

**CONTRACT #1**  
**RFS # 332.05-036**  
**FA # 06-16570**

**Tennessee Student Assistance  
Corporation (TSAC)**

**VENDOR:**  
**Nelnet Guarantor Solutions**  
**(NGS)**



STATE OF TENNESSEE  
**TENNESSEE STUDENT ASSISTANCE CORPORATION**  
SUITE 1510, PARKWAY TOWERS  
404 JAMES ROBERTSON PARKWAY  
NASHVILLE, TENNESSEE 37243-0820  
(615) 741-1346 • 1-800-342-1663 • FAX (615) 741-6101

RECEIVED

MAR 09 2009

FISCAL REVIEW

**MEMORANDUM**

**TO:** Leni Chick, Fiscal Review Committee

**FROM:** Peter Abernathy, Senior Associate Executive Director and Staff Attorney

**DATE:** March 9, 2009

**SUBJECT:** Non-Competitive Amendment Summary  
Nelnet Guarantor Solutions Amendment Three  
Additional Contract Information – Fiscal Analysis

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The Tennessee Student Assistance Corporation (TSAC) proposes to submit a non-competitive Amendment to its Contract with Nelnet Guarantor Solutions (NGS) for the purpose of changing the frequency of an SAS70 (Statement on Auditing Standards) from quarterly to annually.

Pursuant to the request of the Fiscal Review Committee, TSAC is providing the information below.

**Actual Expenditures Anticipated in Each Year of the Contract**

The Contract between the State of Tennessee, Tennessee Student Assistance Corporation (TSAC), and Nelnet Guarantor Solutions (NGS), is for the provision for the full servicing of TSAC's Federal Family Education Loan Program (FFELP) and loan portfolio, servicing of TSAC's grants, scholarships, and loan forgiveness programs, and the TSAC General Ledger System.

The Contractor also provides an Internet-based system for TSAC that is accessible by students, student borrowers, parent borrowers, high schools, postsecondary schools, lenders, lender servicers, vocational rehabilitation counselors, and workforce investment case managers; processes requests for FFELP loan guarantees; and produces comprehensive management reports.

The Contract is in effect January 1, 2006 through December 31, 2010, with the maximum expenditure not to exceed seventy-five million dollars (\$75,000,000.00), with anticipated expenditures of thirty-six million four hundred two thousand five hundred dollars (\$36,402,500) for the balance of the Contract. These expenditures include:

Full Servicing Rates for the Federal Family Education Loan Program (FFELP), with each loan transaction set at a specific dollar rate:

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 Support Enhancement Rates for the Federal Family Education Loan Program and Loan Portfolio:

Hourly Payment Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate (compensation for improved GSAFR/NSLDS reasonability rates), Electronic File Transfer Rehabilitation Loan Reports, and Default Prevention Services for the Federal Family Education Loan Program (development of a Default Prevention Service to decrease loan default including school visits, development of website design and maintenance, and multimedia materials, and assist TSAC with its Default Prevention Advisory Committee))	\$93.00
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Treasury Offset Development (“Second Chance” Treasury Offset Program to encourage borrowers to make payments as either rehabilitation payments or AWG payments resulting in suspension of their treasury offset):

Treasury Offset Program (TOP) “Second Chance” (Annually)	\$7,500
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Data Warehousing, required for the compilation of data and the development of the Administrative Wage Garnishment and License Revocation Program

Data Warehousing – Data Transmission (Monthly - Upon Delivery)	\$2,500
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Material Rates related to Loan Origination Fees, and other loan related exercises:

Originating (Per Application – Stafford, PLUS, GradPlus only)	\$25.00
Servicing (monthly per Social Security Number (SSN) – which shall mean the combined loans for a borrower under the same Lender ID):	
In School/Grace	\$2.25
Repayment (Other than In School or Grace)	\$4.50
Delinquency Surcharge	\$3.75
Deconversion Fee (Per Loan)	\$60.00

Commission Rates for the FFELP Program and Loan Portfolio (allowable by the U.S. Department of Education):

Federal Consolidation Loans	7.3%
Payments on Defaulted Loans	15.0%
Rehabilitation Loans	13.5%
Enhanced Collections – Subrogation	11.0%

