



STATE OF MICHIGAN PROCUREMENT
 Department of Technology, Management, and Budget
 525 W Allegan St, Lansing, MI 48933
 P.O. Box 30026, Lansing, MI 48909

NOTICE OF CONTRACT

NOTICE OF CONTRACT NO. 21000000176
 between
 THE STATE OF MICHIGAN
 and

CONTRACTOR	Nelnet Servicing, LLC
	121 South 13 th 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			
DESCRIPTION: MFA STUDENT LOAN SERVICING			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
June 1, 2021	March 31, 2033	5 - 1 year options	March 31, 2033
PAYMENT TERMS		DELIVERY TIMEFRAME	
N/A		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Payment Request (PRC) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			
MISCELLANEOUS INFORMATION			
Effective April 1, 2021 Contract 21000000176 was created to replace Contract 071B0200174.			
ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION		\$ 22,000,000.00	

FOR THE CONTRACTOR:

Company Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

FOR THE STATE:

Signature

Name & Title

Agency

Date



STATE OF MICHIGAN

STANDARD CONTRACT TERMS

This STANDARD CONTRACT (“**Contract**”) is agreed to between the State of Michigan (the “**State**”) and Nelnet Servicing, LLC (“**Contractor**”), a Nebraska limited liability company. This Contract is effective on April 1, 2021 (“**Effective Date**”), and unless terminated pursuant to the terms of this Contract, expires on March 31, 2033. Contract 210000000176 replaces Contract 071B0200174.

This Contract may be renewed for up to five (5) additional one (1) year period(s). Renewal is at the sole discretion of the State and will automatically extend the Term of this Contract. The State will document its exercise of renewal options via Contract Change Notice.

1. Definitions. For the purposes of this Contract, the following terms have the following meanings:

“**Accept**” has the meaning set forth in **Section 20**.

“**Acceptance**” has the meaning set forth in **Section 20**.

“**Affiliate**” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, the term “control” (including the terms “controlled by” and “under common control with”) means the direct or indirect ownership of more than fifty percent (50%) of the voting securities of a Person.

“**Allegedly Infringing Materials**” has the meaning set forth in **Section 33**.

“**Business Day**” means a day other than a Saturday, Sunday or other day on which the State is authorized or required by Law to be closed for business.

“**Business Owner**” is the individual appointed by the agency buyer to (a) act as the agency’s representative in all matters relating to the Contract, and (b) co-sign off on notice of Acceptance. The Business Owner will be identified in the Statement of Work.

“Change” has the meaning set forth in **Section 5**.

“Change Notice” has the meaning set forth in **Section 5**.

“Change Proposal” has the meaning set forth in **Section 5**.

“Change Request” has the meaning set forth in **Section 5**.

“Confidential Information” has the meaning set forth in **Section 38.a**.

“**Configuration**” means State-specific changes made to the Software without Source Code or structural data model changes occurring.

“**Contract**” has the meaning set forth in the preamble.

“Contract Activities” refers to the includes the Services, Deliverables, delivery of commodities, or other contractual requirements set forth in **Schedule A – Statement of Work**, including any subsequent Statement(s) of Work, that the Contractor agrees to provide and the State agrees to purchase pursuant to the terms of this Contract.

“Contract Administrator” is the individual appointed by each party to (a) administer the terms of this Contract, and (b) approve any Change Notices under this Contract. Each party’s Contract Administrator will be identified in the Statement of Work.

“Contractor” has the meaning set forth in the preamble.

“Contractor’s Bid Response” means the Contractor’s proposal submitted in response to the State’s requests to obtain Contract Activities.

“Contractor Personnel” means all employees of Contractor or any Permitted Subcontractors involved in the performance of Services hereunder.

“Deliverables” means all materials, including, but not limited to Software, Documentation, written materials and commodities, that Contractor is required to or otherwise does provide to the State under this Contract and otherwise in connection with any Services, including all items specifically identified as Deliverables in **Schedule A - Statement of Work**.

“Dispute Resolution Procedure” has the meaning set forth in **Section 55**.

“Documentation” means all generally available documentation relating to the Software, including all user manuals, operating manuals and other instructions, specifications, documents and materials, in any form or media, that describe any component, feature, requirement or other aspect of the Software or Hosted Services (as defined in **Schedule D**), including any functionality, testing, operation or use thereof.

“DTMB” means the Michigan Department of Technology, Management and Budget.

“Effective Date” has the meaning set forth in the preamble.

“Fees” means collectively all fees collected by the Contractor pursuant to the terms of this Contract.

“Financial Audit Period” has the meaning set forth in **Section 42**.

“Force Majeure” has the meaning set forth in **Section 54**.

“HIPAA” has the meaning set forth in **Section 47**.

“Intellectual Property Rights” means all or any of the following: (a) patents, patent disclosures, and inventions (whether patentable or not); (b) trademarks, service marks, trade dress, trade names, logos, corporate names, and domain names, together with all of the associated goodwill; (c) copyrights and copyrightable works (including computer programs), mask works and rights in data and databases; (d) trade secrets, know-how and other confidential information; and (e) all other intellectual property rights, in each case whether registered or unregistered and including all applications for, and renewals or extensions of, such rights, and all similar or equivalent rights or forms of protection provided by applicable Law in any jurisdiction throughout the world.

“Key Personnel” means any Contractor Personnel identified as key personnel in **Schedule A – Statement of Work**.

“Law” means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree or other requirement or rule of any federal, state, local or foreign government or political subdivision thereof, or any arbitrator, court or tribunal of competent jurisdiction.

“Loss or Losses” means all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys' fees and the costs of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers.

“Maintenance Release” means any update, upgrade, release or other adaptation or modification of the Software, including any updated Documentation, that Contractor may generally provide to its licensees from time to time during the Term, which may contain, among other things, error corrections, enhancements, improvements or other changes to the user interface, functionality, compatibility, capabilities, performance, efficiency or quality of the Software.

“New Version” means any new version of the Software that the Contractor may from time to time introduce and market generally as a distinct licensed product, as may be indicated by Contractor's designation of a new version number.

“PAT” means a document or product accessibility template, including any Information Technology Industry Council Voluntary Product Accessibility Template or VPAT®, that specifies how information and software products, such as websites, applications, software and associated content, conform to **WCAG 2.0 Level AA**.

“Permitted Subcontractor” has the meaning set forth in **Section 13**.

“Person” means an individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association or other entity.

“Pricing” means any and all fees, rates and prices payable under this Contract, including pursuant to any Schedule or Exhibit hereto.

“Pricing Schedule” means the schedule attached as **Schedule B**, setting forth the Fees, rates and Pricing payable under this Contract.

“Program Manager” is the individual appointed by each party to (a) monitor and coordinate the day-to-day activities of this Contract, and (b) for the State, to co-sign off on its notice of Acceptance of the Deliverables. Each party's Program Manager will be identified in the Statement of Work.

“Representatives” means a party's employees, officers, directors, partners, shareholders, agents, attorneys, successors and permitted assigns.

“RFP” means the State's request designed to solicit responses for Contract Activities under this Contract.

“Software” means Contractor's software set forth in the Statement of Work, and any Maintenance Releases or New Versions provided to the State and any Configurations made by or for the State pursuant to this Contract, and all copies of the foregoing permitted under this Contract and the License Agreement.

“Services” means any of the services Contractor is required to or otherwise does provide under this Contract, **Schedule A - Statement of Work, Schedule C - Software Terms for On-site Hosting (if applicable), and Schedule E - Contractor Hosted Software and Services (if applicable)**.

“Source Code” means the human readable source code of the Software to which it relates, in the programming language in which the Software was written, together with all related flow charts and technical documentation, including a description of the procedure for generating object code, all of a level sufficient to enable a programmer reasonably fluent in such programming language to understand, build, operate, support, maintain and develop modifications, upgrades, updates, adaptations, enhancements, new versions and other derivative works and improvements of, and to develop computer programs compatible with, the Software.

“**Site**” means the physical location designated by the State in, or in accordance with, this Contract or the Statement of Work for delivery or installation of the Contract Activities.

“**State**” means the State of Michigan.

“**State Data**” has the meaning set forth in **Section 37.a**.

“**State Materials**” means all materials and information, including equipment, documents, data, know-how, ideas, methodologies, specifications, software, content and technology, in any form or media, directly or indirectly provided or made available to Contractor by or on behalf of the State in connection with this Contract.

“**Statement of Work**” means any statement of work entered into by the parties and attached as a schedule to this Contract. The initial Statement of Work is attached as **Schedule A**, and subsequent Statements of Work shall be sequentially identified and attached as Schedules A-1, A-2, A-3, etc.

“**Stop Work Order**” has the meaning set forth in **Section 27**.

“**Term**” has the meaning set forth in the preamble.

“**Third Party**” means any Person other than the State or Contractor.

“**Transition Period**” has the meaning set forth in **Section 31**.

“**Transition Responsibilities**” has the meaning set forth in **Section 31**.

“**Unauthorized Removal**” has the meaning set forth in **Section 15**.

“**Unauthorized Removal Credit**” has the meaning set forth in **Section 15**.

“**Warranty Period**” means the period set forth in Schedule A, the Statement of Work, commencing on the date of acceptance of all Deliverables purchased pursuant to the terms of this Contract.

“**WCAG 2.0 Level AA**” means level AA of the World Wide Web Consortium Web Content Accessibility Guidelines version 2.0.

“**Work Product**” means all State-specific deliverables that Contractor is required to, or otherwise does, provide to the State under this Contract including but not limited to written materials, computer scripts, software configuration, software customization, APIs, macros, user interfaces, reports, project management documents, forms, templates, and other State-specific documents and related materials together with all ideas, concepts, processes, and methodologies developed in connection with this Contract whether or not embodied in this Contract. Work Product does not include software.

- 2. Duties of Contractor.** Contractor must perform the Services and provide the Deliverables described in **Schedule A – Statement of Work** attached hereto (“Schedule A”). An obligation to provide delivery of any commodity as described in Schedule A or any subsequent Statement of Work is considered a service and is a Contract Activity.

Contractor must furnish all labor, equipment, materials, and supplies necessary for the performance of the Contract Activities, and meet operational standards, unless otherwise specified in **Schedule A**.

Contractor must also be clearly identifiable while on State property by wearing identification issued by the State, and clearly identify themselves whenever making contact with the State.

- 3. Statement(s) of Work.** Contractor shall provide the Contract Activities pursuant to Statements of Work entered into under this Contract. No Statement of Work shall be effective unless signed by each party’s Contract Administrator. The term of each Statement of Work shall commence on the parties’ full execution of the Statement of Work and terminate when the parties have fully performed their obligations. The terms and conditions of this Contract will apply

at all times to any Statements of Work entered into by the parties and attached as a schedule to this Contract. Contractor acknowledges that time is of the essence with respect to Contractor's obligations under each Statement of Work and agrees that prompt and timely performance of all such obligations in accordance with this Contract and the Statements of Work is strictly required.

4. **Statement of Work Requirements.** Each Statement of Work may include the following: (a) names and contact information for Contractor's Contract Administrator, Program Manager and Key Personnel; (b) names and contact information for the State's Contract Administrator, Program Manager and Business Owner; (c) a detailed description of the Services to be provided under this Contract, including any training obligations of Contractor; (d) a detailed description of the Deliverables to be provided under this Contract; (e) a description of all liquidated damages associated with this Contract, if any; and (f) a detailed description of all State Resources, if any, required to complete the implementation plan, if such a plan is necessary.
5. **Change Control Process.** The State may at any time request in writing (each, a "Change Request") changes to the Statement of Work, including changes to the Contract Activities (each, a "Change"). Upon the State's submission of a Change Request, the parties will evaluate and implement all Changes in accordance with this **Section 5**. No Change will be effective until the parties have executed a change notice ("Change Notice"). Except as the State may request in its Change Request or otherwise in writing, Contractor must continue to perform its obligations in accordance with the Statement of Work pending negotiation and execution of a Change Notice. Contractor will use its best efforts to limit any delays or Fee increases from any Change to those necessary to perform the Change in accordance with the applicable Change Notice. Contractor may, on its own initiative and at its own expense, prepare and submit its own Change Request to the State. However, the State will be under no obligation to approve or otherwise respond to a Change Request initiated by Contractor.
6. **Notices.** All notices and other communications required or permitted under this Contract must be in writing and will be considered given and received: (a) when verified by written receipt if sent by courier; (b) when actually received if sent by mail without verification of receipt; or (c) when verified by automated receipt or electronic logs if sent by facsimile or email.

<p>If to State: Joy Nakfoor 525 W Allegan St Lansing, MI 48933 nakfoor@michigan.gov 517-249-0481</p>	<p>If to Contractor: Kelly Hubbard 121 South 13th St Lincoln, NE 68508 kelly.hubbard@nelnet.net 402-323-4941</p>
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7. **Performance Guarantee.** Contractor must at all times have financial resources sufficient, in the reasonable opinion of the State, to ensure performance of the Contract and must provide proof upon request. The State may require a performance bond (as specified in Schedule A) if, in the opinion of the State, it will ensure performance of the Contract.
8. **Insurance Requirements.** Contractor must maintain the insurances identified below and is responsible for all deductibles. All required insurance must: (a) protect the State from claims that may arise out of, are alleged to arise out of, or result from Contractor's or a subcontractor's performance; (b) be primary and non-contributing to any comparable liability insurance (including self-insurance) carried by the State; and (c) be provided by a company with an A.M. Best rating of "A-" or better, and a financial size of VII or better.

Required Limits	Additional Requirements
Commercial General Liability Insurance	
<p><u>Minimum Limits:</u> \$1,000,000 Each Occurrence \$1,000,000 Personal & Advertising Injury \$2,000,000 General Aggregate \$2,000,000 Products/Completed Operations</p>	<p>Contractor must have their policy endorsed to add "the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents" as additional insureds using endorsement CG 20 10 11 85, or both CG 2010 07 04 and CG 2037 07 04.</p>
Automobile Liability Insurance	

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.

Privacy and Security Liability (Cyber Liability) Insurance

Minimum Limits:

\$1,000,000 Each Occurrence
\$1,000,000 Annual Aggregate

Contractor must have their policy cover information security and privacy liability, privacy notification costs, regulatory defense and penalties, and website media content liability.

If any required policies provide claims-made coverage, the Contractor must: (i) provide coverage with a retroactive date before the Effective Date of the Contract or the beginning of Contract Activities; (ii) maintain coverage and provide evidence of coverage for at least three (3) years after completion of the Contract Activities; and (iii) if coverage is cancelled or not renewed, and not replaced with another claims-made policy form with a retroactive date prior to the Effective Date of this Contract, Contractor must purchase extended reporting coverage for a minimum of three (3) years after completion of work.

Contractor must: (i) provide insurance certificates to the Contract Administrator, containing the agreement or delivery order number, at Contract formation and within twenty (20) calendar days of the expiration date of the applicable policies; (ii) require that subcontractors maintain the required insurances contained in this Section; (iii) notify the Contract Administrator within five (5) business days if any policy is cancelled; and (iv) waive all rights against the State for damages covered by insurance. Failure to maintain the required insurance does not limit this waiver.

This Section is not intended to and is not to be construed in any manner as waiving, restricting or limiting the liability of either party for any obligations under this Contract (including any provisions hereof requiring Contractor to indemnify, defend and hold harmless the State).

9. Reserved.

10. Reserved.

11. Independent Contractor. Contractor is an independent contractor and assumes all rights, obligations and liabilities as set forth in this Contract. Contractor, its employees, and agents will not be considered employees of the State. No partnership or joint venture relationship is created by virtue of this Contract. Contractor, and not the State, is responsible for the payment of wages, benefits and taxes of Contractor's employees and any subcontractors. Prior performance does not modify Contractor's status as an independent contractor.

12. Intellectual Property Rights. Contractor hereby acknowledges that the State is and will be the sole and exclusive owner of all right, title, and interest in the Work Product produced as part of the Contract Activities, and all associated intellectual property rights, if any, provided, however, that Contractor shall continue to own all intellectual property owned prior to the execution of this Agreement and developed by Contractor following execution of this Agreement, with the exception of content furnished as Work Product to or owned solely by the State. In general, Work Product constitutes works made for hire as defined in Section 101 of the Copyright Act of 1976. To the extent any Work Product, and related intellectual property do not qualify as works made for hire under the Copyright Act, Contractor will, and hereby does, immediately on its creation, assign, transfer and otherwise convey to the State, irrevocably and in perpetuity, throughout the universe, all right, title and interest in and to the Work Product, including all intellectual property rights therein. Contractor also irrevocably waives any and all claims Contractor may have now or hereafter have in any jurisdiction to so called "moral rights" or rights of *droit moral* with respect to the Work Product. If Contract Activities includes the purchase or use of software, such purchase, use, or access to Software shall be subject to **Schedules B and C or D** of this Contract.

13. Subcontracting. Contractor will not, without the prior written approval of the State, which consent may be given or withheld in the State's sole discretion, engage any Third Party to perform Services. The State's approval of any such Third Party (each approved Third Party, a "**Permitted Subcontractor**") does not relieve Contractor of its representations, warranties or obligations under this Contract. Without limiting the foregoing, Contractor will: (a) be responsible and liable for the acts and omissions of each such Permitted Subcontractor (including such Permitted Subcontractor's employees who, to the extent providing Services or Deliverables, shall be deemed Contractor Personnel) to the same extent as if such acts or omissions were by Contractor or its employees; (b) name the State a

third party beneficiary under Contractor's Contract with each Permitted Subcontractor with respect to the Services; (c) be responsible for all fees and expenses payable to, by or on behalf of each Permitted Subcontractor in connection with this Contract, including, if applicable, withholding of income taxes, and the payment and withholding of social security and other payroll taxes, unemployment insurance, workers' compensation insurance payments and disability benefits; and (d) notify the State of the location of the Permitted Subcontractor and indicate if it is located within the continental United States.

- 14. Staffing.** Contractor is solely responsible for all Contractor Personnel and for the payment of their compensation, including, if applicable, withholding of income taxes, and the payment and withholding of social security and other payroll taxes, unemployment insurance, workers' compensation insurance payments and disability benefits. The State's Contract Administrator may require Contractor to remove or reassign personnel by providing a notice to Contractor.
- 15. Key Personnel.** If, in the sole discretion of the State, Key Personnel are required to complete the Contract Activities, such Key Personnel shall be identified in **Schedule A - Statement of Work**. The State has 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, introduce the individual to the State's Program Manager, and 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.

Contractor will not remove any Key Personnel from their assigned roles on this 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**"). An Unauthorized Removal 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. Any Unauthorized Removal may be considered by the State to be a material breach of this Contract, in respect of which the State may elect to terminate this Contract for cause under Section 28.

It is further acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of this Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under **Section 28**, Contractor will issue to the State an amount set forth in **Schedule A – Statement of Work** (each, an "**Unauthorized Removal Credit**").

- 16. Background Checks.** Pursuant to Michigan law, all agencies subject to IRS Pub. 1075 are required to ask the Michigan State Police to perform fingerprint background checks on all employees, including Contractor and Subcontractor employees, who may have access to any database of information maintained by the federal government that contains confidential or personal information, including, but not limited to, federal tax information. Further, pursuant to Michigan law, any agency described above is prohibited from providing Contractors or Subcontractors with the result of such background check. For more information, please see Michigan Public Act 427 of 2018. Upon request, Contractor must perform background checks on all employees and subcontractors and its employees prior to their assignment. The scope is at the discretion of the State and documentation must be provided as requested. Contractor is responsible for all costs associated with the requested background checks. The State, in its sole discretion, may also perform background checks.
- 17. Assignment.** Contractor may not assign this Contract to any other party without the prior approval of the State. Upon notice to Contractor, the State, in its sole discretion, may assign in whole or in part, its rights or responsibilities under this Contract to any other party. If the State determines that a novation of the Contract to a third party is necessary, Contractor will agree to the novation and provide all necessary documentation and signatures.
- 18. Change of Control.** Contractor will notify within 30 days of any public announcement, or otherwise once legally permitted to do so, the State of a change in Contractor's organizational structure or ownership constituting a change in control. For purposes of this Contract, a change in control means any of the following: (a) a sale of more than 50% of Contractor's stock; (b) a sale of substantially all of Contractor's assets; (c) a change in a majority of Contractor's board members; (d) consummation of a merger or consolidation of Contractor with any other entity; (e) a change in ownership through a transaction or series of transactions; (f) or the board (or the stockholders) approves a plan of complete liquidation. A change of control does not include any consolidation or merger effected exclusively to change the domicile of Contractor, or any transaction or series of transactions principally for bona fide equity financing purposes.

In the event of a change of control, Contractor must require the successor to assume this Contract and all of its obligations under this Contract.

- 19. Ordering.** Contractor is not authorized to begin performance until receipt of authorization as identified in Schedule A.
- 20. Acceptance.** Contract Activities are subject to inspection and testing by the State within 30 calendar days of the State's receipt of them ("**State Review Period**"), unless otherwise provided in Schedule A. If the Contract Activities are not fully accepted by the State, the State will notify Contractor by the end of the State Review Period that either: (a) the Contract Activities are accepted, but noted deficiencies must be corrected; or (b) the Contract Activities are rejected. If the State finds material deficiencies, it may: (i) reject the Contract Activities without performing any further inspections; (ii) demand performance at no additional cost; or (iii) terminate this Contract in accordance with **Section 28**, Termination for Cause.

