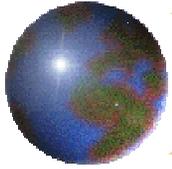


# ***COMMON SERVICES FOR BORROWERS***

## Pre-Proposal Conference

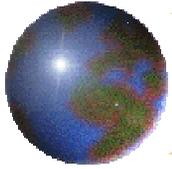
### May 2, 2003

Note: The descriptions in this document of the existing servicing, collections and consolidation environment, including past and present volumes, is for informational purposes only. The Department does not represent, nor can it guarantee, that the work load or any statistical measure will remain the same or be similar to these during CSB performance. Note also that requirements applicable in the current environment may not apply to CSB. For a description of objectives and requirements applicable to CSB, please refer to the SOO and solicitation documents.



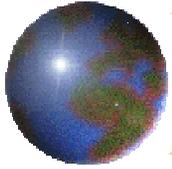
# Introduction

*Tom Pestka*



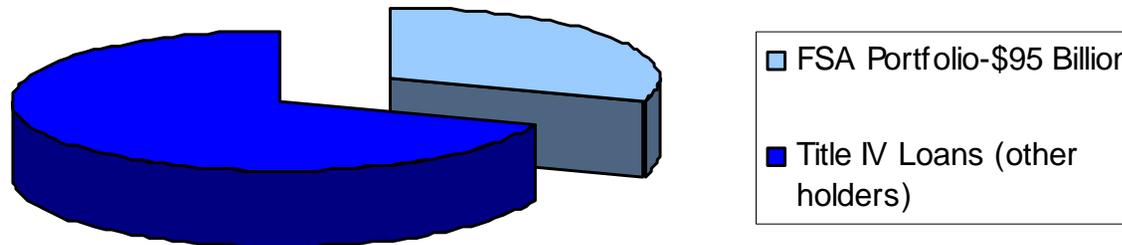
# *Introduction*

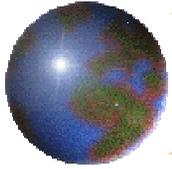
- Introduction of CSB
  - CSB Mission – “We Help America Manage Student Aid Obligations”
  - CSB Vision – “To improve the management of student aid obligations through efficient use of timely and accurate information, common functions, and shared data”
  
- Introduction of Speakers



# *Introduction*

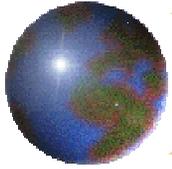
## ✦ FSA Portfolio in Perspective





# *Introduction*

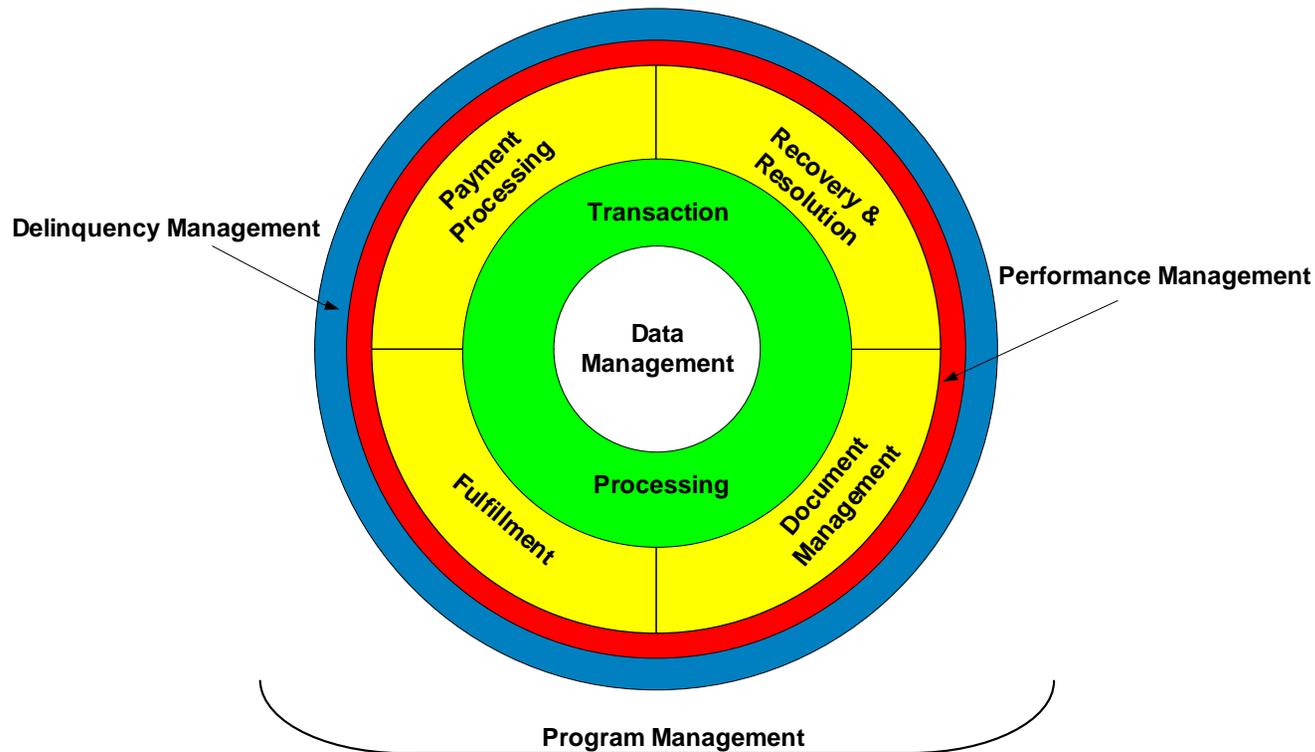
- ✦ CSB Goals
  - Optimize Portfolio Management
  - Provide Incentives for Reducing Delinquency and Default
  - Integrate Systems and Data
  - Realize Operational Efficiencies and Reduce Cost
  - Improve Tools for Servicing Student Aid Obligations
  - Create Adaptability and Flexibility in Systems
  - Improve Customer Service and Increase Self-Servicing Opportunities



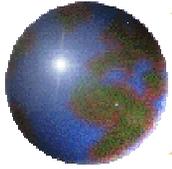
# Introduction

## CSB End State Vision

|                          |                  |     |     |
|--------------------------|------------------|-----|-----|
| Paper                    | Call Center(CSR) | IVR | Web |
| CRM/Customer Interaction |                  |     |     |

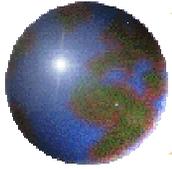


CSB Pre-Proposal Conference



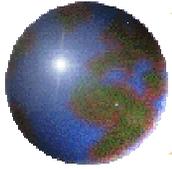
# *Introduction*

- ✚ Integration with the FSA Business Environment
  - ▣ Department of ED/FSA Organization
  - ▣ Trading Partners
  
- ✚ Integration with the FSA Technical Environment
  - ▣ Enterprise Architecture
  - ▣ EAI Bus
  - ▣ Initiatives
    - Common Student Identifier
    - Portals Strategy



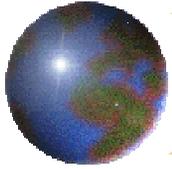
# *Agenda*

- 9:00 a.m. – 9:20 a.m.      Introduction
  - Tom Pestka
  
- 9:20 a.m. – 9:40 a.m.      Contracting Overview
  - Rich Galloway
  
- 9:40 a.m. – 10:00 a.m.      Proposal Instructions
  - Pat Bradfield
  
- 10:00 a.m. – 10:20 a.m.      Direct Loan Servicing Background
  - Dan Hayward
  
- 10:20 a.m. – 10:40 a.m.      Break
  
- 10:40 a.m. – 11:00 a.m.      Collections Background
  - Gary Hopkins



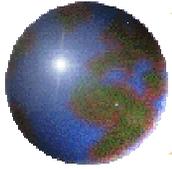
## *Agenda (continued)*

- 11:00 a.m. – 11:20 a.m.      Consolidation & CDDTS Background
  - Denise Leifeste
  
- 11:20 a.m. – 11:40 a.m.      CSB Financial Transactions Background
  - Bill Marks
  
- 11:40 a.m. – 12:45 p.m.      Break for Lunch
  
- 12:45 p.m. – 2:15 p.m.      Discussion/Q&A
  
- 2:15 p.m. – 2:30 p.m.      Break
  
- 2:30 p.m. – 3:30 p.m.      Discussion/Q&A
  
- 3:30 p.m. – 3:45 p.m.      Summary and Next Steps
  - Tom Pestka



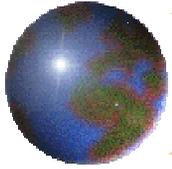
# Contracting Overview

*Rich Galloway*



# *Contracting Overview*

- ✚ Contracting Goals
  - Best value solution
  - Successful contract performance
  - Competition
  - Fairness
  - Small business participation



# *Contracting Overview*

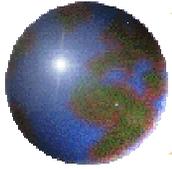
## ✚ ED Small Business Goals

### ▣ Annual Prime Contract Goal:

- Dollars           \$202.4 Million
- Percentage       23% (of all prime \$ awards)

### ▣ Annual Subcontract Goal:

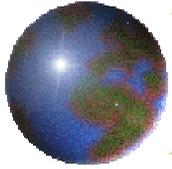
- Dollars           \$123.2 Million
- Percentage       40% (of all subcontracts)



# *Contracting Overview*

## ✚ Prime & Subcontract Targets

|                                  |    |
|----------------------------------|----|
| ■ Small disadvantaged businesses | 5% |
| ■ SD veteran-owned businesses    | 3% |
| ■ Women-owned small businesses   | 5% |
| ■ HUBZone small businesses       | 3% |



# *Contracting Overview*

## ☉ CSB Contracting Process

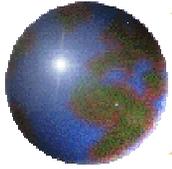
### ☒ Regulations

- FAR <http://www.arnet.gov/far/>
- EDAR <http://www.ed.gov/offices/OCFO/contracts/clibrary.html>

### ☒ PBO Procurement Flexibilities (20 U.S.C. 1018a)

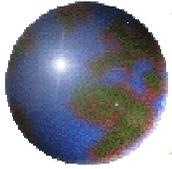
### ☒ Two-Phase Source-Selection Process

- Phase I – Submission of Basic Information & Eligibility Determination
- Phase II – Proposal Solicitation, Evaluation & Source Selection



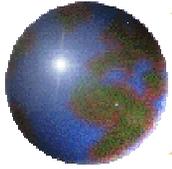
# *Contracting Overview*

- ❖ Typical Contracting Process
  - ❑ Statement of Work
  - ❑ Solicitation (RFP)
  - ❑ Proposals
  - ❑ Evaluation
  - ❑ Competitive Range
  - ❑ Negotiation
  - ❑ Revised Proposals
  - ❑ Repeat with Revised Proposals as Needed
  - ❑ Award
  - ❑ Contract Performance



