



*Student
Financial
Assistance*

Default Reduction Management Report

Appendix A Financial Services Industry Best Practices



Financial Services Industry Best Practices

Best Practice in Business Strategy	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Flexible treatment strategy based on ongoing predicative modeling Treatment cycles should be tailored based on: type of customer, risk class, and other groupings (for example, industry classification). Benefits: Generate a variety of collections techniques according to the delinquency and default risk of the accounts.</p>	✓	✓	✓
<p>Actively measure and manage collection agencies and leverage specialization There is an emerging interest in “scoring” collection agencies to better identify which agencies are most effective on which types of accounts. Benefits: Achieve better recovery results by utilizing the right agency.</p>	✓		✓
<p>Outsourcing Forming partnerships with outside expertise in collections and credit management areas. Benefits: Allow focus on core competencies and control over collection costs.</p>	✓		✓
<p>Internet Opportunities Develop B2B and B2C eCommerce Collections capability for cost efficiency and proactive electronic customer contact.</p>	✓		



Financial Services Industry Best Practices

Best Practice in Business Process	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
Earlier contact point Call outstanding accounts at an earlier stage and at more regular intervals. Benefits: Motivate payment and develop customer relationships.	✓	✓	✓
Event-based handoff rather than time based Transfer collections activities between stages based on events rather than time. Benefits: Ensure right activity triggered by different events.	✓		
Disputes and collections activity If a customer queries an item on their bill, the queried amount should be removed from the treatment balance and no longer chased until dispute is resolved. Benefits: Avoid future customer complaints and fosters rapport.		✓	
Exception driven processing Use outstanding wordlists rather than ledgers. Provide detailed information to the representative. Benefits: Avoid the possible errors when calling customers.		✓	



Financial Services Industry Best Practices

Best Practice in Business Process - continued	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
Fully utilize technology Avoid use of manual work where technology can be used more effectively. Benefits: Save time and reduce costs.	✓	✓	✓
Offer multiple payment methods Includes provision for automatic payments and special payment plans. Benefits: Increase likelihood of payment by giving more flexible approaches.		✓	
Organize work teams by stage of delinquency Work teams can be organized according to early collections, relationship collections and late stage collections. Benefits: Improve recovery results.	✓	✓	✓
Standardized collection policy Establish standardized collection policy supported by detailed documentation of collection procedures. Benefits: Provide consistent guidelines for collection operations.		✓	✓



Financial Services Industry Best Practices

Best Practice in Technology	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>B2B Opportunities</p> <p>Enables real time exchanges with Collections & Recovery vendors, legal counsel, court system, and on-line 'skip tracing' databases such as IRS database, social security database, Credit Bureau, and Motor Vehicle Registration database</p> <p>Enhance workflow automation among business partners.</p>	✓		✓
<p>B2C Opportunities</p> <p>Enables proactive (versus reactive) outbound customer communication through less expensive electronic channels</p> <p>Provides ability to leverage bill presentment and payment functionality being offered electronically today</p> <p>Provides customers with better access to account information, debt counseling and debtor's options</p>	✓	✓	



Financial Services Industry Best Practices

Best Practice in Technology - continued	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Automated Collection System Automated queuing system, Automated information system, automated document tracking, Automated communication support, Automation of routine activities, interface with customer database, automated performance monitoring. Benefits: Elimination of manual process, Elimination of inconsistency, Elimination of multiple data entry, Reduction in turnaround time.</p>	✓	✓	✓
<p>Document Tracking Tracking of outstanding documents. Benefits: Elimination of manual process and reduction in turnaround time.</p>	✓	✓	
<p>Communication Support Automated letter production. Electronic faxing. E-mail integration. Electronic Data Interchange. Benefits: Elimination of manual process and reduction in turnaround time.</p>	✓	✓	
<p>Electronic Tools Electronic White Pages, Skip tracing data exchanges, workflow management system. Benefits: Reduction in turnaround time.</p>	✓		✓



Financial Services Industry Best Practices

Best Practice in Technology - continued	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Workflow Management System Distribution and prioritization of accounts against risk criteria such as collections, history, balance and borrower location. Elimination of items as worked or re-queued if necessary. Automatic identification of accounts by category. Benefits: Elimination of manual process, Reduction in turnaround time.</p>	✓		
<p>Predicative Modeling Predict recovery probability based on customer history. Benefits: Ensure proactive and customized treatment of each account. Facilitate consistent and objective assessment of risk.</p>	✓		✓
<p>Decision Support System Enable management to make decisions on the treatment of different types of accounts. Enable management to shift business strategies based on portfolio performance and other factors. Allow easy ad-hoc reports in order to monitor portfolio and analyze trends Benefits: Consistency of customer treatment, Information based business strategy.</p>	✓		✓



Financial Services Industry Best Practices

Best Practice in Technology - continued	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Computer-Telephone Integration Customer file is automatically brought up on screen when the customer number is dialed. Enables transfer of information between PCs as call is transferred, to avoid repeating request for customer details. Benefits: Avoid multiple data entry, Eliminate manual process</p>	✓	✓	
<p>Predictive Dialers Automatically selects and dials customers from database list. Controls dial speed based on estimation of when operation will be free. Interface with collection tools. Benefits: Elimination of manual process of selecting and dialing numbers. Avoid the need to wait for customer response.</p>	✓	✓	
<p>Scripting and Case Management On-line script which prompt officer according to purpose of call and most appropriate actions based on collection/customer scenario. Benefits: Ensure efficiency of conversations. Maintain customer relations standard.</p>		✓	✓



Financial Services Industry Best Practices

Best Practice in Organization	Operational Cost Saving	Employee Satisfaction	Portfolio Performance
<p>Empower Team Environment Give team members authority over certain decisions. Benefits: Reduce management responsibility and increase employee morale.</p>		✓	
<p>Establish and Demonstrate a Quality Culture throughout Organization Targets consistently to reflect customer value. Clear recognition of achievement in critical quality areas. Benefits: Enable organization to set long-term targets for step-changes in performance.</p>	✓	✓	✓
<p>Outsource after-hour collection activities to third party agencies Customer-centric management: catch customer “at home” time. Better time zone management. Benefits: Allow employee to focus on their core competency.</p>	✓	✓	✓
<p>Training Focus on communication, customer service and technology. Benefits: Increase staff productivity and employee morale.</p>	✓	✓	



Public-Private Alliances Best Practices

Government Best Practices	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>State Government Connecticut is forming public-private partnerships in areas such as public housing. Virginia is concentrating its partnerships on transport projects. Virginia is also bringing in an IT vendor who will supply the computer hardware and software at its own expense and will be paid out of the \$400 million in savings expected over the next six years.</p>	✓	✓	
<p>Federal Government The department of Human Services is continuing its focus on outcomes. A private sector provider is with the department to create an Internet-based job matching and job market information tool, to help individuals on social assistance find work.</p>	✓	✓	
<p>Local Government Riverside County in California has paid the provider out of the savings generated by the project. It out-sourced the operation of public libraries to a private-sector provider and paying the provider a percentage of the savings it squeezes from the budget.</p>	✓	✓	
<p>Foreign Government Under a private partnership plan, the public-sector will continue to operate the London Underground. It will set fares, run train and station operations. The private sector will be responsible for establishing and maintaining the infrastructure used by the operating company. The track, stations and signals will be leased through 20 to 30 year contracts to as many as three private companies.</p>	✓	✓	