Within 10 business days from the date of Contractor's receipt of notification of acceptance with deficiencies or rejection of any Contract Activities, Contractor must cure, at no additional cost, the deficiency and deliver unequivocally acceptable Contract Activities to the State. If acceptance with deficiencies or rejection of the Contract Activities impacts the content or delivery of other non-completed Contract Activities, the parties' respective Program Managers must determine an agreed to number of days for re-submission that minimizes the overall impact to the Contract. However, nothing herein affects, alters, or relieves Contractor of its obligations to correct deficiencies in accordance with the time response standards set forth in this Contract.

If Contractor is unable or refuses to correct the deficiency within the time response standards set forth in this Contract, the State may cancel the order in whole or in part. The State, or a third party identified by the State, may perform the Contract Activities and recover the difference between the cost to cure and the Contract price plus an additional 10% administrative fee.

21. Reserved.

22. Reserved.

23. Reserved.

- 24. Terms of Payment.** Invoices must conform to the requirements communicated from time-to-time by the State. All undisputed amounts are payable within 45 days of the State's receipt. Contractor may only charge for Contract Activities performed as specified in **Schedule A**. Invoices must include an itemized statement of all charges. The State is exempt from State sales tax for direct purchases and may be exempt from federal excise tax, if Services purchased under this Agreement are for the State's exclusive use. All prices are exclusive of taxes, and Contractor is responsible for all sales, use and excise taxes, and any other similar taxes, duties and charges of any kind imposed by any federal, state, or local governmental entity on any amounts payable by the State under this Contract.

The State has the right to withhold payment of any amounts disputed reasonably until the parties agree as to the validity of the disputed amount. The State will notify Contractor of any dispute within a reasonable time, and, in any event, within 45 days of the State's receipt of the applicable invoice. Payment by the State will not constitute a waiver of any rights as to Contractor's continuing obligations, including claims for deficiencies or substandard Contract Activities. Contractor's acceptance of final payment by the State constitutes 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 disputed.

The State will only disburse payments under this Contract through Electronic Funds Transfer (EFT). Contractor must register with the State at <http://www.michigan.gov/SIGMAVSS> to receive electronic fund transfer payments. If Contractor does not register, the State is not liable for failure to provide payment. Without prejudice to any other right or remedy it may have, the State reserves the right to set off at any time any amount then due and owing to it by Contractor against any amount payable by the State to Contractor under this Contract.

- 25. Payment Disputes.** The State may withhold from payment any and all payments and amounts the State disputes in good faith, pending resolution of such dispute, provided that the State: (a) timely renders all payments and amounts that are not in dispute; notifies Contractor of the dispute prior to the due date for payment, specifying in such notice: (i) the amount in dispute; and (ii) the reason for the dispute set out in sufficient detail to facilitate investigation by Contractor and resolution by the parties; (b) works with Contractor in good faith to resolve the dispute promptly; and (c) promptly pays any amount determined to be payable by resolution of the dispute.

Contractor shall not withhold any Contract Activities or fail to perform any obligation hereunder by reason of the State's good faith withholding of any payment or amount in accordance with this **Section 25** or any dispute arising therefrom.

26. Liquidated Damages. Liquidated damages, if applicable, will be assessed as described in **Schedule A**. Amounts due the State as liquidated damages may be set off against any Fees payable to Contractor under this Contract, or the State may bill Contractor as a separate item and Contractor will promptly make payments on such bills.

27. Stop Work Order. The State may suspend any or all activities under the Contract at any time. The State will provide Contractor a written stop work order detailing the suspension. Contractor must comply with the stop work order upon receipt. Within 90 calendar days, or any longer period agreed to by Contractor, the State will either: (a) issue a notice authorizing Contractor to resume work, or (b) terminate the Contract or delivery order. The State will not pay for Contract Activities, Contractor's lost profits, or any additional compensation during a stop work period.

28. Termination for Cause. The State may terminate this Contract for cause, in whole or in part, if Contractor, as determined by the State: (a) endangers the value, integrity, or security of any location, data, or personnel; (b) becomes insolvent, petitions for bankruptcy court proceedings, or has an involuntary bankruptcy proceeding filed against it by any creditor; (c) engages in any conduct that may expose the State to liability; (d) breaches any of its material duties or obligations; or (e) fails to cure a breach within the time stated in a notice of breach. Any reference to specific breaches being material breaches within this Contract will not be construed to mean that other breaches are not material.

If the State terminates this Contract under this Section, the State will issue a termination notice specifying whether Contractor must: (a) cease performance immediately, or (b) continue to perform for a specified period. If it is later determined that Contractor was not in breach of the Contract, the termination will be deemed to have been a Termination for Convenience, effective as of the same date, and the rights and obligations of the parties will be limited to those provided in **Section 29**, Termination for Convenience.

The State will only pay for amounts due to Contractor for Contract Activities accepted by the State on or before the date of termination, subject to the State's right to set off any amounts owed by the Contractor for the State's reasonable costs in terminating this Contract. The Contractor must pay all reasonable costs incurred by the State in terminating this Contract for cause, including administrative costs, attorneys' fees, court costs, transition costs, and any costs the State incurs to procure the Contract Activities from other sources.

29. Termination for Convenience. The State may immediately terminate this Contract in whole or in part without penalty and for any reason, including but not limited to, appropriation or budget shortfalls. The termination notice will specify whether Contractor must: (a) cease performance of the Contract Activities immediately, or (b) continue to perform the Contract Activities in accordance with Section 31, Transition Responsibilities. If the State terminates this Contract for convenience, the State will pay all reasonable costs, as determined by the State, for State approved Transition Responsibilities.

30. Effect of Termination. Upon and after the termination or expiration of this Contract or one or more Statements of Work for any or no reason: (a) Contractor will be obligated to perform all Transition Responsibilities specified in **Section 31**; (b) all licenses granted to Contractor in State Data will immediately and automatically also terminate. Contractor must promptly return to the State all State Data not required by Contractor for its Transition Responsibilities, if any; (c) Contractor will: (i) return to the State all documents and tangible materials (and any copies) containing, reflecting, incorporating, or based on the State's Confidential Information; (ii) permanently erase the State's Confidential Information from its computer systems (except the State's Confidential Information maintained as part of Contractor's standard record retention practices as otherwise required by applicable law); and (iii) certify in writing to the State that it has complied with the requirements of this **Section 30** in each case to the extent such materials are not required by Contractor for Transition Responsibilities, if any.

31. Transition Responsibilities. Upon termination or expiration of this Contract for any reason, Contractor must, for a period of time specified by the State (not to exceed 120 calendar days, "**Transition Period**"), take commercially reasonable efforts to provide all reasonable transition assistance requested by the State, to allow for the expired or terminated portion of the Contract Activities to continue without interruption or adverse effect, and to facilitate the orderly transfer of such Contract Activities to the State or its designees. Such transition assistance may include, but is not limited to: (a) continuing to perform the Contract Activities at the established Contract rates; (b) taking all commercially reasonable and necessary measures to transition performance of the work, including all applicable Contract Activities, training, equipment, software, leases, reports and other documentation, to the State or the State's designee; (c) taking all necessary and commercially reasonable appropriate steps, or such other action as the State may reasonably direct, to preserve, maintain, protect, or return to the State all materials, data, property, and confidential information provided directly or indirectly to Contractor by any entity, agent, vendor, or employee of the State; (d) transferring title in and delivering to the State, at the State's discretion, all completed or partially completed deliverables prepared under this Contract as of the Contract termination date; and (e) preparing an accurate accounting from which the State and Contractor may reconcile all outstanding accounts (collectively, "**Transition Responsibilities**"). This Contract will automatically be extended through the end of the transition period.

32. General Indemnification. Contractor must defend, indemnify and hold the State, its departments, divisions, agencies, offices, commissions, officers, and employees harmless, without limitation, from and against any and all actions, claims, losses, liabilities, damages, costs, reasonable attorney fees, and expenses (including those required to establish the right to indemnification), arising out of or relating to: (a) any breach by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable) of any of the promises, agreements, representations, warranties, or insurance requirements contained in this Contract; (b) any infringement, misappropriation, or other violation of any intellectual property right or other right of any third party; (c) any bodily injury, death, or damage to real or tangible personal property occurring wholly or in part due to action or inaction by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable); and (d) any acts or omissions of Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable).

The State will notify Contractor in writing if indemnification is sought; however, failure to do so will not relieve Contractor, except to the extent that Contractor is materially prejudiced. Contractor must, to the satisfaction of the State, demonstrate its financial ability to carry out these obligations.

The State is entitled to: (i) regular updates on proceeding status; (ii) participate in the defense of the proceeding; (iii) employ its own counsel; and to (iv) retain control of the defense if the State deems necessary. Contractor will not, without the State's written consent (not to be unreasonably withheld), settle, compromise, or consent to the entry of any judgment in or otherwise seek to terminate any claim, action, or proceeding. To the extent that any State employee, official, or law may be involved or challenged, the State may, at its own expense, control the defense of that portion of the claim.

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. An attorney designated to represent the State may not do so until approved by the Michigan Attorney General and appointed as a Special Assistant Attorney General.

33. Infringement Remedies. If, in either party's reasonable opinion, any piece of equipment, software, commodity, or service supplied by Contractor or its subcontractors, or its operation, use or reproduction, is likely to become the subject of a copyright, patent, trademark, or trade secret infringement claim, Contractor must, at its expense: (a) procure for the State the right to continue using the equipment, software, commodity, or service, or if this option is not reasonably available to Contractor, (b) replace or modify the same so that it becomes non-infringing; or (c) accept its return by the State with appropriate credits to the State against 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.

34. Limitation of Liability and Disclaimer of Damages. WITH THE EXCEPTION OF CONTRACTORS STATE DATA AND INDEMNIFICATION OBLIGATIONS, NEITHER PARTY HERETO WILL BE LIABLE, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR BY STATUTE OR OTHERWISE, FOR ANY CLAIM RELATED TO OR ARISING UNDER THIS CONTRACT FOR CONSEQUENTIAL, INCIDENTAL, INDIRECT, OR SPECIAL DAMAGES, INCLUDING WITHOUT LIMITATION LOST PROFITS AND LOST BUSINESS OPPORTUNITIES. IN NO EVENT WILL EITHER PARTY'S AGGREGATE LIABILITY TO THE OTHER PARTY UNDER THIS CONTRACT, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR BY STATUTE OR OTHERWISE, FOR ANY CLAIM RELATED TO OR ARISING UNDER THIS CONTRACT, EXCEED THE FEES PAID TO CONTRACTOR HEREUNDER DURING THE TWELVE (12) MONTHS IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO SUCH LIABILITY (OR, IF SUCH EVENT OCCURS WITHIN THE FIRST 12 MONTHS OF CONTRACTOR'S PERFORMANCE UNDER THIS AGREEMENT, 12 TIMES THE AVERAGE MONTHLY FEES PAID TO CONTRACTOR HEREUNDER).

35. Disclosure of Litigation, or Other Proceeding. Contractor must notify the State within 14 calendar days of receiving notice of any litigation, investigation, arbitration, or other proceeding (collectively, "**Proceeding**") involving Contractor, a subcontractor, or an officer or director of Contractor or subcontractor, that arises during the term of the Contract, including: (a) a criminal Proceeding; (b) a parole or probation Proceeding; (c) a Proceeding under the Sarbanes-Oxley Act; (d) a civil Proceeding involving: (1) a claim that might reasonably be expected to adversely affect Contractor's viability or financial stability; or (2) a governmental or public entity's claim or written allegation of fraud; or (e) a Proceeding involving any license that Contractor is required to possess in order to perform under this Contract.

36. Reserved.

37. State Data. If the Contract Activities includes the hosting of State Data with Contractor or Permitted Subcontractors, Contractor must also comply with **Schedule F – Data Security Requirements** of this Contract

- a. Ownership. The State's data ("**State Data**," which will be treated by Contractor as Confidential Information) includes: (a) the State's data collected, used, processed, stored, or generated as the result of the Contract Activities; (b) personally identifiable information ("**PII**") collected, used, processed, stored, or generated as the result of the Contract Activities, including, without limitation, any information that identifies an individual, such as an individual's social security number or other government-issued identification number, date of birth, address, telephone number, biometric data, mother's maiden name, email address, credit card information, or an individual's name in combination with any other of the elements here listed; and, (c) personal health information ("**PHI**") collected, used, processed, stored, or generated as the result of the Contract Activities, which is defined under the Health Insurance Portability and Accountability Act (HIPAA) and its related rules and regulations. State Data is and will remain the sole and exclusive property of the State and all right, title, and interest in the same is reserved by the State. This Section survives the termination of this Contract.
- b. Contractor Use of State Data. Contractor is provided a limited license to State Data for the sole and exclusive purpose of providing the Contract Activities, including a license to collect, process, store, generate, and display State Data only to the extent necessary in the provision of the Contract Activities. Contractor must: (a) keep and maintain State Data in strict confidence, using such degree of care as is appropriate and consistent with its obligations as further described in this Contract and applicable law to avoid unauthorized access, use, disclosure, or loss; (b) use and disclose State Data solely and exclusively for the purpose of providing the Contract Activities, such use and disclosure being in accordance with this Contract, any applicable Statement of Work, and applicable law; and (c) not use, sell, rent, transfer, distribute, or otherwise disclose or make available State Data for Contractor's own purposes or for the benefit of anyone other than the State without the State's prior written consent. This Section survives the termination of this Contract.
- c. Extraction of State Data. Contractor must, within five (5) business days of the State's request, provide the State, without charge and without any conditions or contingencies whatsoever (including but not limited to the payment of any fees due to Contractor), an extract of the State Data in the format specified by the State.
- d. Backup and Recovery of State Data. Unless otherwise specified in Schedule A, Contractor is responsible for maintaining a backup of State Data and for an orderly and timely recovery of such data. Unless otherwise described in Schedule A, Contractor must maintain a contemporaneous backup of State Data that can be recovered within two (2) hours at any point in time.
- e. Loss or Compromise of Data. In the event of any act, error or omission, negligence, misconduct, or breach on the part of Contractor that compromises or is reasonably suspected to compromise the security, confidentiality, or integrity of State Data or the physical, technical, administrative, or organizational safeguards put in place by Contractor that relate to the protection of the security, confidentiality, or integrity of State Data, Contractor must, as applicable: (a) notify the State as soon as practicable but no later than twenty-four (24) hours of becoming aware of such occurrence; (b) cooperate with the State in investigating the occurrence, including making available all relevant records, logs, files, data reporting, and other materials required to comply with applicable law or as otherwise required by the State; (c) in the case of PII or PHI, at the State's sole election, (i) with approval and assistance from the State, notify the affected individuals who comprise the PII or PHI as soon as practicable but no later than is required to comply with applicable law, or, in the absence of any legally required notification period, within five (5) calendar days of the occurrence; or (ii) reimburse the State for any costs in notifying the affected individuals; (d) in the case of PII, provide third-party credit and identity monitoring services to each of the affected individuals who comprise the PII for the period required to comply with applicable law, or, in the absence of any legally required monitoring services, for no less than twenty-four (24) months following the date of notification to such individuals; (e) perform or take any other actions required to comply with applicable law as a result of the occurrence; (f) pay for any costs associated with the occurrence, including but not limited to any costs incurred by the State in investigating and resolving the occurrence, including reasonable attorney's fees associated with such investigation and resolution; (g) without limiting Contractor's obligations of indemnification as further described in this Contract, indemnify, defend, and hold harmless the State for any and all claims, including reasonable attorneys' fees, costs, and incidental expenses, which may be suffered by, accrued against, charged to, or recoverable from the State in connection with the occurrence; (h) be responsible for recreating lost State Data in the manner and on the schedule set by the State without charge to the State; and (i) provide to the State a detailed plan within ten (10) calendar days of the occurrence describing the measures Contractor will undertake to prevent a future occurrence. Notification to affected individuals, as described above, must comply with applicable law, be written in plain language, not be tangentially used for any solicitation purposes, and contain, at a minimum: name and contact information of Contractor's representative; a description of the nature of the loss; a list of the types of data involved; the known or approximate date of the loss; how such loss may affect the affected individual; what steps Contractor has taken to protect the affected individual; what steps the affected individual can take to protect himself or herself; contact information for major credit card reporting agencies; and, information regarding the credit and

identity monitoring services to be provided by Contractor. The State will have the option to review and approve any notification sent to affected individuals prior to its delivery. Notification to any other party, including but not limited to public media outlets, must be reviewed and approved by the State in writing prior to its dissemination. The parties agree that any damages relating to a breach of this **Section 37** are to be considered direct damages and not consequential damages. This section survives termination or expiration of this Contract.

- f. State's Governance, Risk and Compliance (GRC) platform, if applicable. Contractor will assist the State, at no additional cost, with development, completion and on-going maintenance of a system security plan (SSP) using the State's automated governance, risk and compliance (GRC) platform, which requires Contractor to submit evidence, upon request from the State, in order to validate Contractor's security controls within two weeks of the State's request. On an annual basis, or as otherwise required by the State such as for significant changes, re-assessment of the system's controls will be required to receive and maintain authority to operate (ATO). All identified risks from the SSP will be remediated through a Plan of Action and Milestones (POAM) process with remediation time frames based on the risk level of the identified risk. For all findings associated with the Contractor's Solution, at no additional cost, Contractor will be required to create or assist with the creation of State approved POAMs and perform related remediation activities. The State will make any decisions on acceptable risk, Contractor may request risk acceptance, supported by compensating controls, however only the State may formally accept risk. Failure to comply with this section will be deemed a material breach of the Contract.
- g. Reserved.

38. Non-Disclosure of Confidential Information. The parties acknowledge that each party may be exposed to or acquire communication or data of the other party that is confidential, privileged communication not intended to be disclosed to third parties. The provisions of this Section survive the termination of this Contract.

- a. Meaning of Confidential Information. For the purposes of this Contract, the term "**Confidential Information**" means all information and documentation of a party that: (a) has been marked "confidential" or with words of similar meaning, at the time of disclosure by such party; (b) if disclosed orally or not marked "confidential" or with words of similar meaning, was subsequently summarized in writing by the disclosing party and marked "confidential" or with words of similar meaning; and, (c) should reasonably be recognized as confidential information of the disclosing party. The term "Confidential Information" does not include any information or documentation that was: (a) subject to disclosure under the Michigan Freedom of Information Act (FOIA); (b) already in the possession of the receiving party without an obligation of confidentiality; (c) developed independently by the receiving party, as demonstrated by the receiving party, without violating the disclosing party's proprietary rights; (d) obtained from a source other than the disclosing party without an obligation of confidentiality; or, (e) publicly available when received, or thereafter became publicly available (other than through any unauthorized disclosure by, through, or on behalf of, the receiving party). For purposes of this Contract, in all cases and for all matters, State Data is deemed to be Confidential Information.
- b. Obligation of Confidentiality. The parties agree to hold all Confidential Information in strict confidence and not to copy, reproduce, sell, transfer, or otherwise dispose of, give or disclose such Confidential Information to third parties other than employees, agents, or subcontractors of a party who have a need to know in connection with this Contract or to use such Confidential Information for any purposes whatsoever other than the performance of this Contract. The parties agree to advise and require their respective employees, agents, and subcontractors of their obligations to keep all Confidential Information confidential. Disclosure to 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 responsibilities; 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 or any subcontractor may be required to execute a separate agreement to be bound by the provisions of this Section.
- c. Cooperation to Prevent Disclosure of Confidential Information. Each party must use its best efforts to assist the other party in identifying and preventing any unauthorized use or disclosure of any Confidential Information. Without limiting the foregoing, each party must advise the other party immediately in the event either party learns or has reason to believe that any person who has had access to Confidential Information has violated or intends to violate the terms of this Contract and each party will cooperate with the other party in seeking injunctive or other equitable relief against any such person.
- d. Remedies for Breach of Obligation of Confidentiality. Each party acknowledges that breach of its obligation of confidentiality may give rise to irreparable injury to the other party, which damage may be inadequately compensable in the form of monetary damages. Accordingly, a party may seek and obtain injunctive relief

against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies which may be available, to include, in the case of the State, at the sole election of the State, the immediate termination, without liability to the State, of this Contract or any Statement of Work corresponding to the breach or threatened breach.

- e. Surrender of Confidential Information upon Termination. Upon termination of this Contract or a Statement of Work, in whole or in part, each party must within ten (10) calendar days from the date of termination return to the other party any and all Confidential Information received from the other party, or created or received by a party on behalf of the other party, which are in such party's possession, custody, or control; provided, however, that Contractor must return State Data to the State following the timeframe and procedure described further in this Contract. Should Contractor or the State determine that the return of any Confidential Information is not feasible, such party must destroy the Confidential Information and must certify the same in writing within 5 calendar days from the date of termination to the other party. However, the State's legal ability to destroy Contractor data may be restricted by its retention and disposal schedule, in which case Contractor's Confidential Information will be destroyed after the retention period expires.