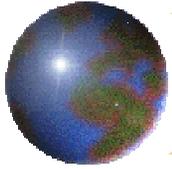
# *Contracting Overview*

- Performance-Based Contracting
  - Statement of Objectives
  - Offerors propose vs. Gvt. Imposes
    - Statement of Work
    - Work processes (how to)
    - Performance measures
    - Other contract terms?
  - Measurable outcomes
  - Incentive-based pricing structure



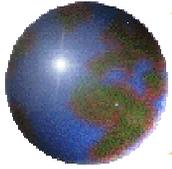
# *Contracting Overview*

- ✚ Doing Business with the Government
  - ▣ Differences from commercial environment
    - Right to fair treatment
    - Special requirements
      - Subcontracting
      - Labor
      - Accessibility, etc.
    - Image
      - Contractor represents government & must act accordingly
      - Congress is our “board of directors”
      - Ultimately, we answer to the public
    - Oversight
      - OIG
      - GAO
    - Funding requirements
      - Annual appropriations with fiscal year limitations
      - Fund tracking (program, appropriation & fiscal year)
      - Appropriation typically not increased w/volume growth
      - Limited funding available for investment or development



# *Contracting Overview*

- Doing Business with the Government
  - Legislative changes
  - Privacy & Security
    - Privacy Act – protects personal data
    - Security – recent events emphasize importance
  - Data rights
    - Freedom of Information Act
    - Proprietary data
    - Government rights to data first produced under contract

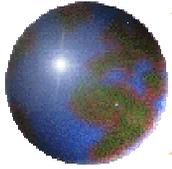


# *Contracting Overview*

## ✚ Doing Business with the Government

### ▣ Government furnished resources

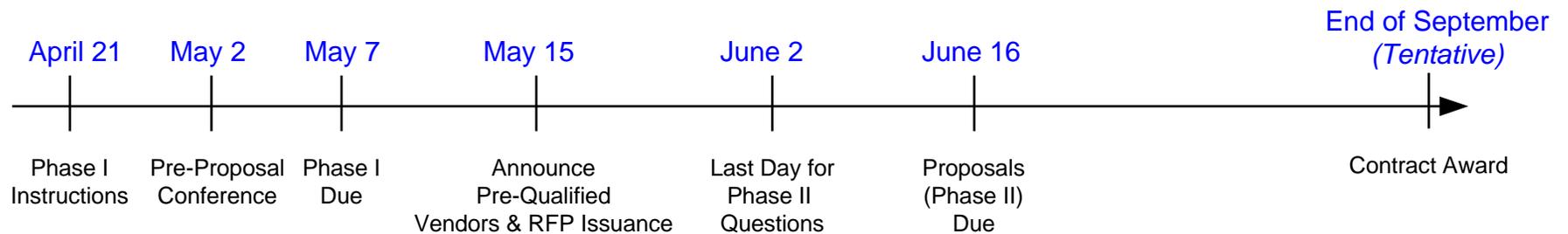
- Contractor supplies all resources
  - Including postage
- Except . . .
  - Government supplied records & info
  - Certain software licenses & other resources offered in SOO
  - Virtual Data Center (VDC)
  - Government (GPO) supplied printed materials
    - Certain stuffers, pamphlets, bulk mailing materials
  - FTS2001 Voice and Data telecommunications facilities
    - Up to the router

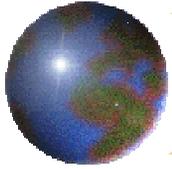


# Contracting Overview

## CSB Acquisition Timeline

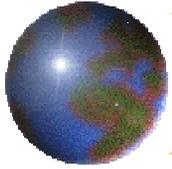
- Phase I – Submission of Basic Information & Eligibility Determination
- Phase II – Proposal Solicitation, Evaluation & Source Selection





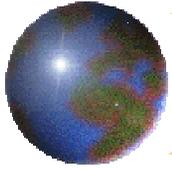
# Proposal Instructions

*Pat Bradfield*



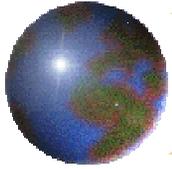
# *Proposal Instructions*

- Phase I – Submission of Basic Information and Eligibility Determination
  - Phase I Timeline
  - Phase I Instructions
  - Selection Factors
    - Conceptual Approach
    - Organization's Experience
    - Rough Order of Magnitude (ROM) Price
    - Past Performance



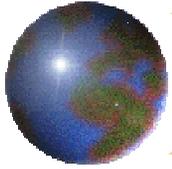
# *Draft Proposal Instructions*

- Phase II – Proposal Solicitation, Evaluation and Source Selection
  - Phase II Instructions
  - Evaluation Factors
    - Technical
    - Cost/Price
  - Details to Follow in Section M



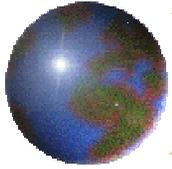
# Loan Servicing

*Dan Hayward*



## *Direct Loan Servicing Background*

- ⊕ Statutory/Regulatory Authority
- ⊕ Differences Between DL and FFEL Regulations
- ⊕ Direct Loan Servicing Authority & History
- ⊕ Business Purpose & Goals
- ⊕ Growth, Volumes, & Relevant Facts
- ⊕ Peak Periods Timeline
- ⊕ Business Integration & Trading Partners
- ⊕ Direct Loan Servicing Computing Considerations
- ⊕ Examples of Unique Direct Loan Requirements



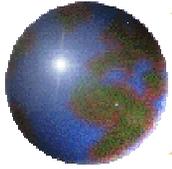
## *Direct Loan Servicing Background*

### Statutory/Regulatory Authority

- The Student Loan Reform Act of 1993, established the William D. Ford Federal Direct Loan Program (Direct Loan Program and Direct Loans) under Title IV, Part D of the Higher Education Act (HEA) of 1965, as amended.

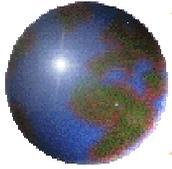
### Regulatory Authority

- The William D. Ford Federal Direct Loan (Direct Loan) Program (20 U.S.C. 1087a et seq.; 34 CFR part 685)



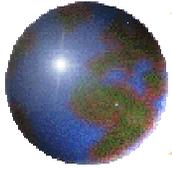
## *Direct Loan Servicing Background*

- ❖ Differences Between DL and FFEL Regulations
  - ❑ In several instances in regulations the Secretary has given flexibility to lenders by stating that “the Lender may” or similar language. However, the Department traditionally takes a more restrictive view in regards to the programs that it runs exclusively. In Direct Loan regulations, “may” is often interpreted by OGC and OPE/Policy to be “must” or “will”.
  
- ❖ What Does This Mean
  - ❑ Compliance with FFEL Regulations does not ensure compliance with Direct Loan Regulations. As an agent of the Federal Government, the CSB Contractor must carefully review the Direct Loan regulations and comply with them. A couple of examples of differences follow this slide.



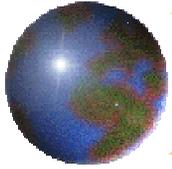
## *Direct Loan Servicing Background*

- ✚ 34 CFR 685.202(b)(1) and (2) (b) *Capitalization*.
  - ✚ (1) The Secretary **may** add accrued interest to the borrower's unpaid principal balance. This increase in the principal balance of a loan is called "capitalization."
  - ✚ (2) For a Direct Unsubsidized Loan or a Direct Unsubsidized Consolidation Loan that qualifies for a grace period, the Secretary capitalizes the unpaid interest...
  
- ✚ 34 CFR 682.202(b)(1) and (2)(b) *Capitalization*.
  - ✚ (1) A lender **may** add accrued interest and unpaid insurance premiums to the borrower's unpaid principal balance in accordance with this section. This increase in the principal balance of a loan is called "capitalization."
  - ✚ (2) Except as provided in paragraph (b)(4) of this section, a lender may capitalize interest payable by the borrower that has accrued...



## *Direct Loan Servicing Background*

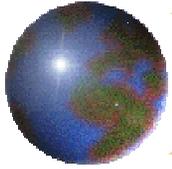
- ✚ Direct Loans 34 CFR 685.205(a)
  - (a) *General*. "Forbearance" means permitting the temporary cessation of payments, allowing an extension of time for making payments, or temporarily accepting smaller payments than previously scheduled. **The borrower has the option to choose the form of forbearance. Except as provided in paragraph (b)(9) of this section, if payments of interest are forborne, they are capitalized. The Secretary grants forbearance if the borrower or endorser intends...**
  
- ✚ FFEL 34 CFR 682.211(a)(1)
  - **The Secretary encourages a lender to grant forbearance for the benefit of a borrower or endorser in order to prevent the borrower or endorser from defaulting on the borrower's or endorser's repayment obligation, or to permit the borrower...**



# *Direct Loan Servicing Background*

## Direct Loan Servicing Authority & History

- August 1993 Student Loan Reform Act authorizes the Direct Loan Program
- December 1993 Combined origination/servicing awarded
- July 1993 First 105 Pilot schools join program
- June 1994 1<sup>st</sup> Direct Loan Originated
- July 1994 1<sup>st</sup> Direct Loan Booked to Servicing
- September 1996 1 millionth borrower booked to Servicing
- November 1997 Electronic Debiting (EDA) initiated
- August 1997 First DL Web site
- June 2002 EDA enrollment reaches 500,000
- March 2002 eBPP (Electronic Bill Presentment and Payment) initiated
  
- March 31, 2003 Total Active borrowers reach 6.1 million  
Portfolio valued at \$78.2 Billion  
2002 Web site visitors reach 14.7 million  
EDA borrowers reach 570,335  
1216 Schools are enrolled in originating Direct Loans



# *Direct Loan Servicing Background*

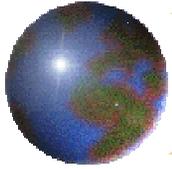
## 🌀 Business Purpose & Goals

### 🌀 Provide Superior Customer Service

- Accurate, timely, understandable information to borrowers
- Process entitlements and counsel borrowers in their options, rights and responsibilities
- Continuous innovation provides borrowers with more options and improved features (e.g., eBPP, Web, Self-Servicing, CRM, etc.)
- Protect borrower (customer) Privacy Act Rights

### 🌀 Provide Cost Effective Loan Servicing

- Migrate customers to electronic services and self-servicing
- Continuously seek cost reduction opportunities

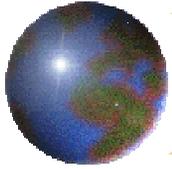


## *Direct Loan Servicing Background*

- ➊ Growth, Volumes, & Relevant Facts
  - ▣ Borrowers by Status

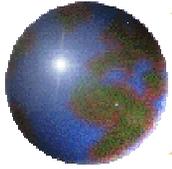
| Status         | Population |
|----------------|------------|
| In School      | 1,797,000  |
| In Grace       | 246,000    |
| In Repayment   | 3,024,000  |
| In Deferment   | 764,000    |
| In Forbearance | 290,000    |

***6.1 Million Active Borrowers as of March 31, 2003***



## *Direct Loan Servicing Background*

- ⊕ Growth, Volumes, & Relevant Facts
  - ⊞ 2002 Inbound and Outbound Call Statistics
    - Inbound
      - Total Calls = 6,860,304 (highest volume year!)
      - Average Talk Time = 267 seconds
      - Average Speed to Answer = 9 seconds
    - Outbound
      - Auto Dialer Calls = 1,144,171
      - Average Talk Time = 312 seconds
  - ⊞ 2003 Inbound Call Statistics to Date
    - January through March = 1,795,894
  - ⊞ Highest Inbound Volume Day = 52,488 on 2/3/2003!