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Appendix B **Student Loan Industry Best Practices**



Student Loan Industry Best Practices

Industry-Recognized Best Practices	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Achieve Expert Customer Service Through Training - Sallie Mae & USAF Customer service representatives should become experts in debt management and default prevention through extensive training:</p> <ul style="list-style-type: none"> •Customer service •Collections •Legal and regulatory requirements •Fair debt collection practices •Conflict management 	✓	✓	
<p>Establish Rigorous Customer Service Measurement - USAF The Recovery Department at USAF uses audio reviews and “How did we rate?” surveys to measure customer service. At least four audio reviews are performed on each specialist each month. The reviews include ratings for professional presentation, default loan knowledge, and a definite follow up date with the borrower.</p>		✓	
<p>Implement Strategies to Resolve Delinquent Account with Speed - Sallie Mae & USAF</p> <ul style="list-style-type: none"> •Immediate payment methods are offered to allow on-the-spot account resolution. •Deferment and forbearance forms are available on the web site or faxed on demand. •All account changes are processed within 24 hours. •Telephone and letter contacts with borrowers exceed regulatory requirements. 	✓	✓	✓



Student Loan Industry Best Practices

Industry Recognized Best Practices	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Utilize Comprehensive Skip Tracing Resources to locate borrowers - Sallie Mae</p> <ul style="list-style-type: none"> •Credit Bureaus •Electronic White Pages •Directory Assistance •Internet •National demographic tracking databases •Telephone calls to all references, employers and cosigners 	✓		✓
<p>Implement Cutting-edge technology in Default Management - Sallie Mae</p> <ul style="list-style-type: none"> •Caller identification •Predictive automated dialing •Primary screen pop-up •Fax ability to/from personal computers 	✓	✓	✓
<p>Provide the Representatives with Target Call Capability Via Technology - Sallie Mae</p> <p>Representatives can automatically select calling queues to target borrowers based on:</p> <ul style="list-style-type: none"> •School type •Borrower profile •Borrower demographics 	✓		✓



Student Loan Industry Best Practices

Industry Recognized Best Practices	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Provide Internet Solutions to Students and Parents to Reduce Delinquency •Electronic Bill Presentment and Payment Net.Pay is a secure, Web-based technology that lets students and parents receive and pay their loans bills over the internet. It delivers a fully integrated online data center to manage the distribution of the students' e-bills and resulting payments, saving in time and money. Automatic e-payment reduces loan delinquency.</p>	✓	✓	
<p>Default Prevention Tool: The Student Credit Counselor A debt management guide that helps students understand the implications of borrowing and how to manage credit successfully. The guide includes money management strategies, tips for handling financial difficulties and an extensive glossary of terms.</p>	✓	✓	
<p>Default Prevention Tool: Financial Aid Administrator (FAA) Guide to Default Prevention The guide is designed to help higher education institutions improve their financial aid counseling and default prevention services. The guide includes a default management database, counseling resources, sample call scripts, letters, and campus media outreach.</p>	✓	✓	
<p>Default Prevention Tool: Entrance and Exit Counseling Counseling videos and brochures can assist in student debt counseling sessions.</p>	✓	✓	



Student Loan Industry Best Practices

Industry-Recognized Best Practices	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Provide repayment incentives that help borrowers pay on time and save money - Sallie Mae, Nellie Mae</p> <ul style="list-style-type: none"> •The Great Rewards Program The Great Rewards Program enables borrowers to save hundreds, even thousands of dollars on a total cost of their Stafford loans. After making their initial 48 scheduled payments on time, borrowers receive a 2 percent interest rate reduction on their eligible loans. •The Direct Repay Plan The Direct Repay Plan allows borrowers who make electronic payments to receive a ¼ percent point interest rate reduction as long as they repay through the plan. 	✓	✓	✓
<p>Take a Proactive Approach in Delinquency Prevention - AES</p> <p>Due to the increased credit card borrowing among college students and over indebted vs. under employed, it is important for guaranty agencies to take a proactive approach in educating students on debt management.</p> <p>An advertising campaign aimed at student loan borrowers still in school to promote responsibility for loan repayment, the value of good credit and the importance of debt management. A web site designed to be a comprehensive guide to decisions and situations soon-to-be graduates will encounter, and resources to help them deal with it.</p>	✓	✓	
<p>Promote Debt Management Prior to Repayment - AES</p> <p>Combating the trend of increased borrowing by students (in particular credit card borrowing) by promoting debt management prior to repayment in order to prevent student loan delinquency and default.</p>	✓	✓	✓



Student Loan Industry Best Practices

Industry Recognized Best Practices	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Build a Student Web Portal for Information Retrieval, on-line Financial Counseling and Communicate with Campus Administrators - AFSA AFSA's CampusOnCall allows students to retrieve information and communicate with campus administrators using school's internet or intranet site. The on-line financial counselor covers the following areas:</p> <ul style="list-style-type: none"> •Student Loan Terms •Rights and Responsibilities •Establishing Good Credit •Defaulting on a Loan •Reducing Debt Level •Loan and Budget Calculators •Money Management 	✓	✓	
<p>Set up aggressive pre-claims unit by Guaranty Agency - USAF For the first 180 days of default, USAF's two in-house collection units employ all the weapons found in the arsenal of the most sophisticated private collection agencies. After this initial period, accounts are assigned to one of several "first placement" collection agencies. Finally, unresolved accounts are assigned to a "second placement" agency for a final effort before the account is transferred to ED. Placements are tied directly to performance - mainly netback recovery calculations similar to those used by ED.</p>			✓
<p>Provide Online Entrance and Exit Counseling - Nellie Mae "It's fast, convenient, and fun" is the slogan Nellie Mae uses to attract the students to come to its website entrance and exit counseling.</p>	✓	✓	



Student Loan Industry Best Practices

Industry-Recognized Best Practices	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Provide a Virtual Tool to Promote Financial Responsibility - Chela Financial* The Chela Financial Web site gives students access to entrance and exit counseling online. Developed to meet federal requirements, counseling includes an interview checklist and quiz to help ensure that students understand their loan responsibilities. Students take “Hard Lessons Made Easy – Ten Financial Steps to Take Now” online. Lesson 1: Find as much free money as you can – scholarship and grants information Lesson 2: Know what types of loans are available Lesson 3: Figure out what you can afford Lesson 4: Understand the consequences of borrowing Lesson 5: Know your repayment options Lesson 6: Limit use of credit cards Lesson 7: Set up a budget Lesson 8: Find a job Lesson 9: Start investing as soon as you can Lesson 10: Be responsible for your debts</p>	✓	✓	
<p>In-house Financial Expertise - Nellie Mae 1/3 of Nellie Mae’s account executives have extensive banking and finance experience. Nellie Mae’s slogan to the schools is Dedicated to Service, Dedicated to Solutions, Dedicated to You. Being Focusing on financial result, Nellie Mae has built close relationships with the schools.</p>			✓

* Chela Financial is a family of nonprofit corporations, serving the student loan industry since 1979.



