July 29, 2011

Mr. James Runcie
Acting Chief Operating Officer
Office of Federal Student Aid
U.S. Department of Education
400 Maryland Ave., SW
Washington, DC 20202

Dear Mr. Runcie:

National Student Loan Program ("NSLP") and Colorado Student Loan Program (dba "College Assist") have formed a team for purposes of submitting a joint proposal to participate in a Voluntary Flexible Agreement (VFA) with the U.S. Department of Education. The attached proposal is in response to the Federal Register Notice dated Tuesday, May 31, 2011, (the "Federal Register") requesting submission of proposals from guaranty agencies with agreements to participate in the Federal Family Education Loan Program who wish to enter into VFA with the Secretary. This is a non-binding proposal intended solely to provide a basis for the commencement of good faith negotiations with the Department of Education. NSLP and College Assist will only be bound by the terms and conditions contained in a final VFA signed and executed by all of the parties.

NSLP and College Assist (collectively the "Team") propose to provide the services described in Responsibility Area I – Lender Claims Review, Lender Claims Payment, and Collections; Responsibility Area II – Delinquency and Default Prevention and Management; and Responsibility Area III – Community Outreach, Financial Literacy and Debt Management, School Training and Assistance, and School Oversight. The attached proposal details each agency's assumption of activities within the specific Responsibility Areas.

Both agencies have strong demonstrated experience in each of the three Responsibility Areas. By presenting a joint proposal, it is our goal to maintain the highest quality of services to our borrowers and schools in providing default prevention, outreach, and education. We will continue to effectively and efficiently perform collections and school oversight. Our proposal provides additional safeguards to assure that there are no potential conflicts of interest related to default prevention and collections. The strategic alliance of the Team member's results in greater efficiencies, minimizes risk, and facilitates ease of implementation.

Our proposal provides a cost effective means for the Department of Education to continue to provide services to students and borrowers. The proposed fee structure strengthens the financial viability of both agencies by allocating revenues to specific Responsibility Areas and waiving certain regulatory provisions. Under the proposed fee structure, the Team also has the scalability and capacity to receive additional delinquency prevention and/or collection volume. In addition, the proposed VFA assures the goal of cost neutrality against current projected agency revenues.

We look forward to discussing this proposal further with the U.S. Department of Education.

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Federal Register / Vol. 76, No. 104 / Tuesday, May 31, 2011
Voluntary Flexible Agreement

July 2011

Voluntary Flexible Agreement Proposal Overview

Our proposal uses innovative ideas to support financial incentives for outcome driven performance. Our Team will be rewarded for providing program recipients (borrowers, schools and lenders) the highest level of service while minimizing operational impact. Our approach delivers a low-risk guaranty agency financing model that will replace the current statutory guaranty agency funding model.

The Federal Register states that a guaranty agency may not propose to perform Responsibility Area I and Responsibility Area II. The Federal Register goes on to state that “this restriction is intended to eliminate the potential for conflicts of interest that may exist when a guaranty agency is responsible for both default aversion and default collections on the same loan.” The structure of the Team proposal is fully consistent with the Federal Register Notice. We are proposing each “Team member” swap the default aversion functions on their respective delinquent loan portfolio to the other Team member. Each Team member will assume the revenues as well as the performance accountabilities for the default aversion accounts of the other Team member. We refer to this activity as the default aversion swap. The default aversion swap eliminates any potential conflict of interest.

We have established an additional safeguard to further avoid potential perceived conflicts of interest by competing with each other on default aversion programs and rewarding a bonus to the winner. Each Team member will remain responsible for performing Responsibility Area I (collections) on their own loan portfolio.

Each Team member is proposing to perform Responsibility Area III. Both agencies bring a unique approach to the functions in this Area. The proposal leverages the demonstrated experience and resources the individual agency plans to use, and outlines the specific services each will execute. The Federal Register precludes us from performing Responsibility Area IV when proposing to perform Responsibility Area I and therefore we have not included this in our proposal. However, we believe the Common Review Initiative (CRI) addresses the U.S. Department of Education’s (the Department’s) concerns and have included information on CRI in Appendix C.

A description of the specific financings plans is summarized in the discussion below. The complete summary of the financing plan and five-year projected cash flows are included in Appendix A. This summary also compares projected revenues under the proposed VFA fee structure with the projected revenues under the current statutory fee structure. The proposal and fee structure assumes specific sections of the Higher Education Act and regulations are waived as detailed in Appendix A.

Proposal Benefits

The proposal we have outlined offers a number of benefits to borrowers, schools, lenders and the Department:

- Ensures continuity of quality services and superior performance
- Minimizes risk
- Provides a scalable solution
- Creates efficiencies
- Enhances effectiveness by aligning financial incentives with the services provided to

students and borrowers
- Enhances the financial viability of the Team members
- Meets and exceeds the cost neutrality requirements in the Federal Register

NSLP and College Assist operate on a national level and our operations can easily and seamlessly be expanded to other guaranty agency portfolios in any of the Responsibility Areas.

Minimizes Risk

The Team's approach strives to minimize risk factors to borrowers, lenders and the Department. Our proposal eliminates implementation risk as there are no significant changes to the systems or processes of the Team. We have established standardized file formats and interfaces, and the core data files will not require conversion. The guarantee title will not be transferred, thereby eliminating lender/guarantor obligation or legal issues.

Our performance based default aversion competition ensures borrower accounts are maintained in good standing extending the agency's portfolio life. The financial strength and long-term viability of each Team member is further enhanced in this proposal by aligning the fee structure with the Responsibility Area. As specific activity volume fluctuates due to a declining guarantee portfolio, we will appropriately allocate operational resources to ensure revenues are sufficient to maintain our performance and high level of service.

The proposal requests a waiver of maintaining the Federal Reserve Fund, and escrowing the current Reserve Fund. We are also requesting [redacted] claim reimbursement, and accelerated claims payments to solidify the cash flows of the Team and secure federal assets.

Scalability

The Team's stand-alone default aversion systems allow us to assume additional default aversion portfolios without a full guarantee system conversion. Our systems easily interface with existing guaranty agency systems and securely transfer information for federal reporting as well as operational purposes. Within 30 days, the Team could double its current default aversion capacity.

Our repeatable conversion process will allow us to assume responsibility for the claims and collection activities beyond our current portfolio. Since early 2007, the Team has successfully converted and reconciled loans representing $61 billion to the GuaranteePro system. Our rigorous project management process minimizes conversion risk issues.

Our VFA Team was strategically aligned for a number of reasons. Both agencies interface with the Nelnet GuaranteePro system. This will facilitate the interface of data, eliminate potential redundancy of management of core infrastructure, and simplify the overall implementation of the VFA. Combined, the Team currently manages an outstanding portfolio of over $20 billion.

Over the course of our histories, NSLP and College Assist have worked with more than 5,000 schools and served more than 3.3 million borrowers. We have guaranteed more than 9 million student loans totaling over $52.5 billion. We have also recovered more than $2.6 billion in defaulted student loan debt.

Creates Efficiencies

We preserve efficiencies in Responsibility Areas I and II by retaining our automated workflow processes, thereby eliminating disruptions to operations and services to borrowers, lenders, and schools. Our Team members have implemented best-in-kind approaches to default aversion and collections. Both agencies use the latest default aversion tools to locate borrowers and cure delinquencies. Our collection administration strategically targets collection activities, and maximizes collection agency performance.

