



TO: VFA Team
United States Department of Education

From: John Sinsheimer, Interim Executive Director, Illinois Student Assistance Commission

Date: August 1, 2011

The Illinois Student Assistance Commission (ISAC) presents this document in response to the Secretary's invitation to submit proposals to participate in a Voluntary Flexible Agreement (VFA), published in the Federal Register May 31, 2011. ISAC is a guaranty agency under the Federal Family Education Loan (FFEL) program as authorized under 20 USC §1078.

ISAC believes that **College Changes Everything**. The VFA structure offers the Secretary significantly improved performance and efficiencies, and ISAC's response demonstrates how "good business" can also be great public policy. Helping students to obtain financial literacy earlier and to use that information to make better choices will result in significantly improved financial outcomes for the student, the state and federal governments and the nation.

ISAC looks forward to collaborating with the United States Department of Education in support of the President's vision that America will once again have the highest proportion of college graduates in the world.

Please feel free to contact Shoba Nandhan with any questions.

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Voluntary Flexible Agreement Proposal

Presented To

Federal Student Aid
United States Department of Education

Submitted By

Illinois Student Assistance Commission



August 1, 2011

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**Illinois Student Assistance Commission
Voluntary Flexible Agreement Proposal
Presented to the Department of Education
August 1, 2011**

Introduction

The Illinois Student Assistance Commission (ISAC) submits this proposal in response to the Secretary's invitation to participate in a Voluntary Flexible Agreement (VFA) as published in the May 31, 2011, Federal Register.

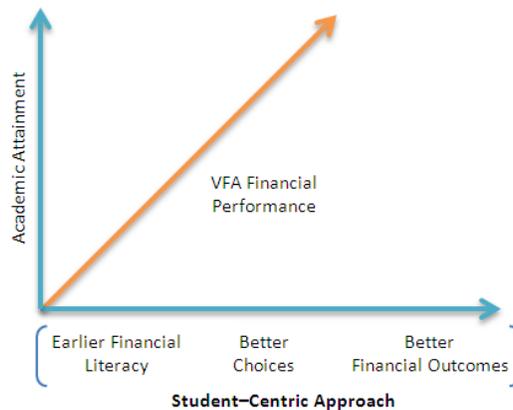
ISAC proposes to provide services in two GA Responsibility Areas:

Area I - Lender Claims Review, Lender Claims Payment and Collections

Area III - Community Outreach, Financial Literacy and Debt Management, School Training and Assistance, and School Oversight

ISAC has purposefully presented Area III first as it precisely mirrors the agency's strategic vision and commitment to helping students understand the consumer economics of higher education earlier, and use that information to make better choices.

Financial literacy efforts must begin well before a student becomes a borrower, and they need not stop when a student leaves college. Through the use of mentoring programs that begin at least as early as 9th grade, students and families must be educated on the complex consumer economics of higher education. Preventing default begins with educating families about the college planning and preparation process. When families understand the relationships among career interests, academic rigor, college costs and future earning potential, responsible choices can be made with an eye toward return on investment. This type of information cannot simply be provided through fine print in brochures and Web content. Particularly for families without prior college-going experience, one-on-one attention allows for more comprehensive and individualized guidance.



The intersection where earlier acquisition of financial literacy skills, informed choices and enhanced academic and financial outcomes converge, is also critically aligned with ISAC's history of innovative and successful outreach activities.

About ISAC

Access, Affordability and Attainment

In 1957 state lawmakers created the Illinois Student Assistance Commission to ensure that financial considerations did not prevent Illinois students from realizing their postsecondary educational aspirations. Since then, the number of students we assist and the number of programs we administer have increased steadily, as has the scope of the services provided to support those programs. At every stage of the financial aid process, ISAC is there, acting as a centralized and acknowledged expert resource of information and guidance, and offering an array of programs and services.

A non-profit state agency, ISAC is a full service guarantee agency addressing all aspects of defaulted FFELP student loans. ISAC is self-sustaining, not dependent on state general funds for operations or program administration, generating operating revenue through our collections efforts. Our default loan portfolio has a current value of approximately \$664 million. Focused on achieving the best outcomes for both borrowers and taxpayers, ISAC also maintains engagement strategies to manage the portfolio and work for debt resolutions that benefit all parties.

In addition to its role as a guarantor, ISAC administers most of Illinois' college grant and scholarship programs. Over the past five years the agency has awarded over \$2.0 billion in grants to help Illinois students obtain a postsecondary education through the state's Monetary Award Program (MAP), one of the largest need-based programs in the country. ISAC also has statutory responsibility to administer 21 additional state programs. Our College Illinois! Corps of 87 recent college graduates provides near-peer mentoring and an array of informational and practical outreach activities throughout the state.

This past year ISAC successfully championed statewide adoption of the Lumina Foundation's Big Goal: increasing the proportion of Illinois adults with a postsecondary credential to 60 percent by 2025. The Illinois goal is aligned with President Obama's goal that America have the highest proportion of college graduates in the world.

The depth and breadth of ISAC's programs and services has allowed the agency to build sustainable long-term relationships with Illinois education institutions, financial aid professionals and lenders, and students and their families.

FSA and ISAC share a drive to excel in several key areas:

- Superior service and information delivery to students and borrowers
- Ensuring postsecondary funding serves the interests of students from "cradle to career"
- Developing efficient and effective capabilities and processes representing the best in the public and private sectors
- Maintaining high ethical standards, integrity and accountability to safeguard taxpayers' interests

All of us at ISAC take personal pride in the agency's history of helping generations of Illinois students attend an institution of higher learning. Being selected to enter into a VFA will define how future efforts are delivered with even greater efficiencies and cost savings for taxpayers.

Accountability

ISAC believes that as an agency of the State of Illinois, a loan guarantor, and recipient of grants from private foundations and the federal government, it has a fundamental responsibility to transparently demonstrate program efficacy, efficiency and sound financial stewardship.

ISAC will develop a balanced scorecard to track key performance indicators for each proposed activity to measure success in meeting financial and strategic objectives. The balanced scorecard will be used to report and measure progress for both strategic and financial objectives.

