

**UNITED STATES DISTRICT COURT,
DISTRICT OF NEBRASKA**

ANDREW JOHANSSON,)	
HEATHER PORTER,)	
JON PEARCE,)	CLASS ACTION COMPLAINT
LINDA STANLEY, and)	
ANETRA FAISON, on behalf of themselves)	
and the Class Members described herein,)	Demand for Trial by Jury
)	
Plaintiffs,)	Designation: Trial Location
)	
v.)	
)	
NELNET, INC., a Nebraska Corporation,)	
NELNET DIVERSIFIED SOLUTIONS, LLC,)	
a Nebraska limited liability company, and)	
NELNET SERVICING LLC, a Nebraska)	
limited liability company.)	
Defendants.		

Plaintiffs allege:

Overview

1. Plaintiffs ANDREW JOHANSSON, HEATHER PORTER, JON PEARCE, ANETRA FAISON, and LINDA STANLEY sue Defendants, NELNET, INC., a Nebraska Corporation, NELNET DIVERSIFIED SOLUTIONS LLC, a Nebraska limited liability company, and NELNET SERVICING, LLC, a Nebraska limited liability company. They allege that Defendants 1) breached their Servicing Contract¹ with the federal government, of which Plaintiffs were intended third-party beneficiaries; 2) breached the Promissory Notes² that set forth the terms of Plaintiffs' federal student loans; and 3) violated state laws by making

¹ A prototype Servicing Contract appears at Attachment 1.

² A prototype Promissory Note appears at Attachment 2.

negligent representations to borrowers about their student loans, and engaging in other unfair, deceptive, and abusive practices as set forth below.

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction over all claims in this action pursuant to the Class Action Fairness Act, 28 U.S.C. § 1332(d)(2), because this lawsuit is brought as a class action on behalf of proposed classes, each in excess of 100 members, the aggregate claims of the Class Members exceed \$5 million exclusive of interest and costs, and one or more members of each Class is a citizen of a different state than one or more Defendants.

3. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b) because a substantial part of the events or omissions giving rise to the claims occurred in this District.

NATURE OF THE ACTION

4. Since June 2009, Defendant Nelnet Inc., and its subsidiaries, Nelnet Servicing LLC and Nelnet Diversified Solutions, LLC, acting as agents on behalf of Nelnet Inc., (collectively, “Nelnet”) have served as one of four primary student loan servicers of U.S. federal student loan debt. Loan servicers, who contract with the U.S. Department of Education (“DOE”) perform services such as collecting payments, responding to borrower inquiries, processing applications loan deferment or forbearance, and administering federal student loan repayment programs.

5. Nelnet continues to receive servicing fees for administering federal IDR plans.

6. As federal loan servicers, Defendants are responsible for administering the various Income-Driven Repayment Plans (“IDR plans”) offered by the federal government. IDR plans allow federal loan borrowers to make affordable monthly payments based on their gross income and family size. Borrowers who enroll in IDR plans become eligible for loan forgiveness after making a certain number of qualifying payments under the plan. For instance, under the “Income-

Based Repayment Plan,” the borrower’s monthly payments are capped at fifteen percent of discretionary income, and the remaining debt is discharged after twenty-five years of qualifying payments.

7. Nelnet improperly canceled or failed to renew Plaintiffs’ IDR plans, and improperly delayed the process whereby borrowers enroll in and renew such plans. These actions caused Plaintiffs and many other borrowers to incur thousands of dollars in improper fees and charges and thwarted their progress toward loan forgiveness.

8. Nelnet also improperly placed the loans of countless borrowers into hardship forbearance during the IDR recertification process, causing unpaid accrued interest to be “capitalized,” or added to the borrower’s principal loan balance.

9. These practices caused Plaintiffs and similarly situated borrowers to suffer financial damages. Plaintiffs and Class Members lost out on qualifying loan payments toward forgiveness, were overcharged, and were deprived of benefits of federal laws intended to protect them from burdensome debt.

10. These practices are believed to be systemic, affecting all Class Members. Discovery is required to ascertain the means, methods, and scope of harm caused by Defendants.

11. Defendant’s actions are typical of widespread misconduct by federal loan servicers.³ Between March 1 and August 31, 2016, a frequent complaint to the Consumer Financial Protection Bureau (CFPB) against Defendants involved irregularities relating to enrollment in, and renewal of, IDR plans.⁴

³ See Annual Report of the CFPB Student Loan Ombudsman, October 2016, available at <https://www.consumerfinance.gov/data-research/research-reports/2016-annual-report-cfpb-student-loan-ombudsman/> (last visited May 8, 2018).

⁴ *Id.*

12. Nelnet received six hundred and twenty-nine CFPB complaints from federal student loan borrowers between September 1, 2016 and August 31, 2017. Seventy-nine percent of these complaints involved difficulties borrowers encountered in dealing with their lender or servicer.⁵ Plaintiffs are student loan borrowers and are among the persons victimized by Defendants.

BACKGROUND ON INCOME-DRIVEN REPAYMENT PLANS

13. Federal student loans are loans that are either owned or insured by the federal government pursuant to the Higher Education Act. Repayment options to fit a borrower's short-term and long-term needs are provided.

14. The "Standard Repayment Plan" for federal student loans is the payment plan used by default if no other payment plan is chosen. Under the Standard Repayment Plan, monthly payments are set to repay the borrower's balance within 10-30 years. Many borrowers who cannot afford payments under the Standard Repayment Plan enroll in one or over time more than one of the IDR plans with lower monthly payments. For instance, under the "Income Based Repayment" plan, the borrower's monthly payments are capped at fifteen percent of discretionary income, and the remaining debt is discharged after twenty-five years of qualifying payments. Under some IDR plans, monthly payments can be as low as \$00.00 per month.

15. When borrowers enroll in an IDR plan, the plan is effective for a one-year period.⁶ In order to renew the plan for each subsequent year, borrowers must annually recertify their income level and family size by submitting an IDR renewal application, along with proof of income, to their loan servicer.⁷

⁵ *Id.*

⁶ *See, e.g.*, 34 C.F.R. § 685.209 (a)(5).

⁷ *Id.*

16. Several months prior to the expiration of an IDR plan, the loan servicer must send the borrower a written notice of the “annual deadline” by which the borrower must recertify the plan to continue with income-based payments under the plan.⁸ This notice must include the consequences of failing to recertify the plan by the annual deadline. *See id.* Among these consequences are an increase in monthly payments from an affordable amount, based on the borrower’s income, to the amount required under the Standard Repayment Plan, which is often several times higher.⁹ In addition, any accrued interest is “capitalized” when the borrower does not timely renew the plan.¹⁰ “Capitalization” refers to the addition of accrued interest to the principal loan balance, which can significantly increase the amount owed on the loan.

17. Federal law provides certain protections for borrowers enrolled in IDR plans who timely renew their IDR plans. For instance, when a loan servicer receives a borrower’s IDR renewal application and proof of income before the annual renewal deadline, the loan servicer is prohibited from cancelling the IDR plan while the request is being processed. Rather, the servicer “must maintain the borrower’s current scheduled monthly payment amount” until the IDR renewal application is fully processed.¹¹ If the loan servicer timely receives the borrower’s IDR renewal application and proof of income, the income-driven payments are to continue until the application has been fully processed, regardless of how long it takes the loan servicer to complete that process.

18. Loan servicers must “promptly” process all IDR renewal applications.¹² Thus, the loan servicer has an *affirmative duty* to efficiently process the borrower’s recertification materials to ensure smooth re-enrollment from one year to the next.

⁸ See 34 C.F.R. § 685.209 (a)(5)(iii).

⁹ See 34 C.F.R. § 685.209 (a)(5)(iii)(B).

¹⁰ *Id.*

¹¹ See 34 C.F.R. § 685.209 (a)(5)(viii)(A)

¹² *Id.*

19. If a borrower submits an IDR renewal application and proof of income, but the loan servicer determines that additional paperwork is needed to process the borrower's request, the loan servicer must place the borrower's account on an administrative forbearance.¹³ Under this provision, a borrower is entitled to a 60-day forbearance, *with no resulting capitalization of interest*, if the purpose of the forbearance is to allow the loan holder to collect and process documentation supporting the borrower's request for any changes to the repayment plan.

20. Separate from administrative forbearances, borrowers may request a hardship forbearance if the borrower is unable to make payments "due to illness or other acceptable reasons."¹⁴ Hardship forbearances, however, are not authorized as a means to provide loan servicers with additional time to process IDR applications.

21. Hardship forbearances are far costlier to the borrower than administrative forbearances because, with a hardship forbearance, any unpaid interest that accrues during the forbearance gets "capitalized," or added to the borrower's loan balance.

PLAINTIFFS

ANDREW JOHANSSON

22. At all times relevant hereto, Andrew Johansson was a resident of Chicago, Illinois. He received various federal loans under the Federal Direct Loan Program to help pay the costs of his education. These loans are serviced by Nelnet. Pursuant to Johansson's promissory note with the federal government, they must be serviced in accord with federal law and applicable state law.

23. In 2017, Johansson was enrolled in the IBR plan and making monthly payments in the amount of \$142.66. In September of 2017, prior to the annual recertification deadline, he mailed to NelNet his application to recertify the plan, accompanied by tax records documenting

¹³ This action is required by 34 C.F.R. §685.205(b)(9).

¹⁴ 34 C.F.R § 685.205(a).

his gross income. Johansson did all that was required of him to continue the IBR plan. However, in November of 2017, he received from NelNet a bill for a payment of \$1,173.60 pursuant to the Standard Repayment Plan.

24. Nelnet failed to properly process Johansson's IDR renewal application in accordance with federal law. As a proximate result, Mr. Johansson's IBR plan was canceled.

25. When Johansson learned that Nelnet did not process his recertification materials, he re-submitted them electronically using Nelnet's online portal. He did so on November 22, 2017. Nelnet eventually approved his second submission, but the plan was not renewed until January of 2018. Johansson did all that was required and did so on a timely basis.

26. Johansson could not afford payments of \$1,173.60. He was directed by Nelnet to place his loans into hardship forbearance while his IBR recertification materials were processed even though hardship forbearance is not authorized for this purpose. Despite so instructing him, Nelnet did not perform as promised when Johansson's forbearance election was made.

27. Rather than placing Johansson's loans into hardship forbearance only until his IDR renewal application was processed, Nelnet applied a hardship forbearance to his account for fourteen months – from October of 2017 until December of 2018. During this time, and interest accrued and was capitalized. This increased the balance on Johansson's student debt rather than decreasing it. It put him farther in debt rather than progressing him toward freedom from student debt.

28. While this unauthorized capitalization of interest was occurring, Mr. Johansson contacted Nelnet on multiple occasions and demanded that the forbearance be canceled and that he be billed according to his approved IBR plan. Nelnet took no action to discontinue the forbearance and resume his IDR plan. Instead, it caused interest to continue to capitalize. Now

that's action was required to stop the capitalization, reinstituted the IDR plan, and effectuate Mr. Johansson's rights as a borrower.

29. As a proximate result of the hardship forbearance, Johansson incurred an interest capitalization of \$26,194.27 in January of 2018.

HEATHER PORTER

30. Heather Porter was a citizen of Missouri at all times relevant. In 2013 she consolidated her various federal student loans into a single Federal Direct Consolidation Loan. This loan is serviced by Nelnet. Pursuant her promissory note with the federal government, it must be serviced in accordance with federal law and applicable state law.

31. Throughout 2018, Porter was enrolled in an IDR plan and made income-driven payments. On December 10, 2018, she received an email stating that her plan would expire unless renewed by the deadline of January 29, 2019. The email advised that she would be billed in the amount of \$1,174.47 under the Standard Repayment Plan if she did not timely renew the plan.

32. On December 14, 2018, Porter electronically submitted to Nelnet her IDR renewal application and proof of income as required. On the same date, Nelnet sent Porter confirmation stating that her IDR application had been received and would be reviewed shortly. Porter did all that was required and did so on a timely basis.

33. On January 9, 2019, Nelnet advised Porter in writing, "This is your final reminder to recertify your income-driven repayment plan. If you do not recertify by submitting an application, income documentation, and family size by 01/29/2019, your regular monthly payment amount on your income-driven repayment plan will change to \$1,174.47." This message contradicted Nelnet's message from December 14, 2018, acknowledging receipt of her IDR renewal application. Because of the conflicting statements, Porter faxed a copy of her previously

submitted and received IDR renewal application with an updated proof of income. She sent these materials to Nelnet on January 10, 2019.

34. On March 21, 2019, Nelnet sent Porter a demand that owed a payment of \$1,174.47 required to be paid by the following day. Porter then learned that, despite her timely submissions of two IDR renewal applications with proof of income, Nelnet canceled her IDR plan without authorization or justification to do so. As a proximate result, Porter began to incur costly capitalization of interest that increase the principal balance of her student debt and increased her interest costs. Now Nelnet's unauthorized actions put Porter farther in debt rather than progressing her toward freedom from student debt.

35. On April 1, 2019, Porter emailed to Nelnet the paystubs previously faxed on January 10, 2019. She could not afford payments of \$1,174.47. Nelnet directed her to enroll in a hardship forbearance while her income documentation was being processed, even though hardship forbearances are not permitted for such purposes under federal law. The forbearance lasted for several months, resulting in an additional, and unauthorized interest capitalization, resulting in additional interest expense and increased debt.

JON PEARCE

36. At all times relevant hereto, Jon Pearce was a resident of Texas. He received various federal loans under the Federal Direct Loan Program to help pay costs of his education. These loans are serviced by Defendants. Pursuant to his promissory note with the federal government, they must be serviced in accordance with federal law and applicable state law.

37. In or around late 2016, Pearce attempted to enroll in an IDR plan. On November 3, 2016, Pearce electronically submitted an IDR application with proof of income to Nelnet using a self-certified letter documenting his income. He included this letter pursuant to instructions on the

renewal application which stated, “If documentation [of your income] is not available or you want to explain your income, attach a signed statement explaining each source of income and giving the name and the address of each source of income.” Pearce modeled his self-certified letter after a template provided by Nelnet.

38. In December of 2016, Nelnet denied Pearce’s IDR application because his signed statement documenting his income did not specify that the income listed was his “gross” income. However, on the renewal application, where the instructions state, “This is how you document your income,” there is no instruction requiring that the borrower use the word “gross” when providing a self-certified letter documenting their income. The instructions merely require “a signed statement explaining each source of income and giving the name and the address of each source of income.”

39. Over the next two months, Pearce continued diligent attempts to enroll in an IDR plan by submitting additional IDR applications and proof of income to Nelnet. However, on multiple occasions, he received email from Nelnet stating that his application could not be processed because “more information” was needed, even though each submission complied with the instructions on the IDR application and each was complete. At no time did Nelnet specify what “more information” it sought. Pearce submitted eight IDR applications in November and December of 2016,, each of which was sufficiently complete to have been acted upon, and each of which was not acted upon on a timely basis by Nelnet. Nelnet because the delays in Pearce’s enrollment process; Pearce did not. He did all that was required and did so on a timely basis. Pearce was eventually enrolled in an IDR plan with monthly payments in the amount of \$98.50.

40. In October of 2018, Pearce experienced difficulties recertifying his IDR plan. At or around that time, he received detailed instructions from Nelnet stating how his income

documentation should be provided to renew his IDR plan. Pearce then timely submitted an IDR renewal application to Nelnet. The IDR renewal conformed to the instructions Nelnet provided. He used appropriate income tax forms to document his income. Nonetheless, Nelnet informed him several weeks later that “more information was needed” to renew the plan. It did not specify what was needed.

41. Pearce again re-submitted documents and tax forms to Nelnet via www.studentloans.gov, DOE’s online portal. Nonetheless, on December 3, 2018, Pearce received another email from Nelnet stating that “more information was needed” to recertify his IDR plan. The same day, Pearce also received instructions from Nelnet detailing how his proof of income must be documented. No explanation was provided about deficiencies in prior submissions. Pearce followed these new instructions, submitted more documentation of his income, and again fully performed all that was required of him. Nonetheless, Nelnet again informed Pearce that his income documentation was insufficient, and that he would be required to start the process from the beginning using a self-certified letter verifying his income. Nelnet did not tell Pearce what was deficient about his prior submissions.

42. Throughout December 2018, Pearce continued to receive inconsistent instructions from Nelnet regarding the manner of income documentation required to renew his IDR plan. He made more submissions of income documentation using documents that complied with Nelnet’s stated requirements. Repeatedly, his submissions were declared “not sufficient” though no insufficiencies were identified. Pearce made at least five distinct IDR renewal application with Nelnet, but Nelnet refused to process these materials on each such occasion.

43. As a proximate result of the actions by Nelnet, Pearce incurred multiple interest capitalizations, significantly increasing his loan balance, driving up interest cost, and forcing Pearce into greater debt.

44. At the time of these events, Pearce was employed by a government agency, and he continues to be so employed. Accordingly, Pearce was qualified for and intended to obtain an eventual full discharge of his loans under the Public Service Loan Forgiveness (PSLF) program. Under this program, Direct Loan borrowers who make 120 qualifying monthly payments under an IDR plan while working full-time for a governmental agency or non-profit organization can have the remainder of their balance forgiven.

45. Nelnet prevented Pearce from making qualifying IDR payments during his period of employment as a public service employer. This means Pearce must make more payments before he can qualify for balance forgiveness, and he has no career options but to remain in government employment for a longer period than otherwise would have been required to receive a discharge of his loans. Nelnet's misconduct or malfeasance proximately caused Pearce to suffer capitalized interest, increased debt and debt service costs, delayed qualification for income forgiveness, truncated career choices, loss of time in his life to build a career he could have chosen had he been free to leave government employment when loan forgiveness occurred, and both general and special damages.

LINDA STANLEY

46. At all times relevant, Linda Stanley was a resident of Colorado. She received various federal student loans to help pay costs of her education pursuant to the Federal Direct Loan Program. These loans are serviced by Defendants. Pursuant to her promissory note with the federal government, they must be serviced in accordance with federal and applicable state law.

47. Stanley enrolled in the IBR plan and was making income-driven payments of less than \$100 per month. She intended to, and did all things necessary to, maintain and renew her IDR plan. Stanley's student debt is serviced by Nelnet.

48. In or around January of 2018, as Stanley prepared to renew her IBR plan, she did not yet have completed tax returns, which she had used to document her income. She contacted Nelnet for directions Nelnet told Stanley to place her hardship loans in temporary forbearance until her tax returns were available and that there would be no adverse consequence from doing so. Stanley relied upon the affirmative representation of Nelnet that there would be no adverse consequence of placing her loans into a hardship forbearance until her 2017 tax returns were completed. He placed the loans in forbearance. Later, Nelnet imposed penalties for her doing so.

49. Nelnet's representation to Stanley that she should place her loans into hardship forbearance until her taxes were completed was deceptive because it failed to inform Stanley that she could use a recent paystub to document her income and her tax returns were not required, and because hardship forbearances are not authorized for this purpose under federal law. Pursuant to 34 C.F.R § 685.205(a), such forbearances are only permitted when, "due to poor health or other acceptable reasons, the borrower...is currently unable to make scheduled payments."

50. In or around February of 2018, Stanley submitted her recently completed tax returns to Nelnet to recertify her IDR plan. Nelnet did not accept Stanley's submissions on the basis that the "adjusted income" line of her tax return was "not legible" and therefore could not be processed. Stanley was then directed to complete a "self-certification letter" documenting her "gross income."

51. Stanley drafted a type-written self-certification letter modeled after an example of a self-certification letter that Nelnet provided. Stanley submitted the letter in May of 2018.

52. Nelnet failed to process Stanley's May 2018 letter on the basis that certain portions of the letter needed to be written out "by hand." In fact, this requirement has no basis in applicable federal law. Nelnet continued to refuse to process Stanley's renewal through July 2018. Stanley, however, complied with all requirements for IDR renewal.

53. On July 5, 2018, Stanley submitted another self-certification letter to Nelnet . While these documents were being processed, Nelnet moved Stanley's loans into a hardship forbearance to "keep her account current." However, this was an unauthorized and unlawful action as hardship forbearances are only permitted when, "due to poor health or other acceptable reasons, the borrower...is currently unable to make scheduled payments."¹⁵

54. As a proximate result of the unauthorized hardship forbearance, approximately \$7,000 of accrued interest was capitalized on Stanley's loans.

55. In July of 2018, Nelnet erroneously calculated Stanley's repayment amount to be approximately \$450, despite the fact that her income had not substantially increased since her prior pay period, when her payments were less than \$100 per month.

56. On July 27, 2018, Stanley notified Nelnet that the payment amount she was given was erroneous, but Nelnet took no action to correct the miscalculation. Stanley sent Nelnet additional IDR applications with copies of tax records to correct Nelnet's miscalculation, but Nelnet did not use these materials to enroll her in an IDR plan with the correct repayment amount. As a proximate result, Stanley was forced to place her loans into a costly hardship forbearance, triggering an additional interest capitalization.

57. At the time of the aforesaid incidents, Stanley was employed by a government agency. She planned to remain in government employment and earned the right to eventual

¹⁵ 34 C.F.R § 685.205(a).

discharge of her loans under the Public Service Loan Forgiveness (PSLF) program. The PSLF program allows Direct Loan borrowers who make 120 qualifying monthly payments under an IDR plan while working full-time for a governmental agency or non-profit organization to have the remainder of their balance forgiven.

58. Nelnet prevented Pearce from making qualifying IDR payments during his period of employment as a public service employer. This means Pearce must make more payments before he can qualify for balance forgiveness, and he has no career options but to remain in government employment for a longer period than otherwise would have been required to receive a discharge of his loans. Nelnet's misconduct or malfeasance proximately caused Pearce to suffer capitalized interest, increased debt and debt service costs, delayed qualification for income forgiveness, truncated career choices, loss of time in his life to build a career he could have chosen had he been free to leave government employment when loan forgiveness occurred, and both general and special damages.

59. Stanley also incurred adverse credit reporting because of Nelnet's actions as set forth above.

ANETRA FAISON

60. At all times relevant hereto, Anetra Faison was a resident of Michigan. She received various federal student loans to help pay costs of her education pursuant to the Federal Family Education Loan Program (FFELP). These loans are serviced by Defendants. Pursuant to her promissory note, they must be serviced in accordance with federal and applicable state law.

61. Prior to 2018, Faison enrolled in the IBR plan and was making \$00.00 monthly payments based on her income at the time.

62. In or around September of 2018, Faison received from Defendants a notice to renew her IBR plan by a specified renewal deadline. Before this deadline, Faison submitted an IDR renewal application and proof of income to Nelnet. Faison submitted these materials electronically and by first class mail. Her submission was complete and she did all things required of her to qualify for renewal.

63. For several months and on several occasions after receiving Faison's IBR renewal application and proof of income, Nelnet directed her to provide additional income documentation, even though she had already provided income documentation that satisfied DOE's requirements. Faison's renewal application was delayed. This caused deprivation of the opportunity to make IBR payments for several months in 2019. This significantly delayed progress toward loan forgiveness.

64. Nelnet's failure to process and renew Faison's IBR plan prior to its expiration in 2018, resulted in her IBR plan being cancelled. This proximately caused Faison to incur a capitalization of accrued interest, increased the principal balance of her debt and her interest costs, and drove her farther into debt rather than moving her closer to freedom from student debt.

65. Faison was unable to afford her monthly payments after Nelnet cancelled her IBR plan. This caused Faison's loans to be declared delinquent for several months, caused her to incur adverse credit reporting.

DEFENDANTS

66. Defendant Nelnet Inc. was founded as the UNIPAC Loan Service Corporation in 1978 and renamed Nelnet in 1996. It became a publicly traded company in 2003. Nelnet Inc. owns over 50 subsidiaries that administer and collect student loans throughout the United States and Canada, including Nelnet Servicing LLC and Nelnet Diversified Solutions LLC.

67. Nelnet Servicing LLC is a wholly-owned subsidiary of Nelnet Diversified Solutions LLC, which is itself a wholly-owned subsidiary of Nelnet Inc.

68. All Defendants are entities organized under state law and have their principal places of business at 121 S. 13th Street, Suite 201, Lincoln, Nebraska 68508. Defendants are, at times, referred to collectively as “Nelnet.”

69. In 2009, a Servicing Contract (**Attachment A** attached) was executed between the United States Department of Education and Nelnet. The contract was extended and modified in 2014 and remains in effect.

70. Attached as **Attachment B** is a prototype Direct Consolidation Loan Application and Promissory Note / William D. Ford Federal Direct Loan Program. This 17-page prototype contains Loan Consolidation Information, Repayment Plan Selection Information, Terms, Understandings, Certifications, Authorizations, Promises to Pay, Note Terms and Conditions, and Notices, Mandatory Information to Be Reported Provisions, Interest Rate and Payment of Interest provisions, and provisions governing Repaying the Loan including descriptions of the Standard Repayment Plan, Graduated Repayment Plan, Extended Repayment Plan, REPAYE Plan, Pay As You Earn Plan, Income-Based Repayment Plan (IBR Plan), Additional Repayment Information, a section describing Defaulting, and provisions concerning late charges and collection costs, demands for immediate payment, Defaulting, Consumer Reporting Agency Notification, Deferment and Forbearance, Discharge or Loan Forgiveness, other forms of Loan Forgiveness, which are Representative of the Promissory Notes of the Plaintiffs and Class Members and in the sections relevant to this case, common to the Plaintiffs and Class Members.

71. Nelnet Inc. holds itself out as a major servicer of federal student loans owned by the DOE.¹⁶ Nelnet publicly declared that it was awarded a student loan servicing contract by the Department of Education in June 2009 to provide additional servicing capacity for loans owned by the Department of Education, and that those loans include Federal Direct Loan Program loans originated directly by the Department and FFEL Program loans purchased by the Department.”¹⁷ Nelnet Inc. admits that, “as a student loan servicer for the federal government and for financial institutions, including the Company’s FFELP student loan portfolio, the Company is subject to the Higher Education Act and related laws, rules, regulations, and policies.”¹⁸

72. Nelnet serviced at least \$162.5 billion for six million student loan borrowers in 2016, including the loans of Plaintiffs. Twenty percent of Nelnet’s revenue was attributed to the servicing of loans held by DOE.¹⁹

73. Nelnet Inc. holds itself out as a party to DOE’s Servicing Contract. Nelnet and its subsidiaries disregarded entity separateness and operated as a single unity. The separateness of Defendants is a disregarded fiction. Nelnet representations that it is a party to DOE Servings and Contract estops it to deny status.

74. Nelnet Inc., Nelnet Diversified Solutions LLC, and Nelnet Servicing LLC, are all directly liable to Plaintiffs and members of the Classes under the Servicing Contract, the borrowers’ Promissory Notes, and applicable state law. All three companies have acted in concert, with shared control of activities of their enterprise, for a common purpose, and to create a common

¹⁶ 10-K filings with Securities and Exchange Commission for 2016, available at https://s21.q4cdn.com/368920761/files/doc_financials/annual/2016/2016_Annual_Report.pdf (last visited May 7, 2018),

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

fund of money. All three are joint venturers, and each is liable for the action or actions of the other in furtherance of the joint venture.

CLASS ACTION ALLEGATIONS

75. Nelnet's servicing of Plaintiffs' loans violated various federal regulations, including 34 C.F.R. §685.221(e)(8)(ii), which states that a loan servicer "must maintain the borrower's current scheduled monthly payment amount" until the request has been fully processed if the borrower's recertification materials were received prior to the renewal deadline.

76. Nelnet's servicing of Plaintiffs' loans also violated 34 C.F.R. § 685.205(b)(9), which prohibits the capitalization of interest that accrues during forbearances that are applied in order to allow for additional processing time to review IDR plan renewal applications and supporting documentation. Rather than placing Plaintiffs' loans under administrative forbearances pursuant to 34 C.F.R. § 685.205(b)(9), Nelnet improperly and unlawfully used hardship forbearances pursuant to 34 C.F.R. § 685.205(a) for this purpose, which resulted in the improper capitalization of interest.

77. Defendants also violated 34 C.F.R. §685.221(e)(8)(i), which requires that IDR applications be processed "promptly."

78. Nelnet's Servicing Contract with DOE requires compliance with all applicable federal regulations. The violations Nelnet committed breached the Servicing Contract, of which Plaintiffs were intended third-party beneficiaries.

79. Plaintiffs' Promissory Notes require Nelnet to comply with the Higher Education Act and applicable federal law. Nelnet's conduct constitutes a breach of the Promissory Note.

80. As a direct and proximate result of Defendants' abusive practices, thousands of dollars were unlawfully added to Plaintiffs' principal loan balances, and they missed out on months

of qualifying payments toward loan forgiveness. The total amount of Plaintiffs' damages must be discovered through Nelnet's records.

81. Plaintiffs bring this action pursuant to Federal Rules of Civil Procedure 23(a), (b)(2) and (b)(3) on behalf of the following proposed Classes:

Breach of Contract Class

All individuals with federal student loans serviced by Nelnet who, at any time on or after a date five years prior to the filing of this action: i) were enrolled in an IDR plan; ii) timely submitted an application to renew the plan; iii) the application was eventually approved; iv) but the IDR plan was temporarily discontinued by Nelnet while the application was being processed.

Negligent Misrepresentation Class

All individuals with federal student loans serviced by Nelnet who, at any time on or after a date four years prior to the filing of this action: i) were enrolled in an IDR plan; ii) timely submitted an application to renew the plan; iii) the application was eventually approved; iv) but the IDR plan was temporarily discontinued by Nelnet while the application was being processed.

Illinois Class

All individuals who 1) obtained their federal student loans while living in Illinois and experienced the following on or after a date three years prior to the filing of this action; or 2) were living in Illinois when they experienced the following, which occurred on or after a date three years prior to the filing of this action: i) The individual was enrolled in an IDR plan; ii) the individual timely submitted an application to renew the plan; iii) the application was eventually approved; iv) but the IDR plan was temporarily discontinued by Nelnet while the application was being processed.

Colorado Class

All individuals who 1) obtained their federal student loans while living in Colorado and experienced the following on or after a date three years prior to the filing of this action; or 2) were living in Colorado when they experienced the following, which occurred on or after a date three years prior to the filing of this action: i) The individual was enrolled in an IDR plan; ii) the individual timely

submitted an application to renew the plan; iii) the application was eventually approved; iv) but the IDR plan was temporarily discontinued by Nelnet while the application was being processed.

82. The Classes exclude Defendants, their employees, any entity in which Defendants have a controlling interest, and their officers, directors, legal representatives, successors and assigns. Also excluded are the personnel and Judges of this Court.

83. The Classes are composed of tens to hundreds of thousands of individuals and thus are so numerous that joinder of all members is impracticable. The Classes can be readily ascertained through the records maintained by Defendants.

84. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy.

85. Plaintiffs' claims are typical of the claims of members of the Classes.

86. As alleged herein, Plaintiffs and members of the Classes sustained damages arising out of Defendants' common course of unlawful conduct. The injuries and damages of each member of the Classes were directly caused by Defendants' wrongful conduct in violation of the laws as alleged herein, and occurred in, and were directed from, this District.

87. There are questions of law and fact common to the Classes, the answers to which will advance the resolution of the claims of all Class Members.

88. These and other questions of law and/or fact are common to the Classes and predominate over any questions affecting only individual Class Members:

- a. Do Defendants have a practice of misprocessing and delaying applications to renew IDR plans?
- b. Did the misconduct of Defendants cause injuries to Plaintiffs and the Class Members by requiring them to pay avoidable interest, fees, and other sums?

- c. Did the conduct of Defendants violate state or federal law, and are those violations directly actionable?
- d. Did the conduct of Defendants constitute breach of the Servicing Contract?
- e. Did the conduct of Defendants constitute a breach of the Promissory Notes of Plaintiffs?
- f. Did the conduct of Defendants constitute negligent representation under the laws of Nebraska?
- g. Did the conduct of Defendants violate Illinois law?
- h. Did the conduct of Defendants violate Colorado law?
- i. Did the conduct of Defendants violate North Carolina law?

89. Plaintiffs will fairly and adequately represent and protect the interests of members of the Classes. Plaintiffs have no claims antagonistic to those of members of the Classes. Plaintiffs have retained counsel competent and experienced in complex nationwide class actions, including all aspects of litigation. Plaintiffs' counsel will fairly, adequately and vigorously protect the interests of members of the Classes.

90. Class action status is also warranted under Rule 23(b)(3) because a class action is superior to other available methods for the fair and efficient adjudication of this controversy. Treatment as a class action will permit a large number of similarly situated persons to adjudicate their common claims in a single forum simultaneously, efficiently, and without the duplication of effort and expense that numerous individual actions would engender. Class treatment will also permit the adjudication of claims by many Class Members who could not afford individually to litigate claims such as those asserted in this Complaint. The cost to the court system of adjudication of such individualized litigation would be substantial. Separate actions by individual members of

the Classes would create risks of inconsistent or varying adjudications, establishing incompatible standards of conduct for Defendants.

91. Plaintiffs are unaware of any difficulties that are likely to be encountered in the management of this action that would preclude its maintenance as a class action.

FIRST CLAIM
Breach of the Servicing Contract

92. Plaintiffs repeat and re-allege each and every allegation set forth above as if fully set forth herein.

93. This claim is brought on behalf of the Breach Class.

94. On June 17, 2009, Nelnet Servicing LLC entered into a Servicing Contract with the Department of Education. Nelnet Servicing LLC was a known agent of Nelnet Diversified Solutions LLC, and Nelnet Inc. – its disclosed principals – and was acting as their agent when it entered into the Servicing Contract. Nelnet Inc. and Nelnet Diversified Solutions LLC are liable under the Servicing Contract. Nelnet Servicing LLC executed the contract in its own name, thereby binding itself and its disclosed principal, Nelnet Inc., under the Servicing Contract.

95. At all relevant times, Plaintiff and members of the Breach Classes were intended third-party beneficiaries of the Servicing Contract.

96. Pursuant to the terms of the Servicing Contract, Defendants agreed to comply with all applicable federal statutes and regulations in its dealings with each plaintiff and each member of the classes.

97. Defendants materially breached the Servicing Contract by failing to administer each Plaintiffs' loans and the loans of each member of Breach Class in accord with federal law.

98. As a direct and proximate result of Defendants' breach of the Servicing Contract, Plaintiffs and members of the Classes have suffered the same types damages,

including, but not limited to (i) the difference in the amount paid under an IDR plan versus the amount paid when enrolled, or re-enrolled, in a Standard Repayment Plan; (ii) unpaid interest added to the principal balance of loans along with amounts accrued as a result of the capitalization of same; and (iii) the financial harm associated with lost progress towards certain loan forgiveness.

SECOND CLAIM
For Breach of the Promissory Note

99. Plaintiffs renew all allegations above as if fully set forth here .

100. This claim is brought on behalf of the Breach Class.

101. By entering into the Servicing Contract with the Department of Education, Defendants accepted a delegation of the loan servicing obligations set forth in Plaintiffs' Promissory Notes and became assignees thereof. Thus, at all relevant times, Plaintiffs and members of the Classes were in a contractual relationship with Defendants.

102. The Promissory Note required Defendants to service the loans of Plaintiffs in accordance with federal law.

103. As set forth above, Defendants materially breached the Promissory Note by failing to administer Plaintiffs' loans in accordance with federal law.

104. As a direct and proximate result of Defendants' material breach of the Promissory Note, Plaintiffs and members of the Classes have suffered the same types of damages, including, but not limited to (i) the difference in the amount paid under an IDR plan versus the amount paid when enrolled, or re-enrolled, in a Standard Repayment Plan; (ii) unpaid interest added to the principal balance of loans along with amounts accrued as a result of the capitalization of same; and (iii) the financial harm associated with lost progress towards certain loan forgiveness.

THIRD CLAIM
Negligent Representation

105. Plaintiffs repeat and re-allege each and every allegation set forth above as if fully set forth herein.

106. This claim is brought on behalf of the Negligent Misrepresentation Class.

107. Defendants had a pecuniary interest in their transactions with Plaintiffs and the Class Members because the servicing fees that Defendants receive under the Servicing Contract are a direct function of the borrowers' performance under the loans.

108. In the course of their business dealings with Plaintiffs and Class Members, Defendants wrongly supplied Plaintiffs and Class Members with false information regarding the terms of their loans. The incorrect information amounted to misrepresentations intended to be relied upon, and actually relied upon, by Plaintiffs and Class Members.

109. Plaintiffs relied on the false and negligent representations of Nelnet by making increased payments and/or enrolling in costly hardship forbearances that were not necessary.

110. Defendants failed to exercise reasonable care or competence in communicating critical information to Plaintiffs and the Class Members regarding the repayment terms of their loans.

111. Defendants are subject to liability for the pecuniary losses proximately caused to Plaintiffs and Class Members as a result of their justifiable reliance on the incorrect information provided by Defendants.

FOURTH CLAIM
Accounting at Law

112. Plaintiffs repeat and re-allege each and every allegation set forth above as if fully set forth herein.

113. This claim is brought on behalf of the Breach Class.

114. The Claims of Plaintiffs are based upon a contract.

115. The improper fees and charges incurred by Plaintiffs and the Class Members do not arise out of a fiduciary or trust relationship, nor do they arise out of a complicated series of accounts.

116. The transactional history of each individual class member's account is readily determinable, as are the dates and events relevant to a determination of liability for each individual class member. Accordingly, an accounting at law is an adequate remedy.

117. The books and records required to make the accounting and determine the amounts due are in the possession and control of Nelnet. A legal accounting is necessary because Nelnet received the funds of the Plaintiffs and Class members.

118. Nelnet is not the owner of the funds it received from Plaintiffs the Class Members and is therefore bound to account to Plaintiffs and the Class Members for it.²⁰

119. An accounting at law may be performed with the electronic records of Defendants. Plaintiffs believe this may be done by identifying individual student loan borrowers who, like Plaintiffs, submitted applications to renew their IDR plans, and determining the dates when their documents were submitted; the dates when action on those documents was taken by Defendants; the nature of the action taken; and the financial consequences of those actions for each individual class member. In this manner, Plaintiffs believe that the proof of individual damages will bear a substantial similarity to class action cases in which it is determined that refunds must be paid for overcharges and overpayments of insurance payments, mortgage payments, utilities payments, or other similar mass billing and account administration cases.

²⁰ *Lone Cedar Ranches, Inc. v. Jandebeur*, 523 NW2d 364, 368 (Neb 1994) and other cases set for the elements of an accounting at law.

120. All records required to determine the amounts wrongfully received by Nelnet are in Nelnet's possession and control. Plaintiffs seek an accounting at law based on the contract of Defendants with DOE and Plaintiffs' promissory notes.

FIFTH CLAIM
Violations of The Illinois Consumer Fraud and Deceptive Business Practices Act ("ICFDBPA"), 815 ILCS 505/2

121. Plaintiff Andrew Johansson repeats and re-alleges each and every allegation set forth above as if fully set forth herein.

122. Andrew Johansson brings this Count on behalf of the Illinois class.

123. Defendants are "person[s]" within the meaning of 815 ILCS 505/1(c).

124. The Illinois Consumer Fraud and Deceptive Business Practices Act ("ICFDBPA") prohibits "unfair or deceptive acts or practices, including but not limited to the use or employment of any deception, fraud, false pretense, false promise, misrepresentation or the concealment, suppression or omission of any material fact, with intent that others rely upon the concealment, suppression or omission of such material fact...in the conduct of any trade or commerce...whether any person has in fact been misled, deceived or damaged thereby." 815 ILCS 505/2.

125. In the course of servicing the loans of Johansson and members of the Illinois Class, Defendants commits, or committed, the following unfair and/or deceptive acts or practices in violation of the ICFDBPA:

- a. Misrepresenting to Johansson that he was not entitled to continue making income-driven payments despite his timely submission of an application to renew his IDR plan;

- b. Misrepresenting to Johansson that he owed monthly payments in the amount dictated by the Standard Repayment Plan when, in fact, such amounts were not owed;
- c. Misrepresenting to Johansson the correct amount of his principal loan balance after improperly capitalizing the accrued interest on his loans;
- d. Misrepresenting to Johansson that his loans were subject to a capitalization of interest when his IDR plan was discontinued despite the fact that he timely submitted an application to renew the plan;
- e. Misrepresenting to Johansson that a hardship forbearance should be applied to his account while Defendants resolved their own processing errors and delays when, in fact, such forbearances are not authorized for that purpose under federal law;
- f. Unfairly cancelling Johansson's IDR plan despite his timely submission of an application to renew the plan in violation of federal law;
- g. Unfairly failing to process IDR applications in a reasonably prompt manner as required by federal law.

126. Defendants knew or should have known that their conduct violated the law.

127. Defendant's unfair and deceptive practices were material to Johansson and members of the Illinois Class.

128. Johansson and members of the Illinois Class suffered ascertainable loss and actual damages as a direct and proximate result of Defendant's deceptive and unfair practices, including, but not limited to, (i) the difference in amount paid under an IDR plan versus the amount paid when enrolled, or re-enrolled, in a standard repayment plan; (ii) unpaid interest added to the principal balance of loans along with amounts accrued as a result of the capitalization of same;

(iii) the loss of the interest subsidy offered by the federal government for those with subsidized loans; (iv) financial harm associated with delayed progress towards loan forgiveness, due to individuals not making qualifying payments that would count toward same; and (v) adverse credit reporting.

129. Defendant's violations present a continuing risk of financial harm to Plaintiffs, members of the Classes, and the general public.

130. Defendant's unlawful acts and practices complained of herein affect the public interest.

131. Johansson and members of the Illinois Class seek damages under the ICFDBPA for injuries resulting from the direct and natural consequences of Defendants' unlawful conduct.

132. Johansson and members of the Illinois Class also seek an order enjoining Defendant's unfair, unlawful, and/or deceptive practices; declaratory relief; attorneys' fees; and any other just and proper relief available under the ICFDBPA.

133. Defendants engaged in gross, oppressive or aggravated conduct justifying the imposition of punitive damages.

SIXTH CLAIM
Violations of the Colorado Consumer Protection Act
(COLO. REV. STAT. § 6-1-105)

134. Linda Stanley repeats and re-alleges each and every allegation set forth above as if fully set forth herein.

135. Linda Stanley brings this Count on behalf of the Colorado Class.

136. Defendants are "persons" within the meaning of Colo. Rev. Stat. § 6-1-102(6).

137. The Colorado Consumer Protection Act prohibits “deceptive trade practices,” which includes the use of “deceptive representations...in connection with goods or services.” Colo. Rev. Stat. § 6-1-105(c).

138. Defendants made the following deceptive representations in connection with their servicing of Stanley’s loans in violation of the Colorado Consumer Protection Act:

- a. Misrepresenting to Stanley that she should place her loans into a costly hardship forbearance while her tax returns were being completed when, in fact, she could have certified her income by using a copy of a paystub;
- b. Misrepresenting to Stanley that her loans should be placed in a hardship forbearance while her IDR renewal application was being processed when, pursuant to 34 C.F.R § 685.205(a), such forbearances are only permitted when, “due to poor health or other acceptable reasons, the borrower...is currently unable to make scheduled payments.”;
- c. Misrepresenting to Stanley that certain portions of her self-certified income verification letter needed to be written out “by hand” when, in fact, such a requirement has no basis in law;
- d. Misrepresenting to Stanley that her loans were subject to a capitalization of interest when her IDR plan expired despite the fact that Stanley had provided Nelnet with an IDR renewal application prior to the renewal deadline;
- e. Misrepresenting to Stanley that, after the recertification of her IDR plan, she would be required to make monthly payments of approximately \$450 despite the fact that her income had not substantially increased since her prior pay period when her payments were less than \$100 per month;

- f. Misrepresenting to Stanley that she was not entitled to continue making income-driven payments despite her timely submission of several applications to renew her IDR plan;
- g. Misrepresenting to Stanley that she owed monthly payments in the amount dictated by the Standard Repayment Plan when, in fact, such amounts were not owed;
- h. Misrepresenting to Stanley the correct amount of her principal loan balance after improperly capitalizing the accrued interest on her loans.

139. One or more of these material misrepresentations were made to members of the Colorado Class.

140. Given the vast number of federal loans serviced by Defendants, these deceptive trade practices significantly impact the public as actual or potential consumers of Nelnet's services.

141. Linda Stanley and members of the Colorado Class suffered actual damages as a direct and proximate result of Defendant's deceptive and unfair practices, including, but not limited to, (i) the difference in amount paid under an IDR plan versus the amount paid when enrolled, or re-enrolled, in a standard repayment plan; (ii) unpaid interest added to the principal balance of loans along with amounts accrued as a result of the capitalization of same; (iii) the loss of the interest subsidy offered by the federal government for those with subsidized loans; (iv) financial harm associated with delayed progress towards loan forgiveness, due to individuals not making qualifying payments that would count toward same; and (v) adverse credit reporting.

142. Stanley and members of the Colorado Class seek damages under the Colorado Consumer Protection Act for injury resulting from the direct and natural consequences of Defendants' unlawful conduct.

143. Stanley and members of the Colorado Class also seek an order enjoining Defendant's unfair, unlawful, and/or deceptive practices; declaratory relief; attorneys' fees; and any other just and proper relief available under the Colorado Consumer Protection Act.

144. Defendants engaged in gross, oppressive, or aggravated conduct justifying the imposition of punitive damages.

ATTACHMENTS

Attachment A (¶ 69): 2009 Nelnet – U.S. Dept of Education Servicing Contract .

Attachment B (¶70): Prototype Direct Consolidation Loan Application and Promissory Note /
William D. Ford Federal Direct Loan Program (17 pgs)

REQUESTS FOR RELIEF

Plaintiffs request Orders and Judgment against Defendants and in favor of Plaintiffs:

A. Certifying this action as a class action for each of the classes identified above pursuant to Fed R. Civ. P. 23, declaring Plaintiffs as representatives of the Classes and Plaintiffs' counsel as counsel for the Classes;

B. Awarding judgment to Plaintiffs and Class Members of each Class for sums determined to be due from Defendants for their wrongful actions.

C. Awarding taxable costs, compensatory and punitive damages to the extent permitted by law, and pre- and post-judgment interest and reasonable attorneys' fees and expenses to the extent permitted by law.

JURY DEMAND; TRIAL LOCATION

Plaintiffs demand trial by jury.

Plaintiffs designate Lincoln, Nebraska as the place for trial.

By Plaintiffs' Lawyers:

s/ David A. Domina #11043NE

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SOLICITATION/CONTRACT/ORDER FOR COMMERCIAL ITEMS OFFEROR TO COMPLETE BLOCKS 12, 17, 23, 24, & 30					1. REQUISITION NUMBER EDOFSA-09-000620	PAGE 1 OF 72
2. CONTRACT NO. ED-FSA-09-D-0013	3. AWARD/EFFECTIVE DATE JUN 17, 2009	4. ORDER NUMBER	5. SOLICITATION NUMBER	6. SOLICITATION ISSUE DATE		
7. FOR SOLICITATION INFORMATION CALL: a. NAME Nicholas Chung nicholas.chung@ed.gov			b. TELEPHONE NUMBER (No collect calls) 202-377-3835		8. OFFER DUE DATE/ LOCAL TIME	
9. ISSUED BY United States Department of Education Federal Student Aid/Mission Support Group 830 First St NE - Suite 91F3 Washington DC 20202		CODE FSA-FS2	10. THIS ACQUISITION IS <input type="checkbox"/> UNRESTRICTED OR <input type="checkbox"/> SET ASIDE: % FOR: <input type="checkbox"/> SMALL BUSINESS <input type="checkbox"/> EMERGING SMALL BUSINESS <input type="checkbox"/> HUBZONE SMALL BUSINESS <input type="checkbox"/> SERVICE DISABLED VETERAN-OWNED SMALL BUSINESS <input type="checkbox"/> 8(A) NAICS: SIZE STANDARD:			
11. DELIVERY FOR FOB DESTINATION UNLESS BLOCK IS MARKED <input type="checkbox"/> SEE SCHEDULE	12. DISCOUNT TERMS 0 Days 0% Net 30	13a. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 700)		13b. RATING		
15. DELIVER TO CODE		16. ADMINISTERED BY United States Department of Education Federal Student Aid/Mission Support Group 830 First St NE - Suite 91F3		CODE FSA-FS2		
17a. CONTRACTOR/ OFFEROR Nelnet Servicing, LLC 121 S 13TH ST STE 201 LINCOLN, NE 685081904 TELEPHONE NO.		CODE	FACILITY CODE		18a. PAYMENT WILL BE MADE BY CODE	
17b. CHECK IF REMITTANCE IS DIFFERENT AND PUT SUCH ADDRESS IN OFFER <input type="checkbox"/>		18b. SUBMIT INVOICES TO ADDRESS SHOWN IN BLOCK 18a UNLESS BLOCK BELOW IS CHECKED <input type="checkbox"/> SEE ADDENDUM				
19. ITEM NO.	20. SCHEDULE OF SUPPLIES/SERVICES		21. QUANTITY	22. UNIT	23. UNIT PRICE	24. AMOUNT
Please	see continuation page for line item details.					
(Use Reverse and/or Attach Additional Sheets as Necessary)						
25. ACCOUNTING AND APPROPRIATION DATA See Schedule				26. TOTAL AWARD AMOUNT (For Govt. Use Only) \$5,000,000.00		
27a. SOLICITATION INCORPORATES BY REFERENCE FAR 52.212-1, 52.212-4. FAR 52.212-3 AND 52.212-5 ARE ATTACHED. ADDENDA				ARE <input type="checkbox"/> ARE NOT ATTACHED		
27b. CONTRACT/PURCHASE ORDER INCORPORATES BY REFERENCE FAR 52.212-4. FAR 52.212-5 IS ATTACHED. ADDENDA				ARE <input checked="" type="checkbox"/> ARE NOT ATTACHED		
28. CONTRACTOR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN COPIES TO ISSUING OFFICE. CONTRACTOR AGREES TO FURNISH AND DELIVER ALL ITEMS SET FORTH OR OTHERWISE IDENTIFIED ABOVE AND ON ANY ADDITIONAL SHEETS SUBJECT TO THE TERMS AND CONDITIONS SPECIFIED			29. AWARD OF CONTRACT: REF. <input type="checkbox"/> OFFER DATED _____ YOUR OFFER ON SOLICITATION (BLOCK 5), INCLUDING ANY ADDITIONS OR CHANGES WHICH ARE SET FORTH HEREIN, IS ACCEPTED AS TO ITEMS:			
30a. SIGNATURE OF OFFEROR/CONTRACTOR			31a. UNITED STATES OF AMERICA (SIGNATURE OF CONTRACTING OFFICER)			
30b. NAME AND TITLE OF SIGNER (Type or print)			30c. DATE SIGNED 6-17-09	31b. NAME OF CONTRACTING OFFICER (Type or print) Mike Whisler		31c. DATE SIGNED 6/17/09

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PREVIOUS EDITION IS NOT USABLE

STANDARD FORM 1449 (REV. 3/2005)
Prescribed by GSA - FAR (48 CFR) 53.212

19. ITEM NO.	20. SCHEDULE OF SUPPLIES/SERVICES	21. QUANTITY	22. UNIT	23. UNIT PRICE	24. AMOUNT

32a. QUANTITY IN COLUMN 21 HAS BEEN

☐ RECEIVED ☐ INSPECTED ☐ ACCEPTED, AND CONFORMS TO THE CONTRACT, EXCEPT AS NOTED: _____

32b. SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE		32c. DATE	32d. PRINTED NAME AND TITLE OF AUTHORIZED GOVERNMENT REPRESENTATIVE	
32e. MAILING ADDRESS OF AUTHORIZED GOVERNMENT REPRESENTATIVE			32f. TELEPHONE NUMBER OF AUTHORIZED GOVERNMENT REPRESENTATIVE	
			32g. E-MAIL OF AUTHORIZED GOVERNMENT REPRESENTATIVE	
33. SHIP NUMBER	34. VOUCHER NUMBER	35. AMOUNT VERIFIED CORRECT FOR	36. PAYMENT	37. CHECK NUMBER
<input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL			<input type="checkbox"/> COMPLETE <input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL	
38. S/R ACCOUNT NO.	39. S/R VOUCHER NUMBER	40. PAID BY		
41a. I CERTIFY THIS ACCOUNT IS CORRECT AND PROPER FOR PAYMENT		42a. RECEIVED BY (<i>Print</i>)		
41b. SIGNATURE AND TITLE OF CERTIFYING OFFICER		42b. RECEIVED AT (<i>Location</i>)		
		42c. DATE REC'D (<i>YY/MM/DD</i>)		42d. TOTAL CONTAINERS

SCHEDULE Continued

ITEM NO.	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE \$	AMOUNT \$
	Accounting and Appropriation Data: 0198M2009.A.2009.ENB00000.6P2.2572A.C26.000.000000000000 Cost Applied: \$5,000,000.00				
0001	IDIQ Base Ordering Period Award Minimum Guarantee Period of Performance: 06/17/2009 - 06/16/2014	1.00	SE	5,000,000.00	5,000,000.00
0002	OPTION - Optional Ordering Period Optional Period of Performance: 06/17/2014 - 06/16/2019	1.00	EA	0.00	0.00

A. ADDENDUM 1 – SF 1449 CONTINUATION PAGE

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**B. ADDENDUM 2 – 52.212-4, CONTRACT TERMS AND CONDITIONS—
COMMERCIAL ITEMS (MAR 2009)**

**B.1 52.212-4 Contract Terms And Conditions—Commercial Items (Mar 2009)—
TAILORED**

- (c)(1) *Changes.* The Contracting Officer may at any time, by written order, and without notice to the sureties, if any, make changes within the general scope of this contract in any one or more of the following:
- (i) Description of services to be performed.
 - (ii) Time of performance (i.e., hours of the day, days of the week, etc.).
 - (iii) Place of performance of the services.
- (2) If any such change causes an increase or decrease in the cost of, or the time required for, performance of any part of the work under this contract, whether or not changed by the order, the Contracting Officer shall make an equitable adjustment in the contract price, the delivery schedule, or both, and shall modify the contract.
- (3) The Contractor must assert its right to an adjustment under this clause within 30 days from the date of receipt of the written order. However, if the Contracting Officer decides that the facts justify it, the Contracting Officer may receive and act upon a proposal submitted before final payment of the contract.
- (4) If the Contractor's proposal includes the cost of property made obsolete or excess by the change, the Contracting Officer shall have the right to prescribe the manner of the disposition of the property.
- (5) Failure to agree to any adjustment shall be a dispute under the Disputes clause. However, nothing in this clause shall excuse the Contractor from proceeding with the contract as changed.

B.2 52.252-2 Clauses Incorporated By Reference (Feb 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. The full text of a clause may also be accessed electronically at:

<http://www.arnet.gov/far/>

- 52.203-13 Contractor Code of Business Ethics and Conduct (Dec 2008)
- 52.203-14 Display of Hotline Poster(s) (Dec 2007)
- 52.209-6 Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (SEP 2006)
- 52.216-18 Ordering (OCT 1995)
 - (a) the effective date of award, the end of the current period of performance
- 52.216-19 Ordering Limitations (OCT 1995)
 - (a) One Borrower
 - (b)(1) Five Million Borrowers
 - (b)(2) Five Million Borrowers
 - (b)(3) Two Days
 - (d) One Day
- 52.216-22 Indefinite Quantity (OCT 1995)

- (d) the end of the current period of performance
- 52.216-27 Single Or Multiple Awards (OCT 1995)
- 52.217-8 Option To Extend Services (NOV 1999)
- 52.217-9 Option to Extend the Term of the Contract (MAR 2000)
- 52.224-1 Privacy Act Notification (APR 1984)
- 52.224-2 Privacy Act (APR 1984)

B.3 EDAR 3452.202-1 Definitions (Aug 1987) – TAILORED

- (a) The term "Secretary" or "Head of the Agency" (also called "Agency Head") means the Secretary of the Department of Education; and the term "his/her duly authorized representative" means any person, persons, or board authorized to act for these officials.
- (b) "Chief Acquisition Officer" or "CAO" means the official responsible for monitoring the agency's acquisition activities, evaluating them based on applicable performance measurements, increasing the use of full and open competition in agency acquisitions, making acquisition decisions consistent with applicable laws, and establishing clear lines of authority, accountability, and responsibility for acquisition decision-making and developing and maintaining a acquisition career management program.
- (c) "Chief of the Contracting Office" means an official serving in the contracting activity (CAM or FSA Acquisitions) as the manager of a group that awards and administers contracts for a principal office of the Department. See also definition of "Head of Contracting Activity" below.
- (d) "Contracting Officer's Representative" or "COR" means a government employee appointed in writing ONLY by a contracting officer and delegated limited responsibilities to perform specified contract management duties related to technical oversight and administration of a specific contract. CORs may serve in a full-time or part-time capacity. The COR performs the contract management duties assigned by the CO in a written "Contracting Officer's Representative Designation Memorandum" for each particular contract. Multiple CORs may be appointed for a single contract when the area of expertise necessary requires such appointments. The CO may appoint alternate or assistant CORs to serve in the COR's absence. For the purpose of this program, the term Contracting Officer's Technical Representative (COTR) will be used for assistant CORs.
- (e) "Head of the Contracting Activity" or "HCA" means those officials within the Department of Education who have responsibility for and manage an acquisition organization and usually hold unlimited procurement authority. The Director, Federal Student Aid Acquisitions, is the HCA for FSA. The Director, Contracts and Acquisitions Management (CAM) is the HCA for all other Departmental program offices and all boards, commissions, and councils under the management control of the Department.
- (f) "Performance-Based Organization" or "PBO" is the office within the Department that is mandated by Public Law 105-244 to carry out Federal student assistance or aid programs and report to Congress on an annual basis. It may also be referred to as "Federal Student Aid."
- (g) "Senior Procurement Executive" or "SPE" means the single agency official appointed as such by the head of the agency and delegated broad responsibility for acquisition functions, including issuing agency acquisition policy and reporting on acquisitions agency-wide. The SPE also acts as the official one level above the contracting officer when the HCA is acting as a contracting officer.
- (h) "Department" or "ED" means the United States Department of Education.

B.4 ED 307-17 Conflicts Of Interest (Aug 2007)

(a) The contractor, subcontractor, employee or consultant, has certified that, to the best of their knowledge and belief, there are no relevant facts or circumstances which could give rise to an organizational or personal conflict of interest, (see FAR Subpart 9.5 for organizational conflicts of interest), (or apparent conflict of interest) for the organization or any of its staff, and that the contractor, subcontractor, employee or consultant has disclosed all such relevant information if such a conflict of interest appears to exist to a reasonable person with knowledge of the relevant facts (or if such a person would question the impartiality of the contractor, subcontractor, employee or consultant). Conflicts may arise in the following situations:

- (1) Unequal access to information – a potential contractor, subcontractor, employee or consultant has access to non-public information through its performance on a government contract.
- (2) Biased ground rules – a potential contractor, subcontractor, employee or consultant has worked, in one government contract, or program, on the basic structure or ground rules of another government contract,
- (3) Impaired objectivity – a potential contractor, subcontractor, employee or consultant, or member of their immediate family (spouse, parent or child) has financial or other interests that would impair, or give the appearance of impairing, impartial judgment in the evaluation of government programs, in offering advice or recommendations to the government, or in providing technical assistance or other services to recipients of Federal funds as part of its contractual responsibility.

"Impaired objectivity" includes but is not limited to the following situations that would cause a reasonable person with knowledge of the relevant facts to question a person's objectivity:

- (i) financial interests or reasonably foreseeable financial interests in or in connection with products, property, or services that may be purchased by an educational agency, a person, organization, or institution in the course of implementing any program administered by the Department;
- (ii) significant connections to teaching methodologies that might require or encourage the use of specific products, property or services; or
- (iii) significant identification with pedagogical or philosophical viewpoints that might require or encourage the use of a specific curriculum, specific products, property or services,

Offerors must provide the disclosure described above on any actual or potential conflict (or apparent conflict of interest) of interest regardless of their opinion that such a conflict or potential conflict (or apparent conflict of interest) would not impair their objectivity.

In a case in which an actual or potential conflict (or apparent conflict of interest) is disclosed, the Department will take appropriate actions to eliminate or address the actual or potential conflict (or apparent conflict of interest), including but not limited to mitigating or neutralizing the conflict, when appropriate, through such means as ensuring a balance of views, disclosure with the appropriate disclaimers, or by restricting or modifying the work to be performed to avoid or reduce the conflict. In this clause, the term "potential conflict" means reasonably foreseeable conflict of interest.