Our realignment of fees drives the Team to achieve efficiencies as resources are realigned to meet outcome driven performance expectations. The bonus structure incents the Team members to improve effectiveness and efficiencies through competition and performance as compared to each other as well as to the Industry.

This proposal can be implemented quickly and does not require investment in systems or extensive changes in operational processes. Overall, the fees have been structured to compensate for the specific areas of activity and result in demonstrable cost neutrality.

Enhances Effectiveness

Reduction in default rates through internal competition between the Team members, as well as competition against the Industry improves services to borrowers and lenders. Our strategic and targeted outreach effort, financial literacy training, and school training/compliance resources will assist schools and future borrowers under the Direct Loan Program.

This proposal will enhance the integrity and stability of the FFEL program. It improves services to students, schools and lenders, and uses federal resources most cost effectively and efficiently. It eliminates poorly aligned incentives and conflicts of interest, while increasing both default prevention and collection performance.

Term

We propose an initial term of five years with automatic annual renewals unless either party provides written notice of intent not to renew within ninety [90] days prior to the end of the initial term of the Agreement. During the initial term we propose that the Department would be permitted to terminate the Agreement only if (1) the Team Members breach the agreement in a material fashion and such breach is not cured within 60 days after receiving written notice of such breach; or (2) The Department makes a written determination that VFA does not meet cost neutrality based on specific methodologies that will be specified in the VFA, and NSLP and College Assist are given the opportunity to and a reasonable time period to propose modifications to the VFA to achieve cost neutrality, but the parties are unable to agree. After the expiration of the initial five year term we propose that either the Department or College Assist or NSLP could terminate the VFA on ninety [90] days written notice for any reason. In the event the VFA is terminated, NSLP and College Assist will continue to operate under the regular guaranty agency agreements of Sections 428(b) and (c) of the Higher Education Act.

The following document details our proposal by Responsibility Area.

Responsibility Area I: Lender Claims Review, Lender Claims Payment, and Collections

Objectives

1. Ensure borrower received all eligible borrower benefits prior to initiating the claims process
2. Provide timely and high-quality lender claims review and processing
3. Accurately calculate claim payment amounts to ensure federal funds are used appropriately
4. Counsel defaulted borrowers and resolve the borrower's defaulted loan with the best available option for the individuals' personal situation while maximizing our recovery efforts

Specific Activities

Lender Claims Review and Lender Claims Payment

NSLP and College Assist both leverage a consistent, standardized process to review and verify claims prior to authorizing payment of insurance to lenders. This process ensures that the borrower has received all eligible borrower benefits prior to initiating the claims process.

Common Account Maintenance-Common Claim Initiative (CAM/CCI) is used to process claims in an effective and efficient manner. CAM/CCI uses an automated process to make a determination whether to approve or deny the claim. Leveraging CAM/CCI expedites the payment process for a significant portion of the claims. CAM/CCI increases productivity dramatically and allows for greater reviewer focus on the most complex activities of claims examination including:

- Review of specialty claims
- Due diligence review of rolling delinquencies
- Examine for missing documentation
- Check for previously revoked guarantees

Collections

We have a strong commitment to supporting the borrower and maintaining a customer-centric focus. As with default prevention, the goal is to identify the best solution for the borrower. We have created a national collections model which employs collection agencies to work with borrowers to identify the best repayment solution. The rehabilitation approach is usually the overall best solution for the borrower. Rehabilitation cures the borrower's credit history, reestablishes eligibility for education financial aid and helps the borrower with a consistent pattern of making payments. If rehabilitation is not a viable option for the borrower, we implement a traditional repayment plan, pursue administrative wage garnishment or recommend default consolidation.

This customer-centric focus begins with selection of national collection agencies that adhere to the values and mission of the Team. Our strong oversight of national collection agencies includes constant performance reviews for improvement and use of best practices in the collections process. We leverage a performance and reward based competitive environment to incent top performance from our collection agency partners.

The collection agency relationships maintained by NSLP and College Assist also help the Team gain greater economies of scale and easily accommodate immediate expansion of services. We can quickly increase capacity and still deliver industry-leading collection results.

Value-Added Administrative Support of Collections

The value presented by the Team in the collections process goes well beyond strong oversight of our collections agencies. We provide a number of borrower benefits and enhancements to the collections process as part of the proposed fees.

We work with borrowers to resolve default and help borrowers move on to the next step of life. Our teams assist borrowers with difficult circumstances' due to:

- Disability
- Closed school
- False certification
- Unpaid refunds
- Death of a PLUS student

We work in cooperation with the borrower or family to obtain the documentation to exercise discharge. In the case of bankruptcy, our timely response ensures federal fiscal interest is protected.

We support the collections with the Treasury Offset Program (TOP). TOP administration includes:

- Sending notices
- Responding to requests for review
- Processing payments
- Sending paid in full notices
- Reviewing hardship requests
- Answering telephone inquiries

In addition, we send 1098E, 1099C and annual privacy notices which are not directly paid for as part of collections.

Implementation Plan

This VFA does not require any significant changes or enhancements to current systems and will have no impact on lenders or current relationships lenders have with NSLP and College Assist. Keeping the guarantee with the original guarantor avoids disruption of the lender servicing operation and minimizes lender and guarantor costs. Under the swap concept, NSLP and College Assist will adjudicate and pay their own lender claims. This eliminates the lender/guarantor operational and contractual obligation issues that would arise if this responsibility was passed on to a guaranty agency not a party to the guarantee and not the guaranty agency of record on the lender serving system.

We will retain separate functional teams for lender claims review, lender claims payment and collections. These experienced teams bring a vast amount of knowledge and expertise to the process to ensure students are receiving the highest level of service.

NSLP and College Assist are proven entities within the student loan collections arena. We have the skill-set, supporting systems and operational infrastructures to provide robust solutions. We maintain the capability and scale to quickly and effectively add new collections portfolios to the guarantee servicing platform. Since early 2007, the Team has successfully converted and reconciled loans representing $61 billion. Our rigorous project management process minimizes conversion risk issues for the Department, borrowers and lenders. Partnership with Nelnet provides NSLP and College Assist with a strong, stable partner. Nelnet operations and systems provided guarantee servicing for over $30 billion in FFELP loan volume. Nelnet is a Federal Loan Servicer whose systems and operations support over $80 billion in student loan volume for over 5 million borrowers. The recently awarded Direct Loan Servicing contract ensure Nelnet will continue to be a reliable partner to College Assist and NSLP for many years to come.

Expertise and Accomplishments

The Team maintains a high level of claims and collections leadership expertise with an average management tenure of nearly 23 years at NSLP and 20 years at College Assist. Both agencies maintain dedicated teams to support the claims and collections efforts directed by senior managers with significant experience. The Team has a proven history of delivering results as showcased in the combined performance results of NSLP and College Assist. Individual experience and accomplishments of our team members is provided in Appendix E.

