

Summary Overview of Financial Partners Channel – Partner Services

The Financial Partners Channel is divided into five main areas: (1) Partner Services (2) Financial Management (3) Partner Systems Liaison (4) State Agency Liaison and (5) Program Development. The Financial Partners Channel is responsible for providing support to Lenders and Guaranty Agencies while maintaining strong oversight.

Primary Customers and Partners:

Partner Services

- Primary Customers: Borrowers and their Families
- Primary Partners: Lenders, Guaranty Agencies, Servicers, Secondary Markets
- Internal Partners: DCS, Ombudsman, NSLDS, Program Development/Policy Analysis, CIO, SFA U, Schools Channel, Training and Development Center (TDC), PEPS, Office of General Council (OGC)
- External Partners: Financial Trade Organizations, NCHELP, SALSA, state associations (i.e., ILASFAA Illinois Association of Financial Aid Administrators), FFEL School FAAs, NASFAA, non-eligible Lenders through trustee agreements, OIG, Regulatory Agencies (i.e., State Attorney General, State Auditor General), Department of Insurance, Legal Organizations, CBA

36 Guaranty Agencies
4000+ Lenders
Secondary Markets
25-30 Servicers

Services Offered:

Partner Services

Goal: 50% compliance/50% outreach and technical assistance

- Provide general program information and support to financial institutions (i.e., policy interpretation, technical assistance, training)
- Assign main point of contact and backup Partner Services representative for each state
- General information questions are very infrequent – less than 1%
- Perform program reviews for oversight and technical assistance (i.e., desk, comprehensive, limited scope, NSLDS, federal fund, operating fund)
- Maintain risk models to assess the need for program reviews and/or technical assistance
- Develop, organize, and/or conduct training (Department of Education, Lenders, and Guaranty Agencies). Work with SFA U periodically.
- Internal/external outreach through meetings, presentations, conferences (i.e., identifying opportunities, develop topic, agenda, logistics, prepare materials, facilitation, minutes, Q/As, lessons learned)
- Serve as a liaison between Guaranty Agencies, Lenders, and Borrowers by providing information, resolving issues, and intervening in borrower-Financial Partner conflicts
- Support Guaranty Agencies in their reviews of Lenders
- Joint Lender reviews with Guaranty Agencies
- Ensure Guaranty Agencies and Lenders report to credit bureaus
- Monitor Lender and Guaranty Agency compliance with guidelines and procedures
- Policy interpretation, standards, and enforcement

- Provide input to regulatory process
- Download/Update NSLDS – check student and loan status/default rates
- Download/Update PEPS – history of past reviews/enter any outstanding liabilities and obligations
- Utilize FP Data Mart to view and analyze Guaranty Agency data
- Utilize FP Data mart for monthly, quarterly, and yearly analysis and comparison
- Utilize FP Data mart to view and analyze Lender data
- Utilize reports and NSLDS benchmarks for proactive technical assistance and outreach
- Independent audit review and resolution for GA, Lender, and Servicers - issue Program Determination Letters, follow-up, and appeals
- Cohort Default Rates for GAs and Lenders
- Financial Analysis
- NSLDS data integrity, technical assistance, and guidance
- PEPS Development
- Respond to Congressional inquiries
- Serve on advisory board of various Guaranty Agencies, and on committees and work groups
- Participate on SFA special projects including 799, default, Consistent Answers (approximately 20% of staff time is spent contributing to special projects)

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Southern Region: Mirek Halaska

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Partner Services Process Flow Narrative:

The Partner Services staff analyze historical data to target and schedule Financial Partner Channel program reviews for Lenders, Guaranty Agencies, Secondary Markets and Servicers who participate in Title IV programs.