- (b) The contractor, subcontractor, employee or consultant agrees that if “impaired objectivity, or an actual or potential conflict of interest (or apparent conflict of interest) is discovered after the award is made, it will make a full disclosure in writing to the Contracting Officer. This disclosure shall include a description of actions that the Contractor has taken or proposes to take, after consultation with the Contracting Officer, to avoid, mitigate, or neutralize the actual or potential conflict (or apparent conflict of interest).
- (c) Remedies - The Government may terminate this contract for convenience, in whole or in part, if it deems such termination necessary to avoid the appearance of a conflict of interest. If the Contractor was aware of a potential conflict of interest prior to award or discovered an actual or potential conflict (or apparent conflict of interest) after award and did not disclose or misrepresented relevant information to the Contracting Officer, the Government may terminate the contract for default, or pursue such other remedies as may be permitted by law or this contract. These remedies include imprisonment for up to five years for violation of Title 18, U.S. Code, § 1001 and fines of up to \$5000 for violation of Title 31, U.S. Code, § 3802. Further remedies include suspension or debarment from contracting with the federal government. The Contractor may also be required to reimburse the Department for costs the Department incurs arising from activities related to conflicts of interest. An example of such costs would be those incurred in processing Freedom of Information Act requests related to a conflict of interest.
- (d) In cases where remedies short of termination have been applied, the contractor, subcontractor, employee or consultant agrees to eliminate the organizational conflict of interest, or mitigate it to the satisfaction of the Contracting Officer.
- (e) The Contractor further agrees to insert in any subcontract or consultant agreement hereunder, provisions which shall conform substantially to the language of this clause, including specific mention of potential remedies and this paragraph (e).

B.5 EDAR 3452.208-70 Printing (Aug 1987)

Unless otherwise specified in this contract, the contractor shall not engage in, nor subcontract for, and printing (as that term is defined in Title I of the Government Printing and Binding Regulations in effect on the effective date of this contract) in connection with the performance of work under this contract; except that performance involving the reproduction of less than 5,000 production units of any one page, or less than 25,000 production units in the aggregate of multiple pages, shall not be deemed to be printing. A production unit is defined as one sheet, size 8 1/2 by 11 inches, and one side and color only.

B.6 FSA 24-1 Release Of Information Under The Freedom Of Information Act (Jan 2008)—TAILORED

By entering into a contract with the Department of Education and as permitted/authorized by existing statutes and applicable case law, without regard to proprietary markings, the contractor approves the release of the entire contract and all related modifications and task orders, including, but not limited to:

- (1) Unit prices, including labor rates,
- (2) Statements of Work/Performance Work Statement generated by the contractor,
- (3) Performance requirements, including incentives, performance standards, quality levels and service level agreements,

- (4) Reports, deliverables and work products delivered in performance of the contract (including quality of service, performance against requirements/standards/service level agreements),
- (5) Any and all information, data, software and related documentation first provided under the contract,
- (6) Proposals or portions of proposals incorporated by reference, and
- (7) Other terms and conditions.

B.7 FSA 27-1 Labeling Of Documents (June 2007)—TAILORED

The Contractor shall not label any data, as defined in the clause at 52.227-14, produced in performance of this contract in a way that would restrict the Government's right to use or release the information. If applicable, the Contractor shall include a legend that identifies sensitive data that should not be released for security reasons. Under FAR 52.227-14, Rights in Data-General (or 52.227-15, -16, -17) clause, this data may be used for any public purpose. Deliverables shall not contain vendor-specific logos, mottos, watermarks, or holograms.

The Contractor shall not use, particularly for proposals, U.S. Government logos, such as the U.S. Department of Education or Federal Student Aid.

B.8 FSA 27-2 Limitations On The Use Or Disclosure Of Government-Furnished Information Marked With Restrictive Legends (Dec 2006)

- (a) For contracts under which data are to be produced, furnished, or acquired, the terms “limited rights” and “restricted rights” are defined in the Rights in Data - General clause of this contract.
- (b) Proprietary data, technical data or computer software provided to the Contractor as Government furnished information (GFI) under this contract may be subject to restrictions on use, modification, reproduction, release, performance, display, or further disclosure.
 - (1) *Proprietary data with legends that serve to restrict disclosure or use of data.* The Contractor shall use, modify, reproduce, perform, or display proprietary data received from the Government with proprietary or restrictive legends only in the performance of this contract. The Contractor shall not, without the express written permission of the party who owns the data, release or disclose such data or software to any person.
 - (2) *GFI marked with limited or restricted rights legends.* The Contractor shall use, modify, reproduce, perform, or display technical data received from the Government with limited rights legends or computer software received with restricted rights legends only in the performance of this contract. The Contractor shall not, without the express written permission of the party whose name appears in the legend, release or disclose such data or software to any person.
 - (3) *GFI marked with specially negotiated license rights legends.* The Contractor shall use, modify, reproduce, release, perform, or display proprietary data, technical data or computer software received from the Government with specially negotiated license legends only as permitted in the license. Such data or software may not be released or disclosed to other persons unless permitted by the license and, prior to release or disclosure, the intended recipient has completed the use and non-disclosure agreement. The Contractor shall modify paragraph (1)(c) of the use and non-disclosure agreement to reflect the recipient's obligations regarding use, modification, reproduction, release,

performance, display, and disclosure of the data or software.

- (c) Indemnification and creation of third party beneficiary rights.
- (1) The Contractor agrees to indemnify and hold harmless the Government, its agents, and employees from every claim or liability, including attorneys fees, court costs, and expenses, arising out of, or in any way related to, the misuse or unauthorized modification, reproduction, release, performance, display, or disclosure of proprietary data, technical data or computer software received from the Government with restrictive legends by the Contractor or any person to whom the Contractor has released or disclosed such data or software.
 - (2) The Contractor agrees that the party whose name appears on the restrictive legend, in addition to any other rights it may have, is a third party beneficiary who has the right of direct action against the Contractor, or any person to whom the Contractor has released or disclosed such data or software, for the unauthorized duplication, release, or disclosure of proprietary data, technical data or computer software subject to restrictive legends.

B.9 FSA 27-3 Use And Non-Disclosure Agreement

- (a) Except as provided in paragraph (b) of this clause, proprietary data, technical data or computer software delivered to the Government with restrictions on use, modification, reproduction, release, performance, display, or disclosure may not be provided to third parties unless the intended recipient completes and signs the use and non-disclosure agreement at paragraph (c) of this clause prior to release or disclosure of the data.
 - (1) The specific conditions under which an intended recipient will be authorized to use, modify, reproduce, release, perform, display, or disclose proprietary data or technical data subject to limited rights, or computer software subject to restricted rights must be stipulated in an attachment to the use and non-disclosure agreement.
 - (2) For an intended release, disclosure, or authorized use of proprietary data, technical data or computer software subject to special license rights, modify paragraph (1)(d) of the use and non-disclosure agreement to enter the conditions, consistent with the license requirements, governing the recipient's obligations regarding use, modification, reproduction, release, performance, display or disclosure of the data or software.
- (b) The requirement for use and non-disclosure agreements does not apply to Government contractors which require access to a third party's data or software for the performance of a Government contract that contains the clause, Limitations on the Use or Disclosure of Government Furnished Information Marked with Restrictive Legends.
- (c) The prescribed use and non-disclosure agreement is:

USE AND NON-DISCLOSURE AGREEMENT

The undersigned, [REDACTED], an authorized representative of the Nelnet Servicing, LLC, (which is hereinafter referred to as the "Recipient") requests the Government to provide the Recipient with proprietary data, technical data or computer software (hereinafter referred to as "Data") in which the Government's use, modification, reproduction, release, performance, display or disclosure rights are restricted. Those Data are identified in an attachment to this Agreement. In consideration for receiving such Data, the Recipient agrees to use the Data strictly in accordance with this Agreement:

- (1) The Recipient shall —

- (a) Use, modify, reproduce, release, perform, display, or disclose Data marked with SBIR data rights legends only for government purposes and shall not do so for any commercial purpose. The Recipient shall not release, perform, display, or disclose these Data, without the express written permission of the contractor whose name appears in the restrictive legend (the "Contractor"), to any person other than its subcontractors or suppliers, or prospective subcontractors or suppliers, who require these Data to submit offers for, or perform, contracts with the Recipient. The Recipient shall require its subcontractors or suppliers, or prospective subcontractors or suppliers, to sign a use and non-disclosure agreement prior to disclosing or releasing these Data to such persons. Such agreement must be consistent with the terms of this agreement.
- (b) Use, modify, reproduce, release, perform, display, or disclose proprietary data or technical data marked with limited rights legends only as specified in the attachment to this Agreement. Release, performance, display, or disclosure to other persons is not authorized unless specified in the attachment to this Agreement or expressly permitted in writing by the Contractor.
- (c) Use computer software marked with restricted rights legends only in performance of Contract Number ED-FSA-09-D-0013. The Recipient shall not, for example, enhance, decompile, disassemble, or reverse engineer the software; time share, or use a computer program with more than one computer at a time. The recipient may not release, perform, display, or disclose such software to others unless expressly permitted in writing by the licensor whose name appears in the restrictive legend.
- (d) Use, modify, reproduce, release, perform, display, or disclose Data marked with special license rights legends (To be completed by the contracting officer. See (a)(2) of the Use and Non-Disclosure Agreement clause. Omit if none of the Data requested is marked with special license rights legends).
- (2) The Recipient agrees to adopt or establish operating procedures and physical security measures designed to protect these Data from inadvertent release or disclosure to unauthorized third parties.
- (3) The Recipient agrees to accept these Data "as is" without any Government representation as to suitability for intended use or warranty whatsoever. This disclaimer does not affect any obligation the Government may have regarding Data specified in a contract for the performance of that contract.
- (4) The Recipient may enter into any agreement directly with the Contractor with respect to the use, modification, reproduction, release, performance, display, or disclosure of these Data.
- (5) The Recipient agrees to indemnify and hold harmless the Government, its agents, and employees from every claim or liability, including attorneys fees, court costs, and expenses arising out of, or in any way related to, the misuse or unauthorized modification, reproduction, release, performance, display, or disclosure of Data received from the Government with restrictive legends by the Recipient or any person to whom the Recipient has released or disclosed the Data.
- (6) The Recipient is executing this Agreement for the benefit of the Contractor. The Contractor is a third party beneficiary of this Agreement who, in addition to any other rights it may have, is intended to have the rights of direct action against the Recipient or

any other person to whom the Recipient has released or disclosed the Data, to seek damages from any breach of this Agreement or to otherwise enforce this Agreement.

- (7) The Recipient agrees to destroy these Data, and all copies of the Data in its possession, no later than 30 days after the date shown in paragraph (8) of this Agreement, to have all persons to whom it released the Data do so by that date, and to notify the Contractor that the Data have been destroyed.
- (8) This Agreement shall be effective for the period commencing with the Recipient's execution of this Agreement and ending upon June 17, 2019. The obligations imposed by this Agreement shall survive the expiration or termination of the Agreement.

Nelnet Servicing, LLC

Recipient's Business Name

[REDACTED]

June 17, 2009

Authorized Representative

Date

[REDACTED]

Representative's Typed Name and Title

B.10 FSA 31-1 Proposal Cost And/Or Pricing Data (August 2008)

Federal Student Aid intends to collect cost, pricing and technical information submitted in response to proposals. Information will be evaluated and stored in Federal Student Aid's Cost Library in order to expand the organizations historical pricing data and cost estimating capabilities.

B.11 FSA 32-1 Invoice Procedures (August 2007)

The Contractor must submit a physical invoice via either mail, fax or e-mail for this contract in order to be paid for products and/or services rendered.

Federal Student Aid's "designated billing office" is:

US Department of Education
Union Center Plaza
Federal Student Aid Administration
830 First Street, NE, Suite 54B1
Washington, D.C. 20202-0001

E-mail: InvoiceAdmin@ed.gov
Fax: 202-275-3477

The Contractor shall also simultaneously submit copies of the invoice to the Contracting Officer and one to the Contracting Officer's Representative (COR). The CO and COR should receive copies via the same means as the invoice sent to the Budget Group.

When submitting an invoice via mail, the Contractor shall submit the original invoice AND two copies of the invoice.

At a minimum the following items must be addressed in order for the invoice to be considered "proper" for payment:

- (1) Name and Address of the Contractor.
- (2) Invoice Number and Invoice Date (Date invoices as close as possible to the date of mailing or transmission. The date and actual submission must occur after receipt, inspection and acceptance of the supplies or services.)
- (3) The Contract number, contract line item, and if applicable, the order number must be included on the invoice and be correct.
- (4) Description, quantity, unit of measure, unit price, and extended price of the item delivered must agree with the contract or order.
- (5) Terms of any prompt payment discount offered.
- (6) Name, title, and phone number of persons to be notified in event of defective invoice.
- (7) The period of time covered by the invoice must include the first and last day of the period.
- (8) Totals must be supported by subtotals and subtotals should be supported by detail, (i.e. documentation for categories of labor, hours performed, unit prices) and deliverables provided.
- (9) If required by this contract or order, receipts must be provided to support documentation of "other direct costs" (ODCs) or materials.

B.12 AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (Pub.L. 111-5)

In the event funds are utilized on this contract originating from the American Recovery and Reinvestment Act of 2009, or other discrete legislation, the following clauses, or similar clauses, shall apply:

- 52.203-15 Whistleblower Protections Under The American Recovery And Reinvestment Act Of 2009 (Mar 2009)
- 52.204-11 American Recovery And Reinvestment Act—Reporting Requirements (Mar 2009)
- 52.212-5 Contract Terms and Conditions Required to Implement Statutes or Executive Orders—Commercial Items (Mar 2009)—Alternate II (Mar 2009)
- 52.215-2 Audit And Records—Negotiation—Alternate I (Mar 2009)
- EDAR 3403-1 Self Reporting Of Violations – Recovery Act (Feb 2009)

The contractor and subcontractor shall promptly refer to an appropriate inspector general any credible evidence that a principal, employee, agent, contractor, sub-grantee or subcontractor has committed a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 U.S.C. or a violation of the civil False Claims Act (31 U.S.C. 3729-3733).

B.13 ADDITIONAL TERMS AND CONDITIONS

- A. **Contract Type**—Indefinite Delivery/Indefinite Quantity (IDIQ). During the course of the basic ordering period, the Government will provide a minimum of \$5,000,000.00 in revenue, provided that the contractor is in compliance with the requirements for servicing federally held debt, and the maximum volume for the basic ordering period agreement will be 50 million borrowers. The Optional Ordering Period will have a minimum of \$0 and a maximum of an additional 50 million borrowers
- B. **Ordering Period**—The ordering period for this contract will be one (1), five (5) year Base Ordering Period, with one (1) additional five (5) year Optional Ordering Period.

- C. **Requirements Deadlines**—The contractor shall comply with the following compliance requirements deadlines:
- (1) The contractor shall meet the Initial Requirements by August 31, 2009 for servicing federally held debt. If these are met, FFEL servicing may begin.
 - (2) The contractor shall meet the Intermediate Requirements by March 31, 2010 (unless otherwise noted within the Intermediate Requirements document), for servicing federally held debt. If all requirements are not met, the Government may elect to not assign further volume to the contractor. Furthermore, the Government may transfer currently held accounts to another servicer. The contractor losing the accounts shall bear the costs of any such transfer.
 - (3) The contractor shall meet the Full Requirements by August 31, 2010 for Direct Loan servicing. If the Government determines the requirements are not met, the Government may elect to not assign further volume to the contractor. Furthermore, the Government may transfer currently held accounts to another servicer. The contractor losing the accounts shall bear the costs for any such transfer.
- D. **Quarterly Compliance Monitoring**—[Reserved]
- E. **Annual Compliance Audit**—[Reserved]
- F. **Allocation Methodology**—See Attachments A-4 and A-5.
- G. **Allocation Metrics**— See Attachments A-4 and A-5.
- H. **Performance Incentives/Metrics**—[Reserved]
- I. **Price Definitions**—See Attachment A-6.
- J. **Work Performed Outside the Continental United States**—The Contractor has represented to the Department that it will perform all work required under this Contract within the United States. If, at any time, the Contractor wishes to perform any Contract work outside the United States, the Contractor shall inform the Contracting Officer, in advance and in writing, of its intention and request the Department's approval. The Contractor shall not perform any Contract work outside the United States unless and until it has received the Contracting Officer's explicit, written approval to perform such work. In order to give proper consideration to the Contractor's request, the Department may ask for, and the Contractor shall provide, information relevant to the proposed performance outside the United States, including but not limited to a detailed description of the physical, personnel and management resources to be used and any potential difficulties or constraints in performing in the foreign jurisdiction. The Department may refuse to approve Contract performance outside the United States to the extent that, solely in the Department's judgment, the Contractor has not shown that performance outside the United States would satisfy the Contract requirements and would not impair or degrade performance. Further, the Department may refuse to approve any performance outside the United States for any other reason, or for no reason, except as otherwise required by the laws and treaties of the United States. The Department also may approve performance outside the United States subject to certain conditions, to which conditions the Contractor shall strictly adhere. Neither performance within the United States, nor the Department's refusal to allow performance outside the United States shall ever constitute a change to this Contract or give rise to any entitlement to additional compensation or excuse any failure of performance by the Contractor. Nothing in this clause shall be interpreted to impose any obligation on the Department to allow or to refuse a request for performance of this Contract outside the United States.

- K. Branding/Marketing Material**—Contractors may not solicit or promote other services/products they, or their affiliates, offer while servicing Department of Education borrowers, or Federally held debt. This includes all communication channels and touch points, such as but not limited to: inbound and outbound calls/email, web pages, any mailings specific to the status of their account, direct personal and automated interaction, etc.

Scenarios: (1) if the servicer services Federally and non-Federally held debt and offers combined billing, no marketing envelopes or inserts for other services/products may be issued; (2) if the servicer services Federally and non-Federally held debt and does NOT use combined billing, normal marketing may be provided for non- Federally held debt for other services/products; and (3) if the servicer services Federally and non-Federally held debt and is in personal contact, no marketing for other services/products may be discussed. If a borrower with in-school status seeks information regarding other products or services from the servicer, the borrower shall be directed to their school's Student Financial Assistance Office.

Any exception or ambiguity regarding the above shall be reviewed and approved by the Contracting Officer in advance.

- L. Invoicing and Non-Compliance** – Borrowers whose loans are not being serviced in compliance with the Requirements, Policy and Procedures for servicing federally held debt due to the fault of the servicer (i.e. correct interest calculations, correct balances, interest determination and calculations, notices sent properly, proper due diligence, etc.), will not be billable to the Government from the initial point of non-compliance. Any funds that have been invoiced for these borrowers and paid shall be returned to the Government via a credit on the next invoice.
- M. Contracting Officer's Representative** – The following individual is designated as Contracting Officer's Representative (COR) for this contract:

Mr. James McMahon
Federal Student Aid
830 First Street, NE
Suite 111G5
Washington, DC 20202
Email: james.mcmahon@ed.gov
Phone: (202) 377-3124

N. Additional Terms:

1. The Title IV Servicing contracts are for any potential services to manage all types of Title IV student aid obligations, including, but not limited to, servicing and consolidation of outstanding debt. However, they are not Requirements contracts.
2. Each contractor will provide, at a minimum, the services provided within their proposal, in accordance with the pricing identified in Term #3 below.
3. The Government will set and manage the common pricing, including tier structure, below:

Status	Volume Low	Volume High	Unit Price
Borrowers in In-school Status	N/A	N/A	\$ 1.050
Borrowers in Grace or Current Repayment Status	1	3,000,000	\$ 2.110
	3,000,001	UP	\$ 1.900
Borrowers in Deferment or Forbearance	1	1,600,000	\$ 2.070
	1,600,001	UP	\$ 1.730
Borrowers 31-90 Days Delinquent	N/A	N/A	\$ 1.620
Borrowers 91-150 Days Delinquent	N/A	N/A	\$ 1.500
Borrowers 151-270 Days Delinquent	N/A	N/A	\$ 1.370
Borrowers 270+ Days Delinquent	N/A	N/A	\$ 0.500

Out year pricing will follow the methodology described utilizing the subsequent terms. There will be no set declination in pricing at the time of award.

4. The Government has included an escalation methodology based upon the Bureau of Labor Statistics' (BLS) Employment Cost Index (ECI) for Total Compensation, Private Industry, Service Occupations (Not Seasonally Adjusted), to account for significant inflation and/or deflation. When the ECI exceeds 3.0% (plus or minus) in any given year the Government will adjust the established common pricing by any amount in excess of this rate. The calculated rate of escalation will equal the average of the 12-month percent change for the previous four quarters, ending June 30th. This ECI escalation will be applied beginning in September of the same calendar year. Further, this escalation will compound for all remaining years of the Base and Optional Ordering Periods.

For example, ECI rate released in June 2010 is 3.6%. The Government will increase unit pricing by .6% for the contract beginning September 1, 2010 and all remaining years of the Base Ordering Period, as well as the Optional Ordering Period.

A decreasing rate of inflation would follow the same pattern as above. For example, if the ECI decreases by more than 3.0%, then the unit prices for the remaining out-years will also decrease by the percentage in excess of 3.0%. For example, ECI rate released in June 2010 is -4.2%. The Government will decrease unit pricing by 1.2% for the contract period beginning September 1, 2010 and all remaining years of the Base Ordering Period, as well as the Optional Ordering Period.

5. Common pricing includes all supplies, services and other costs to deliver Title IV servicing under this contract, including:
 - Costs for bringing contractor systems into compliance for handling federally held debt.
 - Costs for legislative, regulatory or policy changes that affect the FFEL community as a whole, as is commercially accepted practice in the FFEL community.
 - For all other costs, the Department and the contractor(s) may come to an agreement via change order process or negotiation, as necessary.
6. The Government makes no guarantee to any contractor that their organization will retain their current loan servicing volume. In addition, the Government makes no minimum

volume guarantees to any contractor. The Government does guarantee a minimum dollar/revenue amount of \$5,000,000 over the base ordering period under this Indefinite Delivery, Indefinite Quantity contract, regardless of the number of loans serviced by a contractor.

7. The Government reserves the right to periodically review and equitably adjust the rate structure to maintain effectiveness of the services provided (i.e., different volume breaks, different ties, cost allocations, etc)
8. The Government reserves the right to equitably introduce, eliminate, or modify loan deliverables/status items that are in the best interest of the Government or Borrower. (i.e., in-school deferments moved into the In-School deliverable; new deferment or forbearance categories; etc).
9. The Government reserves the right to unilaterally shift borrowers in the best interest of the Government or Borrowers, at no additional cost to the Government. It is anticipated that this will be done only with reasonable and prudent cause.
10. The Government retains the unilateral right to resolve split-borrowers as deemed appropriate by the Government, at no additional cost to the Government.

B.14 52.212-5 Contract Terms And Conditions Required To Implement Statutes Or Executive Orders—Commercial Items (Dec 2008)

- (a) The Contractor shall comply with the following Federal Acquisition Regulation (FAR) clauses, which are incorporated in this contract by reference, to implement provisions of law or Executive orders applicable to acquisitions of commercial items:
- (1) 52.233-3, Protest After Award (Aug 1996) (31 U.S.C. 3553).
 - (2) 52.233-4, Applicable Law for Breach of Contract Claim (Oct 2004) (Pub. L. 108-77, 108-78)
- (b) The Contractor shall comply with the FAR clauses in this paragraph (b) that the Contracting Officer has indicated as being incorporated in this contract by reference to implement provisions of law or Executive orders applicable to acquisitions of commercial items:
- X (1) 52.203-6, Restrictions on Subcontractor Sales to the Government (Sept 2006), with Alternate I (Oct 1995) (41 U.S.C. 253g and 10 U.S.C. 2402).
 - X (2) 52.203-13, Contractor Code of Business Ethics and Conduct (Dec 2008) (Pub. L. 110 252, Title VI, Chapter 1 (41 U.S.C. 251 note)).
 - ___ (3) 52.219-3, Notice of Total HUBZone Set-Aside (Jan 1999) (15 U.S.C. 657a).
 - ___ (4) 52.219-4, Notice of Price Evaluation Preference for HUBZone Small Business Concerns (July 2005) (if the offeror elects to waive the preference, it shall so indicate in its offer) (15 U.S.C. 657a).
 - ___ (5) [Reserved]
 - ___ (6)(i) 52.219-6, Notice of Total Small Business Set-Aside (June 2003) (15 U.S.C. 644).
 - ___ (ii) Alternate I (Oct 1995) of 52.219-6.
 - ___ (iii) Alternate II (Mar 2004) of 52.219-6.
 - ___ (7)(i) 52.219-7, Notice of Partial Small Business Set-Aside (June 2003) (15 U.S.C. 644).
 - ___ (ii) Alternate I (Oct 1995) of 52.219-7.
 - ___ (iii) Alternate II (Mar 2004) of 52.219-7.
 - X (8) 52.219-8, Utilization of Small Business Concerns (May 2004) (15 U.S.C. 637(d)(2) and (3)).
 - X (9)(i) 52.219-9, Small Business Subcontracting Plan (Apr 2008) (15 U.S.C. 637(d)(4)).
 - ___ (ii) Alternate I (Oct 2001) of 52.219-9.
 - X (iii) Alternate II (Oct 2001) of 52.219-9.
 - ___ (10) 52.219-14, Limitations on Subcontracting (Dec 1996) (15 U.S.C. 637(a)(14)).
 - ___ (11) 52.219-16, Liquidated Damages—Subcontracting Plan (Jan 1999) (15 U.S.C. 637(d)(4)(F)(i)).
 - ___ (12) (i) 52.219-23, Notice of Price Evaluation Adjustment for Small Disadvantaged Business Concerns (Oct 2008) (10 U.S.C. 2323) (if the offeror elects to waive the adjustment, it shall so indicate in its offer).
 - ___ (ii) Alternate I (June 2003) of 52.219-23.
 - ___ (13) 52.219-25, Small Disadvantaged Business Participation Program—Disadvantaged Status and Reporting (Apr 2008) (Pub. L. 103-355, section 7102, and 10 U.S.C. 2323).
 - ___ (14) 52.219-26, Small Disadvantaged Business Participation Program— Incentive Subcontracting (Oct 2000) (Pub. L. 103-355, section 7102, and 10 U.S.C. 2323).
 - ___ (15) 52.219-27, Notice of Total Service-Disabled Veteran-Owned Small Business Set-Aside (May 2004) (15 U.S.C. 657 f).

- ___ (16) 52.219-28, Post Award Small Business Program Rerepresentation (June 2007) (15 U.S.C. 632(a)(2)).
- X (17) 52.222-3, Convict Labor (June 2003) (E.O. 11755).
- X (18) 52.222-19, Child Labor—Cooperation with Authorities and Remedies (Feb 2008) (E.O. 13126).
- X (19) 52.222-21, Prohibition of Segregated Facilities (Feb 1999).
- X (20) 52.222-26, Equal Opportunity (Mar 2007) (E.O. 11246).
- X (21) 52.222-35, Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (Sept 2006) (38 U.S.C. 4212).
- X (22) 52.222-36, Affirmative Action for Workers with Disabilities (Jun 1998) (29 U.S.C. 793).
- X (23) 52.222-37, Employment Reports on Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (Sept 2006) (38 U.S.C. 4212).
- X (24) 52.222-39, Notification of Employee Rights Concerning Payment of Union Dues or Fees (Dec 2004) (E.O. 13201).
- X (25) (i) 52.222-50, Combating Trafficking in Persons (Aug 2007) (Applies to all contracts).
 ___ (ii) Alternate I (Aug 2007) of 52.222-50.
- ___ (26) (i) 52.223-9, Estimate of Percentage of Recovered Material Content for EPA-Designated Items (May 2008) (42 U.S.C. 6962(c)(3)(A)(ii)).
 ___ (ii) Alternate I (May 2008) of 52.223-9 (42 U.S.C. 6962(i)(2)(C)).
- ___ (27) 52.223-15, Energy Efficiency in Energy-Consuming Products (Dec 2007) (42 U.S.C. 8259b).
- ___ (28) (i) 52.223-16, IEEE 1680 Standard for the Environmental Assessment of Personal Computer Products (Dec 2007) (E.O. 13423).
 ___ (ii) Alternate I (Dec 2007) of 52.223-16.
- ___ (29) 52.225-1, Buy American Act—Supplies (June 2003) (41 U.S.C. 10a-10d).
- ___ (30) (i) 52.225-3, Buy American Act—Free Trade Agreements—Israeli Trade Act (Aug 2007) (41 U.S.C. 10a-10d, 19 U.S.C. 3301 note, 19 U.S.C. 2112 note, Pub. L 108-77, 108-78, 108-286, 109-53 and 109-169).
 ___ (ii) Alternate I (Jan 2004) of 52.225-3.
 ___ (iii) Alternate II (Jan 2004) of 52.225-3.
- ___ (31) 52.225-5, Trade Agreements (Nov 2007) (19 U.S.C. 2501, et seq., 19 U.S.C. 3301 note).
- X (32) 52.225-13, Restrictions on Certain Foreign Purchases (June 2008) (E.O.'s, proclamations, and statutes administered by the Office of Foreign Assets Control of the Department of the Treasury).
- ___ (33) 52.226-4, Notice of Disaster or Emergency Area Set-Aside (Nov 2007) (42 U.S.C. 5150).
- ___ (34) 52.226-5, Restrictions on Subcontracting Outside Disaster or Emergency Area (Nov 2007) (42 U.S.C. 5150).
- ___ (35) 52.232-29, Terms for Financing of Purchases of Commercial Items (Feb 2002) (41 U.S.C. 255(f), 10 U.S.C. 2307(f)).
- ___ (36) 52.232-30, Installment Payments for Commercial Items (Oct 1995) (41 U.S.C. 255(f), 10 U.S.C. 2307(f)).
- X (37) 52.232-33, Payment by Electronic Funds Transfer—Central Contractor Registration (Oct 2003) (31 U.S.C. 3332).