During 2008 – 2010, NSLP and College Assist collectively:

- Recovered nearly $1 billion
- Rehabilitated more than $400 million
- Ranked in the top one-half of guaranty agency rehabilitated collection rates
- Averaged less than eight borrowers requesting ombudsman reviews per 100,000 borrowers (or .0075 percent)

Performance Metrics

Rehabilitated borrowers are the best solution to a successful claims and collections effort. Under the proposed VFA, performance metrics will be based on outcomes including:

- Maintaining a 98 percent claim accuracy rate which will be monitored by periodic sampling to ensure claims are adjudicated and paid correctly
- Remaining in the top one-half of the guaranty agency rehabilitation collection rates
- Holding ombudsman requests to .0075 percent or less of the collections portfolio

Specific Financing Plans

The proposed financing plan in Appendix A decreases collections-related fees by approximately [redacted] The savings are achieved by reducing fees to the following rates:

Traditional collections	[redacted]
Consolidation collections	[redacted]%
Rehabilitation collections	[redacted]

The financing plan reallocates a portion of these savings to primarily fund other activities in Responsibility Area III such as financial education and literacy initiatives, and school and borrower outreach. This restructuring of fees supports the Team and the Department's goal to enhance services to schools and borrowers. It will also maintain the long-term availability of each Team member's skills, experience and capabilities and ensure continuously improved customer service.

The financing plan assumes claims will be paid at [redacted] percent reimbursement and will be paid on a weekly basis. This ensures lender claims will be fully funded as the overall guarantee portfolio decreases.

Any Limitations on Expansion of Activities

NSLP and College Assist have extensive experience, system capability and vendor relationships to provide for rapid expansion of lender claims review, lender claims payments and collections. We do not anticipate any limitations on expansion of activities proposed in Responsibility Area I.

The Nelnet system, GuaranteePro, retains all of the records and data for claims and collection activities. Since early 2007, the Team has successfully converted and reconciled loans representing $61 billion to the GuaranteePro system. Our repeatable and rigorous conversion process will allow us to assume responsibility for the claims and collection activities beyond our current portfolio at minimal conversion risk. Time limitations to implement expansion of our operations would depend on the volume and system compatibilities of the additional portfolio.

Responsibility Area II: Delinquency and Default Prevention and Management

Objectives

1. Provide effective professional repayment counseling services to student loan borrowers to select a sustainable payment solution resulting in reduced future delinquencies and defaults
2. Educate borrowers on the consequences of default and the impact on their future financial and educational opportunities
3. Improve default aversion results relative to national guaranty agency performance
4. Increase success in averting defaults by creating competition between the agencies

Specific Activities

The Team utilizes a three-phase approach to Default Prevention. The three phases are to locate, educate and motivate. Location of the borrower is essential to a successful default prevention plan, as more than 85 percent of student loan delinquencies are cured with the next two phases once the borrower is contacted. The specific activities with respect to each phase include:

Locate

The Team employs best-in-class skip tracing tools which access a number of resources including searching various social media avenues to locate the borrower. We partner with expert organizations who deliver top industry results to perform skip tracing activities.

In partnership with schools, we provide information on delinquent borrowers so the schools can easily assist their students in resolving delinquencies. Often the school has current contact information and established relationships that enable them to effectively engage the borrower early in the process.

Educate

Communication with the borrower, tailored to best serve the borrower's needs and preferences, drives improved results in the default prevention process. We contact students through various communication channels. We use calling campaigns, email, text-messaging and automated phone messages. This maximizes our ability to reach and interact with the borrower. Once a communication link is established, our highly-trained counselors discuss all repayment options available to the borrower. The counselors actively assist the borrower in determining a long-term solution that best fits his/her current and future needs.

During this process, counselors emphasize the benefits of getting and keeping a student loan in good standing. The borrower is also referred to the agency's online financial education resources. These resources focus, in part, on enhancing user understanding of the calculation of credit scores and how a lower score impacts overall financial options. Our education resources include training materials on budgeting, debt management, and identity theft prevention.

Motivate

Our counselors at NSLP and College Assist focus on educating the borrower on the available options, and most importantly empowering the borrower to take the necessary steps to resolve the delinquency. Using a consultative approach, counselor's:

- Help borrowers through required actions and critical deadlines
- Facilitate the interaction with lenders or schools using a warm handoff
- Provide access to on-line forms and resources
- Direct borrowers through the process to consolidate, forebear or defer loans, as necessary

Implementation Plan

Our proposal eliminates implementation risk as there are no significant changes to the systems or processes of the Team. Both NSLP and College Assist use independent default aversions systems that interface with Nelnet's GuaranteePro guarantee servicing system. The GuaranteePro system has existing system capability to identify account assignments to third parties and interface with those third party systems. The common interface with the GuaranteePro system eliminates any system modifications to implement the default aversion swap approach.

Each agency's default aversion systems have the capacity and functionality to significantly increase the servicing of default aversion portfolios. Furthermore, the independent nature of the default aversion systems allows the Team to take on new portfolios without requiring a full conversion of the borrower data. This reduces the implementation effort, time, cost, and overall risk.

Expertise and Accomplishments

The Team's leadership brings an average tenure of more than 20 years of experience in working with students, loan recipients, and debt counseling. Between October 1, 2009 and June 30, 2011, NSLP and College Assist have helped more than 160,000 borrowers, resolving $4.5 billion in delinquent student loans.

NSLP and College Assist counselors are trained and tested in student loans, counseling techniques, listening skills, the Fair Debt Collection Practices Act, and privacy laws and regulations. In addition, counselors are fully trained in financial literacy including budgeting, credit cards and credit history. Training programs are constantly refined based on existing and anticipated changes in borrower behavior as well as changes in regulations. This approach allows us to quickly adapt and deploy new training to counselors to ensure the quality of assistance.

College Assist successfully implemented a VFA that redeployed organizational resources to focus on reducing default rates. As measured against forecasted default trends prior to the VFA, College Assist lowered the default rates by more than 2 percent. The majority of the College Assist team that implemented the VFA remains in place today.

Performance Metrics

NSLP and College Assist have always focused on both outcome and activity-based default prevention metrics. The Team uses a variety of analytical models and performance dashboards to continuously improve each organization's performance. Proposed key performance indicators are:

- Reduce default rates (Default Rate = loan does not default within 420 days from date of delinquency) as compared to current rates
- Reduce rolling and repeat DAARs (Default Aversion Assistance Request is not submitted within 15 months of original DAAR submission date)

Internal Competition

To incent results, we have established metrics to gauge each agency's performance. These performance metrics are designed to promote internal competition by awarding the Team member with the best performance metrics a [redacted] beginning in the second year of the VFA.

The performance metric will be determined based on a blended Cure Rate and Default Rate including weighted averages for school type. The Cure Rate will account for 65 percent of the blended metric and the Default Rate will account for 35 percent of the blended metric.

The Cure Rate will be defined as DAARs cancelled as a percentage of batch 0-210 days from receipt. The Default Rate definition will be default claims paid based on DAARs received 210-360 days from receipt.

The weighted averages for school type will include the following categories:

- Proprietary school
- Private school
- Public school
- Consolidation loans

Industry Competition

We have also established performance metrics which will compare our Team's overall performance in relation to industry performance (both VFA's and non-VFA guaranty agencies). This performance metric will be based on the overall annual default rate defined as default dollars paid by claims during the current federal fiscal year, reduced by recalled repurchases, claim type change and same year rehabilitations. This difference will be divided by the dollar amount of loans in repayment at the beginning of the current federal fiscal year to calculate the annual default rate. Performance will be assessed, and payouts made annually if the combined Team default rate is lower than the Industry average.

