

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION*Oklahoma College Assistance Program*

July 29, 2011

Dear Mr. Secretary:

RE: Voluntary Flexible Agreement Proposal

In response to *Federal Register* Vol. 76, No. 104, regarding Voluntary Flexible Agreements (VFA), the Oklahoma College Assistance Program (OCAP) proposes to work as a consortium with Northwest Education Loan Association (NELA) to perform duties as described in the outlined GA Responsibility Areas in the attached proposal.

OCAP is currently in negotiations with NELA to perform GA Area II services. NELA's proposal will be sent to the U.S. Department of Education (ED) under separate cover. NELA expects to make a decision regarding the Area II service provider prior to beginning formal negotiations with ED.

OCAP and NELA are both users of the Sallie Mae EAGLE servicing system and wish to further leverage this common servicing platform to ensure important student services and guarantor obligations continue in our respective states. The proposal is designed to ensure cost neutrality to ED and prevent perceived conflicts of interest as outlined in the *Federal Register* notice.

Cost-neutral funding for the model relies on the use of savings generated from a reduction in loan rehabilitation retention for NELA, the Area I provider. These savings will be used by ED to ensure continued and expanded default prevention services are available for Oklahoma, the Area II provider. Use of the proposed funding model will also result in adequate funding for OCAP to provide Area III and IV services for Oklahoma.

We respectfully request careful consideration of this proposal and appreciate the opportunity to work with ED to craft a mutually beneficial agreement. Working together we can ensure that students and parents continue to receive critical, customized support services while we continue to meet our required guarantor obligations.

Sincerely,

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**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
OKLAHOMA COLLEGE ASSISTANCE PROGRAM
RESPONSE TO *FEDERAL REGISTER* VOL. 76, NO. 104**

INTRODUCTION

The Oklahoma College Assistance Program (OCAP), formerly known as the Oklahoma Guaranteed Student Loan Program, in response to *Federal Register* Vol. 76, No. 104, proposes to perform duties as described in GA Responsibility Area II for Northwest Education Loan Association (NELA) in addition to OCAP's current non-defaulted portfolio. OCAP would also be willing and able to discuss taking on additional default prevention portfolios from additional VFA partners in this consortium, if applicable. In addition, OCAP proposes to perform Areas II, III and IV for our current portfolio and Oklahoma.

NELA desires to work with a consortium of guarantors to satisfy all of the Guaranty Agency Responsibility Areas described in the *Federal Register* notice. Their proposal envisions three different potential partnering opportunities with other guarantor partners. OCAP proposes to be the **Level One Partner** as described below:

- **Level One Partner:** Under this arrangement, NELA would acquire OCAP's outstanding default portfolio and receive all future claims from the Level One Partner and perform the activities for GA Responsibility Area I, while the Level One Partner will receive NELA's outstanding non-claim portfolio and perform all servicing activities required under regulation through the point of claim filing, as applicable.

OCAP would continue to service the OCAP default prevention portfolio internally, but intends to procure a contract with NELA's current default prevention vendor, Student Assistance Corporation (SAC), to ensure the same level of current performance on the NELA portfolio. OCAP also intends to increase current delinquency prevention activities for both portfolios, which should result in increased performance levels for both portfolios.

OCAP's Default Prevention department has extensive experience in handling general student loan inquires and counseling delinquent borrowers about repayment options. Though cohort default rates are trending upward nationally, over the past five years, Oklahoma's cohort default rate has increased less than rate increases at the national level. OCAP previously managed a SAC contract and has a history of a good working relationship with the organization and its management. To further bolster our default prevention efforts OCAP anticipates hiring additional internal staff to perform delinquency prevention and enhanced late-stage delinquency activities upon finalization of the VFA.

Default aversion activities for the current OCAP portfolio, previously performed by SAC, were brought in house in early fall 2010. To date, internal efforts have resulted in Satisfactory Resolution (SAT) rates comparable to those of SAC's performance on the portfolio. OCAP continues to invest heavily in technology and new strategies, and expects our SAT rates to continue to improve.

To assist schools as they actively engage in default prevention efforts, OCAP developed the *Default Prevention School Tool* (DPST), a database-driven cohort management application. More than 30 Oklahoma schools have installed this efficient and effective tool. OCAP recently upgraded DPST to enable schools to use the application to work both delinquent FFELP accounts and accounts serviced by the TIVAS.