# *Direct Loan Servicing Background*

## • Growth, Volumes, & Relevant Facts

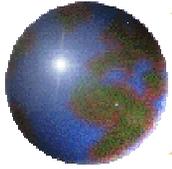
### ■ 2002 Printing/Fulfillment Statistics

- Monthly bills (paper) = 31.2 million (2.6 million monthly)
- Quarterly Interest Statements = 7.6 million
- 1098-E's = 2.88 million (2003 = 6+ million)
- Annual Interest Change Notices = 4.7 million

### ■ 2002 and 2003 Payment Processing Volumes

- Volumes in millions
- Calendar Years

| <u>Source</u>               | <u>2002</u> | <u>2003 (Jan-Mar)</u> |
|-----------------------------|-------------|-----------------------|
| • Paper Bills               | 18.2        | 4.8                   |
| • Electronic Debits (EDA)   | 4.8         | 1.4                   |
| • Web (Aggregator & Direct) | 0.25        | 0.25                  |



# *Direct Loan Servicing Background*

## ⊕ Growth, Volumes, & Relevant Facts

### ⊕ Document Processing Statistics for 2002

- Control Mail 319
- Executive Issues > 11,000
- Deferment 779,547
- Forbearance 995,388

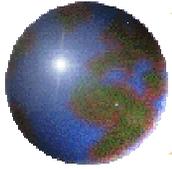
### ⊕ Imaging (monthly average) 550,000

### ⊕ Mass Mailings

- EDA (per mailing) 5,000,000

### ⊕ Miscellaneous Mailings

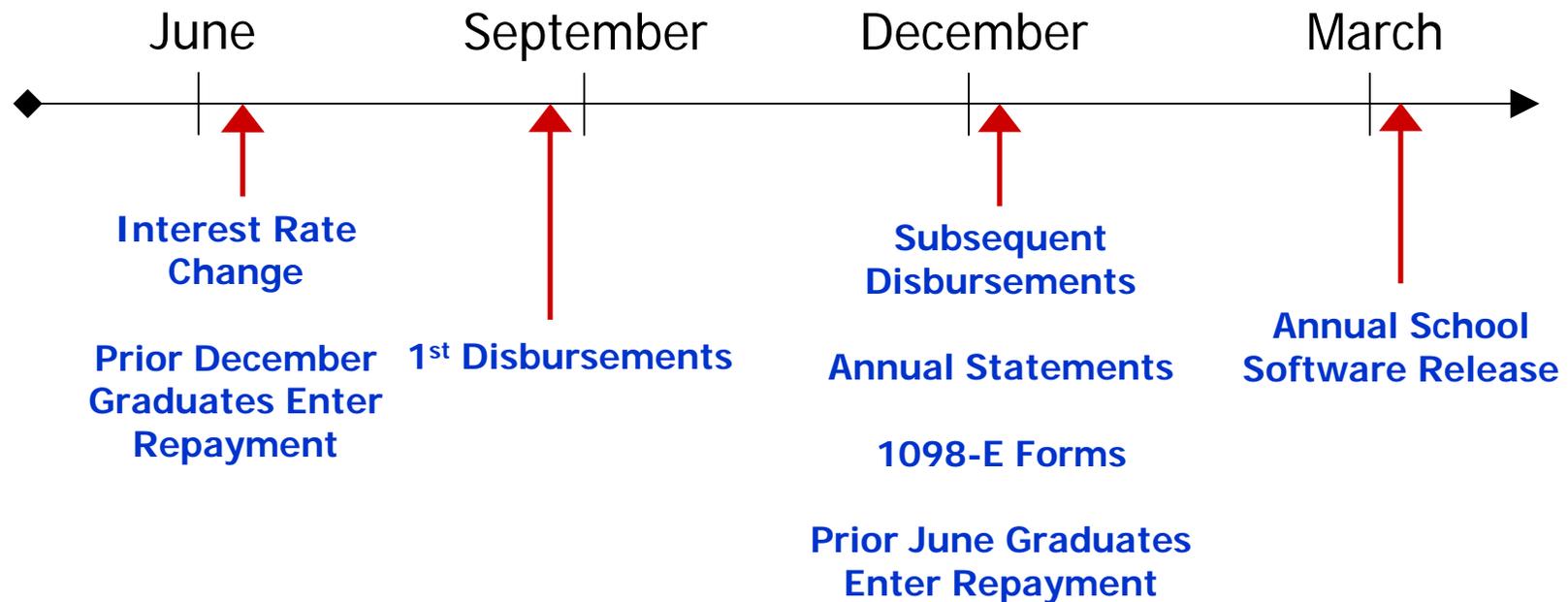
- Electronic Services (stuffers) 2,500,000
- EDA (stuffers) > 2,000,000

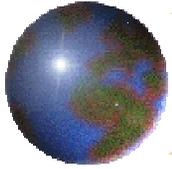


# Direct Loan Servicing Background

## Peak Periods Timeline

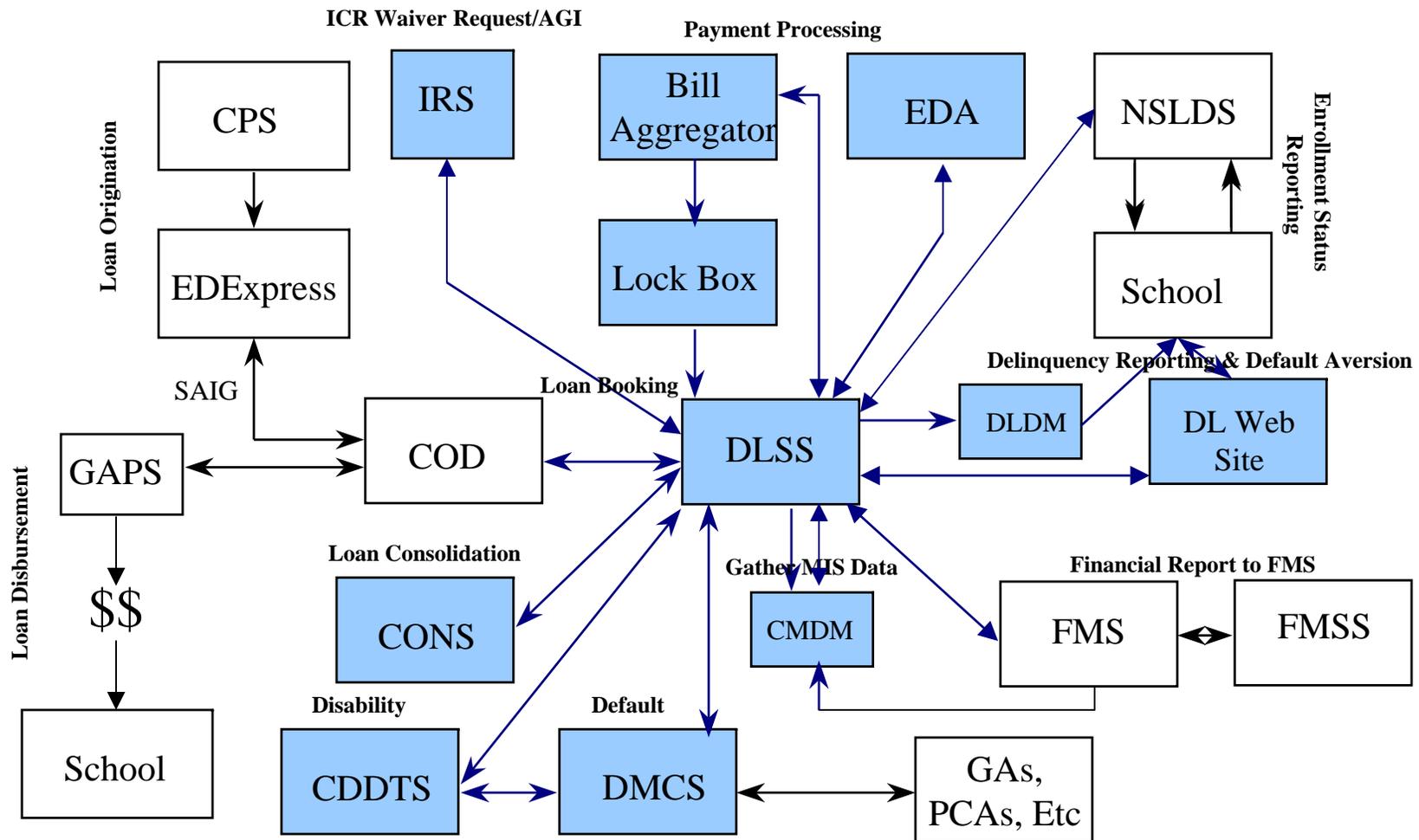
- Processing, Call Volume, Mailings, Implementations, etc.