Student Loan Industry Best Practices

Industry-Recognized Best Practices	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Implement Portfolio Management Technology - USAF USAF utilizes portfolio management software called STRATA to control the placement and recall of its accounts from private collection agencies. STRATA allows USAF to experiment with different placement strategies simultaneously; they use the software to place or recall most accounts according to the optimal model, but at the same time to place some test group according to a different model. STRATA allows them to vary their selection criteria by selecting different parameters for multiple data elements.</p>	✓		✓
<p>Solicit Borrower Satisfaction Feedback - USAF Default Prevention at USAF uses a fax survey attached to the bottom of the fax cover sheet. Borrowers are asked to rate their overall experience with USAF, as well as the level of assistance provided, the representative's level of knowledge, courtesy and professionalism, and the borrower's level of confidence that his/her situation will be resolved quickly and accurately. Additionally, specialists make routine follow-up calls to borrowers in an effort to prevent delinquent accounts that have been restored to current status from falling back into delinquency.</p>		✓	
<p>Implement Cutting-edge Debt Collection Technology - USA Group USA Group designed and implemented a delinquency prevention and debt collection system called Borrower Pursuit System (BPS).</p>	✓		✓



Student Loan Industry Best Practices

Industry Recognized Best Practices	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Set High Measurable Customer Service Standards - USAF The Bankruptcy Litigation Unit's customer service standard is to return all messages within four business hours of researching the issue presented by the caller.</p>		✓	
<p>Remedy Errors to Borrower's Satisfaction - USAF As a part of their customer service practices, if it is determined that servicing errors have occurred on the borrower's account, the Ombudsman Unit strives to remedy the situation to the borrower's satisfaction. This may mean waiving accrued interest or a portion of the principal and interest, removing the default status, or doing a lender repurchase.</p>	✓	✓	
<p>Internet Skip Tracing - USAF The Recovery Unit uses an automatic search tool searches 9 different web sites for phone numbers, addresses, as well as reverse searches on both. The collector only has to input the social security number and the search is automatically done. This tool assists in their skip tracing efforts as approximately 50% of their accounts are skips.</p>	✓		✓
<p>Medical Student Loans Program - State of Arizona The Board of Medical Students Loans was established in 1977 to provide financial assistance to Arizona medical students who are residents of the State and agree to practice in rural and other medically underserved areas. The State forgives one year's loan for each year served.</p>	✓	✓	



Student Loan Industry Best Practices

Industry-Recognized Best Practices	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Public Awareness Campaign – Media Involvement - USA Group USA Funds has launched a four-year initiative to help colleges and universities reduce student loan defaults. A council including campus financial aid professionals and USA Group default prevention experts will develop and disseminate models for achieving measurable default rate reductions.</p> <p>USA Group’s Media Relations office prepares news releases, which are picked up by campus, local and national newspapers (mainly by consumer finance reporters). These news releases relay information such as the key factors in managing student loans, risk factors for student loan default, top 10 reasons borrowers fail to make student loan payments, the options available to prevent default and helpful tax information.</p>	✓	✓	
<p>Public Awareness Campaign – It pays off to pay up - ED and Treasury The U.S. Departments of Education and Treasury launched a pilot public awareness campaign. “It Pays Off to Pay Up” was promoted through an 8-week public service campaign via TV, bill board and radio advertisements. The key message: The government student loan helped make your dreams possible, call 1-800-I WILL PY to work out a payment plan.</p>	✓		✓



Student Loan Industry Best Practices

Industry-Recognized Best Practices	Operational Cost Saving	Customer Satisfaction	Portfolio Performance
<p>Public Awareness Campaign – Loan Consolidation and Rehabilitation - ED & Unger Associates*</p> <p>An 8-minute long video explains to defaulters the benefits of the loan consolidation and rehabilitation programs. First, the video describes the consequences for defaulting on federal student loan:</p> <ul style="list-style-type: none"> •Bad credit history •Unable to get car loans •Unable to get mortgage •Garnished wage •Garnished federal tax refund •Garnished state tax refund <p>Then, the video describes the extra penalties. The defaulters not only have to pay off the principle and the accrued interest in the defaulted years, but also the accumulated costs the government spent on collection effort.</p> <p>Finally, the video illustrates the helpful options on loan consolidation and rehabilitation.</p>	✓		
<p>Public Awareness Campaign – High School Talk - ED</p> <p>Early default prevention begins in high school. The U.S. Department Education specialists went to several high schools and gave speeches regarding student loans. The key message: Students should be aware that the loan money can add up to a substantial amount of debt. So only borrow for the most urgent need.</p>	✓	✓	

** Unger & Associates is a private collection agency



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Appendix C **Summary of Secondary Market for Bad Debt**



Secondary Market for Bad Debt

Inovision Services

12726 Glenkirk Road

Richmond, VA 232333

Voice (804) 364 - 0195

Fax (804) 360-1418

E-Mail Info@inovision.com

Contacts: Joel S. Lewis, President

Glenn E. Padgett, Vice President

Lisa Hass, Director of Client Relations.

Inovision Services purchases bad debt portfolios , with a focus on Utility, Medical and Consumer bad debt. They purchase large packages of charged-off, unsecured consumer debt from the original lenders. Once the accounts are purchased, Inovision takes responsibility for all inquiries and complaints.

Inovision purchases accounts of all ages, however, the older accounts are diminished in value and therefore are lower in price. Further, it will not accept deceased or bankrupt accounts.

Inovision has expressed an interest in studying the student loans bad debt portfolio and give a fair valuation of the portfolio at no obligation and no up-front fee.



Secondary Market for Bad Debt

Charge-Off Clearinghouse LLC

5511 Parkrest Drive

Suite 210

Austin, TX 78731

Voice (512) 502 - 0300

Fax (512) 502 - 8585

E-mail Louise@chargeoffclearinghouse.com

Contact: Louise Epstein, President

Charge off Clearinghouse LLC, based in Austin, TX. Acquires portfolio of charged-off consumer debt, from credit cards and consumer loans in arrears of six months, Charge-off clearinghouse LLC, buys the debt from department stores and banks and other financial institutions, paying about four cents on the dollar.

Once purchased the accounts are cleansed of deceased debtors and bankruptcies, updated for current phone numbers and addresses, and then re-bundled for sale. This company is not a collection agency. Its business is to provide charge-offs to professionals.

Last year, Charge-off Clearinghouse processed bad debt portfolios of about \$550 million.



Secondary market for Bad Debt

CRSI Houston Collection Agency - Recovery Services

Houston, TX

(713) 464-8322

Contact: Billy Jaynes

The CRSI Agency is working with its clients to offer them alternatives to managing their own account receivables. It will:

- Manage/lease the accounts on a contingent fee basis or
- Purchase the bad debt.



Secondary market for Bad Debt

CrossRoad Funding Services

15030 Powderhorn Road

Fort Wayne, IN 46814-9758

Voice (219) 672-9670

Fax (219) 672-8668

General Information info@crossroadsfw.com

Webmaster info@crossroadsfw.com

CrossRoad Funding Services is a certified mortgage investor, is a member of the National Association of Entrepreneurs, and has been registered with the Better Business Bureau in Fort Wayne, Indiana for five years.

As a small company it has the flexibility of servicing its customers quickly and professionally, while still having the ability to fund liquidation of income streams from nearly any type of privately held note.