Background

OCAP is an operating division of the Oklahoma State Regents for Higher Education (OSRHE). OSRHE is the coordinating board for public colleges and universities in Oklahoma and serves as state administrator for the College Access Challenge Grant, GEAR UP grant and OKcollegestart.org, the Web-based student portal. State legislation creating OCAP was enacted in 1965 (70 O.S. §§ 622-624). The purpose of OCAP is to administer the FFELP portfolio and to provide support services for students, borrowers and others in areas including, but not limited to, college access, financial aid awareness, student loan management, default prevention and financial literacy. A self-supporting agency that utilizes no state appropriations, OCAP offers a variety of programs and services to build aspiration and educate Oklahomans about planning, preparing and paying for postsecondary education. OCAP's services complement and support OSRHE initiatives and reflect ongoing successful collaboration with business expert groups and state, regional and national education associations.

Proposal to perform GA Responsibility Area II for OCAP and NELA (Delinquency and Default Prevention and Management)

A. Objectives

- To provide effective delinquency prevention and default aversion assistance to borrowers in both portfolios.
- To provide valuable assistance to lenders and schools in Oklahoma and NELA's service area resulting in increases in satisfactory repayment status for both portfolios.
- To educate and counsel OCAP and NELA borrowers about successful repayment of their student loans, resulting in fewer defaults as defined in the activities below.
- To provide a large variety of online and in-person counseling sessions to borrowers in Oklahoma and NELA's service area.

B. Activities

- **Delinquency prevention.** OCAP will provide information, counseling and assistance to borrowers entering repayment and/or in the repayment process to ensure they are aware of the variety of repayment options and tools available to prevent delinquency. Letters, emails, phone calls (via an autodialer) and unattended dialer campaigns will be utilized in these important education efforts.
- **Default prevention.** OCAP will continue to work OCAP portfolio accounts internally using targeted call, letter, and e-mail campaigns. OCAP will contract with SAC to continue default prevention activities on the acquired NELA portfolio. Portfolios will be segmented to focus attention to specific target groups to produce higher SAT rates and lower default rates. Customized telephone, letter and email campaigns will be utilized to strategically resolve and prevent delinquencies. These campaigns will use state-of-the-art technology, such as predictive dialers to perform attended and unattended call campaigns, and a common Borrower Pursuit System (BPS) (part of the Sallie Mae servicing system).

OCAP's late stage delinquency strategy (for borrowers 240 days delinquent until claim purchase) includes:

- Using quickest resolution and delivery methods to resolve delinquency.
- Using three-way calls with delinquent borrower and the Lender/Servicer.
- Working with Lenders/Servicers to "recall" default claims to avert default.

- Focusing efforts on high balance and cohort accounts.
 - Using unattended and attended call campaigns to target specific solution-driven results, such as consolidation campaigns, income-based campaigns, and deferment campaigns.
 - Running all campaigns at times to match best “Right Party Contact” rate times, with staff available 8am-9pm Monday through Thursday and 8am-5pm on Friday.
 - Using call recording and call monitoring functions for customer service and training purposes.
 - Producing specialized reports to monitor inbound and outbound calls, campaign effectiveness, SAT rates and staff performance.
- **Delinquency prevention campaigns.** OCAP’s delinquency prevention goals are to:
 - Contact and educate borrowers early to assist them in keeping their loans current.
 - Ensure that borrowers can identify their servicer and know how to contact the servicer for assistance.
 - Inform borrowers of all options available to prevent delinquencies.
 - Establish a strong rapport with borrowers so they are more likely to reach out to their servicer or guarantor for information or assistance.
 - Obtain current address, phone and e-mail information for future use in assistance efforts.

OCAP has an internal delinquency prevention system database to allow specialists to work accounts and document account activity. Borrowers are counseled on all aspects of the loan process and available options to prevent delinquency. Early contact with borrowers should allow more opportunities for borrower education and is consistent with OCAP’s “We Can Help!” philosophy.

- **Mapping Your Future (MYF) Counseling.** As a sponsor of MYF, OCAP provides Oklahoma schools with access to over 20 student counseling sessions, as well as publications and loan-related calculators. In the proposed VFA, OCAP will also sponsor NELA’s service area states, enabling them to access the same counseling sessions. Counseling options currently available include entrance, exit, financial literacy, private loan, grace period and repayment, and loan management, among many others. MYF provides training to make the most of the counseling services and also offers an online User’s Guide for schools, providing step-by-step instructions for all of the features and services of online counseling.

Because student data is collected during the counseling programs, information can be collected to track the impact of counseling and determine the effectiveness of the counseling programs. The counseling is designed to require interaction from the students and tests their understanding of the material before they can advance. The data may also be used, when combined with other sources of information (and as allowable), in longitudinal studies of student college completion and success. MYF plans to add counseling features to measure effectiveness, including attitude and/or behavior changes in students who complete the counseling. The technology can also be used to implement longitudinal data studies, as allowable, to determine the impact of counseling on student behavior.