This approach requires the Department to capture and share default data to implement this comparison.

Specific Financing Plans

The proposed financing plan in Appendix A restructures the fees for default and delinquency prevention and creates a fee equal to [redacted] per borrower. This fee will replace the current DAF/DAF rebate fee structure. This fee structure incents the Team to work all DAARs regardless of size, and achieve meaningful reduction in default rates for all types of borrowers. The finance plan identifies a pool of [redacted] over five years for funding of the Internal Competition pool bonus. The bonus will be paid quarterly beginning in year two of the VFA to the Team member that achieves the best performance based on specific metrics described above. Funding of the industry competition bonus is also described in the Appendix.

The proposed fee structure positions us to expand default prevention responsibilities to other student loan portfolios as deemed necessary or desirable by the Department. The Team proposes to be paid the [redacted] for any additional loans we assume, without increases to any other fees. However, we anticipate an increase in the bonus component relative to the overall revenues. This will continue to appropriately incent the agencies to out-perform each other.

Any Limitations on Expansion of Activities

NSLP and College Assist have the leadership, technical expertise and system capability to quickly add new delinquency portfolios, and have no limitation on scalability.

Our independent default aversion systems allow new accounts to be added through secure interfaces with the guarantee system. This eliminates the costly and risk-intensive conversion process associated when default aversion functionality is integrated into a guarantee system.

Our systems are already programmed to securely exchange necessary borrower information to assure accurate federal and guaranty agency reporting.

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

The Team has provided two distinctly different proposals for Responsibility Area III. Both Team members stress the importance of continued school training. NSLP's solution is focused on fostering financial literacy among low income and first generation students. College Assist's solution highlights a program to expand outreach within Colorado. The following pages provide a detailed approach to the individual offering being submitted by NSLP and College Assist.

NSLP

NSLP proposes a comprehensive program designed to provide relevant and results-based financial literacy education. In addition, NSLP is focused on community outreach and school oversight to continue our strong commitment to supporting schools in Nebraska.

Objectives

1. Deliver effective financial education programs for the benefit of low-income and first generation students nationwide. Build sound financial management skills which will reduce drop-out rates and improve graduation success
2. Train higher education professionals and peer counselors, as Certified Personal Financial Managers, to ensure they effectively guide students' financial choices
3. Create a central repository for research to measure student debt, loan knowledge, perceptions, and financial stress. Determine the role financial education plays in both minimizing borrowing and mitigating stress
4. Provide training and be a source of information on compliance and policy issues to schools in Nebraska
5. Continue support for K-12 college outreach programs in Nebraska

Specific Activities

Student Financial Literacy Education

Student financial literacy education will be accomplished through NSLP's online Financial Education program. From budgeting to credit cards and paying for college, the program offers online courses with proven learning objectives. Our program features videos, articles and resources to help students gain important knowledge about the basics of personal money management – information that will help start them on the road to wise financial management.

Our program is a self-paced learning program offering complete flexibility while still providing students with a high-level of support to help ensure program completion and a lifetime of financial success. Every course exceeds the Financial Literacy and Education Commission's core competencies and has been designed by trained, experienced professionals who specialize in e-learning and curriculum development. The program is in its 4th generation and is continually updated based on research and user feedback.

Program Specifics

Step 1: Incoming students take the NSLP Financial Aptitude Test to measure their specific level of financial literacy. The test questions are tied to specific financial education learning objectives.

Step 2: The student only participates in modules they have not already mastered. A post-test is completed at the end of each module to ensure the student mastered the topic presented.

Step 3: Once the student completes the online financial literacy program, the student is mailed a certificate of completion.

Certified Personal Financial Managers

During the past twelve months, NSLP has developed an Institute for Personal Financial Management in partnership with several college and university professionals. Within the Institute, a certification program was developed to equip college administrators along with peer counselors with the knowledge and skills to counsel students toward healthy financial futures.

The Personal Financial Management Certification Program is a self-paced certificate program designed to help higher education professionals and peer counselors become competent advisors in the area of personal financial management. Our program was developed in collaboration with college faculty and accredited financial counselors. The curriculum is uniquely tailored for staff, administrators and students at colleges and universities. It's designed to counsel students on their rights, responsibilities and proper management of personal finances.

The initial program covers ten major personal financial management topics ranging from personal finance and budgeting to growing wealth and managing risk. The entire program takes between 30 to 40 hours to complete.

Central Repository for Research

Student loans have emerged as a critical focus related to the financial wellness of our students. Current stress levels related to student loan debt compared to stress level data collected just three years ago, indicate a significant increase in relation to credit card debt.

There is a great need for data that takes an in-depth look at not only how much our students borrow, but how much they know about their student loan options (both for borrowing and repayment). Data will help us to understand what borrower perception is of student loans in general and related stress levels. Information related to the financial aid process and borrowing, and the role that financial education plays in both minimizing borrowing and mitigating stress is also needed.

At NSLP, a detailed research program will be implemented to monitor the behavioral changes which occur in the target audience to improve financial literacy training.

School Training, Assistance and Oversight

NSLP is committed to providing continued training to schools in Nebraska to make certain that financial aid officers remain current on new trends and changes in regulations. We provide enhanced offerings and basic financial literacy knowledge which impact the financial success of students.

A large portion of our effort will be devoted to providing training to schools in Nebraska on the changing regulations through webinars, printed material, emails and website postings. NSLP will conduct program reviews on Nebraska schools, participating in FFELP that have a cohort default rate in excess of 20 percent for two consecutive years as described in 34 C.F.R. §682.410 (c)(1)(C).

As the Department of Education issues regulatory updates and guidance related to Title IV programs, it can remain confident that NSLP will continue to communicate and train impacted Nebraska schools ensuring students have the most accurate and current information.

Community Outreach

NSLP is affiliated with EducationQuest Foundation, a private nonprofit organization that provides free higher education outreach services to high schools and families in Nebraska. In fiscal 2010, approximately 37,000 call-in or walk-in clients were recorded. Based on a recent survey of 6,400 clients, 50 percent had family incomes of less than $50,000, 72 percent were between 15-23 years old, 18 percent were minority, and 61 percent were first generation college seeking students.

Utilizing proprietary and licensed software applications and counseling, EducationQuest Foundation's College Planning Department provides the following services: career exploration and necessary major, college selection to meet individual post-secondary goals, financial aid overview explaining the FAFSA filing process and Expected Family Contribution calculations, and scholarship searches. In fiscal 2010, 13,700 clients received assistance in filing their FAFSA and more than a 1,000 received counseling to understand their award letters.

In addition, 360 presentations were provided serving 320 high schools in Nebraska. The programs and presentations provide a description of the types of financial aid, an explanation of how to apply for aid using the FAFSA, and details about how colleges award financial aid. The College Planning programs explain the college research and selection process and are intended for sophomores, juniors, seniors and their parents.

In fiscal 2010, 282,587 visitors took advantage of the EducationQuest Foundation Web-based tools. Those tools include: ScholarshipQuest, Activities Resume Builder, FAFSA Tutorial, College Funding Estimator, and College Profiles (a college search program). NSLP will continue to provide support to EducationQuest Foundation and their mission to improve access to higher education in Nebraska.