Included with each GA Area are suggested performance indicators that the Secretary and ISAC can use to monitor program effectiveness in assisting students and increasing programmatic cost savings.

Community Outreach, Financial Literacy and Debt Management, School Training and Assistance and School Oversight (GA Responsibility Area III)

Summary

ISAC's College Access and Outreach (CAO) division is the nexus for many of the agency's most vital and successful programs. CAO focuses on three main areas:

- Provide better information earlier to students and families so they can make better decisions;
- Actively assist students throughout the financial aid lifecycle; and,
- Train and certify education professionals to help them better serve students.

ISAC proposes to use its extensive community access and outreach experience and expertise to enhance delivery of practical and innovative services to students and schools.

Background

In 2004, the Illinois Student Assistance Commission reorganized and reprioritized its staff, services, and resources to build an agency whose purpose is to invest in the human capital of the state, with a renewed emphasis on the development of potential first generation and non-traditional college students. The Outreach organization recognizes the importance of providing support during the initial steps of the student aid lifecycle.

To ensure a comprehensive approach for delivering that support, ISAC merged school training, outreach, and guarantor marketing departments into one community outreach department. As a non-profit state agency and student loan guarantor, our goal was to create equal access to quality postsecondary education for first generation, low-income and non-traditional students by raising college awareness, providing high quality training for high school counselors and other student-level practitioners, and establishing replicable, scalable, self-sustaining and customized community-based outreach models.

Performance at a Glance

- 87 – College Illinois! Corps members serving 102 Illinois counties
- 156,000 – Students and families reached by the College Illinois! Corps during the 2010-2011 school year
- 8,000 – Number of current ongoing mentoring relationships
- 48.9 – Percentage of mentees to be first in family to attend college
- 264,700 – Number of students assisted by the ISAC Call Center
- 656,646 – FAFSA submissions since January 1, 2011 (61% of eligible high school students)
- 1,000 – Professionals receiving CEC-approved FAFSA and Economics of Higher Learning training
- 670,000 – Students assisted by these trained professionals

The College Illinois! Corps

While targeting high school students in their schools is one traditional outreach method, reaching potential first generation college students often requires working in less conventional settings. By the senior year of high school, when FAFSA filing season arrives, the majority of what needs to be done to plan and prepare for college is well in the past. If it hasn't been done, it can't be done during FAFSA filing season. This is compounded by the fact that students who have not planned and prepared for college prior to the senior year of high school are likely to tune out college-going messages as they do not perceive themselves as college-going students. Traditional college access endeavors are not perceived as relevant by the students most in need of services. To better reach those students with the greatest need, in 2009 ISAC launched the College Illinois! Corps, funded through the College Access Challenge Grant.

The primary tools employed by the College Illinois! Corps members are the ISAC-sponsored college-planning web-portal WhatsNextIllinois.org, and the messaging, collateral, website, and playbook made available to Illinois through the KnowHow2GO network (Lumina Foundation for Education, American Council on Education, and the AdCouncil).

FAFSA Data Matching/FAFSA Completion

An ISAC innovation, the FAFSA Data Match grew in 2004 from efforts to more effectively support the students of the country's third-largest school district, the Chicago Public Schools (CPS). We wanted to meet two primary goals: (1) to ensure that the neediest students did not opt out of preparing for college because of a mistaken assumption that college would be unaffordable; and (2) to ensure that students with the greatest financial need were exhausting every source of state, federal, and institutional aid before they considered borrowing for college. We knew that a powerful way to meet both goals and help students overcome barriers to higher education was to encourage timely, accurate FAFSA completion. In turn, FAFSA completion would increase a student's chances of postsecondary program enrollment.

Limitations on staff at both the agency and the district made it critical that outreach resources be used wisely to support the district's large population of low-income students. We looked to our data resources to help target outreach services where they were needed.

Because ISAC uses the FAFSA as the application for its need-based MAP Grant program, it was possible to compare a file sent from CPS against the MAP Grant program database to determine whether low-income CPS students had completed FAFSAs. While keeping the actual FAFSA data private, ISAC was able to report to CPS at regular intervals which students had applications for MAP on file.

This information proved valuable for high school counselors and other professionals within the system. Rather than simply offering FAFSA workshops and hoping that students would attend, they could now focus on students who had not yet filed and provide them with direct counseling.

This data match approach has enabled high school professionals to better focus on student populations in need of necessary counseling services. Data matching has allowed for better and more productive use of FAFSA workshops which in turn produce more accurate and timely completion of FAFSA applications.

Impact

Today, the College Illinois! FAFSA Data Exchange is open to any school that wishes to participate with no increase in cost to the agency, which today is estimated at \$150K annually. During the FY2012 FAFSA completion season, 421,108 applications were received by March 25, 2011. As a result, ISAC had to suspend the awarding of its MAP funds at the earliest date in the history of the program. While much attention is paid to the fact that the program has "run out of money" earlier than in the past, it is not a result of less funding. In fact, the early cut-off is in significant part a result of successful efforts to get these high-need students to apply for college financial assistance as early as possible, when grant funding is most readily available.

The results of the CPS FAFSA data matching program to drive FAFSA completion have been exceptional.

	# seniors	# completing FAFSA	% completing FAFSA	Year-over-Year change*
FY2007	18,366	10,552	57.5%	
FY2008	17,629	10,963	62.2%	2.1%
FY2009	18,484	12,574	68.0%	14.5%
FY2010	18,615	13,929	74.8%	7.6%
FY2011	18,613	15,323	82.3%	14.4%
FY2012	18,368	15,179	82.6%	5.2%

* completing FAFSA before suspense

This increase in FAFSA completion was achieved at a cost of about \$150K during the implementation year, as compared with an agency personnel cost of more than \$500K for providing FAFSA outreach services to CPS during the prior year. Anecdotal information from CPS indicates that they incurred similar costs for direct FAFSA outreach before implementation of the FAFSA Data Match. In total, the program has saved an estimated \$1,000,000 in human resource costs that could be redeployed in a more efficient and effective manner.