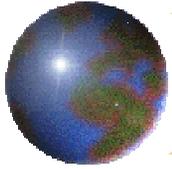




# Direct Loan Servicing Background

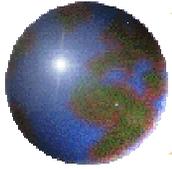
## Business Integration and Trading Partners





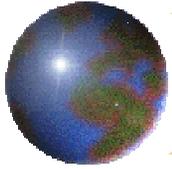
## *Direct Loan Servicing Background*

- ❖ Direct Loan Servicing Computing Considerations
  - ❑ Direct Loan Web Site and FSA Portals
  - ❑ Direct Loan Delinquency Data Mart (DLDM)
  - ❑ Credit Management Data Mart (CMDM)
  - ❑ EAI Bus (IBM MQ Series)
  - ❑ Common Student ID (CSID)
  - ❑ (School) Routing ID (RID)
  - ❑ Virtual Data Center (VDC)



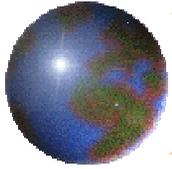
## *Direct Loan Servicing Background*

- ❖ Examples of Unique Direct Loan Requirements
  - ❑ Income Contingent Repayment
    - Annual IRS income verification
    - 25 year repayment term
    - Formula-based payments, negative amortization and \$0 payments
  - ❑ Credit Reform Code (CRC)
    - Determines cohort year and risk category of each loan
    - Created at COD and Loan Consolidation and carried in Servicing
  - ❑ Alternative Repayment Plans
    - Several Alternative Repayment Plans used to meet specific borrower needs (e.g. execution of Department of Justice settlement agreements)
  - ❑ Other Regulatory Differences (see Slide 27)



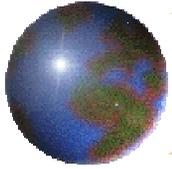
## *20 Minute Break*





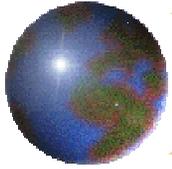
# Collections

*Gary Hopkins*



## *Collections Background*

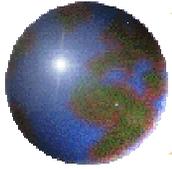
- ⊕ Business Purpose & Goals
- ⊕ Defaulted Loan Programs & Matching Programs
- ⊕ Collections Partners (External Entities)
- ⊕ Processing & Customer Service Functions
- ⊕ Public Inquiry Duties & Miscellaneous Loan Servicing
- ⊕ Portfolio Characteristics
- ⊕ Volumes & Relevant Facts
- ⊕ Business Integration & Trading Partners
- ⊕ Summary



# *Collections Background*

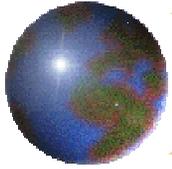
## ✚ Business Purpose & Goals

- Manage Defaulted Portfolio of Title IV Debt
  - FFEL Assigned Loans
  - FDSL Loans
  - Perkins Assigned Loans
  - FISL Program Loans
  - Program Overpayments (POVR)
  
- Administer Defaulted Loan Programs
  
- Provide Prompt and Responsive Customer Service



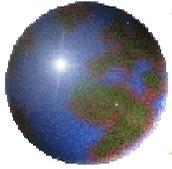
# *Collections Background*

- Defaulted Loan Programs
  - Administrative Wage Garnishment
  - Treasury Offset Program
  - Federal Employee Salary Offset Program
  
- Matching Programs
  - Treasury\FMS
  - National Directory of New Hires (NDNH)
  - Department of Defense, U.S. Postal Service
  - CAIVRS (HUD)



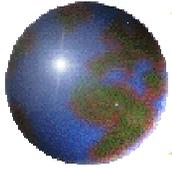
## *Collections Background*

- ❖ Collections Partners (External Entities)
  - ❖ 36 FFEL Guarantors
  - ❖ Educational Credit Services Company (ECMC)
  - ❖ U. S. Department of Justice
  - ❖ Federal Matching Agencies



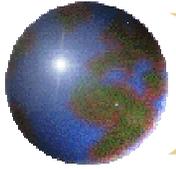
# *Collections Background*

- Collections Partners (External Entities)
  - Private Collection Agencies
    - Account Assignment & Inventory Tracking
    - Account Updates
    - Performance Tracking & Reporting
    - Large File Transfers
    - Payment & Reward Processing
    - Compliance Tracking



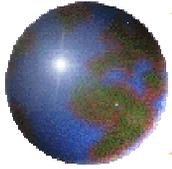
# *Collections Background*

- ✚ Processing & Customer Service Functions
  - ▣ New Debt Assignments
  - ▣ PCA Assignments
  - ▣ Administrative Wage Garnishment Tracking
  - ▣ NSLDS Interface
  - ▣ Financial Management & Accounting
  - ▣ Account Archiving and Restoring
  - ▣ Payment Processing



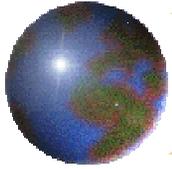
## *Collections Background*

- Processing & Customer Service Functions
  - Loan Discharge Processing
  - Credit Bureau Reporting
  - 1098-E and 1099-C Processing
  - Treasury Offset Program Processing
  - Federal Employee Salary Offset Program Processing
  - Loan Consolidation & Rehabilitation Processing
  - Reports (System Generated, Ad hoc)



# *Collections Background*

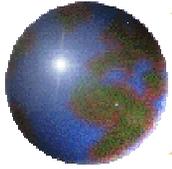
- Public Inquiry Duties
  - Inbound 800-621-3115 Calls
  - General Written Inquiries
  - Control Mail Inquiries (Congressional, etc.)
  - Hearings (Written)
  
- Miscellaneous Loan Servicing
  - Data Entry
  - Account Adjustments
  - Special Projects



# *Collections Background*

## ✚ Portfolio Characteristics

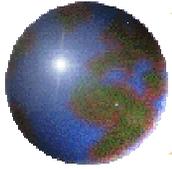
- ▣ 4.7 Million Accounts (borrowers)
- ▣ 7.8 Million Loans
- ▣ 2.3 Million Active Accounts
- ▣ 4.1 Million Loans on Active Accounts
- ▣ \$14.77 Billion on Active Accounts



# *Collections Background*

## Portfolio Characteristics

|   |         |   |      |
|---|---------|---|------|
| ■ | FFEL    | - | 61%  |
| ■ | FDSL    | - | 34%  |
| ■ | Perkins | - | 2.9% |
| ■ | FISL    | - | 2%   |
| ■ | POVR    | - | 0.1% |

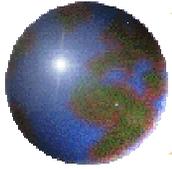


# *Collections Background*

## ✚ Portfolio Characteristics

### ▣ Age Characteristics

- 60% of FFEL >5 to 10 Years Old
- 97% of FDSL <5 Years Old
- 60% of Perkins >10 Years Old



# *Collections Background*

## 🌀 Volumes & Relevant Facts

### 🗄 Processing

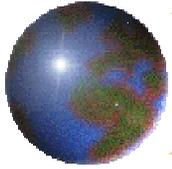
- 3,943,443 payments posted
- 5.8 Million Account Files Stored & Imaged

### 🗄 Telephone Inquiries (800-621-3115)

- 1.14 Million Calls
- 820,000 Agent-Assisted Calls
- 320,000 IVRU Handled Calls

### 🗄 Correspondence

- 292,000 Pieces
- 289,000 Non-Controlled Pieces
- 3,000 Controlled Pieces



# *Collections Background*

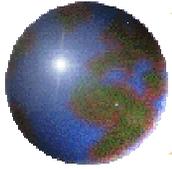
## ✚ Volumes & Relevant Facts

### ▣ Miscellaneous Requests for Information

- Billing Setup 18%
- Account Disputes 17%
- PCA Referral 10%
- TOP/FED Offsets 5%
- PIF/SIF Letter Request 5%
- NSLDS Inquiry 5%

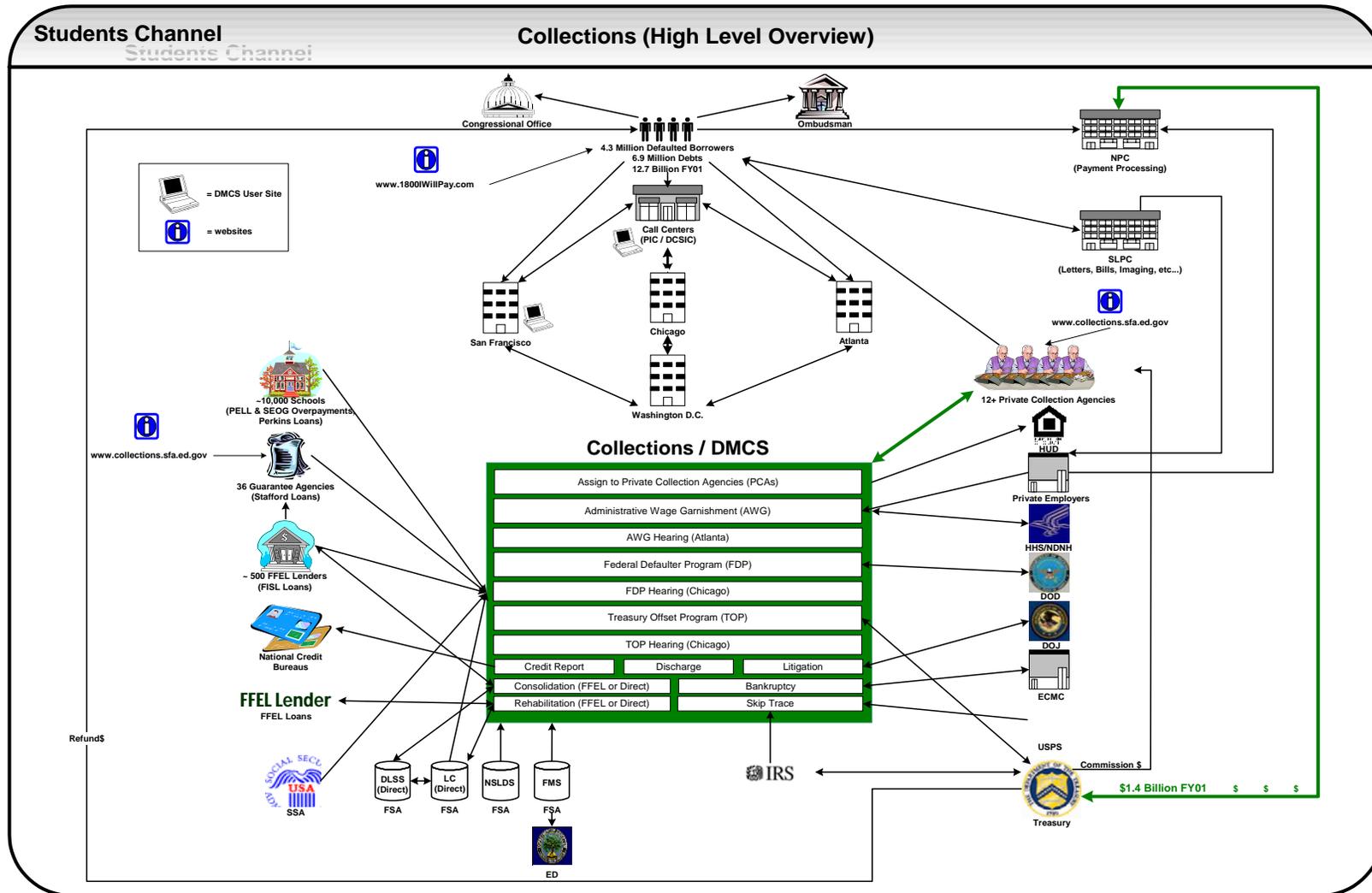
### ▣ Hearings (Research & Draft Responses)

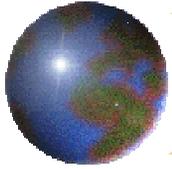
- TOP 4,800
- AWG 5,700
- FESOP 1,500 (est.)