- ___ (38) 52.232-34, Payment by Electronic Funds Transfer—Other than Central Contractor Registration (May 1999) (31 U.S.C. 3332).
 - ___ (39) 52.232-36, Payment by Third Party (May 1999) (31 U.S.C. 3332).
 - X (40) 52.239-1, Privacy or Security Safeguards (Aug 1996) (5 U.S.C. 552a).
 - ___ (41) (i) 52.247-64, Preference for Privately Owned U.S.-Flag Commercial Vessels (Feb 2006) (46 U.S.C. Appx. 1241(b) and 10 U.S.C. 2631).
 - ___ (ii) Alternate I (Apr 2003) of 52.247-64.
- (c) The Contractor shall comply with the FAR clauses in this paragraph (c), applicable to commercial services, that the Contracting Officer has indicated as being incorporated in this contract by reference to implement provisions of law or Executive orders applicable to acquisitions of commercial items:
- X (1) 52.222-41, Service Contract Act of 1965 (Nov 2007) (41 U.S.C. 351, et seq.).
 - X (2) 52.222-42, Statement of Equivalent Rates for Federal Hires (May 1989) (29 U.S.C. 206 and 41 U.S.C. 351, et seq.).
 - X (3) 52.222-43, Fair Labor Standards Act and Service Contract Act—Price Adjustment (Multiple Year and Option Contracts) (Nov 2006) (29 U.S.C. 206 and 41 U.S.C. 351, et seq.).
 - ___ (4) 52.222-44, Fair Labor Standards Act and Service Contract Act—Price Adjustment (Feb 2002) (29 U.S.C. 206 and 41 U.S.C. 351, et seq.).
 - ___ (5) 52.222-51, Exemption from Application of the Service Contract Act to Contracts for Maintenance, Calibration, or Repair of Certain Equipment—Requirements (Nov 2007) (41 U.S.C. 351, et seq.).
 - ___ (6) 52.222-53, Exemption from Application of the Service Contract Act to Contracts for Certain Services—Requirements (Nov 2007) (41 U.S.C. 351, et seq.).
 - ___ (7) 52.237-11, Accepting and Dispensing of \$1 Coin (Sept 2008) (31 U.S.C. 5112(p)(1)).
- (d) *Comptroller General Examination of Record.* The Contractor shall comply with the provisions of this paragraph (d) if this contract was awarded using other than sealed bid, is in excess of the simplified acquisition threshold, and does not contain the clause at 52.215-2, Audit and Records—Negotiation.
- (1) The Comptroller General of the United States, or an authorized representative of the Comptroller General, shall have access to and right to examine any of the Contractor's directly pertinent records involving transactions related to this contract.
 - (2) The Contractor shall make available at its offices at all reasonable times the records, materials, and other evidence for examination, audit, or reproduction, until 3 years after final payment under this contract or for any shorter period specified in FAR Subpart 4.7, Contractor Records Retention, of the other clauses of this contract. If this contract is completely or partially terminated, the records relating to the work terminated shall be made available for 3 years after any resulting final termination settlement. Records relating to appeals under the disputes clause or to litigation or the settlement of claims arising under or relating to this contract shall be made available until such appeals, litigation, or claims are finally resolved.
 - (3) As used in this clause, records include books, documents, accounting procedures and practices, and other data, regardless of type and regardless of form. This does not require

the Contractor to create or maintain any record that the Contractor does not maintain in the ordinary course of business or pursuant to a provision of law.

- (e) (1) Notwithstanding the requirements of the clauses in paragraphs (a), (b), (c), and (d) of this clause, the Contractor is not required to flow down any FAR clause, other than those in paragraphs (e)(1)(i) through (xi) of this paragraph in a subcontract for commercial items. Unless otherwise indicated below, the extent of the flow down shall be as required by the clause—
- (i) 52.203-13, Contractor Code of Business Ethics and Conduct (Dec 2008) (Pub. L. 110-252, Title VI, Chapter 1 (41 U.S.C. 251 note)).
 - (ii) 52.219-8, Utilization of Small Business Concerns (May 2004) (15 U.S.C. 637(d)(2) and (3)), in all subcontracts that offer further subcontracting opportunities. If the subcontract (except subcontracts to small business concerns) exceeds \$550,000 (\$1,000,000 for construction of any public facility), the subcontractor must include 52.219-8 in lower tier subcontracts that offer subcontracting opportunities.
 - (iii) 52.222-26, Equal Opportunity (Mar 2007) (E.O. 11246).
 - (iv) 52.222-35, Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (Sept 2006) (38 U.S.C. 4212).
 - (v) 52.222-36, Affirmative Action for Workers with Disabilities (June 1998) (29 U.S.C. 793).
 - (vi) 52.222-39, Notification of Employee Rights Concerning Payment of Union Dues or Fees (Dec 2004) (E.O. 13201).
 - (vii) 52.222-41, Service Contract Act of 1965 (Nov 2007) (41 U.S.C. 351, et seq.).
 - (viii) 52.222-50, Combating Trafficking in Persons (Aug 2007) (22 U.S.C. 7104(g)).

Flow down required in accordance with paragraph (f) of FAR clause 52.222-50.

- (ix) 52.222-51, Exemption from Application of the Service Contract Act to Contracts for Maintenance, Calibration, or Repair of Certain Equipment-Requirements (Nov 2007) (41 U.S.C. 351, et seq.).
 - (x) 52.222-53, Exemption from Application of the Service Contract Act to Contracts for Certain Services-Requirements (Nov 2007) (41 U.S.C. 351, et seq.).
 - (xi) 52.247-64, Preference for Privately Owned U.S.-Flag Commercial Vessels (Feb 2006) (46 U.S.C. Appx. 1241(b) and 10 U.S.C. 2631). Flow down required in accordance with paragraph (d) of FAR clause 52.247-64.
- (2) While not required, the contractor may include in its subcontracts for commercial items a minimal number of additional clauses necessary to satisfy its contractual obligations.

C. STATEMENT OF OBJECTIVES (SOO)

C.1 General Description Of Scope/Purpose

C.1.1 Federal Student Aid Background/Overview

Federal Student Aid (FSA), an office of the Department, plays a central and essential role in America's postsecondary education community.

FSA's core mission is to ensure that all eligible individuals benefit from federal financial assistance—grants, loans and work-study programs—for education beyond high school. The programs FSA administers comprises the nation's largest source of student aid: during the 2007-08 school year alone, FSA provided approximately \$83 billion in new aid to nearly 10 million postsecondary students and their families. FSA's staff of 1,100 is based in 10 cities, in addition to its Washington, D.C. headquarters.

C.1.2 Current Need

With the current economic and liquidity uncertainty facing financial markets, many student loan lenders are dropping out of the market. With more than \$65 billion in 2008-09 loans and approximately \$130 billion in eligible 2003-07 student loans on bank balance sheets and auction rate securitizations, the capital markets are currently unable to generate adequate funds at prices that will ensure 2009-10 loans can be made.

Recent legislation including the College Cost Reduction Authorization Act of 2008 (CCRAA) (Pub. Law 110-84) and the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) (Pub. Law 110-227) enabled the Department to accept former Federal Family Education Loan Program (FFELP) loans in the form of additional Direct Loan (DL) capacity, and to purchase FFELP loans as far back as 2003, in an effort to bring liquidity and stability back to the student loan market.

With the sudden increase in current and potential loan volume that the Department will be responsible for servicing, the need for increasing the Title IV student aid servicing vehicles is determined appropriate at this time.

C.1.3 Objective

Acquire efficient and effective commercial contract services to manage all types of Title IV student aid obligations, including, but not limited to, servicing and consolidation of outstanding debt.

C.1.4 Constraints

C.1.4.1 Specific compliance activities for servicing Federally held assets include, but are not limited to, Attachments A-1 through A-3 provided herein.

C.1.4.2 In order to manage the costs associated with such a potentially large portfolio, the service must provide innovative measures to ensure portfolio growth is not the key driver of total cost. Contractor incentives must be based on performing assets, rather than transaction or activity based delinquency incentives. Costs may also be managed through redistribution of customers to self-service options, as approved by the Government. Performance measures will help ensure that the complete service operates as efficiently and effectively as possible and that it is achieving the desired

business outcomes. These measurements will be flexible to allow for regular reviews and revisions as necessary.

C.1.4.3 The contractor(s) will be responsible for maintaining a full understanding of all federal and state laws and regulations and FSA requirements and ensuring that all aspects of the service continue to remain in compliance as changes occur.

C.1.4.4 The contractor(s) will provide a service flexible enough to handle new requirements generated by Congress and respond to legislative mandates and policy changes. Please see Appendix A – Standards and Relevant Documents for historical and current representative information.

C.1.4.5 The contractor(s) will provide timely (as defined by FSA and contractor) responses to Office of Inspector General (OIG), General Accounting Office (GAO), budget, data, and management requests.

C.1.4.6 It is understood and mutually agreed that the Department of Education has exclusive ownership of all information stored in, retrieved, modified, and/or archived in as part of this service. The contractor shall have no rights in such information and no rights to such information shall vest on the contractor by virtue of its performance of this contract. No other party has the right to copy, delete, archive, or transfer such information without the prior express written consent of the Department of Education. The contractor shall not use such information for any marketing or solicitation purpose including, but not limited to, commercial advertising, credit offers, or similar campaigns.

C.2 Attachments/Supplemental Documents

Number	Title
A-1	Additional Servicer—Initial Requirements Document (Version 21.0)
A-2	Additional Servicer—Intermediate Requirements Document (Version 6.0)
A-3	Additional Servicer—Full Requirements Document (Version 6.0)
A-4	Ongoing Allocation Methodology
A-5	Sample—Ongoing Allocation Metric Calculation
A-6	Servicing Pricing Definitions (Version 9.0)

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Additional Servicer INITIAL Requirements

All_InitialReq_v21.0.doc

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Additional Servicer – Initial Requirements

Required by 8/31/09 unless otherwise noted

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General Statement

It is the intent of the Department to procure a performance-based contract(s) that promotes competition and provides best of business services. To achieve this goal, the Department expects each servicer to provide commercially available services that will yield high performing portfolios and high levels of customer satisfaction. The following statements apply:

- Servicers will be required to meet all statutory and legislative requirements.
- Servicers will use their own discretion in deciding to provide services or business functionality that is recommended but not required.
- Servicers may leverage all borrower repayment channels while maintaining existing branding provided all federally held loans are clearly distinguished and identified, and borrowers are directed to make payment directly to the Department via a U.S. Treasury lockbox or electronic payment service.
- Small differences due to rounding in various calculations are understood and accepted providing the calculation itself is in compliance with federal regulation.
- The Department will allocate volume based on defined and understood performance metrics.
- The Department does not intend to provide additional service level requirements. The Department does, however, expect best of business practices to be deployed.
- The Department will not require the use of the Department or FSA logo on letters, web sites, etc.
- Servicers will have full discretion to promote or not promote services as long as they meet legislative and regulatory requirements and are cost neutral to the Government.
- Servicers will have discretion to provide services to schools.
- Servicers may use their own authentication process as long as the process is fully compliant with federal IT security guidelines.
- With regard to split borrowers, it is acceptable for servicers to handle requests, phone calls, etc. for all loans being serviced by that servicer, regardless of the holder (Federal or Non-Federal), as long as all federal laws and regulations are met.

Financial Reporting

1. The servicer shall uniquely identify each specific activity (e.g., Collection of Principal, Collection of Interest, etc.) in the transaction level data.
2. The servicer shall provide required accounting reports. A preliminary list is presented below.
 - a) Trial Balance by Fund & a Working Trial Balance By Fund
 - b) Detailed Trial Balance by Transaction Type
 - c) Sub ledger Reconciliation Reports
 - d) Transaction Tables and mapping (Crosswalk) to the Department's general ledger system, the Financial Management System (FMS), including transaction descriptions and amount fields.
 - e) Cash Receipt Detail
 - f) Cash Disbursement Detail
 - g) Report of Debts Assigned by Assignor (Lender, GA, Intra-Fund Transfers)

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- h) Report of Loans Consolidated (by Fund, Cohort Year, Loan Program Type, Risk Category)
- i) Report of Loans Rehabilitated (if applicable)
- j) Loan portfolio performance reports (by Fund, Loan Type, cohort year and risk category).
- k) Collection Activity Report - The report summarizes by Current Month, Current Quarter, and Year to Date for each Loan Type, the number of loans and the amount of loans for each delinquency stage.
- l) Loans Transferred to and from the Department's Default Management Collection System (DMCS)- The report has 3 parts:
 - a. Loans Transferred to DMCS - Displays by transfer date the total number of borrowers, total number of loans, total principal balance at time of transfer, and date DMCS accepts the loans for each weekly transmission to DMCS.
 - b. Rejected and Re-transfer to DMCS - Displays by re-transfer date the total number of loans, total number of borrowers, total principal balance, and date DMCS accepts the loans for each weekly transmission to DMCS.
 - c. Transfers by Loan Type - Displays by transfer date, total number of borrowers, and total number of PLUS, Stafford, and Consolidation.
- m) DMCS Recall and Rehabilitation Tracking Report - The report displays by month/year the total number of borrowers recalled from DMCS, total number of loans recalled, total number of Rehabilitated loans and borrowers received from DMCS.
- n) System Balancing Reporting of daily, weekly and monthly activity sent and received with each interfacing partner at the Batch level and at the Transaction Type, Transaction Count, Transaction Amount levels. Reports activity sent and activity received; and balances activity received to activity accepted and rejected.
- o) Financial Transactions Reconciliation Report of all daily, weekly and monthly transactions posted on the servicing system for each interfacing partner. Displays summary data by financial transaction type, number, and dollar amounts.
- p) Work in Process Reports of activity received and accepted into the servicing system, but not posted to borrower accounts for each interfacing partner. Displays detail level transactions at the loan level for all financial transactions received but not posted. Includes applicable dollar amounts and reflects aging of each transaction. Reporting can include, but is not limited to, pending disbursements, loan adjustments, consolidation payoffs, etc. (See below for specific unapplied cash reporting). Daily cumulative reporting with the last daily report for the month reflecting the WIP balances as of month end.
- q) Unapplied Cash Payment Recycle report: Payment and Payment adjustment activity received and accepted into the servicing system but not posted to borrower accounts. Reporting is by payment source (including, but not limited to: lockbox, electronic debit, IPAC, etc.) Displays detail level cash payment and payment return/adjustment transactions at the borrower level and includes

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- Treasury document information (schedule number, schedule amount and schedule type) and aging of each transaction. Daily cumulative reporting with the last daily report for the month reflecting the WIP balances as of month end.
- r) Ad-hoc reporting capability and access for the Department (see "Reconciliations").

Treasury

3. The servicer shall require entities making payments on Government loans (borrowers, lenders, etc) to direct payments to a Treasury designated service including:
 - a) Treasury lockbox
 - b) Pay.gov
 - c) Remittance Express
 - d) IPAC.

Note: Receipts must be processed in accordance with guidance provided in Treasury Financial Management (TFM), available at www.fms.treas.gov/tfm/index.htm
4. The servicer shall establish an interface with the Treasury lockbox service for the receipt of payment posting file and returned payments files.
5. The servicer shall establish an interface with Pay.gov for the receipt of ACH debits and credit card payments.
6. The servicer shall establish an interface for Remittance Express (REX) to support receipt of ACH credits. REX provides FSA and the servicer with download capability of an activity file with optional fields for identifying borrower accounts.
7. The servicer shall establish an interface for the receipt and processing of Inter-Governmental Payment and Collection (IPAC) systems payments. IPAC provides FSA and the servicer with download capability of an activity file with optional fields for identifying borrower accounts.
8. The servicer shall post payments to the borrower accounts on the same date of receipt of payment information from Treasury. If the servicer directly receives payments, those payments will be deposited to Treasury on the day of receipt.
9. The servicer shall maintain a recycle or unapplied file of any payment/payment return transactions that cannot be posted to a borrower account. The servicer shall perform due diligence to research payments held in suspense for the purpose of resolving the unposted items including: posting payment to appropriate borrower account; refunding to remitter; or escheatment to Treasury.
10. The servicer shall obtain daily deposit information from Treasury's Ca\$hLinkII system to support accounting processes and controls, such as daily and monthly reconciliations.
11. The servicer shall maintain proper controls over payment posting and accounting activities, and perform daily and monthly required reconciliations.
12. Issuance of Refunds - The servicer shall promptly manage credit balance accounts, and other payments and accounts requiring a refund. The Servicer shall process refund transactions to borrowers (borrower overpayments), lenders (such as consolidation overpayments), etc.

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- a) The servicer shall establish an interface and process payments refunds via interface via interface with FSA's Financial Management System (FMS) using the FMS standard file format (see FMS Attachment A).
- b) Batches of refunds shall be subject to FSA review and approval.
- c) The servicer shall receive and work from a Treasury Confirmation Report available through Treasury's Government-Wide Accounting System (GWA). This confirmation data will be used to provide information to borrower inquiries on refund status. The GWA report confirms the completion of processing on a batch, and provides the first and last check number for the batch.
- d) The servicer shall receive a report of Treasury Cancellations, maintain cancellation data, and shall provide information for borrower inquiries and support re-issuance of refunds.
- e) The servicer shall perform due diligence on cancelled refunds, on issuance of validated refunds, and will follow Treasury guidelines for escheatment.
- f) The servicer shall request FSA to cancel refunds, when appropriate.
- g) The servicer shall use FSA's student application internet gateway (SAIG) to transmit refund requests to FMS.
- h) The servicer shall pass Treasury cancellation data to FMS using the FMS standard file format (see FMS Attachment A).

Transaction Management

13. The servicer shall establish a system and processes to correctly record all transactions on their database and to post summary transactions to the FSA's general ledger (FMS) on the same business day they are generated.
14. All servicer transactions shall include all fields as required by FMS and all amounts applicable to each transaction type.
15. All servicer transactions must pass all FMS edits for posting into the general ledger.
16. The servicer shall ensure all transactions are reversible.
17. The servicer shall provide unique transaction reporting for each type of loan activity.
18. All servicer transactions will be accurately translated (mapped) from the Servicer's subsidiary ledger to FSA's general ledger (FMS).
19. The servicer shall maintain both the posting date and effective date of the transactions on their system.
20. The servicer shall provide an audit trail that efficiently links their detailed transactions in the subsidiary ledger to summarized transactions in FSA's general ledger. Transactions must have sufficient audit trail to support efficient tracing.
21. The servicer shall include original Treasury document numbers on applicable transactions, in addition to any system created document numbers (including but not limited to: SF215, SF5515, SF1166, SF1098, and SF1081). The usage of Treasury documents is described on the web site <http://fms.treas.gov/index.html>.
22. The servicer shall assign and retain the Credit Reform Code (CRC), recording and reporting on all loan related transactions at the CRC level. Federal Credit Reform Act legislation and Treasury guidelines for reporting are described on the web site <http://fms.treas.gov/index.html>. Appendix A (CRC Codes) of Attachment C (FMS File Layouts) describes how CRC codes are generated.

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Internal Controls

23. The servicer shall incorporate a system of internal controls consistent with federal laws, regulations, policies and authoritative guidance. These laws, regulations, and guidances include, but are not limited to: Federal Financial Management Improvement Act (FFMIA); Federal Managers' Financial Integrity Act (FMFIA); CFO Act; Government Performance and Results Act (GPRA); GAO's Green Book; OMB Circulars A-123, 1-127, and A-130; Joint Financial Management Improvement Program (JFMIP); and Treasury Financial Manual (TFM).
24. The servicer's procedures and systems shall include a system of internal controls that ensures resource use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and disclosed in reports. Appropriate internal controls shall be applied to all system inputs, processing and outputs. Examples of Internal Control Standards to be implemented by the servicer include the following:
- a) Review and Reconciliation: Records are examined and reconciled to determine that transactions were properly processed and approved.
 - b) Execution of Transactions: Independent evidence is required to be maintained to ensure that authorizations are issued by persons acting within the scope of their authority and transactions conform with such authority.
 - c) Segregation of Duties: Proper segregation of duties is required to exist among functions including: authorization, execution, recording and reviewing transactions, custody of assets, and performing reconciliations.
 - d) Qualified and continuous supervision is required to be provided to ensure that proper internal control is maintained.
 - e) Access to and Accountability for Resources: Access to resources and custody and use of resources is required to be assigned and maintained.
25. The servicer shall provide FSA with supporting documentation for FSA's OMB Circular A-123 annual review, the annual Financial Statement Audit, and other audits and reviews (as further described in the Requirement #29 below on Audit Support Services and in Audit Attachment A, "Audit Support Requirements").
26. The servicer shall consult with FSA during FSA's OMB Circular A-123 annual review process and for other audits, so that FSA can: (a) maintain its understanding of the servicer's controls (in the context of GAO Internal Control Standards and the Committee on Sponsoring Organizations (COSO) control framework), (b) maintain FSA documentation depicting the servicer's controls and process flows (as further described in Requirement #29 below on Audit Support Services and in the attachment, "Audit Support Requirements"), and (c) maintain FSA's test plan, which will call for the provision of supporting materials from the servicer.
27. The servicer shall be responsible for resolving all deficiencies identified during audits and participating in corrective action plans as needed.
28. The servicer shall provide FSA with support for conducting FSA site visits to servicer centers of operation. The purpose of the site visits will be to enable and enhance FSA's plans for the conduct of its A-123 review. In addition, during the site visit, FSA

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will observe the execution of selected processes for compliance with stated procedures and system function.

29. The servicer shall provide Audit Support Services, upon request, including but not limited to the following audits and reviews. The "Audit Support Requirements" document attached provides additional information on the annual Financial Statement Audit and describes the "Prepared by client" (or PBC) process that will be used by the auditor and/or FSA to submit requests for documentation, data, and/or walkthroughs and for the servicer to fulfill these requests.:

- a) FSA's annual Financial Statement audits;
- b) Assessments of internal controls in accordance with FMFIA and OMB Circular A-123, Appendix A;
- c) Program-specific financial and compliance audits conducted by GAO, OIG, and/or OMB;
- d) FISMA audits;
- e) Certification and Accreditation reviews;
- f) Internal reviews;
- g) Contract oversight activities; and
- h) Agreed Upon Procedures Audits for Loan Purchase Programs.

This support generally includes, but is not limited to: making resources and facilities available, participating in audit planning (such as to determine when resources would be made available and for what purpose), responding to "prepared-by-client" (PBC) requests, reporting status, and remediating deficiencies identified. At a minimum, PBC requests will include: interviews, access to process and system documentation, standard and ad hoc queries and reports, and general questions on processes, systems, data, and/or other matters.

30. The servicer shall meet requirements for a Type II SAS 70 audit. It is anticipated that performance of the Type II SAS 70 audit with an unqualified opinion and submission of the resulting work papers will eliminate or substantially reduce audit work performed by various auditors, internal and external to the Department, as part of the Department-wide and Government-wide annual audits. As part of their contracts with various lenders, servicers also normally have a SAS 70 audit performed annually by a qualified independent auditor.

- a) For IT controls, the servicer shall supplement the Type II SAS 70 with additional agreed-upon procedures resulting in an audit consistent with GAO's Federal Information System Control Audit Manual (FISCAM). The results of these procedures should be conducted and reported at least annually, with a year-end of 6/30. Further, the servicer shall provide FSA with a "bridge letter" covering the period from 6/30 to 9/30 indicating no changes to the control environment.
- b) For operational controls, the servicer shall ensure that the Type II SAS 70 covers all GAO Internal Control Standards or COSO Components (e.g., control environment, risk assessment, control activities, information and communication, and monitoring) for those transactions processed by the servicer. The results of these procedures should be conducted and reported at least semi-annually covering the periods 1/1 – 6/30 and 7/1 – 12/31.

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Accounting

31. The servicer shall create a financial interface between the FSA servicer and FSA Financial Management System (FMS) to provide financial data to FMS on a daily, weekly and monthly basis.
- a) The data and data layouts to be provided within this interface are described in the FMS Attachment C – FMS File Layouts
 - b) Submission / send rules for these transmissions are:
 - 1. In addition to daily transaction files, servicer shall send weekly (summary) and monthly (interest and adjustment) files to FMS.
 - 2. Servicer shall use secure FSA's SAIG mailbox to place daily, weekly and monthly files on the FMS server for processing in FMS.
32. The servicer shall conduct accountancy, ensuring that transactions of the servicer's subsidiary ledger are accurately recorded in the FMS general ledger, to include:
- a) Managing the accounting transaction processing between the subsidiary ledger and the general ledger.
 - b) Preparing procedural instructions and execution of manual procedures related to the preparation of accounting transactions.
 - c) Reconciling cash, accounts receivable, accounts payable, and other general ledger accounts.
 - d) Correcting all differences between the subsidiary ledger balances and the control account balances in the general ledger.
 - e) Assisting FSA, FMS, and CFO in posting financial data and recommending alternatives to resolve rejected activity and variances.

Reconciliations

33. The servicer shall perform reconciliations of balances and activity as requested, that meet the following general requirements:
- a) Reconciliation activity should demonstrate that all required data is transmitted to the Department and that all omissions, duplications of data, and recording errors are detected and corrected timely.
 - b) All reconciliations and financial accounting will be inclusive of principal, interest and fee amounts.
 - c) Monthly reconciliation between Servicing Trial Balance by Portfolio and FSA's general ledger (FMS) trial balance for each individual balance sheet account (balances and activity).
 - d) All programs are to be accounted, reported and reconciled individually (distinct portfolios).
 - e) Portfolio balances must be supportable at the loan level.
 - f) Unless otherwise instructed, all reconciliation processes must identify and define specific transactions causing differences.
 - g) Unless otherwise instructed, all requirements apply to each portfolio.
 - h) Monthly reconciliations are due to FSA by the 8th calendar day of the subsequent month. (e.g. Reconciliations for the month of June are due July 8th.)
 - i) Monthly reconciliations require contractor review by at least one level of management.

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- j) Monthly reconciliations require the signature of the preparer and reviewer and the date of signatures.
 - k) Signed monthly reconciliations and all necessary supporting documentation are to be provided to FSA in Adobe .pdf format.
 - l) The servicer shall provide reports in the file format requested by FSA. File format types would include, but are not limited to: the Microsoft Office Professional Suite (Excel, Word, Access, etc.), Adobe (.pdf), text (.txt), comma delimited (.csv) etc.
 - m) Daily reconciliations are not standard deliverables to FSA but are considered operational processes and subject to internal control testing.
 - n) Unless otherwise instructed, all reconciling items arising from monthly reconciliations are to be researched and cleared within the month subsequent to the reconciled period. For example, reconciling items for the month of June must be cleared within July. This eliminates repeat reconciling items.
 - o) Unless otherwise instructed, all reconciling items arising from daily reconciliations are to be researched and cleared within 48 hours.
 - p) Daily reconciliations include tracking and resolution of all work in process activity.
34. The servicer shall reconcile loan sales as follows:
- a) Perform daily 3-way reconciliation between invoice (pre-sale report), Bill of Sale from selling lender, and conversion reports from servicing system. Offeror must be able to produce the reconciliation at the deal, invoice, lender and summary level.
 - b) Perform daily and monthly over/underpayment reconciliation between the Selling lender, servicing system, FMS and Treasury.
 - c) Maintain resulting accounts receivable/accounts payable reconciliation of over/underpayment activity between the Selling lender & FMS. To include:
 - 1. Maintain balance of receivables from sellers and payables to sellers.
 - 2. Invoice sellers for accounts receivables.
 - 3. Process FMS accounts payable refund request to sellers (see Refund Reconciliations for specific requirements).
 - 4. Process overpayment refund collections from Selling lenders.
 - 5. Maintain clear audit trail of overpayment refund transactions processed to Treasury deposits.
 - d) Daily reconciliation to assure that the FMS net funding transactions purchasing loans equal the net loans accepted and either posted or pending posting (traceable in work in process files) to the servicing system by the next day.
 - e) Daily reconciliation of activity sent from sellers to accepted and either posted or pending posting (traceable in work in process files) on the servicing system.
35. The servicer shall reconcile transfers as follows:
- a) Servicer will provide for loan exchange and reconciliations between servicing system and FSA servicing systems. Servicer will maintain portfolio integrity upon re-entry into the servicing system.
 - b) Perform daily reconciliation on transfers of loans between the Servicing system and each FSA servicing system.

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- c) Perform monthly reconciliation of transfers of loans between the servicing system and each FSA servicing system.
36. The servicer shall reconcile cash collections as follows:
- NOTE: The terms “recycle file”, “suspense account” and “unapplied file” are defined as the transactional level cash payments and payment adjustments received but not posted to borrower accounts on the servicing system.
- a) Record all incoming check & electronic collections received (deposits) to the cash clearing account (level 1); reverse collection transactions from cash clearing account when posted to borrower accounts (level 2).
 - b) The application process for postable cash payments and payment returns must be completed within 48 hours of collection receipt.
 - c) Reconcile all cash activity to Treasury daily. This includes, but is not limited to: electronic funds transfer (EFT), checks (SF 1166), Intra-governmental Payment and Collection (IPAC) System/SF 1081 payments, internal electronic cash transactions, and any other payments to or deposits with Treasury.
 - d) Perform daily collection reconciliation among the various Treasury receipt channels (i.e. Lockbox, Pay.gov, Remittance Express, and IPAC), servicing system and FMS general ledger. Collection transactions are to be posted to FMS daily.
 - e) Daily reconciliation to ensure Total Cash Received (check and electronic) = (Total Cash Payments Posted to Borrower's accounts + New Recycle File Items).
 - f) Daily reconciliation to ensure Outstanding Recycle File Balance = Beginning Recycle File Balance + New Recycle File Items - Recycle File Items Posted to Borrower Accts - Refunds of Misdirected Payments - Treasury Escheatment.
 - g) Monthly reconciliation of the Servicer's unapplied cash payment recycle file balance at the servicing system to the FMS Unapplied Collections general ledger account.
 - h) Monthly reconciliation of Treasury bank statement to FMS and Treasury.
37. The servicer shall reconcile refunds as follows:
- a) Maintain daily and monthly three-way reconciliation of refund activity among the servicing system, FMS accounts payable system and Treasury.
 - 1. Process overpayment refunds, refund cancellations, and stop payments posted to borrower accounts.
 - 2. Refund transactions processed on the servicing system for misdirected payments.
 - 3. Track and reconcile refund transactions to refund requests (FMS accounts payables) to Treasury confirmations.
 - 4. Track and reconcile refund cancellation transactions processed on servicing to refund reversals in FMS to Treasury cancellations.
38. The servicer shall provide ad hoc reporting tools to support reconciliations: Servicing Trial Balance by Portfolio – using FSA/FMS transactional account mapping, must be capable of producing daily, weekly, ad hoc, and monthly trial balances at a summary and detailed transactional. If multiple databases are employed each database will be reported individually as well as on a consolidated basis.

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39. The servicer shall perform daily, weekly and monthly system balancing of all data transmitted to and from the servicing system.
- a) Balancing will be done at the transaction type, transaction count and transaction amount(s) levels.
 - b) Balancing will ensure data sent = data received; and data received will = the sum of data accepted and rejected.
 - c) Rejected data will be researched, resolved/resent by the originating system.

Additional Reporting

40. The servicer shall provide a data file (daily for the previous day's activity, monthly for previous month's activity) to FSA containing standard data elements needed for additional financial and portfolio analysis. FSA will determine the type of file, transfer specifications, and specific data elements to be included in the file.
41. The Servicer shall ensure that the balances reported to FSA within the daily/monthly data files reconcile to the balances reported in the Servicer's servicing system as well as to the Servicer's FMS accounting interface file.
42. The servicer shall provide reasonable additional support as needed (e.g., data files, reports, source documents) to substantiate reported activity and balances.