Statutory and Regulatory changes to TSAA, TELS, Scholarships and Loan Forgiveness Programs, which includes addition of new programs and revisions to existing programs, to the proprietary database e\*GRandS:

Hourly Payment Rate up to 700 Hours	\$63.00
Hourly Payment Rate in excess of 700 Hours	\$93.00

Development and Enhancement Rates for TSAA, TELS, Scholarships and Loan Forgiveness Programs, as required for the administration of TSAC programs:

Hourly Payment Rate	\$96.00
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This contract is 100% federally funded. Excess funds are not expected, as actual contract expenditures are drawn from federal sources.

**Analysis of the Savings that TSAC Anticipates will Result from this Amendment**

The SAS70/SysTrust Review Amendment does not amend the cost of the Contract. This service has been performed at the expense of the Contractor. This expense was not a line item in the bidding cost projections of the Contract, nor a line item in the Contract, rather an expense absorbed by the Contractor; therefore TSAC does not anticipate a realized savings.

However, reducing this service from quarterly to annually will save time and resources on the part of NGS, which can then dedicate those resources towards its primary services. In addition, the SAS 70 Service Organizations guidelines specify that the standard time frame for the audit is annually.

**An Analysis of the Cost of Obtaining this Service through the Proposed Contract as Compared to Other Options**

As previously noted, this audit is performed at no cost to TSAC. Additionally, this is an Amendment to an existing Contract, and as such there is no alternative to this Amendment.



STATE OF TENNESSEE  
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(615) 741-1346 • 1-800-342-1663 • FAX (615) 741-6101

**MEMORANDUM**

**RECEIVED**

FEB 13 2009

**FISCAL REVIEW**

**TO:** Leni Chick, Fiscal Review Committee  
**FROM:** Marcie Mills, Paralegal  
**DATE:** February 13, 2009  
**SUBJECT:** Non-Competitive Amendment Summary  
Nelnet Guarantor Solutions Amendment Three

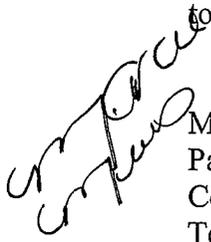
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The Tennessee Student Assistance Corporation (TSAC) proposes to submit a non-competitive Amendment to its Contract with Nelnet Guarantor Solutions (NGS) for the purpose of changing the frequency of an SAS70 (Statement on Auditing Standards) or a SysTrust review audit from quarterly to annually.

I have provided the following documentation as per FRC guidelines:

- Amendment Three
  - Contract Amendment signed by Contractor and Agency Head Contract Summary Sheet
  - Supplemental Documentation Required for Fiscal Review Committee
  - Fiscal Review Summary Letter
  - REQUEST:NON-COMPETITIVE CONTRACT AMENDMENT
- Amendment Two
  - One Fully Executed Contract Amendment
  - Contract Summary Sheet
  - Approved Summary Memorandum – Fiscal Review Committee 8/14/08
  - Fiscal Review Committee Non-Competitive Amendment Summary
  - Approved REQUEST:NON-COMPETITIVE CONTRACT AMENDMENT
  - OIR Procurement Endorsement
- Amendment One
  - One Fully Executed Contract Amendment
  - Contract Summary Sheet
  - Approved Summary Memorandum – Fiscal Review Committee 3/28/08
  - Fiscal Review Committee Non-Competitive Amendment Summary
  - Approved REQUEST:NON-COMPETITIVE CONTRACT AMENDMENT
  - OIR Procurement Endorsement
- Original Contract
  - Contract Summary Sheet

Should you have any questions, or additional documentation is need, please do not hesitate to contact me at the contact information below.