# Collections Background

## Business Integration & Trading Partners

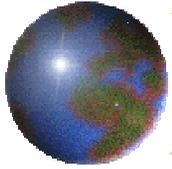




# *Collections Background*

## Summary

-  Defaulted Debt System and Program Processing
-  Defaulted Debt Payment Processing
-  Defaulted Borrower Inquiry Support
-  Private Collection Agency Management System



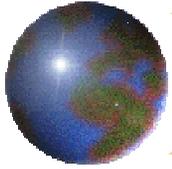
# Loan Consolidation & Conditional Disability Discharge Tracking

*Denise Leifeste*



## *Direct Loan Consolidation Background*

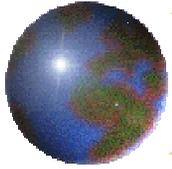
- ⊕ Business Purpose
- ⊕ Goals
- ⊕ Business Integration & Trading Partners
- ⊕ Volumes & Relevant Facts
- ⊕ Technical Architecture Considerations
- ⊕ Key Steps in Consolidating Loans



# *Direct Loan Consolidation Background*

## ✦ Business Purpose

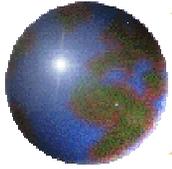
- ✦ Refinancing federally insured student loans
- ✦ Allowing for single payment rather than multiple payments to many lenders
- ✦ Flexible repayment arrangements to reduce default
- ✦ Second chance for defaulted borrowers to regain eligibility and pay off loans



# *Direct Loan Consolidation Background*

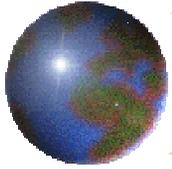
## ✚ Goals

- ▣ Maximize accurate loan payoffs while minimizing over or underpayment activity
- ▣ Minimize the number of days to consolidate loans
- ▣ Maximize the number of borrowers submitting electronic loan applications



## *Direct Loan Consolidation Background*

- ✿ Business Integration & Trading Partners
  - Guaranty Agencies
  - Title IV Lenders (banks, credit unions, etc.)
  - Perkins Loan Schools
  - HHS (HEAL Loans)
  - DMCS/Collections (FSA Collections)
  - FSA's Private Collection Agencies
  - Direct Loan Servicing