- **Exit counseling tools.** OCAP has created a CD package for schools that includes an exit counseling presentation with presenter’s notes, which schools can use for in-person exit counseling; an Exit Counseling checklist; and an OCAP publication order form. OCAP will make this CD package available for all schools within the new OCAP portfolio, including schools NELA borrowers attend.
- **Distribution of the *Default Prevention School Tool (DPST)*.** Developed by OCAP, the DPST assists schools in becoming actively involved in default prevention efforts. DPST allows schools to download both FFELP data and delinquency data from TIVAS. The product is a single database with multiple functions, including customized school letter retention, targeted delinquency campaigns, detailed reports, search functions, and more. We provide this tool free of charge to Oklahoma schools and under the VFA partnership, will provide the DPST to NELA schools. OCAP is working on a DPST enhancement that will provide schools a cohort default rate analysis. The analysis function can identify characteristics of cohort rate borrowers, including general default trends and types of borrowers who are most at risk of default. Identifying these higher-risk borrower groups helps schools prioritize resources as they build campus default prevention programs.
- **Print publications and tools.** OCAP produces and distributes a wide variety of default aversion print publications and other educational resources to schools, borrowers and families, including:
 - *Guide to Successful Student Loan Repayment*
 - *Default Prevention* brochure
 - *Delinquency Prevention* flyer
 - *No Longer in School?* flyer
 - *Unable to Make Your Student Loan Payment?* flyer
 - *Need a Hand?* poster
- **Multimedia and web-based publications and tools.** OCAP’s website, ocap.org, features segments designed for students, parents, campuses and community partners reflecting the full collegiate lifecycle. The site offers information about preparing for college, financial aid, and repaying student loans and access to OCAP’s extensive selection of publications. Additionally, OCAP produces a monthly e-newsletter, the *Online News*, for educators, administrators and community partners. OCAP will soon launch a new Facebook profile, *Student Loan Repayment Scoop*. The goal of this page is to provide repayment advice and strategies to borrowers to complement OCAP’s other default prevention efforts. OCAP will work with schools to promote the page through their exit counseling sessions.

C. Justification for Activities

The activities described offer a complete and diversified approach to default prevention beginning with delinquency prevention activities through successful loan repayment. All parties involved in the loan process come together to form solutions to prevent default.

As an MYF sponsor, OCAP pays [REDACTED] annually per state. This sponsorship allows schools to extend online counseling services to students at no cost to the school. MYF recently began charging schools without a state sponsor a membership fee of [REDACTED] per year based on enrollment.

D. Implementation Plan

- OCAP will receive a transfer of all outstanding non-defaulted loans currently serviced by NELA and perform all required guarantor servicing activities through the point of claim filing.
- OCAP will transfer all outstanding defaulted loans to NELA
- OCAP will transfer all claims filed by lenders to NELA for claim review, payment and collections.
- OCAP will perform all federal reporting (NSLDS, Forms 2000, etc.) for all loans transferred from NELA to OCAP as NELA's Level One Partner.
- OCAP will enter into a contract with SAC to continue to perform default prevention activities on the transferred NELA portfolio.
- OCAP anticipates assigning additional staff to perform delinquency prevention activities upon finalization of the VFA.
- OCAP will begin performing activities and providing services as described.

E. Expertise and Accomplishments

OCAP's Default Prevention department has 152 years of collective work experience in handling general student loan inquiries and counseling delinquent borrowers about repayment options. Though cohort default rates are trending upward nationally, over the past five years, Oklahoma's cohort default rate has increased less than rate increases at the national level. OCAP previously contracted with SAC and has experience managing a SAC contract and has a history of a good working relationship with the organization and its management. Current SAT rates from internal default aversion efforts on the OCAP portfolio are comparable to rates achieved by SAC for the OCAP portfolio. Continued investment in technology and staff will result in increases in OCAP portfolio SAT rates.

F. Improved Services

- Expanded pre-delinquency and default aversion strategies and efforts to assist borrowers.
- Expanded delinquency and default prevention counseling and support for schools.
- Multiple touchpoints with borrowers, including the use of social media, to increase knowledge of loan management and repayment options.

G. Performance metrics

- Increase in SAT rates.
- Cohort Default Rate change per year will parallel or trend lower than the national average.
- Increase number of borrowers in current repayment status.
- Increase number of Facebook followers.
- Increase number of counseling sessions completed.
- Increase use of DPST by Oklahoma and NELA schools, including use of DPST for accounts serviced by the TIVAS.

