



Tennessee Student Assistance Corporation

September 19, 2005  
Board of Directors Meeting

# AGENDA

Tennessee Student Assistance Corporation

*ORDMENG*

**Tennessee State Capitol**  
Executive Conference Room  
Ground Level  
Nashville, Tennessee

Monday, September 19, 2005

- I. CALL TO ORDER – 1:30 p.m.**
- II. ADOPTION OF AGENDA**
- III. APPROVAL OF THE MINUTES OF THE JUNE AND AUGUST BOARD MEETINGS.....1**
- IV. ROLL CALL OF MEMBERS AND DETERMINATION OF A QUORUM**
- V. CHAIRMAN’S REPORT**
- VI. EXECUTIVE DIRECTOR’S REPORT**
- VII. DECISION ITEMS**
  - A. Proposed Budget Request for 2006-07.....15
  - B. Proposed Contract for Servicing Grant, Scholarship, and Loan Programs; and the General Ledger System .....23
- VIII. DISCUSSION ITEMS**
  - A. Nelnet Progress Report.....121
  - B. College Goal Sunday Update .....123
  - C. Status Reports
    - 1. Tennessee Education Lottery Scholarship Program .....125

2. Tennessee Student Assistance Award Program.....	137
3. Federal Family Education Loan Program.....	147

**IX. NEW BUSINESS**

**X. OLD BUSINESS**

**XI. ADJOURNMENT – Approximately 3:30 p.m.**

**Minutes**  
**Tennessee Student Assistance Corporation (TSAC)**  
**Board of Directors Meeting**  
**June 24, 2005**  
**10:00 a.m. CDT**

The Board of Directors of the Tennessee Student Assistance Corporation met on Friday, June 24, in Suite 1803, Parkway Towers, in Nashville, Tennessee. Commissioner Kevin Lavender presided and called the meeting to order at 10:00 a.m. CDT and introduced all in attendance.

The following members and alternate representatives were present:

Commissioner Kevin Lavender for Governor Bredesen  
Dr. Richard G. Rhoda  
Dr. Claude Pressnell, Jr.  
Mr. Peter Abernathy for Commissioner David Goetz  
Mr. Morgan Branch for Commissioner Lana Seivers  
Dr. Robert Levy for Dr. John Petersen  
Dr. Charles Manning  
Ms. Janice Cunningham for Mr. Dale Sims  
Ms. Faye Weaver for Mr. John Morgan  
Mr. Clay Petrey  
Ms. Deborah Cole  
Ms. Victoria Wheeler  
Ms. Joanie Walker  
Ms. Mary Kate Ridgeway, via conference call  
Mr. Jeffrey Nesin, via conference call

Ms. Freddie Crowell and Mr. Paul Starnes were unable to attend. Others in attendance are included as Attachment A.

**Adoption of Agenda**

Commissioner Lavender called for a motion to adopt the agenda as presented. Dr. Claude Pressnell made a motion; Ms. Faye Weaver seconded; the motion carried.

**Approval of Minutes, September 22, 2004 and December 16, 2004 meetings**

Commissioner Lavender called for a motion to approve the minutes of the September 22, 2004 and December 16, 2004 meetings. Dr. Richard Rhoda made the motion which was seconded by Ms. Joanie Walker. The motion was duly adopted.

**Tennessee Education Lottery Scholarship Program**

Dr. Brian Noland discussed the overview of the Fall 2004 Recipients of the Tennessee Education Lottery Scholarship program. He noted that over 36,000 students in Tennessee received the scholarship, with over \$100 million in expenditures. The Tennessee Education Lottery Scholarship program was more successful in its first year than Georgia's HOPE, Florida's BRIGHT FUTURES, Louisiana's TOPS and West Virginia's PROMISE, making it the largest broad-based merit-aid program in year one. Dr. Noland also discussed initial enrollment, recipients by high school class,

demographics, gender, race, supplemental grants and ACT distribution. Ms. Weaver requested a total breakdown for the scholarships for first time freshmen and supplemental awards. Dr. Noland agreed to provide the breakdown to the board following the meeting.

Dr. Noland then discussed changes in the Lottery Scholarship Legislation, House Bill 1532, which included eligibility factors by weighted GPA, allowing a 16-month break before enrolling in a higher education institution, out-of-state returning students, and allowance for a one-time regaining of lost scholarships. Other changes discussed included allowing students whose parents are called out-of-state for military duty to be eligible for the scholarship, a dual enrollment grant, repeating a course, and allowing non-traditional students to obtain scholarships. Scholarship legislation also expanded to include students attending the O'More College of Design, a HOPE Foster Child Care Grant that allows foster children to qualify for an additional scholarship, expanding the base HOPE award by \$300, expanding the need-based supplemental award by \$500 and expanding the Wilder-Naifeh Technical Skills Grant by \$50; which go into effect July 1, 2005.

### **TSAC Outreach Program**

Dr. Noland discussed the TSAC Outreach Program, also included in the legislation changes, which charges TSAC to conduct a financial aid awareness day promoting college access and affordability. TSAC will coordinate with THEC, UT, TBR and TICUA institutions, as well as local community groups to educate parents about the Lottery scholarship and other financial aid programs.

Dr. Noland then briefed the board on the agreement with the XAP Corporation, which provides students with an on-line comprehensive suite of integrated tools including on-line transcripts, on-line college applications, and on-line financial aid applications and information.

Mr. Clay Petrey inquired on the expansion of the program regarding projections of the availability of lottery funds and how it matched up. Dr. Noland responded with the projections of \$170 million this fall and deferred to Mr. Robert Biggers for current figures. Mr. Biggers stated that a total of 48,000 students have been determined eligible, approximately \$50 million for the scholarships for fall 2005. Dr. Noland stated that within 3 years, total lottery projections were \$220 million with no changes to the scholarship program; the lottery corporation has projected \$240 million which will provide flexibility for scholarships.

Ms. Weaver inquired about the breakdown of recipients to the scholarship program as to how many students were retaining previously awarded scholarships. Mr. Biggers affirmed that the 48,000 recipients included returning students and a breakdown will be provided to the board.

Chancellor Charles Manning requested clarification about the new programs and how they work. Dr. Noland informed him that he had meetings with admissions and records directors to discuss the implementation of these programs. He hopes to have

implementation suggestions from these groups by July and complete rules by mid August for implementation at the institutional level.

### **Grants and Scholarship Program Reports**

Ms. Naomi Derryberry discussed the TSAA program for FY 2004-05 and FY 2005-06. She noted that there was a 145% over award, but that number will continue to drop as the fiscal year comes to a close. She also discussed the \$1.5 million reversion requested by the Governor which will be taken out of the Tennessee Student Loan Program. Dr. Pressnell asked for clarification if the reversion was mandated or requested. Commissioner Lavender deferred the question to Mr. Peter Abernathy, who confirmed that it was mandated and was built within the Governor's budget; however, that number may change in the future.

Ms. Weaver asked how many eligible students were unfunded. Ms. Derryberry informed her that 13,887 students that met the May 1 deadline were unfunded in FY 2004-05 and 16,990 in FY 2005-06. Ms. Weaver noted that the students who met requirements and did not receive funding were among the neediest in the state. Ms. Derryberry clarified that of the students funded, 82 percent were from families with an annual income of less than \$25,000.

Dr. Pressnell inquired about the overlay of the TELS program and how many students received lottery funds in conjunction with the TSAA. He also noted that he feels the TELS program is taking away from the need-based program. Ms. Derryberry responded that 6,385 students also received lottery funds in conjunction with the TSAA. Dr. Robert Levy asked what happens to the 13,000 students who got shorted on the TSAA. Dr. Noland stated that of those students, 80 percent attended a different college than originally planned, attended part-time, went to work and took out loans to fund their education. Dr. Pressnell requested a per institution report for all student aid programs from 2004 to present. Ms. Weaver also requested a breakdown showing how many of the 13,000 students that did not receive the TSAA but did receive the lottery scholarships. Ms. Derryberry stated she would provide the information after receiving final numbers for the current fiscal year.

### **Ned McWherter Scholars Program**

Ms. Derryberry stated that last year, TSAC began to again receive funding for 50 students who also would receive the HOPE Scholarship. These students had an average ACT score of 33 and a GPA average of 3.89. The McWherter scholarship is a total of \$6,000; \$3,000 from state funds and \$3,000 matched by the institution.

Mr. Petrey asked why applications had increased significantly over the last year if the program is being overlooked because of the TELS. Ms. Derryberry informed him that the same application, the FASFA, is used for the federal Pell grant, as well as the lottery and the state grant, so there will always be an increase in applications and the financial aid community is doing an excellent job at getting students to fill out the application and submit it for the programs.

## **Federal Family Education Loan Program Reports**

Ms. Stephanie Aylor gave a brief overview of the Federal Family Education Loan Program and noted that spreadsheets had been provided for review and noted that all loan types from the state fiscal year had decreased by 43 percent and decreased 79 percent from the previous calendar year without the Nelnet loans. Commissioner Lavender requested a year to year breakdown of loans without Nelnet. Ms. Aylor stated she would provide the board with that information once complete.

Ms. Aylor then briefed the board on the remaining handouts included in the packet; noted that the official draft rates will be issued in September. Dr. Pressnell inquired about the reserve ratios and what was required by the government. Ms. Aylor noted that .25 is required and called upon Mr. Doug Cullum to brief the board on ratio specifics.

Mr. Cullum noted that the reserve ratios were the current federal fund balances divided by the outstanding loan values and that a specific amount is required to be returned to the Federal Government. He stated that the Nelnet accounts would help the reserve this year, but will need to supplement the federal account with origination or maintenance fees next year.

Chancellor Manning expressed concern for anyone being cut out of the educational loop because of the inability to pay. He suggested a common set of rules for enrollment and tuition and fees for THEC, TSAC and each institution and governing board to follow. Dr. Rhoda stated that a provision was included in the appropriation's bill for that purpose and a study was scheduled to address that issue.

Ms. Aylor discussed site visits made to lenders and noted that they were in compliance with audit findings from the previous state audit. Commissioner Lavender asked about the 50,000 loans that were older than ten years and an estimated time of finalizing these loans; Ms. Aylor responded that staff currently was in the process of reconciling these outstanding loans and would have them final by the September board meeting.

Ms. Weaver inquired about the recent trigger rate; Ms. Aylor informed her it was 1.72 percent. Mr. Clay Petrey asked for clarification of the meaning of trigger rate. Ms. Aylor explained that it was the total amount of claims paid divided by the total amount of loans in repayment for the preceding federal fiscal year. The federal government requires that the rate remains under 5 percent. Dr. Rhoda mentioned the default reduction plan, a more formal plan for reducing defaulted loans, and noted that funds were currently available for implementation.

## **Compliance Division Report**

Ms. Darolyn Porter discussed the school program reviews, lender program reviews and "Quality Quest" reviews (voluntary program review) done by the compliance division. She also discussed the extensive training sessions TSAC has held for financial aid administrators over the past year, the communications of the compliance division, TELS reviews, staff cross-training, session moderators and the College Goal Sunday program. Ms. Porter noted that the College Goal Sunday program is being funded by a

grant received from the Lumina Foundation and designed to offer free step-by-step instructions to low income families for the FAFSA form. Twenty states have College Goal Sunday programs in place already and nine more states are scheduled to implement programs in 2006. Lumina's goal is to have a College Goal Sunday program in all 50 states. Tennessee's College Goal Sunday program is scheduled for February 12, 2006.

#### **Nelnet Consolidation Loan Transfer Update**

Mr. Chuck Hosea briefed the board on the transfer status of improperly guaranteed loans. As of June 24, the transfer of \$867 million has been completed. An additional \$42 million is in the process of being transferred and will take around 4 weeks to complete. Upon completion, a total of \$909 million will have been transferred to an agency in Colorado; leaving approximately \$3 million left in the active non-defaulted status which the agency refused due to being too close to the default date and around \$5 million in loans in default status. That amount, along with any additional defaults of the \$3 million, will be subrogated to the U.S. Department of Education. The only loans being kept in the database will be defaulted loans for deceased borrowers, which will be paid in full by default status. Once all loans have been transferred to the Colorado agency or subrogated to the U.S. Department of Education, Nelnet's lender ID will be deactivated and closed in the TSAC system. Commissioner Lavender requested confirmation of the final \$42 million transfer be distributed to the board and Dianne Dycus in the attorney general's office.

#### **TSAC Budget Update**

Commissioner Lavender called on Mr. Dan Lee to discuss the FY 2005-06 budget. Mr. Lee stated that the budget improvement recommendations as approved by the board at the September 2004 meeting were not included in the Governor's budget recommendations due to budget limitations, but legislative improvements had been made for the lottery funded scholarships and employee salary increases. He noted the changes in eligibility requirements for the lottery scholarship and that the TSAA program would continue at the previous funding levels. Mr. Lee also noted that there were no changes in the Ned McWherter Scholars program, Tennessee Teaching Scholars program and the Minority Teaching Fellows program.

#### **Selection of a New Executive Director**

Commissioner Lavender briefly discussed the information on Dr. Robert Ruble, which was included in the packet and then deferred to Dr. Ruble for comments. Dr. Ruble stated he was looking forward to working with everyone and thanked the board. Commissioner Lavender called for discussion before the vote. Dr. Rhoda thanked the board and various others for their work during the search process. Commissioner Lavender noted he was looking forward to having a leader to improve the work of TSAC and working relationships within the financial aid community and that Dr. Ruble had undergone a TBI background check and was confident in their recommendation. Commissioner Lavender reported that the Executive Committee of the TSAC Board of Directors had unanimously recommended the appointment of Dr. Ruble. Commissioner Lavender then moved that Dr. Robert Ruble be appointed to the position of Executive Director, effective August 1, 2005 and that his compensation include an initial salary of \$125,000 and use of a state vehicle. Dr. Rhoda seconded the motion. The motion carried. Commissioner Lavender then welcomed Dr. Ruble as the new Executive Director of TSAC and thanked Dr. Rhoda for his service as Interim Executive Director.



**Election of Officers, Executive Committee and Appeals Committee for 2005-06**

Dr. Rhoda stated that the officers and Executive Committee were set by statute and rules. The appeals committee nominations were to reappoint the current committee members. Ms. Faye Weaver moved to approve all three committees as presented. Ms. Deborah Cole seconded the motion. The motion carried.

**Retiring Board Members**

Dr. Rhoda introduced the board members whose terms had expired and presented a certificate of appreciation to each member. The members are Ms. Victoria Wheeler, student member; Mrs. Freddie Crowell, citizen member and Mrs. Joanie Walker, past president of TASFAA.

Commissioner Lavender thanked everyone for their attendance. There being no further business, the meeting was adjourned.

Respectfully submitted,



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Dr. Claude O. Pressnell, Jr.  
Secretary

TSAC BOARD MEETING ATTENDANCE LIST

Mr. Forrest Stuart	President, TASFFA
Ms. Hope Jackson	GuaranTec
Mr. Chuck Hosea	GuaranTec
Mr. Ron Gambill	Edsouth Funding
Dr. Robert Ruble	Tennessee Student Assistance Corporation
Ms. Marilou Ruble	Tennessee Student Assistance Corporation
Ms. Catherine Jones	Tennessee Student Assistance Corporation
Ms. Stephanie Aylor	Tennessee Student Assistance Corporation
Mr. Robert Biggers	Tennessee Student Assistance Corporation
Ms. Sue Tacker	Tennessee Student Assistance Corporation
Mr. Doug Cullum	Tennessee Student Assistance Corporation
Mr. Dan Lee	Tennessee Student Assistance Corporation
Ms. Darolyn Porter	Tennessee Student Assistance Corporation
Ms. Naomi Derryberry	Tennessee Student Assistance Corporation
Ms. Patrice Lee	Tennessee Student Assistance Corporation
Mr. Tom Zminkowski	Tennessee Student Assistance Corporation
Ms. Lora Daniels	Tennessee Student Assistance Corporation
Mr. Will Burns	Tennessee Higher Education Commission
Ms. Lovella Carter	Tennessee Higher Education Commission
Dr. Brian Noland	Tennessee Higher Education Commission
Ms. Jeri Rampy	Tennessee Higher Education Commission



**Minutes**  
**Tennessee Student Assistance Corporation (TSAC)**  
**Board of Directors Meeting**  
**August 16, 2005**  
**10:00 a.m. CDT**

The Board of Directors of the Tennessee Student Assistance Corporation met on Tuesday, August 16, in Suite 1803, Parkway Towers, in Nashville, Tennessee. Commissioner Kevin Lavender presided and called the meeting to order at 10:00 a.m. CDT and announced that Ms. Nicole Brooks of the University of Memphis was the new student representative to the board.

The following members and alternate representatives were present:

Commissioner Kevin Lavender for Governor Bredesen  
Dr. Richard G. Rhoda  
Dr. Claude Pressnell, Jr.  
Mr. Peter Abernathy for Commissioner David Goetz  
Mr. Morgan Branch for Commissioner Lana Seivers  
Mr. Dave Gregory for Dr. Charles Manning  
Ms. Janice Cunningham for Mr. Dale Sims  
Ms. Faye Weaver for Mr. John Morgan  
Mr. Clay Petrey  
Ms. Mary Kate Ridgeway  
Mr. Paul Starnes  
Mr. Forrest Stuart  
Mr. Jeffrey Nesin, via conference call

Ms. Deborah Cole, Ms. Nicole Brooks and Dr. John Petersen were unable to attend. Others in attendance are included as Attachment A.

**Approval of Agenda**

Commissioner Lavender moved to approve the agenda as presented. Dr. Richard Rhoda motioned for approval and Mr. Paul Starnes seconded. The motion carried.

Commissioner Lavender introduced himself and asked the board members and others in attendance to introduce themselves.

**Consideration of Proposal for Data Services**

Ms. Stephanie Aylor stated that TSAC had issued an RFP for data services on July 1, 2005 for its loan, grant and scholarship programs including the lottery scholarship program and the general ledger system. Copies were sent to 14 potential bidders. Five firms responded by the August 5, 2005 deadline. Of the five, three indicated they were unable to submit proposals by the deadline. Two proposals were received from Sallie Mae and GuaranTec. An eleven-member evaluation team consisting of six from TSAC, four from THEC, and one from TASFAA reviewed the proposals. On a 100 point scale, GuaranTec received 91.83 points, Sallie Mae received 73.04 points. The

evaluation team recommended unanimously that TSAC contract with Guarantec to service TSAC's student loan, State grant, and scholarship programs including the lottery scholarship program and the loan forgiveness programs and the general ledger system for the five-year period beginning January 1, 2006 through December 31, 2010.

Ms. Aylor then opened the floor for questions. A general discussion followed during which Board members asked questions about the term of the contract and about the scoring process. It was noted that there is an escape clause if TSAC determines that Guarantec's servicing is unsatisfactory. A question was raised about coordinating the expiration date of the current loan servicing contract with the grant servicing contract. Ms. Aylor stated that this would not be a problem. Ms. Aylor stated that the five-year cost was just over \$45 million for the Sallie Mae proposal and approximately \$48 million for the Guarantec proposal.

Mr. Forrest Stuart stated that in representing TASFAA and the financial aid community, there have been a number of very vocal concerns about the quality of service that Guarantec has provided. He asked what changes are in this new contract that will assure TSAC that Guarantec can provide better service than what they have in the past. Ms. Aylor stated that in the proposal, Guarantec has proposed a new loan system, which is a windows-based internet system similar to the e\*GRandS system. Commissioner Lavender added he also had heard some of the feedback and that's one reason we have hired new leadership for TSAC. Ms. Aylor stated that Dr. Ruble and Guarantec will begin negotiations on the contract soon. Commissioner Lavender suggested that as we go into contract negotiations, that performance measures be included in the contract.

A motion to approve awarding the contract to Guarantec was made by Mr. Dave Gregory and seconded by Mr. Paul Starnes. Commissioner Lavender reiterated we are giving TSAC authority to negotiate the contract with Guarantec. The formal contract will come back to the Board for approval. The motion passed unanimously. TSAC will ask Guarantec President Chuck Hosea to be present for the final approval of the contract.

### **Tennessee Education Lottery Scholarship Proposed Rule Changes**

Dr. Brian Noland discussed implementation of lottery scholarship rule changes contained in the 2005 Tennessee Statutes, Chapter 481. The changes are two fold: first, to implement a series of changes that were made through Public Chapter 481 and second, to simplify existing operating procedures required of the staff. The lottery scholarship program in its first year, although immense in size, was an unqualified success. Many elements contained in the operating rules are designed to simplify existing procedures, including institutional reporting requirements. The appellate process has also been simplified. The bill includes three policy elements: (1) The size and scope of the program are expanded by including non-traditional and dual-enrollment students, (2) the base amount of the lottery award has increased from \$3,000 to \$3,300, and (3) there are a number of technical changes, such as allowing students to take time off after high school graduation before enrolling in college,

allowing students who attended out-of-state institutions to transfer home, and allowing students who have lost their scholarship for academic reasons to regain their awards. Dr. Rhoda moved to adopt the rules as presented. Mr. Branch seconded. The Board unanimously approved the motion to adopt the rules, and to authorize the executive director to make necessary technical corrections.

Additional discussions about the dual enrollment grant were held, particularly about how the amounts of the grant are to be determined. Dr. Noland indicated that the beginning amounts would be \$100 per credit hour up to \$300 per semester or \$600 per year. It would work much like the fee waiver for dependents of state employees.

Dr. Noland stated that staff was working on an application form for the grant and expected it to be on-line and available prior to the spring term. The estimated population is between 3,000 and 4,000 and is expected to increase as more information about the program is disseminated. The hours and grades students earn under dual enrollment will not count towards the student's HOPE scholarship eligibility. Additional questions raised by Dr. Pressnell concerning the non-traditional students were discussed. Dr. Noland stated that for the lottery scholarship purposes, a non-traditional student would be defined as a person 25 years old and entering college as freshmen with no prior academic credit and an adjusted gross income of less than \$36,000.

In dealing with foster care eligibility the rules now define an eligible postsecondary institution to be a public postsecondary institution. Dr. Noland stated that the definition relates to the screening criteria for public post secondary institutions which come directly from the statute, Public Chapter 481, Section 33, Subsection E. For students under foster care, the student must qualify for the base \$3,000 HOPE scholarship and the \$300 ASPIRE award and then Pell grant and any private awards available for students under foster care. This grant was intended to cover the difference between the student's total financial aid award and the total cost of attendance. Dr. Pressnell expressed concern that this may limit a student's choice of schools if the student cannot receive this award at a private or independent institution. Dr. Noland pointed out that the foster care grant covers the gap between costs of attendance less financial aid received. The student is still eligible for the lottery scholarship and all other financial aid programs available at the private colleges.

Mr. Stuart questioned the meaning of the language in paragraph 5, page 21 of the proposed rules concerning "institutions shall assist in providing and certifying student information". Dr. Noland clarified that the purpose of this change comes from the initial comments on simplification. The processing of data from the guidance counselors to TSAC and on to the postsecondary institutions has been challenging over the course of the past year. This Board has engaged through an RFP process, the services of the XAP Corp., who produce electronic transcripts for students in the public sector and are working to expand it to the private sector. Given the changes that will be brought on through the advent of XAP, much of the information contained in the old version of these rules is no longer needed. Our hope is that XAP will alleviate many of the challenges with 8<sup>th</sup> semester grade reporting. This rule requires institutions to remedy any GPA discrepancies in-house and makes them responsible if TSAC has questions on the reliability of the data. It has been THEC's position

throughout this that the institution receiving the funds is ultimately responsible for certifying the accuracy of student eligibility data.

Commissioner Lavender conceded that these are very technical and involved issues. The Board thanked Mr. Burns and Dr. Noland for the tremendous job they had done in getting us to this point.

Dr. Ruble requested Board members to be present for a photograph with the Governor, to be included in TSAC's next annual report. The date and location will be Monday, September 19, prior to the next Board meeting. The Governor's schedule will allow us to take a photo at 1:15 at the Capitol, followed by the board meeting in the executive conference room. The agenda items for that meeting will include TSAC's budget for FY 2006-07 and an update on the GuaranTec contract.

Commissioner Lavender thanked everyone for their attendance and asked for a motion to adjourn. The motion was made by Mr. Gregory and seconded by Mr. Starnes. There being no further business, the meeting was adjourned.

Minutes recorded by Lora Daniels of TSAC and approved by:



Dr. Claude O. Pressnell, Jr. \_\_\_\_\_  
Secretary

TSAC BOARD MEETING ATTENDANCE LIST

Mr. Ron Gambill	Edsouth Funding
Mr. Bill Heath	GuananTec
Dr. Robert Ruble	Tennessee Student Assistance Corporation
Mr. Tom Zminkowski	Tennessee Student Assistance Corporation
Ms. Stephanie Aylor	Tennessee Student Assistance Corporation
Mr. Robert Biggers	Tennessee Student Assistance Corporation
Mr. Doug Cullum	Tennessee Student Assistance Corporation
Ms. Naomi Derryberry	Tennessee Student Assistance Corporation
Mr. Dan Lee	Tennessee Student Assistance Corporation
Ms. Darolyn Porter	Tennessee Student Assistance Corporation
Ms. Sue Tacker	Tennessee Student Assistance Corporation
Ms. Catherine Jones	Tennessee Student Assistance Corporation
Ms. Myrna Mansfield	Tennessee Student Assistance Corporation
Ms. Susan Quinnan	Tennessee Student Assistance Corporation
Ms. Courtney Dillard	Tennessee Student Assistance Corporation
Ms. Janice Maddox	Tennessee Student Assistance Corporation
Mr. Gary Rogers	Tennessee Student Assistance Corporation
Ms. Lora Daniels	Tennessee Student Assistance Corporation
Mr. Will Burns	Tennessee Higher Education Commission
Ms. Linda Doran	Tennessee Higher Education Commission
Dr. Brian Noland	Tennessee Higher Education Commission
Ms. Jeri Rampy	Tennessee Higher Education Commission





**TENNESSEE STUDENT ASSISTANCE CORPORATION**

Monday, September 19, 2005

**DECISION ITEM A:                    Proposed Budget Request for 2006-07**

**Staff Recommendation**

- (1) That the Tennessee Student Assistance Corporation recommends 2006-07 funding levels as presented in the document entitled *Tennessee Student Assistance Corporation Funding Request for 2006-07*, September 2, 2005.
- (2) That the Tennessee Student Assistance Corporation authorizes its Executive Director to make any necessary technical corrections.

**Background**

The Tennessee Student Assistance Corporation is required to submit its budget request to the State Budget Division by October 1, 2005.

The attached document lists recommended funding improvements in several programs administered by the corporation.

Increases are requested in order for the programs and agency administration support to keep pace with recent tuition/fee increases and to increase the number of students served.

**Supporting Document**

*Tennessee Student Assistance Corporation Funding Request for 2006-07*, September 2, 2005.



Tennessee Student Assistance Corporation  
Funding Request for 2006-07

September 2, 2005

Tennessee Student Assistance Corporation  
Parkway Towers, Suite 1950  
404 James Robertson Parkway  
Nashville, Tennessee 37243-0820  
(615) 741-1346

[www.CollegePaysTN.com](http://www.CollegePaysTN.com)



**2006-07 Budget Request Summary**

<u>Priority</u>	<u>\$ Amount</u>	<u>Source</u>	<u>Initiative</u>
1	\$25,000,000	Federal	Increase Defaulted Student Loan Purchases
2	27,000	Shared	Rent Adjustment for Administrative Space
3	4,365,000	State	Maintain TSAA Purchasing Power
4	600,000	Lottery	Lottery Scholarship Program Outreach
5	96,200	Lottery	Expand Lottery Scholarship Program Support Staff
6	358,100	State	Maintain Tennessee Teaching Scholars Program

**Priority 1: Increase Defaulted Student Loan Purchases**

As TSAC’s loan volume increases, so too does the number of defaulted loans. This improvement increases the ceiling on the dollar amount of defaulted loans that TSAC may purchase. The current ceiling is \$100,000,000 per year, and necessary purchases of defaulted loans may exceed that level in 2006-07. This improvement request will increase the ceiling to \$125,000,000.

FEDERAL FUNDS: \$25,000,000.

**Priority 2: Rent Adjustment for Administrative Space**

For each of the past several years (details below) actual rent charges for the agency’s administrative space have exceeded budgeted funds. This improvement request corrects that imbalance. The \$27,000 cost will be shared between the State, lottery program, and federal resources.

<u>Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>Sq. Feet</u>	<u>\$ / Sq. Ft.</u>
2001	151,700	149,800	1,900	8,592	\$18.00
2002	151,700	159,900	(8,200)	8,592	\$18.00
2003	151,800	164,400	(12,600)	9,007	\$18.00
2004	209,100	214,500	(5,400)	12,907	\$18.00
2005	207,800	234,600	(26,800)	12,907	\$18.00

Note that mid-year adjustments in square feet and insurance charges account for the differences between actual amounts and amounts directly derived from multiplying the square feet by the rate per square foot.

STATE FUNDS: \$9,000.  
 LOTTERY FUNDS: \$9,000.  
 FEDERAL FUNDS: \$9,000.

### Priority 3: Maintain TSAA Purchasing Power

The Tennessee Student Assistance Award Program is a need-based program to help low-income students attend Tennessee higher educational institutions. As tuition levels increase, so too must funding for the TSAA program, if the TSAA program is to maintain purchasing power.

According to the Tennessee Higher Education Commission, 2005-06 tuition increased an average of 10.3% (state-wide weighted average at all public institutions) over the previous year. Applying that same 10.3% increase to the TSAA program would allow it to keep pace with tuition inflation, at an incremental cost of \$4,365,000.

STATE FUNDS: \$4,365,000

*Note: While the official application deadline for the Tennessee Student Assistance Award Program is May 1, available funds are exhausted long before that date. For the 2005-06 award year, only the 24,286 students who applied by March 15, 2005 were offered an award. Approximately 13,800 additional students applied between March 16 and the May 1, 2005 deadline, but were not offered an award.*

*An additional improvement of \$28,150,000 would support these 13,800 students, bringing the total improvement to \$32,515,000.*

#### Tennessee Student Assistance Award Program 2005-2006 Projections and 5-Year History

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Last Date for Award Elig.						
TSAA	June 19	June 15	June 14	April 23	March 22	March 15
Atchley Opportunity Grant	June 19	June 15	May 13	March 1	March 5	March 15
Available Funds	30,406,666	39,414,525	47,104,733	43,466,599	42,439,642	42,378,354
Students Offered Aid	29,477	36,460	42,018	31,923	30,103	24,286
Students Received Aid	22,537	25,893	28,657	23,303	22,917	<b>18,700 est</b>
Received / Offered	76.5%	71.0%	68.2%	73.0%	76.1%	<b>77.0% est</b>
Awards Committed	42,599,494	58,630,039	79,697,161	61,790,447	61,418,748	54,886,337
Actual Expenditures	29,303,545	37,320,053	45,710,007	41,833,378	42,645,415	<b>38,420,436 est</b>
Expenditures / Committed	68.8%	63.7%	57.2%	67.7%	69.4%	<b>70.0% est</b>
Year-End Balance	1,103,121	2,094,472	1,394,726	1,633,221	(205,773)	<b>3,957,918 est</b>
% Overcommitment	140.1%	148.8%	169.8%	142.2%	144.7%	129.5%
% Available Funds Spent	96.4%	94.7%	97.0%	96.2%	100.5%	<b>90.7% est</b>
Average Offer Amount	1,445	1,608	1,903	1,936	2,040	2,260
Average Expenditure Amount	1,300	1,441	1,595	1,795	1,861	<b>2,055 est</b>

**Priority 4: Lottery Scholarship Program Outreach.**

In the first year (2004-05) of the Lottery Scholarship Program, \$3,000,000 in one-time funds was provided for marketing and outreach. \$600,000 of that was unspent and carried forward into 2005-06 for similar activities. Beginning in 2006-07, however, these funds will be exhausted.

This improvement request will provide ongoing support for marketing and outreach at the \$600,000 per year level. Outreach initiatives were statutorily required by the Tennessee legislature in HB 1532. A tentative budget is provided below.

Direct Marketing Promotional Items	
100,000 memo pads and stick pens, 60,000 wallets with key rings, and 60,000 poly bags	\$59,000
60,000 black tee shirts with logo	120,000
TRICOR assembly (60,000 @ \$0.30/bag)	<u>18,000</u>
	\$197,000
UPS Shipping Charges	\$13,700
Publications	
500,000 Fact Sheets @ \$0.04	\$20,000
500,000 Booklets @ \$0.08	40,000
3,000 High School Posters @ \$0.45	1,350
Retention Poster	400
Wilder-Naifeh Poster	400
Lottery Update Brochure	10,000
Other Brochures	<u>50,000</u>
	\$122,150
ECD/General Services Creative Service Fee	\$10,000
Advertising	250,000
Miscellaneous other	<u>7,150</u>
<b>TOTAL</b>	<b>\$600,000</b>

LOTTERY FUNDS: \$600,000.



**Priority 5: Expand Lottery Scholarship Program Support Staff.**

An increase in lottery personnel of one Account Clerk (\$31,000) and one Account Technician (\$36,200) is requested in order to facilitate lottery payment processing and assist in managing daily administrative activities required in maintaining the lottery scholarship program.

As additional cohorts of Lottery Scholarship recipients enter the system, the administrative burden increases. These positions address that need. With related operational expenses, the total cost is \$96,200, as shown below.

<u>Personal Services</u>	
Salaries and Wages	\$52,800
Employee Benefits	<u>14,400</u>
	\$67,200
<u>Other</u>	
Printing and Duplicating	\$2,000
Communications	6,000
Maintenance and Repairs	2,000
Supplies and Materials	8,000
Rent and Insurance	6,000
Professional Services – State Agency	<u>5,000</u>
	\$29,000
<u>Total</u>	\$96,200

LOTTERY FUNDS: \$96,200.

**Priority 6: Maintain Tennessee Teaching Scholars Program.**

The Tennessee Teaching Scholars Program currently provides \$4,500 awards to 151\* recipients. While the number of applicants is up, the number of recipients is down, due to funding limitations.

Increasing award amounts to \$4,950 (a 10.0% increase, approximating the 10.3% statewide average tuition increase) would require \$61,100. Providing this award to an additional 60 students would require an additional \$297,000.

The total \$358,100 State appropriation request thus adjusts the award amount to reflect tuition increases and restores participation to the traditional (>200 recipients) level.

STATE FUNDS: \$358,100.

	<u>Applicants</u>	<u>Recipients</u>	<u>Award Amt</u>	<u>Appropriation**</u>
2002-03	460	201	\$4,200	\$611,000
2003-04	416	206	\$4,200	\$611,000
2004-05	561	218	\$4,200	\$611,000
2005-06	528	151 *	\$4,500	\$611,000

\* This figure (151 recipients) is current as of September, 2005. As the year progresses, some of these students will not use their awards and the year-end number of recipients will drop below 151.

\*\* In addition to State appropriations, available resources include student repayments, not shown here.

**TENNESSEE STUDENT ASSISTANCE CORPORATION**

Monday, September 19, 2005

**DECISION ITEM B: Proposed Contract for Servicing Grant, Scholarship, and Loan Programs; and the General Ledger System**

**Staff Recommendation**

- (1) That the Tennessee Student Assistance Corporation contracts with GuaranTec, LLP to service its loan, grant, and scholarship programs; and General Ledger System, as specified in *Contract between the State of Tennessee, Tennessee Student Assistance Corporation and GuaranTec, LLP*, September 2, 2005.
- (2) That the Tennessee Student Assistance Corporation authorizes its Executive Director to execute the contract and to make any necessary technical changes.

**Background**

The Tennessee Student Assistance Corporation currently contracts with GuaranTec to service its loan, grant, and scholarship programs and General Ledger System. There are actually two existing contracts: one for the loan program which expires on December 31, 2005; and one for the grant and scholarship programs and general ledger system, which expires on December 31, 2006.

Following a lengthy “Request for Proposal” process, TSAC’s board met on June 24, 2005 to review proposals from vendors to provide services for the five-year period commencing January 1, 2006. GuaranTec was selected, and staff were directed to negotiate a contract which would include specific performance measures.

A summary of the contract, a table of performance measures, and the full contract are provided.