Marcie Reece Mills  
Paralegal  
Compliance and Legal Affairs  
Tennessee Student Assistance Corp.  
Suite 1510, Parkway Towers  
404 James Robertson Parkway  
Nashville, TN 37243  
615-532-3500 - Direct  
615-741-3000 ext. 101  
615-741-5555 - Fax  
[Marcie.Mills@state.tn.us](mailto:Marcie.Mills@state.tn.us)



STATE OF TENNESSEE  
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(615) 741-1346 • 1-800-342-1663 • FAX (615) 741-6101

**MEMORANDUM**

**TO:** Leni Chick, Fiscal Review Committee  
**FROM:** Marcie Mills, Paralegal  
**DATE:** February 12, 2009  
**SUBJECT:** Non-Competitive Amendment Summary  
Nelnet Guarantor Solutions Amendment Three

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The Tennessee Student Assistance Corporation (TSAC) proposes to submit a non-competitive Amendment to its Contract with Nelnet Guarantor Solutions (NGS) for the purpose of changing the frequency of an SAS70 (Statement on Auditing Standards) or a SysTrust review audit from quarterly to annually.

Pursuant to Chapter 413, Public Acts of 2003, TSAC is providing the information below for the review of the Fiscal Review Committee.

**Summary of the Terms of the Original Contract**

The Contract between the State of Tennessee, Tennessee Student Assistance Corporation (TSAC), and Nelnet Guarantor Solutions (NGS), is for the provision for the full servicing of TSAC's Federal Family Education Loan Program (FFELP) and loan portfolio, servicing of TSAC's grants, scholarships, and loan forgiveness programs, and the TSAC General Ledger System.

The Contractor provides an Internet-based system for TSAC that is accessible by students, student borrowers, parent borrowers, high schools, postsecondary schools, lenders, lender servicers, vocational rehabilitation counselors, and workforce investment case managers; processes requests for FFELP loan guarantees; and produces comprehensive management reports.

The Contract is in effect January 1, 2006 through December 31, 2010, with the maximum expenditure not to exceed seventy-five million dollars (\$75,000,000.00).

**Justification for the Proposed Non-Competitive Amendment:**

The SAS70 or SysTrust Review audit tests and evaluates as to whether a particular system is reliable when evaluated against three most essential principles of availability, integrity, and security. This audit is currently performed on a quarterly basis by a third party, contracted by the Contractor. Due to the frequency of the audit, the audit has proven to be redundant in substance. Additionally, TSAC is currently the only guarantee agency requiring this audit on a quarterly basis.

As such, TSAC submits this Amendment Three to change the review schedule from quarterly to annually.

**Justification for the Non-competitive Procurement:**

There are no reasonable and competitive procurement alternatives to the proposed amendment. There is an existing Contract with the Contractor.

# C O N T R A C T   A M E N D M E N T   C O V E R

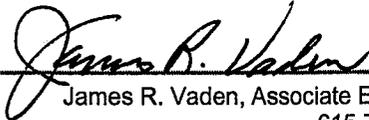
<b>RFS Tracking #</b>	<b>Edison Contract ID #</b>	<b>Amendment #</b>
<b>332.05-036-09</b>	<b>FA-06-16570-02</b>	<b>3</b>

<b>Amendment Purpose</b>	<b>Delegated Authority Requisition ID # (ONLY if applicable)</b>
Changes the frequency of an SAS70 or a SysTrust review audit from quarterly to annually.	<b>RECEIVED</b>

<b>Contractor/Grantee</b>	<b>Contractor/Grantee FEIN or SSN</b>
<b>NELNET GUARANTOR SOLUTIONS (NGS)</b>	FEB 13 2009
	<input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 5934071500

<b>Begin Date</b>	<b>End Date</b>	<b>Subrecipient or Vendor</b>	<b>CFDA #(s)</b>
1/01/06	12/31/10	<input type="checkbox"/> Subrecipient <input checked="" type="checkbox"/> Vendor	

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006		\$7,000,000.00			\$7,000,000.00
2007		\$9,600,000.00			\$9,600,000.00
2008		\$15,662,730.00			\$15,662,730.00
2009		\$23,068,635.00			\$23,068,635.00
2010		\$19,668,635.00			\$19,668,635.00
<b>TOTAL:</b>					<b>\$75,000,000.00</b>

