

**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- Changes Matrix -**

Item #	Section	Page #	Comment	Author	Response
1	Risk Model Conceptual Design	2	"Table of Contents" was deleted... why?	Martha Shine	The Risk Model Conceptual Design was incorporated into a larger document (the Analysis and Design Deliverables Binder). Therefore, the table of contents has been deleted to keep the Risk Model consistent with the rest of the document.
2	Risk Model Conceptual Design	2	[The word] Appendix needs to be deleted from Page 2.	Martha Shine	The word was deleted.
3	Risk Model Conceptual Design	3	SFA is referred to twice. Should this be the Department of Education or FPC because I'm not sure how SFA is referenced under the PBO.	Martha Shine	SFA was changed to Department of Education in the first occurrence and in the second, SFA's objectives were listed.
4	Risk Model Conceptual Design	7	Should SFA used in this table be changed to FPC.	Martha Shine	SFA changed to FPC.
5	Risk Model Conceptual Design	12	Team agreed that a bullet for system changes would be added.	Martha Shine	Bullet added.
6	Risk Model Conceptual Design	13	3rd bullet should read origination and lender fees.	Martha Shine	At the last review, the group agreed to separate origination fees (3rd bullet) and lender fees (5th bullet) as separate performance indicators.
7	Risk Model Conceptual Design	17	Trigger - Is the going to be a dynamic threshold based on national activity or is it going to static threshold?	Richard Criswell	Based on the 9/13/2000 Workshop discussion, it was agreed that the triggers should be dynamic. These will be defined during the detail design phase of the project.
8	Risk Model Conceptual Design	20	I would change page 20 to page 19 and page 19 to page 20. This would allow the scorecard chart to be introduced first and that follows the narrative better.	Martha Shine	Pages re-ordered.
9	Risk Model Conceptual Design	21	What happened to Claim Payment History that was rated as a 4.	Martha Shine	Claim payment history was changed to a Value of 2 by the group during the third workshop
10	G.A. Risk Model	24	Change in Federal Fund: This may be fine in the future, but we have no data prior to FY99 at all and FY 2000 for form 2000.	Lee Avery	We agree, this is a new requirement.

**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- Changes Matrix -**

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11	G.A. Risk Model	25	Federal Fund Amount vs. Reserve Fund by Fiscal year: I do not understand this one at all. Please explain.	Lee Avery	This is a current measure that is tracked to determine whether a G.A. is at risk of not being able to cover guarantees for the year.
12	Lender Risk Model	26	Lost Guaranty/Uninsured Loans: In most cases, these are temporarily lost guarantees. If we are comparing to defaulted loans, then we need to use both lines for the same quarter.	Lee Avery	Although the team agreed that lost guaranty should be included in the Risk Model, this can be refined during the detail design phase.
13	Risk Model Conceptual Design Document and G.A. Risk Model	27	Change in Restricted Fund: Do not forget that the overall fund may include substantial amounts of interest income. The agencies are allowed to spend this on default reduction initiative. This will affect the fund balances and may hit a trigger for nothing.	Lee Avery	The trigger for Restricted funds has been changed to >15%, based on agreement at the 9/13/2000 workshop.
14	G.A. Risk Model	29	<u>Change in Operating Fund:</u> Same as Federal Fund	Lee Avery	This is a current measure that is tracked to determine whether a G.A. is at risk of not being able to cover operating expenses for the year.
15	Risk Model Conceptual Design Document and G.A. Risk Model	30	<u>Change in Organizational Structure:</u> Add a data source of news media. For better or worse, that's where we will hear about it.	Lee Avery	Added a data source of news media.
16	Lender and Servicer Risk Models	30	<u>Change in Organizational Structure:</u> Mergers should not be a trigger for lenders. We'd never keep up.	Lee Avery	Trigger removed for Merger and Consolidation.
17	Risk Model Conceptual Design	31	<u>Origination Fees</u> - I am making the assumption that the reference to "Loan Principal Disbursed" on page 31 and under requirements on the "Lender Risk Model" page 6 of 23 that it is referencing part 5 of ED Form 799. However, if this information is being provided to people that may not be that familiar with ED Form 799, we might want to specify part 6 just as part 2 is specified. If my assumption is incorrect, then I don't know what is being compared.	Richard Criswell	Your assumption is correct. Part 6 of ED 799 has been specified in the document.