**Supporting Documents**

*TSAC-GuaranTec Contract: A Summary of Key Provisions and Performance Measures*, September 7, 2005

*Contract between the State of Tennessee, Tennessee Student Assistance Corporation and GuaranTec, LLP*, September 7, 2005



TSAC-GuaranTec Contract:  
A Summary of Key Provisions and Performance Measures

September 7, 2005

Tennessee Student Assistance Corporation  
Parkway Towers, Suite 1950  
404 James Robertson Parkway  
Nashville, Tennessee 37243-0820  
(615) 741-1346

[www.CollegePaysTN.com](http://www.CollegePaysTN.com)



## TSAC-GuaranTec Contract Key Provisions

- Provides an internet-based system to originate and service loans **(A1-A8)**
- Provides an internet-based system to process Tennessee Student Assistance Awards (TSAA), Tennessee Education Lottery Scholarships (TELS), and the Loan Forgiveness programs **(A9)**
- Provides, maintains, and supports a general ledger system to track financial transactions for TSAC's student assistance programs **(A10)**
- Addresses internal controls and audits **(A12)**, toll-free telephone service **(A13)**, disaster recovery **(A15)**, quality control **(A19)**, escrowed source code **(A20)**, provision of two on-site employees **(A21)**, technical support **(A22)**, and training **(A23)**.
- Term of contract is for five years, January 1, 2006 through December 31, 2010 **(B1)**
- Addresses breach of contract and in the event of contractor breach, provides for liquidated damages **(E4, Attachment D)**
- Allows the State, with 90 days notice, to terminate the contract without cause for any reason **(D3)**
- Fees are stated on the basis of unit costs **(C3)**, such as

\$3.94 per loan guaranteed  
 \$2.23 per loan outstanding, in interim status  
 \$4.87 per loan outstanding, in repayment status  
 \$95.00 per hour for additional work beyond the hours included in the contract

- Applying these unit costs to the volume estimates specified in the contract **(Attachment E)** generates the following fees over the five-year life of the contract:

\$9,213,916	2006 Calendar Year
9,262,872	2007 Calendar Year
9,379,585	2008 Calendar Year
9,851,412	2009 Calendar Year
<u>10,252,782</u>	2010 Calendar Year
\$47,960,567	Total

- These fees compare favorably to the fee structure in the existing contract, which has the following payment history.

\$9,950,862	2001 Calendar Year
9,820,940	2002 Calendar Year
11,649,891	2003 Calendar Year
14,565,153	2004 Calendar Year
<u>14,843,058</u>	2005 Calendar Year (estimate)
\$60,829,904	Total

**TSAC-GuaranTec Contract  
Performance Measures**

<b>Contract Section</b>	<b>Functional Area</b>	<b>Description</b>	<b>Liquidating Damage?</b>
A.1.c, page 4	Loan Origination-Turnaround Times	TSAC requires that all loans received from TSAC or TSAC participating postsecondary schools, lenders, and lender servicers utilizing an electronic or manual process shall be placed either in a guaranteed, guarantee awaiting promissory note verification, hold, or rejection status within a maximum turnaround time of twenty-four (24) hours, measured from the Contractor's initial receipt of the loan data.	Yes
A.1.e, page 5	Loan Origination-Reject Resolution	<p>When loan data submitted electronically is rejected, the Contractor shall send a response file to the postsecondary school, lender, or lender servicer submitting the loan data within twenty-four (24) hours of the initial rejection.</p> <p>When loan data received through the manual process is rejected, the Contractor shall contact the postsecondary school, lender, or lender servicer submitting the rejected loan either by telephone, fax or email within twenty-four (24) hours of the initial rejection.</p> <p>If the required information cannot be obtained to clear the reject, the Contractor shall return the hard copy Master Promissory Note and/or School Certification to the postsecondary school, lender and lender servicer within forty-eight (48) hours of initial rejection. A written explanation is required.</p>	<p>No</p> <p>No</p> <p>No</p>
A.1.f, page 5	Loan Origination – Guaranteed Awaiting Promissory Note Verification	A notice shall be distributed every thirty (30) days as a reminder to student borrowers and parent borrowers to sign their Master Promissory Note and forward it to their lender or lender servicer.	Yes
A.1.k.2, page 7	Loan Origination – Disbursement Support	The same process as described directly above.	Yes
A.1.p, page 8	Loan Origination- Forms and Form Layouts	Upon receipt of a request from TSAC or TSAC participating postsecondary schools, lenders, and lender servicers, the Contractor shall distribute the forms within three (3) business days after the Contractor receives the request.	Yes

<b>Contract Section</b>	<b>Functional Area</b>	<b>Description</b>	<b>Liquidating Damage?</b>
A.2.c, page 12	Guarantee Fee – Lockbox	<p>The Contractor shall remit any and all guarantee fee payments and adjustments received at their physical location to the lockbox for deposit within twenty-four (24) hours of initial receipt.</p> <p>A report will be provided summarizing the guarantee fee payments and adjustments received to TSAC by the fifth (5<sup>th</sup>) business day of the month following the month collected.</p> <p>A detailed accounting of all movement of funds in the lockbox to TSAC shall be provided by the tenth (10<sup>th</sup>) business day of the month following the month collected.</p>	<p>Yes</p> <p>No</p> <p>No</p>
A.2.d, page 13	Guarantee Fee – Turnaround Times	TSAC requires that all guarantee fee payments and adjustments received from TSAC and TSAC participating lenders and lender servicers utilizing an electronic or manual process shall be processed within forty-eight (48) hours of receipt.	Yes
A.2.e, page 13	Guarantee Fee - Disputes	The Contractor shall respond promptly to all lenders and lender servicers inquiries related to guarantee fees. The Contractor shall also resolve any and all disputes within twenty (20) business days of receipt.	Yes
A.2.f, page 13	Guarantee Fee - Tracking	The Contractor shall notify lenders and lender servicers of delinquent guarantee fee payments until the guarantee fee payments are more than ninety (90) days delinquent.	No
A.4.a, page 15	Loan Maintenance – Turnaround Times	TSAC requires that all loan maintenance transactions received utilizing either an electronic or manual process be placed in either a processed, returned for correction, or rejected status within a maximum turnaround time of three (3) business days, measured from the Contractor’s initial receipt.	Yes
A.4.f, page 17	Loan Maintenance – Reject Resolution	<p>When a loan maintenance transaction submitted electronically is rejected, the Contractor shall send a response file to the postsecondary school, lender, or lender servicer submitting the loan maintenance transaction within twenty-four (24) hours of the initial rejection.</p> <p>If the required information cannot be obtained to clear the reject, the Contractor shall return the hardcopy loan maintenance transaction within three (3) business days of the initial rejection. A written explanation is required.</p>	<p>No</p> <p>No</p>



<b>Contract Section</b>	<b>Functional Area</b>	<b>Description</b>	<b>Liquidating Damage?</b>
A.4.h, page 18	Loan Maintenance – Forms and Form Layouts	Upon receipt of a request from TSAC and TSAC participating schools, lenders, and lender servicers, the Contractor shall distribute forms within three (3) business days after the Contractor receives the request.	Yes
A.4.m, page 19	Loan Maintenance – Annual Borrower Status Letter	The Contractor will process changes and/or updates of loan status received from the letter within five (5) business days of initial receipt.	No
A.5.e, page 22	Default Aversion – Reject Resolution	When a default aversion assistance request submitted electronically is rejected, the Contractor shall send a response file to the lender or lender servicer within twenty-four (24) hours of the initial rejection.  If the required information cannot be obtained to clear the reject, the Contractor shall return the hardcopy default aversion request within three (3) business days of the initial rejection. A written explanation is required.	No  No
A.5.f, page 22	Default Aversion – Forms and Form Layouts	Upon receipt of request from TSAC and TSAC participating lenders and lender servicers, the Contractor shall distribute the forms requested within three (3) business days after the Contractor receives the request.	Yes
A.5.i, page 24	Default Aversion – Turnaround Times	TSAC requires that all default aversion requests received from TSAC or TSAC participating lenders and lender servicers utilizing an electronic or manual process shall be placed with a default aversion professional counseling service within a maximum turnaround time of three (3) business days measured from the Contractor’s initial receipt.	Yes
A.5.j, page 24	Default Aversion – Student Borrower Letter	The Contractor shall send a letter to the student borrower within five (5) business days of receipt of a default aversion request advising the student’s loan(s) have been assigned to a professional counseling service.	Yes
A.5.k, page 24	Default Aversion – Parent Borrower Letter	The Contractor shall send a letter to the parent borrower within five (5) business days of receipt of a default aversion request advising the parent’s loan(s) have been assigned to a professional counseling service.	Yes
A.5.l, page 24	Default Aversion - Rosters	The Contractor shall send a roster to the certifying school within five (5) business days of a default aversion request from the lender and lender servicer.	No

<b>Contract Section</b>	<b>Functional Area</b>	<b>Description</b>	<b>Liquidating Damage?</b>
A.6.b, page 26	Claim Files – Forms and Form Layouts	Upon receipt of request from TSAC and TSAC participating lenders and lender servicers, the Contractor shall distribute the forms requested within three (3) business days after the Contractor receives the request.	Yes
A.6.c.3, page 27	Claim Files – Turnaround Times	The Contractor shall record on the system all claim files received from TSAC and TSAC participating lenders and lender servicers within three (3) business days measured from the Contractor’s initial receipt.	Yes
A.6.d, page 28	Claim Files - Review	The Contractor shall review all claim files to determine whether a claim file should be returned, rejected, or approved for payment within twenty-five (25) business days of its receipt.	No
A.6.d.1, page 28	Claim Files – Returned	If the Contractor is unable to resolve all conditions for return with the lender or lender servicer, the Contractor shall return the claim to the lender or lender servicer within five (5) business days of the initial reject.	No
A.6.d.2, page 28	Claim Files – Rejected	If Contractor is unable to resolve all conditions for reject with the lender or lender servicer, the Contractor shall return the claim to the lender or lender servicer within five (5) business days of the initial reject.	No
A.6.d.3, page 28	Claim Files – Approval For Payment	The Contractor shall schedule the claim for payment within thirty (30) days of approval.	No
A.6.d.6, page 31	Claim Files – Turnaround Times	The Contractor shall review all claim files received from TSAC and TSAC participating lenders and lender servicers within a maximum turnaround time of twenty-five (25) business days measured from the Contractor’s initial receipt.	Yes
A.6.j, page 32	Claim Files – Sampling	For state audit purposes, the Contractor shall send TSAC copies of ten (10) claims reviewed after the first of each month.	No
A.7.a, page 32	Post Claims – Forms and Form Layouts	Upon receipt of a request from TSAC or TSAC participating postsecondary schools, lenders, and lender servicers, the Contractor shall distribute the forms within three (3) business days after the Contractor receives the request.	Yes
A.7.b.1, page 32	Post Claims – Student Borrower Letter	The Contractor shall send a letter to the student borrower within five (5) business days after the payment of a default claim advising the student of their rights and that TSAC is attempting to collect a debt.	Yes

<b>Contract Section</b>	<b>Functional Area</b>	<b>Description</b>	<b>Liquidating Damage?</b>
A.7.b.2, page 33	Post Claims – Parent Borrower Letter	The Contractor shall send a letter to the parent borrower within five (5) business days after the payment of a default claim advising the parent of their rights and that TSAC is attempting to collect a debt.	Yes
A.7.b.3, page 33	Post Claims – Endorser Letter	The Contractor shall send a letter to any endorser within five (5) business days after the payment of a default claim advising their rights and that TSAC is attempting to collect a debt.	Yes
A.7.b.4, page 33	Post Claims – Rosters	The Contractor shall send a roster within five (5) business days after the payment of a default claim to TSAC participating postsecondary schools.	No
A.7.c, page 34	Post Claims – Payments on Defaulted Loans	The Contractor shall process all payments on defaulted loans within forty-eight (48) hours of their receipt in the lockbox.  When an account becomes paid in full, the Contractor shall send the borrower and endorser a notice confirming the paid-in-full status no sooner than thirty (30) days or later than sixty (60) days after receipt of the final payment.	Yes  No
A.7.c.1, page 34	Post Claims – Default Payment Lockbox	A report will be provided summarizing the payments received to TSAC by the twentieth (20 <sup>th</sup> ) business day of the month following the month collected.  A detailed accounting of all movement of funds in the lockbox to TSAC shall be provided by the thirtieth (30 <sup>th</sup> ) business day of the month following the month collected.	No  No
A.7.f, page 37	Post Claims – Collection Agencies	The Contractor shall require all collection agencies to submit payments received to the default payment lockbox within forty-eight (48) hours of receipt.	Yes
A.7.f.1, page 37	Post Claims – Performance Tracking	The Contractor shall select at random thirty (30) active accounts from each collection agencies to audit for compliance. A report of findings will be provided to TSAC by the fifth (5 <sup>th</sup> ) day of the following month.	No
A.7.h, page 38	Post Claims – Administrative Wage Garnishment	The Contractor shall issue wage garnishment orders by the two hundred and twenty-fifth (225 <sup>th</sup> ) day of delinquency.	No
A.8.c, page 40	Program Management – Correspondence	The Contractor shall respond to student and parent borrower correspondence within forty-five (45) days of receipt.	No

Contract Section	Functional Area	Description	Liquidating Damage?
A.11.b, page 54	Additional Work – Statutory Changes	<p>Federal Family Education Loan Program – Within fifteen (15) business days of receiving a signed and finalized functional design from TSAC, the Contractor shall provide a summary analysis of the change, to include an estimated scope of change, an estimated number of hours to complete the change, an estimated date for User Acceptance Testing and an estimated date for Implementation.</p> <p>TSAA, TELS, Scholarships, and Loan Forgiveness Programs – Within ten (10) business days of receiving a signed and finalized software requirements specification document (SRS) from TSAC, the Contractor shall provide a summary analysis of the change, to include an estimated scope of change, an estimated number of hours to complete the change, an estimated date for User Acceptance Testing and an estimated date for Implementation.</p> <p>The Contractor shall deliver the agreed upon changes by the agreed upon dates.</p>	Yes
A.11.c, page 55	Additional Work – Defects	Critical deficiencies shall be corrected within seven (7) calendar days of the date that TSAC reports the deficiency.	Yes
A.13.b, page 56	Communications – Communication Standards	<p>The Contractor shall ensure the average time that a call remains in queue shall not be longer than thirty (30) seconds.</p> <p>The Contractor shall ensure that any calls received through voice message are returned within twenty-four (24) hours of its receipt.</p>	Yes Yes
A.18, page 58	Federal Reporting	<p>The Contractor shall prepare the Forms 2000 reporting to the U.S. Department of Education for review by TSAC by the tenth (10<sup>th</sup>) business day of the month following the prior month.</p> <p>The Contractor shall post reinsurance payment data from the U. S. Department of Education within seven (7) days of receipt of the data.</p>	No Yes





**CONTRACT  
BETWEEN THE STATE OF TENNESSEE,  
TENNESSEE STUDENT ASSISTANCE CORPORATION  
AND  
GUARANTEC, LLP**

This Contract, by and between the State of Tennessee, Tennessee Student Assistance Corporation, hereinafter referred to as the "State" or "TSAC" and GuaranteC, LLP, hereinafter referred to as the "Contractor," is for the provision for the full servicing of TSAC's Federal Family Education Loan Program and loan portfolio, servicing of TSAC's grants, scholarships, and loan forgiveness programs, and the TSAC General Ledger System, as further defined in the "SCOPE OF SERVICES."

The Tennessee Student Assistance Corporation is the State of Tennessee's designated guaranty agency by the U. S. Department of Education, responsible for the administration of the Federal Family Education Loan Program (FFELP), which includes the Federal Stafford (subsidized and unsubsidized) Loan, the Federal PLUS Loan, and the Federal Consolidation Loan authorized by Title IV of the Higher Education Act of 1965, as amended, and further authorized by Chapter 4, Title 49-4 of the *Tennessee Code Annotated*. (Refer to Attachment C, Links to Statutory and Regulatory Requirements)

The Tennessee Student Assistance Corporation administers a grant program, several scholarship programs, and loan forgiveness programs. The grant program is the Tennessee Student Assistance Award (TSAA) program. The scholarship programs are the Ned McWherter Scholars (NMS), Robert C. Byrd Honors Scholarship (RBHS), Christa McAuliffe Scholarship (CMS), and Dependent Children Scholarship (DCS). The Tennessee Education Lottery Scholarship (TELS) programs include the Tennessee HOPE Scholarship, Need-Based Supplemental Award, General Assembly Merit Scholarship, Tennessee HOPE Access Grant, and Wilder-Naifeh Technical Skills Grant. The loan forgiveness programs are the Tennessee Teaching Scholars (TTS) and Minority Teaching Fellows (MTF) programs. (Refer to Attachment C, Links to Statutory and Regulatory Requirements)

The Tennessee Student Assistance Corporation General Ledger System is an Internet-based financial reporting system that tracks financial information for TSAC and other parties. The General Ledger System includes a general ledger, subsidiary journals and ledgers, cash receipt journal, cash disbursement journal, general journal, and miscellaneous accounting activities. All applicable components of the General Ledger System shall have the capability to post into and update the general journal with relevant information.

The Contractor is a Limited Liability Partnership.

The Contractor's address is 6420 Southpoint Parkway, Jacksonville, Florida, 32216.

The Contractor's place of incorporation or organization is Florida.

**A. SCOPE OF SERVICES FOR THE FULL SERVICING OF TSAC'S FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO, SERVICING OF TSAC'S GRANT, LOTTERY, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS, AND THE TSAC GENERAL LEDGER SYSTEM:**

The Contractor shall provide an Internet-based system for TSAC that is accessible by students, student borrowers, parent borrowers, high schools, TSAC participating postsecondary schools, lenders, lender servicers, vocational rehabilitation counselors, and workforce investment case managers. The system shall be capable of meeting or exceeding the requirements stated in this Scope of Services.

The system shall also provide distinctive customer service features, accuracy and predictability, ease of use, prompt access to information by TSAC, students, student borrowers, parent borrowers, high schools, TSAC participating postsecondary schools, lenders, lender servicers, vocational rehabilitation counselors, and workforce investment case managers, the functionality and the flexibility to accommodate the preferences of TSAC, high schools, TSAC participating postsecondary schools, lenders, lender servicers, vocational rehabilitation counselors and workforce investment case managers and provide relational system capabilities in data entry, analysis, reporting, organization, tracking, and refinement of data.

The Contractor shall comply with State standards and guidelines where such standards exist and State-approved standards for application development tasks when they do not exist. State review and approval is required for the use of non-standard products and procedures.

**A.1. Loan Origination for the Federal Family Education Loan Program.**

The Contractor shall provide TSAC as part of the Internet-based system the capability of processing a request for loan guarantee for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to transmit and receive loan data on a request for loan guarantee through a system that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide data entry, add/change/delete/update screens for TSAC and TSAC participating postsecondary schools, lenders, and lender servicers to use during the loan originations process. Data screens shall be pre-filled with information from the system and shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower street address, city, state, and zip code,
- Student borrower and/or parent borrower telephone numbers,
- Social security number,
- Lender or lender servicer name and OPEID (Refer to Attachment A, Glossary), and
- Postsecondary school name and OPEID. (Refer to Attachment A, Glossary)

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to add/change/delete/update loan data during the loan origination process meets TSAC, the State of Tennessee, and the U.S. Department of Education, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide the capability for TSAC and TSAC participating postsecondary schools, lenders, and lender servicers to print Master Promissory Notes, Federal Consolidation Loan Application and Promissory Notes, Notices of Loan Guarantee and Disclosure Statements, School Notices of Loan Guarantee, Loan Counseling forms, mailing and file folder labels for student borrowers and parent borrowers, and all loan origination reports and rosters on-line. The Contractor shall also have the capability to print and distribute to TSAC and TSAC participating postsecondary schools, lenders, and lender servicers Master Promissory Notes, Federal Consolidation Loan Application and Promissory Notes, Notices of Loan Guarantee and Disclosure Statements, School Notices of Loan Guarantee, Loan Counseling forms, mailing and file folder labels for student and parent borrowers, and all loan origination reports and rosters to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers.

Student borrower and parent borrower demographic and loan information for each loan guaranteed shall be recorded on the system by individual borrower and loan type. The system shall provide loan tracking, tracking of loan status, and reporting capabilities at the borrower and loan level.

The Contractor shall provide the capability to brand specific postsecondary school, lender, and lender servicer information or logo on the system to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers.

The Contractor shall honor and process all existing TSAC loans which have been certified as eligible by TSAC and TSAC participating postsecondary schools, lenders and lender servicers on or before

December 31, 2005. Any and all loans that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and all system edits shall be guaranteed.

A.1.a. Electronic Loan Processing.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability of processing a request for loan guarantee for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans within timeframes to be determined by TSAC utilizing an electronic process.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures and documentation needed to transmit and receive loan data electronically for a request for loan guarantee meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide data entry, add/change/delete/update screens for TSAC and TSAC participating postsecondary schools, lenders, and lender servicers for use when requesting a loan guarantee electronically. Data screens shall be pre-filled with information from the system and shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower street address, city, state, and zip code,
- Student borrower and/or parent borrower telephone numbers,
- Social security number,
- Lender or lender servicer name and OPEID, and
- Postsecondary school name and OPEID.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to add/change/delete/update loan data electronically meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall also provide the capability to TSAC and TSAC participating postsecondary schools, lenders, and lender servicers to print Master Promissory Notes, Federal Consolidation Loan Application and Promissory Notes, Notices of Loan Guarantee and Disclosure Statements, School Notices of Loan Guarantee, Loan Counseling forms, mailing and file folders labels for student borrowers and parent borrowers, and all loan processing reports and rosters on-line to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers.

Student borrower and parent borrower demographic and loan information from each guaranteed loan shall be recorded on the system by individual borrower and loan type.

A.1.b. Manual Loan Processing.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability of processing a request for loan guarantee for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans within timeframes to be determined by TSAC utilizing a manual process. The Contractor will process and edit for guarantee any hardcopy Master Promissory Note, School Certification, and Federal Consolidation Loan Application and Promissory Note received from TSAC and TSAC participating postsecondary schools, lenders, and lender servicers.

The Contractor shall ensure the forms, form layouts, format, programs, procedures, and documentation needed to process a manual request for loan guarantee meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.



The Contractor shall provide data entry, change and/or update screens needed to process a manual request for loan guarantee. Data screens shall be pre-filled with information from the system and shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower street address, city, state, and zip code,
- Student borrower and/or parent borrower telephone numbers,
- Social security number,
- Lender or lender servicer name and OPEID, and
- Postsecondary school name and OPEID.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to add/change/delete/update a manual request for loan guarantee meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall also have the capability to print and distribute to TSAC and TSAC participating postsecondary schools, lenders, and lender servicers utilizing a manual process Master Promissory Notes, Federal Consolidation Loan Application and Promissory Notes, Notices of Loan Guarantee and Disclosure Statements, School Notices of Loan Guarantee, Loan Counseling forms, mailing and file folder labels for student borrowers and parent borrowers, and all loan processing reports and rosters to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers.

Student borrower and parent borrower demographic and loan information from each guaranteed loan shall be recorded on the system by individual borrower and loan type.

A.1.c. Turnaround Times.

TSAC requires that all loans received from TSAC or TSAC participating postsecondary schools, lenders and lender servicers utilizing an electronic or manual process shall be placed in either a guaranteed, guarantee awaiting promissory note verification, hold/release, or rejection status within a maximum turnaround time of twenty-four (24) hours, measured from the Contractor's initial receipt of the loan data, Master Promissory Note and/or School Certification to loan guarantee, guaranteed awaiting promissory note, hold/release, and rejection status on the system.

The Contractor shall provide TSAC the capability to produce a weekly production report of all loans processing during the prior week to TSAC. The weekly production report shall include, at a minimum:

- Loan type,
- Number of student borrowers,
- Number of parent borrowers,
- Dollar amounts,
- Number of loans in a guaranteed status,
- Number of loans in a guaranteed awaiting promissory note verification status,
- Number of loans in a hold/release status, and
- Number of loans in a rejection status.

The weekly production report shall also include the average turnaround time, the number of loans that exceeded the turnaround time, and the total number of days exceeded. (Refer to Attachment D, Schedule of Liquidated Damages)

A.1.d. System Edits.

The Contractor shall provide system edits for the loan origination processes that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The system edits shall have the capability to detect all reject conditions during a single edit cycle to avoid multiple submissions of loan data. The Contractor shall accommodate any and all requests from TSAC to override the system edits received either by telephone, fax, or email.

The Contractor shall also provide TSAC with a report of all of the system edits on-line or in hardcopy. The report shall include, at a minimum:

- System edit code number,
- System edit code description, and
- Corrective action needed if loan data rejects.

A.1.e. Reject Resolution.

When loan data submitted electronically is rejected, the Contractor shall send a response file to the postsecondary school, lender, or lender servicer submitting the loan data within twenty-four (24) hours of the initial rejection.

When loan data received through the manual process is rejected, the Contractor shall contact the postsecondary school, lender, or lender servicer submitting the rejected loan data either by telephone, fax, or email within twenty-four (24) hours of the initial rejection. If the required information cannot be obtained to clear the reject, the Contractor shall return the hardcopy Master Promissory Note and/or School Certification to the postsecondary school, lender, and lender servicer within forty-eight hours (48) hours of the initial rejection. The Contractor shall provide, with the hardcopy Master Promissory Note, School Certification, and Federal Consolidation Loan Application and Promissory Note, a written explanation of the rejection.

The Contractor shall also provide to TSAC for TSAC participating postsecondary schools, lenders, and lender servicers the instructions for correcting the reject unless TSAC instructs the Contractor to resolve rejections for TSAC participating postsecondary schools, lenders, or lender servicers.

A.1.f. Guaranteed Awaiting Promissory Note Verification.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability to utilize a guaranteed awaiting promissory note verification process for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans. A guaranteed awaiting promissory verification status shall be issued once the loan data passes the loan origination system edits. The guarantee process will only be completed once the lender or lender servicer notifies the Contractor by telephone, fax, or email that a signed promissory note has been received. The Contractor shall also send, at intervals to be determined by TSAC, a notice to student borrowers and parent borrowers with loans in a guaranteed awaiting promissory note verification status. The notice shall be distributed every thirty (30) days as a reminder to student borrowers and parent borrowers to sign their Master Promissory Note and forward it to their lender or lender servicer. (Refer to Attachment D, Schedule of Liquidated Damages)

A.1.g. Hold/Release.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability to utilize a Hold/Release process for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans. A Hold/Release status will assist postsecondary schools to comply with the U.S. Department of Education statutory and regulatory requirements that require Electronic Funds Transfer (EFT) or Master Check disbursements to be delivered to student borrowers and parent borrowers within three (3) business days of receipt.

A.1.h. Real-Time/Near Real-Time Guarantee.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability to enter loan data for the real-time/near real-time guarantee of FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation to enter loan data online meet TSAC, the State of Tennessee, and the U.S.

Department of Education statutory and regulatory requirements and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program, and shall be made at no additional cost to TSAC.

A.1.i. Add/Change/Delete/Update Loan Data.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability to add/change/delete/update loan data for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans within timeframes to be determined by TSAC utilizing either an electronic or manual process.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to add/change/delete/update loan data meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall allow for add/changes/delete/updates to loan data without requiring the cancellation and re-issuance of a guarantee. The add/change/delete/updates to loan data shall include, at a minimum:

- Student borrower and/or parent borrower demographic information,
- Increase and/or decrease to a guaranteed loan amount,
- Disbursement date changes,
- Loan period changes, and
- Re-allocation of loan amounts between subsidized and unsubsidized.

A.1.j. External Internet Products.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers the ability to utilize other Internet-based products (e.g. ELM Resources, Banner, PeopleSoft, etc.) to process loan data and request a TSAC guarantee for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to process loan data and request a TSAC guarantee through an external internet product meets TSAC, the State of Tennessee, and the U.S. Department of Education, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

A.1.j.1. ELM Resources.

The Contractor shall support TSAC's participation with ELM Resources by receiving and providing information in the forms, form layouts, formats, programs, procedures, and documentation established by ELM Resources.

The Contractor shall be responsible for all associated costs related to TSAC's participation with ELM Resources. (Refer to Attachment A, Glossary)

A.1.k. Internal Internet Products.

The Contractor shall provide Internet-based products for TSAC that are accessible by student borrowers, parent borrowers, and TSAC participating postsecondary schools, lenders, and lender servicers that have distinctive customer service features, accuracy and predictability, ease of use, prompt access to information by TSAC, student borrowers, parent borrowers, and TSAC participating postsecondary schools, lenders and lender servicers, the functionality and flexibility to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers.

A.1.k.1. eSignature.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with an eSignature process for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans. The Contractor shall provide the capability during the PLUS eSignature process to perform

a credit check for determining eligibility for TSAC participating postsecondary schools, lenders, and lender servicers.

The Contractor shall also ensure the forms, form layouts, formats, programs, procedures, and documentation meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

A.1.k.2. Disbursement Support.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability to utilize a Disbursement Support process for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans.

Disbursement Support process shall facilitate the transfer of student loan proceeds between TSAC and TSAC participating postsecondary schools, lenders, and lender servicers who have signed an "Agreement for Participation" in the process. Disbursement Support shall be a single source of contact for postsecondary schools, lenders and lender servicers to process loans and receive loan proceeds from multiple lenders and lender servicers. The Disbursement Support process shall also provide guaranteed awaiting promissory note verification process as stated in A.1.f. in this Scope of Services.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

A.1.k.3. On-Line Loan Counseling.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability to utilize on-line Loan Counseling for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation for on-line loan counseling meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

A.1.l. Blanket Guarantee.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability to utilize Blanket Guarantee for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans. Blanket Guarantee will be utilized by TSAC participating lenders and lender servicers who have signed a "Memorandum of Understanding for the TSAC Blanket Guarantee".

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

A.1.m. Pre-Approval Process.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability to utilize a Pre-Approval process for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans. The Pre-Approval process will be utilized by TSAC participating lenders and lender servicers who have signed a "Memorandum of Understanding for the TSAC Pre-Approved Lender". The Contractor shall automatically guarantee FFELP loans submitted by TSAC participating postsecondary

schools, using a lender identification number that is designated as a Pre-Approved Lender utilizing an electronic or manual process.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

A.1.n. CommonRecord:CommonLine.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability of utilizing CommonRecord:CommonLine to process loan data for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans. The Contractor shall also ensure the forms, form layouts, formats, programs, procedures, and documentation meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

A.1.o. Lender of Last Resort Program.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers a process for Lender of Last Resort Program loan requests and guarantees. The Contractor must agree to comply with all applicable statutes, regulations, directives, and procedures pertaining to the Lender of Last Resort Program. Any and all loans guaranteed under the Lender of Last Resort Program shall be tracked individually on the loan origination system. The Contractor's system shall handle all operations of this program, including, at a minimum, loan processing, loan disbursements, loan transfers, and full loan servicing during the life of the loan if a participating TSAC lender or lender servicer is not available.

A.1.p. Forms and Form Layouts.

Any and all forms and form layouts used in loan origination shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall create, print, and distribute on demand quantities of Master Promissory Notes, Instructions, Wraparounds, School Certifications, Federal Consolidation Loan Application and Promissory Notes, Notices of Loan Guarantee and Disclosure Statements, School Notices of Loan Guarantee, Loan Counseling, and other forms used in loan originations to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers to be determined by TSAC.

The Contractor shall have the capability to brand specific postsecondary school, lender, and lender servicer information to forms and form layouts used in loan origination to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers within timeframes to be determined by TSAC.

The Contractor shall also provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the forms, form layouts, formats, programs, procedures, and documentation to order forms either by telephone, fax, email or on-line. Upon receipt of a request from TSAC and TSAC participating postsecondary schools, lenders, and lender servicers, the Contractor shall distribute the forms requested within three (3) business days after the Contractor receives the request. (Refer to Attachment D, Schedule of Liquidated Damages)

A.1.p.1. Master Promissory Note.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability of using the Master Promissory Note for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans utilizing either an electronic or manual process. The Contractor shall also ensure the forms, form layouts, formats, programs, procedures, and

documentation for the Master Promissory Note meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide the documentation and procedures for an active or passive confirmation process. These processes shall be made available to TSAC and TSAC participating postsecondary schools, lenders, and lender servicers.

A.1.p.2. Pre-Fill Master Promissory Notes.

The Contractor shall Pre-fill Master Promissory Notes using demographic and loan information from the loan origination system and Institutional Student Information Record (ISIR). (Refer to Attachment A, Glossary) The Contractor shall download the ISIR data on a daily basis. The information on the pre-filled Master Promissory Notes shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower street address, city, state, and zip code,
- Social security number, and
- Lender or lender servicer name and OPEID.

The Contractor shall also print and distribute Pre-filled Master Promissory Notes to TSAC participating postsecondary schools, lenders, and lender servicers to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers utilizing either an electronic or manual process.

A.1.p.3. Notice of Loan Guarantee and Disclosure Statement.

The Contractor shall generate a Notice of Loan Guarantee and Disclosure Statement for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall print and distribute the Notice of Loan Guarantee and Disclosure Statement to TSAC and TSAC participating lenders and lender servicers according to the preferences of TSAC and TSAC participating lenders and lender servicers. The Notice of Loan Guarantee and Disclosure Statement shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Notice of Loan Guarantee and Disclosure Statement shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Social security number,
- Interest rate,
- Lender or lender servicer name and OPEID,
- Postsecondary school name and OPEID,
- Amount of guarantee and origination fee applicable to the loan type,
- Insurance number,
- Loan period,
- Loan amount, and
- All loans previously guaranteed by loan type.

The Contractor shall provide the capability for lenders and lender servicers using an electronic process to print the Notice of Loan Guarantee and Disclosure Statement on-line.

In the event a lender or lender servicer requests a duplicate Notice of Loan Guarantee and Disclosure Statement, the Contractor shall provide a duplicate to the lender or lender servicer at no additional cost to TSAC. The Notice of Loan Guarantee and Disclosure Statement shall be identified as a duplicate.

In the event a lender or lender servicer receives a Notice of Loan Guarantee and Disclosure Statement with incorrect loan data, the Contractor shall provide a revised

Notice of Loan Guarantee and Disclosure Statement at no additional cost to TSAC. The Notice of Loan Guarantee and Disclosure Statement shall be identified as a revision.

A.1.p.4. School Notice of Loan Guarantee.

The Contractor shall generate a School Notice of Loan Guarantee for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans. The Contractor shall print and distribute the School Notice of Loan Guarantee to TSAC and TSAC participating postsecondary schools according to the preferences of TSAC and TSAC participating postsecondary schools. The School Notice of Loan Guarantee shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The School Notice of Loan Guarantee shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Social security number,
- Interest rate,
- Lender or lender servicer name and OPEID,
- Postsecondary school name and OPEID,
- Amount of guarantee and origination fee applicable to the loan type,
- Loan period,
- Insurance number,
- Loan amount, and
- All loans previously guaranteed by loan type.

The Contractor shall provide the capability for postsecondary schools using an electronic process to print the School Notice of Loan Guarantee on-line.

In the event a postsecondary school requests a duplicate School Notice of Loan Guarantee, the Contractor shall provide a duplicate School Notice of Loan Guarantee to the postsecondary school at no additional cost to TSAC. The School Notice of Loan Guarantee shall be identified as a duplicate.

In the event a postsecondary school receives a School Notice of Loan Guarantee with incorrect loan data, the Contractor shall provide a revised School Notice of Loan Guarantee to the postsecondary school at no additional cost to TSAC. The School Notice of Loan Guarantee shall be identified as a revision.

A.1.p.5. Loan Counseling.

The Contractor shall generate a Loan Counseling form to be utilized for Entrance and Exit Loan Counseling for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.

The Loan Counseling form shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower street address, city, state, and zip code,
- Social security number,
- Lender or lender servicer name and OPEID
- Postsecondary school name and OPEID, and
- Loan amount.

The Loan Counseling form shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide the capability for postsecondary schools using an electronic process to print Loan Counseling form layouts on-line.

A.1.q. Tracking.

The Contractor shall provide TSAC the capability to track the loan origination process for all current and future FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans, from the initial receipt of loan data, disbursement, cancellation, repayment, and history information. The Contractor shall also have the capability to track loan data, at a minimum:

- Loan type,
- Grade level,
- Postsecondary school name and OPEID,
- Lender or lender servicer name and OPEID,
- Number of student borrowers and parent borrowers,
- Number of loans, and
- Dollar volume guaranteed for each TSAC participating postsecondary school, lender, and lender servicer.

The Contractor shall ensure that a guarantee is not issued in excess of dollar limits determined by TSAC for TSAC participating postsecondary schools, lenders, and lender servicers.

A.1.r. Reports.

The Contractor shall provide TSAC with comprehensive management reports in summary and detailed formats for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall provide TSAC with the capability to run reports selected according to the following criteria: daily, weekly, monthly, quarterly, fiscal years, and annual basis as needed. The Contractor shall provide the capability for TSAC to print the reports on-line. The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation used to provide the capability to print reports on-line meets TSAC, the State of Tennessee, and the U.S. Department of Education, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The management reports shall include, at a minimum:

- Postsecondary school name and OPEID,
- Lender or lender servicer name and OPEID,
- Loan type,
- Number of loans guaranteed (broken down by grade level),
- Number of student borrowers and parent borrowers,
- Totals for each loan type, and
- Grand totals.

All reports shall be made available to TSAC in daily, weekly, monthly, quarterly, State fiscal year, Federal fiscal year, and calendar year formats to accommodate the preferences of TSAC.

A.2. Guarantee Fee for the Federal Family Education Loan Program.

The Contractor shall provide TSAC as part of the Internet-based system the capability of processing guarantee fee payments for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans.

The guarantee fee shall be determined by TSAC and may be periodically adjusted by TSAC. The Contractor shall provide TSAC with the capability to adjust the guarantee fee for all loans, waive the guarantee fee, or reduce the guarantee fee for selected sub-populations according to the preferences of TSAC and TSAC participating lenders, and lender servicers. The sub-populations may include, at a minimum:

- Loan type,
- Postsecondary school type,
- Postsecondary school name and OPEID,
- Lender or lender servicer name and OPEID,
- Student borrower and/or parent borrower state of residence, and
- Grade level.