Summary and Research

Today's youth, are experiencing increased debt levels, college drop-out rates are increasing along with default rates on student loans, and the average undergraduate student loan debt has increased to $23,000. There is a significant opportunity to improve financial literacy among our youth and to make a difference in their future lives.

On March 17, 2011, the Institute of Higher Education Policy, released a policy paper, *Delinquency: The Untold Story of Student Loan Borrowing.* The paper summarized research conducted on eight million borrowers and confirmed the financial struggles of college students. A recent national Associated Press-Viacom survey of current students ages 18-24 indicated that 58 percent of students that considered dropping out in the past three months cited financial problems as the reason.[1] Students who drop-out of college are eight times more likely to default on their student loans.

The financial stress and strain experienced by many college students can be mitigated with financial literacy education. By implementing sound money management skills, students have a greater opportunity to effectively manage resources, avoid excessive debt and remain in school.

Student success translates to greater school success. Reducing drop-out rates and increasing graduation rates, benefits schools in many ways:

- Increased Revenue – by reducing the dropout rate
- Increased Alumni Support – by increasing graduation rates
- Higher Enrollments at 4-year Institutions – a higher completion rate at community colleges leads to more students moving on to a 4-year institution to complete a bachelor's degree
- Lower Cohort Rates – students who graduate are less likely to default on student loans

The implementation of a full-scale financial literacy program offers the following benefits to the U.S. Department of Education:

- Improved graduation rates
- Lower default rates and improved return on student loan repayment

Implementation Plan

NSLP will reach out to associations and other groups that advocate for and assist low-income and first-generation students in their quest for higher education and offer a comprehensive solution for personal financial education. Working with the associations, NSLP will develop long-term studies to measure impact on student behavior and ultimately their successes. NSLP's structured program has administrative tools incorporated to monitor student progress and collect student performance data for ongoing analysis.

The elements presented in this VFA will provide those working with low-income and first-generation students with the tools required to advise students on the best financial solutions designed to ensure the students' future success. In addition, the program will provide the online tools to expand the students' knowledge and drive success.

Expertise and Accomplishments

NSLP offers the most comprehensive financial literacy services in the industry. In fact, we've helped scores of students at hundreds of schools gain the knowledge and confidence to face their financial futures. Our programs are designed by Accredited Financial Counselors who are experts in curriculum development and online learning. College faculty members versed in personal financial management teaches thousands of students annually.

The American Association of State Colleges and Universities cites NSLP's financial literacy education guides as key resources for its members in its Fall, 2010 publication "Boosting Financial Literacy in America: A Role for State Colleges and Universities."

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[1] http://surveys.ap.org/data/GfK/AP-Viacom%20Youth%20Study%20Topline_college%20students%20paying%20the%20bills.pdf

A survey of 1,000 students that took the NSLP's online budgeting course between October, 2010 and March, 2011, found that over 80 percent indicated the course encouraged them to develop helpful budget habits. The students strongly believe the importance of learning how to effectively manage their money.

Performance Metrics

The effectiveness of our financial literacy program will be measured based on a series of outcomes which will build over the lifetime of the program. These measures will require continued monitoring after participants graduate from college. These metrics will include:

- Drop-out rate by grade level
- Graduation rate

Trending information will be used from the pre- and post-tests to improve the overall financial literacy offering. We will target core areas at an earlier grade-level.

Specific Financing Plans

The financing plan attached in Appendix A outlines an annual flat fee of [redacted] per year to fund NSLP activities in this Responsibility Area. The fee is intended to cover specific services to the constituencies we have identified.

Any Limitations on the Expansion of the Activities

NSLP developed its financial literacy program for students and college professionals nationwide. Our program is easily scalable and supports rapid growth.

College Assist

College Assist proposes the following Outreach, Financial Literacy and School Training:

Objectives

1. Provide timely, relevant, accurate information to assist Coloradans in making higher education decisions, including career, college, and college costs tools
2. Increase the percentage of Colorado students who enroll in post-secondary education, especially students from low-income families and underserved groups
3. Increase the percentage of Colorado students who complete a degree or certificate.
4. Increase the percentage of Colorado adults who return to education to begin or complete a degree or certificate program.
5. Improve individual financial outcomes related to higher education, including minimizing excessive borrowing, and exhausting federal aid before using private student loans.
6. Lower student loan default rates.
7. Provide professional training to schools and serve as an expert resource for Compliance and Policy updates and information.

Specific Activities

College In Colorado™

College In Colorado™ is a one-stop-shop for post-secondary and workforce readiness. Through our website, partnerships, outreach and grassroots marketing we ensure every student has access to the tools necessary to prepare for higher education and the workforce. CollegeInColorado.org is portable, lifelong and free.

Financial Literacy and Debt Management

Education Cents™ provides personal financial instruction that emphasizes the importance of higher education. Our approach targets the head and the heart; we educate at a fundamental level as well as deeper psychological and emotional levels. The ten-course online curriculum features a learning management system, workshop materials, workbooks in English and Spanish, and a train-the-trainer professional development program.

School Training, Assistance and Oversight

College Assist provides a variety of training and topical webinars to Colorado schools. In addition, we act as their go-to compliance and policy resource, offering our assistance and expertise to clarify changes in financial aid regulations and requirements. College Assist will conduct program reviews on Colorado schools, participating in FFELP that have a cohort default rate in excess of 20 percent for two consecutive years as described in 34 C.F.R. §682.410 (c)(1)(C).

Summary and Research

The principles of our proposed solutions are founded in substantiated research.

Bernheim, B. Douglas, Garrett, Daniel M., & Make, Dean M. (2001). Education and Saving: The Long-Term Effects of High School Financial Curriculum Mandates. *Journal of Public Economics, 80*, 435-465. Retrieved from http://ideas.repec.org/p/nbr/nberwo/6085.html.

Findings: Adults who graduated high school following adoption of a state mandate requiring financial education saved and accumulated wealth at significantly higher rates than those who graduated prior to the mandate.

Donnini, Lisa A., Ph.D., Miller, KayAnn, & Walker, Kitch. *Improving Americans' Financial Literacy: Educational Tools at Work*. Retrieved from http://www.practicalmoneyskills.com/resources/pdfs/ImprovingFinancialLiteracy_040411.pdf.

Findings: As a whole, cardholders who completed an online tutorial demonstrated dramatically better credit behavior than those who did not.

Implementation Plan

Community Outreach, Financial Literacy and Debt Management

The College In Colorado™ and Education Cents™ programs are currently in place. We will use both to carry out the specific activities proposed for community outreach and financial literacy. We partner with the following organizations to inform educators and administrators and encourage program use:

- Colorado Association of Career and Technical Educators (CACTE),
- Colorado Council on the Social Studies (CCSS)
- Colorado School Counselor Association (CSCA)
- Colorado Council on High School and College Relations (CCHSCR)
- Colorado Association of Financial Aid Administrators (CAFAA)
- Colorado Council on Economic Education (CCEE)
- Colorado Jump$tart Coalition.

Expertise and Accomplishments

Expertise

Community Outreach: Since 2006, the CollegeInColorado™ staff has helped English- and Spanish-speaking Colorado families prepare for higher education. CollegeInColorado's featured motivational speaker is a former NFL player; he has 20 years of experience working with at-risk youth and encouraging students to pursue education beyond high school. The Director of Partnerships worked in Colorado education for more than 30 years and has served on the Colorado State Board of Education and the Colorado Commission on Higher Education.