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Appendix D Enabling Technologies



Enabling Technologies

The Replacement of Debt Collection Management System (DCMS) will enhance DCS' capability to accurately and consistently monitor debt and collection trends, to better interface with external data sources and to enable speedy management strategies as well as supplying up-to-date statistics to the student loan industry.

Current Technology Environment	Improvement Opportunities	Enabling Solutions
<p>Aged Legacy System DCMS is a 30 year old legacy IBM Mainframe system written in COBOL.</p>	<ul style="list-style-type: none"> • Not user-friendly • Diminishing skilled resource 	<p>Client-server and web-enabled technology</p>
<p>Numerous Data Sources 36 Guaranty Agencies send in files in various formats.</p>	<ul style="list-style-type: none"> • Inconsistent data input • Allow garbage data input 	<p>Middleware technology</p>
<p>Manual Data Transfer 36 Guaranty Agencies send in tape files on a monthly basis.</p>	<ul style="list-style-type: none"> • Far from real-time data update • Allow human error 	<p>Middleware technology</p>
<p>Incompatibility with new data sources Interfacing with newer client-server or internet computer systems has to be done in batches, and the interface is difficult to develop.</p>	<ul style="list-style-type: none"> • Time consuming for new interfaces • Costly when system changes are required 	<p>Client-server and web-enabled technology</p>
<p>Lack of Management Reporting Tool Ad-hoc reports are created by programmers.</p>	<ul style="list-style-type: none"> • No data mining capabilities • Management wait on data reports 	<p>Data Warehouse technology</p>
<p>Lack of Portfolio Management Capabilities difficult to obtain up-to-date portfolio statistics.</p>	<ul style="list-style-type: none"> • No direct tie with profit/loss system • No capability to monitor portfolio changes 	<p>New system must be equipped with portfolio management capabilities</p>
<p>Lack of Predictive Modeling Techniques Inflexible when conducting trend analysis and predictive models</p>	<ul style="list-style-type: none"> • Manual production on industry trend • Lack of predictive functionality 	<p>New system must be equipped with predicative modeling functions</p>



Enabling Technologies

After conducting a preliminary study, we have identified three technology product and service providers offering unique solutions to debt collection, portfolio management and predicative modeling: CACI, London Bridge, HNC.

CACI Product and Services

Company Overview

- Founded in 1962, headquartered in Arlington, Virginia, CACI is a pioneer in simulation software.
- It is among top 25 Federal Information Technology Providers.
- Department of Justice (DOJ) has outsourced all its collection activities to CACI since 1999.
- The service CACI offers to DOJ ranges from technology development and maintenance to user training, from mail room processing and new claims entry to producing demand letters.

Debt Recovery and Management Services

CACI's automated debt recovery and management system is a suite of products and services. CACI integrates and customizes commercial off-the-shelf products to meet the client requirements.

The technology provides:

- Connectivity to all of the offices and outside counsels and instant information distribution.
- Information filtering through criteria, ensuring all parties get information and keep certain information confidential
- Maintain a case history of all debt collection activities
- Generate legal documents needed in the collection activities
- Generate other documents, such as debtor statements, bills of cost, private counsel invoices, and court schedules.

The services include:

- Training Services: pre-use training, refresher workshop, training on demand, on-line help, help desk services
- Technical Services: Data migration, software development, database design



Enabling Technologies

London Bridge Product and Services

Company Overview

Founded in 1987, London Bridge is a global provider of customer-led solutions for businesses that are growing beyond the limitations of traditional credit, collections and recovery systems.

Debt Collection, Recovery and Receivables Solutions

London Bridge has developed a product line to support the needs of front-end collections operating in a traditional mainframe, client-server or thin-client environment.

- Agency: Provides the electronic connection that allows the third parties to work as a team to assign, monitor, re-distribute and improve receivables.
- Bureau: Facilitates information exchange between the credit bureau and collector.
- Predicative Modeling: Uses intelligence models to determine the treatment path for likelihood and amount of collection.
- Data Mining and Monitoring: Uses historical information to improve collectibles and provide reports to monitor activities and levels of success.
- Agency Management: Automates the assignment, recall and reassignment process with an electronic interface to your outside collection partners.
- Account Activity: Provides tracking, queuing and viewing of all recovery activity, both financial and informational.
- Management Reporting: Produces a variety of reports that will provide information to manage, analyze and improve all levels of the recovery process.
- Document Processing: Automates the letter generation process to reduce staffing requirements while improving tracking and quality.
- Activity Based Costing: Monitoring and analyzing the cost vs. collection at an individual activity level.
- Cost Management: Expense reduction in the areas of personnel, communications, mail, document preparation and legal fees.
- Thin-client: Collection activities can be supported remotely via a private intranet, virtual private internet (VPN) or the public internet.



Enabling Technologies

HNC Product and Services

Company Overview

Founded in 1986, HNC specializes in predicative software solutions. HNC's software analyses a customer's activities using a complex model that predicts future customer patterns, both on the Web and in brick-and-mortar locations.

Event-driving Account Level Predictive Modeling

- Summarizes the cumulative events into a representation of essential information – the account profile, e.g. date and time of action, payment information, and broken promises.
- Updated by events in collections, taking into consideration the changing collection process.
- Provides a basis for determining future actions and treatments.

Text Data Mining Predictive Modeling

- Unique feature in collections using collector's notes
- Free form text instead of numerical data
- Context vector technology converts free form text into mathematical representation, to be incorporated into account profile
- Context vector technology was developed for the intelligence community, language independent, and can work with codes, abbreviations, special grammars, etc.
- Provides clues for determining the right collection treatments

Debt Portfolio Valuation Service

HNC uses a predicative software to analyze debt portfolios to predict the recoverability of the individual accounts and forecast whether the purchase price of the portfolio allows a positive net present value for the debt acquirer. Based on proprietary neural network modeling technology, HNC's predictions of the recovery profile of a debt portfolio are one of the leading edge methods.



Enabling Technologies

Concurrent with this project, the Financial Partners Channel is working on the following technology related projects: Data Warehousing, Imaging/Document Management, Middleware project and Ombudsman CRM. The key point is to leverage existing technology project and not to re-invent the wheel.

Data Warehousing / Data Mart

General Description

A data warehouse is a centralized database that collects, organizes and stores data from operational systems to provide a single source of integrated and historical data for the purposes of end-user reporting and analysis. The data warehouse generally consists of enterprise-wide information over multiple subject areas and contains low-level, granular data, kept over long periods of time for historical reporting purposes.

A data mart is a grouping of data specific to a single subject area, department or user class. This data is optimized for fast access and analytical reporting; therefore, the data structures will be highly summarized and indexed. Data sources represent the stores of data collected and stored by operational and transaction processing (OLTP) business applications that are the origin of the information required for end-user reporting. Data is extracted by End-user Access Tools that provide the various reporting, analytical and discovery capabilities necessary for users to gain benefit from the data warehouse.

Data Mart Development within the Financial Partners Channel

The scope of the current Financial Partners Channel data warehousing project is to conduct the analysis of the business requirements and develop a high level design of the FP Channel data mart.

Data Sources that will populate the FP Channel data mart include FFEL, FMS, NSLDS, and possibly other systems yet to be determined.