Training and Certification – For High Schools, Students and Their Families

Training has always been at the forefront of ISAC’s approach to maximizing outreach resources. Before the establishment of College Goal Sunday, ISAC was already training counseling and financial aid professionals to conduct high quality student-centered FAFSA Completion Workshops during the state of Illinois’ annual Financial Aid Awareness Month. Our role in the month helped to build our reputation as an unbiased, trusted provider of free professional education for high school counselors and other social service and college access providers in the state. Today, ISAC also oversees College Goal Sunday efforts in Illinois, working with experienced professionals from college financial aid offices around the state.

ISAC employs a “train-the-trainer” process which arose out of necessity but has proven to be one of the most effective methods of maximizing outreach services while keeping costs low. It is also easily replicable, highly scalable, and very sustainable not only for ISAC but for the communities in which the promotion of a college-going culture among potential first-generation college students is an urgent need.

Tax Preparation/FAFSA Workshops

As a population, low-income working adults do not tend to apply for financial aid; if they do apply, they often submit their applications late in the cycle and lose opportunities for state assistance. Without adequate aid, this group is particularly vulnerable to suboptimal or predatory institutions and lenders.

In an attempt to improve service for these nontraditional students, ISAC collaborates with the country’s largest non-profit provider of free tax preparation assistance.

ISAC staff provide FAFSA completion services in conjunction with tax preparation clinics held in lower-income communities across the Chicago metropolitan area. Staff explain postsecondary options and the availability of financial assistance, and they offer assistance with FAFSA completion in the same setting where individuals receive help with IRS 1040 preparation.

ISAC is working to develop additional methods for working with our state’s widely dispersed population of low-income adults. One example is a proposed pilot with the Illinois Department of Employment Securities and the Illinois Department of Human Services. Still in the planning stage, the program would include appropriate discussion of postsecondary options as part of the intake processes for these agencies. Assistance with FAFSA filing would be made available, and

ISAC staff would provide follow up service to make sure that these adults are aware of their education options.

Training and Certification – For Student Assistance Professionals

It is critical that the professionals who interact with Illinois students during the financial aid and college application processes are knowledgeable about the FAFSA and financial aid. While high school counselors and other student service professionals lack hands-on experience with key processes and programs, they are often the adult who is trusted most by potential first-generation college students and their families in the college admission and financial aid application process. While a practitioner can attain a credential in the area of high school and postsecondary counseling, there has been no such credential to demonstrate knowledge and competency in advising on the financial aid application process.



Without some assurance of accurate advising, the students most in need of services are left vulnerable to inaccurate guidance either from well-meaning professionals with out-of-date information, or from individuals seeking to capitalize on the lack of college knowledge among first-generation college students.

Here, again, ISAC is employing a “train-the-trainer” approach: We have developed a formalized process for annual certification that gives professionals a detailed understanding of financial aid systems. The certification is being promoted throughout the state.

2011-12 Financial Aid Certification Modules

1. The Nuts and Bolts of Financial Aid
2. State and Federal Scholarship, Grant, and Loan Programs
3. 2011-2012 FAFSA Made Easy
4. FAFSA on the Web
5. Expert Guide: FAFSA Relevant Documents
6. 2011-12 FAFSA Expert Training
7. Corrections, Verification and Special Circumstances
8. Financial Aid Packaging and University Billing Cycle

Impact

Each year, more than 1,000 professionals attend our FAFSA Made Easy, FAFSA Expert, and Consumer Economics of Higher Education training sessions. Using an average caseload of 672 students per counselor in Illinois (for 2008-2009), 670,000 students benefit from this high quality, low-cost, train-the-trainer method of maximizing our reach. The sessions are well-reviewed by participants, and attendees can earn Continuing Education Credits (CEC), Counselor Professional Development Units (CPDU), and for the past year, a certification of training and core competency in any of 10 different modules awarded directly by ISAC. In 2010, the Chicago Public Schools Department of College and Career Preparation required all of their college access professionals to attain this certification, and the Illinois Association of Educational Opportunity Program Personnel (ILAEOPP - the professional organization of TRIO program providers in Illinois) strongly encouraged its membership and member institutions to participate.

Postsecondary School Training and Assistance

ISAC has significant experience in delivering timely and relevant training and education to postsecondary institutions concerning the administration of financial aid and state programs, including one-on-one sessions, on-site visits, seminars, workshops, conference calls, online materials and other electronic initiatives.

Objectives

- To provide training and information to postsecondary institutions to facilitate student financial aid.
- To evaluate the effectiveness of training and information provided.

Training Calendar – Counselors, Financial Assistance Administrators and Institutions

- Quarterly Financial Aid 101 and 201 Workshops
- Introduction to Financial Aid
- The FAFSA
- Need Analysis
- Overview of Federal Programs
- Overview of State Programs
- Verification
- Professional Judgment
- State and Federal Program Reviews

Monthly Webinars for Financial Aid Administrators (FAAs)

- Aug: State Grant Payment Request Tips and Reminders, John R. Justice Student Loan Repayment Program, and Constitution Day Resources and Ideas
- Sep: Fall Operational Update
- Oct: Illinois Loan Repayment/Forgiveness Programs
- Nov: High School Scholarship Programs
- Dec: 2012-13 FAFSA Changes/Processing Updates
- Jan: 2012-13 FAFSA Changes/Processing Updates
- Feb: ISAC Military Programs
- Mar: State Grant Programs
- Apr: Teacher Programs
- May/June: Year-End Close, Budget News, Legislative Issues, State & Federal Rules

Summer Workshops/Roundtable Discussions for FAAs

- Satisfactory Academic Progress (Program Integrity Changes)
- Military Programs and Changes to Post-9/11 GI Bill Program

Monthly Webinars for High School Counselors

- Electronic Transcripts

Impact

Each year, more than 500 counselors and Financial Assistance Administrators attend our training programs. These programs provide current regulatory information and technical assistance so that institutions properly administer financial assistance programs and provide reliable and timely delivery of program benefits to students. Institutions use information to improve their performance and ensure that they are developing adequate oversight to comply with program requirements.