<b>— COMPLETE FOR AMENDMENTS —</b>			<b>Procuring Agency Contact &amp; Telephone #</b>	
<b>FY</b>	<b>Base Contract &amp; Prior Amendments</b>	<b>THIS Amendment ONLY</b>	Peter Abernathy, Senior Associate Executive Director and Staff Attorney 615.532.6065	
2006	\$7,000,000.00	0.00	<b>Procuring Agency Budget Officer Approval</b> (there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred.)   James R. Vaden, Associate Executive Director of Fiscal Affairs 615.741.7575	
2007	\$9,600,000.00	0.00		
2008	\$15,662,730.00	0.00		
2009	\$23,068,635.00	0.00		
2010	\$19,668,635.00	0.00		
2006	\$7,000,000.00	0.00	<b>Speed Code</b>	<b>Account Code</b>
<b>TOTAL:</b>	<b>\$75,000,000.00</b>	<b>0.00</b>		

— OCR Use —	<b>Procurement Process Summary (FA or ED-type only)</b>
	RFP (Standard State RFP Process, adhering to all State mandates)

# REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance & Administration  
Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS #	332-05-036-09	
2) State Agency Name :	TENNESSEE STUDENT ASSISTANCE CORPORATION (TSAC)	
EXISTING CONTRACT INFORMATION		
3) Service Caption :	Service Support for Agency	
4) Contractor :	NELNET GUARANTOR SOLUTIONS (NGS)	
5) Contract #	FA-06-16570-02	
6) Contract Start Date :	January 1, 2006	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2010	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$75,000,000.00	
PROPOSED AMENDMENT INFORMATION		
9) <u>Proposed</u> Amendment #	THREE	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt) (ATTACHED)	April 16, 2009	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2010	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$75,000,000.00	
13) Approval Criteria : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state	
	<input checked="" type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
<p>One provision of this Amendment is to change the frequency of an SAS70 or a SysTrust review, performed by a third party arranged by the Contractor, from quarterly to annually.</p> <p>Secondly, TSAC added a provision to ensure that the Contractor shall not engage in revenue sharing by providing, directly or indirectly, anything of value in exchange for any advantage or consideration to the Contractor, while engaging in higher education loan servicing</p>		

activities, including, but not limited to directing guaranty activity to TSAC.

Additionally, TSAC is requesting an extension of one year to the five-year term of this Contract, extending the expiration term to December 31, 2011.

Lastly, TSAC has added the Voluntary Buyout Program provision as required in standard model contract language.

**15) Explanation of Need for the Proposed Amendment :**

One provision of this Amendment is to change the requirement for quarterly SAS70 or a SysTrust review audits to an annual audits.

Additionally, TSAC added the Revenue Sharing provision at the request of the Fiscal Review Committee upon initial review of the Contract as sound business practice.

Lastly, TSAC is requesting the one year extension of this Contract that provides for the servicing of TSAC's participation in the Federal Family Education Loan Program (FFELP). The present White House administration has proposed the elimination of the FFELP program in favor of direct lending, effective October 2010. A one-year extension will allow TSAC to continue current services uninterrupted until it is determined whether the FFELP program will continue beyond the next fiscal year. If the FFELP program does remain a business function of TSAC, an RFP will be released allowing for competitive bidding at that time.

**16) Name & Address of Contractor's Current Principal Owner(s) :**  
(not required if proposed contractor is a state education institution)

NELN, Inc.  
121 S. 13th Street, Suite 201  
Lincoln, NE 68508  
Primary contact: Mike Dunlap

**17) Documentation of Office for Information Resources Endorsement :**  
(required only if the subject service involves information technology; N/A to THDA requests)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

**18) Documentation of Department of Personnel Endorsement :**  
(required only if the subject service involves training for state employees)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

**19) Documentation of State Architect Endorsement :**  
(required only if the subject service involves construction or real property related services)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

**20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :**

There are no reasonable and competitive procurement alternatives to the proposed Amendment. There is an existing Contract with the Contractor that provides TSAC with the full servicing of TSAC's Federal Family Education Loan Program and loan portfolio, servicing of TSAC's grants, scholarships, and loan forgiveness programs, the TSAC General Ledger System, and the automated proprietary system e\*GRandS used in the administration of TSAC's loan and scholarship programs.

**21) Justification for the Proposed Non-Competitive Amendment :**

As stated, the SAS70 or a SysTrust review is performed on a quarterly basis by a third party, contracted by the Contractor. The review of the audit has proven to be redundant in substance. As such, TSAC submits this Amendment Three to change the review schedule from quarterly to annually. Additionally, TSAC is currently the only guarantee agency requiring this audit on a quarterly basis.