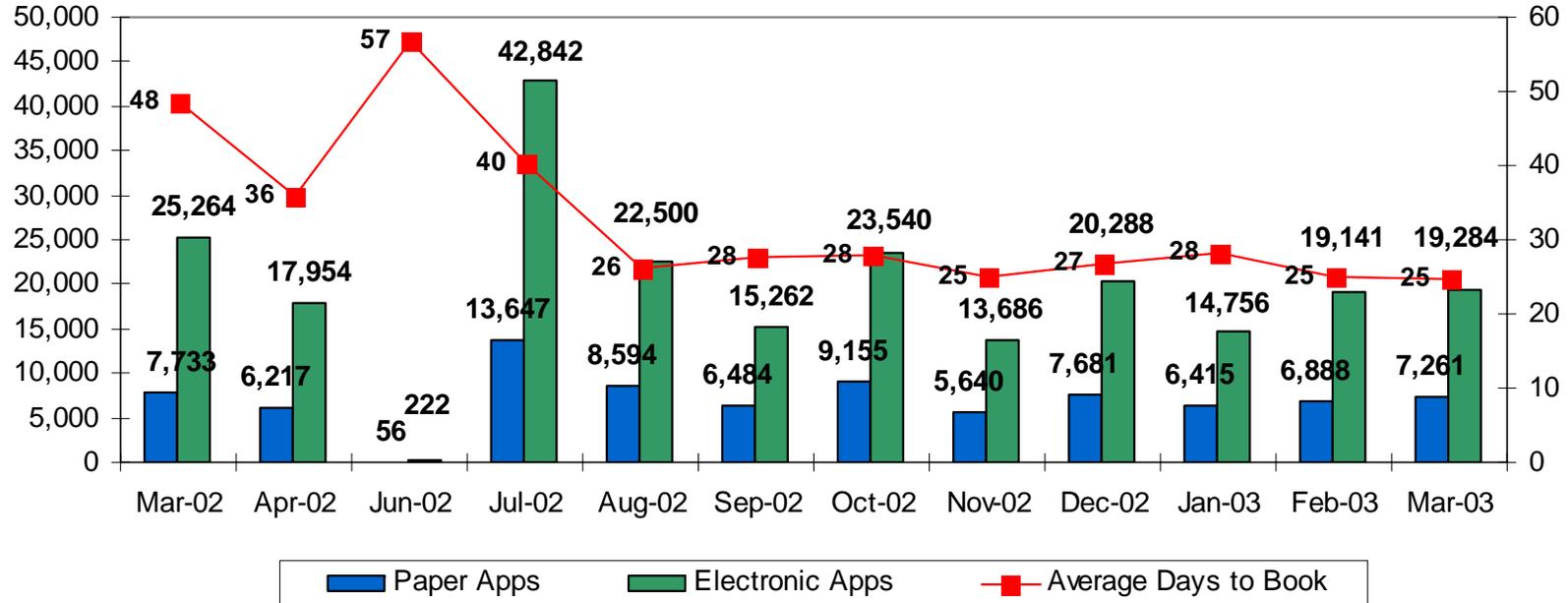
# Direct Loan Consolidation Background

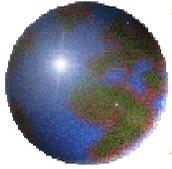
## Volumes & Relevant Facts

Apps Booked

### Monthly Booked Applications

Average Days to Book

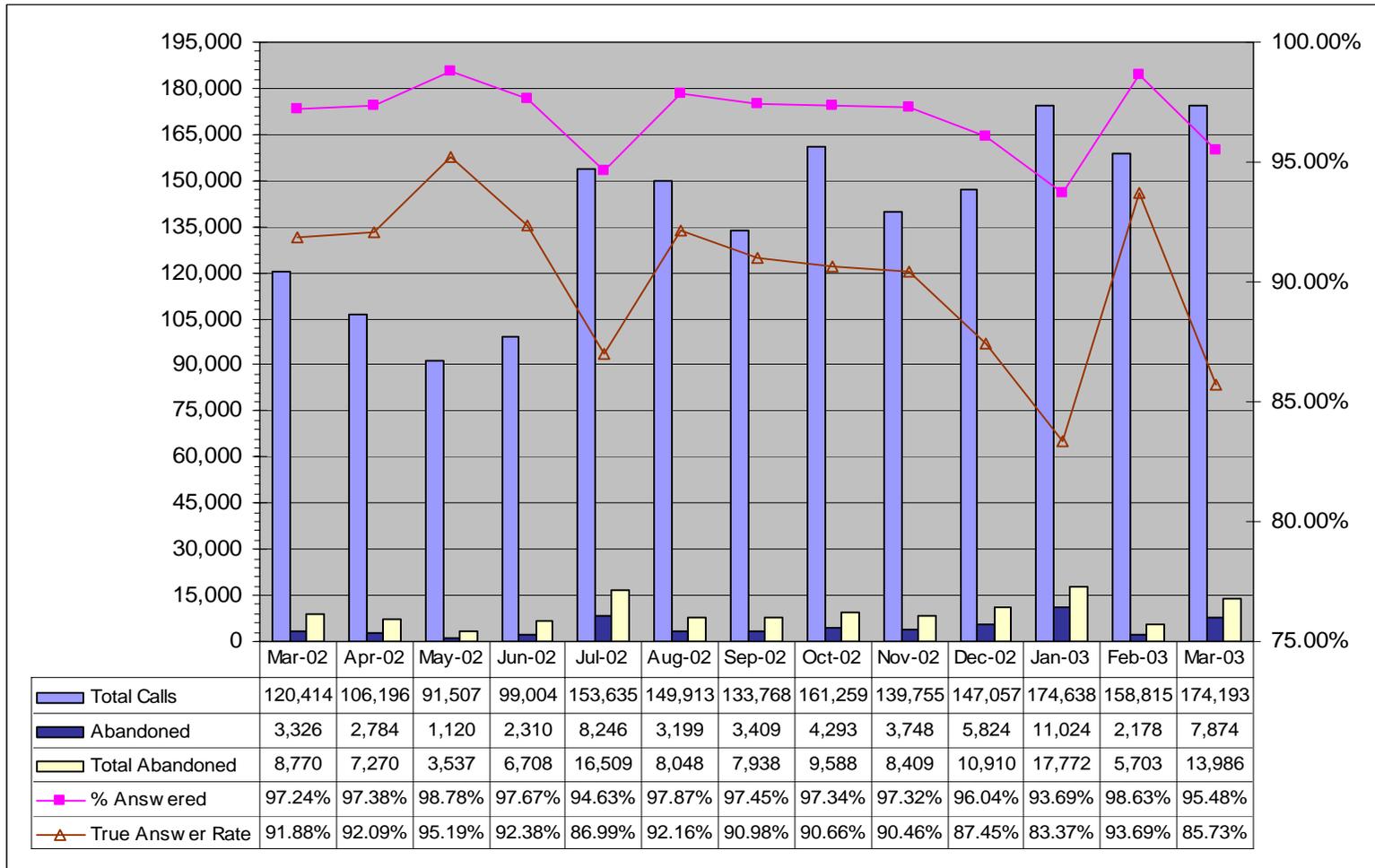


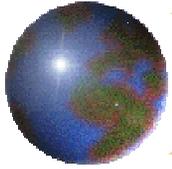


# Direct Loan Consolidation Background

## Volumes & Relevant Facts

### Customer Call Center





# Direct Loan Consolidation Background

**For 13 months Jan 02 – Feb 03**

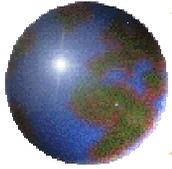
**Apps Accepted  
497,151**

**Apps Booked  
341,823**

**Loans Booked  
\$7.86 bil**

**EFT Booked  
\$5 mil**

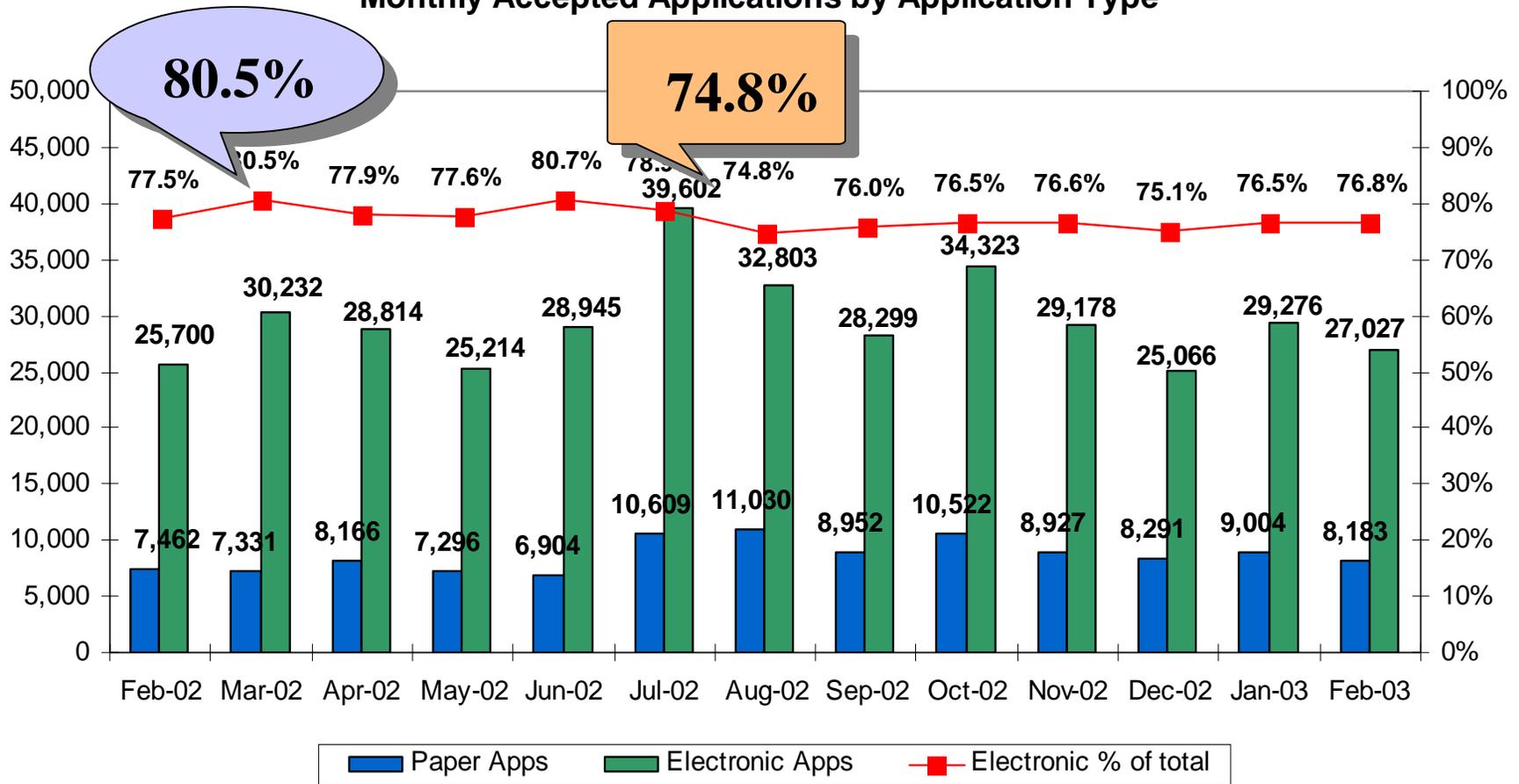
|                            | Applications Accepted | Elect to Tot % | Apps Cancelled # | Apps Reinstated # | Funding on hold | Applications | Underlying | EFT Lenders # | EFT Funded Loans # |
|----------------------------|-----------------------|----------------|------------------|-------------------|-----------------|--------------|------------|---------------|--------------------|
|                            |                       | 77.50%         | 13,172           |                   |                 |              |            |               |                    |
|                            |                       | 80.48%         | 23,544           |                   | 0               | 32,997       | \$1,434    | 43            | 42,912             |
|                            |                       | 77.92%         |                  |                   |                 | 171          |            |               |                    |
|                            |                       | 77.56%         |                  |                   |                 | 737          |            |               |                    |
|                            |                       | 80.74%         |                  |                   |                 | 278          |            |               |                    |
|                            |                       | 78.87%         |                  |                   |                 | 489          | \$1        |               |                    |
| August                     | 32,803                | 74.84%         |                  |                   |                 | 094          |            |               |                    |
| September                  | 28,299                | 75.97%         |                  |                   |                 | 746          |            |               |                    |
| October                    | 34,323                | 76.54%         |                  |                   |                 | 32,695       | 28         | 78            | 193                |
| November                   | 29,178                | 76.57%         | 11,558           |                   |                 | 19,326       | 25         | 78            | 937                |
| December                   | 25,066                | 75.14%         | 10,881           | 22                |                 | 27,969       | 27         | 79            | 520                |
| January                    | 29,276                | 76.48%         | 10,705           | 16                |                 | 21,171       | 28         | 81            | 618                |
| February                   | 27,027                | 76.76%         | 7,892            | 14                | 0               | 26,029       | 25         | 81            | 939                |
| Last 13 Month Totals       | 497,151               | 77.34%         | 162,169          | 52                | 42              | 341,823      | 35         |               | 486,074            |
| Fiscal Year to Date Totals | 189,797               | 76.33%         | 52,247           | 52                | 6               | 127,190      | 27         |               | 167,507            |

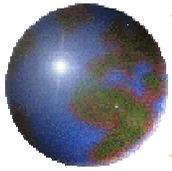


# Direct Loan Consolidation Background

## Volumes & Relevant Facts

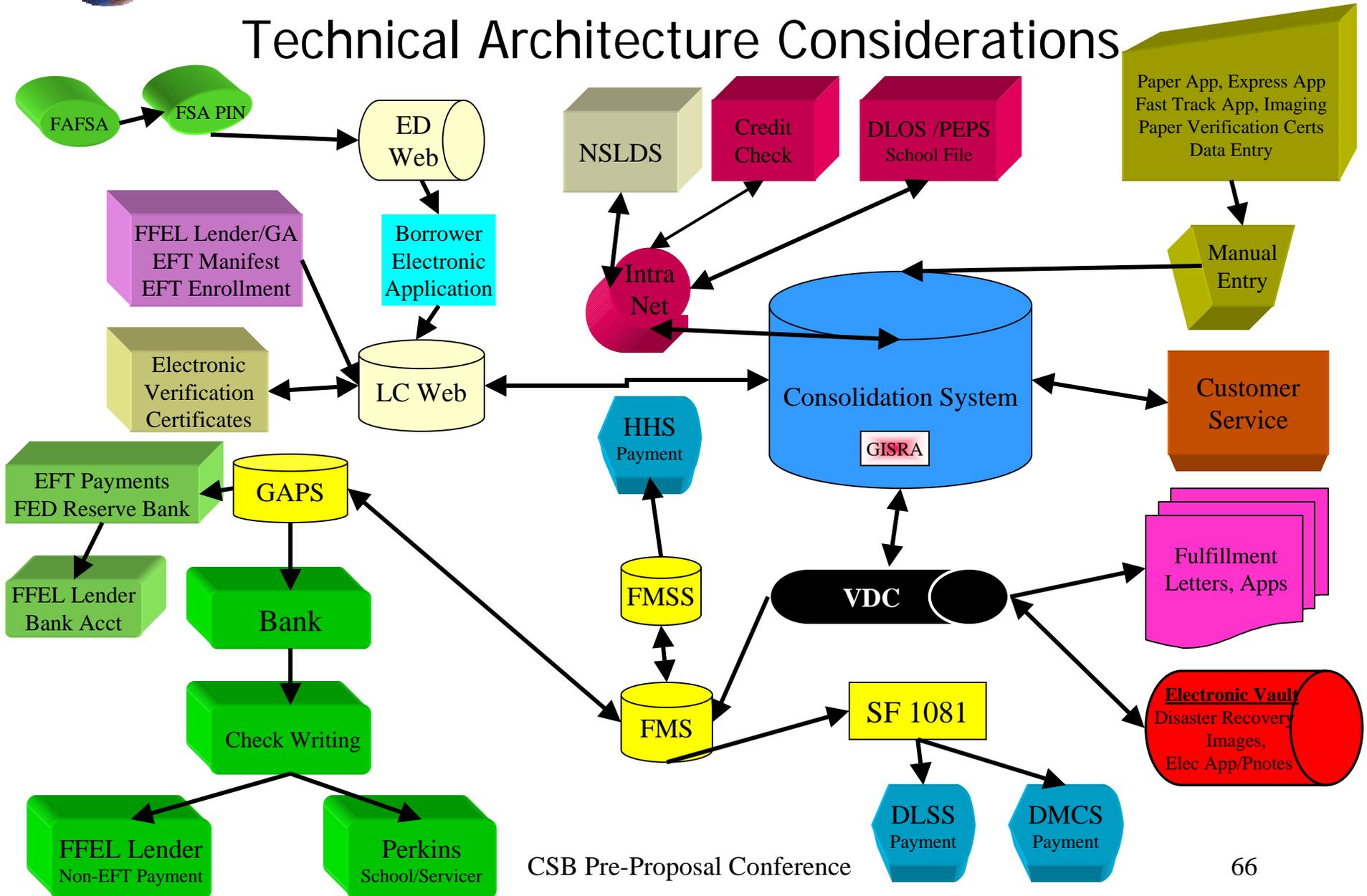
Monthly Accepted Applications by Application Type