School Oversight Program

ISAC's School Oversight Program works to ensure all participants in the system of postsecondary education funding serve the interests of students, from policy to delivery. Program Reviews conducted as part of our School Oversight responsibilities support postsecondary institutions by monitoring compliance, educating on policy and providing assistance to meet requirements.

Objectives:

- To mitigate risk and ensure that programs are administered in compliance with the rules and regulations. Set targets in specific areas of review that schools must meet such as error rates, and financial liabilities are assessed.
- To analyze the school's data and records and identify actions the school should take to improve administrative capabilities.
- To ensure that proper internal controls, processes, procedures, tracking and recordkeeping activities have been established.
- To verify student eligibility and the documentation used to establish eligibility.
- To ensure that aid does not exceed cost of attendance and is properly credited.
- To provide recommendations that will strengthen the school's compliance with federal and state rules and regulations.

ISAC has extensive experience in the compliant administration of federal and state financial aid programs. A key component of program administration is the standard Program Review conducted to ensure that institutions are in compliance with the rules and regulations governing the programs. The purpose of the Program Review is to evaluate compliance with state and federal rules and regulations, identify liabilities that may be owed to ISAC and assist in improving operations and services.

Implementation

The Program Review process is scalable and staff subject matter expertise is available to define common or best practices to create efficiencies and consistency in program reviews to serve our schools. Specific training and assistance could be recommended to or required of institutions depending on the findings in a Program Review. Institutions would have to participate in trainings and/or demonstrate proficiency with subjects to successfully close a Program Review.

Monitoring and Controls

The Program Review process meets the objectives of ISAC's School Oversight Program by collecting and reviewing institutional data that would include:

- Program Review Questionnaire – provides information on the school's financial aid operations and procedures as they relate to the administration of ISAC and Title IV programs
- School Catalogs
- Consumer Information
- Policies and Procedures for awarding, verification, refunds and withdrawals
- Standards for Satisfactory Academic Progress policies

Impact

On an annual basis, ISAC conducts over 35 program reviews. The results of these reviews are entered into the Department's Postsecondary Education Participants System (PEPS). The availability of information collected during the program review process provides insight into the institution's performance and provides an indicator for future monitoring and oversight.

Debt Management through Outreach

ISAC believes that a data-based approach to debt management, including Direct Loans, that incorporates deep analytics and predictive modeling can identify the most at-risk students and, through appropriate intervention, can produce more favorable results for the borrower and taxpayers. ISAC has outreach activities designed to educate borrowers about manageable loan debt, repayment options, entitlements (deferments) and the consequences of default to effectively alter future borrower behavior and avert potential defaults.

Agency Call Center – Counseling Students

Recently ISAC officially launched an agency call center that brought together various inbound-call phone units into a single streamlined call center. The purpose in developing an agency-wide call center was to better align the focus and activity of customer support staff with the path into and through college to completion. The call center also provides “after college” information to educate borrowers on deferments and loan repayment options, loan forgiveness and cancellation, and the services provided by the ombudsman and for defaulted borrowers.



Debt management counseling focuses on educating students about the importance of providing current information during their loan exit interviews, the importance of repayment, federal and state loan forgiveness programs, student inquiry support and ombudsman services.

By building predictive models ISAC will be able to identify individuals likely to experience difficulties paying their loans and be in position to intervene and assist them through counseling and other services. Analytics will help provide insights to identify potential new programs and services. Robust data collection and analytics will also help to monitor and continuously improve internal processes leading to enhanced customer experience.

Using available data, ISAC can identify and help at-risk students with proactive intervention. For example, the effort could identify those students who withdraw from school without completing their program of study or who apply for unemployment insurance benefits, and respond accordingly. ISAC proposes to use data from various sources to identify appropriate counseling strategies for all students. The strategies will incorporate counseling and education on the importance of repayment and repayment options. Specific counseling may be offered to students who have left college without completing their program of study or who attended a high default rate school.

ISAC’s call center staff has the College Illinois! Web site (www.collegeillinois.org), that maintains current information about default prevention, available as they counsel and educate students.

Area III Key Performance Indicators

Goal	Activity	Indicator	Outcome
Increase timely FAFSA completion by students from the two lowest income quintiles in Illinois.	Utilize existing FAFSA matching process to increase participation in the program by Illinois high schools, school districts, and other state service agencies (i.e. Illinois Department of Employment Security; Department of Children and Family Services; etc).	Increased participation agreements with high schools, school districts, and other state agencies	Dependent students: Increase timely FAFSA completion in targeted schools and/or school districts; Independent students: service agency caseloads (after base year).
Increase college enrollment and completion by first-generation students from low-income families.	Utilize near-peer mentoring model to provide earlier counseling to students and families so that better plans and decisions are made (improve college match).	Increase the number and depth of long-term mentoring relationships.	Increased high school graduation rates; increased college participation rates; improved college matches; increased graduation rates <i>for students in mentoring program</i> . Measured against historical rates, rates of non-participants with similar backgrounds and rates of college attendance in other states with similar populations.
Increase knowledge of financial aid eligibility and the financial aid application process by adults working with students in a school setting.	Expand the attendance by high school guidance counselors and related professionals at ISAC's Financial Aid Certification Workshops.	Expand attendance by providing more workshops, aggressively promoting them and increasing their frequency and number of locations.	Increased numbers of counselors and related professionals will attain Financial Aid Certification from ISAC
Increase knowledge of financial aid program rules and regulations by financial aid administrators in Illinois	Utilize existing training programs and materials along with common findings from Program Reviews to improve program administration and delivery of benefits	Incorporate training into recommendations that will strengthen the school's compliance with program rules and regulations	Improved program integrity and administration.

Lender Claims Review, Lender Claims Payment and Collections (GA Responsibility Area I)

Summary

ISAC's goal is to shorten the default timeline from the date that the borrower enters default to the time the defaulted balance reaches resolution. While the existing timeline is five years, ISAC has the core competencies, resources and processes which will enable our organization to shorten this period for the benefit of the borrowers, taxpayers and the Department of Education.