As noted, should the FFELP program be eliminated in favor of direct lending, a full service provider will not be needed. TSAC staff does not believe it is the best interest of the State to release an RFP, entering into a five-year agreement with a full service provider if at that time, the services are no longer required.

**REQUESTING AGENCY HEAD SIGNATURE & DATE :**

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)

RICHARD G. RHODA, INTERIM EXECUTIVE DIRECTOR

Date

Supplemental Documentation Required for  
Fiscal Review Committee

*Contact Name:	Peter Abernathy, Senior Associate Executive Director and Staff Attorney		*Contact Phone:	615-532-6065	
*Contract Number:	FA-06-16570-02		*RFS Number:	332.05-036-09	
*Original Contract Begin Date:	January 1, 2006		*Current End Date:	December 31, 2010	
Current Request Amendment Number: <i>(if applicable)</i>			Three		
Proposed Amendment Effective Date: <i>(if applicable)</i>			April 16, 2009		
*Department Submitting:			Tennessee Student Assistance Corporation (TSAC)		
*Division:			Legal Affairs		
*Date Submitted:			February 12, 2009		
*Submitted Within Sixty (60) days:			Yes		
<i>If not, explain:</i>					
*Contract Vendor Name:			Nelnet Guarantor Solutions (NGS)		
*Current Maximum Liability:			\$75,000,000.00		
*Current Contract Allocation by Fiscal Year: <i>(as Shown on Most Current Fully Executed Contract Summary Sheet)</i>					
FY: 2006	FY: 2007	FY: 2008	FY: 2009	FY: 2010	FY
\$7,000,000	\$9,600,000	\$15,662,730	\$23,068,635	\$19,668,635	\$
*Current Total Expenditures by Fiscal Year of Contract: <i>(attach backup documentation from STARS or FDAS report)</i>					
FY: 2006	FY: 2007	FY: 2008	FY: 2009	FY: 2010	FY
\$7,000,000	\$9,600,000	\$15,662,730	\$23,068,635	\$19,668,635	\$
IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:			N/A		
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:			N/A		
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:			N/A		
*Contract Funding Source/Amount:	State:		Federal:	100%	

Supplemental Documentation Required for  
Fiscal Review Committee

Interdepartmental:		<i>Other:</i>	
If "other" please define:			
Dates of All Previous Amendments or Revisions: <i>(if applicable)</i>	Brief Description of Actions in Previous Amendments or Revisions: <i>(if applicable)</i>		
February 1, 2008	Amendment One was for the addition of the GEAR-UP TN Bridge Incentive scholarship awards program into the Contractor's on-line database e*GRandS to eliminate manual administrative processing of the program		
August 1, 2008	Amendment Two was required to facilitate the conciliation of contract disputes to ensure that there was no disruption of services provided by NGS/TSAC to the students, student borrowers, parent borrowers, high schools, TSAC participating postsecondary schools, lenders, lender servicers, in the administration of the FFELP loan program and the grants, scholarships, and loan forgiveness programs. The Amendment also addressed findings, issues, and concerns expressed in TSAC's Performance Audit and the Financial and Compliance Audit, and to cure ambiguity in the cost structure of the original Contract.		
Method of Original Award: Competitive (RFP)			

**Leni Chick**

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**From:** Marcie Mills [Marcie.Mills@tn.gov]  
**Sent:** Tuesday, April 07, 2009 9:49 AM  
**To:** Leni Chick  
**Cc:** Peter Abernathy  
**Subject:** Nelnet Guarantor Solutions  
**Attachments:** Nelnet Guarantor Solutions (NGS) Amendment Three (Rev 4-07-09).doc

Leni,

Please see attached.

As I stated earlier, there will be changes to the amendment regarding payment rates. As such, there will be additional provisions, namely maximum expenditure, etc. that will be addressed at that time also. Accordingly, if we do not come to an agreement with the Contractor regarding the rates for Year 6, we will remove the term extension provision.

We will ensure that this business is performed expediently, and will keep you posted as to our progress.