Security

43. The Servicer shall restrict access to FSA held loans being serviced from all other loans on their system. Access must be limited to personnel who have obtained proper clearances and who are specifically authorized to view or perform transactions and services on loans held by FSA.
44. The servicer shall provide previous security information from the past three years to include a discussion of security incidents; and audits like SAS 70s, Sarbanes Oxley reviews, independent security assessments, risk assessments, and/or internal reviews along with the applicable remediation plans.
45. The servicer shall provide its system's most current vulnerability scan results, and remediation plan.
46. The servicer shall provide existing security documentation like its security organizational structure, its system's boundary, existing security policy, procedures, and plans.
47. The servicer shall complete personnel background screening requirements ASAP.
- a) All personnel are required to complete a federal background clearance based on their position risk level. Background clearances are submitted on line via Office of Personnel Management (OPM)'s Electronic Questionnaire for Investigations Process (e-Qip). Contractor employees who have undergone appropriate personnel security screening for another federal agency may submit proof of personal security screening for validation. (Attached Security Attachment A - Department of Education's Directive for Contractor Employee Personnel Security Screenings.)
 - b) Preliminary clearances must be completed for high-risk positions prior to working on Federal Student Aid systems or data (This process can take 2-6 weeks).

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Moderate and low risk positions must submit background clearance paperwork prior to working on Federal Student Aid computer resources.

- c) Non-U.S. Citizen may be assigned to a High Risk IT (6C) level position, provided: he/she is a Lawful Permanent Resident of the United States and has resided continuously in the United States for a minimum of three (3) years. Non-U.S. Citizens living outside of the United States cannot have the capability to access Federal Student Aid systems or data.
- 48. The servicer shall complete a self-assessment of its system and facilities based on NIST SP 800-53 controls, identify security deficiencies/gaps, and create a remediation plan for the identified deficiencies.
- 49. The servicer shall agree to provide support for all actions required for a formal security authorization and continuous monitoring program as defined by NIST SP 800-37.
- 50. The servicer shall create a project plan that they will follow to develop a NIST SP 800-18 compliant System Security Plan created in the Department of Education format.
- 51. The servicer shall bundle the requested information in requirements 39 - 45 above as attachments to a discussion document that provides a discussion for each requirement and artifact submitted. The cover page for this package will include a self-certification document identifying the system's security posture to include its overall security risk. The cover page will be signed by the servicer's senior security official and program manager attesting that the information within the package is accurate.

NSLDS

- 52. The servicer shall report in the same format as a Guaranty Agency (GA) for all loans serviced for Federal Student Aid by creating an NSLDS data base extract file containing FFEL loans and transmit the FFEL Loans data to NSLDS using the reporting requirements detailed in the GA Data Provider Instructions with minimal differences. The Servicers will be provided a GA and Lender Code to be associated with each loan. The Servicers will report the date of default and loan status for default as day 271, using NSLDS loans status fields. The Cohort Default Rate date will be reported at day 361, using the NSLDS Claim Payment fields. A list of these filed changes will be provided. The GA Data Provider Index of fields that are required of the FFEL servicers in addition to more information on Guaranty Agency Data Provider Instructions can be found at the GA DPI Link (<http://ifap.ed.gov/nsldsmaterials/0605DPInstNSLDS.html>).
- 53. The servicer shall use the NSLDS provided DataPrep software (or equivalent) to perform Extract Validation and create a Submittal file.
- 54. The servicer shall send the submittal file to NSLDS on an established weekly schedule.
- 55. Once loans have been reported, the servicer shall report to NSLDS all FFEL open loans. Closed loans must be continually reported until closed status is successfully accepted by NSLDS. This includes loans that are closed prior to initial NSLDS reporting.

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56. The servicer shall retrieve the Load Process Error file from NSLDS for each submittal. The servicer must review errors and correct as many as possible before the next weekly submittal.
57. The servicer shall identify when key borrower indicators have change and report on both the old data and the new data.
58. The servicer shall work with other data providers—including other GAs, the Direct Loan Program, the Debt Management Collection System, Perkins schools, and the Common Origination Disbursement System—to resolve identifier conflicts including assigning pseudo SSNs where appropriate (see NSLDS DPI).
59. The servicer shall update date, amount and reason for defaults based on current default criteria if the loans are transferred to DMCS or CDDTS. Once a loan has transferred to DMCS or CDDTS, stop reporting on the loan unless it is transferred back. When transferring loans the borrower and loan identifiers must be the same identifiers reported to NSLDS. For Rehabilitated Loans, the Date or Maturity should not change.
60. The servicer shall report as a GA for all loans serviced for Federal Student Aid.
61. The servicer shall utilize NSLDS on-line updating functionality to resolve customer service issues and to report loan discharge and Teacher Loan Forgiveness information.
62. The Servicer shall transmit data to and from NSLDS via the Student Aid Internet Gateway (SAIG) or other approved secure transmission methods. Additional information on SAIG transmissions can be found at <https://www.fsadownload.ed.gov/mainframeguide.htm>.
63. The servicer shall meet NSLDS reporting requirements and quality standards. All data submitted to NSLDS must be as complete and correct as possible.
64. The servicer shall accept and store enrollment data and updates from NSLDS as the official source of such data.
65. The servicer shall continue to follow Common Manual Delinquency reporting to schools.
66. The servicer shall provide additional data elements to the re-engineered NSLDS. These elements will include, but not be limited to: delinquency data, discharge data, forgiveness data, and school/ISIR data. This data has been worked through the community on the FFEL Data Standards Team and can be found online.
67. The servicer shall work with FSA data providers on changes to interfaces as re-engineering projects occur.
68. The servicer shall accept a file from NSLDS when receiving loans from DMCS and CDDTS in order to update the records with missing data elements.

Unique Client/Lender Requirements for Federally Serviced Portfolio

69. The servicer shall use the client name Department of Education for this portfolio.
70. The servicer shall use the Government assigned client LID for this portfolio.
71. The servicer shall use the Government assigned Guarantor Code for this portfolio.
72. Each servicer will be assigned a unique code.

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73. The servicer shall maintain unique standard reporting for loans within each Program (i.e. 08/09 Loan Purchase Program, Puts from 08/09 Participation Program, 09/10 Loan Purchase program, Conduit, Direct Loan, etc.)
74. The servicer shall process refunds via Treasury checks. Refunds are required for overpayments greater than or equal to \$5.00.
75. The servicer shall perform small balance processing as follows:
 - a) Overpaid Amount – Small balance write-ups of overpaid balances less than \$5.00.
 - b) Underpaid Amount – Small balance write-off of underpaid balances less than \$25.00.
76. The servicer shall have the ability to charge late charges, but no assessment of late charges on loans in the ED portfolio is to be assessed at this time.
77. The servicer shall have the ability to charge other fees (i.e. NSF), but no charges for other fees on loans in the ED portfolio are to be assessed at this time.
78. The servicer shall have the ability to support borrower benefit plans required by each loan purchase (PUT) program.
79. 799/LARS reporting is not required for ED portfolio.
80. The servicer shall have the ability to perform collection and due diligence activities "as required by legislation and/or regulations." Servicers will be required to provide collection and default aversion activity on loans serviced under this contract as long as the loan remains on the servicer's system. If a borrower reaches the 360 days delinquent, the servicer will be required to transfer the loan to the DMCS.
 - a) The servicer shall send an electronic transfer file to DMCS with required information about the defaulted borrower and the defaulted loan.
 - b) The servicer shall provide access to all required collateral information for the defaulted loan.
 - c) The servicer shall accept and resolve rejected records received from DMCS.
81. The servicer shall process discharge transactions with required supporting documentation following the required regulatory guidelines. The servicer is required to facilitate the timely and accurate processing of discharge requests by ensuring that complete loan discharge documentation for the individual is submitted. The servicer is also required to make a determination based on complete loan discharge documentation and applicable guidelines. Depending on the discharge type, the Department reviews discharge decisions through a sampling methodology or conducts a complete review.
82. The servicer shall transfer loans to the Conditional Disability and Discharge System once loans have been determined as eligible to be transferred.
83. The servicer shall obtain school information needed from the Postsecondary Education Participants System (PEPS).
84. The servicer shall be prepared to provide procedure and/or training materials when requested by ED. ED may review these documents to ensure regulatory and legislative requirements are met.
85. The servicer shall be required to transfer loans to, or accept loans from, another servicer at the request of ED.

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86. The servicer shall provide access to account level information and collateral for all federally held loans using technology supported by ED (web-based, terminal emulation, etc.).

Loan Conversion

The loan conversion process occurs when a seller requests ED to purchase loans, and ED validates the seller's approval to participate, checks the eligibility of the loans, provides payment to the seller, and takes ownership of the loans as federally held assets.

Below are the requirements a servicer must complete in addition to the existing requirements to service an FFEL loan:

87. The servicer shall create and maintain a Loan Purchases Tracking Log - to include: Checklist of loan purchase activities, status of activities, and loan counts/amounts. SEE Conversion ATTACHMENT A – Sample of Loan Purchases Tracking Log.
88. The servicer shall provide Loan Purchases Tracking Log to FSA, CFO, and OCFO on a periodic basis.
89. The servicer shall accept 45-day notices submitted by sellers via email. SEE Conversion ATTACHMENT B – Sample of 45 Day Notice.
90. The servicer shall inform FSA when a 45-day notice has been received.
91. The servicer shall send an acknowledgement of receipt of the 45 Day notice to the Seller via email.
92. The servicer shall validate, with FSA contact, the status of the seller's Master Loan Sales Agreement (MLSA).
93. The servicer shall notify seller if any additional MSLA approvals or documentation are needed for the sale and schedule the sale date with the seller's Servicer.
94. The servicer shall notify FSA of the status of the MLSA package, if necessary.
95. The servicer shall perform testing of the loan conversion transfer file process with sellers. SEE Conversion ATTACHMENT C – Sample of a loan conversion transfer file layout.
96. The servicer shall receive loan conversion transfer file from the seller via FTP or other approved transfer method.
97. The servicer shall review the loan conversion transfer file and notify FSA, CFO, OCFO of differences between the 45-day notice and loan conversion file as needed.
98. The servicer shall perform edits on the loan conversion transfer file. Note: edits may vary based on purchase program.
99. The servicer shall prepare report identifying any errors with the loan conversion file and/or any loans not eligible for sale.
100. The servicer shall provide results of edit errors to the seller, FSA, and designated parties. The servicer shall work with the seller to resolve errors.
101. The servicer shall send an acknowledgement of receipt of the 45 Day notice to the Seller via email."
102. The servicer shall work with the Seller to confirm sales parameters, including but not limited to:
 - a) Identify any loans in the sale have any liens on them.

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- b) Identify if the loans are part of a Put from Participation or a straight Put to the Department.
 - c) Identify timing for receipt of Loan Conversion Transfer file from the Servicer, if needed.
103. The servicer shall calculate pre-sale totals and final purchase price after errors have been resolved.
 104. The servicer shall create a pre-sale detail loan report including loan details for all loans included in the sale. SEE Conversion ATTACHMENT D – Sample of pre-sale detail loan report.
 105. The servicer shall transmit pre-sale detail loan schedule to seller for validation by seller.
 106. The servicer shall create invoice total file and submit to SAIG mailbox to be 'swept' by FSA CFO. SEE ATTACHMENT Conversion E – Invoice total file layout.
 107. The servicer shall receive Bill of Sale and related documents. SEE Master Loan Sale Agreement – Exhibit B – Sample of Bill of Sale.
 108. The servicer shall validate Bill of Sale package is authorized and complete.
 109. The servicer shall validate Schedule and Security Release Certificate (SRC) has been received if loans are subject to a security lien. SEE Master Loan Sale Agreement – Exhibit E – Sample of Schedule and SRC.
 110. The servicer shall flag loans subject to a security lien in Tracking Log.
 111. The servicer shall accept Notice of Assignments from seller and notify FSA that payment will be sent to designee if a Notice of Assignment is received. SEE Conversion ATTACHMENT F – Sample of Notice of Assignment.
 112. The servicer shall compare FSA Servicer pre-sale totals to seller's pre-sale detailed listing of loans sold - identify and resolve differences.
 113. The servicer shall request seller to provide updated Bill of Sale documents as needed.
 114. The servicer shall validate FSA approves/disapproves invoice of payment.
 115. The servicer shall process the loan sale transaction on servicing system when notified payment has been made. Loans now reside on FSA Servicer's system.
 116. The servicer shall reconcile the Servicing System balance and activity to FMS for each purchase deal. Resolve and differences and provide the reconciliation to FSA.
 117. The servicer shall reconcile the Servicing System balance and activity to FMS on a monthly basis. Resolve and differences and provide the reconciliation to FSA.
 118. The servicer shall receive collateral documentation and review for completeness.
 119. The servicer shall identify and notify seller of missing collateral documentation, work with seller to obtain required documentation.
 120. The servicer shall notify FSA of receipt of collateral and completeness of documentation.
 121. The servicer shall provide storage for, and access to, collateral documentation.
 122. The servicer shall accept, edit and process loan adjustment files from Servicer after close of sale.
 123. The Servicer shall coordinate with the Seller to receive and process any sales transition and post sale transactions, including but not limited to, borrower

Attachment A-1

payments, loan cancellations, school refunds, NSF transactions for loans purchased by the Department.

124. The Servicer shall provide a process to Put any ineligible loans back to the Seller, as needed (process "Unput" transactions).

Attachment A-2

Additional Servicer **INTERMEDIATE** Requirements

All_IntermediateReq_v6.0

Attachment A-2

Additional Servicer – Intermediate Requirements

Required by 3/31/10 unless otherwise noted

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General Statement

It is the intent of the Department to procure a performance based contract(s) that promotes competition and provides best of business services. To achieve this goal, the Department expects each servicer to provide commercially available services that will yield high performing portfolios and high levels of customer satisfaction. The following statements apply:

- Servicers will be required to meet all statutory and legislative requirements.
- Servicers will use their own discretion in deciding to provide services or business functionality that is recommended but not required.
- Servicers may leverage all borrower repayment channels while maintaining existing branding provided all federally held loans are clearly distinguished and identified.
- Small differences due to rounding in various calculations are understood and accepted providing the calculation itself is in compliance with federal regulation.
- The department will allocate volume based on defined and understood performance metrics.
- The Department does not intend to provide additional service level requirements. The Department does, however, expect best of business practices to be deployed.
- The Department will not require the use of the Department or FSA logo on letters, web sites, etc.
- Servicers will have full discretion to promote or not promote services as long as they meet legislative and regulatory requirements and are cost neutral to the government.
- Servicers will have discretion to provide services to schools.
- Services may use their own authentication process as long as the process is fully compliant with federal IT security guidelines.
- With regard to split borrowers, it is acceptable for servicers to handle requests, phone calls, etc. for all loans being serviced, regardless of the holder as long as all federal laws and regulations are met.

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Financial Reporting

The following Financial Reporting Requirements are required to be implemented by September 30, 2009:

1. The servicer shall produce the Treasury Report on Receivables (TROR), for each portfolio, on a monthly basis. The report must meet all Treasury/FMS guidance (See Treasury attachments A & B). The TROR must also:
 - a. Be provided in Microsoft Excel Format;
 - b. Be provided for the previous month by the 8th business day of the current month;
 - c. Include all supporting data / documentation. The supporting documentation must also be provided for the previous month (e.g., aging information, status information, etc.) in Microsoft Excel format, by the 8th business day of the current month.
2. The servicer shall provide all remaining required accounting reports.
 - a. Consolidating Trial Balance (All Funds)
 - b. Monthly & Annual Sub ledger Reports (to include Closing reports)
 - c. Accounting Distribution Reports
 - d. Specific Collection Reports (e.g. Lockbox, ACH Credits, ACH Debits, Web payments, Credit Cards, etc.)
 - e. Receivable Aging Reports (by Fund, Cohort Year, Loan Program Type, Risk Category)
 - f. Loan Portfolio Analysis
 - g. SF-224 for cash transactions with Treasury ED Form
 - h. Trial balance reports indicated under Reconciliation
 - i. Loan portfolio performance reports (by Fund, Loan Type, cohort year, & Risk Category)
 - j. Others as determined

Treasury

In 2010, Treasury will implement the Transaction Reporting System (TRS). TRS will be a centralized repository of detailed collection transaction information. TRS will provide integrated transaction and deposit reporting of revenue activity across all collection systems. Therefore, the servicer will be required to migrate its data recipient interfaces for the Lockbox (checks and ACH credits), Pay.gov (ACH debits and credit card payments), and CA\$HLINKII (which reports detail for ACH credits that are not processed via the lockbox servicer, and reports summary for all deposits from all sources) to TRS. This requirement is estimated to be effective by September 30, 2010. Treasury's web site contains further information on the TRS project at <http://www.fms.treas.gov/trs/index.html>.

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Transaction Management

NO Additional Requirements beyond the Initial Requirements

Internal Controls

3. Effective from the first government fiscal year of operations (i.e., as of 9/30/2009), the servicer shall develop and execute the following reports in response to financial statement audit "Prepared-by-Client" (PBC) data requests or as requested by management to support other audits or reviews:
 - a. Collections Download
 - b. Write-Offs activity – Download Requirements & Documentation Requirements
 - c. Download of Transfers activity to DCMS
 - d. Additional work products to support responses to auditor inquiries and requests

** Refer to the FMS_Attachment_D document attached for additional details on these requirements.

4. The Servicer shall provide support to FSA in compliance with OMB Circular A-123, Appendix C, which incorporates the Improper Payments Information Act of 2002 (IPIA).

Accounting

NO Additional Requirements beyond the Initial Requirements

Reconciliations

5. The servicer must demonstrate that all data transfers (e.g., interfaces, files) are balanced across systems and reconciled at the transaction and balance level and all exceptions noted are aged and resolved timely. The servicer shall report aging of reconciling items on all reconciliations. The servicer shall resolve errors and/or variances timely, generally within one month.

Additional Reporting

6. The Servicer shall provide a Disbursement Date Change (Cohort Year) Report (required to be implemented by September 30, 2009) - The report

Attachment A-2

displays all disbursement date changes after each quarter end that crossed cohort years. It displays the Account Number, Loan Identification Number, Principal Balances Outstanding, Interest Receivable Balances, Principal Paid, and Interest Paid.

7. The servicer shall support the FSA implementation of a 'Data Warehouse' including the conversion of the daily/monthly file transfers to the warehouse. FSA will determine the type of file, transfer specifications, and specific data elements to be included in the file.

Security

Federal Student Aid agrees with the Office of Management and Budget (OMB) and Congress that the security of its data and IT resources is one of our highest priorities. Recognizing the need for agencies to have effective information security programs, Congress passed the Federal Information Security Management Act (FISMA) of 2002. FISMA provides the overall framework for ensuring the effectiveness of information security controls that support federal computer operations and assets. **FISMA requirements apply to all federal contractors and organizations or sources that possess or use federal information or that operate, use, or have access to federal information systems on behalf of an agency.** FISMA mandates the use of the standards created by the National Institute of Standards and Technology (NIST). and Federal Student Aid has adopted those standards and guidance for securing its information technology resources.

Federal Student Aid security requirements indicated below ensure the confidentiality, integrity and availability of its data at a high level. System controls need to be tested and system documentation reviewed using an independent source. If adequate security is in place, Federal Student Aid will provide a formal security authorization to operate (ATO). Additional detailed requirements can be found in NIST security standards, special publications, and bulletins; OMB memorandums; and the Department of Education (DoED) policies and procedures. The primary document Federal Student Aid uses to identify and implement controls is NIST SP 800-53. The latest version of this guidance can be found at: <http://csrc.nist.gov/publications/nistpubs/800-53-Rev2/sp800-53-rev2-final.pdf>

Personnel

8. All personnel are required to complete a federal background clearance based on their position risk level. Background clearances are submitted on line via Office of Personnel Management (OPM)'s Electronic Questionnaire for Investigations Process (e-Qip). Contractor employees who have undergone appropriate personnel security screening for another

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federal agency may submit proof of personal security screening for validation. ([Attached: Department of Education's Directive for Contractor Employee Personnel Security Screenings](#))

9. Preliminary clearances must be completed for high-risk positions prior to working on Federal Student Aid systems or data (This process can take 2-6 weeks). Moderate and low risk positions must submit background clearance paperwork prior to working on Federal Student Aid computer resources.
10. Non-U.S. Citizen may be assigned to a High Risk IT (6C) level position, provided: he/she is a Lawful Permanent Resident of the United States and has resided continuously in the United States for a minimum of three (3) years. Non-U.S. Citizens living outside of the United States cannot have the capability to access Federal Student Aid systems or data.
11. All personnel are required to successfully complete initial security awareness training within two weeks of employment and annual refresher training. The training can be completed on line using DoED's security training program.
12. Annual specialized training is required that is appropriate to job function.

Facility

13. Data Centers supporting Federal Student Aid systems are required to have controlled access with working security cameras..
14. Data center access control lists must be kept current. .
15. Visitors must be logged and escorted at all times.
16. Power equipment and power cabling for the information system must be protected from damage and destruction. Facility failover power and lighting are required for emergencies.
17. The facility must employ and maintain fire suppression and detection, water damage controls, and temperature and humidity controls.
18. Alternate data center worksites are required to have the same protections as the primary data center site.

Telecommunications

19. Data transfers of PII or other sensitive information must be encrypted using NIST certified encryption methods ([see NIST standard, FIPS 140-2](#))
20. All interconnections must be documented and have an Interconnection Security Agreement in place. ([see NIST SP 800-47](#))
21. Wireless communication containing Federal Student Aid information is not permitted within the data center.
22. The Federal Student Aid System Security Officer must approve all remote access.

Contingency Planning and Recovery

23. A contingency / disaster recovery plan is required to provide continued operational service within 72 hours of a major catastrophe.

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24. Contingency plans must be tested at a recovery site annually using both DoED and Contractor personnel.
25. The recovery site(s) must be geographically separated from the production site(s).
26. Data sanitation at the recovery site is required after testing. ([see NIST SP 800-88](#))
27. System backups must be encrypted and kept at an alternate location with secured access. Sensitive backup tapes must be marked and have a secure transfer. ([Attached: Federal Student Aid's General Support System and Major Application Backup Media Handling Policy & Procedures](#))

Risk Management

28. Annual self-assessment of security controls is required. .
29. Independent risk assessments will be completed prior to system's operation and then reassessed at a minimum of every three years.
30. Independent security controls assessment will be completed.
31. All identified vulnerabilities and security weaknesses will be captured and corrective actions tracked through Federal Student Aids Operational Vulnerability Management Solution (OVMS). Security remediations must be implemented to correct security deficiencies and appropriate evidence must be provided to close actions.
32. Contractors will make themselves and the site available for security audits and control assessments. This includes interviews with key security staff, data gathering and submissions, scanning support, and escort activities.
33. Federal Student Aid will have the right to test controls through independent scanning within the boundaries of the Federal Student Aid system and by other means like interviews, observations, and to document reviews.

Security Documentation

34. The contractor will develop, implement, and maintain a current system security plan (SSP) for the information system to provide an overview of the security requirements for the system and a description of the security controls in place or planned for meeting those requirements. Designated officials within Federal Student Aid will review and approve the plan. ([see NIST SP 800-18](#))
35. A contingency plan must be created, approved, and tested annually.
36. A configuration management plan must be created, approved, and implemented.
37. Documented system boundaries are required. A documented inventory of hardware and software utilized, telecommunication interconnections and a network topology are required. ([Attached: Federal Student Aid's Boundary Definition template](#)).
38. System access authorizations and signed rules of behavior must be maintained.

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39. Plans of Actions and Milestones that address security remediations are maintained in Federal Student Aid's Operational Vulnerability Management Solution.

Security Monitoring and Detection

40. Network intrusion detection systems (NIDS) and host-based intrusion detection systems (HIDS) are configured appropriately and continuously monitored and updated if necessary.
41. Systems will have appropriate auditing capabilities enabled.
42. System logs are to be analyzed for suspicious activity. Logs will be made available to Federal Student Aid upon request.
43. Compliance monitoring established for configuration settings.
44. Routine network and database scans are scheduled. The scan results are analyzed and vulnerabilities identified. The identified vulnerabilities and actions taken will be documented in OVMS.
45. Scans that identify web vulnerabilities will be completed. Scan results will be provided to FSA upon request. The identified vulnerabilities and actions taken will be documented in OVMS.
46. Security remediations must be implemented to correct security deficiencies and appropriate evidence must be provided to close actions.

Incident Response

47. Contractor must maintain an incident response plan that correlates to the DoED plan.
48. Compromises of personal identifiable information (PII) must be reported immediately so that the Department can comply with its reporting requirements to report to U.S. Computer Emergency Readiness Team (CERT) within one hour of the incident.
49. Contractor must preserve evidence and allow external forensic analysis either on-site or through shipment of components.
50. Contractor must take appropriate actions for alerts and warnings provided by DoED or through other sources. Contractor will report status of their actions as requested.

Security Configurations

51. Federal Student Aid data must be segregated from non-Federal Student Aid data.
52. Security patches must be kept current and appropriately tested prior to moving into production.
53. Server and device security configurations must be maintained in accordance with NIST security configuration standards ([See: http://checklists.nist.gov/](http://checklists.nist.gov/)).
54. Passwords must meet Federal Student Aid's password standards. ([*Attached: Federal Student Aid's Password Parameters Policy & Procedures*](#))

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- 55. Change control management procedures must be documented and followed.
- 56. Federal Student Aid must approve system changes prior to production implementation.
- 57. Data will be safeguarded commensurate with the highest categorization level based on FIPS 199.

Access Control

- 58. Federal Student Aid must approve all access to Federal Student Aid data and all contractor access that can affect any component within the system's boundary.
- 59. Application access reports need to be sent quarterly to Federal Student Aid for certification of access.
- 60. A listing of IT personnel responsible for operations and maintenance of any Federal Student Aid system must be provided on a quarterly basis to FSA for certification of access.
- 61. Access must be restricted based on least privilege. Role based access controls should be defined and documented.

NSLDS

- 62. The Servicer shall provide the National Student Loan Clearinghouse monthly updates to their federally serviced portfolio. National Student Clearinghouse (NCS) will provide weekly updates to NSLDS for all FFEL and DL loans in the FSA portfolio. NSLDS will provide the servicer with weekly enrollment data that include NSC updates.

Additional Requirements for Federally Held Portfolio

- 63. The servicer shall receive collateral in imaged and paper format and if received in paper format image it should be imaged in a format that can be ported easily to another system (Non-proprietary)
- 64. The servicer shall verify collateral for all loans received in a sale within 45 days and if any collateral is missing the missing collateral will be obtained from the seller.
- 65. The servicer shall provide for FSA access to the imaging and serving system to view images, make annotations on borrower accounts and have complete access to view FSA data.
- 66. The servicer shall provide a means for FSA to make a final determination on eligibility of borrowers for entitlements, such as discharge due to Closed School, Death, etc., and compromise offers.
- 67. The servicer shall report loans to NSLDS and credit bureaus.
- 68. The servicer shall cancel loans and make all financial adjustments when needed.
- 69. The servicer shall place loans, where the borrower has applied for bankruptcy, into a bankruptcy status, prepare a Proof-of-Claim and

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- provide any additional support needed to defend the loan against bankruptcy discharge.
70. The servicer shall accurately prepare and respond to control correspondence (correspondence sent to FSA from the White House, Congress, and other high government officials) and meet control turnaround times established by the U.S. Department for FSA.
 71. The servicer shall respond to written and email questions and requests timely and accurately.
 72. The servicer shall respond and resolve customer complaints; and create and execute a plan to escalate complaints to FSA and the Ombudsman.
 73. The servicer shall have the ability to provide borrower interest rate discounts and assess late fees if directed to do so by FSA.
 74. The servicer shall accurately and timely complete and return Loan Verification Certificates received from consolidating lenders.
 75. The servicer shall assign loans to DMCS for collection once they reach 360 days delinquent. If a loan is assigned in error the loan will be reinstated onto the servicer's system.
 76. The servicer shall have the ability to accept and service loans that undergo rehabilitation from the DMCS.
 77. The servicer shall provide FSA the ability to monitor phone calls remotely.
 78. The servicer shall support quarterly monitoring reviews completed by FSA.
 79. The servicer shall support annual program compliance reviews done by FSA, or by an agent of FSA.

Loan Conversion

NO Additional Requirements beyond the Initial Requirements

Records Management

80. The Servicer shall comply with all of the following standard items related to records management:
 - a. Citations to pertinent laws, codes and regulations such as 44 U.S.C chapters 21, 29, 31 and 33; Freedom of Information Act (5 U.S.C. 552); Privacy Act (5 U.S.C. 552a); 36 CFR Part 1222 and Part 1228.
 - b. Contractor shall treat all deliverables under the contract as the property of the U.S. Government for which the Government Agency shall have unlimited rights to use, dispose of, or disclose such data contained therein as it determines to be in the public interest.

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- c. Contractor shall not create or maintain any records that are not specifically tied to or authorized by the contract using Government IT equipment and/or Government records.
- d. Contractor shall not retain, use, sell, or disseminate copies of any deliverable that contains information covered by the Privacy Act of 1974 or that which is generally protected by the Freedom of Information Act.
- e. Contractor shall not create or maintain any records containing any Government Agency records that are not specifically tied to or authorized by the contract.
- f. The Government Agency owns the rights to all data/records produced as part of this contract.
- g. The Government Agency owns the rights to all electronic information (electronic data, electronic information systems, electronic databases, etc.) and all supporting documentation created as part of this contract. Contractor must deliver sufficient technical documentation with all data deliverables to permit the agency to use the data.
- h. Contractor agrees to comply with Federal and Agency records management policies, including those policies associated with the safeguarding of records covered by the Privacy Act of 1974. These policies include the preservation of all records created or received regardless of format [paper, electronic, etc.] or mode of transmission [e-mail, fax, etc.] or state of completion [draft, final, etc.].
- i. No disposition of documents will be allowed without the prior written consent of the Contracting Officer. The Agency and its contractors are responsible for preventing the alienation or unauthorized destruction of records, including all forms of mutilation. Willful and unlawful destruction, damage or alienation of Federal records is subject to the fines and penalties imposed by 18 U.S.C. 2701. Records may not be removed from the legal custody of the Agency or destroyed without regard to the provisions of the agency records schedules.
- j. Contractor is required to obtain the Contracting Officer's approval prior to engaging in any contractual relationship (sub-contractor) in support of this contract requiring the disclosure of information, documentary material and/or records generated under, or relating to, this contract. The Contractor (and any sub-contractor) is

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required to abide by Government and Agency guidance for protecting sensitive and proprietary information.

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Additional Information regarding records management:

Extract from 36 CFR Part 12, regarding records management responsibilities of contractors.

§1222.48 Data created or received and maintained for the Government by contractors.