Analysis varies by region, but most often includes:

- Guaranty Agency
 - Verify using correct procedure for administering operating and federal funds
 - Verify accuracy of billings to ED, paying insurance, and claims for reinsurance
 - Claims due diligence
 - Reporting correct data
 - Systems work properly
 - Loan origination, repayment, pre-claims assistance, collections
 - Accurate NSLDS reporting
 - Conflicts of interest/restrictions
- Lender/Servicers/Secondary Market
 - Verify accuracy of the ED 799 billing as to fees, interest, special allowance, and the reporting of the portfolio activity and status during reporting periods

- Verify the integrity of systems, processes, and databases
- Verify the accuracy of the reporting of loan sales and purchases
- Verify the appropriateness of loan practices
- Search for indications of conflicts of interest, improper inducements, and other restrictions prohibited by regulations

There are two types of reviews:

- Desk Reviews – analysis done in the office usually revolving around Lenders and the 799 form (i.e., reporting for interest, origination fee project, rebate fees). Letter is sent to reviewee with results and outcome. Average time for review is 1 week.
- On-Site Reviews -
 - Comprehensive Reviews – extensive reviews of entire general ledger, bills, etc., usually involves technical assistance (Average time for review is 2-3 weeks)
 - Limited Scope Review – focuses primarily on specific high risk areas (Average time for review is 2 weeks)
 - NSLDS Review – GA reporting data correctly to NSLDS (Average time for review is 5-10 days)
 - Computer System Reviews (Average time for review is 5-10 days)
- Note: In some cases the review can take months to arrange. The above averages are current time frames. Reviews are going to a more electronic format and new tools are becoming available for data analysis. On-site review time is expected to decrease in the future as more preparatory work is done in the office using electronic information.

At the end of the on-site part of the review an exit conference is conducted at which the review findings are formally presented to the reviewee. A written report is subsequently issued to the reviewee that documents review findings with corresponding regulatory and policy citations and corrective action descriptions. The reviewee has 30-45 days to respond to the report. The reviewee is then monitored to verify that the corrective action, which the reviewee has indicated is complete, is implemented and accurately corrects the program deficiency identified by the review findings. A review can be fully or partially closed based on the corrective actions and results.

The Partner Services staff spend half of their time working with their partners through outreach and technical assistance including:

- Solicit partners for topics they would like to discuss in an open forum
- Focus topics on new programs and impacts on partners (i.e., reauthorization)
- Prevention conferences and initiatives