Considering the length of time required to fully implement an enterprise data warehouse, The Financial Partners Channel will initially populate their data mart directly from the data sources using the appropriate ETL (I.e., Extract, Transform, Load) process. This will allow the Financial Partners Channel to reap the benefits of the analytical information available from the data mart. After the enterprise-wide data warehouse is available, the process to populate the Financial Partners data mart will be re-evaluated.



Enabling Technologies

Imaging / Document Management

General Description

An Imaging/Document Management system is comprised of two processes. First, imaging is the process that occurs in order to create an electronic version of a paper document. The second process is Document Management, which involves the creation, versioning and distribution of all forms of documents. By "documents", we mean traditional office automation files such as Microsoft Office files, as well as emerging document types such as video, voice, image and structured documents such as database tables and news streams. Document management also deals with the management of the data within the documents -- the "meta-data." Wrapped around this is generally some sort of workflow, or (more accurately) routing. By leveraging the power of meta-data searches plus the availability of content searches, document management enables powerful searches with which to find information.

Development of Imaging and Document Management Capabilities within the Financial Partners Channel

The scope of the current Financial Partners Channel imaging/document management project is to conduct an analysis of the business requirements that the Financial Partners Channel has for this technology. The initial requirements will focus on "documents" that need to be accessed in a short time frame and those "documents" that need to be accessed by several people. The current scope does not include the workflow component.

The FP Channel document management system will assist personnel by allowing them to electronically search for information related to their customers' requests. If the proper information is captured within it, a document management system will enable FP channel staff to give customers comprehensive and consistent answers, as it will enable quicker retrieval of various documents that are now stored in paper form. Furthermore, because the documents will be accessible to various FP Channel staff, customers will, in most cases, be able to receive responses to their questions using a single point of contact. In addition, some of the documents within the system may be directly available to FP Channel's Partners. If so, the Partners would most likely access the documents using the Internet. This project will support the mission of improved customer service by providing information on a timely basis to our Partners either through the Internet or through a customer call center.



Enabling Technologies

Common Third Party Interfacing (Middleware)

General Description

Middleware encompasses the goal of making the construction of distributed applications easier. Broadly speaking, there are two different middleware paradigms that have historically served different purposes. First, the message-based middleware paradigm supports integration of applications, which are (or have been) developed independently. Second, the function-based middleware paradigm supports the coordinated development of multiple distributed programs that comprise 'distributed applications'. This paradigm supports tighter integration of distributed components and attempts to shield application developers from the distributed (and probably heterogeneous) nature of the target environment. Both serve the general purpose of coordinating various applications in order to facilitate the use, maintenance, and development of these applications.

Middleware Development Activities within SFA

The CIO organization has a project underway related to an Enterprise-wide Integration Architecture (EAI). The Integration Architecture provides the technology services that enable applications to exchange information via a common, reusable infrastructure. The major objective of the Integration Architecture is to position SFA to become a Service-Oriented Architecture (SOA), thereby eliminating the need to create costly, custom built, point-to-point interfaces. This description incorporates the Financial Partners term of "middleware". The scope of the current Financial Partners Channel middleware project is to conduct the analysis of the business requirements, which will support the Financial Partners Channel.

Access to information contained in each of these technologies will require an appropriate level of security. The Financial Partners Channel will work with the CIO organization as well as its Partners to determine the access requirements.



Enabling Technologies

Ombudsman CRM System

General Description

CRM is a term that represents the heightened need for companies to orchestrate all of the activities that bring them into contact with their customers. At the heart of CRM is the objective to deliver a consistently differentiated - and personalized - customer experience, regardless of the interaction channel chosen by the customer. CRM brings together a company's efforts in marketing, sales, and service that would traditionally have been pursued in separate, ad hoc ways, and therefore constitutes a more comprehensive, methodical approach to identifying, attracting, and retaining the most valuable customers.

CRM Development Activities within SFA

Ombudsman cases will initially be generated via a phone call which will be taken primarily by a group of agents in one of two call centers, Direct Loan or PIC. In the call centers there will be an initial screening of the call to see if the caller can be referred or given information, which can resolve the call without additional processing. For those calls that are not referred or closed at the call center, the caller will be told that a person will call back from the Ombudsman office to complete processing of the case.

Assignment of cases will be done by the Ombudsman office, based on Ombudsman Specialist skills and workload. Resolution of cases will be done as a result of the Ombudsman Specialist following up with the caller to better understand the caller's requirements, working with other divisions of SFA, lenders and other parties related to the case. Tracking of all steps taken to resolve the case is done using the Ombudsman Case Tracking System.

The Ombudsman office is required to produce a report showing the cases handled by the office, the changes recommended by the office and work performed to handle the cases. As there are many groups who will be interested in seeing this report, there is a requirement to present the information in a wide variety of ways. For example, the information may need to be presented by geographic region, lender, loan amount, school/school type, or by case type. The new case tracking system must be able to have reporting information extracted in a way that lets the Ombudsman create reports using standard graphical tools such as Excel or Access.



*Student
Financial
Assistance*

Default Reduction Management Report

Appendix E Cost Benefit Analysis Calculation Details



Cost Benefit Analysis Calculation Details

Default Rate by School Type 1997

	Number of schools	Number of Defaulted Borrowers	Number of Borrowers in Repayment	%	Average Defaulted Loan Balance	Estimated Defaulted Loans by School Type
Public 4 year schools	663	61,889	905,505	6.83%	\$ 3,985	\$ 246,655,892
Public 2 year schools	1,270	37,424	295,052	12.68%	\$ 3,985	\$ 149,151,709
Private 4 year schools	1,583	33,422	578,049	5.78%	\$ 3,985	\$ 133,201,913
Private 2 year schools	542	4,220	34,967	12.07%	\$ 3,985	\$ 16,818,625
Proprietary school	2,749	51,709	334,831	15.44%	\$ 3,985	\$ 206,083,949
4 year schools	131	8,689	66,447	13.08%	\$ 3,985	\$ 34,629,628
2 to 4 year schools	751	20,920	146,874	14.24%	\$ 3,985	\$ 83,375,741
2 year schools	1,867	22,100	121,510	18.19%	\$ 3,985	\$ 88,078,579
Foreign	422	159	3,721	4.27%		
Unclassified	9	9	1,128	0.80%		
Total	7,238	188,832	2,153,253			
Published Default Rate				8.77%		



Cost Benefit Analysis Calculation Details

Collections Costs for Private Collection Agencies For Contracts from January 1998 to April 2000