H. Evaluation method

- Metrics and reports from the EAGLE servicing system.
- Published cohort default rates.
- MYF statistics.

I. Financing Plan

OCAP would utilize savings generated within the consortium from the decrease in collection retention on loan rehabilitations to fund Area II, III & IV activities in a manner that is cost neutral to the federal government.

The Level One Partner would receive a reduced AMF of [REDACTED] for loans transferred from other partner guarantors to cover the servicing costs incurred on the transferred-in loans. AMF for the Level One Partner's existing portfolio under its guarantee would continue to be paid at [REDACTED] of loans outstanding.

For activities associated with Default Aversion Assistance Requests (DAARs) received from FFEL Program lenders, the current DAF will continue in addition to a new "Repeat DAF" that is proposed in the performance of the Level One Partner responsibilities. The Department will pay fees for default aversion activities as follows:

- First Time Default Aversion Assistance Requests (DAARs): A [REDACTED] Default Aversion Fee (DAF) will be paid for first-time DAARS that are received by the Level One Partner. For loans transferred from NELA or other consortium partners and for which an existing DAAR is active, the Level One Partner will receive a DAF payment of [REDACTED]
- Repeat DAARs (RDAARs): A [REDACTED] Repeat Default Aversion Fee (RDAF) will be paid on a RDAAR that is received 12 months or more after a prior DAF or RDAF payment. No RDAF is paid on DAARs that repeat within 12 months from a prior DAF/RDAF payment. The maximum number of total RDAFs paid on an account is limited to three. No RDAF will be paid on DAARs that are active on the effective date of the VFA until after 12 months have elapsed and a new RDAAR is received.

DAF Rebate Calculation:

- Default Aversion Fee Rebate (DAFR): If an account subsequently defaults, all DAF and RDAF paid to the Level One Partner will be rebated to the Department. The rebate amount will be equal to the cumulative sum of the DAF and RDAF percentage rates paid by the Department to the Level One Partner times the dollar amount (principal and interest) of the default.
- The Level One Partner will be provided an additional incentive for keeping borrowers on an active payment track and out of delinquency. If a borrower remains in an active payment status on the previous DAAR accounts for at least 24 months, i.e., the borrower stays out of delinquency for at least 24 months and was not in a deferment or forbearance status (this would be defined as at least a [REDACTED] reduction in the principal amount owed on the prior DAAR loans), the Level One Partner will receive a credit/reduction equal to one half of the total rebate rate owed if the loan later defaults.

See Appendix A for a summary of the funding model for the consortium.

J. Explanation of efficiencies

- OCAP transferring the collections portfolio to NELA, a larger agency, to perform collections and claims processing functions should result in economies of scale and savings that can be used for default prevention activities.
- MYF partnership allows schools to use counseling sessions and tools at no cost. The sponsorship fee of \$ [REDACTED] per year per state is low compared to the expense to create and maintain a comparable website and series of tools.
- Our recent DPST upgrade allows schools to use the tool not only for FFEL borrowers, but also for DL borrowers serviced by the TIVAS.
- Expanding delinquency prevention activities will help borrowers manage the loan repayment process from the time repayment begins, building a solid foundation for ongoing success.
- Enhanced late stage delinquency efforts will result in increases in averted claims.

K. Impact on continued financial and operational viability of OCAP

Participating agencies will continue to monitor the performance of the VFA to assure the continued financial and operational viability of the consortium. Agency financial officers expect the consortium to remain financially and operationally viable under the proposed VFA as a result of efficiencies as noted above.

L. Limitations on capacity

OCAP can successfully perform all the objectives and activities set forth in this proposal for Oklahoma and NELA schools and borrowers. In the event OCAP is asked to take on additional default prevention portfolios, OCAP would consider the request and if it's acceptable, could contract with a default prevention vendor to perform the services. OCAP's systems capacity for default prevention has no limit.

M. FISMA

The FISMA compliance process is ongoing. The consortium's system vendor, Sallie Mae, is taking part in this ongoing compliance process and reports that the guarantor system is on schedule to obtain FISMA compliance by fall 2011. Each participating agency is engaged in the FISMA compliance process and on schedule for compliance within a reasonable time period.

Proposal to perform GA Responsibility Area III for OCAP (Community Outreach, Financial Literacy and Debt Management, School Training and Assistance and School Oversight)

A. Objectives

- Educate families, school counselors, and community service providers about the value of higher education, financial literacy and debt management.
- Serve as a source of credible information and instructional materials to eliminate perceived barriers to higher education, support effective college planning, heighten aid awareness, strengthen financial literacy and promote successful debt management.