(a) Contractors performing Congressionally mandated program functions are likely to create or receive data necessary to provide adequate and proper documentation of these programs and to manage them effectively. Agencies shall specify the delivery of the Government of all data needed for the adequate and proper documentation of contractor-operated programs in accordance with requirements of the Federal Acquisition Regulation (FAR) and, where applicable, the Defense Federal Acquisition Regulation Supplement (DFARS).

(b) When contracts involve the creation of data for the Government's use, in addition to specifying a final product, agency officials may need to specify the delivery of background data that may have reuse value to the Government. Before specifying the background data that contractors must deliver to the agency, program and contracting officials shall consult with agency records and information managers and historians and, when appropriate, with other Government agencies to ensure that all agency and Government needs are met, especially when the data deliverables support a new agency mission or a new Government program.

(c) Deferred ordering and delivery-of-data clauses and rights-in-data clauses shall be included in contracts whenever necessary to ensure adequate and proper documentation or because the data have reuse value to the Government.

(d) When data deliverables include electronic records, the agency shall require the contractor to deliver sufficient technical documentation to permit the agency or other Government agencies to use the data.

(e) All data created for Government use and delivered to, or falling under the legal control of, the Government are Federal records and shall be managed in accordance with records management legislation as codified at 44 U.S.C. chapters 21, 29, 31, and 33, the Freedom of Information Act (5 U.S.C. 552), and the Privacy Act (5 U.S.C. 552a), and shall be scheduled for disposition in accordance with 36 CFR part 1228.

36 CFR Part 1228, Subpart K - Facility Standards for Records Storage Facilities.

NARA requires that the requirements of Subpart K be incorporated into the contract requirements when records storage facilities are included in the contract. This covers direct contracts with commercial storage vendors such as Iron Mountain; it also covers contractors who store ED records as part of a larger service contract. <http://www.archives.gov/about/regulations/part-1228/k.html>

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Additional Servicer FULL Requirements

Full_Req_v6.0

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Additional Servicer – FULL Requirements

Required by 8/31/10 unless otherwise noted

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General Statement

It is the intent of the Department to procure a performance based contract(s) that promotes competition and provides best of business services. To achieve this goal, the Department expects each servicer to provide commercially available services that will yield high performing portfolios and high levels of customer satisfaction. The following statements apply:

- Servicers will be required to meet all statutory and legislative requirements.
- Servicers will use their own discretion in deciding to provide services or business functionality that is recommended but not required.
- Servicers may leverage all borrower repayment channels while maintaining existing branding provided all federally held loans are clearly distinguished and identified.
- Small differences due to rounding in various calculations are understood and accepted providing the calculation itself is in compliance with federal regulation.
- The department will allocate volume based on defined and understood performance metrics.
- The Department does not intend to provide additional service level requirements. The Department does, however, expect best of business practices to be deployed.
- The Department will not require the use of the Department or FSA logo on letters, web sites, etc.
- Servicers will have full discretion to promote or not promote services as long as they meet legislative and regulatory requirements and are cost neutral to the government.
- Servicers will have discretion to provide services to schools.
- Services may use their own authentication process as long as the process is fully compliant with federal IT security guidelines.
- With regard to split borrowers, it is acceptable for servicers to handle requests, phone calls, etc. for all loans being serviced, regardless of the holder as long as all federal laws and regulations are met.

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Direct Loans

1. The servicer shall meet all legislative and regulatory requirements for the Direct Loan program (DL). In some cases Direct Loans will need to be serviced differently than FFEL loans, a few examples of these differences are listed below (not an all inclusive list):
 - a. The interest rate for a Federal Direct PLUS loan is fixed at 7.9% for loans first disbursed after July 1, 2006.
 - b. Public service loan forgiveness is only offered in the DL.
 - c. There are two repayment plans unique to the DL: Income Contingent Repayment (ICR) and the Alternative Repayment.
 - d. DL provides a 0.25% interest rate reduction for borrowers making payments through electronic debit accounts.
 - e. As of July 1, 2009 the up front interest rebate for direct subsidized and unsubsidized loans will be 1.00%.
 - f. There is an origination fee but no Federal default fee in the DL. As of July 1, 2009, the origination fee will be 1.5% for direct subsidized and direct unsubsidized loans.
 - g. There is authority in the DL for unlimited discretionary forbearances. DL servicers must be able to offer borrowers additional administrative forbearance after the 3-year limit and upon receipt of additional documentation from the borrowers.
2. The servicer shall meet all previously identified requirements for Federally Held Debt (i.e. Accounting, Treasury, Reconciliation, Internal Controls, etc.) for the Direct Loan portfolio.
3. The servicer shall interface with Common Origination and Disbursement System (COD) & Electronic Master Promissory Note (eMPN) for newly originated loans.
4. The servicer shall interface with the Direct Loan Consolidation System (DLCS) for Direct Consolidation Loans.
5. The servicers shall accept loan and disbursement level adjustments from the originating system(s) and/or directly from schools as necessary. The majority of Direct Loan adjustments & cancellations are passed from the school to COD, and then from COD to the servicing system via the servicing system/COD interface. Direct Consolidation Loan adjustments & cancellations are received by the servicing system from the Direct Loan Consolidation System (DLCS) via the servicing system/DLCS interface.
6. The servicer shall interface with Internal Revenue Service (IRS) as needed to support income contingent or income based programs.
7. The servicer shall support servicing of all Direct Loans, including Direct Consolidation Loans.

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Ongoing Allocation Methodology

The allocation of ongoing volume will be determined based on the performance of each servicer in relation to the other servicers awarded. While the total number of awarded servicers has not yet been determined, this methodology works with any number of servicers (as shown in examples).

Quarterly scores will be compiled for each servicer based on various performance factors; five high-level metrics, and some sub-metric categories, have been defined (see below). An average of the quarterly scores available on July 1 of each year will be used to determine the ranking of each servicer in each of the five high-level metric categories. By combining each servicer's ranking in all categories, each servicer will be given a percentage of the total new volume of Federally Held Debt to be distributed for the upcoming year.

Servicers will be informed of their allocation percentage of new volume by July 15 of each year. This allocation will become effective on August 15 of each year. The first ongoing allocation will be provided by August 15, 2010.

The allocation of ongoing volume will be determined based on the following factors:

1. Percentage of "In Repayment" Portfolio Dollars that go into default (as transferred to DMCS – 360+ days) – Measured as a percentage of the servicer's current Federally held portfolio
 - a. Percentage at Public Schools
 - b. Percentage at Private Schools
 - c. Percentage at Proprietary Schools
2. Percentage of unique "In Repayment" Portfolio borrowers that go into default (as transferred to DMCS – 360+ days) – Measured as a percentage of the servicer's current Federally held portfolio
 - a. Percentage at Public Schools
 - b. Percentage at Private Schools
 - c. Percentage at Proprietary Schools
3. Borrower Surveys
 - a. In School Borrowers
 - b. In Grace Borrowers
 - c. In Repayment Borrowers
4. School Surveys
 - a. Public Schools
 - b. Private Schools
 - c. Proprietary Schools
5. Survey of FSA personnel

Allocation Metric # 1 – to be measured Quarterly (calendar quarters beginning with October 1, 2009). Calculation = (Total Principal Balance Outstanding (or "PBO") + Interest of all loans sent to DMCS during the quarter or > 360 days delinquent at the end of the quarter) DIVIDED BY (Total PBO + Interest of all of the servicer's Federally held debt portfolio in repayment status). Resulting value is a percentage rounded to the nearest hundredth for each category of schools (Public, Private, Proprietary). All available quarterly scores in each category (1a, 1b, 1c) will be averaged together on July 1 of each year to calculate the Final Score for this allocation metric.

Allocation Metric # 2 – to be measured Quarterly (calendar quarters beginning with October 1, 2009). Calculation = (Total number of borrowers sent to DMCS during the quarter or > 360 days delinquent at

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the end of the quarter) DIVIDED BY (Total number of borrowers within the servicer's Federally held debt portfolio in repayment status). Resulting value is a percentage rounded to the nearest hundredth for each category of schools (Public, Private, Proprietary). All available quarterly scores in each category (2a, 2b, 2c) will be averaged together on July 1 of each year to calculate the Final Score for this allocation metric.

Allocation Metric # 3 – Surveys will be conducted quarterly of borrowers in each category (In School, In Grace, and In Repayment). The survey will measure borrower satisfaction with the servicer and results will be based on a scale of 0 – 100%, with 100% representing a perfect score. FSA, or an agent of FSA will conduct surveys. All available quarterly scores in each category (3a, 3b, 3c) will be averaged together on July 1 of each year to calculate the Final Score for this allocation metric.

Allocation Metric # 4 – Surveys will be conducted quarterly of schools in each category (Public, Private, and Proprietary). The survey will measure school satisfaction with the servicer and results will be based on a scale of 0 – 100%, with 100% representing a perfect score. FSA, or an agent of FSA will conduct surveys. All available quarterly scores in each category (4a, 4b, 4c) will be averaged together on July 1 of each year to calculate the Final Score for this allocation metric.

Allocation Metric # 5 – Surveys will be conducted quarterly of FSA personnel. The survey will measure FSA satisfaction with the servicer and results will be based on a scale of 0 – 100%, with 100% representing a perfect score. FSA, or an agent of FSA will conduct surveys. All available quarterly scores will be averaged together on July 1 of each year to calculate the Final Score for this allocation metric.

Allocation Metric Score Comparison Among Servicers

The above calculation will result in a set of 5 scores for each servicer, one score in each metric category (1-Defaulted borrower dollars, 2-Defaulted borrower count, 3-Borrower Survey, 4-School Survey, 5-FSA Survey).

FSA will compare all servicers' scores in each allocation metric category and provide a ranking for each servicer in that category, with the best score in each category receiving the highest possible value and the worst score receiving the lowest possible value (highest / lowest values will be determined by the number of servicers selected --- Highest score possible will be the total number of servicers selected, lowest score will be 1).

Once a ranking value has been assigned to each servicer in each allocation category, all scores for a servicer will be added together to provide the "Total Score" for that servicer for the year. Each servicer will have one Total Score for each year.

Allocation of New Volume of Federally Held Debt

Each servicer will be assigned an allocation of new volume by dividing that servicer's total score by the combined total scores of all servicers. The resulting percentage will determine each servicer's percentage of new volume of Federally Held Debt.

The servicer's percentage of new volume will determine the percentage of new borrowers that will be sent to the servicer for servicing (loans for existing borrowers may, to the maximum extent practicable, be sent to the servicer already holding that borrower's other loans).

NOTE: If a servicer is out of compliance (for example, but not limited to, financial management or reporting, security, OMB Circular A-123, Legislative Mandates, Program Compliance, etc.), that

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servicer's new volume may be re-allocated to one or more other servicers until compliance has been achieved. In addition, that servicer's current account volume may be transferred to another servicer, at the non-compliant servicer's expense.

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SAMPLE - ONGOING ALLOCATION METRIC CALCULATION**Scenario 1 - 6 Servicers selected****FINAL SCORE BY ALLOCATION METRIC**

		Servicers					
METRIC		1	2	3	4	5	6
1	Defaulted borrower count	1.10%	2.20%	3.30%	4.40%	5.50%	6.60%
2	Defaulted borrower amount	1.10%	2.20%	3.30%	4.40%	5.50%	6.60%
3	Borrower Survey	97.00%	95.00%	93.00%	91.00%	90.00%	89.00%
4	School Survey	97.00%	95.00%	93.00%	91.00%	90.00%	89.00%
5	FSA Survey	97.00%	95.00%	93.00%	91.00%	90.00%	89.00%

SERVICER RANKING BY ALLOCATION METRIC

		Servicers					
METRIC		1	2	3	4	5	6
1	Defaulted borrower count	6.0	5.0	4.0	3.0	2.0	1.0
2	Defaulted borrower amount	6.0	5.0	4.0	3.0	2.0	1.0
3	Borrower Survey	6.0	5.0	4.0	3.0	2.0	1.0
4	School Survey	6.0	5.0	4.0	3.0	2.0	1.0
5	FSA Survey	6.0	5.0	4.0	3.0	2.0	1.0

TOTAL SCORE BY SERVICER

		Servicers					
		1	2	3	4	5	6
TOTAL SCORE		30.0	25.0	20.0	15.0	10.0	5.0

ALLOCATION EACH SERIVER WILL RECEIVE

	Total Score	% of new volume Servicer will receive (Total Score / Combined Totals)	New borrowers (based on 6M total new borr)
Servicer 1	30.0	28.57%	1,714,286
Servicer 2	25.0	23.81%	1,428,571
Servicer 3	20.0	19.05%	1,142,857
Servicer 4	15.0	14.29%	857,143
Servicer 5	10.0	9.52%	571,429
Servicer 6	5.0	4.76%	285,714
Combined Total	105	100.00%	6,000,000

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SAMPLE - ONGOING ALLOCATION METRIC CALCULATION**Scenario 2 - 5 Servicers selected****FINAL SCORE BY ALLOCATION METRIC**

		Servicers				
METRIC		1	2	3	4	5
1	Defaulted borrower count	1.10%	2.20%	3.30%	4.40%	5.50%
2	Defaulted borrower amount	1.10%	2.20%	3.30%	4.40%	5.50%
3	Borrower Survey	97.00%	95.00%	93.00%	91.00%	90.00%
4	School Survey	97.00%	95.00%	93.00%	91.00%	90.00%
5	FSA Survey	97.00%	95.00%	93.00%	91.00%	90.00%

SERVICER RANKING BY ALLOCATION METRIC

		Servicers				
METRIC		1	2	3	4	5
1	Defaulted borrower count	5.0	4.0	3.0	2.0	1.0
2	Defaulted borrower amount	5.0	4.0	3.0	2.0	1.0
3	Borrower Survey	5.0	4.0	3.0	2.0	1.0
4	School Survey	5.0	4.0	3.0	2.0	1.0
5	FSA Survey	5.0	4.0	3.0	2.0	1.0

TOTAL SCORE BY SERVICER

		Servicers				
		1	2	3	4	5
TOTAL SCORE		25.0	20.0	15.0	10.0	5.0

ALLOCATION EACH SERIVER WILL RECEIVE

	Total Score	% of new volume Servicer will receive (Total Score / Combined Totals)	New borrowers (based on 6M total new borr)
Servicer 1	25.0	33.33%	2,000,000
Servicer 2	20.0	26.67%	1,600,000
Servicer 3	15.0	20.00%	1,200,000
Servicer 4	10.0	13.33%	800,000
Servicer 5	5.0	6.67%	400,000
Combined Totals	75	100.00%	6,000,000

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SAMPLE - ONGOING ALLOCATION METRIC CALCULATION**Scenario 3 - 4 Servicers selected****FINAL SCORE BY ALLOCATION METRIC**

		Servicers			
METRIC		1	2	3	4
1	Defaulted borrower count	1.10%	2.20%	3.30%	4.40%
2	Defaulted borrower amount	1.10%	2.20%	3.30%	4.40%
3	Borrower Survey	97.00%	95.00%	93.00%	91.00%
4	School Survey	97.00%	95.00%	93.00%	91.00%
5	FSA Survey	97.00%	95.00%	93.00%	91.00%

SERVICER RANKING BY ALLOCATION METRIC

		Servicers			
METRIC		1	2	3	4
1	Defaulted borrower count	4.0	3.0	2.0	1.0
2	Defaulted borrower amount	4.0	3.0	2.0	1.0
3	Borrower Survey	4.0	3.0	2.0	1.0
4	School Survey	4.0	3.0	2.0	1.0
5	FSA Survey	4.0	3.0	2.0	1.0

TOTAL SCORE BY SERVICER

		Servicers			
		1	2	3	4
TOTAL SCORE		20.0	15.0	10.0	5.0

ALLOCATION EACH SERIVER WILL RECEIVE

	Total Score	% of new volume Servicer will receive (Total Score / Combined Totals)	New borrowers (based on 6M total new borr)
Servicer 1	20.0	40.00%	2,400,000
Servicer 2	15.0	30.00%	1,800,000
Servicer 3	10.0	20.00%	1,200,000
Servicer 4	5.0	10.00%	600,000
Combined Totals	50	100.00%	6,000,000

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SAMPLE - ONGOING ALLOCATION METRIC CALCULATION**Scenario 4 - 3 Servicers selected****FINAL SCORE BY ALLOCATION METRIC**

METRIC		Servicers		
		1	2	3
1	Defaulted borrower count	1.10%	2.20%	3.30%
2	Defaulted borrower amount	1.10%	2.20%	3.30%
3	Borrower Survey	97.00%	95.00%	93.00%
4	School Survey	97.00%	95.00%	93.00%
5	FSA Survey	97.00%	95.00%	93.00%

SERVICER RANKING BY ALLOCATION METRIC

METRIC		Servicers		
		1	2	3
1	Defaulted borrower count	3.0	2.0	1.0
2	Defaulted borrower amount	3.0	2.0	1.0
3	Borrower Survey	3.0	2.0	1.0
4	School Survey	3.0	2.0	1.0
5	FSA Survey	3.0	2.0	1.0

TOTAL SCORE BY SERVICER

		Servicers		
		1	2	3
TOTAL SCORE		15.0	10.0	5.0

ALLOCATION EACH SERIVER WILL RECEIVE

	Total Score	% of new volume Servicer will receive (Total Score / Combined Totals)	New borrowers (based on 6M total new borr)
Servicer 1	15.0	50.00%	3,000,000
Servicer 2	10.0	33.33%	2,000,000
Servicer 3	5.0	16.67%	1,000,000
Combined Totals	30	100.00%	6,000,000

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SAMPLE - ONGOING ALLOCATION METRIC CALCULATION

Scenario 5 - 2 Servicers selected

FINAL SCORE BY ALLOCATION METRIC

METRIC		Servicers	
		1	2
1	Defaulted borrower count	1.10%	2.20%
2	Defaulted borrower amount	1.10%	2.20%
3	Borrower Survey	97.00%	95.00%
4	School Survey	97.00%	95.00%
5	FSA Survey	97.00%	95.00%

SERVICER RANKING BY ALLOCATION METRIC

METRIC		Servicers	
		1	2
1	Defaulted borrower count	2.0	1.0
2	Defaulted borrower amount	2.0	1.0
3	Borrower Survey	2.0	1.0
4	School Survey	2.0	1.0
5	FSA Survey	2.0	1.0

TOTAL SCORE BY SERVICER

		Servicers	
		1	2
TOTAL SCORE		10.0	5.0

ALLOCATION EACH SERIVER WILL RECEIVE

	Total Score	% of new volume Servicer will receive (Total Score / Combined Totals)	New borrowers (based on 6M total new borr)
Servicer 1	10.0	66.67%	4,000,000
Servicer 2	5.0	33.33%	2,000,000
Combined Totals	15	100.00%	6,000,000

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SAMPLE - ONGOING ALLOCATION METRIC CALCULATION

Scenario 6 - 6 Servicers selected

FINAL SCORE BY ALLOCATION METRIC

METRIC		Servicers					
		1	2	3	4	5	6
1	Defaulted borrower count	1.10%	2.20%	3.30%	4.40%	5.50%	6.60%
2	Defaulted borrower amount	6.60%	5.50%	3.30%	4.40%	2.20%	1.10%
3	Borrower Survey	97.00%	95.00%	93.00%	91.00%	90.00%	89.00%
4	School Survey	89.00%	90.00%	93.00%	91.00%	95.00%	97.00%
5	FSA Survey	97.00%	95.00%	93.00%	91.00%	90.00%	89.00%

SERVICER RANKING BY ALLOCATION METRIC

METRIC		Servicers					
		1	2	3	4	5	6
1	Defaulted borrower count	6.0	5.0	4.0	3.0	2.0	1.0
2	Defaulted borrower amount	1.0	2.0	4.0	3.0	5.0	6.0
3	Borrower Survey	6.0	5.0	4.0	3.0	2.0	1.0
4	School Survey	1.0	2.0	4.0	3.0	5.0	6.0
5	FSA Survey	6.0	5.0	4.0	3.0	2.0	1.0

TOTAL SCORE BY SERVICER

		Servicers					
		1	2	3	4	5	6
TOTAL SCORE		20.0	19.0	20.0	15.0	16.0	15.0

ALLOCATION EACH SERIVER WILL RECEIVE

	Total Score	% of new volume Servicer will receive (Total Score / Combined Totals)	New borrowers (based on 6M total new borr)
Servicer 1	20.0	19.05%	1,142,857
Servicer 2	19.0	18.10%	1,085,714
Servicer 3	20.0	19.05%	1,142,857
Servicer 4	15.0	14.29%	857,143
Servicer 5	16.0	15.24%	914,286
Servicer 6	15.0	14.29%	857,143
Combined Total	105	100.00%	6,000,000

Attachment A-5

SAMPLE - ONGOING ALLOCATION METRIC CALCULATION

Scenario 7 - 5 Servicers selected

FINAL SCORE BY ALLOCATION METRIC

METRIC		Servicers				
		1	2	3	4	5
1	Defaulted borrower count	1.10%	2.20%	3.30%	4.40%	5.50%
2	Defaulted borrower amount	6.60%	5.50%	3.30%	4.40%	2.20%
3	Borrower Survey	97.00%	95.00%	93.00%	91.00%	90.00%
4	School Survey	89.00%	90.00%	93.00%	91.00%	95.00%
5	FSA Survey	97.00%	95.00%	93.00%	91.00%	90.00%

SERVICER RANKING BY ALLOCATION METRIC

METRIC		Servicers				
		1	2	3	4	5
1	Defaulted borrower count	5.0	4.0	3.0	2.0	1.0
2	Defaulted borrower amount	1.0	2.0	4.0	3.0	5.0
3	Borrower Survey	5.0	4.0	3.0	2.0	1.0
4	School Survey	1.0	2.0	4.0	3.0	5.0
5	FSA Survey	5.0	4.0	3.0	2.0	1.0

TOTAL SCORE BY SERVICER

		Servicers				
		1	2	3	4	5
TOTAL SCORE		17.0	16.0	17.0	12.0	13.0

ALLOCATION EACH SERIVER WILL RECEIVE

	Total Score	% of new volume Servicer will receive (Total Score / Combined Totals)	New borrowers (based on 6M total new borr)
Servicer 1	17.0	22.67%	1,360,000
Servicer 2	16.0	21.33%	1,280,000
Servicer 3	17.0	22.67%	1,360,000
Servicer 4	12.0	16.00%	960,000
Servicer 5	13.0	17.33%	1,040,000
Combined Total	75	100.00%	6,000,000

Attachment A-5

SAMPLE - ONGOING ALLOCATION METRIC CALCULATION

Scenario 8 - 4 Servicers selected

FINAL SCORE BY ALLOCATION METRIC

METRIC		Servicers			
		1	2	3	4
1	Defaulted borrower count	1.10%	2.20%	3.30%	4.40%
2	Defaulted borrower amount	6.60%	5.50%	3.30%	4.40%
3	Borrower Survey	97.00%	95.00%	93.00%	91.00%
4	School Survey	89.00%	90.00%	93.00%	91.00%
5	FSA Survey	97.00%	95.00%	93.00%	91.00%

SERVICER RANKING BY ALLOCATION METRIC

METRIC		Servicers			
		1	2	3	4
1	Defaulted borrower count	4.0	3.0	2.0	1.0
2	Defaulted borrower amount	1.0	2.0	4.0	3.0
3	Borrower Survey	4.0	3.0	2.0	1.0
4	School Survey	1.0	2.0	4.0	3.0
5	FSA Survey	4.0	3.0	2.0	1.0

TOTAL SCORE BY SERVICER

		Servicers			
		1	2	3	4
TOTAL SCORE		14.0	13.0	14.0	9.0

ALLOCATION EACH SERIVER WILL RECEIVE

	Total Score	% of new volume Servicer will receive (Total Score / Combined Totals)	New borrowers (based on 6M total new borr)
Servicer 1	14.0	28.00%	1,680,000
Servicer 2	13.0	26.00%	1,560,000
Servicer 3	14.0	28.00%	1,680,000
Servicer 4	9.0	18.00%	1,080,000
Combined Total	50	100.00%	6,000,000

Attachment A-5

SAMPLE - ONGOING ALLOCATION METRIC CALCULATION

Scenario 9 - 3 Servicers selected

FINAL SCORE BY ALLOCATION METRIC

METRIC		Servicers		
		1	2	3
1	Defaulted borrower count	1.10%	2.20%	3.30%
2	Defaulted borrower amount	6.60%	5.50%	3.30%
3	Borrower Survey	97.00%	95.00%	93.00%
4	School Survey	89.00%	90.00%	93.00%
5	FSA Survey	97.00%	95.00%	93.00%

SERVICER RANKING BY ALLOCATION METRIC

METRIC		Servicers		
		1	2	3
1	Defaulted borrower count	3.0	2.0	1.0
2	Defaulted borrower amount	1.0	2.0	3.0
3	Borrower Survey	3.0	2.0	1.0
4	School Survey	1.0	2.0	3.0
5	FSA Survey	3.0	2.0	1.0

TOTAL SCORE BY SERVICER

		Servicers		
		1	2	3
TOTAL SCORE		11.0	10.0	9.0

ALLOCATION EACH SERIVER WILL RECEIVE

	Total Score	% of new volume Servicer will receive (Total Score / Combined Totals)	New borrowers (based on 6M total new borr)
Servicer 1	11.0	36.67%	2,200,000
Servicer 2	10.0	33.33%	2,000,000
Servicer 3	9.0	30.00%	1,800,000
Combined Total	30	100.00%	6,000,000

Attachment A-5

SAMPLE - ONGOING ALLOCATION METRIC CALCULATION

Scenario 10 - 2 Servicers selected

FINAL SCORE BY ALLOCATION METRIC

METRIC		Servicers	
		1	2
1	Defaulted borrower count	1.10%	2.20%
2	Defaulted borrower amount	6.60%	5.50%
3	Borrower Survey	97.00%	95.00%
4	School Survey	89.00%	90.00%
5	FSA Survey	97.00%	95.00%

SERVICER RANKING BY ALLOCATION METRIC

METRIC		Servicers	
		1	2
1	Defaulted borrower count	2.0	1.0
2	Defaulted borrower amount	1.0	2.0
3	Borrower Survey	2.0	1.0
4	School Survey	1.0	2.0
5	FSA Survey	2.0	1.0

TOTAL SCORE BY SERVICER

		Servicers	
		1	2
TOTAL SCORE		8.0	7.0

ALLOCATION EACH SERIVER WILL RECEIVE

	Total Score	% of new volume Servicer will receive (Total Score / Combined Totals)	New borrowers (based on 6M total new borr)
Servicer 1	8.0	53.33%	3,200,000
Servicer 2	7.0	46.67%	2,800,000
Combined Total	15	100.00%	6,000,000

Deliverable	Definition
Borrowers in In-school Status	Number of unique borrowers (SSNs) with balance not equal to \$0.00 who have not separated from school as of the last day of the billing period
Borrowers in Grace or Current Repayment Status	Number of unique borrowers (SSNs) with balance not equal to \$0.00 who have separated from school and are less than 31 days delinquent and are not in deferment, forbearance, or conditionally discharged as of the last day of the billing period
Borrowers in Deferment or Forbearance	Number of unique borrowers (SSNs) with balance not equal to \$0.00 who have separated from school, are in deferment or forbearance and who are not conditionally discharged as of the last day of the billing period
Borrowers 31-90 Days Delinquent	Number of unique borrowers (SSNs) with balance not equal to \$0.00 who have separated from school, are 31 or more days, but less than 91 days delinquent, and who are not conditionally discharged as of the last day of the billing period
Borrowers 91-150 Days Delinquent	Number of unique borrowers (SSNs) with balance not equal to \$0.00 who have separated from school, are 91 or more days, but less than 151 days delinquent, and who are not conditionally discharged as of the last day of the billing period
Borrowers 151-270 Days Delinquent	Number of unique borrowers (SSNs) with balance not equal to \$0.00 who have separated from school are 151 or more days, but less than 271 days delinquent, and who are not conditionally discharged as of the last day of the billing period
Borrowers 270+ Days Delinquent	Number of unique borrowers (SSNs) with balance not equal to \$0.00 who have separated from school and 271 or more days and who are not conditionally discharged as of the last day of the billing period. This may include borrowers over 360 day that are considered in Default Status, but for some reason have not been transferred through no fault of the Servicer.

NOTES:

1. Common pricing shall apply regardless of program (i.e. Direct Loan, Federal Family Education Loan) or volume serviced, unless otherwise noted in the contract.
2. Reporting is required for the number of borrowers and/or loans and dollar amount of each program, in addition to any other reporting requirements provided in the contract.
3. Borrowers in multiple statuses shall be billed once, in the lowest performing deliverable status. The lowest performing deliverable status is defined as the lowest unit priced deliverable.
4. Borrowers pending discharge, which include, but are not limited to: conditional disability, death, or bankruptcy, shall be, for billing purposes, counted in the deliverable status at the time of the discharge request.
5. "The last day of the billing period" is defined as the last day of the Department of Education's monthly billing period.
6. The annual pricing period shall begin on September 1, 2009.



Direct Consolidation Loan Application and Promissory Note

William D. Ford Federal Direct Loan Program

OMB No. 1845-0053
Form Approved
Exp. Date 04/30/2019

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

BEFORE YOU BEGIN

Read the Instructions for Completing the Direct Consolidation Loan Application and Promissory Note ("Instructions").

NOTE: PAGES 1 THROUGH 5 MUST BE SUBMITTED FOR YOUR LOAN APPLICATION TO BE PROCESSED.

BORROWER INFORMATION

1. Last Name: _____ First Name: _____ Middle Initial: _____

2. Former Name(s): _____

3. Social Security Number: _____ - _____ - _____

4. Date of Birth: _____ - _____ - _____

5. Permanent Address (Street, City, State, Zip Code) (if P.O. box or general delivery, see Instructions):

6. Area Code/Telephone Number: (_____) _____ - _____

7. Email Address (optional): _____

8. Driver's License State and Number: _____

9. Employer's Name and Address (Street, City, State, Zip Code):

10. Work Area Code/Telephone Number: (_____) _____ - _____

REFERENCE INFORMATION

List two persons with different U.S. addresses who do not live with you and who have known you for at least three years.

11. Last Name: _____ First Name: _____ Middle Initial: _____

Permanent Address (Street, City, State, Zip Code):

Email Address (optional): _____

Area Code/Telephone Number: (_____) _____ - _____

Relationship to You: _____

12. Last Name: _____ First Name: _____ Middle Initial: _____

Permanent Address (Street, City, State, Zip Code):

Email Address (optional): _____

Area Code/Telephone Number: (_____) _____ - _____

Relationship to You: _____

Borrower's Name: _____ Social Security Number: _____

LOANS YOU WANT TO CONSOLIDATE

READ THE INSTRUCTIONS BEFORE COMPLETING THIS SECTION. List each federal education loan that you want to consolidate, including any Direct Loan Program loans that you want to include in your Direct Consolidation Loan. If you need more space to list loans, use the Additional Loan Listing Sheet included with this Note. List each loan separately.