Financial Literacy and Debt Management: We have delivered student financial assistance resources and presentations for more than 10 years. The Education Cents curriculum and tools were developed by a highly qualified team of experts, including Certified Financial Planners, Certified Public Accountants, doctoral specialists in curriculum development and design, a clinical psychologist and an economist. The Education Cents program team includes a Certified Educator in Personal Finance with more than 10 years of financial services experience.

School Training and Assistance: College Assist's experienced Compliance and Training team offers more than 65 combined years of service for schools, guaranty agencies, and guarantor servicers. The staff has an in-depth working knowledge of federal student aid law, regulations and FSA guidance.

Accomplishments

Community Outreach: In 2010, nearly 250,000 student accounts and 13,500 counselor accounts were created on www.CollegeInColorado.org. The site currently has more than 300,000 active user accounts. Since 2009, approximately 300,000 people (students, parents and educators) have attended College In Colorado™ events; outreach staff have facilitated approximately 150 training sessions attended by nearly 4,000 educators. In 2011, College In Colorado™ received national recognition in a study conducted by MGT of America, Inc. From among 115 state-sponsored online portals, CollegeInColorado.org was selected as one of the top three exemplary websites. CollegeInColorado.org was praised for its provision of resources and tools to help students and their families prepare for life after high school, as well as resources and tools for counselors and educators to support that preparation in school.

Financial Literacy and Debt Management: Launched in December 2009, the Education Cents program is sustainable and scalable with users in all 50 states. In 2011, the program was recognized by cheapscholar.com as one of the best online financial literacy programs. We currently have 15,000 active accounts and average 12,000 website visits per month. Two hundred schools and partners utilize the program including 27 of the 30 publicly funded colleges in Colorado. We effectively trained 350 professionals during a one-year period.

School training and Assistance: From 2005 through 2009 College Assist provided financial aid training to more than 2500 participants.

Performance Metrics

Our performance measurements focus on specific activities and utilization rates. We have also partnered with the Colorado Department of Education to define additional key indicators:

- Utilization of key tools and functionality in the CollegeInColorado.org and EducationCents.org websites
- College matriculation and completion rates
- FAFSA completion rates
- School specific studies of loan type utilization and default rates

Utilization of both CollegeinColorado.org and EducationCents.org provides sufficient data and tracking to obtain meaningful statistic and trends. These will be used to determine program impacts, particularly in direct correlation with items 2 and 3 above. We will compare students participating in our programs on a regular basis with the overall Colorado high school population. We will also monitor trends by school district to determine impact on lower income populations.

Specific Financing Plans

The financing plan in Appendix A contemplates an annual flat fee of [redacted] per year to fund our activities in this Responsibility Area. In addition, a small portion of the Account Maintenance Fee will be used to fund the school training and compliance responsibilities. This funding will be leveraged with existing resources under the Colorado Department of Higher Education (CDHE), including the College Access Challenge Grant and the CollegeInvest 529 Savings Plan. We coordinate all of our activities; each team shares information on all available resources offered by the CDHE in order to maximize their use. For example, our College Access Challenge Grant outreach teams instruct students on using both the CollegeInColorado.org and

EducationCents.org websites. The Education Cents and CollegeInvest teams work together to increase the number of Colorado families saving for college and their understanding of how to properly plan for college costs.

Any Limitations On The Expansion Of The Activities

The CollegeInColorado.org website is available nationwide. Under our contract with XAP, additional licensing is required to formally offer and promote the site outside of Colorado. Our proposal does not contemplate costs for licensing, and providing educational staffing outside of Colorado.

We work closely with the 34 other states that have implemented XAP web resources. We collaborate to prioritize system enhancements and are working collectively to better assess the site impacts on student outcomes.

We do not anticipate any capacity or timing issues with expanding use of the Education Cents website as a self-service resource. Scaling the train-the-trainer program and the printed workbook distribution beyond Colorado will require time and additional monetary investment. These costs can be passed on to states, schools or other organizations or will require federal funding.

Appendix A: Financial Projections

Our proposal strengthens the financial viability of both agencies. The proposed fees allocate revenues to compensate the Team members for each specific Responsibility Area. The fees are structured to offer a rate that each agency would be willing to receive if additional delinquency prevention and/or collection volume were to be assumed by the Team. The overall fee structure will assure cost neutrality against current projected agency revenues.

Overall, Account Maintenance Fees (AMF), and Collections fees are reduced and offset by new Default Aversion and Outreach fees. As a result, revenues are better aligned with specific activities and will compensate the Team for actual efforts dedicated to the Responsibility Areas. Efficiency is achieved as fixed revenue streams will be directed toward overall operations that are being sustained at flat or increasing levels, while other revenues are variable based on activity related to each area. This enhances the financial strength of each of the agencies as costs are managed based on activity and related revenue sources.

A bonus pool of [redacted] s funded through reductions in the collection fees. This pool will be paid to the Team member that demonstrates the strongest performance in default aversion efforts. Incenting the competition between the two Team members, adds further safeguards against any potential perception of a conflict of interest in Default Aversion and Collection activities.

The Federal Fund claim reimbursement structure will be revised to enhance the long-term viability of the Team. It improves future cash flows with the escrowed Federal Reserve Fund and establishment of a process to receive accelerated claims payments. The financial plan contemplates that the Team will receive [redacted] percent claim reimbursement and the minimum reserve requirement will be waived.

The financial forecast in Figure 1 estimates the Proposal Team would receive [redacted] less in fees as compared with current fees earned under the existing Guaranty Agency agreements. Our proposal achieves cost savings above and beyond cost neutrality. We propose to use [redacted] of these savings to fund an additional bonus for Default Aversion performance that exceeds Industry averages. The specific performance metrics are described in Responsibility Area II. Exceptional Default Aversion performance will generate additional savings for the Department of Education. However, we propose to use a portion of the savings from reducing AMF and collection fees to fund this performance bonus.

		NSLP	College Assist	VFA
Standard GA Pricing				
0.06%	**Account Maintenance Fee**	**$** [redacted]	[redacted]	[redacted]
1.00%	Default Aversion Fee (New DAARs $)	$ [redacted]	[redacted]	[redacted]
-1.00%	DAF Rebate (on Default claims $)	$ [redacted]	[redacted]	[redacted]
	Default Aversion Revenue Subtotal	**$** [redacted]	[redacted]	[redacted]
16.00%	Traditional Collections	$ [redacted]	[redacted]	[redacted]
10.00%	Consolidation Collections	$ [redacted]	[redacted]	[redacted]
18.50%	Rehabilitation Borrower Collections	$ [redacted]	[redacted]	[redacted]
18.50%	Rehabilitation Collections	$ [redacted]	[redacted]	[redacted]
	Collections Revenue Subtotal	**$** [redacted]	[redacted]	[redacted]
	Gross Annual Revenues	**$** [redacted]	[redacted]	[redacted]
VFA Pricing				
[redacted]	**Account Maintenance Fee**			**$** [redacted]
[redacted]	**Outreach Fee**			**$** [redacted]
$ [redacted]	DAAR Bonus-Internal Competition			$ [redacted]
$ [redacted]	DAAR Fee (Per DAAR Borrower - New DAARs)			$ [redacted]
$ [redacted]	DAAR Fee (Per DAAR Borrower - Re-Billed DAARs)			$ [redacted]
	Default Aversion Revenue Subtotal			**$** [redacted]
[redacted]	Traditional Collections			$ [redacted]
[redacted]	Consolidation Collections			$ [redacted]
[redacted]	Rehabilitation Borrower Collections			$ [redacted]
[redacted]	Rehabilitation Collections			$ [redacted]
	Collections Revenue Subtotal			[redacted]
	Gross Annual Revenues			**$** [redacted]
Cost Neutrality (as represented in the VFA)				**$** [redacted]