- Encourage all Oklahoma families that qualify to apply for the state-sponsored Oklahoma's Promise scholarship.
- Unite and amplify college access activities in Oklahoma to reach as many underserved families as possible.
- Assist K-12 schools and higher education campuses in developing or expanding financial education services.
- Engage businesses and community partners as higher education ambassadors and providers of personal finance and debt management education for employees and service populations.
- Educate and keep schools up-to-date on higher education law and regulations and default prevention best practices.
- Monitor compliance of Title IV loan programs administered by Oklahoma schools.

B. Activities

Community Outreach

OCAP's comprehensive college access and outreach program, **UCanGo2** (UCanGo2.org), emphasizes that postsecondary education is truly accessible in Oklahoma, encourages student aspiration, and educates students, parents, instructors, counselors and community partners about preparing, planning and paying for college..

- **Training for high school counselors.** OCAP provides information and materials about preparing and paying for college, financial aid, personal finance education and college access to hundreds of middle and high school guidance counselors through workshops, professional conferences, and counselor-only fairs. OCAP also serves as Oklahoma's state coordinator for the National Training for Counselors and Mentors (NT4CM) program,
- **Campus and community activities.** OCAP participates in a variety of campus and community activities, including more than 60 financial aid nights and college fairs, freshman orientation on higher education campuses, and college planning and FAFSA workshops for students, parents, and educators through partnerships with K-12 schools, public libraries, and various community service organizations across the state, including the Oklahoma Department of Human Services, Oklahoma Department of Career and Technology Education, Oklahoma Association of Community Action Agencies, YMCA and YWCA, TRiO and GEAR UP programs, and tribal governance.
- **Print publications and tools.** OCAP produces and distributes a wide variety of print publications and other educational resources to schools, students and families. Specific examples:
 - *College planning toolkits for high school counselors*
 - *College planning toolkits for middle school counselors*, (in development)
 - *Are You College Ready?* booklet (in development)
 - *Are You Looking for Money?* Booklet
 - *Annual checklists for high school student*
 - *Annual checklists for middle school students* (in development)
 - *From Cradle to College* booklet, developed in partnership with Smart Start Oklahoma (smartstartok.org)

- *FAFSA flyers and posters*
- *student tools and worksheets* for career planning, course tracking, campus visits and selection, and college fairs.
- *games, puzzles and other student activities* that build aspiration and promote early college planning.
- **Multimedia and Web-based publications and tools**
- **Student and parent hotline**
- **Oklahoma College Access Network (OK-CAN).** OCAP launched OK-CAN (OKCollegeAccess.org) in spring 2011 to serve as a centralized hub for college access service providers in the state, providing an administrative structure to unite the efforts of various organizations – including schools, philanthropic and nonprofit organizations, government entities, tribal and religious organizations and other community partners - that work to make education after high school more accessible to underserved, first-generation college-going Oklahoma families. OK-CAN is a participating member of the National College Access Network (NCAN).
- **Oklahoma’s Promise scholarship program.** OCAP dedicates significant revenues to fund a statewide media campaign for the state’s signature scholarship program, Oklahoma’s Promise, as well as administrative costs for Oklahoma’s Promise and the Oklahoma Tuition Aid Grant (OTAG).

Financial Literacy and Debt Management

OCAP’s financial literacy program, **Oklahoma Money Matters (OKMM)**, supports personal finance education through targeted outreach and strategic partnerships, working collaboratively with higher education campuses, K-12 schools, industry partners and community organizations to provide customized financial education programs and services that help youth and adults successfully manage personal finances, understand consumer credit issues and navigate the financial aid process.

- **Training for K-12, higher education and social services educators and administrators**
- **Campus and community events.** OKMM provides personal finance and student loan management workshops through partnerships with higher education campuses, technology centers, K-12 schools, and various community service organizations across the state, including the Oklahoma Council on Economic Education, Oklahoma Jump\$tart Coalition, Federal Reserve Bank of Kansas City/Oklahoma City Branch, Oklahoma Society of CPA’s, Oklahoma Bankers Association, and Oklahoma College Student Personnel Association.
- **Print publications and tools**
- **Multimedia and Web-based publications and tools.** OKMM’s comprehensive website, OklahomaMoneyMatters.org, offers:
 - financial planning information and resources;
 - self-paced curriculum modules in key subject areas;
 - an online clearinghouse of resources that can be searched by keyword, subject, audience, language or type, which will be continually expanded;

- *Ask OKMM*, an interactive public Q&A forum;
- *Money Talks* audio podcasts and planned vodcasts.