Performance at a Glance

- \$664 million – current default loan portfolio
- 80 - percentage of portfolio's borrowers based in Illinois
- 460,000 – number of letters mailed each year
- 157,000 – number of telephone calls made annually
- 10 days – average claims processing time – six times faster than required

Debt Management's mission and philosophy is to inform, assist and advise students from the time of college enrollment through their entry and establishment in the workforce with the goal of quickly and positively resolving debts.

- As a State of Illinois agency, ISAC has the unique advantage of using tools unavailable to other state and private agencies servicing Illinois student loans, such as a state offset of wages and taxes and the revocation of Illinois state professional licenses.
- Our defaulted loan portfolio has a current value of \$664 million which consists of over 80 percent Illinois residents.
- ISAC can effectively service FFELP loans for all of Illinois and maximize collection revenues.
- In addition, our agency exceeds compliance regarding all aspects of Federal and State regulations pertaining to student loans.

There are two key features of our innovative collection strategy, the Administrative Wage Garnishment (AWG) PLUS Program and the Rehabilitation Program.

Administrative Wage Garnishment (AWG) Plus Program

ISAC has initiated a unique program that allows borrowers under Administrative Wage Garnishment to benefit from the Rehabilitation program by making consecutive voluntary payments in addition to their wage garnishments. This initiative, referred to as "AWG Plus" has proven successful in not only increasing rehabilitation revenue, but also providing an opportunity for the garnishee to eliminate his or her adverse credit rating and get a fresh start.

- A dedicated team targets currently garnished borrowers to explain and offer the Rehabilitation Program.
- By educating and stressing the advantages and importance of removing their loans from default including improving their credit by making additional voluntary payments, we have found that many borrowers eagerly participate in the program.

Rehabilitation Program

Our primary focus is to successfully rehabilitate defaulted borrowers. 61% of collection dollars received in fiscal year 2010 resolved defaulted loans through the Rehabilitation program.

- In 2009, ISAC issued ██████████ in bonds backed by the state's full faith and credit with proceeds committed solely to support loan rehabilitation. This unique program demonstrated how an innovative governmental agency and a General Assembly committed to higher education can partner on behalf of students.
- ISAC has been proactive in establishing agreements with new lenders to participate in the purchase of rehabilitated loans.

- To ensure the borrower's successful completion of this program, we provide an understanding of the programs and its requirements, the credit benefit, and importance of timely payments through the actual rehabilitation.
- ISAC has increased our rehabilitation dollars by approximately 30% from July 2010 to June 2011.

ISAC's collection program not only helps borrowers fulfill their financial obligations by establishing satisfactory payment history but also improves their credit standing. We guide and advise the borrower through every step towards their debt resolution. To ensure the highest level of customer service, we provide knowledgeable and experienced staff to assist borrowers in resolving any issues regarding their student loan.

Our collection strategies are focused on resolving the borrower's debt as expeditiously as possible, regardless of balance, size, or age of the debt. These strategies have been tested and successfully proven over ISAC's 50 years in the student loan industry. Our strategic management approach places emphasis on the rehabilitation of student loans.

Debt Management Process

Claims

Debt Management begins servicing loans with the timely and accurate processing of claims as well as the efficient processing of lender payments and reinsurance requests.

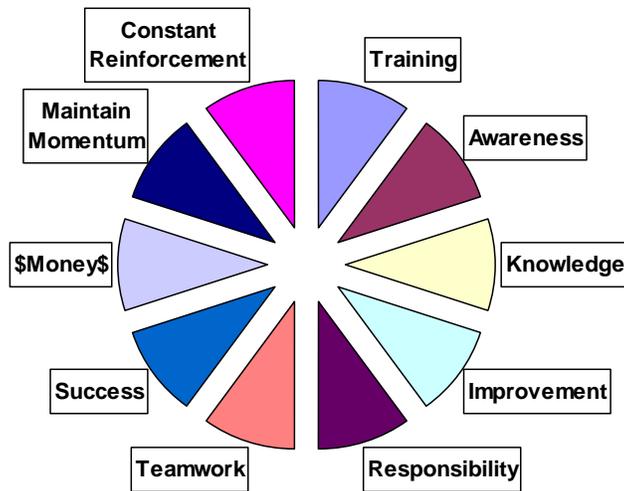
Claims are reviewed in accordance with internal procedures and Common Manual practices. Regulations require claims to be paid within 60 days; ISAC averages claim payment within 10 days.

Our process efficiently provides claim review and payment for both paper and electronic claims. The Claim Services Department responsibilities include, but are not limited to, reviewing claims submitted by lenders and organizing and monitoring the daily claim workflow. Claims are reviewed in accordance with internal procedures. These procedures reflect the nature of processing as it takes place within ISAC's information system, Odyssey. A commitment to reducing risk in this area is found in the following activities.

- Quality assurance checks are conducted on an ongoing basis.
- There is a clearly delineated work flow of duties among several departments. Segregation of duties, especially between the authorization (processing) of the claim and payment of the same is achieved through the specification of particular roles to staff within the Claims Services Department.

Collections

The "Wheel of Success" was developed as a philosophy for collectors to follow so efficiency is advanced and revenue is maximized. This concept guides staff to continuous improvement in collections and customer service.



Beginning with Training, each spoke of the wheel is a result of the prior spoke's actions and is part of a continuous cycle of increasing productivity and revenue. When we reach the last spoke (Constant Reinforcement), new ideas and concepts are developed and introduced through training, which then continues the wheel's rotation.

Daily strategic management meetings ensure the mission and vision of Debt Management goals are reinforced. In these meetings, management reviews the prior day's activities and establishes targets for the current day. Monthly meetings are held with collection staff to highlight accomplishments for the past month, identify trends and set goals for the coming month.

Accounts with valid contact information are assigned to main collection staff. Experienced Heavy Hitter staff focus on collecting payment in full or a compromise from newly defaulted accounts. Front-Line staff concentrate on establishing consistent, quality payment plans with the highest emphasis placed on loan rehabilitation.

