOAN PERIOD: "Loan period" is the period of time that the student expects to be enrolled and for which loan assistance is being requested. A loan period shall not be more than 12 months.

MHESLA: "MHESLA", as used in this document, means the Michigan Higher Education Student Loan Authority administrative staff.

MINIMUM LOAN: "Minimum loan" amount for MI-LOAN Program is $500.

REHABILITATION: Make nine on-time payments within a ten-month period. Any payment that exceeds the monthly payment amount due will be counted as no more that two payments toward the nine-payment requirement. To repair the negative MI-LOAN Program credit bureau reporting.

SERVICER: "Servicer" acts on behalf of MHESLA to investigate the creditworthiness and credit capacity of a MI-LOAN Program loan applicant. Servicer will provide full loan origination and servicing for the MI-LOAN Program.

QUESTIONS FROM POTENTIAL APPLICANTS

A. GENERAL INFORMATION AND QUESTIONS REGARDING ITEMS ON THE APPLICATION

The eligibility requirements, Rights and Responsibilities, and other general information about the MI-LOAN Program may be found in the informational pages of the application brochure**,** or on the MI-LOAN Program Web site.

Specific items on the application are covered in greater detail within the chapters. The servicer must be familiar with the information contained in each chapter in order to respond to inquiries from applicants, cosigners, students and schools.

B. MI-LOAN PROGRAM TERMS

The basic terms of the MI-LOAN Program are:

1. School: The student must attend a school contained on the applicable MI-LOAN Program Eligible Schools List, provided on the Web site: www.miloanprogram.com .

2. Minimum Loan Amount: $500

3. Maximum Loan Amount: Cost of attendance minus estimated financial aid

4. Cumulative Maximum Loan Amount Per Borrower: $125,000

5. Interest Rate: May have a choice of a fixed or variable interest rate.

6. Repayment Period: Up to a maximum of 25 years to repay the loan in full.

7. Minimum Monthly Payment Amount: $50 per borrower, or higher if necessary in order to repay the loan(s) within the maximum 25-year repayment period.

   Note – The servicer must be able to answer questions from potential applicants inquiring about the projected monthly payment amount, using an amortization software program approved for use by MHESLA.

8. Forbearance: A maximum of 5 years (60 months) per loan is available.

   The forbearance period is included in the 25-year maximum repayment period, and may be granted in increments of up to 12 consecutive months at a time. Forbearance may increase the amount of interest paid over the life of the loan, and may also cause the regular monthly payment amount to increase at the end of the forbearance period.

   There are two types of forbearance –

   a. Principal Only – requiring monthly payment of only the interest; or

b. Principal and Interest – with the interest added to the loan balance (capitalized) at the end of the forbearance period.

Forbearance requests may be either verbally or in writing. Written requests may be mailed; emailed or faxed to the servicer or MHESLA.

C. LOAN APPLICATION SECTIONS TO BE COMPLETED BY THE APPLICANT

1. The applicant must complete the Applicant Information and Promise to Pay sections on the MI-LOAN Program loan application.

2. The applicant must also complete the Credit Information section if he/she is applying for a loan without a cosigner, or if applying for a loan with his/her spouse as cosigner and choosing to have the credit evaluated on their combined income and debt.

   The servicer must advise all applicants applying for a MI-LOAN Program Loan to complete the MI-LOAN Program, Self Test to determine his/her potential loan eligibility before submitting the application.

   If the applicant cannot meet the Credit Standards and Requirements (provided by MHESLA), or otherwise qualify for a loan, he/she may apply with one or two cosigners. The potential cosigner(s) should then complete the Self Test.

D. LOAN APPLICATION SECTIONS TO BE COMPLETED BY THE COSIGNER(S)

Two cosigners are permissible provided they reside in the same household and represent joint household income and debt; and can jointly meet the credit standards, with the exception of the two-year continuous employment requirement. If there are two credit applicants (two cosigners or borrower and cosigner together), only one must meet the two-year continuous employment requirement, unless one of them is retired. A credit applicant who is retired, and who otherwise meets the credit standards, may be granted a waiver from the two-year continuous employment requirement.

If there is only one cosigner, that cosigner is referred to as the “primary cosigner”. When there are two cosigners, they are referred to as the “primary cosigner” and the “secondary cosigner”.

When the applicant is relying on the cosigner’s income to pass the credit standards, the cosigner must complete all of the information requested in the Primary Cosigner Information section. If the applicant is applying for a loan with two cosigners, the second cosigner must complete the Secondary Cosigner Information section. Both cosigner(s) must sign and date the Promise to Pay section. Detailed instructions for the application can be found on the application, in the brochure or on the MI-LOAN Program Web site.

E. FREQUENTLY ASKED QUESTIONS

Q1 – Who is considered the applicant/borrower?
A1 – The applicant/borrower is either the student or the student's parent (biological or adoptive parent or legal guardian), even if the credit approval is based on a cosigner(s).

Q2 – Is a cosigner always required for a MI-LOAN Program Loan?
A2 – No, a cosigner is only required if the applicant cannot meet all of the credit criteria for loan eligibility.

Q3 – If the applicant is denied based on the Credit Standards and Requirements, can he/she then introduce another party as a cosigner?
A3 – Yes, as long as a new loan application containing full applicant and cosigner, information is received within 60 days of the denial date.

Q4 – If the loan is denied because of the cosigner's failure to meet the Credit Standards and Requirements, can the applicant introduce a replacement cosigner?
A4 – Yes, as long as a new loan application containing full applicant and replacement cosigner, information is received within 60 days of the denial date.

Q5 – When there is a cosigner on the loan, will the applicant or the cosigner be billed for payment?
A5 – A monthly statement of account will be provided to the borrower and cosigner(s), if applicable, using the billing address provided by the borrower and cosigner(s). This will be provided by mail or based on borrower/cosigner preference, electronically.

Q6 – When is a cosigner notified of a delinquency?
A6 – Cosigners are first notified when the borrower becomes 15 days delinquent in making his/her payment. Cosigners receive due diligence on the same schedule as the borrowers.

Q7 – Does the cosigner have to be related to the applicant?
A7 – No.

Q8 – Is more than one cosigner permissible?
A8 – Yes, but only if both cosigners reside in the same household and represent joint household income and debt.

Q9 – How early may a loan application be submitted?
A9 – Three months prior to the first day of the first month of the loan period as certified by the school.
Example: The loan period beginning date is 09/2008. Application forms received by the servicer prior to June 1, 2008 cannot be processed.

Q10 – Can a loan application be submitted for a loan period that has ended?
A10 –Yes, if the servicer receives the application no later than the last day of the last month of the loan period as certified by the school.
Example: The loan period end date is 06/2008. The application cannot be processed if the servicer receives the form after June 30, 2008.