**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- Changes Matrix -**

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18	Risk Model Conceptual Design	33	<u>Federal Interest Benefits</u> - From reading the information, I am not clear on exactly what is being compared or calculated with this indicator. Because of not being in on the early discussion, I would like a more detailed explanation on this indicator.	Richard Criswell	The group agreed that in tracking interest rates, it should be determined that variable interest rates actually vary over time (rather than remain static).
19	Risk Model Conceptual Design	34	<u>Special Allowance Payment</u> - From reading the information, I am not clear on exactly what is being compared or calculated with this indicator. Because of not being in on the early discussion, I would like a more detailed explanation on this indicator. 3. Origination Fees - I am making the assumption that the reference to "Loan Principal Disbursed" on page 31 and under requirements on the "Lender Risk Model" page 6 of 23 that it is referencing part 5 of ED Form 799. However, if this information is being provided to people that may not be that familiar with ED Form 799, we might want to specify part 6 just as part 2 is specified. If my assumption is incorrect, then I don't know what is being compared.	Richard Criswell	Your assumption is correct. Part 6 of ED 799 has been specified in the document.
20	Lender Risk Model	34	<u>Special Allowance Payment</u> : Adjustments are both common and proper. How are you going to compare adjustments on Part IV with anything on Part V? No trigger, and nothing to compare.	Lee Avery	Based on agreement at the 9/13/2000 workshop, no change will be made at this time. This measure will be addressed during the detail design phase of the project.
21	Risk Model Conceptual Design	35	<u>Capitalized Interest</u> - I know this give us some indication of forbearance issues; however, I would like to see the dollar amount of loans in forbearance and then do some percentages or averages compared to a norm as part of a risk model. Is that figure available in NSLDS and/or would it be possible to request a change on ED Form to capture this amount on part 6? Not only is forbearances a problem with capitalization but it is also a large area of abuse in due diligence and an area that often is where fraud occurs with due diligence.	Richard Criswell	This is an important factor that requires further analysis in order to determine whether it can be systematically measured within the context of the Risk Model.

**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- Changes Matrix -**

Item #	Section	Page #	Comment	Author	Response
22	Lender Risk Model	35	<u>Capitalized Interest</u> : Risk factor incorrect	Lee Avery	Based on agreement at the 9/13/2000 workshop, no change will be made at this time. This measure will be addressed during the detail design phase of the project.
23	Servicer Risk Model	35	<u>Capitalized Interest</u> : Risk factor is not "lender sales...." This also could vary substantially based on the portfolio makeup and will vary widely across LIDs at the same servicer.	Lee Avery	Based on agreement at the 9/13/2000 workshop, no change will be made at this time. This measure will be addressed during the detail design phase of the project.
24	Lender Risk Model	36	<u>Purchases</u> : Disagree that this should be a trigger and think we should get form NSLDS or at least compare FFEL to NSLDS. Variances there would be more significant. Also, the measure is incorrect. There is no way to tell on the FFEL system whether or not a purchased loan was made in the purchase quarter.	Lee Avery	Based on agreement at the 9/13/2000 workshop, no change will be made at this time. This measure will be addressed during the detail design phase of the project.
25	Lender Risk Model	37	<u>Sales</u> : Same as purchases; get from or compare to NSLDS and why do we care if a lender sells more than it originates in a given quarter?	Lee Avery	Based on agreement at the 9/13/2000 workshop, no change will be made at this time. This measure will be addressed during the detail design phase of the project.
26	Risk Model Conceptual Design	38	<u>Portfolio Characteristics</u> - It appears that this indicator is only a measure of total volume. At one time we were also concerned with the quality of the Promissory Notes, i.e. the mix between school types – 4 yr. 2 yr.- proprietary. Is this covered somewhere else or are we no longer concerned about the quality of the paper.	Richard Criswell	This is an important factor that requires further analysis in order to determine whether it can be systematically measured within the context of the Risk Model.
27	Risk Model Conceptual Design Document and G.A. Risk Model	38	<u>Portfolio Characteristics</u> : This should be based on disbursements, not guarantees.	Lee Avery	Portfolio characteristics measurement was changed to disbursements.

