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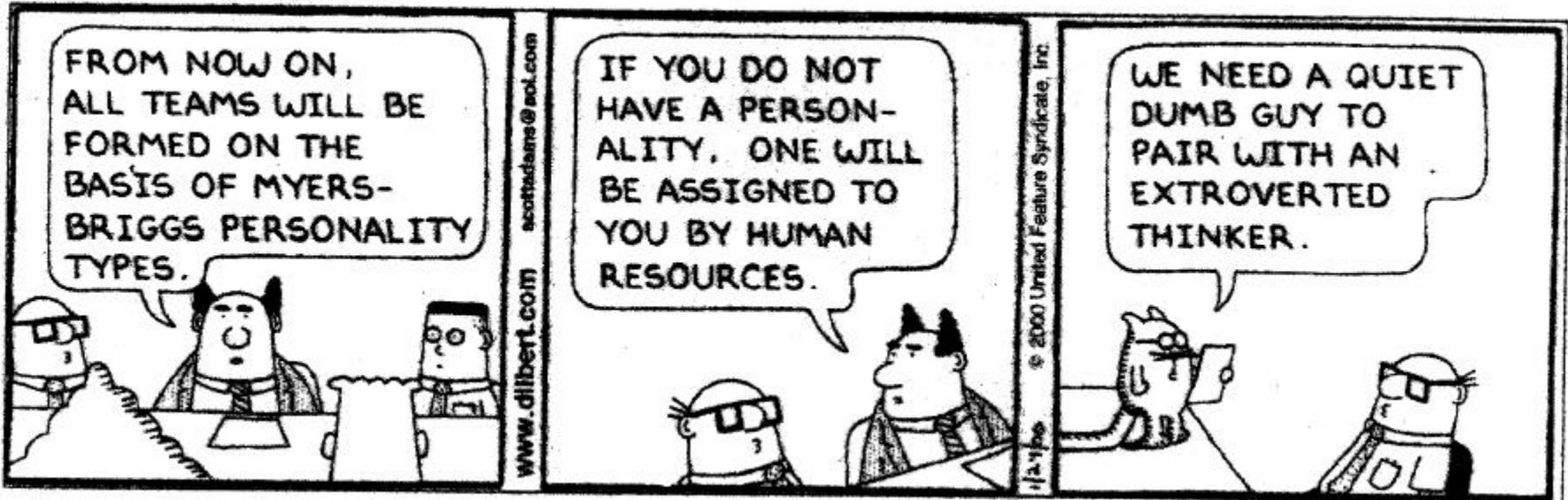
# E-SIGN UPDATE