A.2.a. System Edits.

The Contractor shall provide system edits for processing guarantee fee payments that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The system edits shall have the capability to detect all reject conditions during a single edit cycle to avoid multiple submissions of loan data. The Contractor shall accommodate any and all requests from TSAC to override the system edits received by telephone, fax, or email.

The Contractor shall also provide TSAC with a report of all of the system edits on-line or in hardcopy. The report shall include, at a minimum:

- System edit code number,
- System edit description, and
- Correction action needed if guarantee fee payment rejects.

A.2.b. Billing Rosters.

The Contractor shall provide billing rosters for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans guaranteed during the prior month within timeframes to be determined by TSAC for TSAC participating lenders and lender servicers utilizing either an electronic or manual process.

The billing rosters shall be created based upon disbursement information for the prior month recorded on the system.

The billing rosters shall include, at a minimum:

- Student borrower and/or parent borrower social security number,
- Student borrower and/or parent borrower name
- Lender or lender servicer name and OPEID,
- Loan type,
- Guarantee date,
- Disbursement dates,
- Insurance number,
- Loan amounts,
- Amount of guarantee fee due, and
- Any credits due.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed process a guarantee fee meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The billing rosters shall provide indicators for the lenders and lender servicers to clearly note activity that changes its guarantee fee liability at the disbursement, loan, or report level on-line. The lenders and lender servicers may post any adjustments to the guarantee fee billing roster.

These adjustments may include, at a minimum:

- Disbursement cancellations,
- Loan cancellations,
- Disbursement reductions,
- Disbursement reschedules,
- Reinstatements, and
- Loan re-allocations (between subsidized and unsubsidized).

Lenders and lender servicers shall pay their guarantee fees by submitting either a check or electronic funds transmission along with a copy of the itemized billing roster to the TSAC lockbox specified for the receipt of guarantee fee payments.

A.2.c. Guarantee Fee Lockbox.

The Contractor shall provide TSAC with a lockbox to be utilized for the receipt of guarantee fee payments and adjustments via paper check and ACH received from TSAC participating lenders and lender servicers.

The lockbox shall be located at a State of Tennessee approved financial institution. The lockbox shall also meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements for the receipt and processing of guarantee fee payments. The Contractor shall remit any and all guarantee fee payments and adjustments received at their physical location to the lockbox for deposit within twenty-four (24) hours of initial receipt. The Contractor is responsible for the accounting of any and all guarantee fee payments and adjustments received at the lockbox.

A report summarizing the guarantee fee payments and adjustments received shall be provided to TSAC by the fifth (5th) business day of the month following the month collected. The Contractor shall provide a detailed accounting of all movement of funds in the lockbox to TSAC by the tenth (10th) business day of the month following the month collected. (Refer to Attachment D, Schedule of Liquidated Damages)

A.2.c.1. State of Tennessee Accounting and Reporting System.

The Contractor shall provide the capability for communication between the State of Tennessee Accounting and Reporting System (STARS) and the Federal Family Education Loan Program to load guarantee fee payment data. This process shall meet TSAC, the State of Tennessee, and the U. S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. This process shall provide the data required to create a deposit transaction and provide the necessary forms, form layouts, formats, programs, procedures, and documents needed to process the transaction through STARS. (Refer to Attachment A, Glossary and Attachment B, State of Tennessee Interface Protocols)

A.2.c.2. TSAC General Ledger System.

The Contractor shall provide the capability for communication between the TSAC General Ledger System and the Federal Family Education Loan Program to post/change/update data on the TSAC General Ledger. This process shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. This process shall also meet the requirements and applicable subcomponents designated by TSAC in this Scope of Services. The General Ledger System must be capable of operating in the State's technical environment. TSAC's network currently consists of a HP Proliant DL380, Novell Net Ware 6 Server Version 5.60.04 software and 10-100 Base TX Ethernet. Desktops are running Microsoft Windows XP Service Pack 2. The General Ledger System shall reside on a server located at the Contractor.

A.2.d. Turnaround Times.

TSAC requires that all guarantee fee payments and adjustments received from TSAC or TSAC participating lenders and lender servicers utilizing an electronic or manual process shall be processed within forty-eight (48) hours of receipt.

The Contractor shall provide TSAC the capability to produce a weekly production report of all guarantee fee payments and adjustments processing during the prior week to TSAC. The weekly production report shall include, at a minimum:

- Loan type,
- Number of student borrowers and parent borrowers,
- Dollar amount of guarantee fee payments received, and
- Dollar amount of guarantee fee adjustments received.

The weekly production report shall also include the average turnaround time, the number of loans that exceeded the turnaround time, and the total number of days exceeded. (Refer to Attachment D, Schedule of Liquidated Damages)

A.2.e. Disputes.

The Contractor shall promptly notify lenders or lender servicers either by letter, telephone, fax, or email of any discrepancy between its guarantee fee due and the amount paid, and shall provide any and all supporting documentation needed to explain the difference. The Contractor shall respond promptly to all lenders and lender servicers inquiries related to guarantee fees. The Contractor shall also resolve any and all disputes within twenty (20) business days of receipt. The Contractor shall refer all unresolved disputes to TSAC. (Refer to Attachment D, Schedule of Liquidated Damages)

A.2.f. Tracking.

The Contractor shall provide TSAC the capability of tracking outstanding guarantee fee payments due for all current and future FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans. The Contractor will notify lenders and lender servicers of delinquent guarantee fee payments until the guarantee fee payments are more than ninety (90) days delinquent. After ninety (90) days, TSAC will assume responsibility for resolving problems related to the collection of delinquent guarantee fees, but will expect the Contractor to supply timely information to support guarantee fee collections and to resolve guarantee fee disputes.

A.2.g. Reports.

With the generation of the billing rosters, the Contractor shall provide TSAC with comprehensive management reports in summary and detailed formats. The Contractor shall provide TSAC with the capability to run reports selected according to the following criteria: daily, weekly, monthly, quarterly, fiscal years, and annual basis as needed. The Contractor shall provide the capability for TSAC to print the reports on-line. The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation used to provide the capability to print reports on-line meets TSAC, the State of Tennessee, and the U.S. Department of Education, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The management reports shall include, at a minimum:

- Lender or lender servicer name and OPEID,
- Loan type,
- Number of days delinquent,
- Number of student borrowers and parent borrowers,
- Totals for each loan type, and
- Grand totals.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation used to provide the capability to print reports on-line meets TSAC, the State of Tennessee, and the U.S. Department of Education, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

All reports shall be made available to accommodate the preferences of TSAC.

A.2.h. Forms and Form Layouts.

Any and all forms and form layouts used in guarantee fee payment process shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

A.3. Origination Fee for the Federal Family Education Loan Program.

The Contractor shall provide TSAC as part of the Internet-based system the capability to adjusting origination fees for FFELP loans, including, and without limitation, Federal Stafford Loans and Federal PLUS Loans.

The origination fee shall be determined by the U.S. Department of Education and may be periodically adjusted by TSAC. The Contractor shall provide TSAC with the capability to adjust the origination fee for all loans, waive the origination fee, or reduce the origination fee for selected sub-populations according to the preferences of TSAC and TSAC participating lenders, and lender servicers. The sub-populations may include, at a minimum:

- Loan type,
- Postsecondary school type,
- Postsecondary school name and OPEID,
- Lender or lender servicer name and OPEID,
- Student borrower and/or parent borrower state of residence, and
- Grade level.

#### A.4. Loan Maintenance Activity for the Federal Family Education Loan Program.

The Contractor shall provide TSAC as part of the Internet-based system the capability to collect, edit, process, track, and report demographic, loan, enrollment, deferment, forbearance, and repayment information from TSAC, TSAC participating postsecondary schools, lenders, lender servicers, student borrowers, parent borrowers, the National Student Loan Clearinghouse (NSLC), and the National Student Loan Data System (NSLDS) for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.

##### A.4.a. Turnaround Times.

TSAC requires that all loan maintenance transactions received utilizing either an electronic or manual process be placed in either a processed, returned for correction, or rejected status within a maximum turnaround time of three (3) business days, measured from the Contractor's initial receipt of the loan maintenance transactions to the posting of loan maintenance transactions on the system.

The Contractor shall provide TSAC the capability to produce a weekly production report of all loan maintenance transactions processed during the prior week to TSAC.

The weekly production report shall include, at a minimum:

- Loan type,
- Number of student borrowers and parent borrowers,
- Dollar amounts,
- Number of loans in a processed status,
- Number of loans returned for correction, and
- Number of loans in a rejected status.

The weekly production report shall also include the average turnaround time for all loan maintenance transactions, the number of loans that exceeded the turnaround time, and the total number of days exceeded. (Refer to Attachment D, Schedule of Liquidated Damages)

##### A.4.b. System Edits.

The Contractor shall provide system edits for the loan maintenance process that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The system edits shall have the capability to detect all reject conditions during a single edit cycle to avoid multiple submissions of loan data. The Contractor shall accommodate any and all requests from TSAC to override the system edits received by telephone, fax, or email.

The Contractor shall also provide TSAC with a report of all of the system edits on-line or in hardcopy. The report shall include, at a minimum:

- System edit code number,
- System edit description, and
- Corrective action needed if loan maintenance data rejects.

A.4.c. Common Account Maintenance.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability to utilize a Common Account Maintenance process for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall provide for the receipt, editing, tracking, resolution, and reporting of loan maintenance transactions that are fully compliant with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program developed by the Common Account Maintenance work group and other similar committees or groups for the standardization of reporting loan maintenance transactions.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to process loan maintenance transactions utilizing either an electronic or manual format. The Contractor shall also provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers, with the forms, form layouts, formats, programs, procedures, and documentation needed to transmit and receive all Common Account Maintenance activity electronically.

A.4.d. Manual Processing.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability of processing loan maintenance transactions for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans within timeframes determined by TSAC utilizing a manual process. The Contractor will process and edit all loan transactions requests received from TSAC and TSAC participating postsecondary schools, lenders, and lender servicers.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to process a manual loan maintenance transaction meets TSAC, State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide data entry, add/change/delete/update screens needed to process a manual loan maintenance transaction. Data screens shall be pre-filled with information from the system and shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower street address, city, state, and zip code,
- Student borrower and/or parent borrower telephone numbers,
- Social security number,
- Lender or lender servicer name and OPEID, and
- Postsecondary school name and OPEID.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to add/change/delete/update a loan maintenance transaction meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide the capability to print and distribute to TSAC and TSAC participating postsecondary schools, lenders, and lender servicers utilizing a manual process the forms used in loan maintenance transactions, and all loan maintenance reports and rosters to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers.

The Contractor shall record on the system, at a minimum:

- Source of the loan maintenance activity,
- Effective date of loan maintenance change, and
- Date TSAC was notified.

All loan maintenance activities should be reviewed by the Contractor for logical sequence to avoid reporting gaps.

Student borrower and parent borrower demographic and loan information from each loan maintenance transaction shall be recorded on the system by individual borrower and loan type.

A.4.e. Electronic Processing.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability of processing a loan maintenance transaction for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans within timeframes to be determined by TSAC utilizing an electronic process.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to transmit and receive loan maintenance transactions electronically meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide data entry, add/change/delete/update screens for TSAC and TSAC participating postsecondary schools, lenders, and lender servicers for use when requesting a loan maintenance transaction electronically. Data screens shall be pre-filled with information from the system and shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower street address, city, state, and zip code,
- Student borrower and/or parent borrower telephone numbers,
- Social security number,
- Lender or lender servicer name and OPEID, and
- Postsecondary school name and OPEID.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to add/change/delete/update a loan maintenance transaction electronically meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide the capability to TSAC and TSAC participating postsecondary schools, lenders, and lender servicers the forms and form layouts used in loan maintenance transactions, and all loan maintenance reports and rosters on-line to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers.

The Contractor shall record on the system, at a minimum:

- Source of the loan maintenance activity,
- Effective date of loan maintenance change, and
- Date TSAC was notified.

All loan maintenance activities should be reviewed by the Contractor for logical sequence to avoid reporting gaps.

Student borrower and parent borrower demographic and loan information from each loan maintenance transaction shall be recorded on the system by individual borrower and loan type.

A.4.f. Reject Resolution.

When a loan maintenance transaction submitted electronically is rejected, the Contractor shall send a response file to the postsecondary school, lender, or lender servicer submitting the loan maintenance transaction within twenty-four (24) hours of the initial rejection.

When a loan maintenance transaction received through a manual process is rejected, the Contractor shall contact the postsecondary school, lender, or lender servicer submitting the rejected loan maintenance transaction either by telephone, fax, or email within forty-eight hours of the initial rejection. If the required information cannot be obtained to clear the reject, the Contractor shall return the hardcopy loan maintenance transaction within three (3) business days of the initial rejection. The Contractor shall also provide, with the hardcopy loan maintenance transaction, a written explanation of the reject.

The Contractor shall provide to TSAC for TSAC participating postsecondary schools, lenders, and lender servicers the instructions for correcting the reject unless TSAC instructs the Contractor to resolve rejections for TSAC participating postsecondary schools, lenders, and lender servicers.

A.4.g. Reports.

The Contractor shall provide TSAC with comprehensive management reports in summary and detailed formats for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall provide TSAC with the capability to run reports selected according to the following criteria: daily, weekly, monthly, quarterly, fiscal year, and annual basis. The Contractor shall provide the capability for TSAC and TSAC participating schools, lenders, and lender servicers to print the reports on-line. The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation used to provide the capability to print reports on-line meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The management reports shall include, at a minimum:

- Postsecondary school name and OPEID,
- Lender or lender servicer name and OPEID,
- Student and/or parent borrower name,
- Social security number,
- Insurance number,
- Guarantee date,
- Student borrower and/or parent borrower enrollment status changes,
- Loans expected to enter repayment,
- Loans which should have entered repayment and on which no repayment information has been recorded,
- Student borrower, parent borrower, loan, and repayment changes recorded by other lenders,
- Approaching and/or recently expired critical dates (e.g., deferment and forbearance expiration dates and maturity dates),
- Loans showing a default aversion request, and
- Loans showing a paid default.

The Contractor shall also provide to TSAC and TSAC participating postsecondary school, lender, and lender servicer upon request a listing of all loans or a listing of all loans for a specific timeframe. The report shall be provided in social security number or alphabetic order, and shall include, at a minimum:

- Breakdown by loan type
- Breakdown by loan status,
- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower social security number,
- Insurance number,
- Guarantee date,
- Graduation or less than half-time date, and
- Maturity date.

A.4.h. Forms and Form Layouts.

Any and all forms, form layouts and formats used in the loan maintenance process shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall also create, print, and distribute on demand quantities used in Common Account Maintenance to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers within timeframes to be determined by TSAC.

The Contractor shall have the capability to brand specific postsecondary school, lender, and lender servicer information to forms and form layouts used in the loan maintenance process to accommodate the preferences of TSAC participating postsecondary schools, lenders, and lender servicers within timeframes to be determined by TSAC.

The Contractor shall also provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the forms, form layouts, formats, programs, procedures, and documentation to order forms either by telephone, fax, email or on-line. Upon receipt of a request from TSAC and TSAC participating postsecondary schools, lenders, and lender servicers, the Contractor shall distribute the forms requested within three (3) business days after the Contractor receives the request. (Refer to Attachment D, Schedule of Liquidated Damages)

A.4.i. Tracking.

The Contractor shall provide TSAC the capability to track the loan maintenance transactions for all current and future FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall also have the capability to track loan data, at a minimum:

- Loan type,
- Grade level,
- Postsecondary school name and OPEID,
- Lender or lender servicer name and OPEID,
- Insurance number,
- Number of student borrowers and parent borrowers,
- Number of loans,
- Date loan maintenance transaction received,
- Loan maintenance transaction status,
- Loan maintenance transaction reject reason, and
- Dollar volume for each TSAC participating school, lender, and lender servicer.

A.4.j. National Student Loan Clearinghouse (NSLC).

The Contractor shall support TSAC's full participation in the National Student Loan Clearinghouse by receiving, updating, and providing information in the forms, form layouts, formats, programs, procedures, documentation, and cycles established by NSLC.

The Contractor shall be responsible for all associated costs related to TSAC's participation with the National Student Loan Clearinghouse.

A.4.k. Total Enrollment Reporting Process.

The Contractor shall support TSAC's full participating in NSLC's Total Enrollment Reporting Process by receiving, updating, and providing information in the forms, form layouts, formats, programs, procedures, documentation, and cycles established by NSLC.

The Contractor shall be responsible for all associated costs related to TSAC's participation with NSLC's Total Enrollment Reporting Process.

A.4.l. National Student Loan Data System (NSLDS).

The Contractor shall support TSAC's full participation in the National Student Loan Data System. (Refer to Attachment A, Glossary)

The Contractor shall report to NSLDS, on TSAC's behalf, all loan and student borrower and parent borrower data from TSAC's system required by NSLDS according to the forms, forms layouts, formats, frequency, data, and submission requirements established by NSLDS. The Contractor shall also collect from TSAC and TSAC participating postsecondary schools, lenders, and lender servicers, in manual or electronic format layouts, all loan and student and parent borrower data required by NSLDS from postsecondary schools, lenders, and lender servicers and report it to NSLDS, according to the forms, form layouts, formats, programs, procedures, documentation, frequency, data and submission requirements established by NSLDS. All submissions to NSLDS shall be made, at a minimum, twice a month.



The Contractor shall record on the system, at a minimum, data submissions, and shall promptly report to TSAC any failure by a lender or lender servicer to submit data within timeframes for compliance with NSLDS's submission standards.

The Contractor shall review the monthly and cumulative error rates calculated by NSLDS, categorized by the error types established by NSLDS. The Contractor shall promptly resolve all errors identified by NSLDS, including, at a minimum, the review of loan documents and inquiries to postsecondary schools, lenders, lender servicers, and other guarantors. The Contractor shall

ensure that the accuracy rate of TSAC's NSLDS reporting meets or exceeds the accuracy standards established by NSLDS at all times.

The Contractor shall be responsible for all associated costs related to TSAC's participation with the National Student Loan Data System.

A.4.m. Annual Borrower Status Letter.

The Contractor shall produce and distribute annually an Annual Borrower Status Letter for each Federal Stafford Loan borrower who is in an in-school or grace status and who has not received a new loan for the current award year. The letter will request student borrowers to verify their address, telephone numbers, and postsecondary school separation date, if applicable. The letter shall also provide space for student borrowers to report any loan status changes. The Contractor shall process changes and/or updates of loan status received from the letter within five (5) business days of initial receipt.

A.5. Default Aversion Assistance for the Federal Family Education Loan Program.

The Contractor shall provide TSAC as part of the Internet-based system the capability to collect, edit, process, track, and report student borrower and parent borrower demographic and delinquent loan information from TSAC and TSAC participating lenders and lender servicers for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.

The Contractor shall also be able to coordinate with a default aversion assistance professional counseling service as approved by TSAC. Any requests to subcontract for these services shall be made in accordance with D.5. of this Contract. The Contractor's operations shall enable TSAC to take full advantage of the Default Aversion Fee enacted in the Higher Education Amendments of 1998. The Contractor shall also comply with all applicable statutes, regulations, directives, and initiatives for Default Aversion Assistance and be fully committed to this process.

A.5.a. Default Aversion Assistance Requests.

The Contractor shall provide TSAC and TSAC participating lenders and lender servicers with the capability of processing default aversion assistance requests for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall provide for the receipt, editing, tracking, resolution, and reporting of default aversion assistance requests that are fully compliant with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program developed by the Common Claim Initiative work group or other similar committees or groups for the standardization of default aversion assistance activity.

A.5.b. Manual Processing.

The Contractor shall provide TSAC and TSAC participating lenders and lender servicers with the capability of processing default aversion assistance requests for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans within timeframes determined by TSAC utilizing a manual process. The Contractor will process and edit all default aversion assistance requests received from TSAC and TSAC participating lenders and lender servicers.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to process a manual default aversion assistance request meets TSAC, State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements,

and comply with all applicable statutes, regulations, directives and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide data entry, add/change/delete/update screens needed to process a manual default aversion assistance requests. Data screens shall be pre-filled with information from the system and shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower street address, city, state, and zip code,
- Student borrower and/or parent borrower telephone numbers,
- Social security number,
- Insurance number,
- Guarantee date,
- Lender or lender servicer name and OPEID, and
- Postsecondary school name and OPEID.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to add/change/delete/update a default aversion assistance request that meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide the capability to print and distribute to TSAC and TSAC participating lenders and lender servicers utilizing a manual process the forms used in default aversion assistance, and all default aversion assistance reports and rosters to accommodate the preferences of TSAC and TSAC participating lenders and lender servicers.

The Contractor shall record on the system, at a minimum:

- Source of the default aversion assistance request,
- Effective date of default aversion assistance request, and
- Date TSAC was notified.

All default aversion assistance requests should be reviewed by the Contractor for logical sequence to avoid reporting gaps.

Student borrower and parent borrower demographic and loan information from each default aversion assistance request shall be recorded on the system by individual borrower and loan type.

#### A.5.c. Electronic Processing.

The Contractor shall provide TSAC and TSAC participating lenders and lender servicers with the capability of processing a default aversion assistance requests for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans within timeframes to be determined by TSAC utilizing an electronic process.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to transmit and receive a default aversion assistance request electronically meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide data entry, add/change/delete/update screens for TSAC and TSAC participating lenders and lender servicers for use when requesting a default aversion assistance request electronically. Data screens shall be pre-filled with information from the system and shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower street address, city, state, and zip code,
- Student borrower and/or parent borrower telephone numbers,
- Social security number,
- Insurance number,
- Guarantee date,

- Lender or lender servicer name and OPEID, and
- Postsecondary school name and OPEID.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to add/change/delete/update a default aversion assistance request electronically meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide the capability to TSAC and TSAC participating lenders and lender servicers the forms and form layouts used in default aversion assistance, and all default aversion assistance reports and rosters on-line to accommodate the preferences of TSAC and TSAC participating lenders and lender servicers.

The Contractor shall record on the system, at a minimum:

- Source of the default aversion assistance request,
- Effective date of the default aversion assistance request, and
- Date TSAC was notified.

All default aversion assistance requests should be reviewed by the Contractor for logical sequence to avoid reporting gaps.

Student borrower and parent borrower demographic and loan information from each default aversion assistance request shall be recorded on the system by individual borrower and loan type.

#### A.5.d. System Edits.

The Contractor shall provide system edits for the default aversion assistance process that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The system edits shall have the capability to detect all reject conditions during a single edit cycle to avoid multiple submissions of loan data. The Contractor shall accommodate any and all requests from TSAC to override the system edits received by telephone, fax, or email.

The Contractor shall also provide TSAC with a report of all of the system edits on-line or in hardcopy.

The report shall include, at a minimum:

- System edit code number,
- System edit description, and
- Corrective action needed if default aversion assistance data rejects.

#### A.5.e. Reject Resolution.

When default aversion assistance request submitted electronically is rejected, the Contractor shall send a response file to the lender or lender servicer submitting the default aversion assistance request within twenty-four (24) hours of the initial rejection.

When a default aversion assistance request received through a manual process is rejected, the Contractor shall contact the lender or lender servicer submitting the rejected default aversion assistance request either by telephone, fax, or email within forty-eight hours of the initial rejection. If the required information cannot be obtained to clear the reject, the Contractor shall return the hardcopy default aversion assistance request within three (3) business days of the initial rejection. The Contractor shall also provide, with the hardcopy default aversion assistance request, a written explanation of the reject.

The Contractor shall provide to TSAC for TSAC participating lenders and lender servicers the instructions for correcting the reject unless TSAC instructs the Contractor to resolve rejections for TSAC participating lenders and lender servicers.

A.5.f. Forms and Form Layouts.

Any and all forms and form layouts used in default aversion assistance shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall create, print, and distribute on demand forms used in default aversion assistance to accommodate the preferences of TSAC and TSAC participating lenders and lender servicers within timeframes to be determined by TSAC.

The Contractor shall also provide to TSAC and TSAC participating lenders and lender servicers with the forms, form layouts, formats, program, procedures, and documentation to order forms either by telephone, fax, email, or on-line. Upon receipt of a request from TSAC and TSAC participating lenders and lender servicers, the Contractor shall distribute the forms requested within three (3) business days after the Contractor receives the request. (Refer to Attachment D, Schedule of Liquidated Damages)

A.5.g. Reports.

The Contractor shall provide TSAC with comprehensive management reports in summary and detailed formats for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall provide TSAC with the capability to run reports selected according to the following criteria: daily, weekly, monthly, quarterly, fiscal years, and annual basis. The Contractor shall provide the capability for TSAC to print reports on-line. The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation used to provide the capability to print report on-line meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The management reports shall include, at a minimum:

- Lender or lender servicer name and OPEID,
- Postsecondary school name and OPEID,
- Number of student borrowers and parent borrowers,
- Social security number,
- Loan type,
- Guarantee date,
- Insurance number,
- Loan amount,
- Date default aversion assistance request received,
- Default aversion assistance professional counseling servicer,
- Number and dollar value of default aversion assistance requests received,
- Number and dollar value of accounts placed with the default aversion assistance professional counseling servicer, and
- Number of default aversion notifications sent to postsecondary schools.

The Contractor shall also provide a report to TSAC that fully supports TSAC's evaluations of its default aversion assistance professional counseling servicer, and fully supports TSAC's accounting for allocating Default Prevention Fees from TSAC's Federal Fund to its Agency Operating Fund.

This report shall include, at minimum:

- Lender or lender servicer name and OPEID,
- Postsecondary school name and OPEID,
- Loan type,
- Loan amount,
- Date default aversion assistance request received,
- Default aversion assistance professional counseling servicer,
- Date default aversion assistance request update received,
- Number and dollar value of default aversion assistance requests received,

- Number of lender update received,
- Number and dollar value of accounts placed,
- Number, dollar value, and percentages of accounts cured,
- Number, dollar value, and percentages of skipped accounts resolved,
- Number and dollar value of Default Aversion Fees earned,
- Number and dollar value of default claims received,
- Number and dollar value of default aversion assistance requests received within eighteen (18) months of a prior cure, and
- Number of default aversion assistance rosters sent to TSAC participating postsecondary schools.

A.5.h. Tracking.

The Contractor shall provide TSAC the capability to track default aversion assistance requests for all current and future FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans, from initial receipt of the request. The Contractor shall also have the capability to track default aversion assistance requests, at a minimum:

- Loan type,
- Lender or lender servicer name and OPEID,
- Postsecondary school name and OPEID,
- Grade level,
- Insurance number,
- Number of student borrowers and parent borrowers,
- Number of loans,
- Date default aversion assistance request received,
- Default aversion assistance request status (cancelled for claim filing, rejected, cure),
- Default aversion assistance request reject reason, and
- Dollar volume for each TSAC participating postsecondary school, lender, and lender servicer.

“Cure” refers to the method in which an account is brought current (payments, deferment, forbearance, consolidation, discharge, etc.).

A.5.i. Turnaround Times.

TSAC requires that all default aversion assistance requests received from TSAC and TSAC participating lenders and lender servicers utilizing an electronic or manual process shall be placed with a default aversion assistance professional counseling service within a maximum turnaround time of three (3) business days measured from the Contractor’s initial receipt of the default aversion assistance request to the posting of the default aversion assistance request on the system and transfer to the default aversion assistance professional counseling service.

The Contractor shall provide TSAC the capability to produce a weekly production report of all default aversion assistance request processed during the prior week to TSAC.

The weekly production report shall include, at a minimum:

- Loan type,
- Number of student borrowers and parent borrowers,
- Dollar amounts,
- Number of default aversion assistance requests processed, and
- Number of default aversion assistance requests rejected.

The weekly production report shall also include the average turnaround time for all default aversion assistance requests, the number of requests that exceeded the turnaround time, and the total number of days exceeded. (Refer to Attachment D, Schedule of Liquidated Damages)

A.5.j. Student Borrower Letter.

The Contractor shall, within five (5) business days of the receipt of a default aversion assistance request from a lender or lender servicer, send a letter to the student borrower that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and

regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. The letter shall additionally state that TSAC has assigned the account to a professional counseling service for default aversion assistance. (Refer to Attachment D, Schedule of Liquidated Damages)

A.5.k. Parent Borrower Letter.

The Contractor shall, within five (5) business days of the receipt of a default aversion assistance request from a lender or lender servicer, send a letter to the parent borrower that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. The letter shall additionally state that TSAC has assigned the account to a professional counseling service for default aversion assistance. (Refer to Attachment D, Schedule of Liquidated Damages)

A.5.l. Rosters.

The Contractor shall, within five (5) business days of the receipt of a default aversion assistance request from a lender and lender servicer, send rosters to the TSAC participating postsecondary school that certified the loan. The rosters shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Social security number,
- Lender or lender servicer name and OPEID,
- Insurance number,
- Guarantee date, and
- Date default aversion assistance request received.

A.5.m. Competitive Environment for Default Aversion Assistance Services.

The Contractor shall provide default aversion assistance services through a professional counseling service as approved by TSAC. If more than one (1) professional counseling service is selected, the services shall compete with one another for volumes of account placements that shall be made according to the services demonstrated effectiveness in bringing and keeping delinquent accounts current.

If more than one (1) professional counseling service is selected, the Contractor shall, on a weekly basis, allocate placements to competing servicers according to percentages established through TSAC's competitive placement methodology.

A placement shall be made immediately after the generation of the roster to the TSAC participating postsecondary school of a default aversion request. The Contractor shall not screen default aversion assistance requests for ease or difficulty of cure prior to making such allocations, but shall distribute accounts without regard to loan attributes, postsecondary school of record, lender, lender servicer, or other factors that might predict success in resolving delinquencies.

The minimum activities required for the default aversion assistance professional counseling service shall be the minimum activities required by the Higher Education Act and meet TSAC, the State of Tennessee, and the U.S. Department of Education regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The performance of the professional counseling service shall be evaluated on a monthly basis. Factors used to evaluate performance shall include, at a minimum:

- Percentage of placements cured,
- Percentage of dollars cured,
- Number of rolling delinquencies,
- Default aversion rate,
- Types of cures effected,
- Skip accounts resolved, and
- Regulatory compliance.

On a weekly basis, the Contractor shall receive and process updates from lenders and lender servicers on outstanding default aversion assistance accounts and shall provide updates to the default aversion assistance professional counseling servicer working the accounts.

The Contractor shall provide on-line inquiry access to the system to the default aversion assistance professional counseling servicer. Access shall be limited to the accounts assigned.

TSAC shall have the right to discontinue making placements of default aversion assistance requests to any servicer based on contractual stipulations.

A.6. Claim Filing for the Federal Family Education Loan Program.

The Contractor shall provide TSAC as part of the Internet-based system the capability of processing the receipt of all claim types for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.

A.6.a. Common Claim Initiative.

The Contractor shall provide TSAC and TSAC participating lenders and lender servicers with the capability to utilize a Common Claim Initiative process for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall provide for the receipt, editing, tracking, resolution, and reporting of all claim types that are fully compliant with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program developed by the Common Claim Initiative work group or other similar committees or groups for the standardization of claim receipt, review and processing.

A.6.b. Forms and Form Layouts.

Any and all forms and form layouts used to request a claim for payment for all claim types meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall create, print, and distribute on demand forms used to request a claim for payment for all claim types to accommodate the preferences of TSAC and TSAC participating lenders and lender servicers within timeframes to be determined by TSAC.

The Contractor shall also provide to TSAC and TSAC participating lenders and lender servicers with the forms, form layouts, formats, programs, procedures, and documentation to order forms either by telephone, fax, or email. Upon receipt of a request from TSAC and TSAC participating lenders and lender servicers, the Contractor shall distribute the forms requested within three (3) business days after the Contractor receives the request. (Refer to Attachment D, Schedule of Liquidated Damages)

A.6.c. Receipt of Claim Files.

The Contractor shall provide TSAC and TSAC participating lenders and lender servicers with the capability to record the receipt of claim files for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans within timeframes determined by TSAC. The Contractor will record any and all claim requests received from TSAC and TSAC participating lenders and lender servicers.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to record the receipt of claim files meets TSAC, State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide data entry, add/change/delete/update screens needed for recording the receipt of claim files. Data screens shall be pre-filled with information from the system and shall include, at a minimum:

- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower street address, city, state, and zip code,
- Student borrower and/or parent borrower telephone numbers,
- Social security number,
- Lender or lender servicer name and OPEID, and
- Postsecondary school name and OPEID.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to add/change/delete/update recording the receipt of claim files meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall record on the system, at a minimum:

- Source of the claim file,
- Date of receipt of the claim file, and
- Lender or lender servicer name.

Student borrower and parent borrower demographic and loan information from each claim file shall be recorded on the system by individual borrower and loan type.

#### A.6.c.1. Reports.

The Contractor shall provide TSAC with comprehensive management reports in summary and detailed formats for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall provide TSAC with the capability to run reports selected according to the following criteria: daily, weekly, monthly, quarterly, fiscal years, and annual basis. The Contractor shall provide the capability for TSAC to print reports on-line. The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation used to provide the capability to print report on-line meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The management reports shall include, at a minimum:

- Lender or lender servicer name and OPEID,
- Postsecondary school name and OPEID,
- Number of student borrowers and parent borrowers,
- Social security number,
- Loan type,
- Insurance number,
- Guarantee date,
- Loan amount,
- Date claim file received,
- Number and dollar value of claim files received, and
- Number of claim files received notifications sent to postsecondary schools.

#### A.6.c.2. Tracking.

The Contractor shall provide TSAC the capability to track the receipt of claim files for all current and future FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans, from initial receipt of the claim file. The Contractor shall also have the capability to track the receipt of claim files, at a minimum:

- Loan type,
- Postsecondary school name and OPEID,
- Lender or lender servicer name and OPEID,
- Insurance number,
- Grade level,



- Number of student borrowers and parent borrowers,
- Number of loans,
- Date claim file received,
- Claim status type, and
- Dollar volume for each TSAC participating postsecondary school, lender, and lender servicer.

A.6.c.3. Turnaround Times.

The Contractor shall record on the system all claim files received from TSAC and TSAC participating lenders and lender servicers within a maximum turnaround time of three (3) business days measured from the Contractor's initial receipt of the claim file to the date recorded.

The Contractor shall provide TSAC the capability to produce a weekly production report of all claim files recorded on the system during the prior week to TSAC. The report shall include, at a minimum:

- Loan type,
- Number of student borrowers and parent borrowers,
- Dollar amounts,
- Lender or lender servicer name,
- Number of claim files processed.

The report shall also include the average turnaround time for all claim files recorded, the number of claim files recorded that exceeded the turnaround time, and the total number of days exceeded. (Refer to Attachment D, Schedule of Liquidated Damages)

A.6.c.4. System Edits.

The Contractor shall provide system edits for the receipt of claim files that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The system edits shall have the capability to detect all reject conditions during a single edit cycle to avoid multiple submissions of loan data. The Contractor shall accommodate any and all requests from TSAC to override the system edits received by telephone, fax, or email.

The Contractor shall also provide TSAC with a report of all of the system edits on-line or in hardcopy. The report shall include, at a minimum:

- System edit code number,
- System edit description, and
- Corrective action needed if a claim file rejects.

A.6.d. Review of Claim Files.

The Contractor shall review all claim files received as defined under federal regulations in order to determine whether a claim file should be returned, rejected, or approved for payment within twenty-five (25) business days of its receipt. This review shall also include Supplemental Claims and appeals.

Upon the initial review of a claim file, the Contractor shall determine if the borrower has other outstanding loans on the system that have not been included in the claim file. If the borrower has other outstanding loans, the Contractor must determine why these loans were not included in the claim file. TSAC acknowledges a variety of situations that may provide a plausible explanation; however, the Contractor must document why it is approving some loans for payment and not others.

A.6.d.1. Claim Files Returned.

When a claim file is returned due to an error, missing data, invalid data, or conflicting data, the Contractor shall contact the lender or lender servicer submitting the claim file either by letter, telephone, fax, or email in an effort to resolve all conditions for return without returning the claim file. If the Contractor is unable to resolve all conditions for return or the lender or lender servicer is unable to provide any additional documentation or information needed within five (5) business days of the initial reject of the claim file, the Contractor shall return the claim file to the lender or lender servicer. Every returned claim file shall be accompanied by a written explanation of the return defining the reason why the claim file was returned along with instructions to resolve all conditions.

A.6.d.2. Claim Files Rejected.

When a claim file is rejected due to an error, missing data, invalid data, or conflicting data, the Contractor shall contact the lender or lender servicer submitting the claim file either by letter, telephone, fax, or email in an effort to resolve all conditions for the reject without returning the claim file. If the Contractor is unable to resolve all conditions for reject or the lender or lender servicer is unable to provide any additional documentation or information needed with five (5) business days of the initial reject of the claim file, the Contractor shall return the claim file to the lender or lender servicer. Every rejected claim file shall be accompanied by a written explanation of the reject defining the reason why the claim file is being rejected along with instructions to resolve all conditions.

A.6.d.3. Claim Files Approved for Payment.