The Call Center Unit contacts the borrower before, on, or after the payment due date to prevent the account from becoming non-compliant with the consecutive payment plan required for the Rehabilitation program. They also contact any borrower when a payment cannot be processed (e.g. NSF, invalid bank numbers).

This concerted effort for rehabilitation will:

- Increase the amount of revenue for the Department by providing immediate payment of the balance rather than a percentage of monthly payments
- Maximize recoveries resulting in an overall savings to the Department of Education

The preferred method of payment is ACH, which ISAC refers to as E-Pay. E-Pay has drastically reduced the number of missed payments and NSFs for borrowers and ensures the consecutive payment requirement has been met.

Rehabilitation Unit

- Contacts borrowers at every stage to emphasize the importance of making consecutive payments until the successful completion of the Rehabilitation program
- Provides borrowers with a comprehensive overview of specific program details offered by lenders after the completion of the Rehabilitation program
- Generates the rehabilitation acceptance signatory letter and follow-up

- Prepares all necessary documentation of eligible cases for purchase by the lender
- Ensures timely completion of the rehabilitation process for the borrower

Debt Management staff uses multiple reports that detail productivity and revenue generation on a daily basis to guide decision making, maximize efficiency and reduce operational costs.

Accounts without valid contact information are separated from the main collection staff and assigned to the Skip Tracing Unit. In addition to using standard skip resources, this team continues to maintain a high success rate in locating borrowers by using tools that are exclusive to the State of Illinois and by working in partnership with other state agencies. These agencies include:

- Illinois Department of Labor
- Illinois Secretary of State Department of Driver Services
- Illinois Department of Healthcare and Family Services
- Illinois Department of Financial and Professional Regulation
- Attorney Registration and Disciplinary Commission

Cases without voluntary payment arrangements are assigned to specialized units to recover the debt using all legal means available to our state agency. These involuntary measures include the following:

- Federal Offsets: garnishes federal monies and state funds in some circumstances that are paid to defaulted non-paying borrowers
- State Offsets: offsets any monies owed to the borrower by the State Comptroller, which includes but is not limited to state tax refunds, wages or lottery winnings
- License Revocations: suspends, revokes or refuses to renew the professional Illinois licenses of non-paying borrowers who are licensed through various state agencies
- Administrative Wage Garnishment (AWG): garnishes the wages of non-paying borrowers meeting the criteria set forth by the Department of Education

We have in place a quality assurance process. Our quality assurance and compliance activities include the following:

- Completion of reviews and identification of findings
- Reconciliation to ensure accuracy of balance information
- Reports to ensure compliance with State and Federal regulations
- Findings communicated to management to identify training needs, process improvements and explore revenue opportunities

External Placement

ISAC's Odyssey system enables Debt Management to place non-performing loans via an automated process for monthly placement with outside collection agencies. Once the loans are placed, the Debt Management Division manages the outsourced relationship with vendors to ensure adequate performance, accuracy of data exchanged and timely customer service. The monitoring and reporting process ISAC exercises with outside collection agencies are vital tools used to manage and strengthen the external relationship.

Additional Services

ISAC also administers specialized services in the following areas related to Debt Management:

- **Bankruptcy:** ISAC ensures that all collections are suspended upon receipt of the Notice of Bankruptcy, audits trustee payments, verifies if bankruptcy is still pending, resumes collections upon closing orders and processes repurchases for eligible borrowers.
- **Federal Offset:** Staff is responsible for coordinating efforts with the Department of Education that include file transmissions to certify and delete borrowers from federal offset. Staff is also responsible for determining if borrowers are eligible for refunds of offset payments.

- **State Offset/State Employees:** ISAC has a process in place to offset any payments due to borrowers by the Illinois Comptroller's Office. This includes state tax refunds, lottery winnings and employee wages.
- **Disability:** Staff is responsible for counseling borrowers and for reviewing temporary and permanent and total disability applications in order to determine if collection should be suspended.
- **License Revocation:** ISAC coordinates efforts with the Illinois Department of Financial and Professional Regulations in order to take disciplinary action on non-paying defaulted borrower's license. These efforts include placing licenses in a Refuse to Renew, Probation and Suspended status.
- **Mandatory Assignment:** Staff is responsible for securing promissory notes and other documentation required by the US Department of Education in order to assign loans per Federal regulations.

Information Technology Support System

In 2001 ISAC developed "Odyssey," a mainframe system that through continuous enhancement is now a state-of-the-art, secure and stable online system supporting all FFEL Program functions. Among its capabilities is the ability to deliver daily agendas to staff to ensure performance and compliance. Odyssey also has the flexibility to add or adjust information as needed with minimal turn around time.

ISAC maintains a dedicated System Administration staff for FFELP to ensure accuracy of data, compliance with program regulations and implementation of any changes to Federal regulations.

Training Program

ISAC's on-going professional development programs prepare staff to use a variety of collection techniques. Content is delivered via oral presentations and instruction, workbooks and training materials, group discussions, role-play, job shadowing, testing and performance based assessments.

The current ISAC staff is more than capable of handling ISAC's existing default loan portfolio. Training is in place to accommodate new staff members that would be brought on board to handle any new business.

Conclusion

ISAC will provide tailored collection services and unique tools to assist in recovering any loans assumed by ISAC. Our track record of delivering best-in-class recoveries provides us with unique qualifications to continue delivering the best possible results to all borrowers, including Illinois residents and constituents.

ISAC's decades long commitment to higher educational collections has resulted in a notably high level of expertise. We believe the difference between our agency and all others is **our people**. Our agency employs experienced, mature and professional staff that shares our commitment to excellence. ISAC is confident we will provide the highest degree of professional and ethical standards to maximize collections.

Collection revenues are not seen as profits but as support for the administration of MAP grants and student scholarships. This program also fulfills our commitment to the constituents of the State of Illinois. Any borrowers assigned to ISAC by the Department of Education will enjoy the same quality of service and benefits as the students in our current portfolio.