Figure 1. Financial Forecast

RATE SHEET:

The following is a description of each fee contemplated in the proposed VFA:

FEE	DESCRIPTION	CALCULATION OF RATE	TIMING OF PAYMENT
Account Maintenance Fee	Compensation for overall reporting and management of the guarantee portfolios	[redacted]	No change from current timing under GA agreement
Delinquency and Default Prevention Fee	Compensation for work performed in Responsibility Area II	[redacted] [2]	No change from current timing under GA agreement, billing will be made upon receipt of first DAAR per borrower
Collection Fees	Compensation for work performed in Responsibility Area I	[redacted]	No change from current timing under GA agreement
Outreach Fee	Compensation for work performed in Responsibility Area III	[redacted]	Payable monthly

[2]The agency may also re-bill for any borrower with loans that have been in good standing for more than 15 months.

Appendix B: Voluntary Flexible Agreement General Terms

Treatment of Federal Fund and Claim Payments:

NSLP and College Assist shall process and pay claims following its customary due diligence. However, the Department will pay NSLP and College Assist [redacted] of default claims paid to lenders during the period in which this VFA is effective. NSLP and College Assist will estimate the amount of all claims to be paid at least [redacted] prior to the claim payment date and invoice that amount to the Department on a weekly basis.

NSLP and College Assist agree to deposit all of the cash and cash equivalents included in its designated Federal Fund under §422A of the HEA in an escrow account established by the Department and NSLP and College Assist (Federal Fund Escrow). The funds in the Federal Fund Escrow may only be used in accordance with the terms of this VFA. In the event this VFA is terminated by either party for any reason, the full amount of the Federal Fund escrow shall revert to NSLP and College Assist on the effective date of the termination.

Statutory Waivers:

Under the authority of §428A of the HEA, it is requested the Department hereby waives the provisions of the HEA and the regulations listed below:

The Department waives §422A(c) and (d) of the HEA and 34 C.F.R. §682.410(a) (1) and (2), which govern the use of the guaranty agency's Federal Fund. These provisions are being waived since NSLP and College Assist are depositing the Federal Fund into an escrow account.

The Department waives §422B(c) and (d) of the HEA and 34 C.F.R. §§682.419(a), (b) and (c) and 682.423 to the extent they govern the payments made to guaranty agencies and to the extent that they are inconsistent with the payments provided under this VFA.

The Department waives §428(c) (9) of the HEA and 34 C.F.R. §682.419(e), which require a guaranty agency to maintain a minimum reserve ratio in the Federal Fund.

The Department waives 34 C.F.R. §682.406 to the extent it requires a guaranty agency to meet certain timing requirements to file for reinsurance. The procedures provided under this VFA shall apply.

The Department waives §428(l) of the HEA and 34 C.F.R. §682.404(k) which establish rules governing the payment of the default aversion fee to the extent those provisions are inconsistent with this VFA.

The Department waives §428(c)(1) of the HEA and 34 C.F.R. §682.404(a) and (b) to the extent those provisions provide for the Department to reimburse NSLP and College Assist for claims paid to lenders at less than 100% as provided in this VFA.

The Department waives the provision in 34 C.F.R. §682.404(k)(1) that prohibits a guaranty agency from restricting a lender's choice of the date on which the lender submits a default aversion assistance if NSLP or College Assist determines that by submitting the request earlier reduces the chances of default.

The Department waives §428(c)(6) of the HEA and 34 C.F.R. §682.404(g)(1) to the extent those provisions contain rules governing a guaranty agency's retention of a portion of collections on defaulted loans that are inconsistent with this VFA.

The Department waives the applicability of audit requirements under 34 C.F.R. 682.410(b)(1) as to the program requirements that have been waived in this VFA.

Appendix C: Lender and Lender Servicer Oversight

All 32 guaranty agencies currently participate in the Common Review Initiative (CRI). CRI provides a system for guaranty agencies to fulfill their lender and lender servicer oversight responsibilities set forth in 34CFR682.410(c)(1)(i). While the Federal Register Notice would preclude us from continuing to provide Lender and Lender Servicer Oversight, we would support the continuation and expansion of the CRI structure. We believe the CRI efforts should be expanded to include all reviews in the future and would be willing to participate as we have done in the past.

CRI already embodies the principles FSA is attempting to accomplish though the VFA initiative – scale, efficiency and avoidance of potential conflicts. The VFA Notice encourages guarantors to establish consortia. CRI is a pre-existing consortium of guarantors. CRI was initiated in January 2004 following interim approval by FSA. CRI has been continually improved since then, and was approved by FSA on an ongoing basis on December 21, 2007, at which time FSA found that the process satisfies guaranty agencies' obligations to review lenders and servicers. FSA officials are involved in the administration of CRI. They actively participate in the monthly calls of the CRI Council, CRI's governing body. FSA has the opportunity to request changes in the scope of CRI reviews, as it did recently when it requested that CRI begin reviewing compliance with ED's Lender Reporting System (LaRS). ED had previously conducted these reviews directly but then decided that it was best to delegate this responsibility. Review of LaRS formally began with the 2010-2011 biennium (though it should be noted that CRI was also asked to assist FSA with the 2008-2009 review and reconciliation). FSA has worked with the CRI Council in developing mutually agreeable measures of CRI effectiveness.

CRI reviews are conducted by a team of individuals from multiple guaranty agencies. No single agency is responsible for the review, thus eliminating the potential for conflicts of interest. Initially, there is a desk audit conducted by a CRI work team, which is then followed by an onsite review. There are always six individuals from different agencies on the on-site team. Individual guarantors do not supervise these reviews, the CRI Council does. All reports are subject to review by a quality assurance team, and are provided to FSA for review. As the FFEL Program evolves and loan servicing becomes more concentrated at a reduced number of servicers, there is an opportunity to make the process even more efficient by focusing reviews at the servicer level. Consideration could be given to improving this enhancement through the VFA initiative.

Currently, out-of-pocket costs of CRI reviews are shared among the guaranty agencies. Each agency also funds its administrative and other indirect costs. We are not proposing a specific revenue reimbursement of our costs associated with continued participation in the CRI. The cost for our performance of Responsibility Area IV through continuation of CRI will be covered by other revenues collected through our Account Maintenance Fees.

Appendix D: FISMA Compliance

NSLP and College Assist recognize the importance of complying with the Federal Information Security Management Act (FISMA). Both agencies have voluntarily initiated implementation of standards to strengthen information system security with the goal to enhance the integrity, confidentiality, and availability of our systems. We are expanding policies and procedures in place to protect information and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction consistent with FISMA standards.