When a claim file is approved for payment, the Contractor shall schedule the claim for payment within thirty (30) days of approval. The Contractor shall produce for TSAC a weekly claims paid report of all approved claim files for payment that shall identify the amounts due to each lender or lender servicer. The report shall provide, at a minimum:

- Student borrower and/or parent borrower name,
- Social security number,
- Lender or lender servicer name and OPEID,
- Postsecondary school name and OPEID,
- Loan type,
- Insurance number,
- Guarantee date,
- Principal claim paid amount,
- Interest claim paid amount,
- Total claim paid amount, and
- Claim paid date.

If the Contractor has approved an amount less than the lender's or lender servicer's request (e.g., for violations of collection due diligence or timely filing requirements), the claims paid report will clearly explain the reason for the lesser payment. The Contractor shall provide TSAC the capability to produce a weekly claims paid report at least fifteen (15) business days prior to the scheduled claim paid date. The report shall also be designed for transmittal to lenders and lender servicers with their claim payment. TSAC pays each lender and lender servicer through ACH or by paper check for the approved claims included on the claims paid report.

The system shall be sufficiently flexible to the payment of claims on single accounts with loans at different rates of reinsurance and different student borrower and parent borrower interest rates.

For all aspects of claims processing, including, and without limitation, tracking and reporting claims statistics, invoicing, and reporting claim payments to lenders and lender servicers, a "claim" is defined as a lender's or lender servicer's single request for payment through either a manual or electronic claim form. TSAC shall require lenders and lender servicers to file a separate claim file for each loan type, but will

permit a lender or lender servicer to file a single claim file on Federal (subsidized and unsubsidized) Stafford Loans that have been combined into a single repayment schedule.

A.6.d.3.a. State of Tennessee Accounting and Reporting System.

The Contractor shall provide the capability for communication between the State of Tennessee Accounting and Reporting System (STARS) and the Federal Family Education Loan Program to load claim payment data. This process shall meet TSAC, the State of Tennessee, and the U. S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. This process shall provide the data required to create a payment transaction and provide the necessary forms, form layouts, formats, programs, procedures, and documents needed to process the transaction through STARS.

A.6.d.3.b. TSAC General Ledger System.

The Contractor shall provide the capability for communication between the TSAC General Ledger System and the Federal Family Education Loan Program to post/change/update data on the TSAC General Ledger. This process shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. This process shall also meet the requirements and applicable subcomponents designated by TSAC in this Scope of Services. The General Ledger System must be capable of operating in the State's technical environment. TSAC's network currently consists of a HP Proliant DL380, Novell Net Ware 6 Server Version 5.60.04 software and 10-100 Base TX Ethernet. Desktops are running Microsoft Windows XP Service Pack 2. The General Ledger System shall reside on a server located at the Contractor.

A.6.d.4. Reports.

The Contractor shall provide TSAC with comprehensive management reports in summary and detailed formats for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall provide TSAC with the capability to run reports selected according to the following criteria: daily, weekly, monthly, quarterly, fiscal years, and annual basis. The Contractor shall provide the capability for TSAC to print reports on-line. The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation used to provide the capability to print report on-line meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The management reports shall include, at a minimum:

- Lender or lender servicer name and OPEID,
- Postsecondary school name and OPEID,
- Number of student borrowers and parent borrowers,
- Social security number,
- Loan type,
- Insurance number,
- Guarantee date,
- Loan amount,
- Date claim file received,
- Claim type, and
- Number and dollar value of claim files processed by claim type.

The Contractor shall also provide TSAC the capability to produce monthly claims statistics for each month, cumulatively for the State fiscal year, Federal fiscal year, and calendar year for claims paid postsecondary school, lender and lender servicer. The report shall contain for each postsecondary school, lender and lender servicer the cohort default rate calculated by the Contractor for the previous quarter.

A.6.d.5. Tracking.

The Contractor shall provide TSAC the capability to track the receipt of claim files for all current and future FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans, from initial review of the claim file. The Contractor shall also have the capability to track the receipt of claim files, at a minimum:

- Loan type,
- Postsecondary school name and OPEID,
- Lender or lender servicer name and OPEID,
- Insurance number,
- Grade level,
- Number of student borrowers and parent borrowers,
- Number of loans,
- Date claim file received,
- Claim status type, and
- Dollar volume for each TSAC participating postsecondary school, lender, and lender servicer.

The Contractor shall also track the reason for each returned and rejected claim file on the system, along with the date of the return or rejection. The Contractor shall use this information in determining if a re-submitted claim file has been re-filed timely, and, if not, the extent of the penalty required. For each returned or rejected claim file, the Contractor shall identify all conditions for return or rejection before returning the claim file.

A.6.d.6. Turnaround Times.

The Contractor shall review all claim files received from TSAC and TSAC participating lenders and lender servicers within a maximum turnaround time of twenty-five (25) business days measured from the Contractor's initial receipt of the claim file to the date reviewed.

The Contractor shall provide TSAC the capability to produce a weekly production report of all claim files reviewed during the prior week to TSAC. The report shall include, at a minimum:

- Loan type,
- Number of student borrowers and parent borrowers,
- Dollar amounts,
- Lender or lender servicer name,
- Number of claim files reviewed.

The report shall also include the average turnaround time for all claim files reviewed, the number of claim files reviewed that exceeded the turnaround time, and the total number of days exceeded. (Refer to Attachment D, Schedule of Liquidated Damages)

A.6.d.7. System Edits.

The Contractor shall provide system edits for the review of claim files that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The system edits shall have the capability to detect all reject conditions during a single edit cycle to avoid multiple submissions of loan data. The Contractor shall

accommodate any and all requests from TSAC to override the system edits received by telephone, fax, or email.

The Contractor shall also provide TSAC with a report of all of the system edits on-line or in hardcopy. The report shall include, at a minimum:

- System edit code numbers,
- System edit descriptions, and
- Corrective action needed if a claim file rejects.

A.6.e. Bankruptcy Claims.

For each bankruptcy claim file received, the Contractor shall ensure that the lender, lender servicer, and the Contractor file a Proof of Claim with the appropriate bankruptcy court in a timely manner. The Contractor must also ensure that an Assignment of the Proof of Claim has been included with the bankruptcy claim file. The Contractor must take these steps even if the claim in question is not immediately approved for payment. The Contractor shall notify any other TSAC participating lenders and lender servicers with loans for the same borrower of the bankruptcy action.

The Contractor shall also notify any collection agency or default aversion professional counseling servicer to which the student borrower and/or parent borrower's loan has been assigned for post-default collection or default aversion assistance. The Contractor shall send copies of the Proof of Claim filed by the lenders and lender servicers, Assignment of the Proof of Claim, notices of adversary proceedings or other disputed bankruptcy matters to the Office of the Attorney General of the State of Tennessee, Bankruptcy Unit or other designated entity as identified by TSAC. TSAC may, at its discretion, subrogate any bankruptcy to another entity.

A.6.f. Death Claims.

The Contractor shall forward to TSAC any and all original death certificates and copies of promissory notes for review and approval for payment. The Contractor shall notify any other TSAC participating lenders or lender servicers with loans for the same borrower of the death claim.

A.6.g. Total and Permanent Disability Claims.

The Contractor shall forward to TSAC any and all original Total and Permanent Disability Discharge Request forms and claim files for review and approval for payment. The Contractor shall notify any other TSAC participating lenders or lender servicers with loans for the same borrower of the Total and Permanent Disability Discharge claim.

A.6.h. Teacher Loan Forgiveness.

The Contractor shall forward to TSAC any and all Teacher Loan Forgiveness Applications for review and approval for payment.

A.6.i. Unpaid Refund.

The Contractor shall forward to TSAC any and all Unpaid Refund Applications for review and approval for payment.

A.6.j. Sampling.

For state audit purposes, the Contractor shall send to TSAC copies of ten (10) claims reviewed after the first of each month in each of the following categories:

- Claim file approved for payment,
- Rejected claim files,
- Returned claim files,
- Bankruptcy claim files,
- False certification claim files, and
- Ineligible claim files.

A.7. Post-Claims Recovery for the Federal Family Education Loan Program.

The Contractor shall provide TSAC as part of the Internet-based system the capability of processing post-claims recovery for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.

A.7.a. Forms and Form Layouts.

Any and all forms and form layouts used to effectively manage the post-claims recovery process meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall create, print, and distribute on demand forms used to manage post-claims recovery for all claim types to accommodate the preferences of TSAC and TSAC participating postsecondary schools, lenders, and lender servicers within timeframes to be determined by TSAC.

The Contractor shall also provide to TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the forms, form layouts, formats, programs, procedures, and documentation to order forms either by telephone, fax, or email. Upon receipt of a request from TSAC and TSAC participating postsecondary schools, lenders, and lender servicers, the Contractor shall distribute the forms requested within three (3) business days after the Contractor receives the request. (Refer to Attachment D, Schedule of Liquidated Damages)

A.7.b. Post-Claims Recovery Activity.

The Contractor shall perform post-claims recovery activities on paid claim files (including claim files on which an "ineligible borrower" claim has been paid).

A.7.b.1. Student Borrower Letter.

The Contractor shall, within five (5) business days after the payment of a default claim to a lender or lender servicer, send a letter to the student borrower that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. The letter shall additionally state that the student borrower has the right to inspect TSAC records pertaining to the loan obligation and the right to request an administrative review of the legal enforceability or past-due status of the obligation. The letter shall identify the Contractor as TSAC's servicer, and disclose that it is an attempt to collect a debt. (Refer to Attachment D, Schedule of Liquidated Damages)

A.7.b.2. Parent Borrower Letter.

The Contractor shall, within five (5) business days after the payment of a default claim to a lender or lender servicer, send a letter to the parent borrower that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. The letter shall additionally state that the parent borrower has the right to inspect TSAC records pertaining to the loan obligation and the right to request an administrative review of the legal enforceability or past-due status of the obligation. The letter shall identify the Contractor as TSAC's servicer, and disclose that it is an attempt to collect a debt. (Refer to Attachment D, Schedule of Liquidated Damages)

A.7.b.3. Endorser Letter.

The Contractor shall, within five (5) business days after the payment of a default claim to a lender or lender servicer, send a letter to any endorser that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. The letter shall additionally state that the endorser has the right to inspect TSAC records pertaining to the loan obligation and the right to request an administrative review of the legal enforceability

or past-due status of the obligation. The letter shall identify the Contractor as TSAC's servicer, and disclose that it is an attempt to collect a debt. (Refer to Attachment D, Schedule of Liquidated Damages)

A.7.b.4. Rosters.

The Contractor shall, within five (5) business days after payment of a default claim to the lender or lender servicer, send rosters to the TSAC participating postsecondary school that certified the loan.

The rosters shall include, at a minimum:

- Student borrower and parent borrower name,
- Social security number,
- Lender or lender servicer name and OPEID,
- Insurance number,
- Guarantee date, and
- Claim paid date.

A.7.b.5. Hearings.

If the student borrower, parent borrower, or endorser requests a hearing, the Contractor shall immediately notify TSAC. TSAC shall schedule and conduct a hearing and report its results to the student borrower, parent borrower, or endorser. TSAC shall record the results of the hearing on the system. If a student borrower or parent borrower requests such a hearing within sixty (60) days of the notice, the Contractor shall immediately suspend all collection activity from the point of its receipt of the request until a final disposition has been made by TSAC. If an endorser requests such a hearing within sixty (60) days of the notice, the Contractor shall immediately suspend all collection activity directed at the endorser for the portion of the debt co-signed by the endorser until a final disposition has been made by TSAC.

Immediately following TSAC's final disposition of the hearing, the Contractor shall resume collection activities on any portion of the defaulted debt not discharged as a result of the hearing.

If the student borrower, parent borrower, or endorser, if applicable, does not promptly respond to the final disposition with an agreement to repay the defaulted loan, the Contractor shall attempt to contact the student borrower, parent borrower, or endorser, by telephone and/or letter. If the student borrower's, parent borrower's, or endorser's address or telephone number is unknown, the Contractor shall diligently attempt to obtain a valid address or telephone number through normal commercial skip tracing techniques.

Upon contact with a student borrower, parent borrower, or endorser, the Contractor shall first press for immediate payment in full, or, in the case of an endorser, the portion of the debt co-signed by the endorser. If the student borrower, parent borrower, or endorser is unable to immediately pay the debt in full, the Contractor shall attempt to secure an agreement to repay the debt in monthly installments within a timeframe permitted by federal regulation. If the student borrower, parent borrower, or endorser agrees to a repayment arrangement, the Contractor shall send the student borrower, parent borrower, or endorser a letter confirming the terms of the agreement, and provide a schedule of payments to be made. For as long as the student borrower, parent borrower, or endorser adheres to such an agreement, the Contractor shall provide payment coupons or monthly billing statements to facilitate repayment.

A.7.c. Payments on Defaulted Loans.

The Contractor shall instruct all parties submitting payments on defaulted loans (including, and without limitation, student borrowers, parent borrowers, endorsers, employers, and collection agencies) to direct their payments to TSAC's lockbox specified for the receipt of payments on defaulted loan.

The Contractor shall process all payments on defaulted loans within forty-eight (48) hours of their receipt in the lockbox. If the payment can be identified with a defaulted loan, the Contractor shall immediately apply it to such loan, allocating the payment first to collection charges (if any are being assessed on the account), then to accrued interest, principal, and other charges, including late charges, if TSAC elects to implement them. If a payment cannot be identified with a defaulted loan, the Contractor shall place it in a suspense file and promptly take all reasonable actions to identify the loan for which it was intended, including contacting the submitter of the payment by telephone, letter, or email.

On a weekly basis, the Contractor shall report to TSAC the number and dollar value of payments in the suspense file. The Contractor shall comply with directives from TSAC and the rules of the Office of the Comptroller of the State of Tennessee regarding the disposition of unidentified and unclaimed payments.

The system shall automatically assess collection charges according to parameters established by TSAC and in accordance with federal regulations regarding the timing, amounts, and waiver of collection charges.

The system shall have the capacity to identify any borrower who, through consistent repayment on a defaulted account, has re-established eligibility for Title IV aid, to enable such a borrower's new loan application to be approved for guarantee without manual intervention.

When an account becomes paid-in-full, the Contractor shall send the borrower and endorser, if applicable, a notice confirming the paid-in-full status. This notice shall not be sent sooner than thirty (30) days or later than sixty (60) days after the receipt of the final payment on the account. The Contractor's system shall have the capacity to accurately account for refunds, including "injured spouse" refunds of federal offsets, and for reversals for insufficient funds. The system shall also have the capacity to automatically write off small balances on defaulted accounts that fall within dollar thresholds determined by TSAC. (Refer to Attachment D, Schedule of Liquidated Damages)

The system shall also process, track, and report on any settlements or compromises of larger balances as determined by TSAC. Settlement or compromises of larger balances shall be based upon U.S. Department of Education statutory and regulatory requirements.

A.7.c.1. Default Payment Lockbox.

The Contractor shall provide TSAC with a separate lockbox for payments on defaulted loans at a State of Tennessee approved financial institution. The lockbox shall also meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements for the receipt and processing of default payments.

The Contractor is responsible for the accounting of all payments received at the lockbox. The Contractor shall remit all payments received at their location to the lockbox for deposit. A report summarizing the payments shall be provided to TSAC by the twentieth (20th) business day of the month following the month collected. A detailed accounting of all movement of funds in this lockbox account shall be provided to the Contractor by TSAC by the thirtieth (30th) business day of the month following the month collected.

A.7.c.1.a. State of Tennessee Accounting and Reporting System.

The Contractor shall provide the capability for communication between the State of Tennessee Accounting and Reporting System (STARS) and the Federal Family Education Loan Program to load claim payment data. This process shall meet TSAC, the State of Tennessee, and the U. S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. This process shall provide the data required to create a deposit transaction and provide the necessary forms, form layouts, formats, programs, procedures, and documents needed to process the transaction through STARS.

A.7.c.1.b. TSAC General Ledger System.



The Contractor shall provide the capability for communication between the TSAC General Ledger System and the Federal Family Education Loan Program to post/change/update data on the TSAC General Ledger. This process shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. This process shall also meet the requirements and applicable subcomponents designated by TSAC in this Scope of Services. The General Ledger System must be capable of operating in the State's technical environment. TSAC's network currently consists of a HP Proliant DL380, Novell Net Ware 6 Server Version 5.60.04 software and 10-100 Base TX Ethernet. Desktops are running Microsoft Windows XP Service Pack 2. The General Ledger System shall reside on a server located at the Contractor.

A.7.c.2. Payment Coupons.

The Contractor shall create and distribute payment coupons to student borrowers and parent borrowers with default loans. The payment coupons shall include, at the minimum:

- Student borrower and/or parent borrower name,
- Student borrower and/or parent borrower street address, city, state, and zip code,
- Social security number,
- Loan balance,
- Amount of outstanding principal,
- Amount of accrued interest,
- Amount of collection costs,
- Payment due date, and
- Payment amount.

A.7.c.3. Warrant Refunds.

The Contractor shall provide the capability for TSAC to create a Claim for Refund form for all refund transactions.

The Claim for Refund form shall include, at a minimum:

- Payee,
- Student's and/or parent's name,
- Social security number,
- Amount of refund,
- Reason for refund,
- Fiscal ID, and
- Allotment code.

A.7.c.3.a. State of Tennessee Accounting and Reporting System.

The Contractor shall provide the capability for communication between the State of Tennessee Accounting and Reporting System (STARS) and the Federal Family Education Loan Program system to record refund payment data. This process shall meet TSAC, the State of Tennessee, and the

U. S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives. This process shall provide the data required to process refund transactions and create the necessary forms, form layouts, formats, programs, procedures, and documents needed to process the transactions through STARS.

A.7.c.3.b. TSAC General Ledger System.

The Contractor shall provide the capability for communication between the TSAC General Ledger System and the Federal Family Education Loan

Program system to post//change/update data on the TSAC General Ledger. This process shall meet TSAC, and the State of Tennessee's statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives. This process shall also meet the requirements and applicable sub-components designated by TSAC in this Scope of Services. The General Ledger System must be capable of operating in the State's technical environment. TSAC's network currently consists of a HP Proliant DL380, Novell Net Ware 6 Server Version 5.60.04 software and 10-100 Base TX Ethernet. Desktops are running Microsoft Windows XP Service Pack 2. The General Ledger System shall reside on a server located at the Contractor.

A.7.d. Reinsurance.

The Contractor shall ensure that all claims for reinsurance to which TSAC is entitled are filed with the U.S. Department of Education within allowable timeframes as defined by federal regulations.

A.7.e. Reporting on Defaults.

If a borrower or endorser fails to establish an agreement to repay the defaulted debt within sixty (60) days of the initial notice sent after the payment of the claim, the Contractor shall:

- Enter into agreements with all national credit bureaus and report to them at least monthly in the manner and within established timeframes acceptable to TSAC, the State of Tennessee, the U.S. Department of Education, and the credit bureaus,
- Provide information on defaulted loans to other guaranty agencies according to reciprocal agreements established with TSAC,
- Provide information to other entities as required by TSAC,
- Provide information to the TSAA, TELS, Scholarships and Loan Forgiveness Programs at TSAC, and
- Research and resolve any disputes arising from credit bureau reporting within timeframes required by law.

The Contractor shall note, in the system, all parties notified and the date information was provided.

A.7.f. Collection Agencies.

The Contractor shall provide TSAC with post-claims recovery assistance and coordinate with professional collection agencies as approved by TSAC. Any requests to subcontract for these services shall be made in accordance with D.5. of this Contract.

The Contractor shall assign accounts using a competitive performance basis methodology approved by TSAC and as defined by federal regulations. This methodology shall establish a monthly placement percentage for each collection agency based upon their performance.

The Contractor shall also assign any newly defaulted account to a collection agency that is actively pursuing recovery of another defaulted debt for the same borrower. TSAC's objectives for the use of competing collection agencies are to maximize default recoveries and to avail itself of the alternative collection procedures for defaulted loans allowed under federal regulations. The Contractor's monitoring of collection agencies, therefore, must assure that the requirements of the federal regulations are being met. The Contractor shall assume full responsibility for the accuracy, timeliness, and legal compliance of all collection, payment processing, and reporting activities of the collection agencies.

The Contractor shall require all collection agencies to submit payments received to the payment lockbox within forty-eight (48) hours of receipt. Each collection agency's system must allocate borrower payments in the same manner as the TSAC's system, and must account for collection charges according to federal regulatory requirements. Each collection agency's system must be able to handle multiple interest rates within a single account.

The Contractor shall assign new accounts to the collection agencies, no less frequently than weekly, through an electronic transmission. Each collection agency shall be required to send the Contractor a report acknowledging placements received within a week of their receipt. The Contractor shall compare this report to its placement file to the agency to assure that all accounts were successfully received and loaded to the collection agency's system.

On a monthly basis, the Contractor shall send each agency an electronic transmission of all accounts actively placed with the agency, and shall require the agency to reconcile any discrepancies in account status (e.g., active, closed) and to adjust its balances for principal, interest, unpaid collection charges, and other charges to the figures provided by the Contractor.

A.7.f.1. Performance Tracking.

Each month, the Contractor shall select at random thirty (30) active accounts from each collection agency to audit the agency's compliance with federal due diligence and contractual standards. The Contractor shall promptly report any findings to the agency and require the agency to confirm all corrective actions taken. The Contractor shall immediately report to TSAC any and all egregious or systematic errors discovered in such an audit, and shall immediately take any corrective or disciplinary action with the agency recommended by TSAC, including termination of the collection agency's contract.

Once a year, the Contractor shall conduct an on-site audit of each collection agency. The Contractor's audit procedures must cover, at minimum, reviews of procedural and systematic controls for regulatory compliance, fiscal integrity, accuracy and timeliness of payment processing, system capacity, adequacy of personnel, and physical and information security. The audit should include monitoring of collection calls placed on TSAC accounts.

The results of such audits shall be one component of a comprehensive monthly report from the Contractor to TSAC analyzing the overall recovery effectiveness of all collection agencies and of the Contractor. In addition to audit results, the report will provide, at minimum, for each entity:

- The number and percentage of accounts in repayment,
- Gross and net recoveries expressed in dollars and as percentages of placed accounts broken out by traditional collections, rehabilitation payoffs, and consolidation payoffs, and
- The number and dollar value, and percentages for each, of accounts assigned to the U.S. Department of Education.

The Contractor shall also provide a Default Collections Reconciliation Report or its equivalent developed in consultation with TSAC's management. The report shall report collection activity for each month and shall be delivered by the fifth (5th) of the following month.

A.7.g. Treasury Offset.

The Contractor shall be fully committed to this process and be able to provide procedures and documentation needed to initiate and process a Treasury offset.

The system shall fully support the certification of borrowers to the U.S. Treasury's Financial Management Service for the purpose of intercepting federal payments (including tax refunds) to offset defaulted debts.

The Contractor shall conduct all Federal Offset activities on behalf of TSAC, including, and without limitation:

- Sending initial notices to defaulted borrowers of the intent to offset and notifying them of their rights to enter repayment agreements or oppose offsets,
- Automatically post offset payments and refunds from electronic files received from the U.S. Treasury,
- Prepare offset refund requests for borrowers and spouses for TSAC's approval and payment, and
- Update borrowers' accounts with all offset activities.

The Contractor shall comply with all of the requirements set forth by the U.S. Department of Education and U.S. Treasury for the Treasury Offset program.

A.7.h. Administrative Wage Garnishment.

The Contractor shall provide TSAC with forms, form layouts, formats, programs, procedures, and documentation needed to initiate an Administrative Wage Garnishment process. The Contractor shall attempt Administrative Wage Garnishment on all non-paying defaulted borrowers. The Contractor shall attempt to identify employers through normal collection techniques. The Contractor shall also be expected to develop automated data matches with other employment systems as access to such systems becomes available to TSAC.

The Contractor shall comply with all the provisions of 34 CFR 682.410(b)(10) and the U.S. Department of Education's interpretation of that regulation in conducting Administrative Wage Garnishment activities, including, and without limitation:

- Sending borrower and employer notices and garnishment orders approved by the U.S. Department of Education,
- Issuing garnishment orders by the two hundred and twenty-fifth (225th) day of delinquency;
- Suspending normal due diligence activities during garnishment procedures,
- Resuming normal due diligence activities at the correct stage of delinquency at the termination of garnishment procedures,
- Allowing borrowers adequate opportunity to enter voluntary repayment or oppose garnishment actions,
- Referring all requests for administrative hearings on garnishment actions to TSAC, and providing TSAC with the documentary support to conduct such hearings,
- Promptly applying garnishment payments to borrowers' accounts while correctly identifying the employer sources of such payments, and
- Identifying and following up with non-paying employers.

A.7.i. Suspension of License.

The Contractor shall provide TSAC with forms, form layouts, formats, programs, procedures, and documentation needed to initiate a process to discipline, suspend, deny, or revoke the professional license of any person who has defaulted on Federal Family Education Loan Program loan.

The Contractor shall be expected to develop automated data matches with other employment systems as access to such systems becomes available to TSAC.

The Contractor shall comply with all the provisions of Tennessee Code Annotated Title 23-3-111; Title 49-5-108; Title 56-1-312; and Title 61-1-141 and mirror the process used for Administrative Wage Garnishment.

A.7.j. Rehabilitation.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed for the TSAC Rehabilitation Loan Program that meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The system shall automatically identify borrowers who qualify for Loan Rehabilitation according to federal statutory and regulatory requirements. As frequently as monthly, the Contractor shall send system-generated notices to qualifying borrowers asking for permission to rehabilitate their accounts. The Contractor shall record borrowers' permission to rehabilitate on the system, and then prepare rosters of rehabilitation accounts to be purchased by a lender or lenders designated by TSAC.

The Contractor shall apply rehabilitation payoffs as a separate payment type on the individual accounts to ensure that such recoveries are correctly reported in TSAC's Forms 2000 reporting.

The Contractor shall delete all successfully rehabilitated loans from its reporting to national credit bureaus.

A.7.k. Reasonable and Affordable Repayment.

The Contractor shall be fully committed to this process and be able to provide procedures and documentation needed to process a “reasonable and affordable” payment request.

The Contractor shall have the ability to establish, record, and track temporary repayment agreements on defaulted loans, including agreements established according to regulatory guidelines for “reasonable and affordable” repayment. In establishing a “reasonable and affordable” repayment schedule, the Contractor shall collect and evaluate sufficient documentary evidence of the borrower’s financial situation, record its receipt on the system, and store the documents in the borrower’s file.

The Contractor shall send a notice to the borrower prior to the expiration of the “reasonable and affordable” agreement, and, if the borrower does not respond, automatically re-convert the borrower to a standard repayment schedule.

A.7.l. Loan Assignment.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to process a loan assignment meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The system shall accommodate the mandatory assignment of non-paying defaulted accounts, voluntary assignment of non-paying defaulted accounts, and accounts conditionally discharged for a Total and Permanent Disability to the U.S. Department of Education according to guidelines established by the U.S. Department of Education.

A.8. Program Management for the Federal Family Education Loan Program.

A.8.a. Address Labels.

The Contractor shall provide the capability for TSAC to print address labels on-line for TSAC participating postsecondary schools, lenders, and lender servicers.

A.8.b. Common Manual Support.

The Contractor shall be responsible for the distribution of the latest revisions of the Common Manual to TSAC personnel and TSAC participating postsecondary schools, lenders, and lender servicers as determined by TSAC. The Contractor shall make the Common Manual available to TSAC participating postsecondary schools, lenders, and lender servicers, in manual and electronic formats, according to the postsecondary school’s, lender’s, or lender servicer’s preferences. The Contractor shall also be responsible for emailing or providing on-line access to all policy updates to the Common Manual published by the Common Manual Governing Board, and shall ensure that such updates are distributed with the timeframes specified by the Common Manual Governing Board.

The Contractor shall be responsible for all associated costs related to TSAC’s participation on the Common Manual Governing Board.

A.8.c. Correspondence.

All correspondence sent to student borrowers and parent borrowers from the Contractor shall be on official TSAC letterhead. The letter shall show the Contractor’s address, telephone number, and toll-free telephone numbers. Envelopes shall be similarly labeled. The letterhead shall also identify the Contractor as TSAC’s servicer for those uses where such identification is necessary to comply with federal and state debt collection laws. All letters shall be printed at and distributed by the Contractor.

The Contractor shall respond to correspondence received from the student borrowers and parent borrowers within forty-five (45) days of receipt. Any response made by the Contractor shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

A.8.d. Document Management.

The Contractor shall use a document management system for storing and retrieving any and all documents and reports processed by the Contractor which shall include, at a minimum:

- Loan applications,
- Master Promissory Notes,
- Loan maintenance updates,
- Loan volume reports, and
- Claim files.

The Contractor shall provide the capability for designated TSAC personnel to retrieve any and all stored images of documents or reports on-line at the TSAC office.

A.8.e. Marketing Representative.

The Contractor shall designate professional level management personnel to serve as a marketing representative for the Federal Family Education Loan Program. The marketing representative should have knowledge of the Internet-based products and be able to travel. The primary responsibility of the marketing representative is to provide information to postsecondary schools, lenders, and lender servicers on the services offered by TSAC. The marketing representative shall coordinate the marketing activities under TSAC's guidance and approval. The Contractor shall provide the representative with a computer, laptop, and other equipment needed to perform the duties of this marketing representative at no additional cost to TSAC.

In the event TSAC becomes dissatisfied with the representative, it shall submit to the Contractor written notice thereof, showing reasonable cause why a substitution should be made. If the Contractor is unable to correct the conditions cited by TSAC within thirty (30) business days from the receipt of such notice, the Contractor shall make a substitution. Any and all Contractor support personnel and/or future substitutes must be approved by TSAC.

A.8.f. On-line Inquiries.

The Contractor will provide the capability for selected TSAC personnel to make on-line inquiries to student borrowers records, parent borrowers records, TSAC participating postsecondary school, lender, lender servicer, guarantor profiles, and print screens as designated by the Program Administrator and TSAC's Executive Director. In addition, the Contractor also will provide selected TSAC personnel with update capability as designated by the Program Administrator and TSAC's Executive Director.

A.8.g. Procedures Supplement.

The Contractor shall provide to TSAC a Procedures Supplement to the Common Manual. The Supplement shall clearly state that it is not part of the Common Manual nor endorsed by the Common Manual Governing Board. It shall, however, follow the outline of the Common Manual and explain, in detail, the procedures, forms, form layouts, formats, programs, software, and reporting formats to be used by TSAC and TSAC participating postsecondary schools, lenders and lender servicers to comply with the policies set forth in the Common Manual. The Supplement should provide sufficient information and guidance – through procedural narratives and illustrations – to enable new lender or postsecondary school personnel begin loan processing with TSAC.

A.8.h. Publications.

The Contractor shall assist TSAC with the marketing of the Federal Family Education Loan Program by creating, producing, and distributing informational publications for use by TSAC participating postsecondary schools, lenders, and lender servicers, and for potential student

borrowers and parent borrowers for the Federal Family Education Loan Program. These publications shall include, at a minimum:

- Informational brochures for student borrowers and parent borrowers on each loan program,
- Informational brochures for student borrowers and parent borrowers on default prevention,
- Informational brochures for student borrowers and parent borrowers on debt counseling and management, and
- Informational brochures for student borrowers and parent borrowers on repayment options.

A.8.i. Reports.

The Contractor shall produce TSAC with comprehensive management reports in summary and detailed formats for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. These reports shall be provided on a daily, weekly, monthly, quarterly, fiscal years, and annual basis, and shall provide TSAC with information to gauge past performance and to project future opportunities.

The Contractor shall also provide the capability for TSAC to print the reports on-line. The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation used to provide the capability to print reports on-line meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The management reports shall include, at a minimum:

- Statistical analysis by loan type, loan status, undergraduate and graduate student borrower, parent borrower, postsecondary school type, and lender or lender servicer.
- Statistical analysis of the total loan portfolio by loan type, loan status, undergraduate and graduate student borrower, parent borrower, postsecondary school, and lender or lender servicer.
- Outstanding loan volume by loan type, number of loans, total dollar volume for each loan type, loan status, postsecondary school type, lender or lender servicer, undergraduate and graduate student borrowers by age, sex, Tennessee congressional district, geographical distribution by zip code, and parent borrowers by age, sex, Tennessee congressional district, geographical distribution by zip code.
- Annual performance report listing a summary of achievements made throughout the State fiscal year, listing of all of the services provided to TSAC, student borrowers, parent borrowers, TSAC participating schools, lenders, and lender servicers along with the efforts made to improve them throughout the year, loan volume for the top ten (10) postsecondary schools, loan volume for the top ten (10) lenders, a discussion of difficulties encountered with any phase of servicing and how they were resolved, and recommendations and rationales for changes and/or improvements in the Federal Family Education Loan Program in Tennessee due by September 1<sup>st</sup> of each year and shall report on activity for the State fiscal year (July 1 – June 30). The Contractor shall produce up to fifty (50) copies of the report.
- The Contractor shall be responsible for preparing a monthly financial accounting report of lockbox collections to TSAC.
- The Contractor, utilizing the TSAC General Ledger System, shall report the item entries for all accounting transactions, upon request from TSAC. These line item entries shall correspond to entries the Contractor will be making on its own system. For example when a payment is received, the Contractor shall update the TSAC General Ledger System line items for entries to reinsurance received, origination fees, maintenance fees, IRS refunds due TSAC, repurchases, refunds and overpayments, recoveries submitted, rehabilitated loans, compliment of collection, the non-reinsured portion of the reinsurance. The purpose of this report is to ensure that both TSAC's records and the Contractor's records agree at all times; therefore, making the preparation of federal and state reports more accurate.

All reports shall be made available to TSAC in daily, weekly, monthly, quarterly, State fiscal year, Federal fiscal year, and calendar year formats to accommodate the preferences of TSAC.

A.8.j. Support for Lender and Postsecondary School Management.

The Contractor shall provide postsecondary school, lender, and lender servicer profiles to TSAC that tracks, at a minimum, the program eligibility and levels of participation with each of the TSAC participating postsecondary schools, lenders, and lender servicers. The profiles shall show the current number of loans and corresponding total dollar volume for each loan type and loan status for the month, quarter, State fiscal year (July 1 – June 30), Federal fiscal year (October 1 – September 30), Calendar year (January 1 – December 31), and cumulative by loan status, each loan type and all loan types.

The postsecondary school, lender, and lender servicer profiles shall show the volumes of loans guaranteed against any limitations imposed by TSAC, and shall be used to reject loan applications in the event a postsecondary school, lender, or lender servicer has reached its guarantee limit in any loan program. These profiles shall also include, at a minimum:

- De-certified by the U.S. Department of Education for failure to submit their quarterly Lender's Interest and Special Allowance Report (ED Form 799),
- Designated an Exceptional Performer,
- Postsecondary schools utilizing Disbursement Support,
- Lenders or lender servicers utilizing Disbursement Support,
- Blanket Guarantee lender or lender servicer,
- Cohort Default Rate, and
- Multiple servicer information.

The Contractor shall collect information regarding changes in eligibility, address, telephone, e-mail address, or point of contact for all postsecondary schools, lenders, and lender servicers on the system and shall promptly notify TSAC of any changes.

The Contractor shall produce a monthly listing of all postsecondary schools, lenders, and lender servicers on the system on-line to TSAC. The monthly listings shall be sorted alphabetically by the postsecondary school, lender, and lender servicer name and numerically by the postsecondary school, lender, and lender servicer number.

A.9. TSAA, TELS, Scholarships, and Loan Forgiveness Programs System.

The Contractor shall provide as part of the Internet-based system the capability of tracking the application process for all active and future programs from the initial system, selection process, disbursement, cancellation, repayment, and history information for the TSAA, TELS, scholarships, and loan forgiveness programs. The system shall be accessible by TSAC and TSAC participating postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, and students.

The TSAA, TELS, scholarships, and loan forgiveness programs system shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives.

The Contractor shall provide the forms, form layouts, formats, programs, procedures, and documentation needed to facilitate the administration of the TSAA, TELS, scholarships, and loan forgiveness programs. The Contractor shall ensure the form layouts, formats, programs, procedures, and documentation needed to facilitate the administration of the TSAA, TELS, scholarships, and loan forgiveness programs shall meet TSAC, the State of Tennessee, and the U.S. Department of Education's statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives.

The Contractor shall provide a method of importing and converting the existing data for all programs that currently reside on the existing Internet-based system, as well as the in-house loan forgiveness programs located in Access and Excel. The imported and converted data must be utilized in a system that meets and exceeds the requirements stated in this Scope of Services.

The system must interface with the State of Tennessee Accounting and Reporting System (STARS), the Tennessee State Department of Education, the Tennessee Higher Education Commission (THEC),



the Tennessee Department of Safety, the Tennessee State Department of Labor, and TSAC's General Ledger System. (Refer to Attachment B, State of Tennessee Interface Protocols)

A.9.a. Application Origination.

A.9.a.1. TSAA and TELS Programs.

The Contractor shall provide for a Destination Point for the TSAA and TELS programs with the U.S. Department of Education's approved Central Processor to download and maintain the Institutional Student Information Record (ISIR). The ISIR serves as application data used in the TSAA and TELS programs to determine student eligibility. The Contractor shall track all applicants. The Contractor shall download the ISIR data on a daily basis as required by TSAC.