39. Data Privacy and Information Security.

- a. Undertaking by Contractor. Without limiting Contractor's obligation of confidentiality as further described, Contractor is responsible for establishing and maintaining a data privacy and information security program, including physical, technical, administrative, and organizational safeguards, that is designed to: (a) ensure the security and confidentiality of the State Data; (b) protect against any anticipated threats or hazards to the security or integrity of the State Data; (c) protect against unauthorized disclosure, access to, or use of the State Data; (d) ensure the proper disposal of State Data; and (e) ensure that all employees, agents, and subcontractors of Contractor, if any, comply with all of the foregoing. In no case will the safeguards of Contractor's data privacy and information security program be less stringent than the safeguards used by the State, and Contractor must at all times comply with all applicable State IT policies and standards, which are available to Contractor upon request.
- b. Audit by Contractor. No less than annually, Contractor must conduct a comprehensive independent third-party audit of its data privacy and information security program and provide such audit findings to the State.
- c. Right of Audit by the State. Without limiting any other audit rights of the State, the State has the right to review Contractor's data privacy and information security program prior to the commencement of Contract Activities and from time to time during the term of this Contract. During the providing of the Contract Activities, on an ongoing basis from time to time and without notice, the State, at its own expense, is entitled to perform, or to have performed, an on-site audit of Contractor's data privacy and information security program. In lieu of an on-site audit, upon request by the State, Contractor agrees to complete, within 45 calendar days of receipt, an audit questionnaire provided by the State regarding Contractor's data privacy and information security program.
- d. Audit Findings. Contractor must implement any required safeguards as identified by the State or by any audit of Contractor's data privacy and information security program.
- e. State's Right to Termination for Deficiencies. The State reserves the right, at its sole election, to immediately terminate this Contract or a Statement of Work without limitation and without liability if the State determines that Contractor fails or has failed to meet its obligations under this Section.

40. Reserved.

41. Reserved.

- 42. Records Maintenance, Inspection, Examination, and Audit.** The State or its designee may audit Contractor to verify compliance with this Contract. Contractor must retain and provide to the State or its designee and the auditor general upon request, all financial and accounting records related to the Contract through the term of the Contract and for 4 years after the latter of termination, expiration, or final payment under this Contract or any extension ("**Audit Period**"). If an audit, litigation, or other action involving the records is initiated before the end of the Audit Period, Contractor must retain the records until all issues are resolved.

Within 10 calendar days of providing notice, the State and its authorized representatives or designees have the right to enter and inspect Contractor's premises or any other places where Contract Activities are being performed, and examine, copy, and audit all records related to this Contract. Contractor must cooperate and provide reasonable

assistance. If any financial errors are revealed, the amount in error must be reflected as a credit or debit on subsequent invoices until the amount is paid or refunded. Any remaining balance at the end of the Contract must be paid or refunded within 45 calendar days.

This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.

- 43. Warranties and Representations.** Contractor represents and warrants: (a) Contractor is the owner or licensee of any Contract Activities that it licenses, sells, or develops and Contractor has the rights necessary to convey title, ownership rights, or licensed use; (b) Contractor will perform the Contract Activities in a timely, professional, safe, and workmanlike manner consistent with standards in the trade, profession, or industry; (c) Contractor will meet or exceed the performance and operational standards, and specifications of the Contract; (d) Contractor will provide all Contract Activities in good quality, with no material defects; (e) Contractor will not interfere with the State's operations; (f) all Contract Activities are delivered free from any security interest, lien, or encumbrance and will continue in that respect; (g) the Contract Activities will not infringe the patent, trademark, copyright, trade secret, or other proprietary rights of any third party; (h) Contractor must assign or otherwise transfer to the State or its designee any manufacturer's warranty for the Contract Activities; (i) the Contract Activities are merchantable and fit for the specific purposes identified in the Contract; (j) the Contract signatory has the authority to enter into this Contract; (k) all information furnished by Contractor in connection with the Contract fairly and accurately represents Contractor's business, properties, finances, and operations as of the dates covered by the information, and Contractor will inform the State of any material adverse changes; (l) all information furnished and representations made in connection with the award of this Contract is true, accurate, and complete, and contains no false statements or omits any fact that would make the information misleading; and that (m) Contractor is neither currently engaged in nor will engage in the boycott of a person based in or doing business with a strategic partner as described in 22 USC 8601 to 8606. A breach of this Section is considered a material breach of this Contract, which entitles the State to terminate this Contract under **Section 28**, Termination for Cause. If Contract Activities includes purchase, use, or access to software, Contractor must agree to additional Warranties and Representations found in **Schedules B** or **D** of this Contract, as applicable.
- 44. Conflicts and Ethics.** Contractor will uphold high ethical standards and is prohibited from: (a) holding or acquiring an interest that would conflict with this Contract; (b) doing anything that creates an appearance of impropriety with respect to the award or performance of the Contract; (c) attempting to influence or appearing to influence any State employee by the direct or indirect offer of anything of value; or (d) paying or agreeing to pay any person, other than employees and consultants working for Contractor, any consideration contingent upon the award of the Contract. Contractor must immediately notify the State of any violation or potential violation of these standards. This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.
- 45. Compliance with Laws.** Contractor must comply with all federal, state and local laws, rules and regulations.
- 46. Accessibility Requirements.**
- a. All Software provided by Contractor under this Contract, including associated content and documentation, must conform to WCAG 2.0 Level AA. Contractor must provide a description of conformance with WCAG 2.0 Level AA specifications by providing a completed PAT for each product provided under the Contract. At a minimum, Contractor must comply with the WCAG 2.0 Level AA conformance claims it made to the State, including the level of conformance provided in any PAT. Throughout the Term of the Contract, Contractor must:
 - i. maintain compliance with WCAG 2.0 Level AA and meet or exceed the level of conformance provided in its written materials, including the level of conformance provided in each PAT;
 - ii. comply with plans and timelines approved by the State to achieve conformance in the event of any deficiencies;
 - iii. ensure that no Maintenance Release, New Version, update or patch, when properly installed in accordance with this Contract, will have any adverse effect on the conformance of Contractor's Software to WCAG 2.0 Level AA;
 - iv. promptly respond to and resolve any complaint the State receives regarding accessibility of Contractor's Software;
 - v. upon the State's written request, provide evidence of compliance with this Section by delivering to the State Contractor's most current PAT for each product provided under the Contract; and
 - vi. participate in the State of Michigan Digital Standards Review described below.

- b. State of Michigan Digital Standards Review. Contractor must assist the State, at no additional cost, with development, completion, and on-going maintenance of an accessibility plan, which requires Contractor, upon request from the State, to submit evidence to the State to validate Contractor's accessibility and compliance with WCAG 2.0 Level AA. Prior to the solution going-live and thereafter on an annual basis, or as otherwise required by the State, re-assessment of accessibility may be required. At no additional cost, Contractor must remediate all issues identified from any assessment of accessibility pursuant to plans and timelines that are approved in writing by the State.
- c. Warranty. Contractor warrants that all WCAG 2.0 Level AA conformance claims made by Contractor pursuant to this Contract, including all information provided in any PAT Contractor provides to the State, are true and correct. If the State determines such conformance claims provided by the Contractor represent a higher level of conformance than what is actually provided to the State, Contractor will, at its sole cost and expense, promptly remediate its Software to align with Contractor's stated WCAG 2.0 Level AA conformance claims in accordance with plans and timelines that are approved in writing by the State. If Contractor is unable to resolve such issues in a manner acceptable to the State, in addition to all other remedies available to the State, the State may terminate this Contract for cause under **Section 28**.
- d. Contractor must, without limiting Contractor's obligations of indemnification as further described in this Contract, indemnify, defend, and hold harmless the State for any and all claims, including reasonable attorneys' fees, costs, and incidental expenses, which may be suffered by, accrued against, charged to, or recoverable from the State arising out of its failure to comply with the foregoing accessibility standards
- e. Failure to comply with the requirements in this Section shall constitute a material breach of this Contract.

47. Reserved.

48. Reserved.

49. Reserved.

50. Nondiscrimination. Under the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, and [Executive Directive 2019-09](#). Contractor and its subcontractors agree not to discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment, or a matter directly or indirectly related to employment, because of race, color, religion, national origin, age, sex (as defined in Executive Directive 2019-09), height, weight, marital status, partisan considerations, any mental or physical disability, or genetic information that is unrelated to the person's ability to perform the duties of a particular job or position. Breach of this covenant is a material breach of this Contract.

51. Unfair Labor Practice. Under MCL 423.324, the State may void any Contract with a Contractor or subcontractor who appears on the Unfair Labor Practice register compiled under MCL 423.322.

52. Governing Law. This Contract is governed, construed, and enforced in accordance with Michigan law, excluding choice-of-law principles, and all claims relating to or arising out of this Contract are governed by Michigan law, excluding choice-of-law principles. Any dispute arising from this Contract must be resolved in Michigan Court of Claims. Contractor consents to venue in Ingham County, and waives any objections, such as lack of personal jurisdiction or *forum non conveniens*. Contractor must appoint agents in Michigan to receive service of process.

53. Non-Exclusivity. Nothing contained in this Contract is intended nor will be construed as creating any requirements contract with Contractor. This Contract does not restrict the State or its agencies from acquiring similar, equal, or like Contract Activities from other sources.

54. Force Majeure. Neither party will be in breach of this Contract because of any failure arising from any disaster or acts of god that are beyond their control and without their fault or negligence. Each party will use commercially reasonable efforts to resume performance. Contractor will not be relieved of a breach or delay caused by its subcontractors. If immediate performance is necessary to ensure public health and safety, the State may immediately contract with a third party.

55. Dispute Resolution. The parties will endeavor to resolve any Contract dispute in accordance with this provision. The dispute will be referred to the parties' respective Contract Administrators or Program Managers. Such referral must

include a description of the issues and all supporting documentation. The parties must submit the dispute to a senior executive if unable to resolve the dispute within 15 business days. The parties will continue performing while a dispute is being resolved, unless the dispute precludes performance. A dispute involving payment does not preclude performance.

Litigation to resolve the dispute will not be instituted until after the dispute has been elevated to the parties' senior executive and either concludes that resolution is unlikely or fails to respond within 15 business days. The parties are not prohibited from instituting formal proceedings: (a) to avoid the expiration of statute of limitations period; (b) to preserve a superior position with respect to creditors; or (c) where a party makes a determination that a temporary restraining order or other injunctive relief is the only adequate remedy. This Section does not limit the State's right to terminate the Contract.

- 56. Media Releases.** News releases (including promotional literature and commercial advertisements) pertaining to the Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions of the State.
- 57. Website Incorporation.** The State is not bound by any content on Contractor's website unless expressly incorporated directly into this Contract.
- 58. Schedules.** All Schedules and Exhibits that are referenced herein and attached hereto are hereby incorporated by reference. The following Schedules are attached hereto and incorporated herein:

Schedule A	Statement of Work
Schedule B	Pricing and Fees
Schedule C (as applicable)	Reserved
Schedule D (as applicable)	Reserved
Schedule E (as applicable)	Contractor Hosted Software and Services
Exhibit 1 to Schedule E (as applicable)	Support Services and Service Level Agreement for Hosted Services
Schedule F (as applicable)	Data Security Requirements
Exhibit 1 to Schedule F (as applicable)	Contractor's Disaster Recovery Plan
Schedule G (as applicable)	Reserved
Schedule H (as applicable)	Safeguard Requirements of Confidential Tax Data
Schedule I (as applicable)	Reserved
Appendix D	FFELP DATA ELEMENTS FOR ON-LINE ACCESS
Appendix E	MI-LOAN DATA ELEMENTS/FIELDS FOR ON-LINE ACCESS
Appendix F	MI-LOAN PROGRAM ADMINISTRATIVE RULES
Appendix G	MI-LOAN PROCESSING MANUAL

- 59. Entire Agreement and Order of Precedence.** This Contract, which includes Schedule A – Statement of Work, and schedules and exhibits which are hereby expressly incorporated, is the entire agreement of the parties related to the

Contract Activities. This Contract supersedes and replaces all previous understandings and agreements between the parties for the Contract Activities. If there is a conflict between documents, the order of precedence is: (a) first, this Contract, excluding its schedules, exhibits, and Schedule A – Statement of Work; (b) second, Schedule A – Statement of Work as of the Effective Date; and (c) third, schedules expressly incorporated into this Contract as of the Effective Date. NO TERMS ON CONTRACTOR'S INVOICES, ORDERING DOCUMENTS, WEBSITE, BROWSE-WRAP, SHRINK-WRAP, CLICK-WRAP, CLICK-THROUGH OR OTHER NON-NEGOTIATED TERMS AND CONDITIONS PROVIDED WITH ANY OF THE CONTRACT ACTIVITIES WILL CONSTITUTE A PART OR AMENDMENT OF THIS CONTRACT OR IS BINDING ON THE STATE OR ITS AUTHORIZED USERS FOR ANY PURPOSE. ALL SUCH OTHER TERMS AND CONDITIONS HAVE NO FORCE AND EFFECT AND ARE DEEMED REJECTED BY THE STATE, EVEN IF ACCESS TO OR USE OF THE CONTRACT ACTIVITIES REQUIRES AFFIRMATIVE ACCEPTANCE OF SUCH TERMS AND CONDITIONS.

- 60. Severability.** If any part of this Contract is held invalid or unenforceable, by any court of competent jurisdiction, that part will be deemed deleted from this Contract and the severed part will be replaced by agreed upon language that achieves the same or similar objectives. The remaining Contract will continue in full force and effect.
- 61. Waiver.** Failure to enforce any provision of this Contract will not constitute a waiver.
- 62. Survival.** The provisions of this Contract that impose continuing obligations, including warranties and representations, termination, transition, insurance coverage, indemnification, and confidentiality, will survive the expiration or termination of this Contract.

SCHEDULE A STATEMENT OF WORK CONTRACT ACTIVITIES

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, now Michigan Finance Authority (MFA), 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 MFA administers the following two programs:

- Michigan Direct Student Loan Program (MDSLP)
- Michigan Alternative Student Loan (MI-LOAN) Program

Michigan Direct Student Loan Program

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

FFELP includes the following individual loan programs:

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

As of March 2019, MFA's outstanding portfolio for the MDSLP was over \$402 Million and involved more than 96,000 loans.

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 March 2019, the outstanding MI-LOAN Program portfolio was over \$114 million and involved more than - 15,000 loans.

The work statement for the Federal Family Education Loan Program (FFELP) is section 1.1.A.

The work statement for the Michigan Alternative Student Loan (MI-LOAN) Program is section 1.1.B.

Due to potential changes in servicing, some previous tasks are now listed as "Optional". Optional services must be mutually agreed upon by the Contractor and the State. Each optional service will be added through a Statement of Work and subsequent Change Notice; pricing will be determined with each issuance.

SCOPE

The Contractor shall service FFELP and/or MI-LOAN student loans according to the requirements of this contract. All references to the Common Manual will mean most recent version of as produced by the Department of Education.

1. General Requirements

1.1. Work and Deliverables

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

1. TASK 1 - SERVICING SYSTEMS

a. General

The servicer must service MFA's portfolio in accordance with applicable federal and state laws and regulations, guarantor requirements, and Program Manager (PM) or designee's direction throughout the duration of the contract, and ensure that the procedures and servicing systems used to service MFA'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 PM or designee.

b. Hardware/Software to be Used by MFA

The servicer will provide an interface between MFA and the servicer's servicing system using the State's existing hardware (See Schedule A Section 1.6). 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 Schedule A Section 1.6, , and Schedule F. All hardware, software and other materials needed to allow MFA 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 (Schedule B).

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

The servicer must respond within 2 business hours of PM 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 PM or designee to coordinate installation of hardware/software with the Michigan Department of Technology, Management, and Budget (DTMB).

c. Servicer System Access

The servicer will provide MFA with real-time access to the servicing system for inquiries. Information access must be available by either the Social Security number or 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 MFA regarding borrowers through a method that is mutually acceptable to the PM 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, MFA requires access to those data elements MFA considers critical. A list is provided in Appendix D. The servicer will determine the format for display purposes. MFA reserves the right to add data elements to this list as requested by the PM or designee. The servicer may bill MFA for development of new data elements at the system changes fee specified in the pricing sheets (Schedule 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 PM 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 MFA program requirements. Because the servicer is responsible for compliance to federal and state statute and regulations, guarantor requirements, and PM or designee's direction, the servicer will be financially liable should such modifications fail to comply with requirements of the contract.

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 PM 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 PM 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 PM or designee in the form of a SOC 1 Type 2 report.

Please provide the security control information required in Schedule F.

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 MFA 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 MFA) 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 MFA's portfolio in the event of a disaster. Backup processing/facilities must be operational within 72 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 PM 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.

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 MFA.

m. Multiple Guarantors

MFA 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). 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.

MFA 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, MFA will discuss the potential purchase and servicing of the loans with the servicer.

In bid response, provide a list of guarantors for which the servicer will not support MFA and State Secondary Market operations.

2. 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 MFA's portfolios are serviced in accordance with federal and state statute, regulations, procedures and/or reporting requirements must be implemented by the servicer, provided, however, that all reasonable costs incurred in implementing such changes shall be passed through to MFA, and all per borrower fees associated with such changes shall be paid by the State. When these mandatory changes are initiated, the servicer is responsible to identify and advise the PM or designee when and how they are in compliance.

c. Guaranty Agency Changes

Mandatory changes to the servicer's system necessary to ensure MFA'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 MFA and will not be used for other lenders being serviced by the servicer, the MFA will reimburse the servicer for costs associated with the changes at the rate for system changes identified on the pricing sheets (Schedule B). If the required changes will be used to service multiple lenders being serviced by the servicer, MFA 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 (Schedule B). MFA's portion of the costs shall be determined based on a ratio of the volume of MFA's portfolio to the volume of all affected lenders' portfolios. If another method is used to calculate the MFA's portion, the method must be approved in writing by the PM or designee.

d. MFA Requested Changes

If MFA requests the servicer to perform software maintenance and enhancements, the servicer may bill MFA at the System Changes fee (See Schedule B) for such enhancements, unless those enhancements are necessary to meet contract requirements.

The procedure to be followed is described below:

- (1) The PM or designee will identify the requested changes.
- (2) Within 30 days of the PM or designee's request, the servicer will provide an itemized estimate of the costs to the PM or designee and the timetable for implementation.
- (3) If acceptable, the PM or designee will approve the requested changes and associated costs, in writing, and instruct the servicer to proceed.
- (4) If not acceptable, the PM or designee will discuss the servicer's estimate with the servicer to determine what alterations may be made that would allow approval by the PM or designee. Upon reaching agreement, the PM 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 (Schedule B). MFA's portion of the costs shall be determined based on a ratio of the volume of MFA's portfolio to the volume of all affected lenders' portfolios or other method accepted in writing by the PM or designee.

e. Payment of MFA Requested Changes

On the pricing sheets (Schedule 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 PM or designee and the servicer's completion of the change, the servicer will bill the MFA for the entire amount of the change via its regular monthly invoice. However, the invoice must clearly relate the charge to the PM or designee's authorization and cannot exceed the estimate as previously identified by the servicer and as approved by the PM or designee. If the requested change will take several months to complete, the servicer may contact the PM or designee to discuss other payment arrangements. Any alternate payment arrangements must be approved in writing by the PM or designee.

f. Guaranty Services

There may be instances when guarantors offer optional services to lenders for a fee that MFA wishes to receive or desires to provide to lenders participating with the State Secondary Market. In such instances, the PM or designee will request the servicer to obtain these services from the guarantor and MFA 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 1.1.A.2.d (Software Maintenance and Enhancement, MHELSA Requested Changes) will be followed.

3. 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. MFA does recognize there will be individual borrower instances when adherence to a particular time frame will not be possible. However, MFA will only tolerate this on an exception basis.

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

MFA borrowers or potential borrowers asking for Title IV information involving and referencing MFA 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 PM or designee's direction. The servicer must adhere to all instructions received from the PM or designee with regard to MFA'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 PM 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 PM or designee's direction, the servicer is responsible to notify the PM or designee when and how they are in compliance with required changes. Unless the servicer determines direction provided by the PM or designee is not in compliance with federal and state statute and regulations, and guarantor requirements, the servicer must comply with PM or designee direction. Any instructions that are received from the PM 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

MFA 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.

MFA's current borrower benefit initiatives include:

- (1) Electronic Payment Savings - Electronic Payment Savings may provide an interest rate reduction to borrowers if their payments are made through an electronic method.
- (2) 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.
- (3) 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 (0%) 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.

Detailed specifications regarding the initiatives currently offered by MFA will be provided to the servicer by the PM or designee.

The servicer must provide the resources necessary to support MFA 's current and future borrower benefit initiatives. This includes, but is not limited to, MFA access to view the borrower's status for each initiative on-line and tracking/status reports (Management Loan Servicing Report 17 – Borrower Benefits Report) for the initiatives. The servicer must also be able to discontinue any implemented initiatives within 30 days of the PM or designee's written request to do so. All borrower benefit initiatives must go through the Servicer's intake process and would then follow through the process outlined in Task 2d.

d. History

The servicer's system must record all transaction or system-generated communication 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 MFA. To ensure the integrity of MFA's records, the servicer's system must not allow history entries for MFA'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, which must be identified by separate codes (Section 1.1.A.12.b - Loan Servicing Financial and Management Report Requirements, Funding Source Listing). 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 MFA's use.

The PM 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.

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, in-school and/or grace, repayment, forbearance, deferment, delinquency, and claim/default. These codes must be viewable to MFA. The PM or designee will provide in writing any additional statuses, if needed. Additional status code requests must go through the Servicer's intake process and would then follow through the process outlined in Task 2d.

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, borrower benefits, repayment terms, and deferment or forbearance options available.

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

Staff that performs borrower outreach 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.

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. (ET) are answered without obstruction or delay. Upon written request by the PM 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 if possible, but no later than the next day. If the servicer is unsuccessful in reaching the caller, the servicer must respond to the caller, in writing, within five (5) days of the initial call.

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

The servicer must provide internet help via the servicer's web site. This may include, but 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) business days of the servicer's receipt.

j. 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 times specified in this Section below. A copy of the correspondence/document received and the servicer's response, if applicable, must be maintained.

Borrower correspondence must be processed within ten (10) business days of the request.

Borrower deferment forms must be processed within five (5) business days of the request.