Management Council  
June 22, 2001



# “Team Work” ... Delivers Results ...

DILBERT SCOTT ADAMS

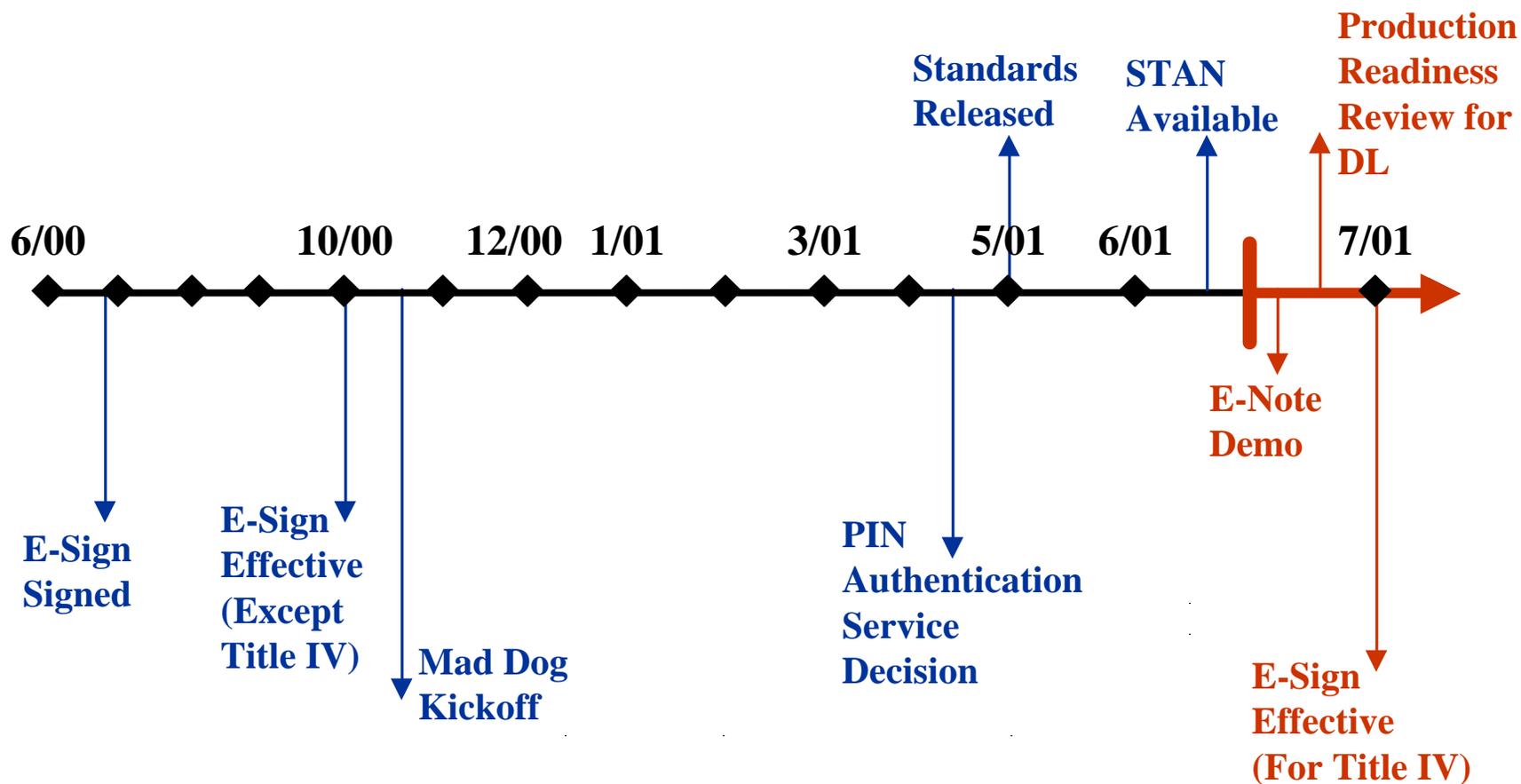


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DID HR CALL?