PCA	Total Transfer Balance	Total \$ Collected	% Dollars Collected	Cost of Collection [1]	Total Loans Transferred	Average Loan Balance	Accounts Serviced [2]	Administrative Accounts Resolved [3]	Net of Admin Resolved	%
1	\$ 2,144,432,377	\$ 59,011,090	2.8%	\$ 13,572,551	521,304	\$ 4,114	208,616	8,121	200,495	96.1%
2	\$ 997,337,751	\$ 21,288,226	2.1%	\$ 4,896,292	260,131	\$ 3,834	86,624	8,414	78,210	90.3%
3	\$ 802,565,283	\$ 17,912,411	2.2%	\$ 4,119,855	208,796	\$ 3,844	68,078	4,579	63,499	93.3%
4	\$ 719,554,324	\$ 13,932,260	1.9%	\$ 3,204,420	188,290	\$ 3,822	56,463	6,231	50,232	89.0%
5	\$ 611,352,583	\$ 12,592,679	2.1%	\$ 2,896,316	158,873	\$ 3,848	48,992	3,225	45,767	93.4%
6	\$ 947,840,284	\$ 18,986,586	2.0%	\$ 4,366,915	263,536	\$ 3,597	74,525	7,445	67,080	90.0%
7	\$ 1,214,313,366	\$ 23,568,686	1.9%	\$ 5,420,798	319,184	\$ 3,804	89,312	6,959	82,353	92.2%
8	\$ 1,395,542,755	\$ 23,812,415	1.7%	\$ 5,476,855	362,445	\$ 3,850	91,494	8,328	83,166	90.9%
9	\$ 1,294,541,329	\$ 20,320,485	1.6%	\$ 4,673,712	309,850	\$ 4,178	79,292	7,766	71,526	90.2%
10	\$ 654,167,575	\$ 10,876,569	1.7%	\$ 2,501,611	157,461	\$ 4,154	42,208	2,162	40,046	94.9%
11	\$ 1,603,583,992	\$ 26,485,708	1.7%	\$ 6,091,713	391,735	\$ 4,094	98,703	6,626	92,077	93.3%
12	\$ 1,160,284,317	\$ 19,636,386	1.7%	\$ 4,516,369	314,627	\$ 3,688	74,296	5,050	69,246	93.2%
13	\$ 1,629,263,244	\$ 25,059,535	1.5%	\$ 5,763,693	386,529	\$ 4,215	95,905	8,182	87,723	91.5%
14	\$ 348,145,294	\$ 4,861,431	1.4%	\$ 1,118,129	104,649	\$ 3,327	22,409	4,213	18,196	81.2%
15	\$ 1,209,026,388	\$ 15,940,565	1.3%	\$ 3,666,330	299,669	\$ 4,035	63,630	6,704	56,926	89.5%
16	\$ 1,749,540,869	\$ 20,987,254	1.2%	\$ 4,827,068	411,053	\$ 4,256	81,137	7,388	73,749	90.9%
17	\$ 1,090,875,856	\$ 12,838,727	1.2%	\$ 2,952,907	252,816	\$ 4,315	47,764	4,349	43,415	90.9%
Total	\$19,572,367,587	\$ 348,111,013	1.8%	80,065,533	4,910,948	\$ 3,985	1,329,448	105,742	1,223,706	91.2%

[1] Collection Costs (PCA Contracts are performance-based objectives - % of \$ amount collected).

[2] Total Loans that have been rehabilitated - PIF or borrower re-entered payment schedule or account is administratively resolved.

[3] Administratively Resolved for Death, Total and Permanent Disability, Dispute, Bankruptcy, Peace Corp, Head Start, Military Service, or Teaching.



Cost Benefit Analysis Calculation Details

Direct Target Campaign Savings Scenarios												
Total Defaulters	% of Defaulters might be persuaded	# of Defaulters might be persuaded	% of Responded Defaulters	# of Responded Defaulters	Average Loan Size	PCA Commission Rate	Collection Cost Savings To ED and Defaulters over time	Cost Savings in Hearings & Litigation over time	Total Savings	Implementation Cost	Video Production	Mailing cost
5,000,000	50%	2,500,000	10%	250,000	\$4,000	20%	\$200,000,000	\$125,000,000	\$325,000,000	\$3,000,000	\$100,000	\$2,500,000
5,000,000	50%	2,500,000	5%	125,000	\$4,000	20%	\$100,000,000	\$62,500,000	\$162,500,000	\$3,000,000	\$100,000	\$2,500,000
5,000,000	50%	2,500,000	2%	50,000	\$4,000	20%	\$40,000,000	\$25,000,000	\$65,000,000	\$3,000,000	\$100,000	\$2,500,000
5,000,000	50%	2,500,000	1%	25,000	\$4,000	20%	\$20,000,000	\$12,500,000	\$32,500,000	\$3,000,000	\$100,000	\$2,500,000
5,000,000	40%	2,000,000	10%	200,000	\$4,000	20%	\$160,000,000	\$100,000,000	\$260,000,000	\$2,500,000	\$100,000	\$2,000,000
5,000,000	40%	2,000,000	5%	100,000	\$4,000	20%	\$80,000,000	\$50,000,000	\$130,000,000	\$2,500,000	\$100,000	\$2,000,000
5,000,000	40%	2,000,000	2%	40,000	\$4,000	20%	\$32,000,000	\$20,000,000	\$52,000,000	\$2,500,000	\$100,000	\$2,000,000
5,000,000	40%	2,000,000	1%	20,000	\$4,000	20%	\$16,000,000	\$10,000,000	\$26,000,000	\$2,500,000	\$100,000	\$2,000,000
5,000,000	30%	1,500,000	10%	150,000	\$4,000	20%	\$120,000,000	\$75,000,000	\$195,000,000	\$2,000,000	\$100,000	\$1,500,000
5,000,000	30%	1,500,000	5%	75,000	\$4,000	20%	\$60,000,000	\$37,500,000	\$97,500,000	\$2,000,000	\$100,000	\$1,500,000
5,000,000	30%	1,500,000	2%	30,000	\$4,000	20%	\$24,000,000	\$15,000,000	\$39,000,000	\$2,000,000	\$100,000	\$1,500,000
5,000,000	30%	1,500,000	1%	15,000	\$4,000	20%	\$12,000,000	\$7,500,000	\$19,500,000	\$2,000,000	\$100,000	\$1,500,000
5,000,000	20%	1,000,000	10%	100,000	\$4,000	20%	\$80,000,000	\$50,000,000	\$130,000,000	\$1,500,000	\$100,000	\$1,000,000
5,000,000	20%	1,000,000	5%	50,000	\$4,000	20%	\$40,000,000	\$25,000,000	\$65,000,000	\$1,500,000	\$100,000	\$1,000,000
5,000,000	20%	1,000,000	2%	20,000	\$4,000	20%	\$16,000,000	\$10,000,000	\$26,000,000	\$1,500,000	\$100,000	\$1,000,000
5,000,000	20%	1,000,000	1%	10,000	\$4,000	20%	\$8,000,000	\$5,000,000	\$13,000,000	\$1,500,000	\$100,000	\$1,000,000
5,000,000	10%	500,000	10%	50,000	\$4,000	20%	\$40,000,000	\$25,000,000	\$65,000,000	\$1,000,000	\$100,000	\$500,000
5,000,000	10%	500,000	5%	25,000	\$4,000	20%	\$20,000,000	\$12,500,000	\$32,500,000	\$1,000,000	\$100,000	\$500,000
5,000,000	10%	500,000	2%	10,000	\$4,000	20%	\$8,000,000	\$5,000,000	\$13,000,000	\$1,000,000	\$100,000	\$500,000
5,000,000	10%	500,000	1%	5,000	\$4,000	20%	\$4,000,000	\$2,500,000	\$6,500,000	\$1,000,000	\$100,000	\$500,000