Borrower forbearance forms must be processed within five (5) business days of the request.

Borrower requests for forms must be processed within five (5) business 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, MFA.

l. 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:

- (1) Borrower's name
- (2) Borrower's identifying number
- (3) Loan/Promissory note number
- (4) Bond funding source identifier
- (5) 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.

m. Borrower Notifications/Mailings

The servicer must in a commercially reasonable timeframe mail required notices, disclosures, monthly statements, etc. to borrowers.

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

n. 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 reasonably required by the guarantor. The servicer must be able to provide proof that the data was provided to the guarantor, if requested by the PM or designee.

o. MFA and/or Guaranty Agency Requests

If PM or designee and/or the guaranty agency request information from the servicer, or request the servicer to take specific action, the requests must go through the Servicer's intake process and the Servicer would then take commercially reasonable efforts to process such requests within five (5) business days and in accordance with the Servicer's Corporate Standards. 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 PM or designee, or if not available, any MFA manager within a commercially reasonable time 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 MFA.

Legislative – Notify the PM or designee, or if not available, any MFA manager within a commercially reasonable timeframe 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 a commercially reasonable timeframe, or in any event within forty-eight (48) hours after receipt of the inquiry, the servicer must provide proposed responses to the PM or designee for approval. Within a commercially reasonable timeframe, or in any event within forty-eight (48) of receiving written approval from the PM or designee, the servicer must provide the approved response to the party making the inquiry.

q. 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 PM 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 PM 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 PM or designee. Provide format of copied documents in this task response.

Materials containing confidential information must be discarded in a manner which maintains the confidentiality and integrity of the data. (See Schedule F).

r. Facsimile and E-mail Capabilities

The servicer must have facsimile and e-mail capabilities to enable MFA, guarantors, schools and borrowers to promptly 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 (Schedule F).

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.

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 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.

t. 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.

u. Good and Bad Address Flag

The servicer must have a method viewable on the servicer's system to identify for MFA if the borrower's demographic information is accurate or inaccurate.

v. Forms and Materials

The servicer shall be responsible for the cost of printing and distribution of forms and materials sent to borrowers, which are necessary to comply with applicable federal and state law or regulation. Any forms and materials outside of those required by applicable federal and/or state law or regulation that are requested by MFA will go through the Servicer's intake process and would then follow through the process outlined in Task 2d.

w. Overnight Delivery of Mail

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

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; provided, however, that servicer shall be compensated at servicer's then-current hourly rate for the provision of such services. Such services will be provided at the request of the PM or designee and may require the servicer's appearance in court, at hearings, or at any other circumstances deemed as necessary by the PM or designee. Travel

costs incurred by the servicer will be reimbursed by the MFA 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.

z. Training

The servicer is responsible, at no additional charge to MFA, to train MFA thoroughly in the use of its systems and an understanding of the servicer's operational procedures. If deemed necessary by the PM or designee, training must be provided at MFA'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 PM or designee desires training for subsequent non-State requested modifications/ enhancements to be at MFA'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.

aa. Enhancements

MFA is interested in enhancements that will allow MFA to provide improved or increased service to its borrowers, as well as to facilitate MFA '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 MFA '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. Enhancement requests from MFA would go through the Servicer's intake process and would then follow through the process outlined in Task 2d.

bb. Interface to State of Michigan Systems

MFA 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 1.1.A.2.d (Software Maintenance and Enhancement, MHELSA Requested Changes). Enhancement requests from MFA would go through the Servicer's intake process and would then follow through the process outlined in Task 2d.

cc. Privacy Notices

The servicer must provide all required privacy notices to MFA'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 (Schedule B).

4. TASK 4 – CONVERSION TO SERVICER

In the event the Contractor is no longer able to fulfill the requirements of this contract, the Contractor is to assist with the replacement vendor, including conversion activities.

5. TASK 6 - LOAN SERVICING: GENERAL LOAN SERVICING

a. General

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

b. 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 1.1.A.6. – Loan Servicing: Repayment, Due Diligence).

c. 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.

d. 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 and the Servicer will follow the Common Manual as it relates to repurchases and recalls in a post claim payment scenario.

6. 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 whenever possible.

c. Monthly Borrower Billing

The servicer has the option of billing the borrower based on borrower preference, by utilizing a paper monthly billing statement or electronic statements. Regardless of the option chosen, the servicer must provide the monthly statement to the borrower approximately 21 days prior to the first payment due date. If monthly statements are used, subsequent statements must be mailed/sent approximately 21 days prior to the next payment due date. Should a duplicate statement be required, the servicer will issue duplicates at no cost to MFA.

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 commonly accepted industry standard methods of payment as approved

by the PM or designee. All loan payment methods provided by the servicer are to be at no charge to the borrower or MFA.

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 MFA's borrowers.

g. Due Diligence

The servicer as directed in the Common Manual will provide its borrower outreach notices and letters (including the final demand letter) to the PM or designee. 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 MFA acquires loans held by a guarantor who does not provide this service and the servicer is notified of such discontinuance or acquisition, the servicer will be responsible for notifying schools of delinquent accounts per federal regulations on behalf of MFA.

j. Specialized Borrower Outreach

MFA reserves the right to require the servicer to provide for specialized borrower outreach efforts. The PM 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 borrower outreach services are to be provided.

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

k. Deferment and Post-Deferment Grace Accumulators

The servicer is required to maintain a history of all deferments that were processed on a customer's account. The history will provide the dates of the deferment as well as the number of months and days used per occurrence. Time limited forbearances must be reviewed prior to processing to ensure the customer does not exceed the maximum time allowed.

l. Deferment Documentation

The borrower must be notified in writing of the approval or denial and if appropriate, the reason for the denial.

m. Discretionary Forbearance

The servicer will promote use of discretionary forbearance to help cure delinquent loans. MFA'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 MFA for approval of any additional discretionary forbearance. MFA reserves the right to change this policy via a contract change notice.

n. Forbearance Accumulators

The servicer is required to maintain a history of all forbearances that were processed on a customer's account. The history will provide the dates of the forbearance as well as the number of months and days used per occurrence. Time limited forbearances must be reviewed prior to processing to ensure the customer does not exceed the maximum time allowed.

o. Forbearance Form

If a federal form is not required, the servicer's form must be approved by the PM 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. 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.

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 MFA'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 MFA's loans to the credit bureau(s). 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

Borrowers must authorize MFA to release credit information regarding their loans. Most credit inquiries request the borrower's beginning account balance and date that the accounts 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 MFA within five (5) business days of the servicer's receipt of the inquiry.

7. **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.

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 PM 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. 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 PM or designee for 3 business days before proceeding with the adjustment.

d. Incomplete Claims

If the guaranty agency returns the claim package because it is incomplete, the Servicer must attempt to locate the missing documents within the established Common Manual timeframes and contact the PM 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..

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 provide the PM or designee a daily listing of those accounts. The item(s) received must be applied to all applicable loans within ten (10) business 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. 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 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 ensure that the full claim payment is received. Servicer's reports will provide reasonably detailed information about claim accounts.

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

a. General

This task refers to loans which the servicer and/or MFA 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 PM 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 PM 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 PM or designee (See Management Loan Servicing Report 11 – Loss of Guarantee Report).

c. MFA Billing

The servicer may bill a cure fee as identified in the pricing sheet (Schedule B) for cures successfully completed in accordance with this task. The servicer may not charge MFA 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 based upon the guidelines set forth within the Common Manual. The servicer has a maximum of twelve (12) months from the violation notification or awareness date to correct the violation. MFA 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 MFA at the end of the allowed cure period. 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 MFA. Situations requiring reimbursement to MFA include, but are not limited to, those described below:

- (1) Violations, not cured within MFA's specified time period as mentioned above, that would result in a denied claim if filed with the guaranty agency.
- (2) Denied claim that is not cured within MFA's specified time period as mentioned above.
- (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 MFA 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 MFA and which was lost as a result of the violation(s). The servicer must compensate MFA 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 MFA, MFA 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 MFA assigns the promissory note to the servicer's lender in accordance with this task, the servicer must, within three (3) business days of receipt of the assigned note, delete the loan from MFA's portfolio.

9. 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

Payments shall be promptly processed and posted to borrower accounts and the associated funds shall be transferred, as applicable, by ACH or wire transfer within two (2) Business Days of receipt by servicer. Notwithstanding the foregoing, with respect to the processing of 'exception' payments, such as payments with special instructions or payments without proper identification, such payments shall be processed within five (5) Business Days of receipt by servicer.

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 MFA'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 within two (2) Business Days of receipt by the Servicer. Notwithstanding the foregoing, with respect to the processing of "exception" payments, such as payments with special instructions or payments without proper identification, such payments shall be processed within five (5) Business Days of receipt by the Servicer. The effective date of the payment must be the date the servicer, incumbent servicer, or the State received the payment.

e. Payments and Refunds Received by the State

The servicer will devise and make available a transmittal form which MFA 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) business days of receipt of MFA's transmittal.

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

f. Late Charges and Collection Costs

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

g. 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) business 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 request replacement of the payment.

h. Overpayments of \$1 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.

i. Account Balances of \$25 or Less

With MFA approval, the servicer is to 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.

j. Claim Payments

Currently, the Michigan Guaranty Agency (MGA) sends claim payments to MFA and MFA 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, MFA reserves the right to change this procedure and notice will be provided via a contract change notice. 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 PM or designee of all requests for supplemental claim payment and amounts written off. All over/under payments must be reported to the PM or designee.

k. 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.

10. 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 MFA.

c. Processing Time

The servicer must hold any paid-in-full action for 26 days to ensure that the check is accepted for payment. After the 26-day period has expired, the servicer must process the loan as a paid-in-full within 15 days.

d. Paid in Full Notification

The Servicer notifies the borrower that their loan is paid in full via a letter 45 days after the payment is applied. The borrower can request a copy of the promissory note.

11. TASK 13 - LOAN SERVICING: REPURCHASES

a. General

Repurchases refer to loans which MFA 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 MFA.

b. Default Repurchases

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

c. Rehabilitation Repurchases

MFA 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 MFA.

f. Funding Source

The PM 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 MFA to repurchase the loan(s) and has received the correct principal and interest amounts from the guaranty agency, the servicer will notify the PM or designee of the borrowers name(s), loan(s), social security number(s), and the payoff amount(s) involved. Upon receipt of this information, MFA will reimburse the guaranty agency for the loan(s).

12. TASK 14 - LOAN SERVICING: FINANCIAL AND MANAGEMENT REPORT REQUIREMENTS

a. General

The servicer shall provide MFA financial reports (See Section 1.042) which MFA will use to account for its loan portfolio. 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 PM or designee mutually agree are necessary to reconcile servicer and MFA accounting records at no additional cost to MFA.

The servicer will also provide MFA with management reports necessary to monitor the servicer's performance in administering MFA 's portfolio in accordance with this contract. The management reports required are identified in Section 1.1.A.12g.

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

b. Funding Source Listing

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

Fund Source

Series 22-B (Bond ID 507, 509, 411, 512, 414, 516, 425, and 520)

Series 26 2015-1 (Bond ID 726)

Series 27 2016-1 (Bond ID 701, 473, 475, 576, 478, and 479)

Operating (Bond ID 500)

As specified, report data must be broken down and identified by funding source.

Although the same code may be used for both Subsidized and Unsubsidized Federal Stafford Loans, some reports 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 MFA, such as e-mail, the Internet, or computer disk that would allow for electronic storage and would work with the servicer to accomplish this. However, if an electronic method is not possible, MFA will accept reports on paper.

d. Timeliness

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

e. Report Formats

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

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 PM or designee: servicer's name, "MFA", 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 MFA requires a change to the format or content of one or more of MFA's reports. In these situations, the servicer must accommodate MFA's needs. The PM or designee will provide written notification to the servicer of required changes.

f. Ad Hoc Reports

There will be times when the PM 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 MFA's borrowers are attending or by MFA. In these situations, the servicer must accommodate MFA's needs. The PM 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 MFA for these reports at the price identified on the pricing sheets (See Schedule B).

The servicer is required to provide MFA with the ability to create and print out customized reports at MFA's site using the loan data from the servicer's system. Materials, including software (in accordance with Schedule A Section 1.6 and Schedule F), necessary to accomplish this along with training, if necessary, must be provided by the servicer at no additional cost to MFA. This will allow MFA to create one-time reports at will, without servicer involvement, when specific information or statistical data is needed. If report or data access via the servicer's site is not accessible or readable by MFA, the servicer must provide the reports to MFA at no cost, upon the PM or designee's request.

g. Reports Confirm the reports and what is needed.

Different types of reports requests may occur. Any of the following may be requested: Loan Origination Reports, Loan Servicing Reports, Loan Consolidation Reports, Financial Reports, School Reports.

13. 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 MFA 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 MFA'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 MFA 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 PM or designee, containing data on all loans in MFA's portfolios through the State's fiscal year end (September 30) to the State's financial auditors (to be identified by the PM 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 PM or designee at no cost to MFA. 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 PM or designee.

d. Servicer Information

Copies of financial and compliance audits of the servicer shall be provided to MFA 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 PM 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, MFA will need to review its portfolio for various analyses. 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 MFA for these tapes/media at the price identified in the pricing sheets (See Schedule B).

f. Servicer Financial Statements

The servicer will provide MFA with their financial statements filed with the U.S. Securities and Exchange Commission (SEC) at the servicer's fiscal year end or upon request by the PM or designee, and the servicer shall provide MFA 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.

14. TASK 17 - LOAN SERVICING: PUBLIC AWARENESS

a. General

This task identifies the servicer's responsibility for assisting MFA in informing the public of the benefits of MFA'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 PM or designee. Requests from MFA would go through the Servicer's intake process and would then follow through the process outlined in Task 2d.

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 PM or designee, to assist MFA in informing individuals and institutions of program benefits and administrative procedures. All such materials are subject to approval by the PM or designee prior to use by the servicer.

c. Training and Informational Sessions

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

d. Borrower Mailings

At the request of the PM or designee, the servicer will produce and mail the informational/application materials. Such mailings could be for marketing, borrower outreach activity from MFA, informational, etc.

e. Cost for Public Awareness

MFA will reimburse the servicer for cost, plus 5%, 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).

15. TASK 18 - LOAN SERVICING: NEW INITIATIVES

In the event the State implements a new program (i.e. refinance), the Contractor agrees to work with third-party vendors to fulfill the needs of the program.

B. MI-LOAN LOAN SERVICING

1. TASK 1 – SERVICING SYSTEMS

a. General

The Servicer must service MFA's portfolio in accordance with applicable federal and state laws, regulations and PM or designee's direction throughout the duration of the contract, and ensure that the procedures and servicing systems used to service MFA'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 PM or designee (See Section 1.1.B.2.c – Software Maintenance and Enhancement, MFA Requested Changes).

b. Hardware and Software to be Used by the State

The Servicer will provide an interface between MFA and the Servicer's servicing system using the State's existing hardware. 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 Schedule A Section 1.6 and Schedule F. All hardware, software and other materials needed to allow MFA 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.

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

The Servicer must respond within 2 business hours of PM 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 PM or designee to coordinate installation of hardware/software with DTMB.

c. Servicer System Access

The Servicer will provide MFA with real-time access to the servicing system for inquiries. Information access must be available by the Social Security number of the borrower. 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 MFA regarding borrowers through a method that is mutually acceptable to the PM 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, MFA requires access to those data elements MFA considers critical. A list is provided in Appendix E. The Servicer will determine the format for display purposes. MFA reserves the right to add data elements to this list as requested by the PM or designee. The Servicer may bill MFA for development of new data elements at the system changes fee specified in the pricing sheets.

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. (ET) 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 PM 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 MFA program requirements. Because the Servicer is responsible for compliance to federal and state statute and regulations, guarantor requirements, and PM or designee's direction, the Servicer will be financially liable should such modifications fail to comply with requirements of the contract.

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 PM 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 PM 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 PM or designee in the form of a SOC 1 Type 2 report.

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 PM 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 MFA'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.

2. 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 MFA'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 MFA. When these mandatory changes are initiated, the Servicer is responsible to identify and advise the PM or designee when and how they are in compliance.

c. MFA Requested Changes

If MFA requests the Servicer to perform software enhancements, the Servicer may bill MFA at the System Changes fee for such enhancements, unless those enhancements are necessary to meet contract requirements.

The procedure to be followed is described below:

- (1) The PM or designee will identify the requested changes.
- (2) Within 30 days of the PM or designee's request, the Servicer will provide an itemized estimate of the costs to the PM 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 timetable, MFA will reduce the monthly servicing contract payment by 5% of enhancement cost thereafter until completion of enhancements.
- (3) If acceptable, the PM or designee will approve the requested changes and associated costs, in writing, and instruct the Servicer to proceed.
- (4) If not acceptable, the PM or designee will discuss the Servicer's estimate with the Servicer to determine what alterations may be made that would allow approval by the PM or designee. Upon reaching agreement, the PM 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 will be partially supported by the Servicer or spread equally to their clients. After reaching agreement on the changes and associated costs, MFA 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. MFA's portion of the costs shall be determined based on a ratio of the volume of MFA's portfolio to the volume of all affected lenders' portfolios or other method accepted in writing by the PM or designee.

d. Payment of MFA Requested Changes

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

3. 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. MFA does recognize there will be individual borrower instances when adherence to a particular time frame will not be possible. However, MFA will only tolerate this on an exception basis.

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

MFA borrowers asking for alternative loan information involving and referencing MFA 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 PM or designee directions. The Servicer must adhere to all instructions received from the PM or designee with regard to MFA's portfolio. When program changes are initiated, the Servicer is responsible to identify the legal requirements and assist MFA 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 PM 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

MFA 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.

MFA's current borrower benefit initiatives include:

Electronic Payment Savings – Electronic Payment Savings provides an interest rate reduction to all non-defaulted 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 MFA. To ensure the integrity of MFA's records, the Servicer's system must not allow history entries for MFA'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 below Funding Source Listing), 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 MFA's use.

The PM 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.

(1) Funding Source Listing

Most MI-LOAN Program loans are funded through the sale of bonds. The list below identifies the various funding sources in MFA'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 MFA in the Servicer's system.

a) Series 25-A (Bond ID 119, 120, 122, 123, 124, and 125)

b) Operating (Bond ID 002, 002A, 002B, 002C, and 002D)

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 MFA. A list of current statuses is 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 PM or designee's direction when addressing issues/questions, such as policy advising the borrower to contact MFA 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. (ET) are answered without obstruction or delay. Upon written request by the PM 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, emailing billing statements.

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:

- (1) Borrower's name
- (2) Borrower's identifying number
- (3) Loan/Promissory note identifier
- (4) Bond funding sources identifier
- (5) 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 MFA borrowers in an attempt by the Servicer to solicit business for its own purposes.

n. Branding Assistance

The Servicer shall assist MFA in their branding efforts. This may involve, but is not limited to, MFA 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 MFA visibility on hard copy documents and billings that are sent by the Servicer to MFA customers. It is up to MFA's discretion on how correspondence sent to MFA borrowers should reflect MFA information and logo, whether that correspondence be electronic or hard copy.

o. MFA Requests

If MFA staff requests the Servicer to take specific action, the Servicer take commercially reasonable efforts to comply within two (2) days. If MFA staff requests information from the Servicer, the Servicer must take commercially reasonable efforts to 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 PM or designee, or if not available, any MFA manager within a commercially reasonable timeframe 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 MFA.

Legislative – Notify the PM or designee, or if not available, any MFA manager within a commercially reasonable timeframe 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 a commercially reasonable timeframe, or in any event within forty-eight hours after receipt of the inquiry, the Servicer must provide proposed responses to the PM or designee for approval. Within a commercially reasonable timeframe, or in any event within forty-eight hours of receiving written approval from the PM 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 PM 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 PM 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 PM 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 Schedule F).

r. Facsimile and E-mail Capabilities

The Servicer must have facsimile and e-mail capabilities to enable MFA, 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 PM 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 PM 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 MFA 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 MFA program required materials such as letters and notifications.
- (2) All other forms needed that are not provided by MFA.

Any revisions needed in the materials or forms provided by the Servicer because of MFA 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 PM or designee prior to use or dissemination.

w. Overnight Delivery of Mail

If MFA staff requests the Servicer to mail materials for overnight delivery, MFA will absorb the actual postage costs of such mailing. The PM 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 PM or designee and may require the Servicer's appearance in court, at hearings or at any other circumstances deemed as necessary by the PM or designee. Only travel costs incurred by the Servicer will be reimbursed by MFA 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 MFA, to train MFA staff thoroughly in the use of its systems and an understanding of the Servicer's operational procedures. Upon request, the Servicer must provide the PM or designee with copies of its operational procedures. If deemed necessary by the PM or designee, training must be provided at MFA'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 PM or designee desires training for subsequent modifications/enhancements to be at MFA'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

MFA is interested in enhancements that will allow MFA to provide more service to its borrowers, as well as to facilitate MFA'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 MFA'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.

4. TASK 4 – CONVERSION TO SERVICER

In the event the Contractor is no longer able to fulfill the requirements of this contract, the Contractor is to assist with the replacement vendor, including conversion activities.

5. TASK 6 – LOAN SERVICING: GENERAL LOAN SERVICING

a. General

The Servicer is responsible for performing general servicing associated with MFA's portfolio in accordance with state and federal requirements, PM 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 PM or designee, the cancelled file contents. After the time frame identified by the PM or designee, the Servicer may destroy the original file.
- (6) The Servicer must notify the borrower and cosigner(s), if applicable, of the cancellation.