# E-Sign Timeline



# Documentation Effort

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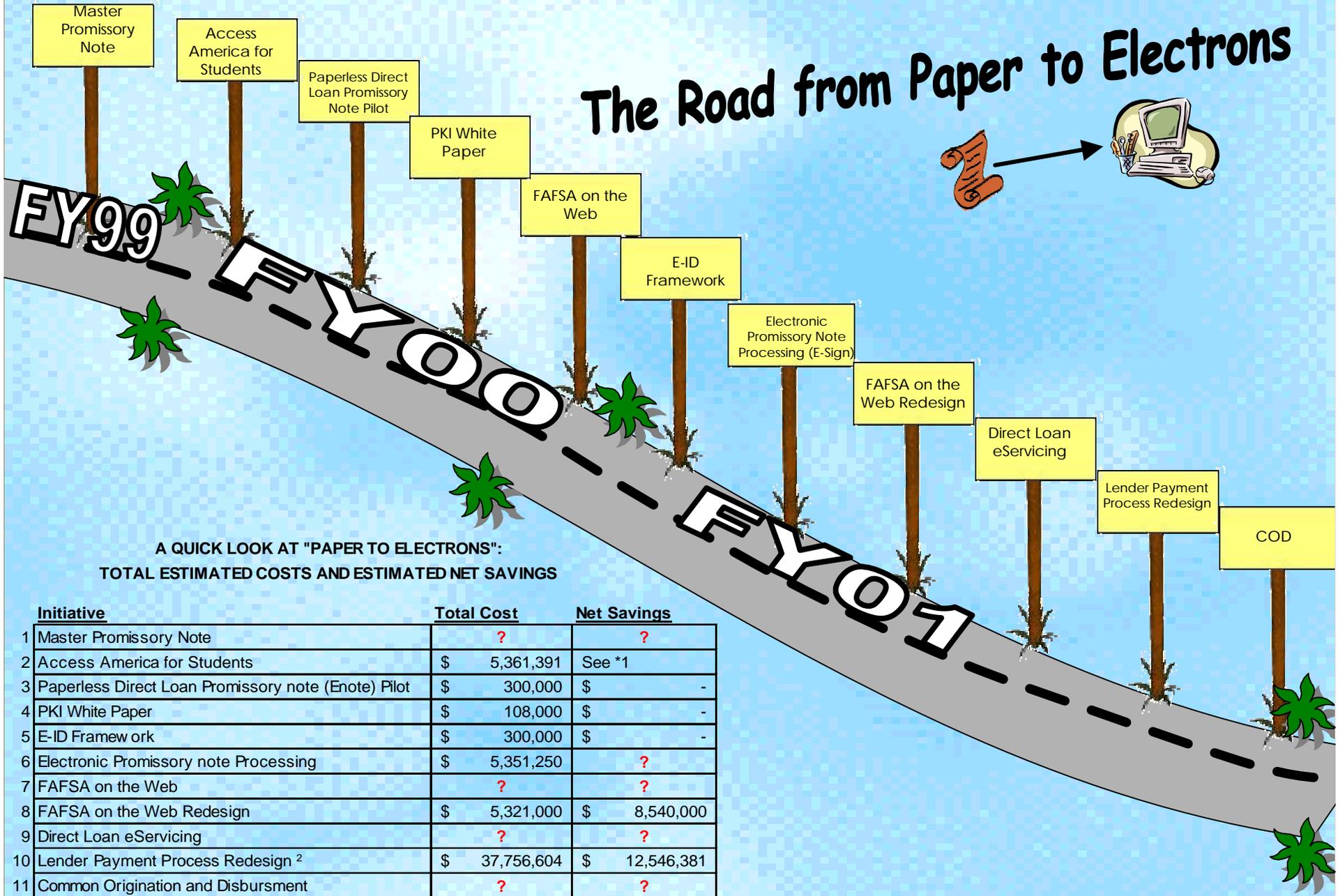
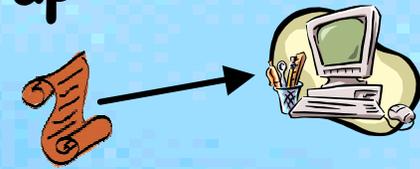
## The Path to Electronically Signed Promissory Notes (eMPN)

### Executive Summary

- I. **Electronic Promissory Note Processing Business Case (BC-FY01-26)**
- II. **Project Plan**
- III. **Legal & Risk Analysis**
- IV. **Cost Benefit Analysis**
- V. **Spending Plan**
- VI. **Industry Outreach**
- VII. **Direct Loan Approach**
- VIII. **Certification & Accreditation**
- IX. **From Paper to Electrons**



# The Road from Paper to Electrons



**A QUICK LOOK AT "PAPER TO ELECTRONS":  
TOTAL ESTIMATED COSTS AND ESTIMATED NET SAVINGS**

<u>Initiative</u>	<u>Total Cost</u>	<u>Net Savings</u>
1 Master Promissory Note	?	?
2 Access America for Students	\$ 5,361,391	See *1
3 Paperless Direct Loan Promissory note (Enote) Pilot	\$ 300,000	\$ -
4 PKI White Paper	\$ 108,000	\$ -
5 E-ID Framework	\$ 300,000	\$ -
6 Electronic Promissory note Processing	\$ 5,351,250	?
7 FAFSA on the Web	?	?
8 FAFSA on the Web Redesign	\$ 5,321,000	\$ 8,540,000
9 Direct Loan eServicing	?	?
10 Lender Payment Process Redesign <sup>2</sup>	\$ 37,756,604	\$ 12,546,381
11 Common Origination and Disbursement	?	?

1 Access America showed costs for origination and disbursement could be reduced by 50% or more with a commercial model. This model, applied to SFA, could yield a potential savings of \$22M.