All form layout and system changes made to the ISIR shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives.

A.9.a.2. Scholarships and Loan Forgiveness Programs.

The Contractor shall provide TSAC as part of the Internet-based system an application origination process that allows for on-line application data, data transmittal, and status tracking for the scholarships and loan forgiveness programs.

A.9.b. Electronic Application Processing.

The Contractor shall provide the capability for TSAC to receive/add/change/delete/update application data from students, participating postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, and the Tennessee State Department of Education through the TSAA, TELS, scholarships, and loan forgiveness programs system available through the TSAC website.

The Contractor shall provide the forms, form layouts, formats, programs, procedures, and documentation for TSAC, participating postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, and students to receive, print, and add/change/delete/update application data. The Contractor shall ensure the form layouts, formats, programs, procedures, and documentation needed to receive, print, and add/change/delete/update application data meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives.

The Contractor shall provide to TSAC the capability to add/change/delete/update data, and print any and all processing reports or their equivalents upon request. All system edits shall meet TSAC, State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements and comply with all applicable statutes, regulations, directives, and initiatives. Any and all changes made to the system edits shall be made within timeframes to be determined by TSAC and shall meet TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives, and shall be made at no additional cost to TSAC. Any and all changes are also subject to TSAC's prior approval.

A.9.b.1. TSAA and TELS Programs.

The Contractor shall process and edit ISIR information received from the Central Processor, TSAC, participating postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, the Tennessee State Department of Education, and students. The Contractor shall provide to TSAC the capability to add/change/delete/update application data, print application data, reports, letters, and mailing labels available through the TSAC website or in hardcopy format for any postsecondary school, high school, or student using a manual process.

The Contractor shall maintain the ISIR information for no less than five (5) years.

The Contractor shall record each add/change/delete/update transaction made to TSAA and TELS applications entered by TSAC, postsecondary schools, high schools,

vocational rehabilitation counselors, workforce investment case managers, the Tennessee State Department of Education, and students participating in the TSAA and TELS programs. The transaction will be recorded by TSAC user, ISIR, individual student, postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, and the Tennessee State Department of Education participating in the TSAA and TELS programs. ISIR data will be recorded on the TSAA and TELS system.

The Contractor shall also provide a daily report to TSAC of all add/change/delete/update transactions made to the TSAA and TELS system by date that includes, at a minimum:

- Student name,
- Social security number,
- Program name,
- Data changed,
- Source of change, and
- Date change occurred.

The Contractor shall provide appropriate security with Secure Socket Layer (SSL), and digital certificates at specified requirement levels for date input and review by TSAC, participating postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, the Tennessee State Department of Education, and students.

#### A.9.b.2. Scholarships and Loan Forgiveness Programs.

The Contractor shall provide to TSAC the capability to add/change/delete/update application data, print application data, reports, letters, and mailing labels available through the TSAC website or in hardcopy format for any postsecondary school, high school, or student using a manual process.

The Contractor shall record each add/change/delete/update transaction made to scholarships and loan forgiveness applications entered by TSAC, postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, the Tennessee State Department of Education, and students participating in the scholarships and loan forgiveness programs. The transaction will be recorded by TSAC user, individual student, postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, and the Tennessee State Department of Education participating in the scholarships and loan forgiveness programs.

The Contractor shall provide the capability for TSAC and student applicants to receive reports on application status on an individual or composite basis.

The Contractor shall also provide a daily report to TSAC of all add/change/delete/update transactions made to the scholarships and loan forgiveness programs system by date that includes, at a minimum:

- Student name,
- Social security number,
- Program name,
- Test scores,
- GPA,
- Data changed,
- Source of change, and
- Date change occurred.

The Contractor shall provide appropriate security with Secure Socket Layer (SSL), and digital certificates at specified requirement levels for date input and review by TSAC, participating postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, the Tennessee State Department of Education, and students.

A.9.c. Postsecondary School and High School Profiles.

The Contractor shall provide postsecondary school and high school profiles to TSAC listing participating postsecondary schools and high schools that have add/change/delete/update capabilities for administering students in the TSAA, TELS, scholarships, and loan forgiveness programs.

A.9.c.1. Postsecondary School Profile.

The postsecondary school profile shall include, at a minimum:

- Postsecondary school name,
- Postsecondary school federal number,
- Director of financial aid,
- Director of financial aid (title),
- Director of financial aid (email address),
- Second contact name and address,
- Postsecondary school mailing address,
- Postsecondary school phone number,
- Postsecondary school fax number,
- Postsecondary school's vocational rehabilitation counselor (name),
- Postsecondary school's vocational rehabilitation counselor (email address),
- Postsecondary school's workforce case manager (name),
- Postsecondary school's workforce case manager (email address),
- Awards by program, and
- Students by program.

A.9.c.2. High School Profile.

The high school profile shall include, at a minimum:

- School name,
- School ACT code,
- School district,
- Principal's name,
- Principal's email address,
- Counselor's name,
- Counselor's email address,
- School mailing address,
- School phone number,
- School fax number,
- Student's per grade level,
- Awards by program, and
- Student's by program.

The Contractor shall provide TSAC with the capability to add/change/delete/update the postsecondary school and high school profile. The Contractor will provide participating postsecondary schools and high schools with online capability to change/update information required by TSAC.

A.9.d. Eligibility Tables and Calculations.

The Contractor shall provide and maintain the tables and calculations necessary to determine if an applicant is eligible or ineligible for the TSAA, TELS, scholarships, and loan forgiveness programs.

A.9.d.1. TSAA and TELS Programs.

The Contractor shall create a matrix tables from data provided by TSAC that is used to determine an applicant's eligibility for the TSAA and TELS programs. The Contractor shall ensure the forms, form layouts, formats, programs, procedures and documentation used in the matrix tables shall meet TSAC, the State of Tennessee,

and the U.S. Department of Education's statutory and regulatory requirements, and comply with all applicable status, regulations, directives and initiatives.

A.9.d.2. Scholarships and Loan Forgiveness Programs.

The Contractor shall provide calculations and ranking of applicants to determine eligibility for the scholarships and loan forgiveness programs. The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation used to perform the calculations and rankings shall meet TSAC, the State of Tennessee, and the U.S. Department of Education's statutory and regulatory requirements, and comply with all applicable status, regulations, directives and initiatives.

A.9.e. Electronic Exchange of Data.

A.9.e.1. TSAC Federal Family Education Loan Program.

The Contractor shall provide the capability for communication between the TSAC Federal Family Education Loan Program (FFELP) system and the TSAA, TELS, scholarships, and loan forgiveness programs system to mark ineligible any TSAA, TELS, scholarship, and loan forgiveness program records that match an outstanding defaulted FFELP student loan on the TSAC Federal Family Education Loan Program system. This electronic exchange of data shall meet TSAC, the State of Tennessee, and the U.S. Department of Education's statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives.

A.9.e.2. Tennessee Department of Safety.

The Contractor shall provide the capability for communication between the Tennessee Department of Safety Driver License (TSDSL) system and the TSAA, TELS, scholarships, and loan forgiveness programs system to update TSAA, TELS, scholarships, and loan forgiveness records with the driver license state and number, county code, sex, and race as indicated on the TSDSL system. This electronic exchange of data shall meet TSAC, and the State of Tennessee's statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives. (Refer to Attachment B, State of Tennessee Interface Protocols)

The Contractor shall generate an error report listing all applicants who do not match any data on the TSDSL system including, at a minimum, the applicants' name and social security number.

A.9.e.3. Tennessee State Department of Education.

The Contractor shall provide the capability for communication between the Tennessee State Department of Education's High School Transcript system and the TSAA, TELS, scholarships, and loan forgiveness programs system to update each applicant record with high school transcript data. This electronic exchange of data shall meet TSAC, and the State of Tennessee's statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives.

The Contractor shall generate an error report listing all applicants who do not match any data from the system including, at a minimum, the applicants' name and social security number and high school.

A.9.e.4. American College Testing.

The Contractor shall provide the capability for communication between American College Testing (ACT) and the TSAA, TELS, scholarships, and loan forgiveness programs system to update each applicant record with the high school name, ACT score, high school grade point average (GPA).

The Contractor shall generate an error report listing all applicants who do not match any data on the ACT system including, at a minimum, the applicants' name and social security number.

A.9.e.5. Scholastic Aptitude Test.

The Contractor shall provide the capability for communication between College Board/Scholastic Aptitude Test (SAT) and the TSAA, TELS, scholarships, and loan forgiveness programs system to update each applicant record with the high school name, SAT score, high school grade point average (GPA).

The Contractor shall generate an error report listing all applicants who do not match any data on the College Board/SAT system including, at a minimum, the applicants' name and social security number.

A.9.e.6. Tennessee State Department of Labor.

The Contractor shall provide the capability for communication between the Tennessee State Department of Labor and the TSAA, TELS, scholarships, and loan forgiveness programs system to update each applicant record with General Educational Development (GED) data.

This electronic exchange of data shall meet TSAC, and the State of Tennessee's statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives. (Refer to Attachment B, State of Tennessee Interface Protocols)

The Contractor shall generate an error report listing all applicants who do not match any data on the Tennessee State Department of Labor system including, at a minimum, the applicants' name and social security number.

A.9.f. Electronic Roster Processing.

The Contractor shall provide to TSAC the capability to produce applicant rosters sorted by participating postsecondary schools, high schools, vocational rehabilitation counselors, and workforce investment case managers for each active program that indicates all eligible or selected applicants. The Contractor shall provide for an Audit, Information, Certification, Payment, and Reconciliation roster.

The rosters shall include, at a minimum:

- Participating postsecondary school,
- Participating high school,
- School district,
- Applicant name,
- Social security number,
- Award amount by semester/quarter,
- Estimated Family Contribution (EFC) for TSAA only,
- Comments section,
- Self reported grade point average (GPA) for TELS only,
- Weighted GPA for TELS only,
- Unweighted GPA for TELS only,
- ACT, SAT, and GED scores,
- Source of change,
- Number of attempted hours,
- Number of years in program,
- Hours in Program for TELS only, and
- Adjusted Gross Income (AGI) for TELS.

The Contractor shall provide the capability for TSAC to transmit and receive rosters to participating postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, and the Tennessee State Board of Education through the TSAA, TELS, scholarships, and loan forgiveness program system available through the TSAC website or in hardcopy format for any entity using a manual process.

The Contractor shall provide the forms, form layouts, formats, programs, procedures, and documentation for TSAC, participating postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, and the Tennessee State

Department to Education to receive, add/change/delete/update, transmit, and print roster information. The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to receive, add/change/delete/update, transmit, and print roster information meets TSAC, the State of Tennessee, and the U.S. Department of Education's statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives.

A.9.g. Payments of Awards.

The Contractor shall provide the capability for TSAC to create payment rosters for all eligible students certified as eligible on the certification rosters by participating postsecondary school. The roster shall include, at a minimum:

- Participating postsecondary school,
- Student name,
- Social security number,
- Award amount by semester/quarter,
- Participating postsecondary school number assigned by TSAC,
- Line for the Program Administrator's signature, and
- Total award amount by semester/quarter for the participating postsecondary school.

A.9.g.1. State of Tennessee Accounting and Reporting System.

The Contractor shall provide the capability for communication between the State of Tennessee Accounting and Reporting System (STARS) and the TSAA, TELS, scholarships, and loan forgiveness programs system to load payment data. This process shall meet TSAC and the State of Tennessee statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives. This process shall provide the data required to create a payment transaction and provide the necessary forms, form layouts, formats, programs, procedures, and documents needed to process the transaction through STARS. (Refer to Attachment A, Glossary and Attachment B, State of Tennessee Interface Protocols)

A.9.g.2. TSAC General Ledger System.

The Contractor shall provide the capability for communication between the TSAC General Ledger System and the TSAA, TELS, scholarships, and loan forgiveness program system to post/change/update data on the TSAC General Ledger. This process shall meet TSAC, and the State of Tennessee's statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives. This process shall also meet the requirements and applicable sub-components designated by TSAC in this Scope of Services. The General Ledger System must be capable of operating in the State's technical environment. TSAC's network currently consists of a HP Proliant DL380, Novell Net Ware 6 Server Version 5.60.04 software and 10-100 Base TX Ethernet. Desktops are running Microsoft Windows XP Service Pack 2. The General Ledger System shall reside on a server located at the Contractor.

A.9.g.3. Total Awards.

The Contractor shall provide TSAC the capability to track total awards. The Contractor shall ensure that student recipients do not exceed the maximum amount and number of awards as designated by TSAC and the State of Tennessee statutory and regulatory requirements.

A.9.h. Warrant Cancellations/Refunds/Adjustments.

The Contractor shall provide the capability for TSAC to create a roster for all refund, cancellation, and cancel/reissue transactions.

The roster shall include, at a minimum:

- Student name,
- Social security number,

- Amount of cancellation, refund, and cancel/reissue transaction,
- Warrant number,
- Date of cancellation, refund, and cancel/reissue transaction,
- Postsecondary school's name,
- Program type,
- Batch number,
- Academic year,
- Cost center,
- Allotment code, and
- Total of cancellation, refund, and cancel/reissue transactions.

A.9.h.1. State of Tennessee Accounting and Reporting System.

The Contractor shall provide the capability for communication between the State of Tennessee Accounting and Reporting System (STARS) and the TSAA, TELS, scholarships, and loan forgiveness programs system to record cancellation, refund, and cancel/reissue payment data. This process shall meet TSAC and the State of Tennessee statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives. This process shall provide the data required to process refund, cancellation, and cancel/reissue transactions and create the necessary forms, form layouts, formats, programs, procedures, and documents needed to process the transactions through STARS.

A.9.h.2. TSAC General Ledger System.

The Contractor shall provide the capability for communication between the TSAC General Ledger System and the TSAA, TELS, scholarships, and loan forgiveness program system to post//change/update data on the TSAC General Ledger. This process shall meet TSAC, and the State of Tennessee's statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives. This process shall also meet the requirements and applicable sub-components designated by TSAC in this Scope of Services. The General Ledger System must be capable of operating in the State's technical environment. TSAC's network currently consists of a HP Proliant DL380, Novell Net Ware 6 Server Version 5.60.04 software and 10-100 Base TX Ethernet. Desktops are running Microsoft Windows XP Service Pack 2. The General Ledger System shall reside on a server located at the Contractor.

A.9.i. Repayments/Cancellations in Loan Forgiveness Programs.

The Contractor shall provide to TSAC a loan repayment/cancellation process for the loan forgiveness programs. This process shall track the total award, interest owed, and total obligation required for each student recipient. The Contractor shall provide amortization tables for calculation of monthly repayments and payoff amounts.

As student recipients teach or repay to fulfill their obligations, the Contractor shall provide an account record for each student recipient. This process shall post payments and cancellations, calculate interest accrued, and outstanding principal on a student recipient's account record. Calculations shall include, at a minimum, the total teaching credit, amount of interest accrued, monthly payments, number of payments, outstanding principal, and loan balances.

All forms, form layouts, formats, programs, procedures, and documentation to the functionality and calculations shall meet TSAC, State of Tennessee, and the U.S. Department of the Treasury statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives. The Contractor shall create and distribute to student recipients on an annual basis the U.S. Department of the Treasury, Internal Revenue Service Form 1098-E.

The Contractor shall create and distribute payment reports and payment notices including, at a minimum:

- Student's name,
- Social security number,

- Student's address,
- Amount of interest accrued,
- Outstanding principal,
- Loan balance, and
- Payment due date.

A.9.i.1. Loan Forgiveness Programs Delinquency Calculations and Reports.

The Contractor shall provide to TSAC the capability to calculate a student recipient's loan status on all active accounts that reach 30, 60, 90, and 120 day delinquency. This process shall create letters and reports which correspond to the day delinquent. The Contractor shall provide to TSAC the data required to report any delinquent accounts to collection agency designed by TSAC.

All forms, form layouts, formats, programs, procedures, and documentation to the calculations and reports shall meet TSAC, State of Tennessee, and the U.S. Department of the Treasury statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives.

A.9.j. Simulation/Projection Report.

The Contractor shall provide to TSAC for TSAA and TELS programs the capability to project TSAA and TELS funding levels prior to actual awarding. The simulation/projection report shall include, at a minimum:

- Postsecondary school tuition,
- Date of application,
- Expected Family Contribution (EFC),
- Postsecondary Grade Point Average (GPA),
- High school unweighted GPA,
- Weighted GPA,
- Adjusted Gross Income (AGI),
- Full or part time,
- Enrollment trends, and
- Funding levels.

The simulation/projection capability shall be updated annually to accommodate changes to the TSAA and TELS programs and the ISIR layout. The Contractor shall retain, at a minimum, five (5) years of data.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed to create a simulation/projection report shall meet TSAC, the Tennessee Higher Education Commission, and State of Tennessee statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives.

A.9.k. Reports and Forms.

The Contractor shall provide to TSAC a comprehensive set of processing and management reports, forms, form layouts, and formats for the TSAA, TELS, scholarships, and loan forgiveness programs as defined by TSAC.

The Contractor shall ensure the reports, forms, form layouts, and formats shall meet TSAC, the State of Tennessee, and the U.S. Department of Education's statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives.

All processing and management reports, forms, form layouts, and formats shall be made available to TSAC and participating postsecondary schools and high school through the TSAC website or their equivalents in hardcopy format for any entity using a manual process. Any



hardcopy forms shall be printed by the State of Tennessee Print Shop. Any hardcopy reports shall be printed by the Contractor or TSAC as specified by TSAC.

The reports shall include, at a minimum:

- Student name,
- Social security number,
- Program type,
- Amount,
- Academic year,
- High school unweighted GPA,
- High school weighted GPA,
- Adjusted Gross Income (AGI)
- Income levels,
- Race,
- Sex,
- Hour attempted,
- Postsecondary school GPA,
- Test scores,
- High school name,
- Postsecondary school name,
- School district,
- County,
- Legislative district, and
- Zip code.

All processing and management reports shall be made available on a daily, weekly, monthly, enrollment term, State fiscal year, and calendar year basis to accommodate the preferences of TSAC, participating postsecondary schools, high schools, the Tennessee Higher Education Commission, the Tennessee State Department of Education, and the U.S. Department of Education.

A.9.l. Electronic Reporting Formats.

The Contractor shall ensure the electronic reporting forms, form layouts, formats, programs, procedures, and documentation shall meet TSAC, the State of Tennessee, and the U.S. Department of Education's statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives.

The Contractor shall record on the TSAA, TELS, scholarships, and loan forgiveness system, at a minimum, the source of the maintenance activity, the effective date, and the date TSAC was notified. All TSAA and TELS programs maintenance activities should be reviewed for logical sequence to avoid reporting gaps.

A.9.m. Program Management for TSAA, TELS, Scholarships, and Loan Forgiveness Programs.

A.9.m.1. Address Labels.

The Contractor shall provide the capability to TSAC to print address labels on-line for students and participating postsecondary schools and high schools.

A.9.m.2. Applicant report.

The Contractor shall provide a report listing the applicants who have applied for more than one scholarship or loan forgiveness programs. The report shall be available upon request and shall include, at a minimum:

- Student name,
- Social security number,
- Program name,
- Amount received, and
- Date received.

A.9.m.3. Correspondence.

All correspondence distributed to students or participating postsecondary schools and high schools shall be on official TSAC letterhead. Letters to student for the TSAA and TELS programs shall be printed at the Contractor and shipped to the State of Tennessee Post Office for mailing. Letters to student for the scholarships and loan forgiveness programs shall be printed at TSAC. Letters to participating postsecondary schools and high schools shall also be printed at TSAC.

A.9.m.4. On-line Inquiries.

The Contractor shall provide the capability for selected TSAC personnel to make on-line inquiries to student records, postsecondary schools profiles, high school profiles, and print screens as designated by the Program Administrator and TSAC's Executive Director. In addition, the Contractor also will provide selected TSAC personnel with update capability as designated by the Program Administrator and TSAC's Executive Director.

A.9.m.5. Purge/Archive Records.

The Contractor shall provide the capability to purge/archive records from any and all of the programs based on criteria defined by TSAC. Data for each academic year selected shall be purged before the next academic year is added and archived for no less than five (5) academic years. All payment histories shall be maintained indefinitely.

A.9.m.6. Recipient Report.

The Contract shall provide a report by participating postsecondary school listing all recipients who have received a FFELP loan, TSAA, TELS, scholarships, and loan forgiveness programs. This report shall be available upon request by academic year and number of recipients.

A.10. TSAC General Ledger System.

The Contractor shall maintain and support the General Ledger System which consists of a General Ledger, Subsidiary Journals and Ledgers, and Miscellaneous Accounting Activities that totally integrates all associated accounting elements including TSAA, TELS, scholarships, loan forgiveness programs, and Federal Family Education Loan Program. Transaction activity currently for general ledger, subsidiary journals and ledgers, and miscellaneous accounting activities are approximately 800 entries monthly. The General Ledger System must be capable of operating in the State's technical environment. TSAC's network currently consists of an HP Proliant DL380, Novell Net Ware 6 Server Version 5.60.04 software, and 10-100 Base TX Ethernet. Desktops are running Microsoft Windows XP Service Pack 2. The General Ledger System shall reside on a server located at the Contractor.

A.10.a. General Ledger System.

The Contractor shall ensure the General Ledger System includes, at a minimum:

- Cash receipt journal,
- Cash disbursement journal,
- General journal, and
- General ledger.

The General Ledger System shall have the capabilities of posting into and updating the general ledger system. The General Ledger System shall include the respective source code.

The Contractor shall also ensure the forms, form layouts, formats, programs, procedures, and documentation needed for the General Ledger System meets TSAC, the State of Tennessee, and U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives.

The General Ledger System includes, at a minimum:

- All necessary modules, reports, charts of accounts, etc,
- Capability of handling multi-fund/multi-cost center accounting,

- Capability of handling thirteen (13) modifiable date defined accounting periods,
- Capability of having more than one (1) accounting period open at one time,
- Posting to previous periods allowed with password protection,
- Optional closings of each cost center,
- Perform complete end of year closings twice a year at State year end (6/30) and Federal year-end (9/30). Option to carry account balances forward or closing account balances out to zero,
- Adaptable to currently used Chart of Accounts format,
- Capability to add/change/delete/update the Chart of Accounts,
- Chart of Accounts shared by all entities,
- Produce a Chart of Accounts listing,
- Handling transaction amounts up to \$999,999,999.99,
- Double entry system,
- Immediate on-line inquiry into account detail, subsidiary journals, etc,
- On-line verification of input,
- Capability of standard, recurring, automatic, and on the fly reversal of entries,
- Maintain up to five (5) years of accounting information,
- Capable of exporting data to and from Microsoft Excel,
- Individual cost center and consolidated balance sheets,
- Individual cost center and consolidated statement of changes,
- Individual cost center and consolidated cash flow statements,
- Individual cost center and consolidated cash reserve statements,
- Year-to date cost center and consolidated trial balances,
- Cash disbursement subsidiary,
- Cash disbursement subsidiary with the capability of posting to the general ledger,
- Cash disbursement subsidiary reports as required,
- Cash receipt subsidiary,
- Cash receipt subsidiary with the capability of posting to the general ledger,
- Cash receipt subsidiary reports as required,
- General journal,
- General journal subsidiary with the capability of posting to the general ledger,
- General journal transaction reports as required,
- Journal entry transaction database,
- Journal entry transaction log reports as required,
- Individual cost center trial balance that includes running and year to date totals,
- Individual cost center general ledger that includes running and year to date totals,
- Management analytical and historical reports as required,
- Adjusting, closing, and reversing journal entries,
- Specific individual cost center trial balance,
- Specific individual cost center general ledger activity reports,
- Specific individual cost center general ledger activity as of specific dates,
- Specific individual cost center trial balance as of specific dates,
- Report for a specific individual account code within specific cost centers,
- Data for management reports for the FFELP Annual Forms 2000 Report,
- Capability of purging data and re-establishing account balances only for selected or all general ledgers (index codes), and
- Capability of receiving data from TSAA, TELS, scholarship, loan forgiveness programs, and FFELP systems.

A.10.b. Miscellaneous Accounting Activities.

The Contractor shall maintain and support for TSAC certain miscellaneous accounting activities that may or may not update into the general ledger. The Contractor shall ensure the Miscellaneous Accounting Activities includes, at a minimum:

- Lockbox payment collection activity (accounting entries only),
- Administrative cost accounting data capture,

- FFELP claim payment accounting data capture,
- Lockbox federal reserve fund transfer accounting data capture,
- Fiscal office document control, and
- FFELP annual portion of Forms 2000 preparation.
- Respective source codes,
- Activity reports as required for each activity,
- Reconciliation reports as required for each activity,
- Capability for updating to the general ledger as needed,
- Analytical management reports,
- Necessary accounting support documentation for processing through the State accounting system as required,
- Immediate on-line inquiry screen for data,
- Capability of converting report data into an Excel format,
- Transaction detail reports, and
- On-line verification of input details.

A.10.c. State of Tennessee Accounting and Reporting System.

The Contractor shall provide the capability for communication between the State of Tennessee Accounting and Reporting System (STARS) and the General Ledger System to record selected STARS entries. This process shall meet TSAC and the State of Tennessee's statutory and regulatory requirements, and comply with all applicable statutes, regulations, directives, and initiatives. Any communication or transfer of data shall be in the file format as specified by the General Ledger System.

A.11. Additional Work.

A.11.a. Enhancements.

TSAC may request, at any time, additional work from the Contractor. The additional work may involve enhancements or changes to the work products as outlined in this Scope of Services. Pursuant to Section 4.19 of the RFP, a written contract amendment to the Contract must be issued and all required approvals secured before the Contractor begins any work. Requested changes may include modifications to the functional requirements and processing procedures or other modifications according to a mutually agreeable priority schedule.

A.11.b. Statutory Changes.

However, any changes to the functional requirements and processing procedures or other modifications required by the U.S. Department of Education statutory and regulatory requirements for the Federal Family Education Loan Program shall be made at no additional cost to TSAC. Within fifteen (15) business days of receiving a signed and finalized functional design document from TSAC, the Contractor shall provide a summary analysis of the change, to include an estimated scope of change, an estimated number of hours to complete the change, an estimated date for User Acceptance Testing and an estimated date for Implementation. If the Contractor fails to deliver the agreed upon change by the agreed upon date, TSAC shall at the discretion of the Executive Director impose liquidated damages, as described in Attachment D.

Also, any changes to the functional requirements and processing procedures or other modifications required by the State of Tennessee statutory and regulatory requirements for the TSAA, TELS, Scholarships, and Loan Forgiveness Programs shall be made at no additional cost to TSAC. Within ten (10) business days of receiving a signed and finalized software requirements specification document (SRS) from TSAC, the Contractor shall provide a summary analysis of the change, to include an estimated scope of change, an estimated number of hours to complete the change, an estimated date for User Acceptance Testing and an estimated date for Implementation. If the Contractor fails to deliver the agreed upon change by the agreed upon date, TSAC shall at the discretion of the Executive Director impose liquidated damages, as described in Attachment D.

A.11.c. Defects.

Any corrections of deficiencies relating to this Scope of Services and any investigation necessary to determine the source of the deficiencies shall not be considered additional work and shall be made at no additional cost to TSAC. Critical deficiencies which are not corrected within seven (7) calendar days of the date that TSAC reports the deficiency shall at the discretion of the Executive Director result in liquidated damages, as described in Attachment D. (Refer to Attachment A, Glossary)

Any defect in software utilized by, but not created by the Contractor, to deliver services contained in this Scope of Services, upon verification of the defect will be reported within forty-eight (48) hours to the appropriate software vendor. The Contractor shall utilize all appropriate and reasonable means to assist the vendor in resolving the defect in a timely manner and shall install any software updates to correct the defect within forty-eight (48) hours of receiving the appropriate software update.

A.11.d. Written Description.

A written description of the additional work shall be provided to the Contractor from TSAC.

A.11.e. Remuneration.

Remuneration for any additional work shall be based on the applicable "hourly" payment rate(s) given in Section C.3. of this Contract.

A.12. Audits.

A.12.a. Annual Third-Party Servicer Audit.

The Contractor shall request an annual independent audit of servicing operations for the Federal Family Education Loan Program according to the U.S. Department of Education's regulations on third-party servicing and the procedures developed by the Department's Office of the Inspector General in its audit guide for guarantor servicers each year. The Contractor shall engage a reputable audit firm with experience in student loan servicing to conduct the audit. The Contractor shall bear all fees and expenses associated with the audit.

To the extent permitted by the U.S. Department of Education, the Contractor shall provide TSAC with copies of all drafts of the auditor's report, and shall provide all information needed to allow TSAC to timely participate in the resolution of any exceptions or findings identified by the audit team.

A.12.b. Support for External Auditors.

The Contractor shall provide support to audit teams from the U.S. Department of Education, the Tennessee Division of State Audit, or any other entity designated by TSAC. The Contractor shall allow on-site visits of such audit teams to its offices and operations center(s). The Contractor shall also promptly comply with all reasonable requests for information and materials, including, without limitation, servicing records, policies and procedures, and prior audit reports. Any information provided by the Contractor shall be in an electronic format acceptable to TSAC and the external audit team.

The Contractor shall immediately notify TSAC of any exceptions or findings identified by any audit team, and shall provide all information needed to allow TSAC to timely participate in the resolution of such exceptions or findings.

A.12.c. Internal Controls (Security) Audit Functions.

The Contractor shall define the parameters of a comprehensive internal controls (security) audit. These reviews shall be sufficient to reflect an SAS70 or a SysTrust review. TSAC shall review and must approve the comprehensiveness of the proposed internal controls (security) audit. The Contractor shall ensure that the internal controls (security) audit is performed on a quarterly basis. The Contractor shall arrange to have this audit conducted by an unbiased third party at no additional cost to TSAC. The Contractor shall submit for approval, the name and background of the third party auditor. The Contractor must provide TSAC their plan for correcting or remedying any audit exceptions identified as a result of the security audit within sixty (60) days of completion of the audit.

The Contractor shall describe their plan for independent security audits and provide technical specifics relative to those audits. The Contractor will assist TSAC in support of external security assessments and other externally performed internal controls (security) audits. The Contractor shall provide the physical and logical access reasonably required for authorized representatives to satisfy assessment and audit risks.

#### A.13. Communications.

The Contractor shall provide student borrowers, parent borrowers, and TSAC participating postsecondary schools, high schools, lenders, lender servicers, vocational rehabilitation counselors, and workforce investment case managers with the ability to contact TSAC and the Contractor for information by telephone, fax, on-line, and email.

##### A.13.a Toll-free Telephone Service.

The Contractor shall provide, at a minimum, the following telephone lines:

- One (1) incoming nationwide toll-free telephone number with, at a minimum, a twenty (20) line roll-over capability to the Contractor's location to handle all customer service inquiries from student borrowers, parent borrowers, and other interested parties regarding the Federal Family Education Loan Program.
- One (1) incoming nationwide toll-free telephone number with, at a minimum, a two (2) line roll-over capability to the Contractor's location reserved exclusively for calls from TSAC participating postsecondary schools, lenders, and lender servicers regarding the Federal Family Education Loan Program.
- One (1) incoming nationwide toll-free telephone number with, at a minimum, a two (2) line roll-over capability to the Contractor's location reserved exclusively for calls from TSAC participating postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, and students regarding the TSAA, TELS, scholarships, and loan forgiveness programs.
- One (1) incoming nationwide toll-free telephone number with, at a minimum, a two (2) line roll-over capability to the Contractor's location reserved exclusively for calls from TSAC personnel.
- One (1) incoming out-of-state toll-free telephone number with, at a minimum, a two (2) line roll-over capability to the TSAC offices in Nashville to handle all customer service type originating from outside of Tennessee.
- One (1) incoming statewide toll-free telephone number with, at a minimum, a two (2) line roll-over capability to the TSAC offices in Nashville to handle all customer service type inquiries originating from within Tennessee.

The Contractor shall be responsible for the installation, maintenance, and cost of these telephone lines.

##### A.13.b. Communication Standards.

The Contractor shall ensure that the average time that a call remains in queue shall not be longer than thirty (30) seconds. The Contractor shall ensure that adequate trunking capacity will be provided so as to answer the projected number of calls per day (call volume). Any calls received through voice message shall be returned within twenty-four (24) hours of its receipt. These performance standards will be measured daily. The Contractor shall credit the TSAC with the appropriate penalty beginning on the next month's invoice and each month thereafter that the Contractor is not in compliance with the daily performance standard for queue time, and returned calls. (Refer to Attachment D, Schedule of Liquidated Damages)

##### A.13.b.1. Usage.

The Contractor shall provide TSAC with a weekly report detailing the average time that a call remained in queue, handling of call volume and returned calls.

#### A.14. Conversion.

The Contractor must provide a Conversion Plan that describes the tasks, milestones, and timeframes to convert TSAC's loan data and existing processes from the current provider to the proposed solution. This plan must clearly define TSAC's responsibilities and the Contractor's responsibilities during the conversion. The Contractor shall begin testing immediately after the Contract has been awarded to enable TSAC to determine whether the Contractor's system is reliable and able to assume all of the responsibilities as stated in this Scope of Services. The Contractor shall utilize Quality Management Processes for the conversion to ensure the quality of products and services delivered are reliable and consistent.

The Quality Management Process shall include, at a minimum:

- Conversion components contained in the Project Management Plan, and
- Data Conversion Test Plan. (Refer to Attachment A, Glossary).

A.15. Disaster Recovery Plan.

The Contractor shall provide a detailed and comprehensive Disaster Recovery Plan for the Federal Family Education Loan Program and loan portfolio, TSAA, TELS, Scholarships, and Loan Forgiveness programs, and General Ledger System that meets the requirements of TSAC, the State of Tennessee and the U.S. Department of Education statutory and regulatory requirements. The Disaster Recovery Plan shall ensure that all critical information systems can be recovered in the event of a disaster which disrupts any of the data processing facilities of TSAC. The Disaster Recovery Plan shall also ensure that TSAC has the capability to continue processing data in the event of a disaster. The Disaster Recovery Plan shall be tested annually and a report on the results of the testing shall be provided to TSAC at no additional cost to TSAC.

A.16. E-Mail Address Book.

The Contractor will provide an e-mail address book for TSAC's participating postsecondary schools, high schools, vocational rehabilitation counselors, workforce investment case managers, lenders, and lender servicers.

A.17. Exchange of Information.

The Contractor shall have the capability to exchange information electronically using all of the methods, medias, and communications protocols available to TSAC, TSAC participating postsecondary schools, high schools, lenders, lender servicers, vocational rehabilitation counselors, workforce investment case managers, students, student borrowers, and parent borrowers. The protocols shall include, at a minimum:

- POP3,
- FTP,
- PDF,
- HTML,
- HTM,
- XML,
- HTTP,
- HDDP, and
- DHCP.

A.18 Federal Reporting.

A.18.a. Forms 2000.

The Contractor shall prepare the Forms 2000 reporting to the U.S. Department of Education for TSAC's review, approval, and submission utilizing either an electronic or manual process. The reporting shall be provided to TSAC by the tenth (10<sup>th</sup>) business day of the month following the

prior month. The Contractor shall have the capability to exchange information electronically using all of the methods, medias, and communications protocols available to TSAC.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation for capturing the claim payment and post-default recovery processing of the prior month meets TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The Contractor shall prepare the report according to the form layouts, formats, programs, procedures, and documentation, and timing requirements of the U.S. Department of Education in order to enable TSAC to timely recover all reinsurance to which it is entitled and to timely and correctly report TSAC's retention of post-default recoveries, to timely recover all portfolio- and activity-based fees due to TSAC as calculated by the U.S. Department of Education through the report.

The Contractor shall assure that the report it sends to TSAC is free of errors, and that it will pass the edits established by the U.S. Department of Education. The Contractor shall immediately correct any errors identified by TSAC or the U.S. Department of Education in the report and send a corrected report to TSAC.

As reinsurance payments are received from the U.S. Department of Education, TSAC will forward payment data to the Contractor. The Contractor shall post reinsurance to individual loans using correct reinsurance rates and recording the effective dates of reinsurance payments. Provisions must be made for subsequent adjustments to reinsurance paid.

Within seven (7) days of its receipt of reinsurance payment data from TSAC, the Contractor shall have posted all reinsurance payments, and shall have reconciled the total amount of reinsurance paid to TSAC with the total amounts of reinsurance posted to individual loans. The Contractor shall immediately notify TSAC of any discrepancy between the amount paid by the U.S. Department of Education and the total of reinsurance amounts due on the individual loans.

The Contractor shall calculate and report to TSAC its reinsurance "trigger" rate for the current federal fiscal year. The Contractor shall also feed all information from the monthly Forms 2000 reports into the appropriate areas of the Forms 2000 annual report.

A.18.b. SLEAP/LEAP.

The Contractor shall prepare the SLEAP/LEAP reporting to the U.S. Department of Education for TSAC's review, approval, and submission utilizing either an electronic or manual process. The reporting shall be provided to TSAC within thirty (30) days of the State's fiscal year end. The Contractor shall have the capability to exchange information electronically using all of the methods, medias, and communications protocols available to TSAC. The Contractor shall ensure the form layouts, formats, programs, procedures, and documentation for federal reporting meets TSAC, the State of Tennessee, and the U.S. Department of Education's statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives.