**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- Changes Matrix -**

Item #	Section	Page #	Comment	Author	Response
28	Risk Model Conceptual Design and Lender and Servicer Risk	38	<u>Portfolio Characteristics:</u> A decrease of 5- 10% in volume should not be a trigger. Sales are common, as are transfers between LIDs and or servicers.	Lee Avery	The trigger for loan portfolio was removed, based on agreement at the 9/13/2000 workshop.
29	Risk Model Conceptual Design Document and G.A., Lender and Servicer Risk	39	<u>Number of Complaints:</u> I think it might be better to go with absolute numbers rather than percentage. For example: fewer than 10, 11 to 25, etc.	Lee Avery	The benchmarks for complaints has been changed to absolute numbers, based on agreement at the 9/13/2000 workshop.
30	Risk Model Conceptual Design Document and G.A., Lender and Servicer Risk	40	<u>Change in Default Rate:</u> Fine, but we should capture and use the cohort rates too. After all, that is what's in the law and what everyone uses.	Lee Avery	Cohort default rate was deleted, based on discussion during the third workshop. It has been re-added.
31	Lender Risk Model	42	<u>Change in Loan Status:</u> Once again, probably better over the whole portfolio.	Lee Avery	Based on agreement at the 9/13/2000 workshop, no change will be made at this time. This measure will be addressed during the detail design phase of the project.
32	G.A. Risk Model	45	<u>Trend Analysis of Rejected Claims:</u> What claims? Lender/servicer claims for insurance? I have no idea where the numbers would come from.	Lee Avery	Although the team agreed that rejected claims should be included in the Risk Model, this can be refined during the detail design phase.
33	Lender Risk Model	46	<u>History of Claims Paid and Age of Claims Paid:</u> These appear to belong to the agency model, not the lender model.	Lee Avery	Although the team agreed that claims should be included in the Lender Model, this can be refined during the detail design phase.
34	Risk Model Conceptual Design Document and G.A. Risk Model	50	<u>Change in Error Rates:</u> Is this the NSLDS benchmark? It has nothing to do with form 2000. How is it measured? The benchmarks are monthly.	Lee Avery	Yes, this is the NSLDS benchmark for G.A.s. Monthly data was added to the G.A. Risk Model.
35	Servicer Risk Model	50	<u>Change in Error Rates:</u> We have no lender/servicer error rates; servicers submit neither form 2000, nor any data to NSLDS.	Lee Avery	Error rates for Lenders and Servicers are tracked for ED 799.

**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- Changes Matrix -**

Item #	Section	Page #	Comment	Author	Response
36	Risk Model Conceptual Design	53	What do the arrows between G.A.s, Lenders and Servicers and Data Warehouse mean in terms of information sharing among the two systems.	Martha Shine	Within the conceptual design, the G.A.s, Lenders and Servicers would have access to their own performance data.
37	G.A. Risk Model	19-20	<u>Level of FFEL participation:</u> Knock out the first four levels.	Lee Avery	Eliminated the first four levels.
38	G.A. Risk Model		<u>Change in Loan Status:</u> This is a risk factor, but I'm not sure that the measure is valid. It might be better to do it over the whole portfolio rather than loans in repayment.	Lee Avery	Based on agreement at the 9/13/2000 workshop, no change will be made at this time. This measure will be addressed during the detail design phase of the project.
39	Servicer Risk Model		<u>Level of FFEL:</u> Eliminate the first three levels.	Lee Avery	Eliminated the first three levels.

**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- Changes Matrix -**

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**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- *Changes Matrix* -**

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**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- *Changes Matrix* -**

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**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- *Changes Matrix* -**

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**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- *Changes Matrix* -**

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**Student Financial Assistance      Financial Partners Channel**  
**Risk Model**  
**- *Changes Matrix* -**

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