Cost Benefit Analysis Calculation Details

The Need to Increase Pell Grant - A Glance at Pell Grant Award vs. Students Financial Needs										
Type of institution and dependency status	Average Education Cost Per Year	Expected family contribution	Financial need	Total Aid	Average Pell Grant	Pell Grant Coverage to Education Cost	Other Financial Aid(campus based, workstudy, etc)	Unmet Need	Unmet Need Upon Graduation	
Public 4-year	\$10,745	\$760	\$10,051	\$6,256	\$1,500	14%	\$4,756	\$3,795	\$15,180	
Dependents	\$10,300	\$932	\$9,488	\$5,531	\$1,500	15%	\$4,031	\$3,957	\$15,828	
Independents without dependents	\$11,137	\$808	\$10,329	\$6,660	\$1,500	13%	\$5,160	\$3,669	\$14,676	
Independents with dependents	\$11,347	\$149	\$11,226	\$7,677	\$1,500	13%	\$6,177	\$3,549	\$14,196	
Private, not-for-profit 4-year	\$17,203	\$1,127	\$16,264	\$10,060	\$1,500	9%	\$8,560	\$6,204	\$24,816	
Dependents	\$17,917	\$1,503	\$16,703	\$10,286	\$1,500	8%	\$8,786	\$6,417	\$25,668	
Independents without dependents	\$16,745	\$797	\$16,012	\$10,718	\$1,500	9%	\$9,218	\$5,294	\$21,176	
Independents with dependents	\$15,237	\$223	\$15,014	\$8,226	\$1,500	10%	\$6,726	\$6,788	\$27,152	
Public 2-year	\$7,659	\$606	\$7,051	\$3,059	\$1,300	17%	\$1,759	\$3,992	\$7,984	
Dependents	\$6,409	\$637	\$5,768	\$2,447	\$1,300	20%	\$1,147	\$3,321	\$6,642	
Independents without dependents	\$9,025	\$1,128	\$7,897	\$3,399	\$1,300	14%	\$2,099	\$4,498	\$8,996	
Independents with dependents	\$8,112	\$264	\$7,848	\$3,482	\$1,300	16%	\$2,182	\$4,366	\$8,732	
					Average Coverage:	13%		Average Unmet Need:	\$15,921	
Data Source:										
U.S. Department of Education, National Center for Education Statistics, 1995-1996 National Postsecondary Student Aid Study										
Assumption:										
1996 data analysis is applicable to current situation due to the increasing education cost										
Findings:										
1) the average 13% of the Pell Grant coverage is low, especially to the neediest families and students who struggle to complete their education										
2) The unmet financial need to graduate from school is very high.										



Cost Benefit Analysis Calculation Details

Summary of Fraud Types and Amounts

Fraud Type	Amount
Eligibility Fraud	\$ 144,315,107
Default Fraud	\$ 142,601,349
Death and Disability Fraud	\$ 74,081,540
Refund Fraud	\$ 1,355,993
TOTAL	\$ 362,353,989



Cost Benefit Analysis Calculation Details

Title	School	Eligibility Fraud Reason	Amount
Financial Aid Director	Middle Tennessee State University	Obtained loans for himself and family members and conceal from the school	\$ 260,000
School Owners	American Weld Testing School	Obtained loans for a ineligible satellite campus through and the eligible main campus	\$ 1,000,000
School Owners	Lexington, Kentucky	Obtained loans for 4 ineligible satellite campuses through and the eligible main campus	\$ 258,000
Former Owner	Midwest Career College	Obtaining Pell Grants for students who did not attend the school	\$ 205,000
Director of Admissions	Lincoln Technical Institute	Falsified information	\$ 123,519
School Director	Travel and Trade Institute	Pell Grant for student who did not exist	\$ 83,000
4 Employees	New York School	Massive Pell fraud scheme. Submitted falsified information on nonexistent students	\$ 11,000,000
Work Study Employee	Lassen Community College	filing false enrollment applications	\$ 38,848
1 Student	Milwaukee Wisconsin	Falsely represented having a Baccalaureate degree to obtain Pell Grants for which he was not eligible.	\$ 87,832
Owner/ Corporation	Ohio School	misrepresented withdrawal rate to maintain accreditation and prerequisite. for Federal financial aid	\$ 1,500,000
Owner	Emory College of Puerto Rico	Misrepresented to a CPA and ED claiming they were in compliance with the 85/15 rule (now 90/10 rule)	\$ 2,485,728
Educational Organization	University of Phoenix	Did not comply with the 12-Hour Rule. The university disbursed excess amounts the students were eligible to receive	\$ 54,600,000
President	Brewton-Parker College	Receive Pell Grants and Supplemental Ed Opportunity Grant funds for student who either did not re-enroll or withdrew.	\$ 2,100,000
Owner	Divers Institute of Technology	Falsified income information	\$ 805,000
Owner	Interamerican Business College (changed from Electronic College and Computer Programming)	Pell Grant for student who allegedly enrolled at a closed campus	\$ 180,000
Co-Owner	AJ's Cosmetology School	Received loan and Pell grants on behalf of ineligible students	\$ 50,000
Owner	IADE American Schools		\$ 1,000,000
Consultant	SFA Marketing/Financial Aid Consultants	Falsified application and supporting income tax returns to make clients appear financially eligible	\$ 1,700,000
Financial Aid Director	American College for Applied Arts	Obtained a PLUS loan for a friend who was ineligible	\$ 39,074
Financial Aid Director	Politechnical Institute of Florida	False identities, SSN's on loan application PLUS Loans	\$ 268,000
1 Individual	Ross University School Of Medicine	Use of multiple identities	\$ 92,000
1 Individual	Mexican Medical School	Falsely claiming attendance \$160,000 re-arrested for \$319,680 for 37 applications to Guaranty Agencies	\$ 479,680
1 Individual	University of Kent, England	Falsely certified attendance	\$ 140,000
1 Individual	Universidad Catolica Madre	Received 22 loan under different names	\$ 407,000
4 Individuals	American University in Paris	Falsely certified attendance	\$ 63,360
4 Individuals	a Costa Rica medical school	Falsely certified attendance	\$ 200,000
1 Individual	Mexican Medical School	Falsely certified attendance	\$ 550,000
4 Individuals	Le Cordon Blue Cooking School	Falsely certified attendance	\$ 120,000
Owner	Samverly Barber and Hairstyling College	Pell Grants for students who had failed to complete min required hours	\$ 117,729
1 Individual	Seattle, Washington	False claim of Citizenship	\$ 90,000
2 Individual	Kings College, England	Falsely enrolled in Medical School	\$ 88,337
1 Individual	Universidad Federico Henriques Y Carvajal	Falsely certified attendance	\$ 37,000
CPA	Oglala Lakota College	Theft of federal funds	\$ 2,600,000
1 Individual	Houston, Texas	False statements	\$ 34,000
1 Individual	Milwaukee Wisconsin	False dob and SSN	\$ 68,000
Owner, Officials and Employees	Toldos Yakov Yosef Seminary	Pell Grants for students who had failed to complete min required hours and Federal fund by false and fictitious claims	\$ 61,000,000
Board Members	Education Assistance Corporation	Entered in agreement with 2 for profit corp.	\$ 250,000
1 Individual	Molitor College Aid, Inc	False and fictitious claims	\$ 125,000
1 Individual	American University of the Caribbean	Falsely certified attendance	\$ 69,000
		TOTAL	\$ 144,315,107