6. 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 PM.

b. Loan Amount

MFA 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 PM 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.

7. 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 PM 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, MFA 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 PM 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 PM 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. 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 1.1.B.11, and the Processing Manual (Appendix G), for further forbearance information.

8. 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 PM 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, MFA 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 PM 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 PM 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. 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 1.1.B.11, and the Processing Manual (Appendix G), for further forbearance information.

9. 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.

MFA reserves the right to elect to use other billing methods at some point in the future.

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 PM 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 MFA.

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.

10. 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 PM 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 MFA'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

(1) 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 1.1.B.10.f. (Loan Servicing Application of Payments, Partial Payments) & .1.B.10.j (Loan Servicing Application of Payments, Paid-in-Full Overpayments of \$1 or More).

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 60 days into the future unless approved by the PM or designee.

(2) **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 3. Task 3.f.(1)) 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 PM 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 MFA will use, in transmitting payments or refunds received by the State. The PM 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 MFA to the borrower's loan within five (5) days of receipt of MFA's transmittal.

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

h. **Late Charges Court Costs**

MFA currently does not assess a late charge if the borrower is late in making payments. However, MFA reserves the right to implement late charges through the duration of this contract. If MFA should take such action the PM or designee and Servicer will determine the process and, the State will notify, via a change notice, the Servicer 90 days prior to implementation. Court costs are now added for some defaulted borrower accounts handled by the Attorney General Office.

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 1.1.B.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 \$1 or More**

If the account is overpaid, the Servicer will wait 26 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. In the future, MFA may, at its discretion, assume processing of these refunds. This change will be communicated via a change notice.

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 PM 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 per 13. Task 19 – Loan Servicing: Paid-In Full Processing.

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 MFA. 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 PM or designee.

Loans may be not removed from default status unless specifically authorized, in writing, by the PM or designee.

11. 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 MFA, 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 PM 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 PM 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 PM or designee.

12. 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 MFA's authorization via a change notice.

b. Due Diligence Requirements

The Servicer must perform due diligence according to the following schedule.

<u>Days Delinquent</u>	<u>Contact Type</u>	<u>Recipient</u>	<u>Actions</u>
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
91-119	Telephone Call	Borrower and Cosigner(s)	1 contact or 3 attempts
120	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.

MFA 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 MFA. Codes that must be converted to be understood are not acceptable.

13. 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 PM 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 PM 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 PM or designee.

e. File Processing

The Servicer will copy by microfilm, microfiche, imaging, or other format approved by the PM or designee, the paid-in-full file contents. After a mutually agreed upon time frame between the Servicer and PM or designee, the Servicer may then confidentially destroy the original file.

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 upon discovery must immediately rectify the situation by informing the borrower that a balance still exists and inform them of such a balance. If the State incurs costs due to the error(s) indicated in this section, those costs will be indemnified by the Servicer.

1.2. Training

The State requires training and process manuals for any new platforms that are released by the Contractor. Training must be in coordination with Treasury to determine what the State's needs are.

1.3 Specific Standards

IT Policies, Standards and Procedures (PSP)

Contractors are advised that the State has methods, policies, standards and procedures that have been developed over the years. Contractors are expected to provide proposals that conform to State IT policies and standards. All services and products provided as a result of this Contract must comply with all applicable State IT policies and standards. Contractor is required to review all applicable links provided below and state compliance in their response.

Public IT Policies, Standards and Procedures (PSP):

https://www.michigan.gov/dtmb/0,5552,7-358-82547_56579_56755---,00.html

Acceptable Use Policy

To the extent that Contractor has access to the State's computer system, Contractor must comply with the State's Acceptable Use Policy, see http://michigan.gov/dtmb/0,4568,7-150-56355_56579_56755---,00.html. All Contractor Personnel will be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State's system. The State reserves the right to terminate Contractor's access to the State's system if a violation occurs.

SOM Digital Standards

All software items provided by the Contractor must adhere to the State of Michigan Application/Site Standards which can be found at www.michigan.gov/standards.

Mobile Responsiveness

The Contractor's Solution must utilize responsive design practices to ensure the application is accessible via a mobile device. Contractors must provide a list of all mobile devices that are compatible with the Solution, when requested. Additionally, Contractor must provide list of features that can be performed via a mobile device, when requested.

ADA Compliance

The State is required to comply with the Americans with Disabilities Act of 1990 (ADA), and has adopted a formal policy regarding accessibility requirements for websites and software applications. The State is requiring that Contractor's proposed Solution, where relevant, to level AA of the World Wide Web Consortium (W3C) Web Content Accessibility Guidelines (WCAG) 2.0. Contractor may consider, where relevant, the W3C's Guidance on Applying WCAG 2.0 to Non-Web Information and Communications Technologies (WCAG2ICT) for non-web software and content. The State may require that Contractor complete a Voluntary Product Accessibility Template for WCAG 2.0 (WCAG 2.0 VPAT) or other comparable document for the proposed Solution.

http://www.michigan.gov/documents/dmb/1650.00_209567_7.pdf?20151026134621

1.4 User Type and Capacity

Type of User	Access Type	Number of Users
Account Owner (Borrower, Cosignor)	Read (e.g. account balance inquiry, transaction history, etc.) Write (make a payment, update personal demographic information, transaction history, etc.)	MI-LOAN: 130,000 Account Owners representing 150,000 Loans (repayment, claim, claim filed, etc.) FFELP: 224,000 Account Owners representing 748,000 Loans (repayment, default, bankruptcy, etc.)
State of Michigan	Read (e.g. ability to view all data elements identified within this document (Appendix D & E)) Write (e.g. demographic changes; servicing history, etc.) Query (e.g. Amortization Schedule; Payoff, etc.)	Currently 12; access number may increase or decrease with sufficient notice.

Contractor must be able to meet the expected number of concurrent Users.

1.5 End-User Operating Environment

The SOM environment is X86 VMware, IBM Power VM, MS Azure/Hyper-V and Oracle VM, with supporting enterprise storage monitoring and management.

Contractor must accommodate the latest browser versions (including mobile browsers) as well as some pre-existing browsers. To ensure that users with older browsers are still able to access online services, applications must, at a minimum, display and function correctly in standards-compliant browsers and the state standard browser without the use of special plugins or extensions. The rules used to base the minimum browser requirements include:

- Over 2% of site traffic, measured using Sessions or Visitors (or)
- The current browser identified and approved as the State of Michigan standard

This information can be found at <https://www.michigan.gov/browserstats>. Please use the most recent calendar quarter to determine browser statistics. For those browsers with over 2% of site traffic, except Internet Explorer which requires support for at minimum version 11, the current browser version as well as the previous two major versions must be supported.

Contractor must support the current and future State standard environment at no additional cost to the State.

1.6 Software

Contractor must provide a detailed description of the Solution to be provided under the resulting Contract including, but not limited to, a detailed description of the proposed Software (name, type, version, release number, etc.), its functionality, optional add-on modules, Contractor's services and the Solution ability to be rapidly configured or scaled as the State's business or technical demands change. If Contractor is using any open source or third-party products in connection with the proposed Solution the Contractor must identify these separately (including identifying any associated cost in **Exhibit B - Pricing**).

For third-party products that are being proposed as part of the overall Solution, Contractor must include any end-user license agreements that will be required to access and use such products.

Contractor must include any end-user license agreements that will be required by the State to access the Solution as **Exhibit 2 of Schedule E**.

1.7 Hosting

Contractor must review the State's standard Contractor Hosted Software and Services attached as **Schedule E**. Contractor must note any exceptions to the Service Level Agreements (SLA) by redlining **Exhibit 1 to Schedule E**.

Contractor must maintain and operate a backup and disaster recovery plan to achieve a Recovery Point Objective (RPO) of 24 hours, and a Recovery Time Objective (RTO) of 24 hours. Contractor must include documentation of and demonstrated ability to meet its Disaster Recovery Plan as **Exhibit 1 Schedule F** part of their proposal, which will be treated by the State as confidential information.

1.8 Products and Services

Contractor must describe additional Solution functionality, products or services that the State specifications do not address but are necessary to implement and support this solution.

1.9 SUITE Documentation

In managing its obligation to meet the above milestones and deliverables, the Contractor is required to utilize the applicable [State Unified Information Technology Environment \(SUITE\)](#) methodologies, or an equivalent methodology proposed by the Contractor.

SUITE's primary goal is the delivery of on-time, on-budget, quality systems that meet customer expectations. SUITE is based on industry best practices, including those identified in the Project Management Institute's PMBoK and the Capability Maturity Model Integration for Development. It was designed and implemented to standardize methodologies, processes, procedures, training, and tools for project management and systems development lifecycle management. It offers guidance for efficient, effective improvement across multiple process disciplines in the organization, improvements to best practices incorporated from earlier models, and a common, integrated vision of improvement for all project and system related elements.

While applying the SUITE framework through its methodologies is required, SUITE was not designed to add layers of complexity to project execution. There should be no additional costs from the Contractor, since it is expected that they are already following industry best practices which are at least similar to those that form SUITE's foundation.

SUITE's companion templates are used to document project progress or deliverables. In some cases, Contractors may have in place their own set of templates for similar use. Because SUITE can be tailored to fit specific projects, project teams and State Program Managers may decide to use the Contractor's provided templates, as long as they demonstrate fulfillment of the SUITE methodologies.

The Contractor is required to review <http://www.michigan.gov/suite> and demonstrate how each PMM/SEM requirement will be met. Contractors wishing to use their own documents must submit an example of the document that will be substituted. If the Contractor deems a document to be non-applicable, please provide reasons for the determination. The State reserves the right to give final approval of substituted documents and items marked as non-applicable.

Contractor must describe how they will meet the requirements set forth above and note any exceptions for successful implementation and ongoing support of the Solution.

1.10 Secure Web Application Standard

Contractor's solution must meet the State's Secure Application Development Standards as mandated by the State.

Secure Application Development Life Cycle (SADLC)

Contractor is required to meet the States Secure Application Development Life Cycle requirements that include:

Security Accreditation

Contractor is required to complete the State Security Accreditation process for the solution.

Application Scanning

On-Premise solutions

The State may scan the application using its application scanning tools. Contractor will need to provide the resources, at its sole expense, to complete any analysis remediation and validation required by the results of the scan.

Externally hosted solutions

Contractor is required to grant the right to the State to scan either the application code or a deployed version of the solution; or in lieu of the State performing a scan, Contractor will provide the State a vulnerabilities assessment after Contractor has used a State approved application scanning tool. These scans must be completed and provided to the State on a regular basis or at least for each major release.

For COTS or vendor owned applications, Contractor, at its sole expense, must provide resources to complete the scanning and to complete the analysis, remediation and validation of vulnerabilities identified by the scan as required by the State Secure Web Application Standards.

Types of scanning and remediation may include the following types of scans and activities

- Dynamic Scanning for vulnerabilities, analysis, remediation and validation
- Static Scanning for vulnerabilities, analysis, remediation and validation
- Third Party and/or Open Source Scanning for vulnerabilities, analysis, remediation and validation

Infrastructure Scanning

On-Premise solutions

The State may scan the application using its infrastructure scanning tools and remediate infrastructure vulnerabilities internally.

Externally hosted solutions

A Contractor providing Hosted Services must scan the infrastructure at least once every 30 days and provide the scan's assessment to the State in a format that can be uploaded by the State and used to track the remediation.

2. Acceptance

2.1. Acceptance, Inspection and Testing

The State will use the acceptance process defined in Section 20, Acceptance, of the Standard Contract Terms.

The State will use the following criteria to determine acceptance of the Contract Activities:

Contractor must review **Section 3, Hosted Services Testing and Acceptance**, of the **Schedule E**.

2.2. Final Acceptance

Final acceptance is expressly conditions 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 the Contractor has met the defined requirements.

3. Staffing

3.1. Contractor Representative

The Contractor must appoint a Program Manager, specifically assigned to State of Michigan accounts, that will respond to State inquiries regarding the Contract Activities, answering questions related to ordering and delivery, etc. (the “Contractor Representative”).

The Contractor must notify the Contract Administrator at least 30 calendar days before removing or assigning a new Contractor Representative.

3.2 Contract Administrator

The Contract Administrator for each party is the only person authorized to modify any terms of this Contract, and approve and execute any change under this Contract (each a “**Contract Administrator**”):

State:	If to Contractor:
Joy Nakfoor 525 W Allegan St Lansing, MI 48933 nakfoorj@michigan.gov 517-249-0481	Kelly Hubbard 121 South 13 th St Lincoln, NE 68508 kelly.hubbard@nelnet.net 402-323-4941

3.3 Program Manager

The Program Manager for each party will monitor and coordinate the day-to-day activities of the Contract (each a “**Program Manager**”):

State:	Contractor:
Dan Mullin 430 W Allegan St Lansing, MI 48915 mullind@michigan.gov 517-335-7416	Kelly Hubbard (FFELP) 121 South 13 th St Lincoln, NE 68508 kelly.hubbard@nelnet.net 402-323-4941 Troy Anderson (MI-LOAN) troy.anderson@nelnet.net 651-265-7606

3.4. Customer Service Toll-Free Number

The Contractor must specify its toll-free number for the State to make contact with the Contractor Representative. The Contractor Representative must be available for calls during the hours of 9 am to 6 pm ET.

3.5. Technical Support, Repairs and Maintenance

The Contractor must specify its toll-free number for the State to make contact with the Contractor for technical support, repairs and maintenance. The Contractor must be available for calls and service during the hours of 9 am to 6 pm ET.

When providing technical support, the Call Center must resolve the caller’s issue within 2 hours. If the caller’s issue cannot be resolved within 4 hours, on-site service must be scheduled. The on-site service must be performed within 4 hours of the time the issue was scheduled for service.

Contractor must review the State’s standard Contractor Hosted Software and Services attached as **Schedule E**. Contractor must note any exceptions to the SLA by redlining **Exhibit 1 to Schedule E** – Service Level Agreement.

3.6. Work Hours

The Contractor must provide Contract Activities during the State's normal working hours Monday – Friday, 7:00 a.m. to 6:00 p.m. ET, and possible night and weekend hours depending on the requirements of the project.

3.7. Key Personnel

The Contractor must appoint two (2) individuals who will be directly responsible for the day-to-day operations of the Contract ("Key Personnel"); one (1) for FFELP and one (1) for MI-LOAN. Key Personnel must be specifically assigned to the State account, be knowledgeable on the contractual requirements, and respond to State inquires within 24 hours.

The State has 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, introduce the individual to the State's Program Manager, and 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. The State may require a 30-calendar day training period for replacement personnel.

Contractor will not remove any Key Personnel from their assigned roles on this 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"). An Unauthorized Removal 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. Any Unauthorized Removal may be considered by the State to be a material breach of this Contract, in respect of which the State may elect to terminate this Contract for cause under Termination for Cause in the Standard Terms. It is further acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of this Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under Termination for Cause, Contractor will issue to the State the corresponding credits set forth below (each, an "Unauthorized Removal Credit"):

(i) For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the credit amount will be \$25,000.00 per individual if Contractor identifies a replacement approved by the State and assigns the replacement to shadow the Key Personnel who is leaving for a period of at least 30 calendar days before the Key Personnel's removal.

(ii) If Contractor fails to assign a replacement to shadow the removed Key Personnel for at least 30 calendar days, in addition to the \$25,000.00 credit specified above, Contractor will credit the State \$833.33 per calendar day for each day of the 30 calendar-day shadow period that the replacement Key Personnel does not shadow the removed Key Personnel, up to \$25,000.00 maximum per individual. The total Unauthorized Removal Credits that may be assessed per Unauthorized Removal and failure to provide 30 calendar days of shadowing will not exceed \$50,000.00 per individual.

Contractor acknowledges and agrees that each of the Unauthorized Removal Credits assessed above: (i) is a reasonable estimate of and compensation for the anticipated or actual harm to the State that may arise from the Unauthorized Removal, which would be impossible or very difficult to accurately estimate; and (ii) may, at the State's option, be credited or set off against any fees or other charges payable to Contractor under this Contract.

The Contractor must identify the Key Personnel, indicate where they will be physically located, describe the functions they will perform, and provide current chronological résumés.

3.8. Organizational Chart

The Contractor must provide an overall organizational chart that details staff members, by name and title, and subcontractors.

3.9. Disclosure of Subcontractors

If the Contractor intends to utilize subcontractors, the Contractor must disclose the following:

The legal business name; address; telephone number; a description of subcontractor's organization and the services it will provide; and information concerning subcontractor's ability to provide the Contract Activities.

The relationship of the subcontractor to the Contractor.

Whether the Contractor has a previous working experience with the subcontractor. If yes, provide the details of that previous relationship.

A complete description of the Contract Activities that will be performed or provided by the subcontractor.

3.10. Security

The Contractor will be subject the following security procedures: background checks, signing security forms, attending security training, additional training as specified by Treasury, Confidential Programs, and Gramm-Leach-Bliley Act

Contractor must review the Data Security requirements set forth in **Schedule F – Data Security Requirements**. Contractor must note any exceptions to the security requirements by redlining **Schedule F – Data Security Requirements**.

The Contractor must explain any additional security measures in place to ensure the security of State facilities.

The Contractor's staff may be required to make deliveries to or enter State facilities. The Contractor must: (a) explain how it intends to ensure the security of State facilities, (b) whether it uses uniforms and ID badges, etc., (c) identify the company that will perform background checks, and (d) the scope of the background checks. The State may require the Contractor's personnel to wear State issued identification badges.

4. Project Management

4.1. Meetings

The Contractor must attend meetings as mutually agreed upon and needed.

4.2. Reporting

The Contractor must submit, to the PM or designee, the following written reports:

A FFELP REPORTS

1. MANAGEMENT LOAN SERVICING REPORT 1

DEFAULT CLAIMS FILED

- a. The purpose of this report is to provide MFA a listing of loans for which a default claim has been filed with the guarantor so that MFA 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 MFA 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, and 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 MFA on a monthly basis.

2. MANAGEMENT LOAN SERVICING REPORT 2

DEFAULT CLAIMS TO BE FILED

- a. The purpose of this report is to provide MFA 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 MFA on a weekly basis.

3. MANAGEMENT LOAN SERVICING REPORT 3

DEFAULT CLAIMS RECALLED

- a. The purpose of this report is to provide MFA 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 MFA. MFA 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, and 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 MFA 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 MFA on a monthly basis at the Servicer's option.

4. MANAGEMENT LOAN SERVICING REPORT 4
DEFAULT CLAIMS RETURNED

- a. The purpose of this report is to provide MFA 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, and 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 MFA on a weekly basis.

5. MANAGEMENT LOAN SERVICING REPORT 5
DELINQUENT LOAN REPORT

- a. The purpose of this report is to provide MFA a listing of each delinquent loan at any level of delinquency so that MFA 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, and 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 MFA on a semi-annual basis if MFA can access a monthly report electronically.

6. MANAGEMENT LOAN SERVICING REPORT 6
INELIGIBLE DISBURSEMENT/LOAN REPORT

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

- e. The Servicer will submit this report to MFA on a weekly basis.

7. MANAGEMENT LOAN SERVICING REPORT 7
LENDER'S REQUEST FOR ASSISTANCE

- a. The purpose of this report is to provide MFA a listing of each loan submitted to the guarantor for preclaims assistance in order that MFA 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 MFA on the same schedule as reported to the guarantor.

8. MANAGEMENT LOAN SERVICING REPORT 8
LOAN STATUS CHANGE TO GUARANTOR

- a. The purpose of this report is to provide MFA 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 MFA 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, and 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 MFA on the same schedule as required by the guarantor.

9. MANAGEMENT LOAN SERVICING REPORT 9
 LOAN STATUS JOURNAL

- a. The purpose of this report is to provide MFA with a picture of the status of each loan in MFA'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, MFA will review the Servicer's report to determine if the detail is acceptable to MFA.
- 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 MFA on a month end basis.

10. MANAGEMENT LOAN SERVICING REPORT 10
 LOAN SUMMARY AND HISTORY

- a. The purpose of this report is to provide MFA 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 MFA, 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, and 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 MFA upon request and when filing default claims to the guarantor.

11. MANAGEMENT LOAN SERVICING REPORT 11 LOSS OF GUARANTEE REPORT

- a. The purpose of this report is to provide MFA 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 MFA 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, and 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 MFA, write-off processed and MFA 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 MFA on a monthly basis.

12. MANAGEMENT LOAN SERVICING REPORT 12 OVERPAYMENT/REFUND REPORT

- a. The purpose of this report is to provide MFA a listing of each loan overpaid by an amount as set by MFA 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, and 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 MFA on a monthly basis.

13. MANAGEMENT LOAN SERVICING REPORT 13 PORTFOLIO ANALYSIS BY INTEREST RATE

- a. The purpose of this report is to provide MFA 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 MFA on a semi-annual basis, currently 3/31 and 9/30.

14. MANAGEMENT LOAN SERVICING REPORT 14
PORTFOLIO BREAKDOWN - LOAN STATUS BY SCHOOL TYPE

- a. The purpose of this report is to provide MFA 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, deferral/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 MFA on a quarterly basis.

15. MANAGEMENT LOAN SERVICING REPORT 15
WRITE-OFF REPORT

- a. The purpose of this report is to provide MFA 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, and 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 MFA on a weekly basis.

16. MANAGEMENT LOAN SERVICING REPORT 16

TRANSFER IN/OUT DAILY ACTIVITY

- a. The purpose of this report is to provide MFA 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 MFA on a weekly basis.

17. MANAGEMENT LOAN SERVICING REPORT 17

BORROWER BENEFITS REPORT

- a. The purpose of this report is to provide MFA 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, and 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 MFA on a monthly basis.