NSLP

NSLP's Network Operations Manager completed FISMA training in July 2010. We retained Tech Lock, Inc. to perform a gap analysis of the current network infrastructure, facilities, and policies. Gap assessment conclusions indicated NSLP had well-written policies and procedures in place. We are completing additional formatting necessary to meet all FISMA standards.

To further our FISMA efforts NSLP segmented the network and created an access boundary around the systems. These steps serve to protect FSA data, segregating it from systems used for affiliated companies with no FSA PII data. To date we have accomplished the following:

- Modified policies to conform to FISMA standards
- Developed any additional required written policies
- Completed appropriate configuration checklists
- Added controls to facility access
- Initiated employee training program focused on physical security and protection of PII

In May 2011, Tech Lock performed an initial compliance review of the FISMA network segment, updated policies, and facilities. They gave a favorable assessment of the work completed to date and produced the Plan of Actions and Milestones, which NSLP is using to complete the implementation. The target date for plan completion is March 2012.

College Assist

College Assist engaged Nelnet to assist in performing a National Institute of Standards and Technology ("NIST") 800-53 Revision 3 Self-assessment of its facilities and processes in July 2011. Similar to the NSLP assessment findings, College Assist has well documented processes and is working to complete the following activities to comply with FISMA standards:

- Establish security boundaries
- Address facility security and access
- Expand security processes
- Enhance documentation

College Assist has developed a detailed project plan to execute these initiatives. Nelnet will be assisting in executing the project plan, and the target date for FISMA standards compliance is March 2012.

Nelnet

NSLP and College Assist use Nelnet's GuaranteePro system to process and store FSA PII related to their guarantee operations. Nelnet engaged KMPG to complete a FISMA readiness test of the guarantor servicing environment as part of their SAS 70 engagement. Nelnet subsequently included the guarantor servicing in its annual NIST 800-53 Revision 3 Self-

Assessment. In July 2011, Nelnet's internal audit department completed a follow up FISMA compliancy examination of Nelnet's guarantor operations. Nelnet is currently in the process of remediating findings from this engagement and is on track to fully remediate the findings by September 2011.

Appendix E: Experience

NSLP

Randy Heesacker
President, NSLP
Randy Heesacker is President of the National Student Loan Program. With the company since its founding in 1986, Randy previously served as Executive Vice President. In that capacity he supervised many aspects of the agency's business operations and provided strategic direction for the organization. He has more than 20 years of experience leading and directing guaranty agency operations. Randy received his Bachelor of Science degree from the University of Nebraska-Lincoln, majoring in both business administration and accounting. He is a member of the Nebraska Society of Certified Public Accountants.

Dave Macoubrie
Vice President of Repayment Solutions, NSLP
Dave Macoubrie is responsible for directing the company's expert customer service, default prevention, and post-default collection efforts. He has more than 22 years of student loan experience. His background includes work in bankruptcy, claims, account administration, financial modeling, and product development and support. His teams have consistently demonstrated nationally recognized performance while upholding the highest standards. In addition to his guarantor experience, he has also worked for secondary markets and student loan servicers. Dave has a Bachelor of Science degree in business administration with an emphasis in accounting from Wayne State College in Nebraska.

Jill Hicks
Chief Financial Officer, NSLP
Jill Hicks joined NSLP in 1989 after more than five years in the banking industry. As CFO, she manages the day-to-day accounting functions, federal reporting, audit, budget, financial statement analysis, and Board financial statement presentations. She also serves as Treasurer for the corporation and is an active member of industry-related committees. Jill holds a bachelor's degree in business administration from Doane College.

Bill Kohl
Vice President, Portfolio Management, NSLP
Bill Kohl oversees account management and claims, serves as the company liaison for request for proposal responses, and is NSLP's Privacy Officer. Prior to his current role, Bill served as NSLP's Vice President of Debt Management and Operations. His responsibilities included account administration, claims, default prevention, and collections. Bill also directed NSLP's financial literacy programs and implemented the call center default prevention counseling activities. Bill has been involved in the student loan industry for more than 23 years and is an AFCPE Accredited Financial Counselor. Bill received his Bachelor of Arts in organizational management from Concordia College in Nebraska.

Tim Roethig
Director, Call Center, NSLP
Tim is responsible for strategic direction and activities management for the default aversion call center. He provides leadership in developing and directing overall contact management strategies, implementing system directives, and executing process improvement initiatives to meet annual goals. Tim has worked in various contact center leadership positions in the financial services sector for the past 13 years.

Kate Trombitas
Vice President of Financial Education, NSLP
Kate Trombitas is the Vice President of Financial Education for NSLP. Her work focuses on enhancing the financial literacy of America's college students. Kate previously served as Associate Director of The Ohio State University Student Wellness Center, where she founded Scarlet & Gray Financial, a peer-to-peer financial education program. Her expert financial advice for college students was recently featured in the ninth edition of Gardner and Barefoot's *Your College Experience: Strategies for Success*. Kate holds a master's degree in communications from the Ohio State University and a bachelor's degree in finance from the Fisher College of Business.

College Assist

Debbie DeMuth
Director, College Assist
Debbie DeMuth has more than 25 years of financial management experience. She was named Director of CollegeInvest in March 2000 and, subsequently, Director of College Assist in January 2006. CollegeInvest is a $3.5 billion college savings plan, and College Assist is a $10 billion student loan guarantee operation for the State of Colorado. Since joining CollegeInvest and College Assist, Debbie has been committed to the mission of improving access to higher education in Colorado. She is focused on establishing effective programs and resources to enable all students to meet their educational needs. Debbie received her Bachelor of Science degree from Colorado State University. She is a member of the Colorado Society of Certified Public Accountants.

Jeff Moore
Managing Director, Nelnet, Inc.
Jeff brings more than eight years of management experience in the student loan industry, with more than six years in a senior management role. His responsibilities include leading the guaranty agency servicing business of Nelnet, Inc.

Peter T. McArdle
Director of Finance, Nelnet, Inc.
Peter has more than 26 years of experience in the student loan industry. His background includes 14 years in senior leadership positions, directing financial and operational areas for guaranty agency clients. Among his responsibilities for Nelnet, Peter has effectively and efficiently managed a large office location and a national student loan contract.

Leticia Burger
Manager, Default Aversions, Nelnet, Inc.
Leticia brings more than nine years of experience in the student loan industry, with more than eight years in a management role. Leticia is responsible for managing the Default Aversion group.

Dave Clark
Manager, Claims, Nelnet, Inc.
During his 17-year tenure in the FFEL industry, Dave has served in supervisory and management roles for guaranty agency and loan servicing operations. Throughout this time, his responsibilities have included managing multiple work units and special projects.

William Joyner
Manager, Borrower Services, Nelnet, Inc.
William brings more than 12 years of experience in the student loan industry, 11 years of which he has spent leading or supervising loan recovery operations teams. He serves as the liaison between guarantors and multiple collection agencies, as well as manages the Collection Agency Management process.

Dan Rodgers
Manager, Compliance, Training and Investigations, Nelnet Inc.
Dan brings 30 years of experience in the student loan industry. His background includes 22 years of management experience in developing and conducting school trainings and providing policy and regulatory guidance. Dan's team serves as a school's go-to expert resource for training and compliance and policy questions. Dan also has 8 years of financial aid experience in both direct service and leadership roles.