Area I Key Performance Indicators

Goal	Activity	Indicator	Outcome
Claims	Average number of days from receipt to payment.	Number of claims paid on or before deadline.	Increased number borrowers into repayment.
Internal Collections	Number of borrowers placed on payment plans.	Number of borrowers rehabbed.	Increased number borrowers into repayment.
	Number of borrowers in rehab pipeline.	Number of borrowers rehabbed.	Number of borrowers not in default.
	Number of borrowers consolidated.	Number of borrowers DL consolidated.	Number of borrowers not in default.
	Number of borrowers in AWG Plus in rehab pipeline.	Number of borrowers in the rehab pipeline.	Number of borrowers not in default.
Bankruptcies	Number of proof of claims processed.	Number of BK borrowers monitored.	Bankruptcies back in repayment.
Licensing	Number of licensees contacted	Number of licensees placed in payment plan.	Number of licensees repaying loans.
State Offset	Number of stated employees and taxpayers contacted.	Number of borrowers and dollars collected.	Reduction in student loan balance.

Additional Information

ISAC Research, Planning, and Policy Analysis Division (RPPA)

ISAC will utilize a data-driven approach to better understand student and borrower behavior. RPPA can currently track Illinois students from 9th - 12th grades using a database staff developed to better monitor progress toward the state's goal of attaining a college completion rate of 60 percent by 2025. ISAC currently maintains the only Illinois database that can connect high school student data to postsecondary data.

ISAC maintains and updates various data sources to help the agency deliver superior service and information to students and borrowers, to analyze student and borrower behavior, to develop customer insights, and enhance customer service related activities. ISAC currently uses five data platforms to meet existing needs, with the capacity to expand and modify such sources as future requirements are determined.

Numerous data sources are available to enrich the dataset with demographic, firmographic and degree completion information. Key data sources include:

- **GAPdb** – Gift Assistance Program Database is an ISAC proprietary database used to manage various State of Illinois grants. The input to this database is the FAFSA. As a student is validated for eligibility, awarded, tracked, various data points are captured against the student in the database.
- **National Student Clearinghouse** – ISAC has access to various data points available from the National Student Clearinghouse including details on degree completion and loans. This will also provide details such as if a student has withdrawn from school to initiate outreach to the student.
- **ISEG/ICCB/LDS postsecondary databases** – The Illinois Shared Enrollment and Graduation Consortium, the Illinois Community College Board database and the forthcoming Illinois Longitudinal Data System allow ISAC to track students' progress in postsecondary education through degree completion.
- **Mapping Your Future** – Provides entrance and exit counseling details that can be collectively used with the above data sources to track student status.
- **What's Next Illinois (XAP)** – This portal provided to high schools by ISAC provides data on course work and progress of students. This data can be used to track initial progress of students before they enter college.
- **Customer Relationship Management** – ISAC proposes to utilize a customized CRM tool to track its outreach and default aversion efforts. This tool will provide a history of student contact and maintain data to measure outcomes. This tool will also be valuable source of data for any audit.

FISMA Compliance

The Federal Information Security Management Act (FISMA) requires that all federal agencies document and implement controls for information technology systems that support their operations and assets as per standards published by NIST.

ISAC can quickly become fully FISMA-compliant and prepared for a FISMA certification audit.

ISAC has followed COBIT guidelines that are similar to the NIST standards. We have well documented IT controls that have been implemented over the last 15 years. These controls have been audited numerous times by both internal and external auditors without significant findings. ISAC keeps its documentation updated and has improved controls as technology has evolved. ISAC's IT environment is audited every year by the agency's internal auditor and by the State of Illinois Auditor General.

Audits

As a guarantor and state agency, ISAC is subject to rigorous internal and external audits. The OMB Single Audit is conducted annually as is an audit by Illinois Office of Auditor General. The state also conducts a compliance audit every 2 years. In addition, the agency conducts internal audits on a regular basis.

Reporting

ISAC uses "Odyssey," an integrated information system consisting of modular components, for all FFELP collections, servicing and accounting functions.

NSLDS: The National Student Loan Data System reports a variety of school, lender and guarantor data fields. ISAC submits its NSLDS reporting on a timely basis. ISAC's federal reporting system pulls information from its guarantee and default systems to feed F2000 and NSLDS reporting.

The Guaranty Agency Financial Report (GAFR): also known as F2000, reports amounts due to/from the Department of Education and each guarantor. It also reports non-payment transactions and ending balances on the default and bankruptcy portfolios. ISAC submits F2000 by the third working day of the month.

Annual Budget Process: ISAC prepares and presents an annual budget to evaluate administrative cost structures and streamline internal operations to increase efficiency and productivity. The budget process is one of the primary management tools used to make staffing determinations, system enhancements, contract proposals and strategic planning.

Legal

Circumstances may require the need for legal services such as hearing requests, adversary bankruptcy requests, legally represented balance disputes, contract compliance, regulatory compliance and collection from self-employed borrowers. ISAC has its own dedicated legal staff that assists the agency in effectively administering the FFEL program.

Proposed Financing Structure

ISAC was established under the Higher Education Student Assistance Act in 1957 to create and administer a system of financial assistance through student loan guarantees, loans, scholarships and grant awards. ISAC is an executive agency of the State of Illinois. The annual budget, authorizations and appropriations are reviewed and approved by the General Assembly. All payments are made through the Office of the State Comptroller assuring several levels of control before any payments are made.

When the unprecedented collapse of the credit and banking system in the United States in 2008 created a liquidity crisis and loss of a lender purchaser for the FFELP Rehabilitation Program loans, ISAC worked with the Illinois General Assembly to authorize the issuance of bonds to raise capital with which IDAPP (ISAC's secondary market) could purchase the rehabilitated loans.

Over the last five years, ISAC has effectively managed through changes in the FFEL Program by restructuring and reengineering its organization and processes. This has resulted in a more efficient and effective organization with a focused mission to further the education aspirations of all Illinoisans.