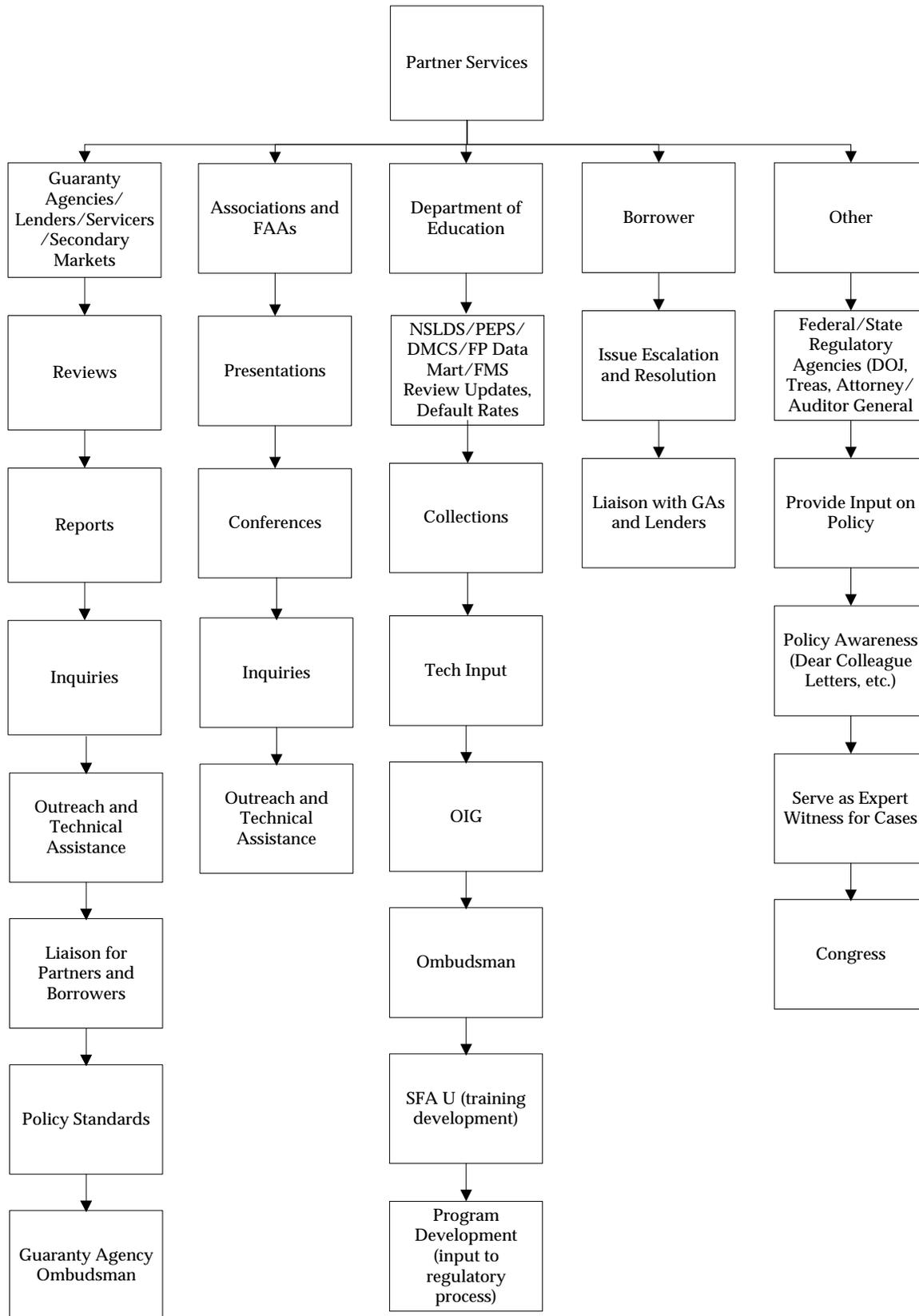
Partner Services identifies opportunities and conducts meetings for both internal and external audiences. Topics are based on interest, current events, new technology, and need. Partner Services develops the theme, creates presentation materials, and organizes the meeting logistics. All outreach meeting presentations and documents are posted to the LAN and web.

Partner Services sets enforcement standards by identifying and clarifying issues through site visits, reviews, inquiries, and borrower complaints. To develop the enforcement standards, Partner Services contacts legal authorities for input, determines method for compliance, established corrective action, and improves the process. The draft enforcement standards are circulated to all Partner Services staff,