The Contractor shall prepare the reports according to the forms, form layouts, formats, programs, procedures, documentation, and timing requirements of the U. S. Department of Education.

A.18.c. Robert C. Byrd.

The Contractor shall prepare the Robert C. Byrd reporting to the U.S. Department of Education for TSAC's review, approval, and submission utilizing either an electronic or manual process. The reporting shall be provided to TSAC within thirty (30) days of the State's fiscal year end. The Contractor shall have the capability to exchange information electronically using all of the methods, medias, and communications protocols available to TSAC. The Contractor shall ensure the form layouts, formats, programs, procedures, and documentation for federal reporting meets TSAC, the State of Tennessee, and the U.S. Department of Education's statutory and regulatory requirements, and complies with all applicable statutes, regulations, directives, and initiatives.



The Contractor shall prepare the reports according to the forms, form layouts, formats, programs, procedures, documentation, and timing requirements of the U. S. Department of Education.

A.18.d. Form 1098-E.

The Contractor shall create and distribute to student recipients, student borrowers, and parent borrowers on an annual basis the U.S. Department of the Treasury, Internal Revenue Service Form 1098-E. The Form 1098-E shall include, at a minimum:

- Student's and/or parent's name,
- Social security number,
- Student's and/or parent's address, and
- Amount of interest received.

A.18.e. Form 1096.

The Contractor shall create and distribute to the U.S. Department of the Treasury, Internal Revenue Service the Form 1096 with the transmittal of the Form 1098-E's.

A.19. Quality Management Process.

The Contractor shall utilize a Quality Management Process in the delivery of services to ensure the quality of products and services delivered which are reliable and consistent. The Contractor must describe the Quality Management Process they use in the development, maintenance, and support of information systems and include examples of their Quality Management Process deliverables. This process shall be handled jointly by TSAC and the Contractor.

A Quality Management Process shall include, at a minimum:

- Project Management Plan,
- Change Control Plan,
- Test Management Plan,
- Test Plans:
  - Unit Test Plan,
  - Integration Test Plan,
  - System Test Plan,
  - User Acceptance Test Plan,
  - Load Test/Stress Plan,
  - Regression Test Plan,
  - Interface Test Plan,
  - Interface Test,
- Communication Management Plan,
- Backup and Recovery Plan,
- Work Plan, and
- Risk Management Plan. (Refer to Attachment A, Glossary)

A.20. Source Code in Escrow.

The Contractor shall maintain copies of the system source code in escrow with an escrow company pre-approved by TSAC. The Contractor shall pay all fees associated with placing and maintaining the source code in escrow.

A.20.a. Written Acceptance.

Upon TSAC's written acceptance of the transition of services from the former service Contractor, the Contractor shall submit to TSAC a letter naming the escrow company that the Contractor intends to use, with the understanding that TSAC may approve or disapprove the named company. This letter must include the name, address, and full contact information for the recommended escrow company. TSAC shall indicate its approval or disapproval in writing.

A.20.b. Placement.

Within fifteen (15) business days after TSAC has provided to the Contractor the written approval of a recommended escrow company, the Contractor shall place the source code in escrow with the approved escrow company. The Contractor shall provide TSAC with a signed letter from the escrow company in question stating that the code has been placed in escrow and confirming TSAC's right to obtain the source code directly from the escrow company in the event of Contractor default as described below.

A.20.c. Default.

If for any reason during the term of the contract the Contractor becomes unable to fulfill its obligations as described herein, the Contractor agrees to deliver the source code held in escrow to TSAC. In the event that the Contractor fails to deliver the source code in a timely manner, as determined by TSAC, TSAC may obtain the source code directly from the escrow company.

A.21. Support of TSAC Personnel.

The Contractor shall provide support and services to TSAC personnel which shall include, at a minimum:

- The Contractor shall designate professional level management personnel to serve as liaisons to TSAC and two (2) customer service and technical support representatives to support the Federal Family Education Loan Program, TSAA, TELS, scholarships, loan forgiveness programs, and the TSAC General Ledger System. The customer service and technical representatives shall be located in Nashville, Tennessee at the TSAC's offices in space provided by TSAC for the duration of the contract period. The primary responsibilities for the customer service and technical support representatives are the handling of incoming telephone, fax, or email inquiries from student borrowers and parent borrowers, TSAC participating postsecondary schools, lenders, lender servicers, and other interested parties regarding the Federal Family Education Loan Program. The representatives must also be knowledgeable of all Internet-based systems and products, be able to travel, be capable of providing technical support to the TSAC personnel and TSAC participating postsecondary schools, high schools, lenders, lender servicers, vocational rehabilitation counselors, and workforce investment case managers. The Contractor shall provide each representative with any computers, laptops, and other equipment needed to perform their duties at no additional cost to TSAC.

In the event TSAC becomes dissatisfied with any of the representatives and any professional level management personnel serving as a liaison, it shall submit to the Contractor written notice thereof, showing reasonable cause why a substitution should be made. If the Contractor is unable to correct the conditions cited by TSAC within thirty (30) business days from the receipt of such notice, the Contractor shall make a substitution. Any and all Contractor support personnel and/or future substitutes must be approved by TSAC.

- The Contractor will create a comprehensive users guide to designated TSAC personnel, TSAC participating postsecondary schools, high schools, lenders, lender servicers, vocational rehabilitation counselors, workforce investment case managers, and students. These guides shall be easily referenced to the Federal Family Education Loan Program system, TSAA, TELS, scholarships, loan forgiveness programs system, General Ledger system, and all Internet-based products. The Contractor shall make the guides available on-line in a PDF format. Availability of the guides on-line shall be completed within ninety (90) days of the Contract start date. The Contractor shall also update the guides for any changes made to the systems and notify the users of any changes.

A.22. Technical Support.

The Contractor shall provide up to thirty thousand (30,000) man hours per contract year of systems support to produce new reports, programs, and processes not described in this Scope of Services.

A.22.a. Usage.

The Contractor shall provide TSAC with a monthly usage report detailing the number of \_\_\_\_\_ hours approved to complete work, the number of hours used, and the number of hours remaining.

A.23. Training.

The Contractor shall provide and conduct training sessions per contract year for, at a minimum, fifty-five (55) TSAC personnel on the use of the systems, and Internet-based products described in this Scope of Services at the TSAC office or, if agreeable to TSAC, at the Contractor's location upon request from TSAC within timeframes to be determined by TSAC. The number of TSAC personnel to be trained, at a time, shall be determined by the appropriate Program Administrator and TSAC's Executive Director.

The Contractor shall also provide and conduct training sessions along with TSAC per contract year for, at a minimum, three thousand (3,000) TSAC participating postsecondary schools, lenders, lender services, high schools, vocational rehabilitation counselors, and workforce investment case managers on the use of the systems, Internet-based products described in this Scope of Services, and any TSAC, the State of Tennessee, and the U.S. Department of Education statutory and regulatory requirements for the Federal Family Education Loan Program, TSAA, TELS, scholarships, and loan forgiveness programs. The Contractor shall provide and conduct, at a minimum, six training sessions across the State of Tennessee, or if agreeable to TSAC, at the TSAC office upon request from TSAC within timeframes to be determined by TSAC.

A.24. Turnover.

The Contractor shall provide TSAC and TSAC's new service Contractor at the termination of the contract at no additional cost to TSAC, at a minimum the following:

- Complete historical and current data files in a medium acceptable to TSAC and TSAC's new service Contractor,
- Complete documentation of file layouts including data elements, descriptions, and usage,
- Source codes held in escrow,
- Complete record of the entire loan portfolio in a medium acceptable to TSAC, and
- Complete documentation listing all items in process.

The Contractor shall provide within ninety (90) days prior to termination a test tape, which shall be used to determine if any editing or other errors may exist. If there is an error in the data as a result of the Contractor's processing of conversion data, the Contractor shall assist in the resolution of any errors which may arise relative to the content of the data.

A.25. TSAC Website.

The Contractor shall develop, implement, and maintain an interactive portal/links to TSAC's website for all programs administered by TSAC. The website shall feature, at a minimum:

- Program eligibility for the Federal Family Education Loan Program,
- Program eligibility for TSAA,
- Program eligibility for TELS,
- Program eligibility for Scholarships,
- Program eligibility for Loan Forgiveness Programs,
- Master Promissory Notes,
- School Certifications,
- Scholarship applications,
- Loan Forgiveness Programs applications,
- Deferment forms,
- Loan discharge applications,
- Information on completing the FAFSA,
- Electronic Common Manual,
- Common Manual updates,
- TSAC updates,
- Loan limits,
- Loan interest rates,
- Loan repayment options,
- Default prevention, and
- Debt counseling and management.

A.25.a. Student Applicant.

The Contractor shall provide the capability for student applicants to check and inquire on their applications and prior award data through links on the TSAC website.

A.25.b. Student Borrowers.

The Contractor shall provide the capability for student borrowers to check and inquire on their Federal Family Education Loan Program loans and provide interactive loan counseling through links on the TSAC website.

A.25.c. Parent Borrowers.

The Contractor shall provide the capability for parent borrowers to check and inquire on their Federal Family Education Loan Program loans through links on the TSAC website.

B. CONTRACT TERM:

B.1. Contract Term.

This Contract shall be effective for the period commencing on January 1, 2006 and ending on December 31, 2010. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

C. PAYMENT TERMS AND CONDITIONS:

C.1. Maximum Liability.

In no event shall the maximum liability of the State under this Contract exceed Forty-eight Million Dollars (\$48,000,000.00). The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

C.2. Compensation Firm.

The Service Rates and the Maximum Liability of the State under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.

C.3. Payment Methodology.

The Contractor shall be compensated based on the Service Rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1.

The Contractor's compensation shall be contingent upon the satisfactory completion of units of service or project milestones defined in Section A. The Contractor shall be compensated based upon the following Service Rates:

**SERVICE UNIT – YEAR 1****AMOUNT****DEVELOPMENT AND SERVICING FEES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO**

Stafford Loans Guaranteed (Per Loan)	\$ 3.94
PLUS Loans Guaranteed (Per Loan)	\$ 3.94
Consolidation Loans Guaranteed (Per Loan)	\$ 3.94
Loans Outstanding – Interim Status (Per Loan)	\$ 2.23
Loans Outstanding – Repayment Status (Per Loan)	\$ 4.87
Loans Outstanding – Default Status (Per Loan)	\$ 0.00
Default Aversion Assistance (Per Loan)	\$ 28.13
Claims Purchased (Per Claim)	\$ 0.00
Supplemental Claims Purchased (Per Claim)	\$ 0.00
Lender of Last Resort – New Loans Guaranteed (Per Loan)	\$ 3.94
Hourly Payment Rate for Additional Work *	\$ 85.00

**DEVELOPMENT AND MONTHLY PROCESSING FEES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS**

January 1, 2006 – December 31, 2006 (Per Month)	\$ 0.00
Hourly Payment Rate for Additional Work *	\$ 85.00

**DEVELOPMENT AND MONTHLY PROCESSING FEES FOR GENERAL LEDGER SYSTEM**

January 1, 2006 – December 31, 2006 (Per Month)	\$ 0.00
Hourly Payment Rate for Additional Work *	\$ 85.00

**SERVICE UNIT – YEAR 2****AMOUNT****SERVICING FEES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO**

Stafford Loans Guaranteed (Per Loan)	\$ 3.55
PLUS Loans Guaranteed (Per Loan)	\$ 3.55
Consolidation Loans Guaranteed (Per Loan)	\$ 3.55
Loans Outstanding – Interim Status (Per Loan)	\$ 2.09
Loans Outstanding – Repayment Status (Per Loan)	\$ 4.56
Loans Outstanding – Default Status (Per Loan)	\$ 0.00
Default Aversion Assistance (Per Loan)	\$ 27.61
Claim Purchased (Per Claim)	\$ 0.00
Supplemental Claims Purchased (Per Claim)	\$ 0.00
Lender of Last Resort – New Loans Guaranteed (Per Loan)	\$ 3.55
Hourly Payment Rate for Additional Work *	\$ 88.00

**MONTHLY PROCESSING FEES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS**

January 1, 2007 – December 31, 2007 (Per Month)	\$ 0.00
Hourly Payment Rate for Additional Work *	\$ 88.00

**MONTHLY PROCESSING FEES FOR GENERAL LEDGER SYSTEM**

January 1, 2007 – December 31, 2007 (Per Month)	\$ 0.00
Hourly Payment Rate for Additional Work *	\$ 88.00

**SERVICE UNIT – YEAR 3****AMOUNT****SERVICING FEES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO**

Stafford Loans Guaranteed (Per Loan)	\$ 3.27
PLUS Loans Guaranteed (Per Loan)	\$ 3.27
Consolidation Loans Guaranteed (Per Loan)	\$ 3.27
Loans Outstanding – Interim Status (Per Loan)	\$ 1.99
Loans Outstanding – Repayment Status (Per Loan)	\$ 4.35
Loans Outstanding – Default Status (Per Loan)	\$ 0.00
Default Aversion Assistance (Per Loan)	\$ 27.12
Claims Purchased (Per Claim)	\$ 0.00
Supplemental Claims Purchased (Per Claim)	\$ 0.00
Lender of Last Resort – New Loans Guaranteed (Per Loan)	\$ 3.27
Hourly Payment Rate for Additional Work *	\$ 90.00

**MONTHLY PROCESSING FEES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS**

January 1, 2008 – December 1, 2008 (Per Month)	\$ 0.00
Hourly Payment Rate for Additional Work *	\$ 90.00

**MONTHLY PROCESSING FEES FOR GENERAL LEDGER SYSTEM**

January 1, 2008 – December 31, 2008 (Per Month)	\$ 0.00
Hourly Payment Rate for Additional Work *	\$ 90.00

**SERVICE UNIT – YEAR 4****AMOUNT****SERVICING FEES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO**

Stafford Loans Guaranteed (Per Loan)	\$ 3.19
PLUS Loans Guaranteed (Per Loan)	\$ 3.19
Consolidation Loans Guaranteed (Per Loan)	\$ 3.19
Loans Outstanding – Interim Status (Per Loan)	\$ 2.02
Loans Outstanding – Repayment Status (Per Loan)	\$ 4.42
Loans Outstanding – Default Status (Per Loan)	\$ 0.00
Default Aversion Assistance (Per Loan)	\$ 26.64
Claims Purchased (Per Claim)	\$ 0.00
Supplemental Claims Purchased (Per Claim)	\$ 0.00
Lender of Last Resort – New Loans Guaranteed (Per Loan)	\$ 3.19
Hourly Payment Rate for Additional Work *	\$ 93.00

**MONTHLY PROCESSING FEES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS**

January 1, 2009 – December 31, 2009 (Per Month)	\$ 0.00
Hourly Payment Rate for Additional Work *	\$ 93.00

**MONTHLY PROCESSING FEES FOR GENERAL LENDER SYSTEM**

January 1, 2009 – December 31, 2009 (Per Month)	\$ 0.00
Hourly Payment Rate for Additional Work *	\$ 93.00

**SERVICE UNIT – YEAR 5**

**AMOUNT**

**SERVICING FEES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO**

Stafford Loans Guaranteed (Per Loan)	\$ 3.07
PLUS Loans Guaranteed (Per Loan)	\$ 3.07
Consolidation Loans Guaranteed (Per Loan)	\$ 3.07
Loans Outstanding – Interim Status (Per Loan)	\$ 2.02
Loans Outstanding – Repayment Status (Per Loan)	\$ 4.41
Loans Outstanding – Default Status (Per Loan)	\$ 0.00
Default Aversion Assistance (Per Loan)	\$ 26.14
Claims Purchased (Per Claim)	\$ 0.00
Supplemental Claims Purchased (Per Claim)	\$ 0.00
Lender of Last Resort – New Loans Guaranteed (Per Loan)	\$ 3.07
Hourly Payment Rate for Additional Work *	\$ 96.00

**MONTHLY PROCESSING FEES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS**

January 1, 2010 – December 31, 2010 (Per Month)	\$ 0.00
Hourly Payment Rate for Additional Work *	\$ 96.00

**MONTHLY PROCESSING FEES FOR GENERAL LEDGER SYSTEM**

January 1, 2010 – December 31, 2010 (Per Month)	\$ 0.00
Hourly Payment Rate for Additional Work *	\$ 96.00

\*The maximum for additional work (pursuant to Section A.11 and A.22) shall not exceed eight (8) percent of the Contract Maximum Liability. Additional work pursuant to Section A.22 is limited to 30,000 man hours per contract year and is included in the eight (8) percent cap.

The Contractor shall submit detailed and comprehensive monthly invoices, in form and substance as determined by the State with all of the necessary supporting documentation of each item listed on the invoice, prior to any payment.

Such monthly invoices shall be submitted for completed units of service or project milestones for the amount stipulated.

C.4. Federal Consolidation Loans.

The commission due the Contractor for the successful consolidation of a loan out of default shall be the rate allowable by the U.S. Department of Education (currently 18.5%) less five percent (5%) which shall be retained by the State. Any and all enhancements and modifications to the commission due the Contractor shall be made within timeframes determined by the State, and shall be made at no additional cost to the State. Any and all enhancements and modifications are also subject to the State's prior approval.

C.5. Payments on Defaulted Loans.

The commission due the Contractor on defaulted loan collections shall be the rate allowable by the U.S. Department of Education (currently 23%) less six percent (6%) which shall be retained by TSAC. The remainder shall be the fee received by the Contractor, less the amount retained by the subcontractor collection agencies, for providing defaulted loan collection activities. Any and all enhancements and modifications to the commission due the Contractor shall be made within timeframes determined by TSAC, and shall be made at no additional cost to TSAC. Any and all enhancements and modifications are also subject to TSAC's prior approval.

C.6. Rehabilitation.

The commission due the Contractor for successfully rehabilitated loans shall be the rate allowable by the U.S. Department of Education (currently 18.5%) less five percent (5%) which shall be retained by TSAC.

Any and all enhancements and modifications to the commission due the Contractor shall be made within timeframes determined by TSAC, and shall be made at no additional cost to TSAC. Any and all enhancements and modifications are also subject to TSAC's prior approval.

C.7. Estimated Volume.

The estimated volume for the Federal Family Education Loan Program and Loan Portfolio is listed in Attachment E in this Contract.

C.8. Travel Compensation.

The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.

C.9. Payment of Invoice.

The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.

C.10. Invoice Reductions.

The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this contract, not to constitute proper remuneration for compensable services.

C.11. Deductions.

The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.

C.12. Automatic Deposits.

The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.

C.13. Retention of Final Payment.

An amount of Four Hundred Eighty Thousand Dollars (\$480,000.00), representing one percent (1%) of the maximum total compensation payable under this Contract, shall be withheld by the State until ninety (90) days after final completion of the services to be performed by the Contractor under this Contract.

D. STANDARD TERMS AND CONDITIONS:

D.1. Required Approvals.

The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.

D.2. Modification and Amendment.

This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.

D.3. Termination for Convenience.

The State may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the State. The State shall give the Contractor at least ninety (90) days



written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

D.4. Termination for Cause.

If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.

D.5. Subcontracting.

The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract pertaining to "Conflicts of Interest" and "Nondiscrimination" (sections D.6. and D.7.). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.

D.6. Conflicts of Interest.

The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.

D.7. Nondiscrimination.

The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

D.8. Records.

The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.

D.9. Monitoring.

The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.

D.10. Progress Reports.

The Contractor shall submit brief, periodic, progress reports to the State as requested.

D.11. Strict Performance.

Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or

relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.

D.12. Independent Contractor.

The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.

D.13. State Liability.

The State shall have no liability except as specifically provided in this Contract.

D.14. Force Majeure.

The obligations of the parties to this contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.

D.15. State and Federal Compliance.

The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.

D.16. Governing Law.

This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under **Tennessee Code Annotated**, Sections 9-8-101 through 9-8-407.

D.17. Completeness.

This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.

D.18. Severability.

If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.

D.19. Headings.

Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

E.1. Conflicting Terms and Conditions.

Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.

E.2. Communications and Contacts.

All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:

Robert W. Ruble, Executive Director  
Tennessee Student Assistance Corporation  
404 James Robertson Parkway, Parkway Towers, Suite 1950, Nashville, TN 37243-0820  
Telephone Number: (615) 741-1346  
Fax Number: (615) 741-6101

The Contractor:

Chuck Hosea, President  
GuaranTec, LLP  
6420 Southpoint Parkway, Jacksonville, FL 32216  
Telephone Number: (904) 281-7076  
Fax Number: (904) 281-7373

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by fax at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

E.3. Subject to Funds Availability.

The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

E.4. Breach.

A party shall be deemed to have breached the Contract if any of the following occurs:

- Failure to perform in accordance with any term or provision of the Contract,
- Partial performance of any term or provision of the Contract,
- Any act prohibited or restricted by the Contract, or
- Violation of any warranty.

For purposes of this contract, these items shall hereinafter be referred to as a "Breach."

a. Contractor Breach— The State shall notify Contractor in writing of a Breach.

- (1) In event of a Breach by Contractor, the state shall have available the remedy of Actual Damages and any other remedy available at law or equity.

- (2) Liquidated Damages— In the event of a Breach, the State may assess Liquidated Damages. The State shall notify the Contractor of amounts to be assessed as Liquidated Damages. The parties agree that due to the complicated nature of the Contractor's obligations under this Contract it would be difficult to specifically designate a monetary amount for a Breach by Contractor as said amounts are likely to be uncertain and not easily proven. Contractor hereby represents and covenants it has carefully reviewed the Liquidated Damages contained in above referenced, Attachment 6.10 and agree that said amounts represent a reasonable relationship between the amount and what might reasonably be expected in the event of Breach, and are a reasonable estimate of the damages that would occur from a Breach. It is hereby agreed between the parties that the Liquidated Damages represent solely the damages and injuries sustained by the State in losing the benefit of the bargain with Contractor and do not include any injury or damage sustained by a third party. The Contractor agrees that the liquidated damage amount is in addition to any amounts Contractor may owe the State pursuant to the indemnity provision or other section of this Contract.

The State may continue to withhold the Liquidated Damages or a portion thereof until the Contractor cures the Breach, the State exercises its option to declare a Partial Default, or the State terminates the Contract. The State is not obligated to assess Liquidated Damages before availing itself of any other remedy. The State may choose to discontinue Liquidated Damages and avail itself of any other remedy available under this Contract or at law or equity; provided, however, Contractor shall receive a credit for said Liquidated Damages previously withheld except in the event of a Partial Default.

- (3) Partial Default— In the event of a Breach, the State may declare a Partial Default. In which case, the State shall provide the Contractor written notice of: (1) the date which Contractor shall terminate providing the service associated with the Breach; and (2) the date the State will begin to provide the service associated with the Breach. Notwithstanding the foregoing, the State may revise the time periods contained in the notice written to the Contractor.

In the event the State declares a Partial Default, the State may withhold, together with any other damages associated with the Breach, from the amounts due the Contractor the greater of: (1) amounts which would be paid the Contractor to provide the defaulted service; or (2) the cost to the State of providing the defaulted service, whether said service is provided by the State or a third party. To determine the amount the Contractor is being paid for any particular service, the Department shall be entitled to receive within five (5) days any requested material from Contractor. The State shall make the final and binding determination of said amount.

The State may assess Liquidated Damages against the Contractor for any failure to perform which ultimately results in a Partial Default with said Liquidated Damages to cease when said Partial Default is effective. Upon Partial Default, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken

- (4) Contract Termination— In the event of a Breach, the State may terminate the Contract immediately or in stages. The Contractor shall be notified of the termination in writing by the State. Said notice shall hereinafter be referred to as Termination Notice. The Termination Notice may specify either that the termination is to be effective immediately, on a date certain in the future, or that the Contractor shall cease operations under this Contract in stages. In the event of a termination, the State may withhold any amounts which may be due Contractor without waiver of any other remedy or damages available to the State at law or at equity. The Contractor shall be liable to the State for any and all damages incurred by the State and any and all expenses incurred by the State which exceed the amount the State would have paid Contractor under this Contract. Contractor agrees to cooperate with the State in the event of a Contract Termination or Partial Takeover.

- b. State Breach— In the event of a Breach of contract by the State, the Contractor shall notify the State in writing within 30 days of any Breach of contract by the State. Said notice shall contain a description of the Breach. Failure by the Contractor to provide said written notice shall operate as an absolute waiver by the Contractor of the State's Breach. In no event shall any Breach on the part of the State excuse the Contractor from full performance under this Contract. In the event of

Breach by the State, the Contractor may avail itself of any remedy at law in the forum with appropriate jurisdiction; provided, however, failure by the Contractor to give the State written notice and opportunity to cure as described herein operates as a waiver of the State's Breach. Failure by the Contractor to file a claim before the appropriate forum in Tennessee with jurisdiction to hear such claim within one (1) year of the written notice of Breach shall operate as a waiver of said claim in its entirety. It is agreed by the parties this provision establishes a contractual period of limitations for any claim brought by the Contractor.

E.5. Partial Takeover.

The State may, at its convenience and without cause, exercise a partial takeover of any service which the Contractor is obligated to perform under this Contract, including but not limited to any service which is the subject of a subcontract between Contractor and a third party, although the Contractor is not in Breach (hereinafter referred to as "Partial Takeover"). Said Partial Takeover shall not be deemed a Breach of Contract by the State. Contractor shall be given at least 30 days prior written notice of said Partial Takeover with said notice to specify the area(s) of service the State will assume and the date of said assumption. Any Partial Takeover by the State shall not alter in any way Contractor's other obligations under this Contract. The State may withhold from amounts due the Contractor the amount the Contractor would have been paid to deliver the service as determined by the State. The amounts shall be withheld effective as of the date the State assumes the service. Upon Partial Takeover, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

E.6. Annual Report and Audit.

The Contractor shall prepare and submit, within nine (9) months after the close of the reporting period, an annual report of its activities funded under this Contract to the commissioner or head of the contracting agency, the Tennessee Comptroller of the Treasury, and the Commissioner of Finance and Administration. The annual report for any Contractor that receives Five Hundred Thousand dollars (\$500,000) or more in aggregate federal and state funding for all its programs shall include audited financial statements. All books of account and financial records shall be subject to annual audit by the Tennessee Comptroller of the Treasury or the Comptroller's duly appointed representative. When an audit is required, the Contractor may, with the prior approval of the Comptroller, engage a licensed independent public accountant to perform the audit. The audit contract between the Contractor and the licensed independent public accountant shall be on a contract form prescribed by the Tennessee Comptroller of the Treasury. Any such audit shall be performed in accordance with generally accepted government auditing standards, the provisions of OMB Circular A-133, if applicable, and the *Audit Manual for Governmental Units and Recipients of Grant Funds* published by the Tennessee Comptroller of the Treasury. The Contractor shall be responsible for reimbursement of the cost of the audit prepared by the Tennessee Comptroller of the Treasury, and payment of fees for the audit prepared by the licensed independent public accountant. Payment of the audit fees of the licensed independent public accountant by the Contractor shall be subject to the provisions relating to such fees contained in the prescribed contract form noted above. Copies of such audits shall be provided to the designated cognizant state agency, the State Contracting Department, the Tennessee Comptroller of the Treasury, and the Department of Finance and Administration and shall be made available to the public.

E.7. State Ownership of Work Products.

The State shall have all ownership right, title, and interest, including ownership of copyright, in all work products created, designed, developed, derived, documented, installed, or delivered to the State under this Contract. The State shall have royalty-free and unlimited rights to use, disclose, reproduce, or publish, for any purpose whatsoever, all said work products. The Contractor shall furnish such information and data upon request of the State, in accordance with the Contract and applicable State law.

E.8. Performance Bond.

Upon approval of the Contract by all appropriate State officials in accordance with applicable State laws and regulations, the Contractor shall furnish a performance bond in the amount equal to Ten Million Dollars (\$10,000,000.00), guaranteeing full and faithful performance of all undertakings and obligations under this Contract for an initial one (1) year period and renewed each subsequent one (1) year period for the duration of the contract term and all extensions thereof. The bond shall be in the manner and form

prescribed by the State and must be issued through a company licensed to issue such a bond in the State of Tennessee.

An annual renewal notification must be sent to the State by the financial institution who issued the performance bond at by the Contractor's direction that the performance bond has been renewed or reissued and is still in effect.

The Contractor shall obtain the required performance bond in form and substance acceptable to the State and provide it to the State no later than August 2005. Failure to provide the performance bond prior to the deadline as required shall result in contract termination.

In lieu of a performance bond, a surety deposit, in the sum of Ten Million Dollar (\$10,000,000.00), may be substituted if approved by the State prior to its submittal.

E.9. Printing Authorization.

The Contractor agrees that no publication coming within the jurisdiction of *Tennessee Code Annotated*, Section 12-7-101, *et. seq.*, shall be printed unless a printing authorization number has been obtained and affixed as required by *Tennessee Code Annotated*, Section 12-7-103 (d).

E.10. Competitive Procurements.

This Contract provides for reimbursement of the cost of goods, materials, supplies, equipment, or services. Such procurements shall be made on a competitive basis, where practical.

E.11. State Furnished Property.

The Contractor shall be responsible for the correct use, maintenance, and protection of all articles of nonexpendable, tangible, personal property furnished by the State for the Contractor's temporary use under this Contract. Upon termination of this Contract, all property furnished shall be returned to the State in good order and condition as when received, reasonable use and wear thereof excepted. Should the property be destroyed, lost, or stolen, the Contractor shall be responsible to the State for the residual value of the property at the time of loss.

E.12. Incorporation of Additional Documents.

Included in this Contract by reference are the following documents:

- a. The Contract document and its attachments;
- b. All Clarifications and addenda made to the Contractor's Proposal;
- c. The Request for Proposal and its associated amendments;
- d. Technical Specifications provided to the Contractor;
- e. The Contractor's Proposal.

In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these documents shall govern in order of precedence detailed above.

E.13. Workpapers Subject to Review.

The Contractor shall make all audit, accounting, or financial analysis workpapers, notes, and other documentation available for review by the Comptroller of the Treasury or his representatives, upon request, during normal working hours either while the analysis is in progress or subsequent to the completion of this Contract.

E.14. Lobbying.

The Contractor certifies, to the best of its knowledge and belief, that:

No federally appropriated funds have been paid or will be paid, by or on behalf of the Contractor, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, and entering into any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative

agreement.

If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this contract, grant, loan, or cooperative agreement, the Contractor shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

The Contractor shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including sub-grants, subcontracts, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients of federally appropriated funds shall certify and disclose accordingly.

E.15. Public Funding Notice.

All notices, informational pamphlets, press releases, research reports, signs, and similar public notices prepared and released by the Contractor relative to this Contract shall include the statement, "This project is funded under an agreement with the State of Tennessee." Any such notices by the Contractor shall be approved by the State.

E.16. Prohibited Advertising.

The Contractor shall not refer to this Contract or the Contractor's relationship with the State hereunder in commercial advertising in such a manner as to state or imply that the Contractor or the Contractor's services are endorsed.

E.17. Confidentiality of Records.

Strict standards of confidentiality of records shall be maintained in accordance with the law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information in accordance with the provisions of State law and ethical standards and shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with State law and ethical standards.

The Contractor will be deemed to have satisfied its obligations under this section by exercising the same level of care to preserve the confidentiality of the State's information as the Contractor exercises to protect its own confidential information so long as such standard of care does not violate the applicable provisions of the first paragraph of this section.

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

E.18. Copyrights and Patents.

The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims or suits which may be brought against the State for infringement of any laws regarding patents or copyrights which may arise from the Contractor's performance of this Contract. In any such action brought against the State, the Contractor shall satisfy and indemnify the State for the amount of any final judgment for infringement. The Contractor further agrees it shall be liable for the reasonable fees of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State. The State shall give the Contractor written notice of any such claim or suit and full right and opportunity to conduct the Contractor's own defense thereof.

E.19. Public Accountability.

If this Contract involves the provision of services to citizens by the Contractor on behalf of the State, the Contractor agrees to establish a system through which recipients of services may present grievances about the operation of the service program, and the Contractor agrees to display a sign stating: "NOTICE: This Contractor is a recipient of taxpayer funding. If you observe an employee engaging in any activity which you consider to be illegal or improper, please call the State Comptroller's toll free hotline: 1-800-232-5454"

Said sign shall be displayed in a prominent place, located near the passageway(s) through which the public passes to receive State funded services.

E.20. Environmental Tobacco Smoke.

Pursuant to the provisions of the federal "Pro-Children Act of 1994" and the Tennessee "Children's Act for Clean Indoor Air of 1995," the Contractor shall prohibit smoking of tobacco products within any indoor premises in which services are provided pursuant to this Contract to individuals under the age of eighteen (18) years. The Contractor shall post "no smoking" signs in appropriate, permanent sites within such premises. This prohibition shall be applicable during all hours, not just the hours in which children are present. Violators of the prohibition may be subject to civil penalties and fines. This prohibition shall apply to and be made part of any subcontract related to this Contract.

E.21. Authorized Individuals.

Each party hereto has provided the other party hereto with a list identifying the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given hereunder by the party providing such list. Said lists, which are attached hereto as Attachment F, shall be valid until revoked or amended by further written notice. The parties hereto shall only be entitled to rely on notices, requests, demands, or other advice given by such individuals.

E.22. Date/Time Hold Harmless.

As required by **Tennessee Code Annotated**, Section 12-4-118, the contractor shall hold harmless and indemnify the State of Tennessee; its officers and employees; and any agency or political subdivision of the State for any breach of contract caused directly or indirectly by the failure of computer software or any device containing a computer processor to accurately or properly recognize, calculate, display, sort or otherwise process dates or times.

E.23. Hold Harmless.

The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State.

In the event of any such suit or claim, the Contractor shall give the State immediate notice thereof and shall provide all assistance required by the State in the State's defense. The State shall give the Contractor written notice of any such claim or suit, and the Contractor shall have full right and obligation to conduct the Contractor's own defense thereof. Nothing contained herein shall be deemed to accord to the Contractor, through its attorney(s), the right to represent the State of Tennessee in any legal matter, such rights being governed by **Tennessee Code Annotated**, Section 8-6-106.

E.24. Tennessee Consolidated Retirement System.

The Contractor acknowledges and understands that, subject to statutory exceptions contained in **Tennessee Code Annotated**, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System, provides that if a retired member returns to State employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of



“employee/employer” and not that of an independent contractor, the Contractor may be required to repay to the Tennessee Consolidated Retirement System the amount of retirement benefits the Contractor received from the Retirement System during the period of this Contract.

E.25. Debarment and Suspension.

The Contractor certifies, to the best of its knowledge and belief, that it and its principals:

- a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal or State department or agency;
- b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offence in connection with obtaining attempting to obtain, or performing a public (Federal, State, or Local) transaction or grant under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
- c. are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or Local) with commission of any of the offenses detailed in section b. of this certification; and
- d. have not within a three (3) year period preceding this Contract had one or more public transactions (Federal, State, or Local) terminated for cause or default.

E.26. Non-Competition.

The Contractor shall not compete with TSAC by guaranteeing loans or making loans without a TSAC guarantee to any students or parents residing in the State of Tennessee. The Contractor shall disclose the level of its current student loan business within the State of Tennessee in an annual report.

E.27. Program Development.

The further development and improvement of the Federal Family Education Loan Program, TSAA, TELS, Scholarships, and Loan Forgiveness Programs is an important goal to TSAC. Therefore, the Contractor shall provide information upon request in the innovation of new and creative technologies and enhancements for TSAC.

E.28. Document Security and Retention.

The Contractor shall maintain security and fire protection for all loan data being processed, and provide a document management system to TSAC.

E.29. Program Compliance.

The Contractor shall be willing to comply with any and all State of Tennessee or Federal regulations and be willing to implement such changes at no additional cost to TSAC.

E.30. Losses.

The Contractor shall hold TSAC harmless for any loss of revenue, financial, or administrative penalty as determined by the U.S. Department of Education which is attributable to any one of the following:

- Contractor error or untimeliness in reporting to NSLDS,
- Contractor error or untimeliness in loan processing or servicing in NSLDS reporting,
- Contractor failure to timely and effectively resolve errors identified by NSLDS,
- Contractor loan processing or servicing errors identified during a third-party servicer audit by the State of Tennessee or the U.S. Department of Education,
- Contractor errors or untimeliness in preparing and submitting the Forms 2000, and
- Contractor errors or untimeliness in claim payment, collections, payment processing, or other servicing activities summarized on Forms 2000.

The Contractor shall hold TSAC harmless for any loss of reinsured principal or interest caused by the Contractor's failure to follow TSAC policy and the U.S. Department of Education statutory and regulatory requirements on claim processing or the Contractor's failure to follow the U.S. Department of Education guidelines on filing for reinsurance.

The Contractor shall hold TSAC harmless for any civil penalties (formal or informal) caused by the Contractor's failure to follow TSAC policies and the U.S. Department of Education statutory and regulatory requirements on claim processing or the Contractor's failure to follow the U.S. Department of Education guidelines on filing for reinsurance.

The Contractor shall hold TSAC harmless for any civil penalties (formal or informal) in the processing of loans through an eSignature process.

The Contractor must report all losses to TSAC on a monthly basis.

In no way does the language in this section limit the Contractor's obligations to indemnify and hold harmless the State of Tennessee as stated in Section E.23. and E.24. of this Contract.