18. MANAGEMENT LOAN CONSOLIDATION REPORT 1

CONSOLIDATION LOAN - CONVERSION TO SERVICING

- a. The purpose of this report is to provide MFA 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 MFA 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, and 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 MFA on a monthly basis.

19. MANAGEMENT LOAN CONSOLIDATION REPORT 2
CONSOLIDATION LOAN - FUNDS TRANSFER REQUEST

- a. The purpose of this report is to provide MFA 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, and 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 MFA for each funds transfer so that it is received by MFA prior to the scheduled disbursement date.

20. MANAGEMENT LOAN CONSOLIDATION REPORT 3
LOANS CONSOLIDATED BY ANOTHER LENDER

- a. The purpose of this report is to provide MFA 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, and 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 MFA on a monthly basis.

21. FINANCIAL REPORT 1
PORTFOLIO RECONCILIATION: SUMMARY

- a. This report is used to reconcile the Servicer's records with MFA'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 MFA on a monthly basis.

22. FINANCIAL REPORT 2

PORTFOLIO RECONCILIATION: DETAIL

This report is used to reconcile the Servicer's records with MFA'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.

23. 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 MFA. All payments are and shall at all times remain the property of MFA and shall be held in trust by the Servicer solely for the benefit of MFA. The Servicer will make daily wire transfers of all funds from the servicing accounts to MFA's bank account. The Servicer shall not use any portion of such payments for any purpose other than to make the daily wire transfers. MFA 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 MFA.
- b. The Servicer will provide this information to MFA on a daily basis.

24. FINANCIAL REPORT 4

PORTFOLIO SUMMARY

- a. The purpose of this report is to provide MFA an itemization of MFA'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, forbore, 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 MFA on a monthly basis.

25. FINANCIAL REPORT 5

CHECK /EFT DISBURSEMENT REGISTER

- a. The purpose of this report is to provide MFA 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 MFA on a weekly basis.

26. FINANCIAL REPORT 6

DAILY ACCOUNTING DETAIL REPORT SUMMARY

- a. The purpose of this report is to provide MFA detailed and summarized accounting information from the loan origination services so MFA 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 MFA daily by facsimile or electronic media approved by the PM or designee.

27. 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 MFA on a weekly basis.

28. 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 MFA'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.
- b. 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.

29. FINANCIAL REPORT 9

STATISTICAL INFORMATION

- a. The purpose of this report is to provide MFA 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 MFA on a monthly basis.

30. FINANCIAL REPORT 10

MONITORING OF COMMITMENTS BY FUNDING SOURCE

- a. The purpose of this report is to provide MFA 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 MFA on a monthly basis.

31. FINANCIAL REPORT 12
CURRENT LOAN SERVICING REPORT

- a. The purpose of this report is to provide MFA 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 MFA on a monthly basis.

32. FINANCIAL REPORT 13
STAFFORD OUTSTANDING LOAN STATISTICS

- a. A report that provides statistics regarding MFA's Unsubsidized Federal Stafford Loan portfolio and MFA'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 MFA on a monthly basis.

33. FINANCIAL REPORT 14
LENDER NOTIFICATION OF FUND TRANSFER

- a. A report that confirms funds transferred to MFA. 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 MFA summarized by funding source.
- b. The Servicer will submit this report upon each transfer.

34. 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 MFA on a semi-annual basis.

35. 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.

36. FINANCIAL REPORT 17

PORTFOLIO PROJECTIONS BY SCHOOL TYPE

- a. The purpose of this report is to provide MFA statistics of loan movement within MFA'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.), and default (payments applied and default balance write-offs).
- c. Report Sections:
Detail - There will be three report sections; Number of Loans, Loan Amounts and a Net Change Summary. Each report section must show the breakdown of the number or amount for each status within school type within loan program.

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

37. FINANCIAL REPORT 18

PORTFOLIO BREAKDOWN - LOAN STATUS BY LOAN TYPE

- a. The purpose of this report is to provide MFA 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, and 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 MFA on a monthly basis.

38. 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

1. 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 MFA on a week-end basis.

2. 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 MFA 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 MFA on a week-end basis.

3. 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 MFA on a week-end basis.

4. 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 MFA on a week-end basis.

**5. 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 MFA.
- 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 MFA on a month end basis.

6. 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 MFA on a month end basis.

7. 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 MFA on a month end basis.

8. FINANCIAL REPORT 1

ACCOUNTING REPORT: TRANSACTION SUMMARY

a. PURPOSE: The purpose of this report is to provide MFA 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,

- o Prior month's ending balance,
- o And current month's ending balance after the adjustments.

d. FREQUENCY: The Servicer will submit this report to MFA on a daily and month end basis.

9. FINANCIAL REPORT 2

ACCOUNTING REPORT: TRANSACTION DETAIL

a. PURPOSE: The purpose of this report is to provide MFA 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.

b. 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 MFA on a daily basis.

10. 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 MFA on a daily basis.

5. Pricing

5.1. Price Term

Pricing is firm for the entire length of the Contract.

5.2. Price Changes

Adjustments will be based on changes in actual Contractor costs unless a change is required by governmental mandate. Any request must be supported by written evidence documenting the change in costs. The State may consider sources, such as the Consumer Price Index; Producer Price Index; other pricing indices as needed; economic and industry data; manufacturer or supplier letters noting the increase in pricing; and any other data the State deems relevant.

Following the presentation of supporting documentation, both parties will have 30 days to review the information and prepare a written response. If the review reveals no need for modifications, pricing will remain unchanged unless mutually agreed to by the parties. If the review reveals that changes are needed, both parties will negotiate such changes, for no longer than 30 days, unless extended by mutual agreement. Changes must be made by July 1st for implementation during the State's next fiscal year (starting Oct 1st).

The Contractor remains responsible for Contract Activities at the current price for all orders received before the mutual execution of a Change Notice indicating the start date of the new Pricing Period.

6. Ordering

6.1. Authorizing Document

The appropriate authorizing document for the Contract will be Delivery Order (D.O.).

7. Invoice and Payment

7.1. Invoice Requirements

All invoices submitted to the State must include: (a) date; (b) purchase order; (c) quantity; (d) description of the Contract Activities; (e) unit price; (f) shipping cost (if any); and (g) total price. Overtime, holiday pay, and travel expenses will not be paid.

7.2. Payment Methods

The State will make payment for Contract Activities via EFT.

8. 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 Terms Section 26, the State is entitled to collect liquidated damages as set forth below:

FFELP

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 two percent (2%) 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 MFA, it will be the financial responsibility of the Servicers to reimburse MFA 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 PM's request.

Any loss to MFA 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. The Servicer must provide reimbursement for such loss within 60 days of the PM's request.

MI-LOAN

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 two percent (2%) 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 MFA, it will be the financial responsibility of the Servicer to reimburse MFA for any such loss. The Servicer must provide such reimbursement within 60 days of the PM's request.

Any loss to MFA 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. The Servicer must provide reimbursement for such loss within 60 days of the PM's request.

SCHEDULE 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 if not stated herein.

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:	
Repurchases (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	Cost plus 5%, for services provided in relation to public awareness activities
Postage	\$ 0.00
Appeal fee	\$ 30.00
State specific licensing fee	Monthly cost of licensing fee*
Required Vendor Audits	Pro-rated share of the cost divided equally between those lenders participating based on volume on system (not to exceed \$2,000)

*May not occur on every monthly statement.

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 Maintenance Charge	\$ 500.00
Usage Fee	Waived

APPENDIX D

FFELP DATA ELEMENTS FOR ON-LINE ACCESS

I. *Loan Repayment Screens For All Federal Loans Held By MFA*

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 MFA 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 disbursement 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, R390.1633, 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:

(j) Income.

(i) Debt.

(ii) Employment history.

(iii) Credit history.

(k) "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.

(l) "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.

APPENDIX G

**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, now Michigan Finance Authority (MFA), 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. “MFA” 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 MFA staff whenever a situation arises for which direction has not been provided in this manual.

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. MFA will be identified as the lender for the Michigan Alternative Student Loan (MI-LOAN) Program.

Upon direction from MFA, 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 MFA. Collection actions will include telephone contact, mail and email communication that is approved by MFA 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 MFA on past due accounts with specific requirements set by MFA.

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.

1. 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 three consecutive ACH payments that cannot be honored, 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 most current twenty-four (24) regular payments of principal and interest must be paid consecutively and on time (received within twenty-eight (28) 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%.
- The most current 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 minimal credit delinquencies, current account status, level of debt and derogatory public record (tax liens, etc.).

2. The most current twenty-four (24) regular monthly payments are not consecutive if there was forbearance usage during this 24-month period.
3. It is the responsibility of the borrower 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, after MI-LOAN approves the denial. If the servicer receives further information that brings the borrower/cosigner into compliance, the request may 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. The most current 24 payments were not consecutive
DENIAL MESSAGE: The most current 24 payments were not consecutive.
 - c. Payments not received on-time
DENIAL MESSAGE: One or more payments were more than 28 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 indicate the cosigner status 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 MFA. 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 MFA.

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 loans, for the period of time requested not to exceed twelve (12) months (covering 12 payment due dates).

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 requested period of time, not to exceed 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 requested period of time 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 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 MFA 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 forbearance period

f. The beginning and ending dates of the forbearance period

4. 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 MFA 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 MFA, 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 MFA

The servicer must report to MFA 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 MFA.

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 MFA.

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:

Claim Status - On the 120th day of delinquency, the loan status on the servicer system must be changed to reflect the defaulted loan status. The servicer must cease all actions on the loan that are not specifically directed by MFA.

Claim Filed Status – MFA will notify the servicer to place the loan into Claim Filed status which shows Department of Treasury, Collections Division is taking collection actions.

Default Status – When a loan is charged off due (e.g. Statute of Limitations), the loan status on the servicer system is changed to “Default”.

2. Notification to MFA:

The servicer must provide MFA with a weekly report (see the contract report “New Defaulted Loans” report), listing all loans reaching 120 days delinquent and entering default status within the past week.

The servicer must also provide MFA with a weekly report of all loans in “Claim”, “Claim Filed”, and “Default” status. MFA is responsible for all collection action on defaulted loans.

Defaulted MI-LOAN Program loans are not eligible for forbearance.

Note – The loan may only be removed from Claim, Claim Filed, and Default statuses at the direction of MFA.

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 MFA, 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 MFA.

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 MFA and direct the person to MFA. The servicer may:

- 1) Verify and change demographic information,

- 2) Take a payment,
- 3) Advise of service and transaction history; and
- 4) Provide a payoff utilizing the payoff calculator on the servicer system.

If there are further questions regarding the default, only MFA will provide a response.

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 remove their loan from default status.

A. ELIGIBILITY REQUIREMENTS

1. Borrower must make nine (9) full on-time monthly payments within a consecutive ten (10) -month period. A twenty-eight (20)-day grace period does apply. A payment that exceeds twice the monthly payment amount due will be counted as no more than two payments toward the nine-payment requirement. A double payment may only be counted one time within the 10 month period
2. A default which occurs while the borrower/cosigner is on active military duty or within twelve months thereafter, may be rehabilitated without making the payments. The borrower/cosigner must provide proof of the active duty time that is deemed to be acceptable by MFA.
3. All parties (borrower and cosigner(s)) must submit a completed and signed Rehabilitation Request. The Rehabilitation Request includes the authorization to capitalize outstanding interest, if applicable.

B. PROCESSING THE REQUEST FOR REVIEW

1. Upon receipt of a verbal or written request for rehabilitation review, MFA-SLP will process the review to verify payment requirements have been met.

C. DETERMINATION OF ELIGIBILITY

1. Upon determination, a denial letter or rehabilitation application will be sent to the borrower and applicable cosigner(s) using the address provided on the rehabilitation request for review.
2. When the rehabilitation application is received, MFA-SLP must verify the request is completed correctly, signed by all parties, and proof of income received.
2. If an item is not completed correctly or information is missing, MFA-SLP will 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.
3. MFA-SLP approves the rehabilitation request, prepares rehabilitation transmittal, and forwards to the servicer for processing.

D. REPAYMENT TERMS AND SYSTEM SET-UP

Upon receiving the rehabilitation transmittal, 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.
7. Process auto debit form for automated payments, if included with the rehabilitation transmittal.

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 rehabilitation 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.
 3. The servicer will sent a rehabilitation approval letter to the borrower and cosigner(s).

F. CREDIT BUREAU REPORTING

Upon completion of the processing 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 MFA. The servicer will be responsible for any costs involved.

Within 5 days of documentation receipt, the servicer will advise MFA, and provide copies. MFA 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 MFA, 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 MFA for instructions.

If a cosigner is deceased, the loan may not be canceled. The servicer must 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. No funds will be refunded as a result of a cosigner death.

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 MFA-SLP receives a correctly completed form, MFA will review for determination.

Once MFA-SLP 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, nor funds returned, 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 "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 statute, 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, now Michigan Finance 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.
- CLAIM:** A defaulted loan that is at least 120 days delinquent and being collected internally by Student Loan Program (SLP).
- CLAIM FILED:** Loan is being handled by 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:	A MI-LOAN Program loan is considered in default when it becomes 120 days delinquent for a scheduled payment. A loan with an actual “Note Status” listed as “Default” is a charged off loan.
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.
MFA:	“MFA”, as used in this document, means the Michigan Higher Education Student Loan Authority administrative staff.
REHABILITATION:	Make nine (9) on-time payments within a consecutive ten (10)-month period. Any payment that exceeds the monthly payment amount due will be counted as no more than two (2) payments toward the nine (9)-payment requirement to remove loan from default.
SERVICER:	“Servicer” acts on behalf of MFA to investigate the creditworthiness and credit capacity of a MI-LOAN Program loan applicant. Servicer will provide full servicing for the MI-LOAN Program.

SCHEDULE E

CONTRACTOR HOSTED SOFTWARE AND SERVICES

1. Definitions. In addition to the definitions found in the Contract Terms, for the purposes of this Contract, the following terms have the following meanings:

“Authorized Users” means all Persons authorized by the State to access and use the Software under this Contract, subject to the maximum number of users specified in the applicable Statement of Work.

“Harmful Code” means any: (a) virus, trojan horse, worm, backdoor or other software or hardware devices the effect of which is to permit unauthorized access to, or to disable, erase, or otherwise harm, any computer, systems or software; or (b) time bomb, drop dead device, or other software or hardware device designed to disable a computer program automatically with the passage of time or under the positive control of any Person, or otherwise prevent, restrict or impede the State's or any Authorized User's use of such software.

“Hosted Services” means the hosting, management and operation of the Software and other services for remote electronic access and use by the State and its Authorized Users as described in one or more written, sequentially numbered, statements of work referencing this Contract, including all Specifications set forth in such statements of work, which, upon their execution will be attached as **Schedule A** to this Contract and by this reference are incorporated in and made a part of this Contract.

“Integration Testing” has the meaning set forth in **Section 4.2(c)**.

“Open-Source Components” means any software component that is subject to any open-source copyright license agreement, including any GNU General Public License or GNU Library or Lesser Public License, or other obligation, restriction or license agreement that substantially conforms to the Open Source Definition as prescribed by the Open Source Initiative or otherwise may require disclosure or licensing to any third party of any source code with which such software component is used or compiled.

“Open-Source License” has the meaning set forth in **Section 2.3**.

“Operating Environment” means, collectively, the platform, environment and conditions on, in or under which the Software is intended to be installed and operate, as set forth in the Statement of Work, including such structural, functional and other features, conditions and components as hardware, operating software and system architecture and configuration.

“Service Error” means any failure of any Hosted Service to be Available or otherwise perform in accordance with this Schedule.

“Specifications” means the specifications for the Software set forth in the applicable Statement of Work and, to the extent consistent with and not limiting of the foregoing, the Documentation.

“State Materials” means all materials and information, including documents, data, know-how, ideas, methodologies, specifications, software, content and technology, in any form or media, directly or indirectly provided or made available to Contractor by or on behalf of the State in connection with this Contract.

“**Support Services**” means the Software maintenance and support services Contractor is required to or otherwise does provide to the State pursuant to this **Schedule E** and **Exhibit 1** to this **Schedule E**.

“**Technical Specification**” means, with respect to any Software, the document setting forth the technical specifications for such Software and included in the Statement of Work.

“**User Data**” means all data, information and other content of any type and in any format, medium or form, whether audio, visual, digital, screen, GUI or other, that is input, uploaded to, placed into or collected, stored, processed, generated or output by any device, system or network by or on behalf of the State, including any and all works, inventions, data, analyses and other information and materials resulting from any use of the Software by or on behalf of the State under this Contract, except that User Data does not include the Software or data, information or content, including any GUI, audio, visual or digital or other display or output, that is generated automatically upon executing the Software without additional user input.

“**Warranty Period**” means the ninety (90) calendar-day period commencing on the date of the State's Acceptance of the Software.

2. Hosted Software License Grant and Source Code Escrow

2.1 Contractor License Grant. Contractor hereby grants to the State, exercisable by and through its Authorized Users, a nonexclusive, royalty-free, irrevocable (except as provided herein) right and license during the Term and such additional periods, if any, as Contractor is required to perform Services under this Contract or any Statement of Work, to:

(a) access and use the Hosted Services, including in operation with other software, hardware, systems, networks and services, for the State's business purposes, including for Processing State Data;

(b) generate, print, copy, upload, download, store and otherwise Process all GUI, audio, visual, digital and other output, displays and other content as may result from any access to or use of the Hosted Services;

(c) prepare, reproduce, print, download and use a reasonable number of copies of the Specifications and Documentation for any use of the Hosted Services under this Contract; and

(d) access and use the Hosted Services for all such non-production uses and applications as may be necessary or useful for the effective use of the Hosted Services hereunder, including for purposes of analysis, development, configuration, integration, testing, training, maintenance, support and repair, which access and use will be without charge and not included for any purpose in any calculation of the State's or its Authorized Users' use of the Hosted Services, including for purposes of assessing any Fees or other consideration payable to Contractor or determining any excess use of the Hosted Services as described in **Section 2.2**.

2.2 License Restrictions. The State will not: (a) rent, lease, lend, sell, sublicense, assign, distribute, publish, transfer or otherwise make the Hosted Services available to any third party, except as expressly

permitted by this Contract or in any Statement of Work; or (b) use or authorize the use of the Hosted Services or Documentation in any manner or for any purpose that is unlawful under applicable Law.

2.3 Use. The State will pay Contractor the corresponding Fees set forth in the Statement of Work for all Authorized Users access and use of the Hosted Services or Software. Such Fees will be Contractor's sole and exclusive remedy for use of the Hosted Services or Software, including any excess use.

2.4 Open-Source Licenses. For Contractor Hosted Software only (and not for the provision of Software-as-a-Service), any use hereunder of Open-Source Components shall be governed by, and subject to, the terms and conditions of the applicable open-source license ("Open-Source License"). Contractor shall identify and describe in an exhibit to the Statement of Work each of the Approved Open-Source Components of the Software, and include an exhibit attaching all applicable Open-Source Software Licenses or identifying the URL where these licenses are publicly available.

2.5 Source Code Escrow. The parties may enter into a separate intellectual property escrow agreement. Such escrow agreement will govern all aspects of Source Code escrow and release. Contractor hereby grants the State a license to use, reproduce, and create derivative works from the deposit material, provided the State may not distribute or sublicense the deposit material or make any use of it whatsoever except for such internal use as is necessary to maintain and support the Software. Copies of the deposit material created or transferred pursuant to this Contract are licensed, not sold, and the State receives no title to or ownership of any copy or of the deposit material itself. The deposit material constitutes Confidential Information of Contractor pursuant to **Section 38.a** of this Contract (provided no provision of **Section 38.e** calling for return of Confidential Information before termination of this Contract will apply to the deposit material).

3. Hosted Services Testing and Acceptance.

3.1 Hosted Service Preparation. Promptly upon the parties' execution of a Statement of Work, Contractor will take all steps necessary to make the Hosted Services procured thereunder ready and available for the State's use in accordance with the Statement of Work and this Contract, including any applicable milestone date or dates set forth in such Statement of Work.

3.2 Testing and Acceptance.

(a) When Contractor notifies the State in writing that the Hosted Services are ready for use in a production environment, the State will have thirty (30) days (or such other period as may be agreed upon by the Parties in writing) from receipt of the notice to test the Hosted Services to determine whether they comply in all material respects with the requirements of this Contract and the Specifications.

(b) Upon completion of the State's testing, the State will notify Contractor of its acceptance ("**Accept**" or "**Acceptance**") or, if it has identified any noncompliance with the Specifications, rejection ("**Reject**" or "**Rejection**") of the Hosted Services. If the State Rejects the Hosted Services, the State will provide a written list of items that must be corrected. On receipt of the State's notice, Contractor will

promptly commence, at no additional cost or charge to the State, all reasonable efforts to complete, as quickly as possible and in any event within twenty (20) days (or such other period as may be agreed upon by the Parties in writing) from receipt of the State's notice, such necessary corrections, repairs and modifications to the Hosted Services to bring them into full compliance with the Specifications.

(c) If any corrective measures are required under **Section 3.2(b)**, upon completion of all such measures, Contractor will notify the State in writing and the process set forth in **Section 3.2(a)** and **Section 3.2(b)** will be repeated; provided that if the State determines that the Hosted Services, as revised, still do not comply in all material respects with the Specifications, the State may, in its sole discretion:

- (i) require the Contractor to repeat the correction, repair and modification process set forth in **Section 3.2(b)** at no additional cost or charge to the State; or
- (ii) terminate any and all of the relevant Statement of Work, this Contract and any other Statements of Work hereunder.