Through OCAP's sponsorship, OKMM extends access to Mapping Your Future's online financial literacy counseling for students to Oklahoma schools. OKMM also provides information and helpful links for students and parents through social media profiles on Twitter (*#OKMoneyMatters*), and will soon establish a profile on Facebook (*@OKMoneyMatters*).

- **Consulting and program development services**
- **Workplace financial education program**

School Training, Assistance and Oversight

- **School reviews.** OCAP will perform biennial program reviews for Oklahoma schools for which the average student loan repayment rates are in the lowest 20th percentile of all Oklahoma schools participating in Title IV loan programs, if this data is available. Alternatively, OCAP will perform biennial program reviews for Oklahoma schools for which the cohort default rate is in the highest 20th percentile of all Oklahoma schools participating in Title IV loan programs. Selection for each biennium will be determined based on the average of the two most recently published repayment rates or cohort default rates for the school, and will result in the review of the 15 (approximately) lowest-performing schools, as compared to other schools making Title IV loans in the state.
- **Regional and individualized higher education school training/assistance**
- **Print publications and tools.** OCAP produces and distributes a wide variety of educational resources for aid administrators and borrowers, including:
 - *Regulatory Resource Guide*
 - *Teacher Loan Forgiveness* booklet, checklist and poster
 - *Financial Aid Information for Student Veterans* booklet
 - *Loan Proration Decision Tree* tool
 - *Interest Rate Poster*
- **Electronic news publications.** OCAP produces a monthly e-newsletter, the *Online News*, for educators, administrators and community partners. OCAP also provides periodic e-updates for financial aid administrators and industry partners to call attention to important regulatory, fiduciary and legislative updates, such as new DCLs, *Federal Register* announcements, and congressional activity.

C. Justification for activities

Despite concerted efforts to generate more college graduates, there are leaks in Oklahoma's college-going pipeline. These potential students and graduates include first-generation college students; students of lower than average income; students of Hispanic, African American, and Native American ethnic backgrounds; students who transfer among institutions; and working adults. The rate of enrollment directly from high school to college is low and participation gaps exist along ethnic, age, and geographic dimensions. The critical lack of financial literacy among Oklahoma high school students led to passage of the Passport to Financial Literacy Act in 2007, which requires satisfactory completion of 14 areas of personal finance instruction to graduate from an Oklahoma public high school

beginning with students entering 7th grade in 2008-09. Financial literacy among college students and parents is also an ongoing concern. Many parents lack a solid grasp of personal finance principles; according to the *Experian National Score Index*, the average U.S. credit score is 693, and the west south central region – which includes Oklahoma – has the lowest average credit score in the nation, 673. Because parents often don't feel 'qualified' to teach their children about money management, our students face an unsupported transition to financial independence in college and significant gaps in awareness of financial aid options.

In addition to a lack of general understanding and fears about completing the FAFSA, aid administrators indicate that parents continue to overestimate the amount of scholarship and grant funds their children will receive. With little or no family savings to rely on, students rely increasingly on loans – both federal and private – to finance higher education, and a student loan is the first credit experience for many Oklahoma borrowers. Credit behavior continues to show a lack of understanding of debt principles; a recent media study shows that the average Oklahoma college senior has at least 4 credit cards and carries a balance of more than \$4,000 – and 20 percent of those seniors carry a balance greater than \$7,000. Those excessive balances often include education-related expenses, such as tuition, textbooks and supplies. It's no surprise that financial concerns have surpassed academic failure as the primary reason students leave school.

Since the cessation of new FFELP loans, Oklahoma schools have lacked the level of localized loan assistance previously provided by OCAP. OCAP's long-term, well-developed relationships with Oklahoma schools, skills and expertise will assist the Department in answering questions and relaying new information to schools about federal loan programs. On the subject of school oversight, after the change in the default window from 180 days to 270 days, the current regulatory requirement of reviewing schools with a cohort default rate greater than 20 percent has resulted in a fewer number of required reviews. OCAP's proposed targeted review selection plan will provide the Department an additional layer of protection against fraud, abuse and error.