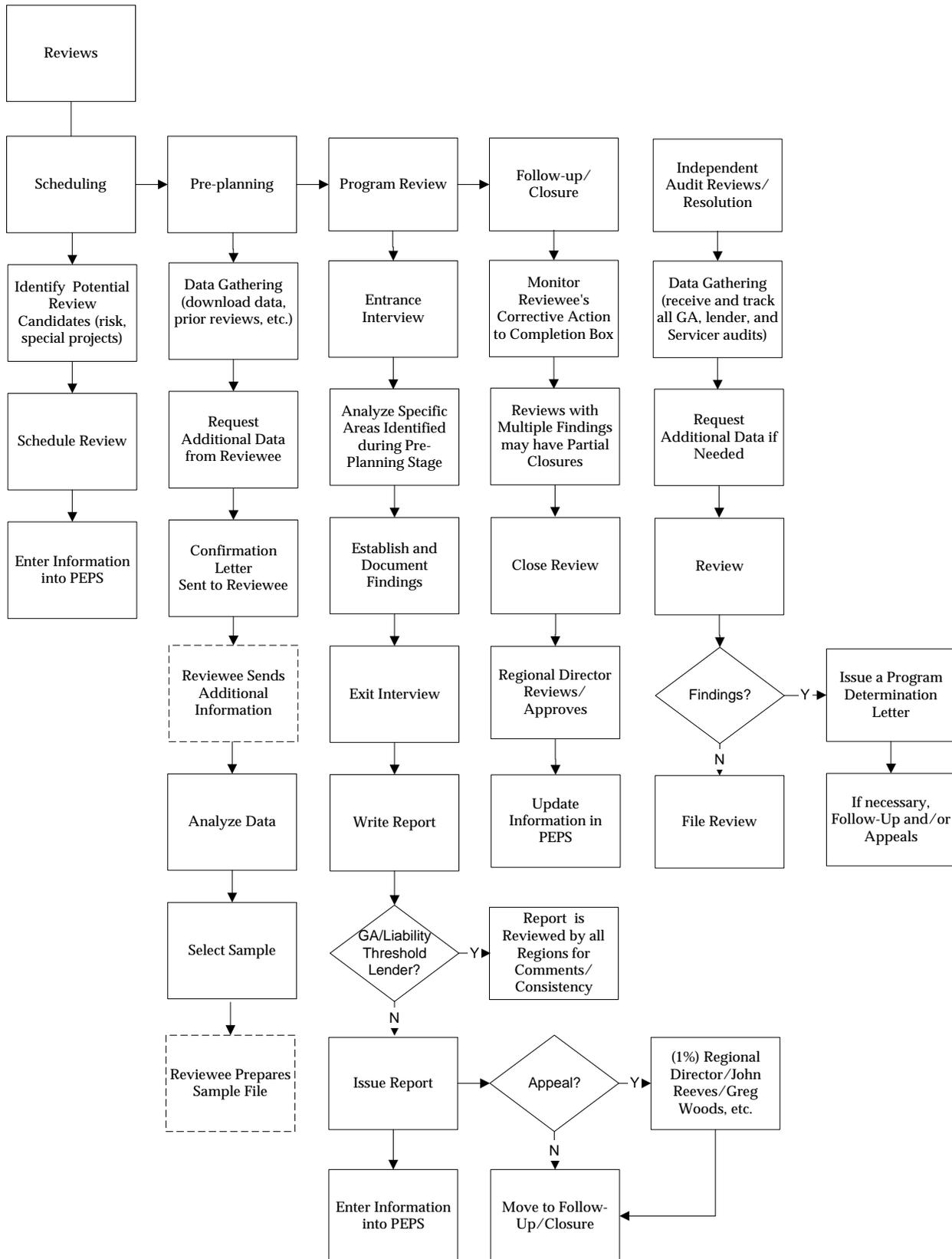
appropriate SFA offices, and program development for review. The final findings and corrective actions/DPL are written, approved by ED and SFA, and distributed to the community.

Review outcomes, outreach information, and policy interpretations/standards are kept on a shared drive where all Partner Services staff have access. General issues and trends are discussed during the weekly Partner Services conference calls. Draft reports are shared across Partner Services to ensure consistency and reconcile potential differences before submission. The Director of Partner Services and Region Directors have quarterly planning sessions and staff have constant one on one communication. Customer feedback is captured through state Partner Services representatives and the Ombudsman.

Partner Services Functional Overview



Partner Services Process Flow - Reviews



Information Sources:

Commonly Data Used

- Delinquency/default rates
- Size of portfolio
- Billings rejected and reason codes
- Late filing
- Number/type of reasonability edits failed
- Complaints on file against partners, EDS, Ombudsman
- Date of last review
- Outcomes of analysis already conducted/prior reviews
- Guaranty Agency findings
- Portfolio history
- Active disbursements (in \$) vs. portfolio size (in \$)
- CPA audits (3rd party audits), OIG audits
- Volume of originations
- Number of years in the Title IV program
- Mergers or changes in ownership
- Sales and purchases
- Contact information
- Ombudsman borrower complaints against Lender, Guaranty Agency, and/or Servicer