Thank you,

Marcie

**AMENDMENT THREE  
TO FA-06-16570-02**

This Contract Amendment is made and entered by and between the State of Tennessee, TENNESSEE STUDENT ASSISTANCE CORPORATION, hereinafter referred to as the "State" OR "TSAC" and NELNET GUARANTOR SOLUTIONS, hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. **The text of Contract Section A.12.c Internal Controls (Security) Audit Functions is deleted in its entirety and replaced with the following:**

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 an annual 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.

2. **The text of Contract Section B.1. Contract Term is deleted in its entirety and replaced with the following:**

B.1 Contract Term

This Contract shall be effective for the period commencing on January 1, 2006 and ending on December 31, 2011. The State shall have no obligation for services rendered by the Contractor that are not performed within the specified period.

3. **The text of Contract Section C.3. Payment Methodology. is deleted in its entirety and replaced with the following:**

C.3. Payment Methodology.

For any federal legislative mandates which affect loan yields for the FFELP Program, the items reflected in Section C.3 and the resulting percentage of change in loan yields shall be applied by TSAC in a pro rata fashion to the existing rate items in Section C.3 as a percentage to determine the new rates.

TSAC shall make no guarantee as to the volume of rehabilitated loans, payments on defaulted loans, and/or consolidated loans to be received by the Contractor.

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APR 07 2009  
**FISCAL REVIEW**

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 RATES – YEAR 1

SERVICING RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO      AMOUNT

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 RATES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS      AMOUNT

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

DEVELOPMENT AND MONTHLY PROCESSING RATES FOR GENERAL LEDGER SYSTEM      AMOUNT

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

SERVICE RATES – YEAR 2

SERVICING RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO      AMOUNT

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 RATES FOR TSAA, TELS, SCHOLARSHIPS,      AMOUNT

AND LOAN FORGIVENESS PROGRAMS

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

MONTHLY PROCESSING RATES FOR GENERAL LEDGER SYSTEM AMOUNT

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

SERVICE RATES – YEAR 3

SERVICING RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO AMOUNT

Stafford Loan 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
Treasury Offset Program (TOP) "Second Chance" (Annually)	\$7,500
Data Warehousing – Data Transmission (Monthly - Upon Delivery)	\$2,500

DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Hourly Payment Rate	\$90.00
(Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Loan Report)	

DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE DEFAULT PREVENTION INITIATIVE

Hourly Payment Rate	\$75.00
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SERVICED LENDER OF LAST RESORT (LLR) (PER LOAN) – TIME AND MATERIAL RATES

Originating (Per Application – Stafford, PLUS, GradPlus only)	\$25.00
Servicing (monthly per Social Security Number (SSN) – which shall mean the combined loans for a borrower under the same Lender ID):	
In School/Grace	\$2.25
Repayment (Other than In School or Grace)	\$4.50
Delinquency Surcharge	\$3.75
Deconversion Fee (Per Loan)	\$60.00

COMMISSION RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Federal Consolidation Loans as detailed in Section C.4.	7.3%
Payments on Defaulted Loans as detailed in Section C.5.	15.0%
Rehabilitation Loans as detailed in Section C.6.	13.5%
Enhanced Collections – Subrogation	11.0%

MONTHLY MAINTENANCE AND STATUTORY AND REGULATORY CHANGE RATES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS AMOUNT

July 1, 2008 – December 31, 2008	
Hourly Payment Rate up to 700 Hours	\$60.00
Hourly Payment Rate in excess of 700 Hours	\$90.00

ENHANCEMENT RATES FOR TSAA, TELS, SCHOLARSHIPS AND LOAN FORGIVENESS PROGRAMS

Hourly Payment Rate	\$90.00
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MONTHLY PROCESSING RATES FOR GENERAL LEDGER SYSTEM AMOUNT

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

SERVICE RATES – YEAR 4

SERVICING RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO AMOUNT

Stafford Loan 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
Treasury Offset Program (TOP) "Second Chance" (Annually)	\$7,500
Data Warehousing – Data Transmission (Monthly - Upon Delivery)	\$2,500

DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Hourly Payment Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Loan Report)	\$93.00
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DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE DEFAULT PREVENTION INITIATIVE