Cost Benefit Analysis Calculation Details

Status	School	Default Fraud Reason	Amount
3,278 Students 1996-97	Various	Applicants with defaulted student loans continue to receive Financial aid	\$ 11,900,000
School Owner	Franklin School of Cosmetology	Cohort default rate. Submitted forged and fraudulent document to reduce third year default rate from 55.3% to 9.5% to maintain eligibility for SFA	\$ 846,000
16 Schools	Various	Analysis found but not enforced. Schools exceeded Cohort default rate for 3 consecutive year	\$ 18,200,000
Consulting Organization	CSC Accounts Management	Consulting to collect defaulted loan. Falsification of documents and the making of false certifications concerning student loan consolidation.	\$ 5,000,000
Individual	Marilville, Indiana	Failed to disclose previously defaulted student loan	\$ 18,349
	Whitney National Bank, New Orleans	Falsification of due diligence requirements	\$ 6,100,000
	Several Cases of Loan Servicing companies	Falsification of due diligence requirements	\$ 61,000,000
	Cybernetics and Systems Inc	Falsification of due diligence requirements	\$ 28,000,000
Individual	Topeka, Kansas	Failed to disclose previously defaulted student loan	\$ 37,000
Organization	Corus Bank	Submitted fraudulent insurance claims for defaulted students loans	\$ 11,500,000
TOTAL			\$ 142,601,349
Status	School	Death and Disability Fraud Reason	Amount
41 Individuals 1999 audit		Disability and Death Loan Discharge	\$ 1,000,000
		Disability discharged loans while borrower were earning wages.	\$ 73,000,000
2 Individuals		Submitted false disability claims of being wheel chair bound - (Found bicycling on the beach)	\$ 37,000
2 Doctors		Mailed fraudulent disability claims to discharge several loans	\$ 44,540
TOTAL			\$ 74,081,540
Status	School	Reason	Amount
School Owners	Cabot College, National City CA	Failure to return unearned funds obtained from federal student financial assistance	\$ 127,000
Owner	Interstate Business Colleges, ND and AZ	Failure to return unearned funds obtained from federal student financial assistance	\$ 543,765
Owner	Interamerican Business College (changed from Electronic College and Computer Programming Inc.	Failure to return unearned funds obtained from federal student financial assistance	\$ 403,000
Owner	Idea Career Training	Failed to make Pell and student loan refunds	\$ 82,335
Treasurer	Acme Institute of Technology	Failure to make loan refunds	\$ 164,893
1 Individual	Minnesota	Kept loans but never attended medical school to which he applied	\$ 35,000
TOTAL			\$ 1,355,993



Cost Benefit Analysis Calculation Details

Data Analysis of Small Default Accounts

Background

This small debt report was generated from Debt Collection Service's DMCS system. The report was developed to help analyze the options in selling/auctioning/writing-off the bad debt portfolio.

First Glance Observations:

- 453,093 accounts with balances (principal + interest) <= \$1,000 and >=\$25.00

State of Debtors:

- Majority of Debtors are from 9 states:

- California (51,725 of total = 11.42%)
- Texas (39,196 of total = 8.6%)
- New York (28,093 of total = 6.2%)
- Florida (25,111 of total = 5.5%)
- Ohio (21,902 of total = 4.8%)
- Illinois (18,483 of total = 4.1%)
- Michigan (17,612 of total = 3.9%)
- Pennsylvania (16,506 of total = 3.6%)
- Louisiana (12,129 of total = 2.7%)

Therefore – a majority of the debtors are from the above nine states (231,357 of total = 50.82%)

- Other states with large proportion of debtors include:

- Washington (11,293 of total = 2.5%)
- New Jersey (11,173 of total = 2.5%)
- Maryland (10,124 of total = 2.2%)

Default Dates:

- Debtors who defaulted before 1970 = 29,385 (6.5% of total)
- Debtors who defaulted before 1980 = 95,637 (21.1% of total)
- Debtors who defaulted before 1990 = 274,460 (60.1% of total)

Principal and Interest amounts of Debt:

- Total principal amount owed = \$161,796,772.00
- Total Interest amount owed = \$29,295,788.00
- Average principal amount owed = \$359.87
- Average interest amount owed = \$64.66
- Number of Debtors with principal debt owed less than or equal to \$250 = 182,039 (40.2% of total)
- Number of Debtors with principal debt owed less than or equal to \$300 = 211,942 (46.8% of total)
- Number of Debtors with interest on debt owed less than or equal to \$250 = 420,128 (92.7% of total)
- Number of Debtors with interest on debt owed less than or equal to \$300 = 433,815 (95.7% of total)
- Number of Debtors with principal and interest combined debt owed less than or equal to \$500 = 271,164 (59.8% of total)
- Number of Debtors with principal and interest combined debt owed less than or equal to \$600 = 310,164 (68.5% of total)

School Types:

- Number of Debtors from loans for 4 year public schools = 73,097 (16.1% of total)
- Number of Debtors from loans for 2 year public schools = 57,179 (12.6% of total)
- Number of Debtors from loans for 4 year private schools = 39,343 (8.6% of total)
- Number of Debtors from loans for 2 year private schools = 7645 (1.7% of total)
- Number of Debtors from loans for proprietary schools = 212,123 (46.8% of total)
- Number of Debtors from loans for foreign schools = 195 (less than 1% of total)
- Number of Debtors from loans for which the type of school is unknown = 63,511 (14.0% of total)



Cost Benefit Analysis Calculation Details

PCA Name	PCA Commission Fee		Litigation Prep Fee	Administrative Resolution Fee
	Regular Fee	Loan Rehab/Consolidation		
Allied Interstate, Inc.	19.9%	10.5/12%	\$ 120.00	\$ 50.00
Aman Collection Service	22.9%	11.9%	\$ 120.00	\$ 50.00
Diversified Collection Service	23.0%	12.0%	\$ 120.00	\$ 50.00
Education Credit Services, Inc.	23.0%	12.0%	\$ 120.00	\$ 50.00
Equifax Risk Management Services, Inc.	22.0%	11.5%	\$ 115.00	\$ 45.00
Financial Asset Management Systems, Inc.	23.0%	12.0%	\$ 120.00	\$ 50.00
GC Services Limited Partnership	23.0%	12.0%	\$ 120.00	\$ 50.00
General Revenue Corporation	23.0%	12.0%	\$ 120.00	\$ 50.00
NCO Financial Systems, Inc.	23.0%	12.0%	\$ 120.00	\$ 50.00
Nationwide Credit, Inc.	23.0%	12.0%	\$ 120.00	\$ 50.00
OSI, AMM	23.0%	12.0%	\$ 120.00	\$ 50.00
Pioneer Credit Recovery, Inc.	23.0%	12.0%	\$ 120.00	\$ 50.00
Unger and Associates, Inc.	23.0%	12.0%	\$ 120.00	\$ 50.00
Van Ru Credit Corporation	23.0%	12.0%	\$ 120.00	\$ 50.00
St. Hill & Associates, P.C.	22.0%	12.0%	\$ 120.00	\$ 50.00
Credit Bureau Accounts, Inc.	22.4%	12.0%	\$ 120.00	\$ 50.00
Financial Collection Agencies	18.5%	11.0%	\$ 120.00	\$ 50.00
National Asset Management Enterprises, inc.	21.85%	12.0%	\$ 120.00	\$ 50.00



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