**IN WITNESS WHEREOF:**

**GuaranTec, LLP**

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**Chuck Hosea, President** **Date**

**Tennessee Student Assistance Corporation**

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**Robert W. Ruble, Executive Director** **Date**

**APPROVED:**

**DEPARTMENT OF FINANCE AND ADMINISTRATION:**

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**M. D. Goetz, Jr., Commissioner** **Date**

**DEPARTMENT OF PERSONNEL:**

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**Randy C. Camp, Commissioner** **Date**

**COMPTROLLER OF THE TREASURY:**

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**John G. Morgan, Comptroller of the Treasury** **Date**

## GLOSSARY

**Backup and Recovery Plan:** The purpose of this plan is to provide guidelines for backup and recovery requirements. This will reduce downtime and minimize impact in the event of any unexpected loss.

**Change Control Plan:** Change Control encompasses all activities aimed at helping an organization successfully accept and adopt new technologies. Effective Change Control enables the transformation of strategy, processes, technology, and people to enhance performance and ensure continuous improvement in a ever-changing environment. Included in this plan should be the names of the individuals who will have the authority to approve changes to the project.

**Communication Management Plan:** The communication plan is a full-scale communications program designed to create awareness among key target audiences of its activities, programs, people, services, and products. A good communication plan includes:

- When informing your audience of your intentions, this plan will allow others the opportunity to provide you with input,
- Assures that you will take advantage of all opportunities, including ongoing implementation,
- Helps keep communication focused, and
- Helps prevent unwanted surprises.

**Critical Defect:** A critical defect is one that makes the system inoperable for the entire user base, there is a large dollar impact, it places the system out of compliance, or any operational work flow change which places an undue hardship on TSAC or the users of the system.

**Data Conversion Test:** A testing type that verifies and validates the accuracy of the conversion of data from one database to another.

**Data Conversion Test Plan:** Describes the Data conversion approach, all source systems and components, description of the data being converted, and a clearly identified timetable to ensure the smooth transition of programs and data.

**ELM:** ELM is the acronym for ELM Resources. ELM Resources provides automated Federal Family Education Loan Program loan data exchanges, updates, and loan information through the Internet for postsecondary schools. ELM Resources is supported by lenders, guarantors, and servicers who are its members.

**Integration Test Plan:** Describes how Integration Testing will be conducted and what resources will be required for the testing effort.

**Interface Test:** This tests the files being transferred between applications verifying the appropriate format for sending and receiving information.

**Interface Test Plan:** Describes how and when the Interface Tests will be conducted, and what resources will be required.

**ISIR:** ISIR is the acronym for Institutional Student Information Record. The ISIR is the electronic output record provided to the postsecondary school and TSAC by the U.S. Department of Education's Central Processing System. The ISIR includes information provided by the student on the Free Application for Federal Student Aid.

**Load Test/Stress Plan:** Describes how Load/Stress Testing will be conducted and what resources will be required. Also describes the methods to be utilized. (Automated/Manual)

**NSLDS:** NSLDS is the acronym for the National Student Loan Data System. The National Student Loan Data System is a database comprised of information from guarantors, postsecondary schools, lenders, lender servicers, and the U.S. Department of Education which contains information on Title IV aid received by student borrowers and parent borrowers.

**OPEID:** OPEID is the six digit number assigned to postsecondary schools, lenders, and lender servicers by the U.S. Department of Education.

**Project Management Plan:** The Project Management Plan is the controlling document to manage an Information Management/Information Technology project. The Project Management Plan describes the:

- Purpose, scope, and interim and final deliverables of the project,
- Schedule and budget for the project,
- Project assumptions and constraints,
- Managerial and technical processes necessary to develop the project deliverables,
- Resources required to deliver the project deliverables, and
- Additional plans required to support the project.

**Regression Test Plan:** Describes the planned approach for Regression Testing. This plan will also document resources required as well as requirement test coverage.

**Risk Management Plan:** A Risk Management Plan describes how risks will be managed on the project. It is a subset or a companion element of the Project Management Plan. It identifies the involvement of the project team, the vendor, and the client in carrying out risk management activities, the detail and scheduling of each major risk management activity (e.g., identifications, analysis, prioritization, monitoring), risks threshold criteria, and reporting formats.

**STARS:** STARS is the acronym for the State of Tennessee Accounting and Reporting system.

**System Test Plan:** Describes the planned approach for the developer/vendor to test a group of modules or entire system to verify that all functional, information, structural and quality requirements have been met. This plan will include the resources needed to conduct tests and a predefined combination of tests that will fulfill testing requirements.

**Test Management Plan:** The Test Management Plan is the contract between the test team, the management and the development team. A Test Management Plan describes the scope, approach, resources, and schedule of testing activities. This plan documents each type (functional, performance, usability) and levels (Unit, Integration, Regression, Load/Stress and User Acceptance Testing). It also specifies the personnel responsible for each task, the staffing and training needed, the environment and tools needed, and the risks and contingencies.

**Test Plan:** Documentation that specifies the scope, approach, resources, and schedule of intended testing activities. The role of a test plan is to guide testing activities. It is a managerial document, not a technical one. In essence, it is a project plan for testing, and being a project plan, should set goals and define resources.

The standard setting organization, IEEE, identifies the following as subjects to be addressed in a Test Plan:

- Test Plan ID,
- Introduction,
- Test Items,
- Features to be Tested,
- Features not to be Tested,
- Approach,
- Item Pass/Fail Criteria,
- Suspension Criteria and Resumption Requirements,
- Test Deliverables,
- Testing Tasks,
- Environmental Needs,
- Responsibilities,

- Staffing Needs,
- Training Needs,
- Schedule,
- Risks and Contingencies, and
- Approvals.

**Unit Test Plan:** Documents a single unit test and describes how Unit tests are to be performed by the developer. This plan will include procedures and requirements needed to perform these tests.

**User Acceptance Test Plan:** Describe how UAT tests will be conducted, what tests will be conducted and what resources and training will be required for this testing phase.

**Work Plan:** Describes the work activities for accomplishing deliverables, schedule, resources, scheduled start/end dates for each task and budget details for the project. Much of this content may be in appendices that are maintained as living documents, supported by project planning and tracking tools. Include, at a minimum, a list of the key elements in the project work breakdown structure and a description of those activities. The Work Plan provides the basis against which project cost and schedule status may be regularly measured as the project proceeds.

**STATE OF TENNESSEE INTERFACE PROTOCOLS**

**Tennessee Department of Safety uses an IBM mainframe platform with IMS databases and DB2 tables.**

**Tennessee Department of Labor uses a Bull 9000 platform with the GCOS8 operating system and IDS-II databases.**

**STARS uses a IMS datafile and runs on the State of Tennessee's mainframe computer.**

**LINKS TO STATUTORY AND REGULATORY REQUIREMENTS**

**Federal Family Education Loan Program**

[www.IFAP.ed.gov/IFAPWebApp](http://www.IFAP.ed.gov/IFAPWebApp)

[www.access.gpo.gov/nara/cfr/waisidx\\_03/34cfrv3\\_03.html#600](http://www.access.gpo.gov/nara/cfr/waisidx_03/34cfrv3_03.html#600)

**Robert C. Byrd Program**

[www.access.gpo.gov/nara/cfr/waisidx\\_03/34cfrv3\\_03.html#600](http://www.access.gpo.gov/nara/cfr/waisidx_03/34cfrv3_03.html#600)

**Tennessee Code Annotated**

[www.michie.com](http://www.michie.com) (Choose jurisdiction as Tennessee; choose Tennessee Code; select Title 49)

**Rules of the Tennessee Student Assistance Corporation**

[www.state.tn.us/sos/rules/1640/1640.htm](http://www.state.tn.us/sos/rules/1640/1640.htm)

**SCHEDULE OF LIQUIDATED DAMAGES**

- The Contractor may be subject to a penalty of five (\$5.00) dollars per day per loan not processed within the maximum turnaround time as determined by TSAC's Executive Director. (Sections A.1.c., A.2.d., A.4.a., A.5.i., A.6.c.3., and A.6.d.6.)
- The Contractor may be subject to a penalty of five (\$5.00) dollars per day per notices or letters not distributed within the specified timeframe as determined by TSAC's Executive Director. (Sections A.1.f., A.1.k.2., A.5.j., A.5.k., A.7.b.1., A.7.b.2., and A.7.b.3.)
- The Contractor may be subject to a penalty of five (\$5.00) dollars per day per forms not distributed within the specified timeframe as determined by TSAC's Executive Director. (Sections A.1.p., A.4.h., A.5.f., A.6.b., and A.7.a.)
- The Contractor may be subject to a penalty of five (\$5.00) dollars per day per item (guarantee fee payment or adjustment) not deposited within the specified timeframe as determined by TSAC's Executive Director. (Section A.2.c.)
- The Contractor may be subject to a penalty of five (\$5.00) dollars per day per dispute unresolved within the specified timeframe as determined by TSAC's Executive Director. (Section A.2.e.)
- The Contractor may be subject to a penalty of five (\$5.00) dollars per day per item (default payment) not deposited within the specified timeframe as determined by TSAC's Executive Director. (Section A.7.c.)
- The Contractor may be subject to a penalty of five (\$5.00) dollars per day per item (default payment) not submitted by collection agencies within the specified timeframe as determined by TSAC's Executive Director. (Section A.7.f.)
- The Contractor may be subject to a penalty of one thousand (\$1,000.00) dollars per day per agreed upon change not delivered by the agreed upon date as determined by TSAC's Executive Director. (Section A.11.b., A.11.c.)
- The Contractor may be subject to a penalty of ten (\$10.00) dollars per day per call not handled within the specified timeframes as determined by TSAC's Executive Director. (Section A.13.b.)
- The Contractor may be subject to a penalty of two hundred and fifty (\$250.00) dollars per day per item (reinsurance payment data) not posted within the specified timeframe as determined by TSAC's Executive Director. (Section A.18.a.)



**ESTIMATED VOLUME**

**SERVICE UNIT – YEAR 1**

**ESTIMATED VOLUME**

**THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO**

Stafford Loans Guaranteed (Per Loan)	193,215
PLUS Loans Guaranteed (Per Loan)	11,940
Consolidation Loans Guaranteed (Per Loan)	55,269
Loans Outstanding – Interim Status (Per Loan)	390,912
Loans Outstanding – Repayment Status (Per Loan)	663,285
Loans Outstanding – Default Status (Per Loan)	231,638
Default Aversion Assistance (Per Loan)	54,600
Claims Purchased (Per Claim)	17,169
Supplemental Claims Purchased (Per Claim)	90
Lender of Last Resort – New Loans Guaranteed (Per Loan)	4

**SERVICE UNIT – YEAR 2**

**ESTIMATED VOLUME**

**THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO**

Stafford Loans Guaranteed (Per Loan)	212,536
PLUS Loans Guaranteed (Per Loan)	13,134
Consolidation Loans Guaranteed (Per Loan)	58,032
Loans Outstanding – Interim Status (Per Loan)	410,457
Loans Outstanding – Repayment Status (Per Loan)	696,449
Loans Outstanding – Default Status (Per Loan)	243,219
Default Aversion Assistance (Per Loan)	57,300
Claims Purchased (Per Claim)	18,027
Supplemental Claims Purchased (Per Claim)	94
Lender of Last Resort – New Loans Guaranteed (Per Loan)	4

**SERVICE UNIT – YEAR 3**

**ESTIMATED VOLUME**

**THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO**

Stafford Loans Guaranteed (Per Loan)	233,789
PLUS Loans Guaranteed (Per Loan)	14,447
Consolidation Loans Guaranteed (Per Loan)	60,933
Loans Outstanding – Interim Status (Per Loan)	430,979
Loans Outstanding – Repayment Status (Per Loan)	731,271
Loans Outstanding – Default Status (Per Loan)	255,379
Default Aversion Assistance (Per Loan)	60,100
Claims Purchased (Per Claim)	18,928
Supplemental Claims Purchased (Per Claim)	98
Lender of Last Resort – New Loans Guaranteed (Per Loan)	4

**SERVICE UNIT – YEAR 4****ESTIMATED VOLUME****THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO**

Stafford Loans Guaranteed (Per Loan)	257,167
PLUS Loans Guaranteed (Per Loan)	15,891
Consolidation Loans Guaranteed (Per Loan)	63,979
Loans Outstanding – Interim Status (Per Loan)	452,527
Loans Outstanding – Repayment Status (Per Loan)	767,834
Loans Outstanding – Default Status (Per Loan)	268,147
Default Aversion Assistance (Per Loan)	63,000
Claims Purchased (Per Claim)	19,874
Supplemental Claims Purchased (Per Claim)	102
Lender of Last Resort – New Loans Guaranteed (Per Loan)	4

**SERVICE UNIT – YEAR 5****ESTIMATED VOLUME****THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO**

Stafford Loans Guaranteed (Per Loan)	282,883
PLUS Loans Guaranteed (Per Loan)	17,480
Consolidation Loans Guaranteed (Per Loan)	67,177
Loans Outstanding – Interim Status (Per Loan)	475,153
Loans Outstanding – Repayment Status (Per Loan)	806,225
Loans Outstanding – Default Status (Per Loan)	281,554
Default Aversion Assistance (Per Loan)	66,150
Claims Purchased (Per Claim)	20,867
Supplemental Claims Purchased (Per Claim)	107
Lender of Last Resort – New Loans Guaranteed (Per Loan)	4

**AUTHORIZED INDIVIDUALS**

**TENNESSEE STUDENT ASSISTANCE CORPORATION**

Monday, September 19, 2005

**DISCUSSION ITEM A: Nelnet Progress Report**

**Staff Recommendation** For discussion only.

**Background** In 2003 and 2004, TSAC guaranteed more than \$900 million of consolidation loans issued by the lender “Nelnet”. Nelnet is the parent company of Guarantec, the company which services TSAC’s loan and grant/scholarship programs.

State statutes require that loans guaranteed by TSAC must meet one of the following three conditions:

1. Loans made to Tennessee residents, or
2. Loans made to non-residents attending a Tennessee college or university, or
3. Lender with a physical presence in Tennessee

Most of the Nelnet loans failed this test, and efforts began in 2005 to move all Nelnet loans out of TSAC’s portfolio.

This was most recently discussed with the Board at its June, 2005 meeting, and a progress report will be presented at today’s meeting and every future Board meeting until the Nelnet portfolio is empty.

Most of the loans in the Nelnet portfolio have now been transferred to another guarantor, the Colorado Student Loan Program, a.k.a. “The College Access Network.” About \$2 million of loans cannot be transferred to the Colorado guarantee agency, because the loans are delinquent. As these delinquencies are cured or paid as claims, they will either be forwarded to Colorado or subrogated to the U. S. Department of Education. Claims already paid will soon be transferred to the U.S. Department of Education.

The Nelnet portfolio should be nearly empty by September 30, 2005. By January 1, 2006, the portfolio should be absolutely empty and Nelnet’s lender ID should be deactivated and closed in the TSAC system.

**Supporting Document** None.



**TENNESSEE STUDENT ASSISTANCE CORPORATION**  
Monday, September 19, 2005

**DISCUSSION ITEM B:        College Goal Sunday Update**

**Staff Recommendation**        For discussion only.

**Background**                      College Goal Sunday is a program that helps college-bound students and their families complete the Free Application for Federal Student Aid (FAFSA). For Tennessee's inaugural year as a member in the nation-wide program, members of the steering committee and volunteers have agreed that Sunday, February 12, 2006 will be the 1<sup>st</sup> of hopefully many College Goal Sunday events in Tennessee. In Tennessee, the program will be held at twelve locations across the state.

This program was last reviewed with the Board at its June, 2005 meeting, and an update is provided today.

**Supporting Document**        None.



**TENNESSEE STUDENT ASSISTANCE CORPORATION**

Monday, September 19, 2005

**DISCUSSION ITEM C-1: Tennessee Education Lottery Scholarship Program Status Report**

**Staff Recommendation** For discussion only.

**Background** The Tennessee Education Lottery Scholarship (TELS) Program is now entering its second year, and the level of activity has increased substantially above that of the first year.

As of September 1, 2005, the application deadline for 2005-06 awards, \$173 million will be offered to nearly 57,000 students. These figures will decline as some students opt not to attend.

In the previous year, 40,225 students actually received a little more than \$93 million.

Details are provided in the document entitled *Tennessee Education Lottery Scholarship Program Update*, September 2, 2005

**Supporting Document** *Tennessee Education Lottery Scholarship Program Update*, September 2, 2005.





# Tennessee Education Lottery Scholarship

## Program Update

September 2, 2005

Tennessee Student Assistance Corporation  
Parkway Towers, Suite 1950  
404 James Robertson Parkway  
Nashville, Tennessee 37243-0820  
(615) 741-1346

[www.CollegePaysTN.com](http://www.CollegePaysTN.com)



Tennessee Student Assistance Corporation  
HOPE Scholarship Program

	2004-05 Actual Recipients		2005-06 Eligible through 9/1/05*	
	Students	\$	Students	\$
<u>HOPE (Includes Gen Assembly Merit &amp; Aspire)</u>				
Independent / Four-Years	5,318	\$16,715,547	8,413	\$31,483,815
Independent / Two-Years	110	182,750	86	183,900
Private/Business Trade	0	0	24	90,200
Board of Regents	11,261	34,715,484	16,345	61,245,646
University of Tennessee System	8,041	24,724,303	13,013	48,211,700
State Tech/Community Colleges	<u>6,572</u>	<u>10,312,105</u>	<u>7,658</u>	<u>16,600,592</u>
	31,302	\$86,650,189	45,539	\$157,815,853
 <u>HOPE Access Grant</u>				
Independent / Four-Years	12	\$21,000	29	\$69,600
Independent / Two-Years	1	1,250	1	1,575
Private/Business Trade	0	0	0	0
Board of Regents	37	61,000	123	295,200
University of Tennessee System	16	24,779	35	82,800
State Tech/Community Colleges	<u>42</u>	<u>44,531</u>	<u>57</u>	<u>89,775</u>
	108	\$152,560	245	\$538,950
 <u>HOPE Wilder-Naifeh</u>				
Technology Centers	8,815	\$6,613,273	11,065	\$14,364,156
 <u>ALL PROGRAMS</u>				
Independent / Four-Years	5,330	\$16,736,547	8,442	\$31,553,415
Independent / Two-Years	111	184,000	87	185,475
Private/Business Trade	0	0	24	90,200
Board of Regents	11,298	34,776,484	16,468	61,540,846
University of Tennessee System	8,057	24,749,082	13,048	48,294,500
State Tech/Community Colleges	6,614	10,356,636	7,715	16,690,367
Technology Centers	<u>8,815</u>	<u>6,613,273</u>	<u>11,065</u>	<u>14,364,156</u>
	40,225	\$93,416,022	56,849	\$172,718,959

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\* Awards were offered to eligible students who applied by September 1, 2005. Data shown here are current as of that date. These amounts will decline as certification rosters are completed.

Tennessee Student Assistance Corporation  
 HOPE (Includes General Assembly Merit and Aspire)  
 Awards By Institution

	2004-05		2005-06	
	Actual Recipients	\$	Eligible through 9/1/05	\$
	Students		Students	
<u>INDEPENDENT/FOUR-YEARS</u>				
Aquinas College 003477-00	32	\$81,000	44	\$169,200
Baptist Memorial College of Health Science 034403-00	48	149,625	82	297,600
Belmont University 003479-00	386	1,180,375	616	2,125,877
Bethel College 003480-00	147	456,600	225	862,600
Bryan College 003536-00	59	192,000	107	400,100
Carson Newman College 003481-00	390	1,246,500	601	2,254,500
Christian Brothers University 003482-00	263	838,125	425	1,635,450
Crichton College 009982-00	27	74,125	36	131,800
Cumberland University 003485-00	194	599,500	332	1,237,100
David Lipscomb University 003486-00	462	1,436,203	664	2,434,900
Fisk University 003490-00	48	157,500	90	332,550
Free Will Baptist Bible College 030018-00	23	73,000	27	98,600
Freed-Hardeman University 003492-00	257	788,397	371	1,388,300
Johnson Bible College 003495-00	35	96,500	54	202,200
King College 003496-00	125	404,500	204	691,350
Lambuth University 003498-00	207	635,000	265	990,500
Lane College	48	156,125	71	300,300
Lee University 003500-00	266	818,250	399	1,507,200
LeMoyne-Owen College 003501-00	34	118,500	44	193,200
Lincoln Memorial University 003502-00	133	410,000	181	727,800
Martin Methodist College 003504-00	90	276,500	179	677,200
Maryville College 003505-00	352	1,102,950	571	2,148,000
Memphis College of Art 003507-00	16	53,000	38	141,900
Milligan College 003511-00	97	292,500	139	512,200
Rhodes College 003519-00	205	685,000	322	1,235,600
South College 004938-00	14	30,665	19	73,200
Southern Adventist University 003518-00	116	360,500	172	607,100
Tennessee Wesleyan College 003525-00	176	535,262	267	1,002,600
Trevecca Nazarene University 003526-00	117	357,000	153	571,900
Tusculum College 003527-00	155	445,225	231	903,150

Tennessee Student Assistance Corporation  
 HOPE (Includes General Assembly Merit and Aspire)  
 Awards By Institution

	2004-05		2005-06	
	Actual Recipients	\$	Eligible through 9/1/05	\$
	Students		Students	
Union University 003528-00	313	986,788	486	1,855,800
University of the South 003534-00	106	341,000	196	754,300
Vanderbilt University 003535-00	355	1,270,707	755	2,857,050
Watkins Institute College of Art and Design 031276-00	22	66,625	47	162,688
	5,318	\$16,715,547	8,413	\$31,483,815
<u>INDEPENDENT/TWO-YEARS</u>				
Hiwassee College 003494-00	105	\$174,000	75	\$156,750
John A Gupton College 008859-00	5	8,750	11	27,150
	110	\$182,750	86	\$183,900
<u>PRIVATE/BUSINESS &amp; TRADE</u>				
O'More College of Design 014663-00	0	\$0	24	\$90,200
	0	\$0	24	\$90,200
<u>UNIVERSITY OF TENNESSEE SYSTEM</u>				
University of Tennessee, Chattanooga 003529-00	1,684	\$5,040,313	2,563	\$9,589,000
University of Tennessee, Health Science Center 006725-00	0	0	11	37,800
University of Tennessee, Knoxville 003530-00	5,045	15,623,196	8,372	30,809,450
University of Tennessee, Martin 003531-00	1,312	4,060,794	2,067	7,775,450
	8,041	\$24,724,303	13,013	\$48,211,700
<u>BOARD OF REGENTS/FOUR-YEAR</u>				
Austin Peay State University 003478-00	1,145	\$3,456,863	1,787	\$6,752,900
East Tennessee State University 003487-00	1,654	5,138,085	2,676	10,036,000
Middle Tennessee State University 003510-00	3,869	11,753,958	5,196	19,191,750
Tennessee State University 003522-00	534	1,718,655	565	2,256,446
Tennessee Technology University 003523-00	1,901	5,876,152	2,787	10,355,450
University of Memphis 003509-00	2,158	6,771,771	3,334	12,653,100
	11,261	\$34,715,484	16,345	\$61,245,646

Tennessee Student Assistance Corporation  
 HOPE (Includes General Assembly Merit and Aspire)  
 Awards By Institution

	2004-05		2005-06	
	Actual Recipients	\$	Eligible through 9/1/05	\$
	Students		Students	
<b>STATE TECH/COMMUNITY COLLEGES</b>				
Chattanooga State Tech Community College 003998-00	436	\$680,681	547	\$1,175,867
Cleveland State Community College 003999-00	349	553,252	397	869,050
Columbia State Community College 003483-00	589	927,003	715	1,520,750
Dyersburg State Community College 006835-00	242	383,168	276	643,150
Jackson State Community College 004937-00	457	711,134	448	972,800
Motlow State Community College 006836-00	513	790,065	489	1,008,350
Nashville State Tech Community College 007534-00	200	290,086	212	448,725
Northeast State Tech Community College 005378-00	437	708,864	573	1,240,125
Pellissippi State Tech Community College 012693-00	822	1,242,580	880	1,773,725
Roane State Community College 009914-00	794	1,313,253	875	1,948,850
Southwest Tennessee Community College 010439-00	260	410,259	412	957,400
Volunteer State Community College 00912-00	650	1,022,343	846	1,784,750
Walters State Community College 008863-00	<u>823</u>	<u>1,279,419</u>	<u>988</u>	<u>2,257,050</u>
	6,572	\$10,312,105	7,658	\$16,600,592
<b>TOTAL</b>				
Independent / Four-Years	5,318	\$16,715,547	8,413	\$31,483,815
Independent / Two-Years	110	182,750	86	183,900
Private/Business Trade	0	0	24	90,200
University of Tennessee System	8,041	24,724,303	13,013	48,211,700
Board of Regents/Four-Year	11,261	34,715,484	16,345	61,245,646
State Tech/Community Colleges	<u>6,572</u>	<u>10,312,105</u>	<u>7,658</u>	<u>16,600,592</u>
<b>GRAND TOTAL</b>	<b>31,302</b>	<b>\$86,650,189</b>	<b>45,539</b>	<b>\$157,815,853</b>

Tennessee Student Assistance Corporation  
HOPE Access Grant  
Awards By Institution

	2004-05		2005-06	
	Actual Recipients	\$	Eligible through 9/1/05	\$
	Students		Students	
<u>INDEPENDENT/FOUR-YEARS</u>				
Aquinas College 003477-00	1	\$2,000	0	\$0
Baptist Memorial College of Health Science 034403-00	0	0	1	2,400
Belmont University 003479-00	0	0	1	2,400
Bethel College 003480-00	0	0	3	7,200
Bryan College 003536-00	0	0	1	2,400
Carson Newman College 003481-00	0	0	2	4,800
Christian Brothers University 003482-00	1	2,000	1	2,400
Crichton College 009982-00	0	0	0	0
Cumberland University 003485-00	2	4,000	1	2,400
David Lipscomb University 003486-00	1	2,000	1	2,400
Fisk University 003490-00	1	1,000	1	2,400
Free Will Baptist Bible College 030018-00	0	0	0	0
Freed-Hardeman University 003492-00	0	0	0	0
Johnson Bible College 003495-00	0	0	0	0
King College 003496-00	1	2,000	0	0
Lambuth University 003498-00	0	0	1	2,400
Lane College	1	1,000	2	4,800
Lee University 003500-00	0	0	1	2,400
LeMoyne-Owen College 003501-00	1	2,000	1	2,400
Lincoln Memorial University 003502-00	0	0	3	7,200
Martin Methodist College 003504-00	1	2,000	1	2,400
Maryville College 003505-00	1	2,000	2	4,800
Memphis College of Art 003507-00	0	0	0	0
Milligan College 003511-00	0	0	0	0
Rhodes College 003519-00	0	0	0	0
South College 004938-00	0	0	1	\$2,400.00
Southern Adventist University 003518-00	0	0	0	0
Tennessee Wesleyan College 003525-00	1	1,000	1	2,400
Trevecca Nazarene University 003526-00	0	0	1	2,400
Tusculum College 003527-00	0	\$0	1	\$2,400



Tennessee Student Assistance Corporation  
HOPE Access Grant  
Awards By Institution

	2004-05		2005-06	
	Actual Recipients Students	\$	Eligible through 9/1/05 Students	\$
Union University 003528-00	0	0	2	4,800
University of the South 003534-00	0	0	0	0
Vanderbilt University 003535-00	0	0	0	0
Watkins Institute College of Art and Design 031276-00	0	0	0	0
	12	\$21,000	29	\$69,600
<u>INDEPENDENT/TWO-YEARS</u>				
Hiwassee College 003494-00	1	\$1,250	0	\$0
John A Gupton College 008859-00	0	0	1	1,575
	1	\$1,250	1	\$1,575
<u>PRIVATE/BUSINESS &amp; TRADE</u>				
O'More College of Design 014663-00	0	\$0.00	0	\$0.00
	0	\$0.00	0	\$0.00
<u>UNIVERSITY OF TENNESSEE SYSTEM</u>				
University of Tennessee, Chattanooga 003529-00	8	\$16,000.00	12	\$28,800.00
University of Tennessee, Health Science Center 006725-00	0	0	0	0
University of Tennessee, Knoxville 003530-00	3	3,779	8	18,000
University of Tennessee, Martin 003531-00	5	5,000	15	36,000
	16	\$24,779.00	35	\$82,800.00
<u>BOARD OF REGENTS/FOUR-YEAR</u>				
Austin Peay State University 003478-00	8	\$15,000.00	19	\$45,600.00
East Tennessee State University 003487-00	1	2,000	13	31,200
Middle Tennessee State University 003510-00	7	9,000	41	98,400
Tennessee State University 003522-00	7	11,000	9	21,600
Tennessee Technology University 003523-00	2	2,000	11	26,400
University of Memphis 003509-00	12	22,000	30	72,000
	37	\$61,000	123	\$295,200

Tennessee Student Assistance Corporation  
 HOPE Access Grant  
 Awards By Institution

2004-05		2005-06	
Actual Recipients	\$	Eligible through 9/1/05	\$
Students		Students	

2004-05		2005-06	
Actual Recipients	\$	Eligible through 9/1/05	\$
Students		Students	

STATE TECH/COMMUNITY COLLEGES

Chattanooga State Tech Community College 003998-00	0	\$0	2	\$3,150
Cleveland State Community College 003999-00	2	1,250	7	11,025
Columbia State Community College 003483-00	1	937	4	6,300
Dyersburg State Community College 006835-00	4	2,500	4	6,300
Jackson State Community College 004937-00	6	7,344	7	11,025
Motlow State Community College 006836-00	5	5,625	12	18,900
Nashville State Tech Community College 007534-00	3	3,125	0	0
Northeast State Tech Community College 005378-00	5	5,000	1	1,575
Pellissippi State Tech Community College 012693-00	8	8,750	3	4,725
Roane State Community College 009914-00	3	3,750	3	4,725
Southwest Tennessee Community College 010439-00	0	0	4	6,300
Volunteer State Community College 00912-00	1	1,250	5	7,875
Walters State Community College 008863-00	4	5,000	5	7,875
	42	\$44,531	57	\$89,775

TOTAL

Independent / Four-Years	12	\$21,000	29	\$69,600
Independent / Two-Years	1	1,250	1	1,575
Private/Business Trade	0	0	0	0
University of Tennessee System	16	24,779	35	82,800
Board of Regents/Four-Years	37	61,000	123	295,200
State Tech/Community Colleges	42	44,531	57	89,775
<b>GRAND TOTAL</b>	<b>108</b>	<b>\$152,560</b>	<b>245</b>	<b>\$538,950</b>

Tennessee Student Assistance Corporation  
 Wilder-Naifeh Technical Skills Grant  
 Awards By Institution

		2004-05		2005-06	
		Actual Recipients	Eligible through 9/1/05	Students	\$
		Students	\$	Students	\$
TN TECH CENTER AT ATHENS 005358-00	151	\$149,372	291	\$378,280	
TN TECH CENTER AT CHATTANOOGA 003998-01	506	409,534	274	355,550	
TN TECH CENTER AT COVINGTON 005280-00	133	98,608	216	279,500	
TN TECH CENTER AT CROSSVILLE 004026-00	267	211,538	351	455,831	
TN TECH CENTER AT CRUMP 005357-00	262	176,060	310	402,996	
TN TECH CENTER AT DICKSON 013955-00	358	262,837	508	660,336	
TN TECH CENTER AT ELIZABETHTON 005281-00	405	302,078	530	688,745	
TN TECH CENTER AT HARRIMAN 013894-00	197	179,712	258	335,232	
TN TECH CENTER AT HARTSVILLE 013893-00	194	165,508	270	350,567	
TN TECH CENTER AT HOHENWALD 014126-00	333	266,368	440	568,536	
TN TECH CENTER AT JACKSBORO 010700-00	193	131,768	200	259,930	
TN TECH CENTER AT JACKSON 013895-00	499	398,675	687	891,691	
TN TECH CENTER AT KNOXVILLE 004025-00	507	382,651	819	1,064,257	
TN TECH CENTER AT LIVINGSTON 005353-00	357	269,123	430	557,268	
TN TECH CENTER AT MCKENZIE 005352-00	290	201,403	260	337,088	
TN TECH CENTER AT MCMINNVILLE 005307-00	216	171,877	321	416,684	
TN TECH CENTER AT MEMPHIS 005360-00	694	542,387	991	1,288,300	
TN TECH CENTER AT MORRISTOWN 013891-00	788	521,168	776	1,008,464	
TN TECH CENTER AT MURFREESBORO 014543-00	242	210,400	311	403,753	
TN TECH CENTER AT NASHVILLE 013968-00	571	399,025	697	904,902	
TN TECH CENTER AT NEWBERN 005283-00	230	149,543	231	299,316	
TN TECH CENTER AT ONEIDA 009710-00	93	67,893	152	197,511	
TN TECH CENTER AT PARIS 013943-00	327	227,146	421	547,120	
TN TECH CENTER AT PULASKI 009464-00	215	152,341	269	347,850	
TN TECH CENTER AT RIPLEY 012164-00	170	121,730	169	218,000	
TN TECH CENTER AT SHELBYVILLE 005379-00	433	314,477	666	\$864,448	
TN TECH CENTER AT WHITEVILLE 014304-00	184	130,053	217	282,001	
<b>TOTAL</b>	<b>8,815</b>	<b>\$6,613,273</b>	<b>11,065</b>	<b>\$14,364,156</b>	

**TENNESSEE STUDENT ASSISTANCE CORPORATION**

Monday, September 19, 2005

**DISCUSSION ITEM C-2: Tennessee Student Assistance Award Program Status Report**

**Staff Recommendation** For discussion only.

**Background** Tennessee Student Assistance Awards totaling \$54 million have now been offered to about 24,000 students for the 2005-06 year.

While our application deadline was May 1, 2005, funding limitations mean that students who applied after March 15, 2005 will not receive awards.

Available TSAA resources for 2005-06 total about \$42.4 million. The Board has previously approved a 130% over-commitment strategy, which explains why \$54 million has been offered when only \$42.4 million is available. The principle is not unlike “overbooking” in the airline or hotel industry. Many of the students who have been offered the \$54 million will not use their awards for one reason or another, and we expect to end the year within budget.

In the previous year, 2004-05, about 24,000 students actually received \$42.6 million.

Details are provided in the document entitled *Tennessee Student Assistance Award Program Update*, September 2, 2005

**Supporting Document** *Tennessee Student Assistance Award Program Update*, September 2, 2005.



# Tennessee Student Assistance Award

## Program Update

September 2, 2005

Tennessee Student Assistance Corporation  
Parkway Towers, Suite 1950  
404 James Robertson Parkway  
Nashville, Tennessee 37243-0820  
(615) 741-1346

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Tennessee Student Assistance Corporation  
Tennessee Student Assistance Award ("TSAA") Program

	2004-05 Actual Recipients		2005-06 Awards through 9/2/05*	
	Students	\$	Students	\$
Independent / Four-Years	4,335	\$16,147,762	4,351	\$19,255,050
Independent / Two-Years	76	218,316	51	207,324
Private/Business and Trade	1,346	2,230,346	1,500	3,309,401
Board of Regents	7,400	13,023,972	7,231	15,790,638
University of Tennessee System	2,970	5,387,321	2,891	6,331,220
State Tech/Community Colleges	6,474	5,088,447	6,239	7,625,055
School of Nursing	7	4,068	2	4,452
Tennessee Technology Centers	<u>1,326</u>	<u>\$545,183</u>	<u>1,797</u>	<u>\$1,470,847</u>
	23,934	\$42,645,415	24,062	\$53,993,987
Average Award Amount		\$1,782		\$2,244

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\* Awards were offered to eligible students who applied by March 15, 2005. Data shown here are current as of September 2, 2005. These amounts will decline as certification rosters are completed.