2 Net Savings reflects a \$12.5M reduction from forecasted \$50.3M cost if SFA did not implement this solution.



# Electronic Promissory Note Processing: Cost-Benefit Chapter

	per eNote	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Total
<b>DLO<sup>1</sup> <i>Await further validation for some numbers</i></b>							
<b>Level 1-2 Schools</b>							
GPO printing of Pnotes and R&R	?	\$0	?	?	?	?	\$0
Warehousing GPO-printed docs	?	?	?	?	?	?	\$0
Box prep & bulk shipping of Pnote and R&R	\$0.17	\$41,930.50	\$167,722.00	\$167,722.00	\$167,722.00	\$167,722.00	\$712,819
<b>Level 3-5 Schools</b>							
Print envelopes & Pnotes and postage	\$0.39	\$1,306.50	\$5,226.00	\$5,226.00	\$5,226.00	\$5,226.00	\$22,211
<b>Pnote Processing</b>							
Scan Pnotes	\$0.09	\$22,500	\$90,000	\$90,000	\$90,000	\$90,000	\$382,500
Track unreturned Pnotes/mail reminders	?	?	?	?	?	?	\$0
Requested hardcopies of e-signed Pnotes	(\$0.39)	?	?	?	?	?	\$0
<b>PIN Authentication Services</b>							
eMPN website operations per year	?	?	?	?	?	?	\$0
e-Repository storage per year	\$0.014	3,500	14,000	14,000	14,000	14,000	\$59,500
<b>Subtotal</b>		\$6,737.00	\$26,948.00	\$26,948.00	\$26,948.00	\$26,948.00	\$114,529.00
<b>75% e-signed Assumption Factor</b>		\$5,052.75	\$20,211.00	\$20,211.00	\$20,211.00	\$20,211.00	\$85,896.75
<b>DLS <i>Await further validation from DLS</i></b>							
Pnote retrieval, imaging and data entry	\$3.61	\$13,978	\$40,188	\$92,432	\$265,743	\$611,209	\$1,023,550
<b>DLC<sup>2</sup></b>							
printing, mail handling, imaging, vault storage	\$0.56	\$84,000	\$89,880	\$96,172	\$102,903	\$110,106	\$483,061
<b>DCS</b>							
<i>Await further validation from DCS</i>	?	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0
<b>CPS<sup>3</sup></b>							
Reissue SFA PINs	(\$1.00)	(\$25,000)	N/A	N/A	N/A	N/A	(\$25,000)
	(\$0.50)	N/A	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$200,000)
<b>Subtotal</b>		(\$25,000.00)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$225,000)
<b>75% e-signed Assumption Factor</b>		(\$18,750.00)	(\$37,500.00)	(\$37,500.00)	(\$37,500.00)	(\$37,500.00)	(\$168,750.00)
<b>TOTAL SAVINGS</b>		<b>84,280.75</b>	<b>112,779.00</b>	<b>171,314.60</b>	<b>351,357.36</b>	<b>704,026.08</b>	<b>1,423,757.79</b>
<b>DLO/CPS eMPN volume assumptions (if all notes e-signed)</b>		250,000	1,000,000	1,000,000	1,000,000	1,000,000	
<b>DLS eMPN volume assumptions<sup>4</sup></b>		3,872	11,132	25,605	73,613	169,310	
<b>DLC eNote assumptions (52% of DLC notes e-signed)</b>		150,000	160,500	171,735	183,756	196,618	

<sup>1</sup> DLO may obtain future labor savings via contract renegotiations. Level 1-2 School account for 98.66% of DL MPNs.

<sup>2</sup> DLC already saves \$0.99 per note every time a borrower uses an on-line application. An increase in loan consolidations due to favorable interest rates may increase the estimated eNote volumes.

<sup>3</sup> CPS estimates 10% of e-signed eMPNs will result in PIN reissuances at \$1 per PIN for low volumes and \$.50 per PIN for high volumes

<sup>4</sup> DLS eMPN volume assumptions based on Pnote requests growing 15% each year and a variable percentage being eMPNs



# E-Sign Update

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**What's next?**