- D. Implementation plan.** OCAP will perform the activities as described upon implementation of the VFA agreement.
- E. Expertise and accomplishments.** OCAP has the capacity and infrastructure to implement and maintain successful college access, financial literacy and school training and oversight initiatives, and has decades of experience in developing and executing school and community services. These initiatives are sustainable because they're embedded in the OCAP and OSRHE core enterprise and supported by a comprehensive, statewide student record system; a Web-based data warehouse accessible to all higher education institutions in the state; and the OSRHE-sponsored high-speed network for education and government (OneNet), to which all Oklahoma colleges and 85 percent of K-12 schools are connected. Among many other student support services, OCAP produced and distributed more than 100,000 publications and other print resources, trained hundreds of high school counselors, and fielded thousands of emails and over 250,000 phone calls from students and parents last year. OCAP also administers OK-CAN, the Oklahoma College Access Network, which is comprised of nearly 60 participating organizations. Efforts continue to evolve and expand as OCAP explores more innovative approaches to deliver the message that postsecondary education is within reach for all Oklahomans.

OCAP's financial literacy initiative, Oklahoma Money Matters (OKMM), is heavily involved in Oklahoma's financial literacy community, including the Oklahoma Council on Economic Education, Oklahoma JumpStart Coalition, and the state taskforce to develop curricular standards, district implementation guidelines and instructional resources for Oklahoma's Passport to Financial Literacy Act. OKMM outreach coordinators provide an extensive array of high-demand grassroots educational services for K-12 schools, higher educational campuses and community organizations, and OKMM has collaborated with the Corporation for National and Community Service to host an AmeriCorps Education Award Program (2005-2008). OKMM's AmeriCorps program was identified as a "best practice" model for the development, administration, and operation of national service programs with a financial literacy focus, including documentation, tracking tools, training materials, database design, and field site infrastructure.

OCAP's policy and compliance staff have over 70 years of Title IV loan experience. The group actively participates in the NCHELP regulations committee as well as the Common Review Initiative. The senior reviewer has over 20 years experience, has worked with Region VI staff, AAAD, and ED's Office of Inspector General Counsel in stopping school fraud and abuse. The director of policy and compliance has been in compliance with OCAP for 22 years, serves on the steering committee for Mapping Your Future and recently completed a two-year term as Chair of Common Manual Governing Board.

F. Improved services

- Increased awareness of state-based scholarships to maximize participation.
- Multiple touch points with families to build aspiration, reduce barriers to postsecondary education, improve financial literacy and strengthen debt management skills.
- Expanded FAFSA education tools for schools and direct educational services for students and parents.
- Increased number of targeted school reviews beyond regulatory requirements.

G. Performance metrics

- Increase the percentage of Oklahoma high school seniors completing the FAFSA.
- Increase the college preparation of students from underrepresented groups.
- Increase enrollment in the Oklahoma's Promise state scholarship program.
- Increase number and scope of community partners as higher education ambassadors.
- Increase number of reviews beyond regulatory requirements.

H. Evaluation methods

- Surveys to determine target audiences' educational needs and satisfaction with services.
- Post-training assessments to gauge target audiences' knowledge in key areas.
- Tracking student outcomes through OSRHE's comprehensive, statewide student record system and Web-based data warehouse.
- Cohort default rate margin comparison.
- Engage an independent organization to evaluate the efficiency and effectiveness of delivered services.

I. Financing plan. OCAP would utilize savings generated within the consortium from the decrease in collection retention on loan rehabilitations to fund Area III services for Oklahoma. See Appendix A.

J. Explanation of efficiencies

- OCAP is an operating division of OSRHE, a state agency with a consistent, data-driven public agenda supporting state initiatives to prepare more students for college, graduate more students from college, and increase the educated workforce.
- OCAP's long-standing relationships with schools and other partners as a local service provider lend essential credibility to key messages and materials, extend the reach and impact of FSA services and those provided by affiliated national vendors, and support development and delivery of customized information and tools that meet the unique educational needs of Oklahomans throughout the collegiate and student loan lifecycles.
- OCAP will be able to provide college access, aid awareness, financial literacy and debt management workshops and activities for Oklahoma students, parents, counselors, schools and community ambassadors and will be able to conduct reviews and training sessions for Oklahoma's Title IV schools at a lower cost than FSA due to proximity (lower travel expenses).
- OCAP will enhance capabilities and increase capacity for college access services by leveraging community partnerships and economies of scale through OK-CAN, the Oklahoma College Access Network.

K. Impact on continued financial and operational viability of OCAP. All agencies will continue to monitor the performance of the VFA to assure the continued financial and operational viability of the consortium. Agency financial officers expect the consortium to remain financially and operationally viable under the proposed VFA as a result of efficiencies noted above.

L. Limitations on capacity. OCAP can perform the listed activities within Oklahoma under the proposed financing method. OCAP would be open to expanding the geographic service area for Area II and III activities with appropriate additional funding.