GA Responsibility Area I

ISAC's debt management strategy is to shorten the default timeline from the date that the borrower enters default to the time the defaulted balance reaches resolution via maximization of recoveries. The AWG Plus program encourages borrowers with administrative wage garnishments to also make voluntary payments to make them eligible for rehabilitations. ISAC's Rehabilitation Unit contacts borrowers who have made three, six, and nine acceptable and consecutive payments to encourage them to continue to pay and to prepare rehabilitation paperwork. ISAC has seen a significant increase in rehabilitations since the Rehabilitation Unit was formed.

ISAC believes that its concerted focus on collections, the AWG Plus program and rehabilitations will result in better outcomes for borrowers, including restoration of credit and eligibility for Title IV assistance, and an efficient turnover of the FFELP portfolio. These efficiencies will create revenue for FSA via increased borrower and rehabilitation payments and will also result in an overall net savings to the Department of Education.

ISAC is seeking to be compensated for management of the default collections portfolio based on a retention fee earned on the loan recoveries. ISAC would deposit all the cash and cash equivalents in the agency's federal fund into an escrow account. ISAC would request monthly funds from ED to pay claims at a [REDACTED] percent reimbursement rate.

GA Responsibility Area III

With the surplus revenue earned from the FFELP guarantor business, ISAC is sponsoring a comprehensive and creative approach to fulfill the agency's mission of making college accessible to the citizens of Illinois. We have implemented a model for promoting college access and completion in Illinois that employs a combination of outreach methods including a statewide near-peer mentoring initiative.

ISAC proposes being compensated separately for outreach and debt management services for Direct Loans. The payment for outreach services would be based on the dollar value of Pell Grants awarded in the State of Illinois, as a representation of taxpayers' investment towards college access. The agency's outreach efforts drive to protect that investment.

In addition, ISAC believes that its access to an extensive database of students from high school to college and beyond will allow the agency to bring a value-added approach to debt management of the Direct Loans. This would result in significant savings to the Department of Education through decreases in default rates in Direct Loans.

For services on Direct Loans, ISAC proposes to be compensated based on the Direct Loan portfolio in Illinois.

ISAC proposes a combination of all the fees outlined below for the comprehensive array of services to be provided.

Increases in fees earned for Area III services could be offset by a reduction in fees in Area I services. ISAC’s initial estimates indicate that this would result in significantly better outcomes and overall savings for FSA.

ISAC is presenting ranges of fees and looks forward to working with the Secretary to finalize program elements and enter into discussions to complete the financial arrangements.

Proposed Fee Schedule

Area I	Regular Guarantee Agency	Illinois Voluntary Flexible Agreement
Loan Processing and Issuance Fee	.4 percent of disbursements	0
Account Maintenance Fee	.06 percent of original principal outstanding	█ of original principal outstanding
Default aversion fee	1 percent of principal on defaults averted	█ percent of principal on defaults averted
Voluntary, state offset, compromise and administrative wage garnishments payments	16 percent of payment	█ of payment
Rehabilitations	18.5 percent of principal plus collection costs	█ percent of principal plus collection costs
Direct consolidations	10 percent of principal and interest	█ percent of principal and interest
Area III	Regular Guarantee Agency	Illinois Voluntary Flexible Agreement
Outreach default prevention on Direct Loans	None	█ basis points on the outstanding Direct Loan portfolio in the State of Illinois
Proactive model to promoting college access and completion in Illinois through a combination of outreach and near-peer mentoring	None	█ basis points of the dollar value of Pell Grants awarded in the State of Illinois.

Conclusion

At ISAC we believe that **College Changes Everything**. The VFA offers the Secretary significantly improved performance and efficiencies and the agency's approach shows how "good business" is also great public policy. The goals are helping students obtain financial literacy earlier and helping them use that information to make better choices. Both contribute to academic attainment and better financial outcomes for the student, the state and the federal government.

ISAC's proposal presents a framework to deliver services to meet FSA goals while meeting the needs of the state. As a non-profit government agency, ISAC's primary goal is to increase postsecondary enrollment and to ensure that resources are available to meet this goal. With changes resulting from HCERA of 2010, ISAC's core competencies are in position to be utilized to meet FSA strategies and objectives. As a state agency, ISAC is familiar with the needs of the communities it serves. The organizational structure and programs of Lender Claims Review, Lender Payment, Collections, Community Outreach, Financial Literacy, School Training and Assistance, School Oversight and Debt Management have been operational for a number of years. Implementation efforts and costs would be minimal.

Clearly stated outcomes provide methods to measure success as well as a means to monitor current activity. Monitoring such activity with the FSA will allow ISAC to respond to any recommended enhancements or changes needed to modify objectives and activities as required. Outcomes to be reported by Outreach, Debt Management and Default Prevention, School Training, School Oversight, Claim Review and Payment and Collections will enable ISAC and the FSA partnership to use a data-driven approach to measure performance goals. ISAC is recommending a balanced scorecard approach and a project management model to monitor performance and to respond to any risk and required changes.

Recognizing that future risks need to be considered, ISAC is positioned to conduct analysis of data collected and trends captured by its own integrated system. ISAC's experience with anticipating and managing change enables it to respond to the needs of all FSA stakeholders in the immediate and distant future.

ISAC eagerly anticipates using its core competencies within the VFA relationship. ISAC's "cradle to repayment" initiative remains consistent and complementary to the Department of Education's strategy and plan for the next five years and beyond.

Online Reference Links

College Illinois! – Illinois Student Assistance Commission
<http://www.collegeillinois.org/>

What's Next Illinois – ISAC-sponsored college-planning portal
<http://www.whatsnextillinois.org>

KnowHow2GoIllinois – Illinois-specific portal made available through the KnowHow2GO network
<http://www.knowhow2go.org/>

ISAC FAFSA Challenge – Reporting on ISAC call for 800,000 students to complete a FAFSA
<http://www.collegeillinois.org/home/fafsa/index.html>

College Changes Everything – July 27, 2011 Launch of statewide initiative
<http://www.collegeillinois.org/collegechangeseverything/>

RPPA – ISAC Research, Planning, and Policy Analysis Division (RPPA)
<http://www.collegeillinois.org/rppa/>