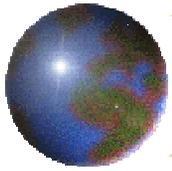




# Direct Loan Consolidation Background

## Technical Architecture Considerations

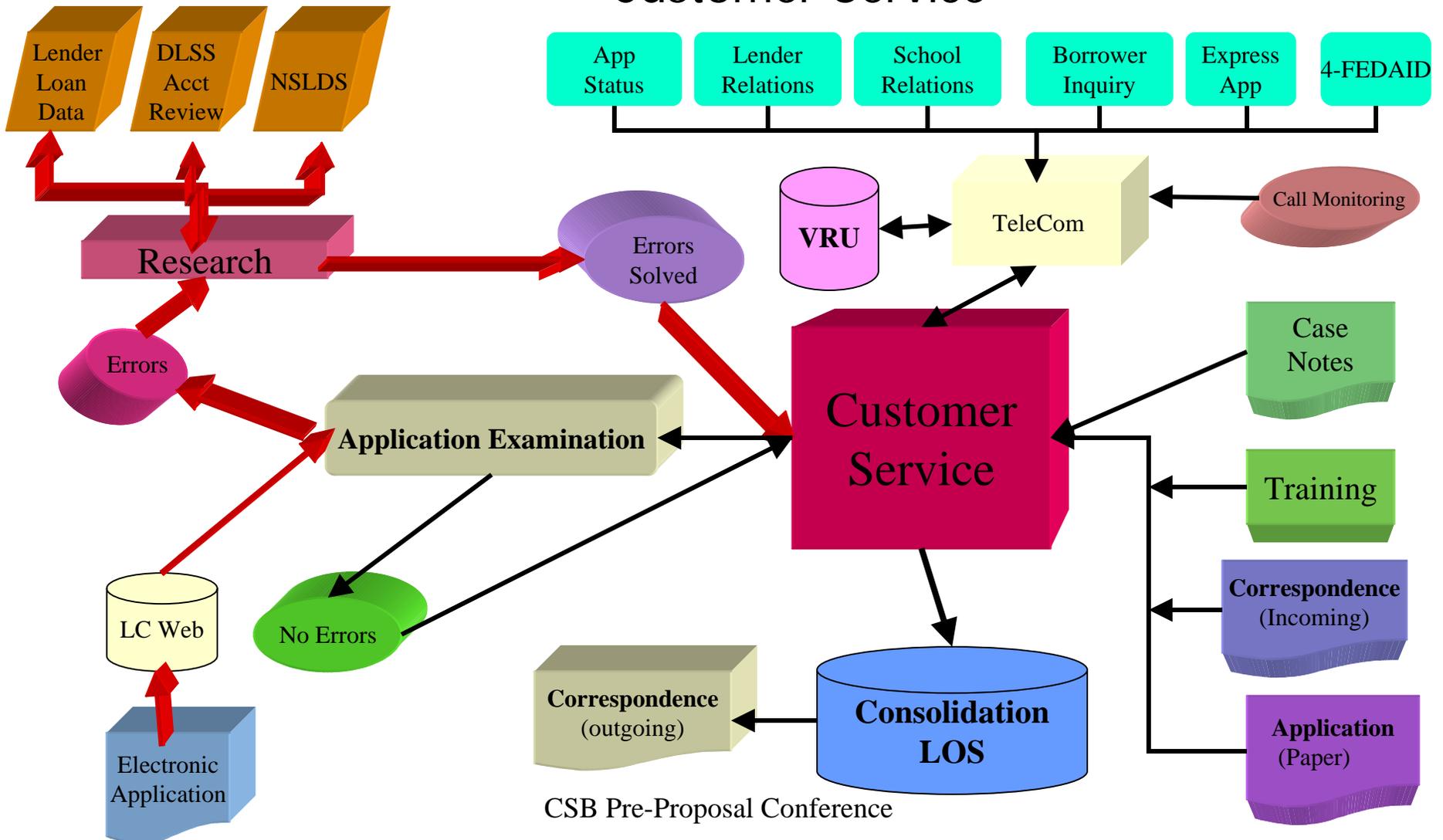


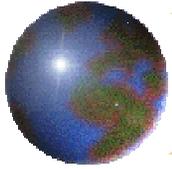


# Direct Loan Consolidation Background

## Technical Architecture Considerations

### Customer Service



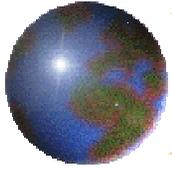


# *Direct Loan Consolidation Background*

## Technical Architecture Considerations

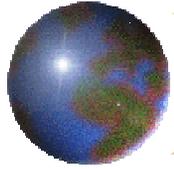
### Loan Consolidation Website

- Title IV Lenders (banks, credit unions, etc.)
- On-line application/promissory note
- On-line repayment calculator
- Application status look up
- FAQs, application materials
- Electronic funds transfer (EFT)
- Electronic signature on application
- Electronic Verification Certification



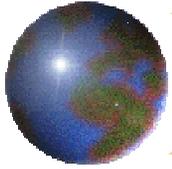
# *Direct Loan Consolidation Background*

- ❖ Key Steps in Consolidating Loans
  - ❖ Receive Applications
    - Web, Paper, Fast Track, Express
  - ❖ Verification by Loan Holder
    - Loan Type, Balance, Interest Rate, Terms
  - ❖ Payoff Loan Holder
  - ❖ Create Borrower Loan Profile
    - Repayment Plan, Balance, Interest Rate
  - ❖ Transfer Borrower Loan Profile to DLSS
  - ❖ DLSS Creates Borrower Account



# *CDDTS Background*

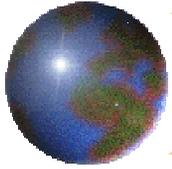
- ⊕ Brief History
- ⊕ Business Purpose
- ⊕ Business Integration & Trading Partners
- ⊕ Volumes & Relevant Facts
- ⊕ Technical Architecture Considerations



# *CDDTS Background*

## ✚ Brief History

- ▣ Program created to address an ED IG finding of fraud and abuse in discharge of loans based on total and permanent disability
- ▣ Regulations published under 34 CFR 674.61, 682.401 and 685.213 providing for conditional disability period for Perkins, FFEL and Direct
- ▣ Regulations implemented on July 1, 2002



# *CDDTS Background*

## Business Purpose

- Provide medical review of borrower's disabling condition
- Monitor income to assure borrower is unable to work and earn money
- Assure borrower does not receive additional student loans during the discharge period
- Reduce Title IV loan program fraud and abuse through identifying those borrowers who are truly disabled



# *CDDTS Background*

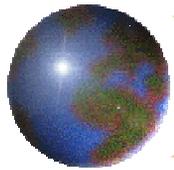
- ✚ Business Integration & Trading Partners
  - ▣ Guaranty Agencies
  - ▣ Perkins Loan Schools
  - ▣ Direct Loan Servicing
  - ▣ Collections/DMCS



# *CDDTS Background*

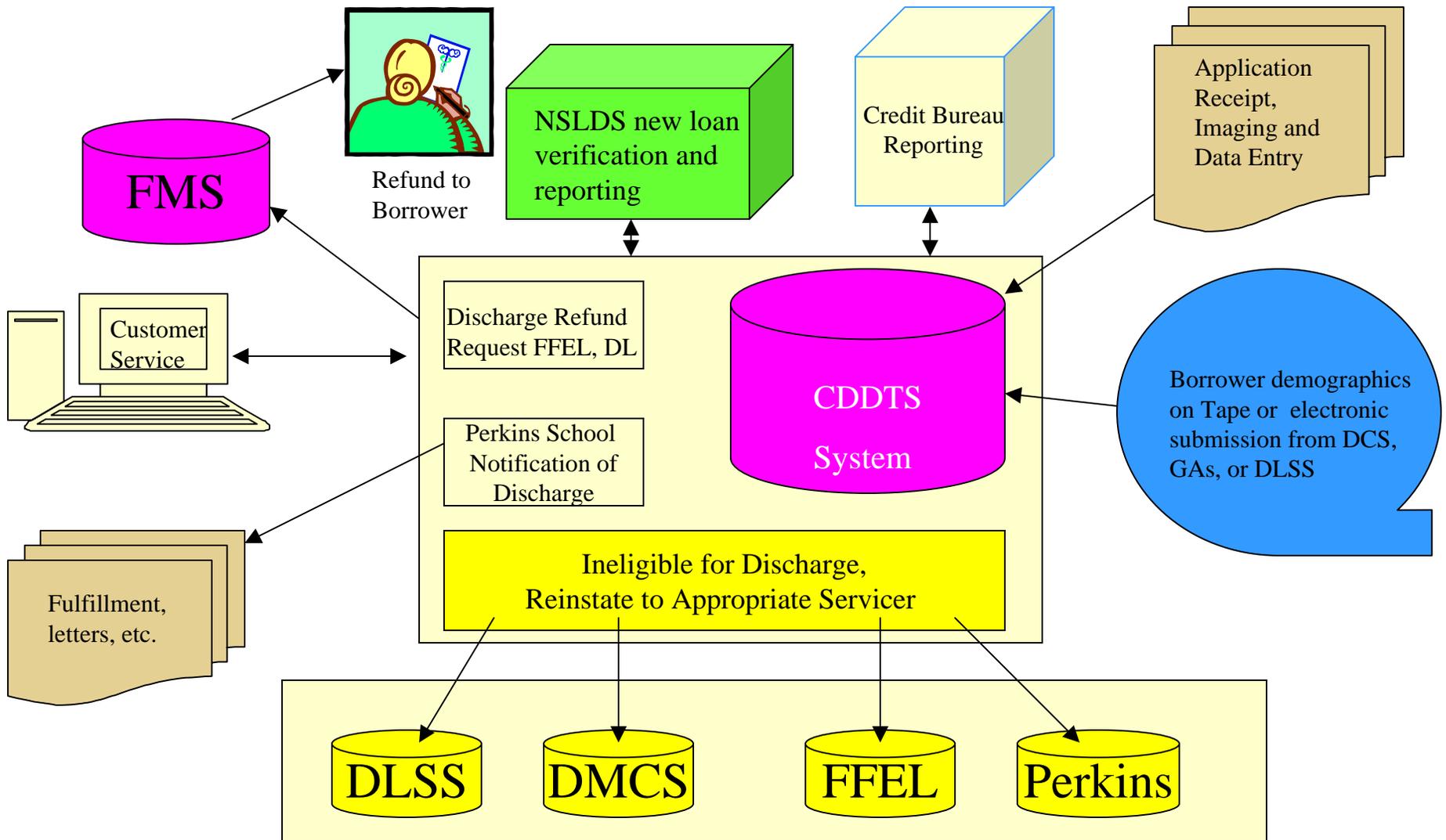
## Volumes and Relevant Facts

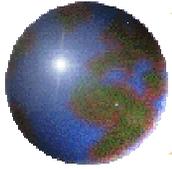
| <b>Cumulative Report from July 1, 2002 through March 31, 2003</b> |        |
|---|--------|
| Total Borrowers Assigned  | 9,603  |
| Total Loans Assigned  | 21,142 |
| Borrowers Discharged  | 66     |
| Borrowers Reinstated  | 510    |



# CDDTS Background

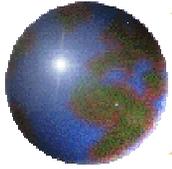
## Technical Architecture Considerations