Guaranty Agency View

- Computer Systems/Software
- Secondary Markets/Affiliations
- Servicers
- Collection Agencies
- All Contractors
- Portfolio Mix
- Default Rates
- NSLDS Error Rate
- 3rd Party Audits
- Contact Information for Directors/Heads of Compliance, Claims, Systems
- Billing Information – FP Data Mart

Lender/Servicer View

- Locations
- LIDs
- Servicers
- Computer Systems/Software
- Portfolio Mix
- GA Relationships
- Student Loan Officer
- Collection Agencies
- Trustee Relationships
- 3rd Party Audits

Common Data Sources

- FFEL
- FMS
- NSLDS
- PEPS
- FP Data Mart
- DC/Other Regions
- GA, Lender, Secondary Market, Servicer Data
- External and internal reports/publications
- Newspaper
- IFAP
- SFAnet
- NCHELP web-site
- Major Guaranty Agency and Lender web-sites
- Shared LAN including reports, policy database, etc.
- Shared folder in Outlook to house policy e-mails
- Review guides and agreements

Data Analysis Tools

- FP Data Mart
- FMS
- NSLDS
- PEPS
- IDEA
- Excel

Volumes

- Overall Annual Contact Volume:
- Overall Average Monthly Contact Volume:
- Peak Month/# of Contacts (Borrower, Lender, GA, Servicer, Other):
- Number of Reviews
 - Desk – L/GA/S
 - On Site - L/GA/S
 - Limited Scope - L/GA/S
- Note:
 - Number of reviews is not an accurate measurement.
 - Some percentage of workload dictated by ‘scandal’ factor – managing the perceived funds mismanagement from newspaper, congress, etc.

Key Performance Indicators/Measurements:

- Knowledge, expertise, contribution
- PBO Surveys/Scores on Satisfaction Surveys
- High evaluation and use of presentation materials
- Complaints/Investigations
- National Outlook
- Workload Measurement
- Participation and contribution to special projects (IPTs, workgroups, etc.)

- Goals:
 - Fewer Error Reports
 - NSLDS Benchmarks
 - Percentage of Portfolio Impacted Through Reviews/Outreach
- Enforcement Standards:
 - Fair to all Partners
 - Enforcement standards not reversed
 - Enforcement standards cost does not exceed value

Current Issues and GAPS:

- Lender ID – nothing shows the relationships, need something that ties these together in one place
- Need to know what Servicers a Lender uses – not in one place currently (799 only allows 1 name)
- Financial Management sends a questionnaire, but a year later the information is outdated – need more real time data
- Very time consuming to do research
- More cross-functional communications with PIC and Ombudsman
- Communication across Financial Partners

Future Goals and Objectives:

- Ultimate Goal: Enhance the relationship with the Partners – improve services and be on the same page (continuing to build over time with trust and exposure)
- Partnership meetings with GAs – DCS and Schools to participate/FP serve as liaison
- Advisory Council Committee – Representatives from GAs, CASE, DCS, FP get together on a regular basis
- Improve internal and external communication
- Default prevention – CASE, DCS, and FP
- Workflow management and status updates (i.e., policy interpretation)
- More robust knowledge management – easy access to all historical data
- Case tracking
- Not have to receive so much data from partners – we have this data in-house, make it easy to access
- Increased cross training across SFA including CASE, Ombudsman, and Contact Centers - PIC

Related Projects:

- Document Workgroup
- FP Data Mart
- Square One
- Lender IPT
- VFA IPT
- TA Site Visit Guide

Sources Utilized:

- Document Workgroup
- Financial Partners Current Environment
- Financial Partners Data Mart Documentation
- Partner Services Office Visits – Chicago/San Francisco
- Request for Organizational Approval Document

- SFA Employee Interviews
- Square One July 2001
- Summary Management Package June 2001

Other:

Administration and operations including budget, funding, etc. contributes to the overall time and resource allocation for Financial Partners.