We will send you a notice before we consolidate your loans. This notice will **(1)** provide you with information about the loans and payoff amounts that we have verified, and **(2)** tell you the deadline by which you must notify us if you want to cancel the Direct Consolidation Loan, or if you do not want to consolidate one or more of the loans listed in the notice. The notice will include information about loans that you listed in this section. If you have additional loans with a holder of a loan that you listed in this section, the notice may also include information about those additional loans. **SEE THE INSTRUCTIONS FOR MORE INFORMATION ABOUT THE NOTICE WE WILL SEND.**

IN THIS SECTION, LIST ONLY LOANS THAT YOU WANT TO CONSOLIDATE

13. Loan Code (see Instructions)	14. Loan Holder/Service Name, Address, and Area Code/Telephone Number (see Instructions)	15. Loan Account Number	16. Estimated Payoff Amount

17. Grace Period End Date. If any of the loans you want to consolidate are in a grace period, you can have the processing of your Direct Consolidation Loan application delayed until the end of your grace period by entering your expected grace period end date in the space provided.

If you leave this item blank or if you are not consolidating any loans that are in a grace period, we will begin processing your Direct Consolidation Loan application as soon as we receive this Note and any other required documents. Any loans listed in the Loans You Want to Consolidate section that are in a grace period will enter repayment immediately upon consolidation. You will then lose the remaining portion of the grace period on those loans.

Expected Grace Period End Date (month/year): ____ - ____ - ____

Borrower's Name: _____ Social Security Number: _____

LOANS YOU DO NOT WANT TO CONSOLIDATE

READ THE INSTRUCTIONS BEFORE COMPLETING THIS SECTION. List all education loans that you are **not** consolidating, but want us to consider when we calculate the maximum repayment period for your Direct Consolidation Loan (see Item 11 of the Borrower's Rights and Responsibilities Statement that accompanies this Note). Remember to include any Direct Loan Program loans that you do not want to consolidate. If you need more space to list loans, use the Additional Loan Listing Sheet included with this Note. List each loan separately.

We will send you a notice before we consolidate your loans. This notice will (1) provide you with information about the loans and payoff amounts that we have verified, and (2) tell you the deadline by which you must notify us if you want to cancel the Direct Consolidation Loan, or if you do not want to consolidate one or more of the loans listed in the notice. The notice may also include information about any loans you listed in this section, but these loans listed will **not** be consolidated. **SEE THE INSTRUCTIONS FOR MORE INFORMATION ABOUT THE NOTICE WE WILL SEND.**

IN THIS SECTION, LIST ONLY LOANS THAT YOU DO NOT WANT TO CONSOLIDATE

18. Loan Code (see Instructions)	19. Loan Holder/Service Name, Address, and Area Code/Telephone Number (see Instructions)	20. Loan Account Number	21. Current Balance

REPAYMENT PLAN SELECTION

To understand your repayment plan options, carefully read the repayment plan information in Item 11 of the Borrower's Rights and Responsibilities Statement that accompanies this Note and in any supplemental materials you receive with this Note. Then select a repayment plan for your Direct Consolidation Loan:

- To select the Standard Repayment Plan, the Graduated Repayment Plan, or the Extended Repayment Plan, complete the Repayment Plan Selection form that accompanies this Note.
- To select the Revised Pay As You Earn Repayment Plan (REPAYE Plan), the Pay As You Earn Repayment Plan (PAYE Plan), the Income-Based Repayment Plan (IBR Plan), or the Income-Contingent Repayment Plan (ICR Plan), complete the Income-Driven Repayment Plan Request form that accompanies this Note or visit StudentLoans.gov to complete the Income-Driven Repayment Plan Request online.

NOTE: You must select the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan for repayment of your Direct Consolidation Loan if:

- You want to consolidate a defaulted loan and you have not made a satisfactory repayment arrangement with your current loan holder(s); or
- You are consolidating a delinquent Federal Consolidation Loan that the lender has submitted to the guaranty agency for default aversion, or you are consolidating a defaulted Federal Consolidation Loan, and you are not consolidating any additional eligible loans.

BORROWER UNDERSTANDINGS, CERTIFICATIONS, AND AUTHORIZATIONS

22. I understand that:

A. Applying for a Direct Consolidation Loan does not obligate me to agree to take the loan. The U.S. Department of Education (ED) will provide me with:

- The deadline by which I must notify ED if I want to cancel the Direct Consolidation Loan, or if I do not want to consolidate any of the loans that ED has verified; and
- A notice containing information about the loans and payoff amounts that ED has verified with the holders of my loans or through ED's National Student Loan Data System (NSLDS) before the actual payoffs occur.

The notice that ED sends will include information about the loans I listed in the **Loans You Want to Consolidate** section of this Note. If I have additional loans that are with a holder of a loan listed in the **Loans You Want to Consolidate** section, but I did not list those loans in that section, the notice may also include information about those additional loans. **I must inform ED by the deadline specified in the notice if I do not want all of the loans listed in the notice to be consolidated.**

The notice that ED sends may also include information about loans I listed in the **Loans You Do Not Want to Consolidate** section of this Note, but these loans will **not** be consolidated.

Borrower's Name: _____ Social Security Number: _____

BORROWER UNDERSTANDINGS, CERTIFICATIONS, AND AUTHORIZATIONS (CONTINUED)

B. I understand that if ED accepts this application for a Direct Consolidation Loan, ED will send funds to the holders of the loans that I want to consolidate to pay off those loans. The amount of my Direct Consolidation Loan will be the sum of the balances of my outstanding eligible loans that I have chosen to consolidate. The payoff amount may be greater than or less than the estimated total balance I have indicated in the Loans You Want to Consolidate section.

The outstanding balance on each loan to be consolidated includes unpaid principal, unpaid accrued interest and late charges as defined by federal regulations and as certified by the loan holder. Collection costs may also be included. For a Direct Loan Program or Federal Family Education Loan (FFEL) Program loan that is in default, the amount of any collection costs that may be included in the payoff balances of the loans is limited to a maximum of 18.5% of the outstanding principal and interest. For any other defaulted federal education loans, all collection costs that are owed may be included in the payoff balances of the loans.

C. If the amount ED sends to my loan holders is more than the amount needed to pay off the balances of the selected loans, the holders will refund the excess amount to ED and this amount will be applied against the outstanding balance of my Direct Consolidation Loan. If the amount that ED sends to my holders is less than the amount needed to pay off the balances of the loans selected for consolidation, ED will include the remaining amount in my Direct Consolidation Loan.

D. If I am consolidating loans made under the FFEL, Direct Loan, or Federal Perkins Loan (Perkins Loan) programs, the outstanding balance of my Direct Consolidation Loan counts against the applicable aggregate loan limits for each type of loan. Under the Act, as defined under "Governing Law" in the Note Terms and Conditions section of this Note, the percentage of the original amount of my Direct Consolidation Loan that is attributable to each loan type is counted against the loan limit for that type of loan.

E. I agree to repay my Direct Consolidation Loan under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan if:

- I am consolidating a defaulted loan and I have not made a satisfactory repayment arrangement with the current holder of the defaulted loan, or
- I am consolidating a delinquent Federal Consolidation Loan (a Federal Consolidation Loan is a consolidation loan made under the FFEL Program) that the lender has submitted to the guaranty agency for default aversion or a defaulted Federal Consolidation loan, and I am not including another eligible loan in the consolidation.

F. I may not consolidate an existing Direct Consolidation Loan unless I include at least one additional eligible loan in the consolidation.

G. I may consolidate an existing Federal Consolidation Loan without including an additional eligible loan in the consolidation if I am:

- Consolidating a delinquent Federal Consolidation Loan that the lender has submitted to the guaranty agency for default aversion, or consolidating a defaulted Federal Consolidation Loan, and I agree to repay my new Direct Consolidation Loan under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan;
- Consolidating a Federal Consolidation Loan to use the Public Service Loan Forgiveness Program; or
- Consolidating a Federal Consolidation Loan to use the no accrual of interest benefit for active duty service members.

H. If I consolidate my loans, I may no longer be eligible for certain deferments, subsidized deferment periods, certain types of loan discharges or loan forgiveness, borrower defenses to repayment based on acts or omissions of the school I attended, reduced interest rates, or repayment incentive programs that were available on the loans I am consolidating.

I. If I am consolidating a Perkins Loan:

- I will no longer be eligible for interest-free periods while I am enrolled in school at least half time, in the grace period on my loan, and during deferment periods; and
- I will no longer be eligible for full or partial loan cancellation under the Perkins Loan Program based on years of service in one of the following occupations: teacher in a low-income elementary or secondary school; staff member in an eligible preschool program; special education teacher; member of the Armed Forces who qualifies for special pay; Peace Corps volunteer or volunteer under the Domestic Volunteer Service Act of 1973; law enforcement or corrections officer; attorney in an eligible defender organization; teacher of mathematics, science, foreign languages, bilingual education or any other high-need field; nurse or medical technician providing health care services; employee of a public or private nonprofit child or family service agency that services high-risk children from low-income families and their families; fire fighter; faculty member at a Tribal College or University; librarian; or speech language pathologist.

J. Any payments I made on the loans I am consolidating before the date of consolidation will not count toward:

- The number of years of qualifying repayment required for loan forgiveness under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan (see Item 11 of the Borrower's Rights and Responsibilities Statement), or
- The 120 qualifying payments required for Public Service Loan Forgiveness (see Item 18 of the Borrower's Rights and Responsibilities Statement).

K. If I am consolidating a Direct PLUS Loan or a Federal PLUS Loan that I obtained to help pay for my child's undergraduate education, I am not eligible to repay my Direct Consolidation Loan under the REPAYE Plan, the PAYE Plan, or the IBR Plan. However, I may repay my Direct Consolidation Loan under the ICR Plan.

L. If I am consolidating a Direct Loan Program loan first disbursed before July 1, 2012 on which I received an up-front interest rebate, and I have not yet made the first 12 required on-time payments on that loan at the time the loan is consolidated, I will lose the rebate. This means that the rebate amount will be added back to the principal balance of the loan before it is consolidated.

M. ED will give me the opportunity to pay the interest that accrues on the unsubsidized portion of my Direct Consolidation Loan during deferment periods (including in-school deferment periods) and on the entire portion of my Direct Consolidation Loan during forbearance periods. If I do not pay the interest that accrues during these periods, ED may add the unpaid interest that accrues to the principal balance of my loan (this is called "capitalization") at the end of the deferment or forbearance period. Capitalization will increase the principal balance on my loan and the total amount of interest I must pay.

Borrower's Name: _____ Social Security Number: _____

**BORROWER UNDERSTANDINGS, CERTIFICATIONS, AND AUTHORIZATIONS
(CONTINUED)**

N. If I consolidate my loans **after** I have begun active duty military service, my new Direct Consolidation Loan will **not** qualify for the 6% interest rate limit under the Servicemembers Civil Relief Act as described in Item 7 of the Borrower's Rights and Responsibilities Statement during that period of military service.

O. ED has the authority to verify information reported on this Note with other federal agencies.

23. Under penalty of perjury, I certify that:

A. The information I have provided on this Note is true, complete, and correct to the best of my knowledge and belief and is made in good faith.

B. All of the loans I have selected for consolidation have been used to finance my education or the education of one or more of my children.

C. All of the loans I have selected for consolidation are in a grace period or in repayment ("in repayment" includes loans in deferment or forbearance).

D. If I owe an overpayment on a Federal Perkins Loan, Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Academic Competitiveness Grant (ACG), National Science and Mathematics Access to Retain Talent (SMART) Grant, or Leveraging Educational Assistance Partnership Grant, I have made satisfactory arrangements to repay the amount owed.

E. If I am in default on any loan I am consolidating, I have either made a satisfactory repayment arrangement with the holder of that defaulted loan, or I will repay my Direct Consolidation Loan under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan, except that I **MUST** repay my Direct Consolidation Loan under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan under the conditions described above in Item 22.E.

F. If I have been convicted of, or if I have pled *nolo contendere* (no contest) or guilty to, a crime involving fraud in obtaining funds under a program authorized under Title IV of the Higher Education Act of 1965, as amended (HEA), I have fully repaid the funds to ED or to the loan holder in the case of a Title IV federal student loan. The Title IV, HEA programs include the Federal Pell Grant, FSEOG, ACG, SMART Grant, Leveraging Educational Assistance Partnership Grant, Teacher Education Assistance for College and Higher Education (TEACH) Grant, Federal Work-Study (FWS), Federal Perkins Loan, Direct Loan, and FFEL programs.

24. I make the following authorizations:

A. I authorize ED to contact the holders of the loans I have selected for consolidation to determine the eligibility for consolidation and the payoff amounts of:

- The loans listed in the Loans You Want to Consolidate section of this Note, and
- Any of my other federal education loans that are held by a holder of a loan listed in the Loans You Want to Consolidate section.

I further authorize the release of any information required to consolidate my education loans, in accordance with the Act, to ED or its agents and contractors.

B. I authorize ED to issue the proceeds of my Direct Consolidation Loan to the holders of the selected loans to pay off those loans.

C. I authorize ED and its agents and contractors to investigate my credit record and report information about my loan status to persons and organizations permitted by law to receive that information.

D. I authorize my schools, ED, and their agents and contractors to release information about my Direct Consolidation Loan to the references I provide and to my immediate family members, unless I submit written directions otherwise.

E. I authorize my schools, ED, and their agents and contractors to share information about my loan with each other.

F. I authorize my schools, ED, and their agents and contractors to contact me regarding my loan request or my loan, including repayment of my loan, at any cellular telephone number I provide now or in the future using automated dialing equipment or artificial or prerecorded voice or text messages.

PROMISE TO PAY

25. I promise to pay ED all sums disbursed under the terms of this Note to pay off my prior loan obligations, plus interest and other charges and fees that may become due as provided in this Note.

26. If I do not make a payment on my Direct Consolidation Loan when it is due, I will also pay reasonable collection costs, including but not limited to attorney fees, court costs, and other fees.

27. My signature on this Note serves as my authorization to pay off the balances of the loans I have selected for consolidation as provided by the holders of the loans.

28. I will not sign this Note before reading the entire Note, even if I am told not to read it, or told that I am not required to read it. I am entitled to an exact copy of this Note and the Borrower's Rights and Responsibilities Statement.

29. My signature certifies that I have read, understand, and agree to the terms and conditions of this Note, including the Borrower Understandings, Certifications, and Authorizations section, and the Borrower's Rights and Responsibilities Statement.

I UNDERSTAND THAT THIS IS A LOAN THAT I MUST REPAY.

30. Borrower's Signature:

Today's Date (mm-dd-yyyy) _____ - _____ - _____

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NOTE TERMS AND CONDITIONS**GOVERNING LAW**

The terms of this Direct Consolidation Loan Application and Promissory Note (Note) will be interpreted in accordance with the HEA (20 U.S.C. 1070 et seq.), ED's regulations, any amendments to the HEA and the regulations in accordance with the effective date of those amendments, and other applicable federal laws and regulations. Throughout this Note, we refer to these laws and regulations collectively as the "Act".

Under applicable state law, except as preempted by federal law, you may have certain borrower rights, remedies, and defenses in addition to those stated in this Note and in the Borrower's Rights and Responsibilities Statement.

DISCLOSURE OF LOAN TERMS

This Note applies to a Federal Direct Consolidation Loan (Direct Consolidation Loan). Under this Note, the principal amount that you owe and are required to repay will be equal to all sums disbursed to pay off your prior loans, plus any unpaid interest that is capitalized and added to the principal balance.

Although you will have a single Direct Consolidation Loan, your loan may have up to two separate loan identification numbers depending on the loans you consolidate. These loan identification numbers will represent prior subsidized loans and prior unsubsidized loans. Each applicable loan identification number is represented by this Note.

When the loans you are consolidating are paid off, a disclosure statement will be provided to you. The disclosure will identify the amount of your Direct Consolidation Loan, the loan identification number(s), and additional terms of the loan, such as the interest rate and repayment schedule. If you have questions about the information disclosed, you may contact your servicer.

The Borrower's Rights and Responsibilities Statement accompanying this Note also contains important additional information. The Borrower's Rights and Responsibilities Statement and any disclosure you receive in connection with the loan made under this Note are hereby incorporated into this Note.

We may use a servicer to handle billing and other communications related to your loan.

INTEREST

Unless we notify you in writing that a different rate will apply, the interest rate on your Direct Consolidation Loan is a fixed rate that is calculated in accordance with a formula specified in the Act. The interest rate for a Direct Consolidation Loan is based on the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher one-eighth of one percent. There is no cap on the interest rate that is determined under this formula. This is a fixed interest rate, which means that the rate will remain the same throughout the life of the loan.

If you are in the military and the interest rate on your loan is greater than 6%, you may qualify to have the rate limited to 6% during your period of service. In addition, under the no accrual of interest benefit for active duty service members, you are not required to pay the interest that accrues on any type of Direct Loan Program loan first disbursed on or after October 1, 2008 during periods of qualifying active duty military service (for up to 60 months).

Except as provided under the Act, you must pay the interest that accrues on your Direct Consolidation Loan during all periods, from the date of disbursement until the loan is paid in full or discharged. You are not required to pay the interest that accrues during deferment periods on the portion of your Direct Consolidation Loan that repaid subsidized loans, except as explained under the heading "Responsibility for Paying All Interest

on All or Part of the Subsidized Portion of a Direct Consolidation Loan (for First-Time Borrowers on or after July 1, 2013)."

You will be given the opportunity to pay the interest that accrues during deferment, forbearance, or other periods as provided under the Act. If you do not pay this interest, we may capitalize the interest (add it to the principal balance of your loan) at the end of the deferment, forbearance, or other period.

RESPONSIBILITY FOR PAYING ALL INTEREST ON ALL OR PART OF THE SUBSIDIZED PORTION OF A DIRECT CONSOLIDATION LOAN (FOR FIRST-TIME BORROWERS ON OR AFTER JULY 1, 2013)

If you were a **first-time borrower on or after July 1, 2013** when you received a Direct Subsidized Loan and you are now consolidating that loan, you may be responsible for paying the interest that accrues during all periods on the portion of your Direct Consolidation Loan that repaid the Direct Subsidized Loan. See Item 9 of the Borrower's Rights and Responsibilities Statement that accompanies this Note for more information.

LATE CHARGES AND COLLECTION COSTS

We may collect from you:

- A late charge of not more than six cents for each dollar of each late payment if you do not make any part of a required installment payment within 30 days after it becomes due, and
- Any other charges and fees that are permitted by the Act related to the collection of your Direct Consolidation Loan.

If you default on your loan, you must pay reasonable collection costs, plus court costs and attorney fees.

REPAYMENT

You must repay the full amount of the Direct Consolidation Loan made under this Note, plus accrued interest. You will repay your loan in monthly installments during a repayment period that begins on the date of the first disbursement of the loan, unless the loan is in a deferment or forbearance period. Generally, payments that you make or that someone else makes on your behalf will be applied first to late charges and collection costs that are due, then to interest that has not been paid, and finally to the principal amount of the loan. However, any payments made under the REPAYE Plan, the PAYE Plan, or the IBR Plan will be applied first to interest that is due, then to fees that are due, and then to the principal amount.

You have a choice of repayment plans. The Borrower's Rights and Responsibilities Statement includes information on these repayment plans. You must select a repayment plan. If you do not select a repayment plan, we will choose a plan for you in accordance with the Act.

Once you choose a repayment plan, we will provide you with a repayment schedule that identifies your payment amounts and due dates. Your first payment will be due within 60 days of the first disbursement of your Direct Consolidation Loan unless the loan is in a deferment or forbearance period. If you intend to repay your loan but are unable to make your scheduled loan payments, we may grant you a forbearance that allows you to temporarily stop making payments, or to temporarily make a smaller payment amount, which extends the time for making payments.

We may adjust payment dates on your Direct Consolidation Loan or may grant you a forbearance to eliminate a delinquency that remains even though you are making scheduled installment payments.

NOTE TERMS AND CONDITIONS (CONTINUED)

You may prepay all or any part of the unpaid balance on your loan at any time without penalty. We will determine how to apply the prepayment in accordance with the Act.

After you have repaid your Direct Consolidation Loan in full, we will send you a notice telling you that you have paid off your loan.

ACCELERATION AND DEFAULT

At our option, the entire unpaid balance of your Direct Consolidation Loan will become immediately due and payable (this is called "acceleration") if either of the following events occurs:

1. You make a false representation that results in your receiving a loan for which you are not eligible; or
2. You default on the loan.

You will be considered in default on your loan if:

1. The full unpaid balance of the loan becomes immediately due and payable because event 1 above occurs and you do not pay the amount due;
2. You do not make installment payments when due and your failure to make payments has continued for at least 270 days; or
3. You do not comply with other terms of the loan, and we reasonably conclude that you no longer intend to honor your repayment obligation.

If you default, we may capitalize all outstanding interest. This will increase the principal balance of your loan, and the full amount of the loan, including the new principal balance and collection costs, will become immediately due and payable.

If you default, the default will be reported to nationwide consumer reporting agencies (credit bureaus) and will significantly and adversely affect your credit history. A default will have additional adverse consequences as explained in the Borrower's Rights and Responsibilities Statement. Following default, you may be required to repay the loan (potentially including amounts in excess of the principal and interest) under the IBR Plan, the PAYE Plan, the REPAYE Plan, or the ICR Plan in accordance with the Act.

LEGAL NOTICES

Any notice required to be given to you will be effective if it is sent by first class mail to the most recent address that we have for you, by electronic means to an email address you have provided, or by any other method of notification that is permitted or required by applicable law and regulation.

You must immediately notify us of a change in your contact information or status as specified in the Borrower's Rights and Responsibilities Statement under "Information you must report to us."

If we do not enforce or insist on compliance with any term of this Note, this does not waive any of our rights. No provision of this Note may be modified or waived unless we do so in writing. If any provision of this Note is determined to be unenforceable, the remaining provisions will remain in force.

Information about your loan will be submitted to the National Student Loan Data System (NSLDS). Information in NSLDS is accessible to schools, lenders, and guarantors for specific purposes that we authorize.

IMPORTANT NOTICES**GRAMM-LEACH-BLILEY ACT NOTICE**

In 1999, Congress enacted the Gramm-Leach-Bliley Act (Public Law 106-102). This Act requires that lenders provide certain information to their customers regarding the collection and use of nonpublic personal information.

We disclose nonpublic personal information to third parties only as necessary to process and service your loan and as permitted by the Privacy Act of 1974. See the Privacy Act Notice below. We do not sell or otherwise make available any information about you to any third parties for marketing purposes.

We protect the security and confidentiality of nonpublic personal information by implementing the following policies and practices. All physical access to the sites where nonpublic personal information is maintained is controlled and monitored by security personnel. Our computer systems offer a high degree of resistance to tampering and circumvention. These systems limit data access to our staff and contract staff on a "need-to-know" basis, and control individual users' ability to access and alter records within the systems. All users of these systems are given a unique user ID with personal identifiers. All interactions by individual users with the systems are recorded.

PRIVACY ACT NOTICE

The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authority for collecting the requested information from and about you is §451 et seq. of the Higher Education Act (HEA) of 1965, as amended (20 U.S.C. 1087a et seq.) and the authorities for collecting and using your Social Security Number (SSN) are §484(a)(4) of the HEA (20 U.S.C. 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan Program, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) become delinquent or in default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to

efficiently submit student enrollment status, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

FINANCIAL PRIVACY ACT NOTICE

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), ED will have access to financial records in your student loan file maintained in compliance with the administration of the Direct Loan Program.

PAPERWORK REDUCTION NOTICE

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless the collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0053. Public reporting burden for this collection of information is estimated to average 30 minutes (0.5 hours) per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain a benefit in accordance with 34 CFR 685.201(c)(1).

If you have comments or concerns regarding the status of your individual submission of this form, contact:

WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM
DIRECT CONSOLIDATION LOAN BORROWER'S RIGHTS AND RESPONSIBILITIES STATEMENT

IMPORTANT NOTICE

This Borrower's Rights and Responsibilities Statement provides additional information about the terms and conditions of the loan you will receive under the accompanying Federal Direct Consolidation Loan (Direct Consolidation Loan) Application and Promissory Note (Note). Please keep a copy of the Note and this Borrower's Rights and Responsibilities Statement for your records. You may request another copy of this Borrower's Rights and Responsibilities Statement at any time by contacting your servicer.

Throughout this Borrower's Rights and Responsibilities Statement, the words "we," "us," and "our" refer to the U.S. Department of Education.

1. THE WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

The William D. Ford Federal Direct Loan (Direct Loan) Program includes the following types of loans, known collectively as "Direct Loans":

- Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)
- Federal Direct PLUS Loans (Direct PLUS Loans)
- Federal Direct Consolidation Loans (Direct Consolidation Loans)

The Direct Loan Program is authorized by Title IV, Part D, of the Higher Education Act of 1965, as amended (HEA), 20 U.S.C. 1070 *et seq.*

Direct Loans are made by the U.S. Department of Education. We contract with servicers to process Direct Loan payments, deferment and forbearance requests, and other transactions, and to answer questions about Direct Loans. Your servicer will provide you with its address and telephone number. It is important to keep in contact with your servicer.

2. LAWS THAT APPLY TO THIS NOTE

The terms and conditions of loans made under this Note are determined by the HEA and other applicable federal laws and regulations. These laws and regulations are referred to as "the Act" throughout this Borrower's Rights and Responsibilities Statement. Under applicable state law, except as preempted by federal law, you may have certain borrower rights, remedies, and defenses in addition to those stated in the Note and this Borrower's Rights and Responsibilities Statement.

NOTE: Any amendment to the Act that affects the terms of this Note will be applied to your loan in accordance with the effective date of the amendment.

3. DIRECT CONSOLIDATION LOAN IDENTIFICATION NUMBERS

Depending on the type(s) of federal education loan(s) that you choose to consolidate, your Direct Consolidation Loan may have up to two individual loan identification numbers. However, you will have only one Direct Consolidation Loan and will receive only one bill.

3a. The subsidized portion of your Direct Consolidation Loan ("Direct Subsidized Consolidation Loan") will have one loan identification number representing the amount of the following types of loans that you consolidate:

- Subsidized Federal Stafford Loans
- Direct Subsidized Loans
- Subsidized Federal Consolidation Loans
- Direct Subsidized Consolidation Loans
- Federal Insured Student Loans (FISL)

- Guaranteed Student Loans (GSL)

3b. The unsubsidized portion of your Direct Consolidation Loan ("Direct Unsubsidized Consolidation Loan") will have one identification number representing the amount of the following types of loans that you consolidate:

- Unsubsidized and Nonsubsidized Federal Stafford Loans
- Direct Unsubsidized Loans
- Unsubsidized Federal Consolidation Loans
- Direct Unsubsidized Consolidation Loans
- Federal PLUS Loans (for parents or for graduate and professional students)
- Direct PLUS Loans (for parents or for graduate and professional students)
- Direct PLUS Consolidation Loans
- Federal Perkins Loans
- National Direct Student Loans (NDSL)
- National Defense Student Loans (NDSL)
- Federal Supplemental Loans for Students (SLS)
- Auxiliary Loans to Assist Students (ALAS)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)
- Nursing Student Loans (NSL) and Nurse Faculty Loans
- Loans for Disadvantaged Students (LDS)

4. ADDING ELIGIBLE LOANS TO YOUR DIRECT CONSOLIDATION LOAN

You may add eligible loans to your Direct Consolidation Loan by submitting a request to us within 180 days of the date your Direct Consolidation Loan is made. (Your Direct Consolidation Loan is "made" on the date we pay off the first loan that you are consolidating.) After we pay off any loans that you add during the 180-day period, we will notify you of the new total amount of your Direct Consolidation Loan and of any adjustments that must be made to your monthly payment amount and/or interest rate.

If you want to consolidate any additional eligible loan(s) after the 180-day period, you must apply for a new Direct Consolidation Loan.

5. LOANS THAT MAY BE CONSOLIDATED

General

Only the federal education loans listed in Items 3a. and 3b. of this Borrower's Rights and Responsibilities Statement may be consolidated into a Direct Consolidation Loan. You may only consolidate loans that are in a grace period or in the repayment period (including loans in deferment or forbearance).

Defaulted loans

You may consolidate a loan that is in default if:

- You first make satisfactory repayment arrangements with the holder of the defaulted loan, or
- You agree to repay your Direct Consolidation Loan under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan (see Item 11).

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DIRECT CONSOLIDATION LOAN BORROWER'S RIGHTS AND RESPONSIBILITIES STATEMENT

Existing consolidation loans

You may not consolidate an existing Direct Consolidation Loan unless you include at least one additional eligible loan in the consolidation.

You may consolidate an existing Federal Consolidation Loan (a Federal Consolidation Loan is a consolidation loan that was made under the FFEL Program) into a new Direct Consolidation Loan without including an additional loan if you are:

- Consolidating a delinquent Federal Consolidation Loan that the lender has submitted to the guaranty agency for default aversion, or consolidating a defaulted Federal Consolidation Loan, and you agree to repay your new Direct Consolidation Loan under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan;
- Consolidating a Federal Consolidation Loan to use the Public Service Loan Forgiveness program described in Item 18 of this Borrower's Rights and Responsibilities Statement; or
- Consolidating a Federal Consolidation Loan to use the no accrual of interest benefit for active duty service members described in Item 8.

You may not consolidate an existing joint consolidation loan. A joint consolidation loan is a Direct Consolidation Loan or a Federal Consolidation Loan that was made jointly to you and your spouse.

6. INFORMATION YOU MUST REPORT TO US

Until your loan is repaid, you must notify your servicer if you:

- Change your address or telephone number;
- Change your name (for example, maiden name to married name);
- Change your employer or your employer's address or telephone number changes; or
- Have any other change in status that would affect your loan (for example, if you receive a deferment while you are unemployed, but you find a job and therefore no longer meet the eligibility requirements for the deferment).

7. INTEREST RATE

The interest rate on your Direct Consolidation Loan will be the weighted average of the interest rates on the loans you are consolidating, rounded to the nearest higher one-eighth of one percent. There is no cap on the interest rate that is determined under this formula. We will send you a notice that tells you the interest rate on your loan.

The interest rate on a Direct Consolidation Loan is a fixed rate. This means that the interest rate will remain the same throughout the life of your loan.

Servicemembers Civil Relief Act

If you are in military service, you may qualify for a lower interest rate on your loans.