TENNESSEE STUDENT ASSISTANCE CORPORATION

Tennessee Student Assistance Award

	2004-2005		2005-2006	
	Students	Actual \$	Students	Awards through 9-2-05* \$
<b>INDEPENDENT/FOUR-YEARS</b>				
American Baptist College	18	36,632	17	37,377
Aquinas College	76	245,521	80	364,401
Aquinas College – Primetime	30	77,774	25	83,621
Baptist Memorial College of Health	105	182,703	104	231,516
Belmont University	117	481,407	113	516,896
Bethel College	268	889,570	296	1,320,582
Bryan College	60	247,002	65	292,812
Carson-Newman College	266	1,120,819	194	917,575
Christian Brothers University	238	988,822	237	1,131,123
Crichton College	119	353,926	123	573,591
Cumberland University	182	772,910	192	904,209
David Lipscomb University	113	491,414	94	445,527
Fisk University	44	184,845	44	179,460
Free Will Baptist Bible College	11	36,630	10	38,364
Freed-Hardeman University	181	784,020	162	768,696
Johnson Bible College	22	55,971	29	90,810
King College	89	370,741	64	297,966
Lambuth University	128	555,399	123	580,881
Lane College	305	907,308	300	1,085,181
Lee University	172	632,151	158	716,376
LeMoyné-Owen College	263	952,296	262	1,199,598
Lincoln Memorial University	211	849,037	210	994,857
Martin Methodist College	154	576,886	193	919,971
Maryville College	116	482,442	142	674,820
Memphis College of Art	33	137,874	49	237,192
Milligan College	52	240,783	57	265,422
Rhodes College	29	124,163	34	160,968
South College	83	140,320	94	215,316
Southern Adventist University	39	151,728	32	147,631
Tennessee Temple University	7	14,613	15	34,566
Tennessee Wesleyan College	153	621,353	158	750,051
Trevecca Nazarene University	84	302,616	73	333,924
Tusculum College	290	1,031,439	303	1,410,468
Union University	136	556,107	122	567,804
University of the South	33	146,634	34	160,710
Vanderbilt University	82	353,827	118	547,674
Watkins Institute College of Art and Design	26	50,079	25	57,114
	<b>4,335</b>	<b>16,147,762</b>	<b>4,351</b>	<b>19,255,050</b>
<b>TOTAL:</b>				<b>4,425</b>
<b>AVERAGE AWARD:</b>		<b>3,725</b>		

TENNESSEE STUDENT ASSISTANCE CORPORATION

Tennessee Student Assistance Award

	2004-2005		2005-2006	
	Students	Actual \$	Awards through 9-2-05*	Students \$
Hiwassee College	68	205,315	40	172,782
John A. Gupton College	5	10,065	9	31,146
William R. Moore School of Technology	3	2,936	2	3,396
<b>TOTAL:</b>	<b>76</b>	<b>218,316</b>	<b>51</b>	<b>207,324</b>
<b>AVERAGE AWARD:</b>		<b>2,873</b>		<b>4,065</b>

PRIVATE/BUSINESS & TRADE

ConCorde Career Institute	157	273,711	149	339,411
Draughon's Junior College, Clarksville	98	172,224	7	15,021
Draughon's Junior College, Murfreesboro	38	72,585	21	46,017
Draughon's Junior College, Nashville	174	292,290	189	420,072
Electronic Computer Programming College, Inc.	48	80,116	74	161,180
Fountainhead College of Technology	31	52,314	27	60,261
High Tech Institute	145	245,814	108	241,296
ITT Technical Institute, Knoxville	82	139,043	94	207,226
ITT Technical Institute, Memphis	8	10,409	0	0
ITT Technical Institute, Nashville	30	52,369	41	92,586
MedVance Institute	32	46,790	62	140,184
Miller-Motte Business College, Clarksville	47	75,798	41	89,812
Miller-Mott Technical College, Chattanooga	46	92,222	130	292,412
Nashville Auto-Diesel College	74	74,474	40	89,602
Nashville College of Medical Career	16	20,874	32	70,950
National College of Business & Technology, Bristol	0	0	1	2,130
National College of Business & Technology, Knoxville	16	27,512	64	145,698
National College of Business & Technology, Nashville	95	167,450	115	263,862
North Central Institute	3	4,572	6	13,428
Nossi College of Art	53	97,281	51	114,036
O'More College of Design	8	17,199	12	27,408
Remington College, Memphis	52	81,476	60	128,569
Remington College, Nashville	12	9,280	28	62,844
SAE Institute of Technology	0	0	4	9,288
Southeastern Career College	0	0	92	157,605
Vatterott College	12	17,434	3	6,918
West Tennessee Business College	69	107,109	49	111,585
<b>TOTAL:</b>	<b>1,346</b>	<b>2,230,346</b>	<b>1,500</b>	<b>3,309,401</b>
<b>AVERAGE AWARD:</b>		<b>1,657</b>		<b>2,206</b>

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Tennessee Student Assistance Award

BOARD OF REGENTS

	2004-2005		2005-2006	
	Students	Actual \$	Awards through 9-2-05*	Students \$
Austin Peay State University	885	1,546,905	853	1,888,755
East Tennessee State University	1,135	1,934,740	1,083	2,293,203
Middle Tennessee State University	1,562	2,693,365	1,382	3,051,444
Tennessee State University	1,055	1,820,773	999	2,113,605
Tennessee Technological University	718	1,223,195	585	1,199,289
University of Memphis	2,045	3,804,994	2,329	5,244,342
	<b>7,400</b>	<b>13,023,972</b>	<b>7,231</b>	<b>15,790,638</b>
		<b>1,760</b>		<b>2,184</b>

**TOTAL:**  
**AVERAGE AWARD:**

UNIVERSITY OF TENNESSEE SYSTEM

University of Tennessee, Chattanooga	768	1,321,573	697	1,462,124
University of Tennessee Health Science Center	19	35,961	7	14,862
University of Tennessee, Knoxville	1,425	2,726,049	1,334	3,005,787
University of Tennessee, Martin	758	1,303,738	853	1,848,447
	<b>2,970</b>	<b>5,387,321</b>	<b>2,891</b>	<b>6,331,220</b>
		<b>1,814</b>		<b>2,190</b>

**TOTAL:**  
**AVERAGE AWARD:**

STATE TECH/COMMUNITY COLLEGES

Chattanooga State Technical Community College	541	444,528	508	634,599
Cleveland State Community College	205	144,407	240	300,663
Columbia State Community College	357	283,054	234	267,975
Dyersburg State Community College	557	296,832	363	451,992
Jackson State Community College	453	352,037	447	528,666
Motlow State Community College	219	182,623	207	248,325
Nashville State Technical Community College	393	321,214	402	473,703
Northeast State Technical Community College	438	389,384	414	519,309
Pellissippi State Technical Community College	367	311,481	435	539,865
Roane State Community College	516	419,243	450	559,563
Southwest Tennessee Community College (Union)	1,411	1,181,275	1,566	1,934,835
Volunteer State Community College	375	283,042	379	450,750
Walters State Community College	642	479,327	594	714,810
	<b>6,474</b>	<b>5,088,447</b>	<b>6,239</b>	<b>7,625,055</b>
		<b>786</b>		<b>1,222</b>

**TOTAL:**  
**AVERAGE AWARD:**

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Tennessee Student Assistance Award

SCHOOL OF NURSING	2004-2005		2005-2006	
	Students	Actual \$	Students	Awards through 9-2-05* \$
Methodist Hospital School of Nursing	7	4,068	2	4,452
<b>TOTAL:</b>	<b>7</b>	<b>4,068</b>	<b>2</b>	<b>4,452</b>
<b>AVERAGE AWARD:</b>		<b>581</b>		<b>2,226</b>
<b>TENNESSEE TECHNOLOGY CENTERS</b>				
Tennessee Technology Center at Athens	16	8,252	44	35,694
Tennessee Technology Center at Chattanooga	73	31,704	27	21,834
Tennessee Technology Center at Covington	11	4,797	30	23,884
Tennessee Technology Center at Crossville	84	36,564	66	55,427
Tennessee Technology Center at Crump	39	11,346	45	37,646
Tennessee Technology Center at Dickson	41	18,152	59	48,506
Tennessee Technology Center at Elizabethton	58	26,398	79	60,434
Tennessee Technology Center at Harriman	52	25,027	49	40,732
Tennessee Technology Center at Hartsville	16	8,064	30	24,072
Tennessee Technology Center at Hohenwald	88	38,308	100	82,156
Tennessee Technology Center at Jacksboro	20	9,220	47	39,092
Tennessee Technology Center at Jackson	74	30,228	135	112,174
Tennessee Technology Center at Knoxville	76	28,237	125	104,154
Tennessee Technology Center at Livingston	90	27,809	50	40,120
Tennessee Technology Center at McKenzie	51	20,920	41	34,422
Tennessee Technology Center at McMinnville	33	13,244	42	34,470
Tennessee Technology Center at Memphis	62	26,017	185	153,126
Tennessee Technology Center at Morristown	112	50,184	147	119,800
Tennessee Technology Center at Murfreesboro	24	9,498	32	26,130
Tennessee Technology Center at Nashville	59	24,098	90	70,466
Tennessee Technology Center at Newbern	19	5,850	34	27,162
Tennessee Technology Center at Oneida/Huntsville	28	9,460	49	40,812
Tennessee Technology Center at Paris	62	23,268	86	70,584
Tennessee Technology Center at Pulaski	32	14,712	37	30,042
Tennessee Technology Center at Ripley	40	16,584	43	35,360
Tennessee Technology Center at Shelbyville	40	18,156	74	60,256
Tennessee Technology Center at Whiteville	26	9,086	51	42,292
<b>TOTAL:</b>	<b>1,326</b>	<b>545,183</b>	<b>1,797</b>	<b>1,470,847</b>
<b>AVERAGE AWARD:</b>		<b>411</b>		<b>819</b>
<b>GRAND TOTAL</b>	<b>23,934</b>	<b>42,645,415</b>	<b>24,062</b>	<b>53,993,987</b>
		<b>1,782</b>		<b>2,244</b>

\* Awards were offered to eligible students who applied by March 15, 2005. Data shown here are current as of September 2, 2005. These amounts will decline as certification rosters are completed.



**TENNESSEE STUDENT ASSISTANCE CORPORATION**

Monday, September 19, 2005

**DISCUSSION ITEM C-3: Federal Family Education Loan Program Status Report**

**Staff Recommendation** For discussion only.

**Background** The Federal Family Education Loan Program provides three types of new loans.

*Subsidized Stafford loans* are made to students who demonstrate financial need. Students do not have to begin repayment until they leave school, and the federal government pays the interest while the students are enrolled.

Students unable to demonstrate financial need receive similar *unsubsidized Stafford loans*. While repayment is deferred until the students leave school, they are responsible for the interest while they are enrolled.

*PLUS loans* are made to parents of students. Financial need is not a factor, and repayment begins immediately.

TSAC guaranteed \$767 million in these three programs in 2004-05. In the first month of 2005-06 processing, \$135 million has been guaranteed. Details are provided in the document *Federal Family Education Loan Program Update*, September 2, 2005.

**Supporting Document** *Federal Family Education Loan Program Update*, September 2, 2005.



# Federal Family Education Loan Program Update

September 2, 2005

Tennessee Student Assistance Corporation  
Parkway Towers, Suite 1950  
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## Federal Family Education Loan Program

	2004-05		2005-06	
	Loans*	\$	Loans*	\$
<u>Stafford Loan Program (Subsidized)</u>				
Independent / Four-Years	26,140	\$101,565,439	4,218	\$18,930,833
Independent / Two-Years	258	575,971	5	8,219
Private/Business and Trade	8,348	21,633,275	542	1,750,247
Board of Regents	24,197	82,065,169	2,931	11,083,395
University of Tennessee System	16,034	68,094,224	3,741	16,704,935
State Tech/Community Colleges	13,598	31,438,573	1,781	4,675,147
School of Nursing	39	96,839	3	4,376
Tennessee Technology Centers	<u>261</u>	<u>541,540</u>	<u>0</u>	<u>0</u>
	88,875	\$306,011,030	13,221	\$53,157,152
<u>Stafford Loan Program (Unsubsidized)</u>				
Independent / Four-Years	21,716	\$108,051,984	3,289	\$18,941,591
Independent / Two-Years	182	551,858	3	10,818
Private/Business and Trade	7,449	21,306,991	516	2,192,111
Board of Regents	16,927	57,895,086	2,243	8,906,058
University of Tennessee System	13,587	68,458,163	3,100	16,902,192
State Tech/Community Colleges	6,764	15,861,223	1,015	2,899,928
School of Nursing	43	142,536	3	5,332
Tennessee Technology Centers	<u>121</u>	<u>360,251</u>	<u>0</u>	<u>0</u>
	66,789	\$272,628,092	10,169	\$49,858,030
<u>PLUS Loan Program</u>				
Independent / Four-Years	4,311	\$40,331,389	849	\$9,604,510
Independent / Two-Years	26	121,778	2	5,575
Private/Business and Trade	570	3,313,674	28	228,377
Board of Regents	3,038	18,540,350	431	2,986,801
University of Tennessee System	1,891	13,592,006	466	4,105,805
State Tech/Community Colleges	137	491,679	10	48,465
School of Nursing	0	0	0	0
Tennessee Technology Centers	<u>1</u>	<u>8,633</u>	<u>0</u>	<u>0</u>
	9,974	\$76,399,509	1,786	\$16,979,533
<u>COMBINED LOAN PROGRAMS</u>				
Independent / Four-Years	52,167	\$249,948,812	8,356	\$47,476,934
Independent / Two-Years	466	1,249,607	10	24,612
Private/Business and Trade	16,367	46,253,940	1,086	4,170,735
Board of Regents	44,162	158,500,605	5,605	22,976,254
University of Tennessee System	31,512	150,144,393	7,307	37,712,932
State Tech/Community Colleges	20,499	47,791,475	2,806	7,623,540
School of Nursing	82	239,375	6	9,708
Tennessee Technology Centers	<u>383</u>	<u>910,424</u>	<u>0</u>	<u>0</u>
	165,638	\$655,038,631	25,176	\$119,994,715
<u>Other (Out-of-State) Schools</u>	31,101	\$112,122,415	3,868	\$14,631,974
<u>GRAND TOTAL</u>	196,739	\$767,161,046	29,044	\$134,626,689

\* Note that the number of loans is reported on a semester or term basis. For example, two loans would be reported for an individual who borrowed in both the fall and spring semesters.

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal Stafford Loan Program (Subsidized)

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
<u>INDEPENDENT/FOUR-YEARS</u>				
Aquinas College (All Branches)	766	\$2,318,124	53	\$146,053
Baptist Memorial College of Health	585	2,003,057	46	188,280
Belmont University	947	4,083,472	1,080	5,279,385
Bethel College	1,637	5,069,308	148	437,374
Bryan College	382	1,446,324	93	336,563
Carson-Newman College	1,307	4,095,053	348	1,275,151
Christian Brothers University	1,075	4,371,723	551	2,265,207
Church of God Theological Seminary	114	671,745	13	95,500
Cumberland University	927	2,583,508	67	191,113
David Lipscomb University	1,207	4,122,900	347	1,268,983
Emmanuel School of Religion	23	140,900	0	0
Free Will Baptist Bible College	206	755,265	0	0
Freed-Hardeman University	93	335,741	4	19,250
Johnson Bible College	435	1,474,295	4	20,250
King College	562	2,479,111	54	195,353
Lambuth University	420	1,487,765	107	414,860
Lee University	3,119	10,131,123	20	70,126
Lincoln Memorial University	1,587	5,289,298	14	28,567
Martin Methodist College	479	1,481,146	93	339,767
Maryville College	613	2,375,377	186	688,284
Meharry Medical College	820	6,846,253	72	591,626
Memphis College of Art	214	776,401	18	73,000
Memphis Theological Seminary	29	229,185	4	25,300
Milligan College	621	2,938,752	69	361,767
Rhodes College	107	387,317	7	31,209
Southern College of Optometry	1	8,500	0	0
Southern Adventist University	0	0	0	0
Temple Baptist Seminary	8	51,200	0	0
Tennessee Temple University	1	1,045	0	0
Tennessee Wesleyan College	775	2,868,939	54	193,294
Trevecca Nazarene University	1,878	7,946,808	201	759,814
Tusculum College	1,844	6,318,943	172	661,470
Union University	869	3,410,346	70	378,927

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal Stafford Loan Program (Subsidized)

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
University of the South	265	665,342	0	0
Vanderbilt University (All Branches)	2,033	11,739,749	323	2,594,360
Watkins College of Art and Design	191	661,424	0	0
<b>TOTAL</b>	<b>26,140</b>	<b>\$101,565,439</b>	<b>4,218</b>	<b>\$18,930,833</b>
<b>AVERAGE LOAN</b>		<b>\$3,885</b>		<b>\$4,488</b>
<u>INDEPENDENT/TWO-YEARS</u>				
Hiwassee College	169	\$362,267	3	\$4,537
John A Gupton College	89	213,704	2	3,682
<b>TOTAL</b>	<b>258</b>	<b>\$575,971</b>	<b>5</b>	<b>\$8,219</b>
<b>AVERAGE LOAN</b>		<b>\$2,232</b>		<b>\$1,644</b>
<u>PRIVATE/BUSINESS &amp; TRADE</u>				
Arnolds Beauty School	39	\$89,404	2	\$4,425
Concorde Career Institute	53	106,106	0	0
Draughon's Junior College (All Branches)	3,199	7,918,424	0	0
Electronic Computer Programming College	149	342,571	12	25,143
Fountainhead College of Technology	201	645,949	3	9,625
ITT Technical Institute (All Branches)	0	0	0	0
Jon Nave University of Cosmetology	11	17,214	0	0
McCollum & Ross - The Hair School	149	368,098	18	46,135
MedVance Institute	298	756,731	20	43,896
Middle Tennessee School of Anesthesia	148	1,154,622	63	508,006
Miller-Motte Business College (All Branches)	732	1,532,986	127	334,574
Mr Wayne's School Unisex Hair Design	12	30,272	1	2,625
Nashville Auto Diesel College	9	19,430	0	0
Nashville College of Medical Career	252	627,031	9	23,625
New Directions Hair Academy (All Branches)	342	727,380	29	63,738
New Wave Hair Academy (All Branches)	499	1,241,860	56	137,487
North Central Institute	22	54,337	3	7,525
Nossi College of Art	383	1,076,801	38	110,050
O'More College of Design	94	328,809	11	40,500
Plaza Beauty School	107	242,816	11	24,072
Queen City Hair Design	1	2,486	0	0

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal Stafford Loan Program (Subsidized)

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
SAE Institute of Technology	0	0	12	31,500
South College	1,122	3,213,633	57	166,875
Southeastern Career College	3	7,875	20	54,458
Tennessee Academy of Cosmetology (All Branches)	221	350,346	19	28,107
Tennessee Career College	120	332,941	16	48,798
Volunteer Beauty Academy (All Branches)	<u>182</u>	<u>445,153</u>	<u>15</u>	<u>39,083</u>
<b>TOTAL</b>	<b>8,348</b>	<b>\$21,633,275</b>	<b>542</b>	<b>\$1,750,247</b>
<b>AVERAGE LOAN</b>		<b>\$2,591</b>		<b>\$3,229</b>
<b>BOARD OF REGENTS</b>				
Austin Peay State University	6,434	\$20,915,372	877	\$3,118,884
East Tennessee State University	6,688	25,087,621	809	3,295,101
Middle Tennessee State University	11,064	36,013,205	1,243	4,662,410
Tennessee State University	11	48,971	2	7,000
Tennessee Technological University	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>24,197</b>	<b>\$82,065,169</b>	<b>2,931</b>	<b>\$11,083,395</b>
<b>AVERAGE LOAN</b>		<b>\$3,392</b>		<b>\$3,781</b>
<b>UNIVERSITY OF TENNESSEE SYSTEM</b>				
University of Tennessee, Chattanooga	2,955	\$10,790,199	418	\$1,737,597
University of Tennessee, Knoxville	9,134	40,187,060	1,879	8,873,086
University of Tennessee, Martin	3,035	9,780,023	1,255	4,550,832
University of Tennessee, Memphis	<u>910</u>	<u>7,336,942</u>	<u>189</u>	<u>1,543,420</u>
<b>TOTAL</b>	<b>16,034</b>	<b>\$68,094,224</b>	<b>3,741</b>	<b>\$16,704,935</b>
<b>AVERAGE LOAN</b>		<b>\$4,247</b>		<b>\$4,465</b>
<b>STATE TECH/COMMUNITY COLLEGES</b>				
Chattanooga State Technical Community College	3,505	\$9,256,661	519	\$1,401,261
Cleveland State Community College	516	1,152,615	59	163,714
Columbia State Community College	924	2,245,348	52	145,530
Dyersburg State Community College	581	1,286,548	69	174,772
Nashville State Technical Community College	1,855	4,175,611	442	1,149,285
Northeast State Technical Community College	1,101	2,252,951	67	150,301

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal Stafford Loan Program (*Subsidized*)

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
Pellissippi State Technical Community College	1,658	3,047,684	151	350,643
Roane State Community College	973	2,619,095	165	481,921
Volunteer State Community College	1,528	3,234,046	164	423,800
Walters State Community College	<u>957</u>	<u>2,168,014</u>	<u>93</u>	<u>233,920</u>
<b>TOTAL</b>	<b>13,598</b>	<b>\$31,438,573</b>	<b>1,781</b>	<b>\$4,675,147</b>
<b>AVERAGE LOAN</b>		<b>\$2,312</b>		<b>\$2,625</b>
<b>SCHOOL OF NURSING</b>				
Methodist Hospital School of Nursing	39	\$96,839	3	\$4,376
<b>TOTAL</b>	<b>39</b>	<b>\$96,839</b>	<b>3</b>	<b>\$4,376</b>
<b>AVERAGE LOAN</b>		<b>\$2,483</b>		<b>\$1,459</b>
<b>TENNESSEE TECHNOLOGY CENTERS</b>				
Tennessee Technology Center at Hohenwald	103	\$220,785	0	\$0
Tennessee Technology Center at McMinnville	0	0	0	0
Tennessee Technology Center at Nashville	158	320,755	0	0
<b>TOTAL</b>	<b>261</b>	<b>\$541,540</b>	<b>0</b>	<b>\$0</b>
<b>AVERAGE LOAN</b>		<b>\$2,075</b>		<b>\$0</b>
<b>GRAND TOTAL</b>	<b>88,875</b>	<b>\$306,011,030</b>	<b>13,221</b>	<b>\$53,157,152</b>
<b>AVERAGE LOAN</b>		<b>\$3,443</b>		<b>\$4,021</b>

\* Note that the number of loans is reported on a semester or term basis. For example, two loans would be reported for an individual who borrowed in both the fall and spring semesters.

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal Stafford Loan Program (*Unsubsidized*)

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
<u>INDEPENDENT/FOUR-YEARS</u>				
Aquinas College (All Branches)	731	\$2,785,912	55	\$177,276
Baptist Memorial College of Health	541	2,170,089	56	274,159
Belmont University	768	4,223,302	696	4,469,854
Bethel College	1,418	4,967,483	137	425,606
Bryan College	218	837,328	43	147,169
Carson-Newman College	869	2,815,345	190	745,900
Christian Brothers University	1,032	4,932,766	486	2,337,429
Church of God Theological Seminary	33	140,972	5	30,450
Cumberland University	1,139	3,260,379	154	549,721
David Lipscomb University	712	2,619,923	236	969,209
Emmanuel School of Religion	7	31,550	0	0
Free Will Baptist Bible College	93	365,769	0	0
Freed-Hardeman University	56	218,300	2	10,500
Johnson Bible College	275	906,808	9	34,327
King College	310	1,478,164	23	90,216
Lambuth University	249	805,149	59	202,969
Lee University	1,927	6,649,281	14	36,300
Lincoln Memorial University	1,817	8,864,313	10	18,868
Martin Methodist College	380	1,166,952	61	251,733
Maryville College	433	1,606,434	94	320,091
Meharry Medical College	837	19,137,837	91	1,979,125
Memphis College of Art	149	615,047	8	36,000
Memphis Theological Seminary	4	25,600	0	0
Milligan College	464	2,246,840	60	320,212
Rhodes College	82	306,072	6	22,239
Southern College of Optometry	1	7,944	0	0
Southern Adventist University	0	0	0	0
Temple Baptist Seminary	2	11,500	0	0
Tennessee Temple University	1	1,500	0	0
Tennessee Wesleyan College	539	1,918,764	40	162,593
Trevecca Nazarene University	1,722	8,381,137	177	834,003
Tusculum College	1,738	6,963,735	180	870,174
Union University	933	3,982,970	84	661,152

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal Stafford Loan Program (*Unsubsidized*)

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
University of the South	187	546,058	0	0
Vanderbilt University (All Branches)	1,895	12,486,639	313	2,964,316
Watkins College of Art and Design	<u>154</u>	<u>574,122</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>21,716</b>	<b>\$108,051,984</b>	<b>3,289</b>	<b>\$18,941,591</b>
<b>AVERAGE LOAN</b>		<b>\$4,976</b>		<b>\$5,759</b>
 <u>INDEPENDENT/TWO-YEARS</u>				
Hiwassee College	105	\$280,958	0	\$0
John A Gupton College	<u>77</u>	<u>270,900</u>	<u>3</u>	<u>10,818</u>
<b>TOTAL</b>	<b>182</b>	<b>\$551,858</b>	<b>3</b>	<b>\$10,818</b>
<b>AVERAGE LOAN</b>		<b>\$3,032</b>		<b>\$3,606</b>
 <u>PRIVATE/BUSINESS &amp; TRADE</u>				
Arnolds Beauty School	28	\$83,269	0	\$0
Concorde Career Institute	42	69,231	0	0
Draughton's Junior College (All Branches)	2,735	5,242,151	0	0
Electronic Computer Programming College	110	184,066	7	8,863
Fountainhead College of Technology	164	638,600	2	5,300
ITT Technical Institute (All Branches)	1	2,625	0	0
Jon Nave University of Cosmetology	8	16,083	0	0
McCollum & Ross - The Hair School	142	525,430	17	59,818
MedVance Institute	272	730,112	12	34,179
Middle Tennessee School of Anesthesia	165	1,792,790	67	690,002
Miller-Motte Business College (All Branches)	711	1,743,537	125	372,229
Mr Wayne's School Unisex Hair Design	3	7,875	0	0
Nashville Auto Diesel College	6	16,966	0	0
Nashville College of Medical Career	266	601,825	13	25,969
New Directions Hair Academy (All Branches)	259	711,621	27	73,756
New Wave Hair Academy (All Branches)	468	1,716,940	56	200,516
North Central Institute	18	63,000	3	10,600
Nossi College of Art	330	1,263,615	32	129,700
O'More College of Design	58	248,352	8	37,250
Plaza Beauty School	91	184,582	10	22,889
Queen City Hair Design	0	0	0	0



TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal Stafford Loan Program (*Unsubsidized*)

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
SAE Institute of Technology	0	0	9	36,000
South College	1,088	4,172,442	59	251,151
Southeastern Career College	3	12,000	20	79,720
Tennessee Academy of Cosmetology (All Branches)	196	240,443	19	27,041
Tennessee Career College	143	499,572	18	79,128
Volunteer Beauty Academy (All Branches)	<u>142</u>	<u>539,864</u>	<u>12</u>	<u>48,000</u>
<b>TOTAL</b>	<b>7,449</b>	<b>\$21,306,991</b>	<b>516</b>	<b>\$2,192,111</b>
<b>AVERAGE LOAN</b>		<b>\$2,860</b>		<b>\$4,248</b>

BOARD OF REGENTS

Austin Peay State University	4,545	\$15,889,993	649	\$2,680,535
East Tennessee State University	3,869	13,597,075	461	1,827,924
Middle Tennessee State University	8,504	28,369,248	1,132	4,392,599
Tennessee State University	9	38,770	1	5,000
Tennessee Technological University	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>16,927</b>	<b>\$57,895,086</b>	<b>2,243</b>	<b>\$8,906,058</b>
<b>AVERAGE LOAN</b>		<b>\$3,420</b>		<b>\$3,971</b>

UNIVERSITY OF TENNESSEE SYSTEM

University of Tennessee, Chattanooga	2,557	\$9,002,868	310	\$1,235,160
University of Tennessee, Knoxville	7,616	37,823,689	1,622	9,123,973
University of Tennessee, Martin	2,255	7,566,040	973	3,704,369
University of Tennessee, Memphis	<u>1,159</u>	<u>14,065,566</u>	<u>195</u>	<u>2,838,690</u>
<b>TOTAL</b>	<b>13,587</b>	<b>\$68,458,163</b>	<b>3,100</b>	<b>\$16,902,192</b>
<b>AVERAGE LOAN</b>		<b>\$5,039</b>		<b>\$5,452</b>

STATE TECH/COMMUNITY COLLEGES

Chattanooga State Technical Community College	1,084	\$2,484,146	198	\$488,081
Cleveland State Community College	381	750,716	36	95,153
Columbia State Community College	850	2,205,744	54	164,557
Dyersburg State Community College	207	406,184	27	65,258
Nashville State Technical Community College	1,368	4,107,625	339	1,196,610
Northeast State Technical Community College	612	990,687	30	46,145

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal Stafford Loan Program (*Unsubsidized*)

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
Pellissippi State Technical Community College	704	1,239,483	81	169,433
Roane State Community College	648	1,880,427	131	404,848
Volunteer State Community College	451	840,486	47	109,102
Walters State Community College	<u>459</u>	<u>955,725</u>	<u>72</u>	<u>160,741</u>
<b>TOTAL</b>	<b>6,764</b>	<b>\$15,861,223</b>	<b>1,015</b>	<b>\$2,899,928</b>
<b>AVERAGE LOAN</b>		<b>\$2,345</b>		<b>\$2,857</b>
 <u>SCHOOL OF NURSING</u>				
Methodist Hospital School of Nursing	43	\$142,536	3	\$5,332
<b>TOTAL</b>	<b>43</b>	<b>\$142,536</b>	<b>3</b>	<b>\$5,332</b>
<b>AVERAGE LOAN</b>		<b>\$3,315</b>		<b>\$1,777</b>
 <u>TENNESSEE TECHNOLOGY CENTERS</u>				
Tennessee Technology Center at Hohenwald	0	\$0	0	\$0
Tennessee Technology Center at McMinnville	0	0	0	0
Tennessee Technology Center at Nashville	<u>121</u>	<u>360,251</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>121</b>	<b>\$360,251</b>	<b>0</b>	<b>\$0</b>
<b>AVERAGE LOAN</b>		<b>\$2,977</b>		<b>\$0</b>
 <b><u>GRAND TOTAL</u></b>	 <b>66,789</b>	 <b>\$272,628,092</b>	 <b>10,169</b>	 <b>\$49,858,030</b>
<b>AVERAGE LOAN</b>		<b>\$4,082</b>		<b>\$4,903</b>

\* Note that the number of loans is reported on a semester or term basis. For example, two loans would be reported for an individual who borrowed in both the fall and spring semesters.

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal PLUS Loan Program

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
<u>INDEPENDENT/FOUR-YEARS</u>				
Aquinas College (All Branches)	45	\$218,825	2	\$18,500
Baptist Memorial College of Health	50	211,875	9	39,000
Belmont University	520	6,424,791	344	5,354,816
Bethel College	41	173,528	1	1,500
Bryan College	107	914,670	58	485,526
Carson-Newman College	260	1,720,707	43	360,562
Christian Brothers University	120	755,063	40	294,839
Church of God Theological Seminary	0	0	0	0
Cumberland University	119	728,681	9	64,624
David Lipscomb University	411	3,471,915	79	691,787
Emmanuel School of Religion	0	0	0	0
Free Will Baptist Bible College	64	510,270	11	100,675
Freed-Hardeman University	8	65,615	0	0
Johnson Bible College	85	383,767	1	12,000
King College	110	769,073	15	111,505
Lambuth University	92	655,716	1	6,000
Lee University	408	3,075,595	81	763,169
Lincoln Memorial University	130	639,379	1	4,850
Martin Methodist College	43	228,400	4	22,300
Maryville College	180	1,430,751	41	338,773
Meharry Medical College	0	0	0	0
Memphis College of Art	93	1,304,959	7	103,863
Memphis Theological Seminary	0	0	0	0
Milligan College	128	1,024,382	3	24,717
Rhodes College	44	549,380	1	4,000
Southern College of Optometry	0	0	0	0
Southern Adventist University	1	15,000	0	0
Temple Baptist Seminary	0	0	0	0
Tennessee Temple University	0	0	0	0
Tennessee Wesleyan College	84	456,090	0	0
Trevecca Nazarene University	246	1,959,052	50	409,661
Tusculum College	143	905,674	36	263,797
Union University	181	1,661,532	0	0

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal PLUS Loan Program

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
University of the South	120	1,653,422	0	0
Vanderbilt University (All Branches)	468	8,359,955	3	31,086
Watkins College of Art and Design	<u>10</u>	<u>63,322</u>	<u>9</u>	<u>96,960</u>
<b>TOTAL</b>	<b>4,311</b>	<b>\$40,331,389</b>	<b>849</b>	<b>\$9,604,510</b>
<b>AVERAGE LOAN</b>		<b>\$9,355</b>		<b>\$11,313</b>
 <u>INDEPENDENT/TWO-YEARS</u>				
Hiwassee College	16	84,912	1	3,575
John A Gupton College	<u>10</u>	<u>36,866</u>	<u>1</u>	<u>2,000</u>
<b>TOTAL</b>	<b>26</b>	<b>\$121,778</b>	<b>2</b>	<b>\$5,575</b>
<b>AVERAGE LOAN</b>		<b>\$4,684</b>		<b>\$2,788</b>
 <u>PRIVATE/BUSINESS &amp; TRADE</u>				
Arnolds Beauty School	5	25,800	0	0
Concorde Career Institute	2	5,814	0	0
Draughon's Junior College (All Branches)	111	369,953	0	0
Electronic Computer Programming College	35	75,400	0	0
Fountainhead College of Technology	50	447,054	2	19,665
ITT Technical Institute (All Branches)	3	27,514	1	11,756
Jon Nave University of Cosmetology	0	0	0	0
McCollum & Ross - The Hair School	6	38,260	1	4,795
MedVance Institute	10	34,670	1	1,865
Middle Tennessee School of Anesthesia	0	0	0	0
Miller-Motte Business College (All Branches)	40	228,510	4	37,325
Mr Wayne's School Unisex Hair Design	1	2,400	0	0
Nashville Auto Diesel College	36	213,288	0	0
Nashville College of Medical Career	7	40,483	0	0
New Directions Hair Academy (All Branches)	41	263,412	2	7,846
New Wave Hair Academy (All Branches)	6	32,682	0	0
North Central Institute	4	24,501	0	0
Nossi College of Art	47	419,200	4	33,100
O'More College of Design	27	244,333	0	0
Plaza Beauty School	14	88,545	3	13,474
Queen City Hair Design	0	0	0	0

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal PLUS Loan Program

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
South College	0	0	3	53,475
Southeastern Career College	69	534,812	5	34,237
Tennessee Academy of Cosmetology (All Branches)	16	30,104	1	839
Tennessee Career College	20	84,756	1	10,000
Volunteer Beauty Academy (All Branches)	<u>20</u>	<u>82,183</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>570</b>	<b>\$3,313,674</b>	<b>28</b>	<b>\$228,377</b>
<b>AVERAGE LOAN</b>		<b>\$5,813</b>		<b>\$8,156</b>

BOARD OF REGENTS

Austin Peay State University	433	2,342,112	70	435,894
East Tennessee State University	667	4,111,110	72	512,582
Middle Tennessee State University	1,561	9,306,433	237	1,725,259
Tennessee State University	172	1,696,083	2	11,000
Tennessee Technological University	205	1,084,612	50	302,066
<b>TOTAL</b>	<b>3,038</b>	<b>\$18,540,350</b>	<b>431</b>	<b>\$2,986,801</b>
<b>AVERAGE LOAN</b>		<b>\$6,103</b>		<b>\$6,930</b>

UNIVERSITY OF TENNESSEE SYSTEM

University of Tennessee, Chattanooga	340	1,759,544	53	345,827
University of Tennessee, Knoxville	1,290	10,651,929	312	3,093,552
University of Tennessee, Martin	261	1,180,533	100	660,426
University of Tennessee, Memphis	<u>0</u>	<u>0</u>	<u>1</u>	<u>6,000</u>
<b>TOTAL</b>	<b>1,891</b>	<b>\$13,592,006</b>	<b>466</b>	<b>\$4,105,805</b>
<b>AVERAGE LOAN</b>		<b>\$7,188</b>		<b>\$8,811</b>

STATE TECH/COMMUNITY COLLEGES

Chattanooga State Technical Community College	0	0	0	0
Cleveland State Community College	30	127,562	3	6,600
Columbia State Community College	11	35,074	0	0

TENNESSEE STUDENT ASSISTANCE CORPORATION  
Federal PLUS Loan Program

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 7-31-05 \$
Dyersburg State Community College	8	27,114	0	0
Nashville State Technical Community College	0	0	0	0
Northeast State Technical Community College	3	21,124	0	0
Pellissippi State Technical Community College	4	12,350	0	0
Roane State Community College	67	214,701	7	41,865
Volunteer State Community College	0	0	0	0
Walters State Community College	<u>14</u>	<u>53,754</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>137</b>	<b>\$491,679</b>	<b>10</b>	<b>\$48,465</b>
<b>AVERAGE LOAN</b>		<b>\$3,589</b>		<b>\$4,847</b>

SCHOOL OF NURSING

Methodist Hospital School of Nursing	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>
<b>AVERAGE LOAN</b>		<b>\$0</b>		<b>\$0</b>

TENNESSEE TECHNOLOGY CENTERS

Tennessee Technology Center at Hohenwald	0	0	0	0
Tennessee Technology Center at McMinnville	0	0	0	0
Tennessee Technology Center at Nashville	<u>1</u>	<u>8,633</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>1</b>	<b>\$8,633</b>	<b>0</b>	<b>\$0</b>
<b>AVERAGE LOAN</b>		<b>\$8,633</b>		<b>\$0</b>

<b>GRAND TOTAL</b>	<b>9,974</b>	<b>\$76,399,509</b>	<b>1,786</b>	<b>\$16,979,533</b>
<b>AVERAGE LOAN</b>		<b>\$7,660</b>		<b>\$9,507</b>

\* Note that the number of loans is reported on a semester or term basis. For example, two loans would be reported for an individual who borrowed in both the fall and spring semesters.