M. FISMA. OCAP has been working toward FISMA compliance for several years. The FISMA compliance process is ongoing. The consortium's system vendor, Sallie Mae, is taking part in this ongoing compliance process and reports that the guarantor system is on schedule to obtain FISMA compliance by fall 2011. Each participating agency is engaged in the FISMA compliance process and on schedule for compliance within a reasonable time period.

Proposal to perform GA Responsibility Area IV (Lender and Lender Servicer Oversight)

OCAP proposes that the Department allow the Common Review Initiative to continue. Currently, out-of-pocket costs of CRI reviews are shared among the guaranty agencies. Each agency also funds its administrative and other indirect costs. There currently are no dedicated revenues for performing lender and lender/servicer reviews; OCAP costs are funded from general revenues. The true cost for our performance of Area IV through continuation of CRI will be covered by OCAP's VFA.

CONCLUSION

This proposal provides the following advantages:

- Cost neutrality to the federal government.
- Increased SAT rates and reduced default costs to the federal government.
- Consolidates collections and claims processing under a guarantor, NELA, which has a record of excellent performance, which will therefore financially benefit taxpayers.
- Establishes the opportunity to provide needed support services to schools and students in the partners' service areas for both FFELP and Direct Loan borrowers.
- Utilizes existing relationships and localized, grassroots services to extend the reach, impact, and credibility of ED and its industry partners and minimize federal investment required to meet the needs of Oklahoma borrowers throughout the loan lifecycle.
- Eliminates the poorly aligned incentives in the current guarantor structure by separating default prevention and default collections activities.

Appendix A

Proposed funding model changes from current guarantor agreement. OCAP would serve as NELA’s Level One partner.

Fee Type	Current Statutory Fee	VFA Proposed Fee	
		Area 1 – NELA	Level One, Two & Three Partners
Account Maintenance Fee (AMF)	0.06% times outstanding loans	NA	<p>██████ on existing portfolio</p> <p>Level One receives at least ██████</p> <p>Level Three Partners would only receive a fee equivalent to ██████ times outstanding loans in their portfolio.</p> <p>Remainder of savings is paid to the Level One and Two Partners.</p>
Default Aversion Fees (DAF)	1.0% DAF Fee on 1 st time Default Aversion Assistance Request (DAAR) filing	NA	<p>No change - ██████ DAF Fee on 1st time Default Aversion Assistance Request (DAAR) filing.</p> <p>New - ██████ Repeat DAF paid on repeat DAAR that is received 12 months after a prior DAF or repeat DAF fee has been paid, limited to three times. No repeat DAF if DAAR filed within 12 months of successful resolution.</p>

<p>Default Aversion Rebate & Rebate Incentive</p>	<p>1.0% DAF rebate applied to principal and interest of default amount</p>	<p>NA</p>	<p>Rebate fee equal to cumulative sum of DAF and repeat DAF fee percentages previously billed under the VFA times total default claim amount.</p> <p>Rebate Incentive for keeping borrowers on an active payment track and out of delinquency. If a borrower remains in an active payment status on the previous DAAR accounts for at least 24 months, i.e., the borrower stays out of delinquency for at least 24 months and was not in a deferment or forbearance status (this would be defined as at least a [REDACTED] reduction in the principal amount owed on the prior DAAR loans), the Level One and Two Partner will receive a credit/reduction equal to one half of the total rebate rate owed if the loan later defaults.</p>
<p>Collections Fees: Cash/AWG collections</p>	<p>16% retention on payments received</p>	<p>No change</p>	<p>NA</p>
<p>Consolidation</p>	<p>18.5%, 8.5% netted back to ED, net retention 10%</p>	<p>No change</p>	<p>NA</p>

Rehabilitation	Remits to the Secretary 81.5% of principal.	<p>Tiered Approach:</p> <p>Tier 1: First \$ [REDACTED] Million in rehabilitations per current statutory provisions;</p> <p>Tier 2: Rehabilitations above \$ [REDACTED] million, remits to the Secretary [REDACTED] of principal less any discount in excess of [REDACTED] needed to secure a purchasing lender.</p>	NA
Claim Processing Fees	None (currently covered by AMF).	Covered by the retention on collections.	NA
Reinsurance & Federal Reserve Fund	100% on specialty claims, 98%/95% on default claims.	[REDACTED] on all claims paid along with just-in-time payment.	NA
	Pay claims & DAF Minimum Reserve Ratio requirement of .25%.	<p>Clearing account for receiving reinsurance and depositing Secretary's equitable share.</p> <p>No minimum reserve ratio. Excess reserves are returned to ED.</p>	NA