Under the Servicemembers Civil Relief Act (SCRA), the interest rate on loans you received before you began your military service may be limited to 6% during your military service. In most cases, your servicer will determine if you are eligible for this benefit based on information from the U.S. Department of Defense, and, if any of your qualifying loans have an interest rate greater than 6%, will automatically reduce that rate to 6% during your military service. If you think you qualify for the 6% interest rate but have not received it, contact your servicer. Your servicer can also provide more information about this benefit.

Because the SCRA interest rate benefit applies only to loans obtained prior to military service, if you consolidate your loans after you have entered a period of active duty military service, your new Direct Consolidation Loan will not be eligible for the 6% interest rate limit under the SCRA for that period of active duty.

If you consolidate loans you obtained prior to a period of active duty military service and the interest rate on those loans is reduced to 6% under the SCRA, the 6% interest rate will be used to determine the fixed weighted average interest rate on your Direct Consolidation Loan.

8. PAYMENT OF INTEREST

General

In general, interest accrues on a Direct Consolidation Loan from the date the loan is made until it is paid in full or discharged. You are responsible for paying the interest that accrues as explained below.

Payment of interest on a Direct Subsidized Consolidation Loan

Except as explained in Item 9 of this Borrower's Rights and Responsibilities Statement, you are not required to pay the interest that accrues on a Direct Subsidized Consolidation Loan (see Item 3a. of this Borrower's Rights and Responsibilities Statement) during deferment periods, and during certain periods of repayment under the REPAYE Plan, the PAYE Plan, and the IBR Plan. Except as explained below under **No accrual of interest benefit for active duty service members**, you are responsible for paying the interest that accrues on a Direct Subsidized Consolidation Loan during all other periods.

If you were a first-time borrower on or after July 1, 2013 when you received a Direct Subsidized Loan that you are now consolidating, you may be responsible for paying the interest that accrues during all periods on the portion of your Direct Consolidation Loan that repaid the Direct Subsidized Loan, as explained in Item 9 of this Borrower's Rights and Responsibilities Statement.

Payment of interest on a Direct Unsubsidized Consolidation Loan

Except as explained below for certain borrowers who are active duty service members, and during certain periods of repayment under the REPAYE Plan, you are responsible for paying the interest that accrues on a Direct Unsubsidized Consolidation Loan (see Item 3b. of this Borrower's Rights and Responsibilities Statement) during all periods.

No accrual of interest benefit for active duty service members

Under the no accrual of interest benefit for active duty service members, you are not required to pay the interest that accrues during periods of qualifying active duty military service (for up to 60 months) on the portion of a Direct Consolidation Loan that repaid a Direct Loan Program or FFEL Program loan first disbursed on or after October 1, 2008.

Interest capitalization

If you do not pay the interest as it accrues on either a Direct Subsidized Consolidation Loan or a Direct Unsubsidized Consolidation Loan (during periods when you are responsible for paying the interest), we will add the accrued interest to the unpaid principal balance of your loan at the end of the deferment or forbearance period. This is called "capitalization." Capitalization increases the unpaid principal balance of your loan, and interest then accrues on the increased principal balance.

The chart that follows shows the difference in the total amount you would repay on a \$15,000 Direct Unsubsidized Consolidation Loan if you pay the

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interest as it accrues during a 12-month deferment or forbearance period, compared to the amount you would repay if you do not pay the interest and it is capitalized.

The example in the chart shows payments made under the Standard Repayment Plan (with a repayment period of 15 years based on the amount of the Direct Consolidation Loan) at an interest rate of 8.25%. In this example, you would pay \$12 less per month and \$912 less altogether if you pay the interest as it accrues during a 12-month deferment or forbearance period.

	If you pay the interest as it accrues...	If you do not pay the interest and it is capitalized...
Loan Amount	\$15,000	\$15,000
Interest for 12 Months	\$1,238 (paid as accrued)	\$1,238 (unpaid and capitalized)
Principal to be Repaid	\$15,000	\$16,238
Monthly Payment	\$146	\$158
Number of Payments	180	180
Total Repaid	\$27,447	\$28,359

Federal income tax deduction

You may be able to claim a federal income tax deduction for interest payments you make on Direct Loans. For further information, refer to IRS Publication 970, which is available at <http://www.irs.ustreas.gov>.

9. RESPONSIBILITY FOR PAYING ALL INTEREST ON ALL OR PART OF THE SUBSIDIZED PORTION OF A DIRECT CONSOLIDATION LOAN (FOR FIRST-TIME BORROWERS ON OR AFTER JULY 1, 2013)

If you were a **first-time borrower on or after July 1, 2013** (see Note below) when you received a Direct Subsidized Loan and you are now consolidating that loan, you may be responsible for paying the interest that accrues during all periods on the portion of your Direct Consolidation Loan that repaid the Direct Subsidized Loan, as explained below.

There is a limit on the maximum period of time (measured in academic years) for which a first-time borrower on or after July 1, 2013 can receive Direct Subsidized Loans. In general, a first-time borrower may not receive Direct Subsidized Loans for more than 150% of the published length of his or her program of study. This is called the "maximum eligibility period."

Generally, a first-time borrower on or after July 1, 2013 will become responsible for paying the interest that accrues during all periods on previously received Direct Subsidized Loans if the borrower:

- Continues to be enrolled in any undergraduate program after having received Direct Subsidized Loans for his or her maximum eligibility period, or
- Enrolls in another undergraduate program that is the same length as or shorter than the borrower's previous program.

There are a few exceptions to this rule. Your school or servicer can provide you with more information about this requirement and the exceptions.

You must pay the interest that accrues during all periods (including deferment periods) on the portion of your Direct Consolidation Loan that repaid a Direct Subsidized Loan you received as a first-time borrower on or after July 1, 2013 if:

- Before consolidating the Direct Subsidized Loan, you become responsible for paying all interest that accrues on that loan, as explained above; or

- After consolidating the Direct Subsidized Loan you become responsible for paying all interest that accrues on that loan, as explained above.

Note: A first-time borrower on or after July 1, 2013 is an individual who has no outstanding balance on a Direct Loan Program loan or a Federal Family Education Loan (FFEL) Program loan on July 1, 2013, or who has no outstanding balance on a Direct Loan or FFEL program loan on the date he or she obtains a Direct Loan Program loan after July 1, 2013.

10. INTEREST RATE REDUCTION FOR AUTOMATIC WITHDRAWAL OF PAYMENTS

Under the automatic withdrawal option, your bank automatically deducts your monthly loan payment from your checking or savings account and sends it to us. Automatic withdrawal helps to ensure that your payments are made on time. In addition, you receive a 0.25% interest rate reduction while you repay under the automatic withdrawal option. Your servicer will provide you with information about the automatic withdrawal option. You can also get the information on your servicer's web site, or by calling your servicer. Your servicer's web site address and toll-free telephone number are provided on correspondence that your servicer sends you.

Note: Another repayment incentive program, the up-front interest rebate, was available on Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans that were first disbursed before July 1, 2012. The rebate is equal to a percentage of the loan amount, and is the same amount that would result if the interest rate on the loan were lowered by a specific percentage. To permanently keep an up-front interest rebate, a borrower must make each of the first 12 required monthly payments on time when the loan enters repayment. If you consolidate a Direct Loan on which you received an up-front interest rebate before you have permanently earned the rebate (the correspondence you received about your loan will tell you if you received a rebate), you will lose the rebate. The rebate amount will be added back to the principal balance of the loan before it is consolidated.

11. REPAYING YOUR LOAN

General

Unless you receive a deferment or forbearance on your loan (see Item 17), your first payment will be due within 60 days of the first disbursement of your Direct Consolidation Loan. Your servicer will notify you of the date your first payment is due.

You must make payments on your loan even if you do not receive a bill or repayment notice.

You must repay all of your Direct Loans under the same repayment plan, unless you want to repay your loans under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan (see below) and you have other Direct Loans that do not qualify for repayment under those plans. In that case, you may select the REPAYE, PAYE, IBR, or ICR plan for the loans that are eligible for repayment under those plans, and may select a different repayment plan for the loans that may not be repaid under the REPAYE, PAYE, IBR, or ICR plan. Direct Consolidation Loans that repaid Direct PLUS Loans or FFEL Program PLUS Loans made to parent borrowers may not be repaid under the REPAYE, PAYE, or IBR plans. However, they may be repaid under the ICR Plan.

We will ask you to choose a repayment plan for your Direct Consolidation Loan. If you do not choose a repayment plan, we will place you on the Standard Repayment Plan.

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Repayment plans for all Direct Consolidation Loans

You may choose the Standard Repayment Plan, the Graduated Repayment Plan, the Extended Repayment Plan, or the Income-Contingent Repayment Plan to repay any Direct Consolidation Loan.

Standard Repayment Plan

Under the Standard Repayment Plan, you will make fixed monthly payments and repay your loan in full within 10 to 30 years (not including periods of deferment or forbearance) from the date the loan entered repayment, depending on the amount of your Direct Consolidation Loan and the amount of your other student loan debt (not to exceed the amount you are consolidating) as listed in the **Loans You Do Not Want to Consolidate** section of your Note (see the chart below). Your payments must be at least \$50 a month (\$600 a year) and will be more, if necessary, to repay the loan within the required time period.

Graduated Repayment Plan

Under the Graduated Repayment Plan, you will usually make lower payments at first, and your payments will gradually increase over time. You will repay your loan in full within 10 to 30 years (not including periods of deferment or forbearance) from the date the loan entered repayment, depending on the total amount of your Direct Consolidation Loan and the amount of your other student loan debt (not to exceed the amount you are consolidating) as listed in **Loans You Do Not Want to Consolidate** section of your Note (see the chart below). Your scheduled monthly payment must at least be equal to the amount of interest that accrues each month. No single scheduled payment will be more than three times greater than any other payment.

Standard and Graduated Plans: Maximum Repayment Periods	
Total Education Loan Indebtedness	Maximum Repayment Period
Less than \$7,500	10 years
\$7,500 to \$9,999	12 years
\$10,000 to \$19,999	15 years
\$20,000 to \$39,999	20 years
\$40,000 to \$59,999	25 years
\$60,000 or more	30 years

Extended Repayment Plan

You are eligible for the Extended Repayment Plan only if **(1)** you have an outstanding balance on Direct Loans that exceeds \$30,000, and **(2)** you had no outstanding balance on a Direct Loan as of October 7, 1998, or on the date you obtained a Direct Loan on or after October 7, 1998.

Under this plan, you will repay your loan in full over a period not to exceed 25 years (not including periods of deferment or forbearance) from the date the loan entered repayment. You may choose to make fixed monthly payments or graduated monthly payments that start out lower and gradually increase over time. If you make fixed monthly payments, your payments must be at least \$50 a month (\$600 a year) and will be more, if necessary, to repay the loan within the required time period. If you make graduated payments, your scheduled monthly payment must at least be equal to the amount of interest that accrues each month. No single scheduled payment under the graduated option will be more than three times greater than any other payment.

Income-Contingent Repayment Plan (ICR Plan)

Under the ICR plan, your monthly payment amount will be either 20% of your discretionary income or a percentage of what you would repay under a Standard Repayment Plan with a 12-year repayment period, whichever is less. Discretionary income for this plan is the difference between your adjusted gross income and the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married and file a joint federal income tax return, the income used to determine your ICR Plan payment amount will be the combined adjusted gross income of you and your spouse.

If you are married and file a separate federal income tax return from your spouse, only your individual adjusted gross income will be used to determine your ICR Plan payment amount.

Until we obtain the information needed to calculate your monthly payment amount, your payment will equal the amount of interest that accrues monthly on your loan unless you request a forbearance.

While you are repaying under the ICR Plan, you must provide documentation of your income and certify your family size each year so that we may recalculate your payment amount.

Under the ICR Plan, if your loan is not repaid in full after you have made the equivalent of 25 years of qualifying monthly payments over a period of at least 25 years have elapsed, any remaining loan amount will be forgiven. You may have to pay federal income tax on the loan amount that is forgiven.

Additional repayment plans for Direct Consolidation Loans that did not repay parent PLUS loans

Note: Direct Consolidation Loans that repaid parent plus loans may not be repaid under these plans

A parent PLUS loan is a Direct PLUS Loan or FFEL PLUS Loan that you obtained to help pay for your child's undergraduate education.

If you are not consolidating any parent PLUS loans, you may also choose the REPAYE Plan, the PAYE Plan, or the IBR Plan to repay your Direct Consolidation Loan.

If you are consolidating a parent PLUS loan, you may not choose the REPAYE Plan, the PAYE Plan, or the IBR Plan, but you may choose the ICR Plan (see above).

Revised Pay As You Earn Repayment Plan (REPAYE Plan)

Under the REPAYE Plan, your monthly payment amount is generally 10% of your discretionary income. Discretionary income for this plan is the difference between your adjusted gross income and 150% of the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married, the income used to determine your REPAYE Plan payment amount will generally be the combined income of you and your spouse, regardless of whether you file a joint or separate federal income tax return.

While you are repaying under the REPAYE Plan, you must provide documentation of your income (and, if you are married, your spouse's income) and certify your family size each year so that we may recalculate your payment amount.

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Under the REPAYE Plan, if all of the loans you are repaying under the plan were obtained for undergraduate study, any remaining loan amount will be forgiven after you have made the equivalent of 20 years of qualifying monthly payments over a period of at least 20 years. If any of the loans you are repaying under the REPAYE Plan were obtained for graduate or professional study, any remaining loan amount will be forgiven after you have made the equivalent of 25 years of qualifying monthly payments over a period of at least 25 years. You may have to pay federal income tax on the loan amount that is forgiven.

Pay As You Earn Repayment Plan (PAYE Plan)

Under the PAYE Plan, your monthly payment amount is generally 10% of your discretionary income. Discretionary income for this plan is the difference between your adjusted gross income and 150% of the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married and file a joint federal income tax return, the income used to determine your PAYE Plan payment amount will be the combined adjusted gross income of you and your spouse.

If you are married and file a separate federal income tax return from your spouse, only your individual adjusted gross income will be used to determine your PAYE Plan payment amount.

The PAYE Plan is available only to new borrowers. You are a new borrower for the PAYE Plan if:

1. You had no outstanding balance on a Direct Loan or a FFEL Program loan as of October 1, 2007, or you have no outstanding balance on a Direct Loan or a FFEL Program loan when you obtain a new loan on or after October 1, 2007, and
2. You receive a disbursement of a Direct Subsidized Loan, Direct Unsubsidized Loan, or student Direct PLUS Loan (a Direct PLUS Loan made to a graduate or professional student) on or after October 1, 2011, or you receive a Direct Consolidation Loan based on an application received on or after October 1, 2011. However, you are not considered to be a new borrower for the PAYE Plan if the Direct Consolidation Loan you receive repays loans that would make you ineligible under part 1 of this definition.

In addition to being a new borrower, to initially qualify for the PAYE Plan, the monthly amount you would be required to pay under this plan, based on your income and family size, must be less than the amount you would have to pay under the Standard Repayment Plan with a 10-year repayment period.

If you are married and file a joint federal income tax return, the loan amount we use to determine whether you qualify for the PAYE Plan will include your eligible loans and your spouse's eligible loans.

If you are married and file a separate federal income tax return from your spouse, the loan amount we use to determine whether you qualify for the PAYE Plan will include only your eligible loans.

While you are repaying under the PAYE Plan, you must provide documentation of your income and certify your family size each year so that we may recalculate your payment amount. If your income increases to the point that the amount you would have to pay under the PAYE Plan based on your income is more than what you would have to pay under the Standard Repayment Plan, you will remain on the PAYE Plan, but your monthly payment will no longer be based on your income. Instead, your monthly payment will be what you would be required to pay under the Standard Repayment Plan.

Under the PAYE Plan, if your loan is not repaid in full after you have made the equivalent of 20 years of qualifying monthly payments over a period of at least 20 years, any remaining loan amount will be forgiven. You may have to pay federal income tax on the loan amount that is forgiven.

Income-Based Repayment Plan (IBR Plan)

Under the IBR Plan, your monthly payment amount is generally 15% (10% if you are a new borrower; see Note below) of your discretionary income. Discretionary income for this plan is the difference between your adjusted gross income and 150% of the poverty guideline amount for your state of residence and family size, divided by 12.

If you are married and file a joint federal income tax return, the income used to determine your IBR Plan payment amount will be the combined adjusted gross income of you and your spouse.

If you are married and file a separate federal income tax return from your spouse, only your individual adjusted gross income will be used to determine your IBR Plan payment amount.

To initially qualify for the IBR Plan, the monthly amount you would be required to pay under this plan, based on your income and family size, must be less than the amount you would have to pay under the Standard Repayment Plan with a 10-year repayment period.

If you are married and file a joint federal income tax return, the loan amount we use to determine whether you qualify for the IBR Plan will include your eligible loans and your spouse's eligible loans.

If you are married and file a separate federal income tax return from your spouse, the loan amount we use to determine whether you qualify for the IBR Plan will include only your eligible loans.

While you are repaying under the IBR Plan, you must provide documentation of your income and certify your family size each year so that we may recalculate your payment amount. If your income increases to the point that the amount you would have to pay under the IBR Plan based on your income is more than what you would have to pay under the Standard Repayment Plan with a 10-year repayment period, you will remain on the IBR Plan, but your monthly payment will no longer be based on your income. Instead, your monthly payment will be what you would be required to pay under the Standard Repayment Plan with a 10-year repayment period.

Under the IBR Plan, if your loan is not repaid in full after you have made the equivalent of 25 years (20 years if you are a new borrower) of qualifying monthly payments over a period of at least 25 years (20 years if you are a new borrower), any remaining loan amount will be forgiven. You may have to pay federal income tax on the loan amount that is forgiven.

Note: You are a **new borrower** for the IBR Plan if you have no outstanding balance on a Direct Loan or a FFEL Program loan on July 1, 2014, or if you have no outstanding balance on a Direct Loan or a FFEL Program loan on the date you obtain a Direct Loan after July 1, 2014. Your servicer will determine whether you are a new borrower based on the information about your loans in the U.S. Department of Education's National Student Loan Data System.

Additional repayment plan information

If you can show to our satisfaction that the terms and conditions of the repayment plans described above are not adequate to meet your

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exceptional circumstances, we may provide you with an alternative repayment plan.

You can use the Repayment Estimator at StudentAid.gov/Repayment-Estimator to estimate your monthly and total payment amounts under the different repayment plans and to evaluate your eligibility for the PAYE and IBR plans. The calculators are for informational purposes only. Your servicer will make the official determination of your payment amount and, for the PAYE and IBR plans, your eligibility for the plan.

You may change repayment plans at any time after you have begun repaying your loan. However, you may not change to a different repayment plan that has a maximum repayment period of less than the number of years your loan has already been in repayment, except that you may change to the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan at any time.

If you are making payments under any repayment plan other than the REPAYE Plan, the PAYE Plan, and the IBR Plan, we apply your payments in the following order:

1. Late charges and collection costs,
2. Outstanding interest, and
3. Outstanding principal.

If you are making payments under the REPAYE Plan, the PAYE Plan, or the IBR Plan, we apply your payments in the following order:

1. Outstanding interest,
2. Late charges and collection costs, and
3. Outstanding principal.

There is no penalty if you make loan payments before they are due, or pay more than the amount due each month (prepayments). We apply any prepayments in accordance with the Act. Your servicer can provide more information about how prepayments are applied.

When you have repaid your loan in full, your servicer will send you a notice telling you that you have paid off your loan. You should keep this notice in a safe place.

12. TRANSFER OF LOAN

We may transfer the servicing of one or all of your loans to another servicer. If there is a change in the address to which you must send payments or direct communications, we will notify you of the new servicer's name, address and telephone number, the effective date of the transfer, and the date when you must begin sending payments or directing communications to that servicer. Transfer of a loan to a different servicer does not affect your rights and responsibilities under that loan.

13. LATE CHARGES AND COLLECTION COSTS

If you do not make any part of a payment within 30 days after it is due, we may require you to pay a late charge. This charge will not be more than six cents for each dollar of each late payment. If you do not make payments as scheduled, we may also require you to pay other charges and fees involved in collecting your loan.

14. DEMAND FOR IMMEDIATE REPAYMENT

The entire unpaid amount of your loan becomes due and payable (this is called "acceleration") if you:

- Make a false statement that causes you to receive a loan that you are not eligible to receive; or
- Default on your loan.

15. DEFAULTING ON YOUR LOAN

Default (failing to repay your loan) is defined in detail in the Note Terms and Conditions section of this Note. If you default:

- We will require you to immediately repay the entire unpaid amount of your loan.
- We may sue you, take all or part of your federal and state tax refunds and other federal or state payments, and/or garnish your wages so that your employer is required to send us part of your salary to pay off your loan.
- We will require you to pay reasonable collection fees and costs, plus court costs and attorney fees.
- You will lose eligibility for other federal student aid and assistance under most federal benefit programs.
- You will lose eligibility for loan deferments.
- We will report your default to nationwide consumer reporting agencies (see Item 16). This will harm your credit history and may make it difficult for you to obtain credit cards, home or car loans, or other forms of consumer credit.

If you default on your loan, you will not be charged collection costs if you respond within 60 days to the initial notice of default that we send to you, and you enter into a repayment agreement with us, including a loan rehabilitation agreement, and fulfill that agreement.

16. CONSUMER REPORTING AGENCY NOTIFICATION

We will report information about your loan to nationwide consumer reporting agencies (commonly known as "credit bureaus") on a regular basis. This information will include the disbursement dates, amount, and repayment status of your loan (for example, whether you are current or delinquent in making payments). Your loan will be identified as an education loan.

If you default on a loan, we will report this to nationwide consumer reporting agencies. We will notify you at least 30 days in advance that we plan to report default information to a consumer reporting agency unless you resume making payments on the loan within 30 days of the date of the notice. You will be given a chance to ask for a review of the debt before we report it.

If a consumer reporting agency contacts us regarding objections you have raised about the accuracy or completeness of any information we have reported, we are required to provide the agency with a prompt response.

17. DEFERMENT AND FORBEARANCE (POSTPONING PAYMENTS)**General**

If you meet certain requirements, you may receive a **deferment** that allows you to temporarily stop making payments on your loan. If you cannot make your scheduled loan payments, but do not qualify for a deferment, we may give you a **forbearance**. A forbearance allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments.

Deferment

You may receive a deferment:

- While you are enrolled at least half time at an eligible school;
- While you are in a full-time course of study in a graduate fellowship program;

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- While you are in an approved full-time rehabilitation program for individuals with disabilities;
- While you are unemployed (for a maximum of three years; you must be diligently seeking, but unable to find, full-time employment);
- While you are experiencing an economic hardship (including Peace Corps service), as defined in the Act (for a maximum of three years);
- While you are serving on active duty during a war or other military operation or national emergency or performing qualifying National Guard duty during a war or other military operation or national emergency and, if you were serving on or after October 1, 2007, for an additional 180-day period following the demobilization date for your qualifying service; or
- If you are a member of the National Guard or other reserve component of the U.S. Armed Forces (current or retired) and you are called or ordered to active duty while you are enrolled at least half time at an eligible school or within 6 months of having been enrolled at least half time, during the 13 months following the conclusion of your active duty service, or until you return to enrolled student status on at least a half-time basis, whichever is earlier.

You may be eligible to receive additional deferments if, at the time you received your first Direct Loan, you had an outstanding balance on a loan made under the FFEL Program before July 1, 1993. If you meet this requirement, contact your servicer for information about additional deferments that may be available.

You may receive a deferment based on your enrollment in school on at least a half-time basis if:

- You submit a deferment request to your servicer along with documentation of your eligibility for the deferment, or
- Your servicer receives information from the school you are attending that indicates you are enrolled at least half time.

If your servicer processes a deferment based on information received from your school, you will be notified of the deferment and will have the option of canceling the deferment and continuing to make payments on your loan.

For all other deferments, you (or, for a deferment based on active duty military service or qualifying National Guard duty during a war or other military operation or national emergency, a representative acting on your behalf) must submit a deferment request to your servicer, along with documentation of your eligibility for the deferment. In certain circumstances, you may not be required to provide documentation of your eligibility if your servicer confirms that you have been granted the same deferment for the same period of time on a FFEL Program loan. Your servicer can provide you with a deferment request form that explains the eligibility and documentation requirements for the type of deferment you are requesting. You may also obtain deferment request forms and information on deferment eligibility requirements from your servicer's web site.

If you are in default on your loan, you are not eligible for a deferment.

You are not responsible for paying the interest on a Direct Subsidized Consolidation Loan during a period of deferment, except as explained in Item 9 of this Borrower's Rights and Responsibilities Statement. However, you are responsible for paying the interest on a Direct Unsubsidized Consolidation Loan during a period of deferment.

Forbearance

We may give you a forbearance if you are temporarily unable to make your scheduled loan payments for reasons including, but not limited to, financial hardship and illness.

We will give you a forbearance if:

- You are serving in a medical or dental internship or residency program, and you meet specific requirements;
- The total amount you owe each month for all of the student loans you received under Title IV of the Act (Direct Loan Program loans, FFEL Program loans, and Federal Perkins Loans) is 20% or more of your total monthly gross income (for a maximum of three years);
- You are serving in a national service position for which you receive a national service education award under the National and Community Service Trust Act of 1993. In some cases, the interest that accrues on a qualified loan during the service period will be paid by the Corporation for National and Community Service;
- You are performing service that would qualify you for loan forgiveness under the Teacher Loan Forgiveness program that is available to certain Direct Loan and FFEL program borrowers;
- You qualify for partial repayment of your loans under a student loan repayment program administered by the Department of Defense; or
- You are called to active duty in the U.S. Armed Forces.

To request a forbearance, contact your servicer. Your servicer can explain the eligibility and documentation requirements for the type of forbearance you are requesting. You may also obtain information on forbearance eligibility requirements from your servicer's web site.

Under certain circumstances, we may also give you a forbearance without requiring you to submit a request or documentation. These circumstances include, but are not limited to, the following:

- Periods necessary for us to determine your eligibility for a loan discharge;
- A period of up to 60 days in order for us to collect and process documentation related to your request for a deferment, forbearance, change in repayment plan, or consolidation loan (we do not capitalize the interest that is charged during this period); or
- Periods when you are involved in a military mobilization, or a local or national emergency.

You are responsible for paying the interest that accrues on your entire Direct Consolidation Loan during a period of forbearance.

18. DISCHARGE (HAVING YOUR LOAN FORGIVEN)**Death, bankruptcy, and total and permanent disability**

We will discharge (forgive) your loan if:

- You die. Your servicer must receive acceptable documentation (as defined in the Act) of your death. We will also discharge the portion of a Direct Consolidation Loan that repaid one or more Direct PLUS Loans or Federal PLUS Loans obtained on behalf of a child who dies.
- Your loan is discharged in bankruptcy after you have proven to the bankruptcy court that repaying the loan would cause undue hardship. Direct Loans are not automatically discharged if you file for bankruptcy.
- You become totally and permanently disabled (as defined in the Act) and meet certain other requirements.

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School closure, false certification, identity theft, and unpaid refund

In certain cases, we may also discharge all or a portion of your loan if:

- One or more Direct Loan Program, FFEL Program, or Federal Perkins Loan Program loans that you consolidated was used to pay for a program of study that you (or the child for whom you borrowed a Direct PLUS Loan or Federal PLUS Loan) were unable to complete because the school closed;
- Your eligibility (or the eligibility of the child for whom you borrowed a Direct PLUS Loan or Federal PLUS Loan) for one or more of the Direct Loan Program or FFEL Program loans that you consolidated was falsely certified by the school;
- Your eligibility for one or more of the Direct Loan Program or FFEL Program loans that you consolidated was falsely certified as a result of a crime of identity theft; or
- The school did not pay a required refund of one or more Direct Loan Program or FFEL Program loans that you consolidated.

Teacher Loan Forgiveness

We may forgive a portion of your Direct Consolidation Loan that repaid Direct Subsidized Loans or Direct Unsubsidized Loans you received after October 1, 1998, or subsidized or unsubsidized Federal Stafford Loans you received under the FFEL program after October 1, 1998 if you:

- Teach full time for five consecutive years in certain low-income elementary or secondary schools, or for low-income educational service agencies;
- Meet certain other qualifications; and
- Did not owe a Direct Loan or a FFEL program loan as of October 1, 1998, or as of the date you obtain a loan after October 1, 1998.

Public Service Loan Forgiveness

A Public Service Loan Forgiveness (PSLF) program is also available. Under this program, we will forgive the remaining balance due on your eligible Direct Loan Program loans after you have made 120 payments on those loans (after October 1, 2007) under certain repayment plans while you are employed full-time in certain public service jobs. The required 120 payments do not have to be consecutive. Qualifying repayment plans include the REPAYE Plan, the PAYE Plan, the IBR Plan, the ICR Plan, and the Standard Repayment Plan with a 10-year repayment period.

Note: Although the Standard Repayment Plan with a 10-year repayment period is a qualifying repayment plan for PSLF, to receive any loan forgiveness under this program you must make the majority of the required 120 payments under the REPAYE Plan, the PAYE Plan, the IBR Plan, or the ICR Plan.

Additional loan discharge information

The Act may provide for certain loan forgiveness or repayment benefits on your loans in addition to the benefits described above.

For a discharge based on your death or the death of the child on whose behalf you obtained a Direct PLUS Loan or Federal PLUS Loan that was consolidated, a family member must contact your loan servicer. To request a loan discharge based on one of the other conditions described above (except for a discharge due to bankruptcy), you must complete an application. Your servicer can tell you how to apply.

In some cases, you may assert, under applicable law and regulations, a defense against repayment of your loan on the basis that the school did

something wrong or failed to do something that it should have done. You can make such a defense against repayment only if the school's act or omission directly relates to one or more of the loans that you consolidated or to the educational services that the loan(s) you consolidated was intended to pay for. If you believe that you have a defense against repayment of your loan, contact your servicer.

We do not guarantee the quality of the academic programs provided by schools that participate in federal student financial aid programs. You must repay your loan even if you do not complete the education paid for with the loan, are unable to obtain employment in the field of study for which the school provided training, or are dissatisfied with, or do not receive, the education you paid for with the loan.

19. DEPARTMENT OF DEFENSE AND OTHER FEDERAL AGENCY LOAN REPAYMENT

Under certain circumstances, military personnel may have their federal education loans repaid by the Secretary of Defense. This benefit is offered as part of a recruitment program that does not apply to individuals based on their previous military service or to those who are not eligible for enlistment in the U.S. Armed Forces. For more information, contact your local military service recruitment office.

Other agencies of the federal government may also offer student loan repayment programs as an incentive to recruit and retain employees. Contact the agency's human resources department for more information.

END OF BORROWER'S RIGHTS AND RESPONSIBILITIES STATEMENT