(d) The parties will repeat the foregoing procedure until the State Accepts the Hosted Services or elects to terminate the relevant Statement of Work as provided in **Section 3.2(c)(ii)** above. If the State so terminates the relevant Statement of Work, Contractor must refund to the State all sums previously paid to Contractor under such Statement of Work within ten (10) Business Days of the State's written notice of termination, and the State will be relieved of all obligations thereunder.

4. Support Services.

4.1 **Maintenance and Support Services.** Contractor will provide Hosted Service maintenance and support services (collectively, "**Support Services**") in accordance with the provisions set forth in this **Schedule E** and in the Service Level Agreement, attached as **Exhibit 1** to this **Schedule E** (the "**Support Services and Service Level Agreement**").

4.2 **Maintenance Services.** Contractor will provide Hosted Service maintenance and support services (collectively, "**Software Support Services**") in accordance with the provisions of this **Schedule E**, including **Exhibit 1** to this **Schedule E**. The Software Support Services are included in the Services, and Contractor may not assess any additional fees, costs or charges for such Software Support Services. Contractor will continuously maintain the Hosted Services to optimize Availability that meets or exceeds the Availability Requirement as defined in **Exhibit 1** to this **Schedule E**. Such maintenance services include providing to the State and its Authorized Users:

(a) all updates, bug fixes, enhancements, new releases, new versions and other improvements to the Hosted Services, including the Software, that Contractor provides at no additional charge to its other similarly situated customers; and

(b) all such services and repairs as are required to maintain the Hosted Services or are ancillary, necessary or otherwise related to the State's or its Authorized Users' access to or use of the

Hosted Services, so that the Hosted Services operate properly in accordance with the Contract and this **Schedule E**.

4.3 Support Service Responsibilities. Contractor will:

- (a) correct all Service Errors in accordance with the Support Service Level Requirements as defined in **Exhibit 1** to this **Schedule E**, including by providing defect repair, programming corrections and remedial programming;
- (b) provide unlimited telephone support between the hours of 7 am and 7 pm, EST;
- (c) provide unlimited online support 24 hours a day, seven days a week;
- (d) provide online access to technical support bulletins and other user support information and forums, to the full extent Contractor makes such resources available to its other customers; and
- (e) respond to and Resolve Support Requests as specified in **Exhibit 1** to this **Schedule E**.

5. Software and Service Warranties.

5.1 Contractor represents and warrants to the State that:

- (a) Contractor has, and throughout the Term and any additional periods during which Contractor does or is required to perform the Services, including Hosted Services, will have, the unconditional and irrevocable right, power and authority, including all permits and licenses required, to provide the Services and grant and perform all rights and licenses granted or required to be granted by it under this Contract;
- (b) neither Contractor's grant of the rights or licenses hereunder nor its performance of any Services or other obligations under this Contract does or at any time will: (i) conflict with or violate any applicable law, including any law relating to data privacy, data security or personal information; (ii) require the consent, approval or authorization of any governmental or regulatory authority or other third party; or (iii) require the provision of any payment or other consideration by the State or any Authorized User to any third party, and Contractor shall promptly notify the State in writing if it becomes aware of any change in any applicable law that would preclude Contractor's performance of its material obligations hereunder;
- (c) as accessed and used by the State or any Authorized User in accordance with this Contract and the Specifications, the Hosted Services, Documentation and all other Services and materials provided by Contractor under this Contract will not infringe, misappropriate or otherwise violate any Intellectual Property Right or other right of any third party;
- (d) there is no settled, pending or, to Contractor's knowledge as of the Effective Date, threatened action, and it has not received any written, oral or other notice of any action (including in the form of any offer to obtain a license): (i) alleging that any access to or use of the Services, Hosted Services, or Software does or would infringe, misappropriate or otherwise violate any Intellectual Property

Right of any third party; (ii) challenging Contractor's ownership of, or right to use or license, any software or other materials used or required to be used in connection with the performance or receipt of the Services, or alleging any adverse right, title or interest with respect thereto; or (iii) that, if decided unfavorably to Contractor, would reasonably be expected to have an actual or potential adverse effect on its ability to perform the Services, including Hosted Services, or its other obligations under this Contract, and it has no knowledge after reasonable investigation of any factual, legal or other reasonable basis for any such litigation, claim or proceeding;

(e) the Software, Services (including Hosted Services) will in all material respects conform to and perform in accordance with the Specifications and all requirements of this Contract, including the Availability and Availability Requirement provisions set forth in Exhibit 1 to this **Schedule E**;

(f) all Specifications are, and will be continually updated and maintained so that they continue to be, current, complete and accurate and so that they do and will continue to fully describe the Hosted Services in all material respects such that at no time during the Term or any additional periods during which Contractor does or is required to perform the Services will the Hosted Services have any material undocumented feature;

(g) the Contractor Systems and Services (including Hosted Services) are and will remain free of Harmful Code;

(h) Contractor will not advertise through the Hosted Services (whether with adware, banners, buttons or other forms of online advertising) or link to external web sites that are not approved in writing by the State;

(i) Contractor will perform all Services in a timely, professional and workmanlike manner with a level of care, skill, practice and judgment consistent with generally recognized industry standards and practices for similar services, using personnel with the requisite skill, experience and qualifications, and will devote adequate resources to meet Contractor's obligations (including the Availability Requirement and Support Service Level Requirements) under this Contract;

(j) During the term of this Contract, any audit rights contained in any third-party software license agreement or end user license agreement for third-party software incorporated in or otherwise used in conjunction with the Services, will apply solely to Contractor's (or its subcontractors) facilities and systems that host the Services (including any disaster recovery site), and regardless of anything to the contrary contained in any third-party software license agreement or end user license agreement, third-party software providers will have no audit rights whatsoever against State systems or networks; and

(k) Contractor acknowledges that the State cannot indemnify any third parties, including but not limited to any third-party software providers that provide software that will be incorporated in or otherwise used in conjunction with the Services, and that notwithstanding anything to the contrary contained in any third-party software license agreement or end user license agreement, the State will not indemnify any third party software provider for any reason whatsoever.

5.2 DISCLAIMER. EXCEPT FOR THE EXPRESS WARRANTIES IN THIS CONTRACT, CONTRACTOR HEREBY DISCLAIMS ALL WARRANTIES, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE UNDER OR IN CONNECTION WITH THIS CONTRACT OR ANY SUBJECT MATTER HEREOF.

SCHEDULE E, EXHIBIT 1

Support Services and Service Level Agreement for Hosted Services

1. Definitions. For purposes of this **Exhibit 1 to Schedule E**, the following terms have the meanings set forth below. All initial capitalized terms in this Schedule that are not defined in this **Section 1** shall have the respective meanings given to them in the Contract or its associated respective Schedules.

“**Actual Uptime**” means the total minutes in the Service Period that the Hosted Services are Available.

“**Availability**” has the meaning set forth in **Section 3(a)**.

“**Availability Requirement**” has the meaning set forth in **Section 3(a)**.

“**Available**” has the meaning set forth in **Section 3(a)**.

“**Contractor Service Manager**” has the meaning set forth in **Section 2.1**.

“**Corrective Action Plan**” has the meaning set forth in **Section 4.3**.

“**Critical Service Error**” has the meaning set forth in **Section 4**.

“**Exceptions**” has the meaning set forth in **Section 3.2**.

“**Force Majeure Event**” has the meaning set forth in **Section 5.1**.

“**High Service Error**” has the meaning set forth in **Section 4**.

“**Hosted Services**” has the meaning set forth in **Schedule E**.

“**Low Service Error**” has the meaning set forth in **Section 4**.

“**Medium Service Error**” has the meaning set forth in **Section 4**.

“**Resolve**” has the meaning set forth in **Section 4.1(a)**.

“**Scheduled Downtime**” has the meaning set forth in **Section 3.3**.

“**Scheduled Uptime**” means the total minutes in the Service Period.

“**Service Availability Credits**” has the meaning set forth in **Section 3.6(a)**.

“**Service Level Credits**” has the meaning set forth in **Section 4.2**.

“**Service Level Failure**” means a failure to perform the Software Support Services fully in compliance with the Support Service Level Requirements.

“**Service Period**” has the meaning set forth in **Section 3(a)**.

“**Software**” has the meaning set forth in the Contract.

“**Software Support Services**” has the meaning set forth in **Section 4.1**.

“**State Service Manager**” has the meaning set forth in **Section 2.2**.

“**State Systems**” means the information technology infrastructure, including the computers, software, databases, electronic systems (including database management systems) and networks, of the State or any of its designees.

“**Support Request**” has the meaning set forth in **Section 4**.

“**Support Service Level Requirements**” has the meaning set forth in **Section 4**.

“**Term**” has the meaning set forth in the Contract.

2. Personnel

2.1 Contractor Personnel for the Hosted Services. Contractor will appoint a Contractor employee to serve as a primary contact with respect to the Services who will have the authority to act on behalf of Contractor in matters pertaining to the receipt and processing of Support Requests and the Software Support Services (the “**Contractor Service Manager**”). **The Contractor Service Manager** will be considered Key Personnel under the Contract.

2.2 State Service Manager for the Hosted Services. The State will appoint and, in its reasonable discretion, replace, a State employee to serve as the primary contact with respect to the Services who will have the authority to act on behalf of the State in matters pertaining to the Software Support Services, including the submission and processing of Support Requests (the “**State Service Manager**”).

3. Service Availability and Service Availability Credits.

(a) Availability Requirement. Contractor will make the Hosted Services Available, as measured over the course of each calendar month during the Term and any additional periods during which Contractor does or is required to perform any Hosted Services (each such calendar month, a “**Service Period**”), at least 99% of the time, excluding only the time the Hosted Services are not Available solely as a result of one or more Exceptions (the “**Availability Requirement**”). “**Available**” means the Hosted Services are available and operable for access and use by the State and its Authorized Users over the Internet in material conformity with the Contract. “**Availability**” has a correlative meaning. The Hosted Services are not considered Available in the event of a material performance degradation or inoperability of the Hosted Services, in whole or in part. The Availability Requirement will be calculated for the Service Period as follows: $(\text{Actual Uptime} - \text{Total Minutes in Service Period Hosted Services are not Available Due to an Exception}) \div (\text{Scheduled Uptime} - \text{Total Minutes in Service Period Hosted Services are not Available Due to an Exception}) \times 100 = \text{Availability}$.

3.2 Exceptions. No period of Hosted Service degradation or inoperability will be included in calculating Availability to the extent that such downtime or degradation is due to any of the following (“**Exceptions**”):

- (a) failures of the State’s or its Authorized Users’ internet connectivity;
- (b) Scheduled Downtime as set forth in **Section 3.3**.

3.3 Scheduled Downtime. Contractor must notify the State at least twenty-four (24) hours in advance of all scheduled outages of the Hosted Services in whole or in part (“**Scheduled Downtime**”). All such scheduled outages will: (a) last no longer than five (5) hours; (b) be scheduled between the hours of 12:00 a.m. and 5:00 a.m., Eastern Time; and (c) occur no more frequently than once per week; provided that Contractor may request the State to approve extensions of Scheduled Downtime above five (5) hours, and such approval by the State may not be unreasonably withheld or delayed.

3.4 Software Response Time. Software response time, defined as the interval from the time the end user sends a transaction to the time a visual confirmation of transaction completion is received, must be less than two (2) seconds for 98% of all transactions. Unacceptable response times shall be considered to make the Software unavailable and will count against the Availability Requirement.

3.5 Service Availability Reports. Within thirty (30) days after the end of each Service Period, Contractor will provide to the State a report describing the Availability and other performance of the Hosted Services during that calendar month as compared to the Availability Requirement. The report must be in electronic or such other form as the State may approve in writing and shall include, at a minimum: (a) the actual performance of the Hosted Services relative to the Availability Requirement; and (b) if Hosted Service performance has failed in any respect to meet or exceed the Availability Requirement during the reporting period, a description in sufficient detail to inform the State of the cause of such failure and the corrective actions the Contractor has taken and will take to ensure that the Availability Requirement are fully met.

3.6 Remedies for Service Availability Failures.

(a) If the actual Availability of the Hosted Services is less than the Availability Requirement for any single Service Period, then Contractor shall furnish to the State a written remediation plan detailing Contractor’s intended actions to correct the Availability shortfall; if the actual Availability of the Hosted Services is less than the Availability Requirement for three consecutive Service Periods, such failure will constitute a Service Error for which Contractor will issue to the State the following credits on the fees payable for Hosted Services provided during the next following Service Period (“**Service Availability Credits**”):

Availability	Credit of Fees
<99.0% but ≥95.0%	0.25%

<95.0% but ≥90.0%	0.50%
<90.0%	1.00%

provided, however, that such Service Availability Credits on an aggregated basis for all Availability Requirement shortfalls during the term of this Contract shall not exceed the aggregate sum of \$5,000.

(b) Any Service Availability Credits due under this **Section 3.6** will be applied in accordance with payment terms of the Contract.

(c) If the actual Availability of the Hosted Services is less than the Availability Requirement in four (4) consecutive Service Periods, then, in addition to all other remedies available to the State, the State may terminate the Contract on written notice to Contractor with no liability, obligation or penalty to the State by reason of such termination.

3.7 Service Monitoring and Management. Contractor will continuously monitor and manage the Hosted Services to optimize Availability that meets or exceeds the Availability Requirement. Such monitoring and management includes:

(a) proactively monitoring on a twenty-four (24) hour by seven (7) day basis all Hosted Service functions, servers, firewall and other components of Hosted Service security;

(b) if such monitoring identifies, or Contractor otherwise becomes aware of, any circumstance that is reasonably likely to threaten the Availability of the Hosted Service, taking all necessary and reasonable remedial measures to promptly eliminate such threat and ensure full Availability; and

(c) if Contractor receives knowledge that the Hosted Service or any Hosted Service function or component is not Available (including by written notice from the State pursuant to the procedures set forth herein):

- (i) confirming (or disconfirming) the outage by a direct check of the associated facility or facilities;
- (ii) if Contractor's facility check in accordance with clause (i) above confirms a Hosted Service outage in whole or in part: (A) notifying the State in writing pursuant to the procedures set forth herein that an outage has occurred, providing such details as may be available, including a Contractor trouble ticket number, if appropriate, and time of outage; and (B) working all problems causing and caused by the outage until they are Resolved as Critical Service Errors in accordance with the Support Request Classification set forth in **Section 4**, or, if determined to be an internet provider problem, open a trouble ticket with the internet provider; and
- (iii) notifying the State that Contractor has fully corrected the outage and any related problems, along with any pertinent findings or action taken to close the trouble ticket.

4. Support Service Level Requirements. Contractor will correct all Service Errors and respond to and Resolve all Support Requests in accordance with the required times and other terms and conditions set forth in this **Section 4 (“Support Service Level Requirements”)**, and the Contract.

4.1 Support Requests. The State will classify its requests for Service Error corrections in accordance with the descriptions set forth in the chart below (each a **“Support Request”**). The State Service Manager will notify Contractor of Support Requests by email, telephone or such other means as the parties may hereafter agree to in writing.

Support Request Classification	Description: Any Service Error Comprising or Causing any of the Following Events or Effects
Critical Service Error	<ul style="list-style-type: none"> • Issue affecting entire system or single critical production function; • System down or operating in materially degraded state; • Data integrity at risk; • Declared a Critical Support Request by the State; or • Widespread access interruptions.
High Service Error	<ul style="list-style-type: none"> • Primary component failure that materially impairs its performance; or • Data entry or access is materially impaired on a limited basis.
Medium Service Error	<ul style="list-style-type: none"> • Hosted Service is operating with minor issues that can be addressed with an acceptable (as determined by the State) temporary work around.
Low Service Error	<ul style="list-style-type: none"> • Request for assistance, information, or services that are routine in nature.

(a) Response and Resolution Time Service Levels. Response and Resolution times will be measured from the time Contractor receives a Support Request until the respective times Contractor has (i) responded to, in the case of response time and (ii) Resolved such Support Request, in the case of Resolution time. **“Resolve”** (including **“Resolved”**, **“Resolution”** and correlative capitalized terms) means that, as to any Service Error, Contractor has provided the State the corresponding Service Error correction and the State has confirmed such correction and its acceptance thereof. Contractor will respond to and Resolve all Service Errors within the following times based on the severity of the Service Error:

Support Request Classification	Service Level Metric	Service Level Metric	Service Level Credits	Service Level Credits

	(Required Response Time)	(Required Resolution Time)	(For Failure to Respond to any Support Request Within the Corresponding Response Time)	(For Failure to Resolve any Support Request Within the Corresponding Required Resolution Time)
Critical Service Error	One (1) hour	Three (3) hours	Five percent (5%) of the Fees for the month in which the initial Service Level Failure begins and five percent (5%) of such monthly Fees for each additional hour or portion thereof that the corresponding Service Error is not responded to within the required response time.	Five percent (5%) of the Fees for the month in which the initial Service Level Failure begins and five percent (5%) of such monthly Fees for the first additional hour or portion thereof that the corresponding Service Error remains un-Resolved, which amount will thereafter double for each additional one-hour increment.
High Service Error	One (1) hour	Four (4) hours	Three percent (3%) of the Fees for the month in which the initial Service Level Failure begins and three percent (3%) of such monthly Fees for each additional hour or portion thereof that the corresponding Service Error is not responded to within the required response time.	Three percent (3%) of the Fees for the month in which the initial Service Level Failure begins and three percent (3%) of such monthly Fees for the first additional hour or portion thereof that the corresponding Service Error remains un-Resolved, which amount will thereafter double for each additional one-hour increment.
Medium Service Error	Three (3) hours	Two (2) Business Days	N/A	N/A
Low Service Error	Three (3) hours	Five (5) Business Days	N/A	N/A

(b) Escalation. With respect to any Critical Service Error Support Request, until such Support Request is Resolved, Contractor will escalate that Support Request within sixty (60) minutes of the receipt of such Support Request by the appropriate Contractor support personnel, including, as applicable, the Contractor Service Manager and Contractor's management or engineering personnel, as appropriate.

4.2 Support Service Level Credits. Failure to achieve any of the Support Service Level Requirements for Critical and High Service Errors will constitute a Service Level Failure for which Contractor will issue to the State the corresponding service credits set forth in **Section 4.1(a)** ("**Service Level Credits**") in accordance with payment terms set forth in the Contract. Notwithstanding any provision herein to the contrary, the Service Level Credits on an aggregated basis for all Support Service Level Requirements for Critical and High Service Errors committed during the term of this Contract shall not exceed the aggregate sum of \$5,000.

4.3 Corrective Action Plan. If two or more Critical Service Errors occur in any thirty (30) day period during (a) the Term or (b) any additional periods during which Contractor does or is required to perform any Hosted Services, Contractor will promptly investigate the root causes of these Service Errors and provide to the State within five (5) Business Days of its receipt of notice of the second such Support Request an analysis of such root causes and a proposed written corrective action plan for the State's review, comment and approval, which, subject to and upon the State's written approval, shall be a part of, and by this reference is incorporated in, the Contract as the parties' corrective action plan (the "**Corrective Action Plan**"). The Corrective Action Plan must include, at a minimum: (a) Contractor's commitment to the State to devote the appropriate time, skilled personnel, systems support and equipment and other resources necessary to Resolve and prevent any further occurrences of the Service Errors giving rise to such Support Requests; (b) a strategy for developing any programming, software updates, fixes, patches, etc. necessary to remedy, and prevent any further occurrences of, such Service Errors; and (c) time frames for implementing the Corrective Action Plan. There will be no additional charge for Contractor's preparation or implementation of the Corrective Action Plan in the time frames and manner set forth therein.

5. Force Majeure.

5.1 Force Majeure Events. Subject to **Section 5.3**, neither party will be liable or responsible to the other party, or be deemed to have defaulted under or breached the Contract, for any failure or delay in fulfilling or performing any term hereof, when and to the extent such failure or delay is caused by: acts of God, flood, fire or explosion, war, terrorism, invasion, riot or other civil unrest, embargoes or blockades in effect on or after the date of the Contract, national or regional emergency, general and widespread internet or telecommunications failures that are not limited to the Contractor Systems, or any passage of law or governmental order, rule, regulation or direction, or any action taken by a governmental or public authority, including imposing an embargo, export or import restriction, quota or other restriction or prohibition (each of the foregoing, a "**Force Majeure Event**"), in each case provided that: (a) such event is outside the reasonable control of the affected party; (b) the affected party gives prompt written notice to the other party, stating the period of time the occurrence is expected to continue; (c) the affected party uses diligent efforts to end the failure or delay and minimize the effects of such Force Majeure Event.

5.2 State Performance; Termination. In the event of a Force Majeure Event affecting Contractor's performance under the Contract, the State may suspend its performance hereunder until such time as Contractor resumes performance. The State may terminate the Contract by written notice to Contractor if a Force Majeure Event affecting Contractor's performance hereunder continues substantially uninterrupted for a period of five (5) Business Days or more. Unless the State terminates the Contract pursuant to the preceding sentence, any date specifically designated for Contractor's performance under the Contract will automatically be extended for a period up to the duration of the Force Majeure Event.

5.3 Exclusions; Non-suspended Obligations. Notwithstanding the foregoing or any other provisions of the Contract or this Schedule:

- (a) in no event will any of the following be considered a Force Majeure Event:
 - (i) shutdowns, disruptions or malfunctions of Contractor Systems or any of Contractor's telecommunication or internet services other than as a result of general and widespread internet or telecommunications failures that are not limited to the Contractor Systems; or
 - (ii) the delay or failure of any Contractor Personnel to perform any obligation of Contractor hereunder unless such delay or failure to perform is itself by reason of a Force Majeure Event.