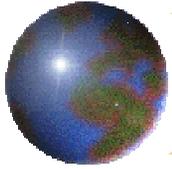
# Financial Transactions

*Bill Marks*



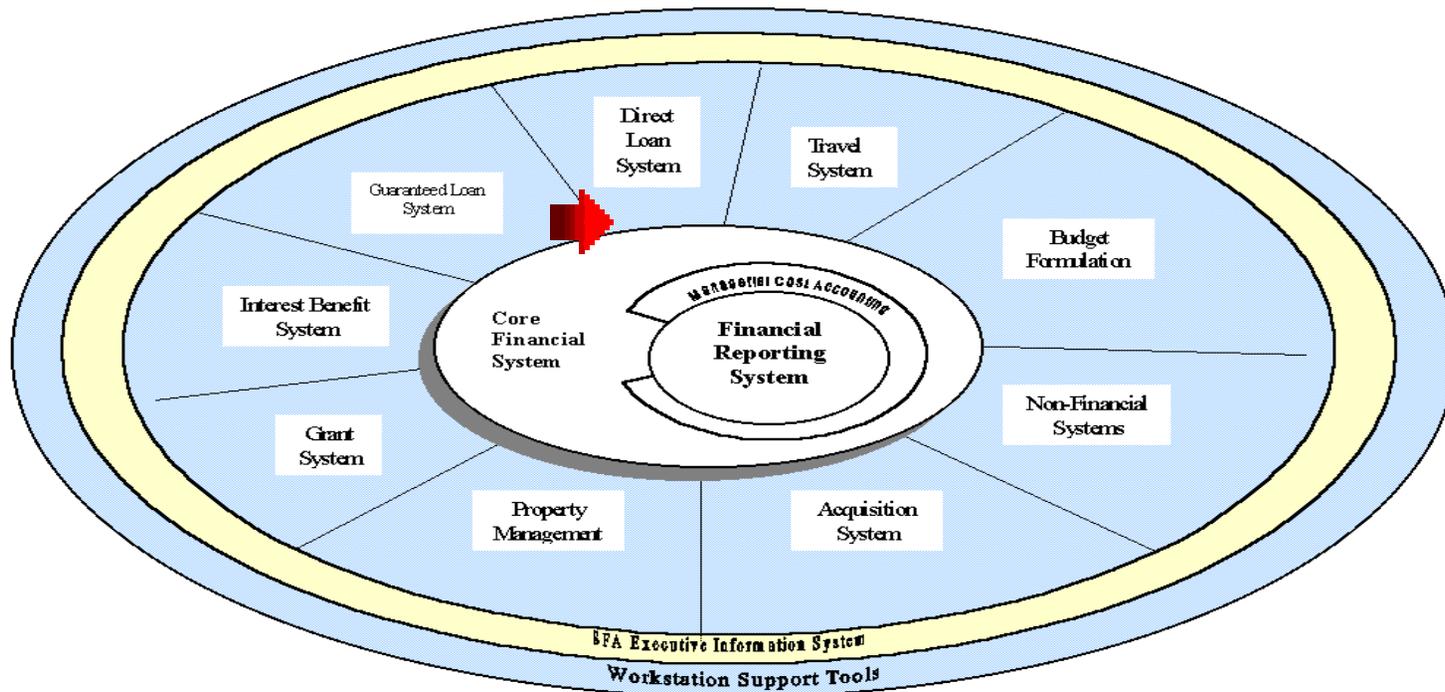
## *CSB Accounting Background*

- ❖ Conceptual Framework
- ❖ FSA Accounting Requirements (High Level)
- ❖ Integration and Reconciliation with FSA's Financial Management System (FMS), and Financial Management System Software (FMSS)
- ❖ Accounting Interfaces for CSB

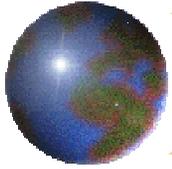


# CSB Accounting Background

## Conceptual Framework

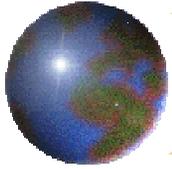


## JFMIP System Architecture



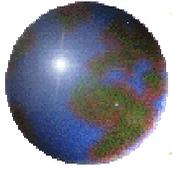
## *CSB Accounting Background*

- FSA Accounting Requirements (High Level)
  - The CSB feeder system is not a core financial system. CSB will support the FSA FMS (Financial Management System) and Education's FMSS (core financial system) in meeting the applicable requirements for a feeder system:
    - Joint Financial Management Improvement Program
    - Federal Financial Management Improvement Act of 1996 (FFMIA)
    - OMB Circular A-127



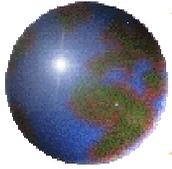
## *CSB Accounting Background*

- FSA Accounting Requirements (High Level)
  - CSB will provide effective financial management controls & support Education's compliance with applicable accounting standards and principles, including:
    - Integrated system allows financial data from each distinct FSA program (i.e. Direct Loans, FFEL loans, Perkins Loans, Program Overpayments, etc.) to be summarized with clear and complete audit trail between the data base, FMS, and FMSS.
    - Summarized financial data supports strategic management analysis
    - Consistent financial treatment that fully supports maintenance of unqualified audit opinion
    - Effective internal controls



## *CSB Accounting Background*

- ✚ FSA Accounting Requirements (High Level)
  - ✚ Credit Reform Accounting for loan data
    - Credit Reform Act of 1990
    - Requires retention and reporting of transactions by cohort year
  - ✚ Electronic payments
    - CSB and external payees, Department of Education, and other governmental agencies, etc.
    - Generally payments are processed through Treasury by ACH or FedWire
    - CSB will prepare the payment files for processing through FMS/FMSS
  - ✚ Reporting
    - Generate full federal and program reporting that reconciles to portfolio/database
  - ✚ Audit Requirements
    - Provide full support for audits of the U.S. Department of Education including internal audits, financial statement and other external audits



## *CSB Accounting Background*

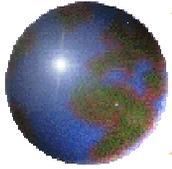
### ✦ Integration & Reconciliation with FMS & FMSS

#### ▣ Systems Balancing

- Financial transactions should be processed, summarized and transmitted from CSB to FMS
- Daily and monthly systems balancing to/from all operating partners is required

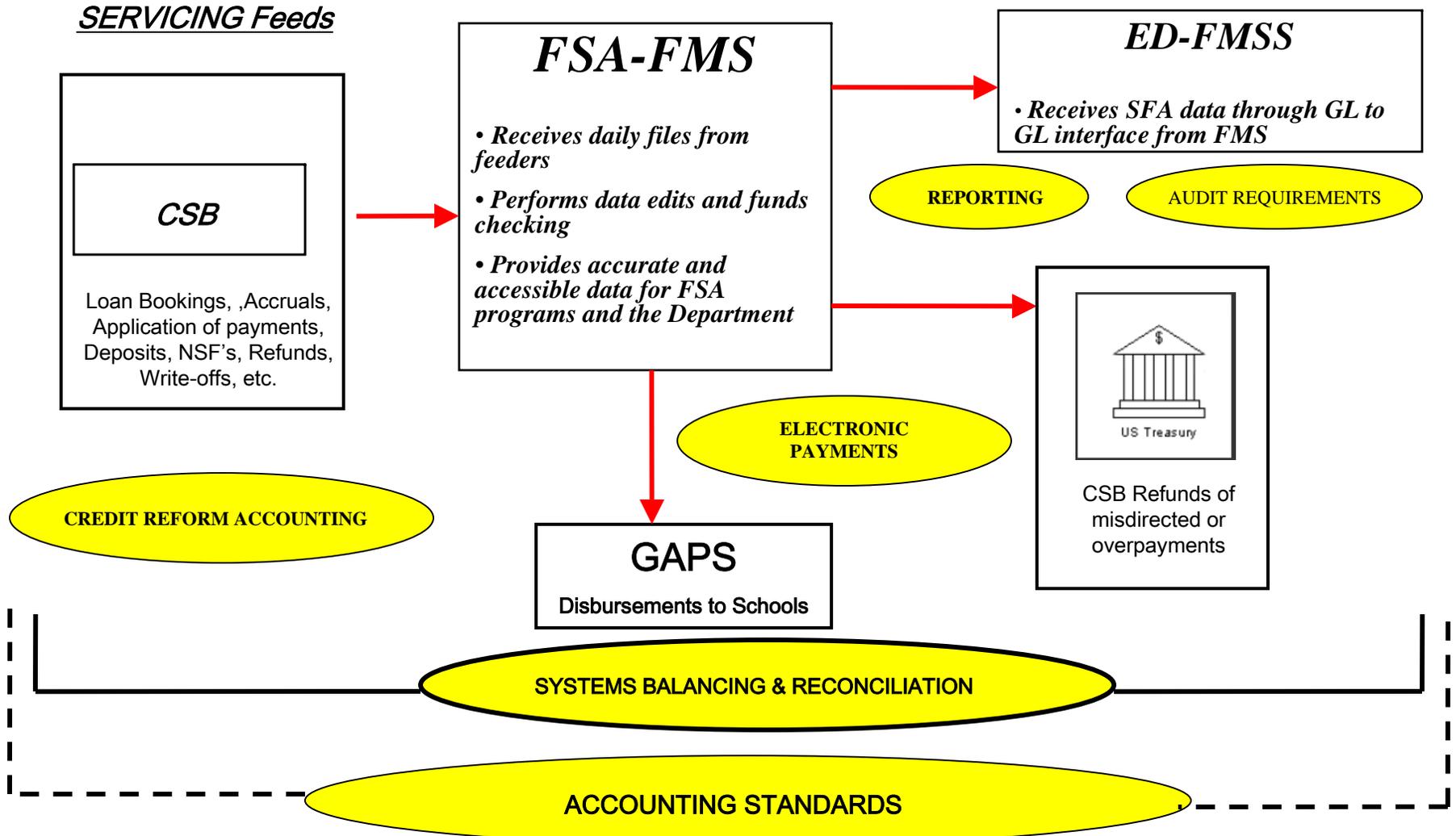
#### ▣ Reconciliation

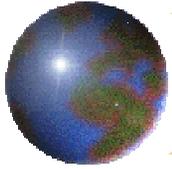
- CSB will produce a trial balance (report) from the database on daily, monthly, annually, ad hoc basis that reconciles to the database
- CSB will reconcile all financial transactions (cash and non-cash) daily and monthly from the database to FMS and to FMSS (Education's core financial system)
- CSB will reconcile all cash transactions daily and monthly from the database to Treasury and to FMS and to FMSS



# CSB Accounting Background

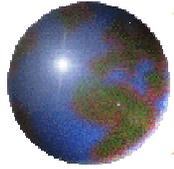
## Accounting Interfaces for CSB





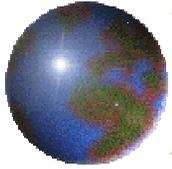
## *60 Minute Lunch Break*





# *Questions & Answers*

## Discussion *Questions & Answers*



## *Summary and Next Steps*

✚ *Summary*

✚ *Next Steps*