SCHEDULE F

Data Security Requirements

1. Definitions. For purposes of this Schedule, the following terms have the meanings set forth below. All initial capitalized terms in this Schedule that are not defined in this **Section** shall have the respective meanings given to them in the Contract.

“**Contractor Security Officer**” has the meaning set forth in **Section 2** of this Schedule.

“**Contractor Systems**” has the meaning set forth in **Section 5** of this Schedule.

“**FedRAMP**” means the Federal Risk and Authorization Management Program, which is a federally approved risk management program that provides a standardized approach for assessing and monitoring the security of cloud products and services.

“**FISMA**” means The Federal Information Security Modernization Act of 2014 (Pub.L. No. 113-283 (Dec. 18, 2014.)).

“**Hosting Provider**” means any Permitted Subcontractor that is providing any or all of the Hosted Services under this Contract.

“**NIST**” means the National Institute of Standards and Technology.

“**PCI**” means the Payment Card Industry.

“**PSP**” or “**PSOs**” means the State’s IT Policies, Standards and Procedures

“**SSAE**” means Statement on Standards for Attestation Engagements.

“**Security Accreditation Process**” has the meaning set forth in **Section 6** of this Schedule.

2. Security Officer. Contractor will appoint a Contractor employee to respond to the State’s inquiries regarding the security of the Hosted Services who has sufficient knowledge of the security of the Hosted Services and the authority to act on behalf of Contractor in matters pertaining thereto (“**Contractor Security Officer**”).

3. Contractor Responsibilities. Contractor is responsible for establishing and maintaining a data privacy and information security program, including physical, technical, administrative, and organizational safeguards, that is designed to:

- (a) ensure the security and confidentiality of the State Data;
- (b) protect against any anticipated threats or hazards to the security or integrity of the State Data;
- (c) protect against unauthorized disclosure, access to, or use of the State Data;
- (d) ensure the proper disposal of any State Data in Contractor’s or its subcontractor’s possession; and

- (e) ensure that all Contractor Representatives comply with the foregoing.

The State has established Information Technology (IT) PSPs to protect IT resources under the authority outlined in the overarching State 1305.00 Enterprise IT Policy. In no case will the safeguards of Contractor's data privacy and information security program be less stringent than the safeguards of the State, and Contractor must at all times comply with all applicable public and non-public State IT policies and standards, of which the publicly available ones are at https://www.michigan.gov/dtmb/0,5552,7-358-82547_56579_56755---,00.html.

This responsibility also extends to all service providers and subcontractors with access to State Data or an ability to impact the contracted solution. Contractor responsibilities are determined from the PSPs based on the services being provided to the State, the type of IT solution, and the applicable laws and regulations.

4. Acceptable Use Policy. To the extent that Contractor has access to the State's IT environment, Contractor must comply with the State's Acceptable Use Policy, see https://www.michigan.gov/documents/dtmb/1340.00.01_Acceptable_Use_of_Information_Technology_Standard_458958_7.pdf. All Contractor Personnel will be required, in writing, to agree to the State's Acceptable Use Policy before accessing State systems. The State reserves the right to terminate Contractor's and/or subcontractor(s) or any Contractor Personnel's access to State systems if the State determines a violation has occurred.

5. Protection of State's Information. Throughout the Term and at all times in connection with its actual or required performance of the Services, Contractor will:

5.1. If Hosted Services are provided by a Hosting Provider, ensure each Hosting Provider maintains FedRAMP authorization for all Hosted Services environments throughout the Term, and in the event a Hosting Provider is unable to maintain FedRAMP authorization, the State, at its sole discretion, may either a) require the Contractor to move the Software and State Data to an alternative Hosting Provider selected and approved by the State at Contractor's sole cost and expense without any increase in Fees, or b) immediately terminate this Contract for cause pursuant to **Section 15.1** of the Contract;

5.2. for Hosted Services provided by the Contractor, maintain either a FedRAMP authorization or an annual SSAE 18 SOC 2 Type II audit based on State required NIST Special Publication 800-53 MOD Controls using identified controls and minimum values as established in applicable State PSPs;

5.3. ensure that the Software and State Data is securely hosted, supported, administered, accessed, and backed up in a data center(s) that resides in the continental United States, and minimally meets Uptime Institute Tier 3 standards (www.uptimeinstitute.com), or its equivalent;

5.4. maintain and enforce an information security program including safety and physical and technical security policies and procedures with respect to its Processing of the State's Data that complies with the requirements of the State's data security policies as set forth in this Contract, and must, at a minimum, remain compliant with FISMA and NIST Special Publication 800.53 MOD Controls using identified controls and minimum values as established in the applicable State PSPs;

5.5. provide technical and organizational safeguards against accidental, unlawful or unauthorized access to or use, destruction, loss, alteration, disclosure, encryption, transfer, commingling or processing of such information that ensure a level of security appropriate to the risks presented by the processing of the State Data and the nature of such State Data, consistent with best industry

practice and applicable standards (including, but not limited to, compliance with FISMA, NIST, CMS, IRS, FBI, SSA, HIPAA, FERPA and PCI requirements as applicable);

5.6. take all reasonable measures to:

- (a) secure and defend all locations, equipment, systems and other materials and facilities employed in connection with the Services against “malicious actors” and others who may seek, without authorization, to destroy, disrupt, damage, encrypt, modify, copy, access or otherwise use Hosted Services or the information found therein; and
- (b) prevent (i) the State and its Authorized Users from having access to the data of other customers or such other customer’s users of the Services; (ii) State Data from being commingled with or contaminated by the data of other customers or their users of the Services; and (iii) unauthorized access to any of the State Data;

5.7. ensure that State Data is encrypted in transit and at rest using FIPS validated AES encryption modules and a key size of 128 bits or higher;

5.8. ensure the Hosted Services support Identity Federation/Single Sign-on (SSO) capabilities using Security Assertion Markup Language (SAML), Open Authentication (OAuth) or comparable State approved mechanisms;

5.9. ensure the Hosted Services have multi-factor authentication for privileged/administrative access; and

5.10. maintain its Authority to Operate (ATO) with the US Department of Education and provide a copy of its annual NIST self-assessment.

6. Security Accreditation Process. Throughout the Term, Contractor will assist the State, at no additional cost, with its **Security Accreditation Process**, which includes the development, completion and on-going maintenance of a system security plan (SSP) using the State’s automated governance, risk and compliance (GRC) platform, which requires Contractor to submit evidence, upon request from the State, in order to validate Contractor’s security controls within two weeks of the State’s request. On an annual basis, or as otherwise required by the State such as for significant changes, re-assessment of the system’s controls will be required to receive and maintain authority to operate (ATO). All identified risks from the SSP will be remediated through a Plan of Action and Milestones (POAM) process with remediation time frames based on the risk level of the identified risk. For all findings associated with the Contractor’s solution, at no additional cost, Contractor will be required to create or assist with the creation of State approved POAMs and perform related remediation activities. The State will make any decisions on acceptable risk, Contractor may request risk acceptance, supported by compensating controls, however only the State may formally accept risk. Failure to comply with this section will be deemed a material breach of the Contract.

7. Unauthorized Access. Contractor may not access, and shall not permit any access to, State systems, in whole or in part, whether through Hosted Services or otherwise, without the State’s express prior written authorization. Such authorization may be revoked by the State in writing at any time in its sole discretion. Any access to State systems must be solely in accordance with the Contract and this Schedule, and in no case exceed the scope of the State’s authorization pursuant to this Section. All State-authorized connectivity or attempted connectivity to State systems shall be only through the State’s security gateways and firewalls and in compliance with the State’s security policies set forth in the

Contract as the same may be supplemented or amended by the State and provided to Contractor from time to time.

8. Security Audits.

8.1. During the Term, Contractor will maintain complete and accurate records relating to its data protection practices, IT security controls, and the security logs relating to State Data, including but not limited to any backup, disaster recovery or other policies, practices or procedures relating to the State Data and any other information relevant to its compliance with this Contract;

8.2. Without limiting any other audit rights of the State, the State has the right to review Contractor's data privacy and information security program prior to the commencement of Services and from time to time during the term of this Contract. The State, at its own expense, is entitled to perform, or to have performed, an on-site audit of Contractor's data privacy and information security program. If the State chooses to perform an on-site audit, Contractor will, make all such records, appropriate personnel and relevant materials available during normal business hours for inspection and audit by the State or an independent data security expert that is reasonably acceptable to Contractor, provided that the State: (i) gives Contractor at least five (5) Business Days prior notice of any such audit; (ii) undertakes such audit no more than once per calendar year, except for good cause shown; and (iii) conducts or causes to be conducted such audit in a manner designed to minimize disruption of Contractor's normal business operations and that complies with the terms and conditions of all data confidentiality, ownership, privacy, security and restricted use provisions of the Contract. The State may, but is not obligated to, perform such security audits, which shall, at the State's option and request, include penetration and security tests, of any and all Hosted Services and their housing facilities and operating environments.

8.3. During the Term, Contractor will, when requested by the State, provide a copy of Contractor's or Hosting Provider's FedRAMP System Security Plan(s) or SOC 2 Type 2 report(s) to the State within two weeks of the State's request. The System Security Plan and SSAE audit reports will be recognized as Contractor's Confidential Information.

8.4. With respect to State Data, Contractor must implement any required safeguards as identified by the State or by any audit of Contractor's data privacy and information security program.

8.5. The State reserves the right, at its sole election, to immediately terminate this Contract or a Statement of Work without limitation and without liability if the State determines that Contractor fails or has failed to meet its obligations under this **Section**.

9. Application Scanning. During the Term, Contractor must, at its sole cost and expense, scan all Contractor provided applications, and must analyze, remediate and validate all vulnerabilities identified by the scans as required by the State Secure Web Application and other applicable PSPs.

Contractor's application scanning and remediation must include each of the following types of scans and activities:

9.1. Dynamic Application Security Testing (DAST) – Scanning interactive application for vulnerabilities, analysis, remediation, and validation (may include Interactive Application Security Testing (IAST)).

- (a) Contractor must either a) grant the State the right to dynamically scan a deployed version of the Software; or b) in lieu of the State performing the scan, Contractor must dynamically scan a deployed version of the Software using a State approved application scanning tool, and provide the State a vulnerabilities assessment after Contractor has completed such scan. These scans and assessments i) must be completed and provided to the State quarterly (dates to be provided by the State) and for each major release; and ii) scans must be completed in a non-production environment with verifiable matching source code and supporting infrastructure configurations or the actual production environment.

9.2. Static Application Security Testing (SAST) - Scanning Source Code for vulnerabilities, analysis, remediation, and validation.

- (a) For Contractor provided applications, Contractor, at its sole expense, must provide resources to complete static application source code scanning, including the analysis, remediation and validation of vulnerabilities identified by application Source Code scans. These scans must be completed for all Source Code initially, for all updated Source Code, and for all Source Code for each major release and Contractor must provide the State a vulnerability assessment after Contractor has completed the required scans.

9.3. Software Composition Analysis (SCA) – Third Party and/or Open Source Scanning for vulnerabilities, analysis, remediation, and validation.

- (a) For Software that includes third party and open source software, all included third party and open source software must be documented and the source supplier must be monitored by the Contractor for notification of identified vulnerabilities and remediation. SCA scans may be included as part of SAST and DAST scanning or employ the use of an SCA tool to meet the scanning requirements. These scans must be completed for all third party and open source software initially, for all updated third party and open source software, and for all third party and open source software in each major release and Contractor must provide the State a vulnerability assessment after Contractor has completed the required scans if not provided as part of SAST and/or DAST reporting.

9.4. In addition, application scanning and remediation may include the following types of scans and activities if required by regulatory or industry requirements, data classification or otherwise identified by the State.

- (a) If provided as part of the solution, all native mobile application software must meet these scanning requirements including any interaction with an application programming interface (API).
- (b) Penetration Testing – Simulated attack on the application and infrastructure to identify security weaknesses.

10. Infrastructure Scanning.

10.1. For Hosted Services, Contractor must ensure the infrastructure and applications are scanned using an approved scanning tool (Qualys, Tenable, or other PCI Approved Vulnerability Scanning Tool) at least monthly and provide the scan's assessments to the State in a format that is specified by the State and used to track the remediation. Contractor will ensure the remediation of issues

identified in the scan according to the remediation time requirements documented in the State's PSPs.

11. Nonexclusive Remedy for Security Breach.

11.1. Any failure of the Services to meet the requirements of this Schedule with respect to the security of any State Data or other Confidential Information of the State, including any related backup, disaster recovery or other policies, practices or procedures, is a material breach of the Contract for which the State, at its option, may terminate the Contract immediately upon written notice to Contractor without any notice or cure period, and Contractor must promptly reimburse to the State any Fees prepaid by the State prorated to the date of such termination.

SCHEDULE F, Exhibit 1
Contractor's Disaster Recovery Plan

Attachment A

Reset Form

Michigan Department of Treasury
3337 (Rev. 10-16)

Vendor, Contractor or Subcontractor Confidentiality Agreement

The Revenue Act, Public Act 122 of 1941, MCL 205.28(1)(f), the City Income Tax Act, Public Act 284 of 1964, MCL 141.674(1), and Internal Revenue Code (IRC) 6103(d), make all information acquired in administering taxes confidential. The Acts and IRC hold a vendor, contractor or subcontractor and their employees who sell a product or provide a service to the Michigan Department of Treasury, or who access Treasury data, to the strict confidentiality provisions of the Acts and IRC. Confidential tax information includes, but is not limited to, information obtained in connection with the administration of a tax or information or parameters that would enable a person to ascertain the audit selection or processing criteria of the Michigan Department of Treasury for a tax administered by the department.

INSTRUCTIONS. Read this entire form before you sign it. If you do not complete this agreement, you will be denied access to Michigan Department of Treasury and federal tax information. After you and your witness sign and date this form, keep a copy for your records. Send the original to the address listed below.

Company Name and Address (Street or RR#, City, State, ZIP Code)		Last Name	First Name
		Driver License Number/Passport Number	Telephone Number
State of Michigan Department	Division	Subcontractor Name if Product/Service Furnished to Contractor	
Describe here or in a separate attachment the product or service being provided to the State of Michigan Agency (Required).			

Confidentiality Provisions. It is illegal to reveal or browse, except as authorized:

- All tax return information obtained in connection with the administration of a tax. This includes information from a tax return or audit and any information about the selection of a return for audit, assessment or collection, or parameters or tolerances for processing returns.
- All Michigan Department of Treasury or federal tax returns or tax return information made available, including information marked "Official Use Only". Tax returns or tax return information shall not be divulged or made known in any manner to any person except as may be needed to perform official duties. Access to Treasury or federal tax information, in paper or electronic form, is allowed on a **need-to-know** basis only. Before you disclose returns or return information to other employees in your organization, they must be authorized by Michigan Department of Treasury to receive the information to perform their official duties.
- Confidential information shall not be disclosed by a department employee to confirm information made public by another party or source which is part of any public record. 1999 AC, R 2005.1004(1).

Violating confidentiality laws is a felony, with penalties as described:

Michigan Penalties

MCL 205.28(1)(f) provides that you may not willfully disclose or browse any Michigan tax return or information contained in a return. Browsing is defined as examining a return or return information acquired without authorization and without a **need to know** the information to perform official duties. Violators are guilty of a **felony** and subject to **fines of \$5,000 or imprisonment for five years, or both**. State employees will be discharged from state service upon conviction.

Any person who violates any other provision of the Revenue Act, MCL 205.1, et seq., or any statute administered under the Revenue Act, will be guilty of a misdemeanor and **fined \$1,000 or imprisonment for one year, or both**, MCL 205.27(4).

City Penalties

MCL 141.674(2) provides that any person divulging confidential City Tax information is guilty of a misdemeanor and subject to a fine not exceeding \$500 or imprisonment for a period not exceeding 90 days, or both, for each offense.

Federal Penalties

If you willfully disclose federal tax returns or tax return information to a third party, you are guilty of a **felony with a fine of \$5,000 or imprisonment for five years, or both, plus prosecution costs** according to the Internal Revenue Code (IRC) §7213, 26 USC 7213.

In addition, inspecting, browsing or looking at a federal tax return or tax return information without authorization is a **felony violation** of IRC §7213A subjecting the violator to a **\$1,000 fine or imprisonment for one year, or both, plus prosecution costs**. Taxpayers affected by violations of §7213A must be notified by the government and may bring a civil action against the federal government and the violator within two years of the violation. Civil damages are the **greater of \$1,000 or actual damages** incurred by the taxpayer, plus the costs associated with bringing the action, 26 USC 7431.

Failure to comply with this confidentiality agreement may jeopardize your employer's contract with the Michigan Department of Treasury.

Certification		
By signing this Agreement, I certify that I have read the above confidentiality provisions and understand that failure to comply is a felony.		
Print name of employee signing this agreement	Signature of person named above	Date signed
Print Witness Name (Required)	Signature of Witness (Required)	Date signed

Submit your form to the following address:
Office of Privacy and Security/ Disclosure Unit
Michigan Department of Treasury
430 W. Allegan Street
Lansing, MI 48922

Questions, contact the Office of Privacy and Security by telephone, 517-636-4239; fax, 517-636-5340; or email: Treas_Disclosure@michigan.gov

Attachment B

Michigan Department of Treasury
4000 (Rev. 05-14)

Reset Form

Incident Report

INSTRUCTIONS: Complete Parts 1 and 2 and immediately submit Initial Report to the Office of Privacy and Security. After incident resolution, submit Final Report (Parts 1, 2 and 3) to the Office of Privacy and Security. Refer to Procedure PT-03253, Incident Reporting and Handling.

PART 1: A. CONTACT INFORMATION (Reporting Entity)			
Full Name (Last, First, Middle Initial)		Division/Office	
Telephone Number	Fax Number	E-Mail Address	
B. CONTACT INFORMATION (Affected Entity)			
Full Name (Last, First, Middle Initial)		Division/Office	
Telephone Number	Fax Number	E-Mail Address	
PART 2: INCIDENT INFORMATION			
Whose information was involved in the incident?			
<input type="checkbox"/> Treasury <input type="checkbox"/> Federal Tax Information <input type="checkbox"/> Other State Agency, specify _____ <input type="checkbox"/> Other _____			
Incident Category (select all that apply)			
<input type="checkbox"/> Passwords Shared/Stolen <input type="checkbox"/> Computer Virus/Spam <input type="checkbox"/> Paper Archives Compromised <input type="checkbox"/> Misrouted Communications <input type="checkbox"/> Data Destruction/Deletion <input type="checkbox"/> Safe/Lockbox/other Compromise <input type="checkbox"/> Unauthorized Access <input type="checkbox"/> Backups Missing or Stolen <input type="checkbox"/> Delivery of Documents Lost <input type="checkbox"/> Fraudulent Actions <input type="checkbox"/> Hacking of Networks/Systems <input type="checkbox"/> Inappropriate Destruction Paper <input type="checkbox"/> Lost/Stolen Information/Data <input type="checkbox"/> Improperly Secured Sys/Web <input type="checkbox"/> Inappropriate Destruction Media <input type="checkbox"/> Lost/Stolen Cash/Checks <input type="checkbox"/> Circumvention of Security Protocols <input type="checkbox"/> Lost/Stolen Equipment <input type="checkbox"/> Inappropriate Building Access <input type="checkbox"/> _____ <input type="checkbox"/> _____			
Incident Affects			
<input type="checkbox"/> Financial Information/Resources <input type="checkbox"/> Personal Information (SSN, Driver License No. Financial information) <input type="checkbox"/> Unauthorized/Unlawful Activity <input type="checkbox"/> Confidential/Sensitive Information <input type="checkbox"/> Human Resources (threat) <input type="checkbox"/> Other _____			
Date Incident Occurred	Time Incident Occurred	Date Incident Discovered	Time Incident Discovered
Incident Location		Number of Individuals Affected	
Involved Parties/Entities		Does this involve personal information (first and last name along with a SSN, driver license number, or credit/debit card account number)?	
		<input type="checkbox"/> Yes <input type="checkbox"/> No	
Date of Initial Report			
Description of Incident			

PART 1: CONTACT INFORMATION (Affected Entity)			
Full Name (Last, First, Middle Initial)		Division/Office	
PART 3: INCIDENT RESOLUTION			
Notification issued to affected individuals? <input type="checkbox"/> Yes <input type="checkbox"/> No	How many notifications were sent?	Breach Notification Method? <input type="checkbox"/> E-mail <input type="checkbox"/> Telephone <input type="checkbox"/> US Mail <input type="checkbox"/> Web	
Who was notified?		Date notification was issued	
Incident Cost <input type="checkbox"/> Check if incident costs are less than \$250. If \$250 or more, complete the detailed summary of costs below.			
<u>Manhours:</u>		<u>Other:</u>	
Treasury \$ _____		Postage \$ _____	
DTMB-OES \$ _____		Credit Monitoring Service \$ _____	
DTMB-Treasury Agency Services \$ _____		_____ \$ _____	
		Total Cost of Incident \$ _____	
Action Taken			
Incident Impact			
Post Incident Recommendations			
PART 4: REPORT PREPARER INFORMATION			
Final Report Prepared By:	Date Prepared	Preparer Title	Preparer's Telephone Number
Preparer Signature			Date
OFFICE OF PRIVACY AND SECURITY USE ONLY			
Administrator, Office of Privacy and Security Signature			Date