Hourly Payment Rate	\$78.00
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SERVICED LENDER OF LAST RESORT (LLR) (PER LOAN) – TIME AND MATERIAL RATES

Originating (Per Application – Stafford, PLUS, GradPlus only)	\$25.00
Servicing (monthly per Social Security Number (SSN) – which shall mean the combined loans for a borrower under the same Lender ID):	
In School/Grace	\$2.25
Repayment (Other than In School or Grace)	\$4.50
Delinquency Surcharge	\$3.75
Deconversion Fee (Per Loan)	\$60.00

COMMISSION RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Federal Consolidation Loans as detailed in Section C.4.	7.3%
Payments on Defaulted Loans as detailed in Section C.5.	15.0%
Rehabilitation Loans as detailed in Section C.6	13.5%
Enhanced Collections – Subrogation	11.0%

MONTHLY MAINTENANCE AND STATUTORY AND REGULATORY CHANGE RATES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS      AMOUNT

January 1, 2009 – December 31, 2009	
Hourly Payment Rate up to 700 Hours	\$63.00
Hourly Payment Rate in excess of 700 Hours	\$93.00

ENHANCEMENT RATES FOR TSAA, TELS, SCHOLARSHIPS AND LOAN FORGIVENESS PROGRAMS

Hourly Payment Rate	\$93.00
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MONTHLY PROCESSING RATES FOR GENERAL LEDGER SYSTEM      AMOUNT

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

SERVICE RATES – YEAR 5

SERVICING RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO      AMOUNT

Stafford Loan 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

Treasury Offset Program (TOP) "Second Chance" (Annually)	\$7,500
Data Warehousing – Data Transmission (Monthly - Upon Delivery)	\$2,500

DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE  
FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN  
PORTFOLIO

Hourly Payment Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Loan Report)	\$96.00
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DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE  
DEFAULT PREVENTION INITIATIVE

Hourly Payment Rate	\$81.00
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SERVICED LENDER OF LAST RESORT (LLR) (PER LOAN) – TIME AND  
MATERIAL RATES

Originating (Per Application – Stafford, PLUS, GradPlus only)	\$25.00
Servicing (monthly per Social Security Number (SSN) – which shall mean the combined loans for a borrower under the same Lender ID):	
In School/Grace	\$2.25
Repayment (Other than In School or Grace)	\$4.50
Delinquency Surcharge	\$3.75
Deconversion Fee (Per Loan)	\$60.00

COMMISSION RATES FOR THE FEDERAL FAMILY EDUCATION LOAN  
PROGRAM AND LOAN PORTFOLIO

Federal Consolidation Loans as detailed in Section C.4.	7.3%
Payments on Defaulted Loans as detailed in Section C.5.	15.0%
Rehabilitation Loans as detailed in Section C.6.	13.5%
Enhanced Collections – Subrogation	11.0%

MONTHLY MAINTENANCE AND STATUTORY AND REGULATORY  
CHANGE RATES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN  
FORGIVENESS PROGRAMS AMOUNT

January 1, 2010 – December 31, 2010	
Hourly Payment Rate up to 700 Hours	\$66.00
Hourly Payment Rate in excess of 700 Hours	96.00

ENHANCEMENT RATES FOR TSAA, TELS, SCHOLARSHIPS AND  
LOAN FORGIVENESS PROGRAMS

Hourly Payment Rate	\$96.00
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MONTHLY PROCESSING RATES FOR GENERAL LEDGER SYSTEM AMOUNT

January 1, 2010 – December 31, 2010 (Per Month)	\$0.00
Hourly Payment Rate for Additional Work	\$96.00

SERVICE RATES – YEAR 6

SERVICING RATES FOR THE FEDERAL FAMILY EDUCATION LOAN  
PROGRAM AND LOAN PORTFOLIO AMOUNT

Stafford Loan 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

Treasury Offset Program (TOP) "Second Chance" (Annually)	\$7,500
Data Warehousing – Data Transmission (Monthly - Upon Delivery)	\$2,500

DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Hourly Payment Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Loan Report)	\$96.00
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DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE DEFAULT PREVENTION INITIATIVE

Hourly Payment Rate	\$81.00
---------------------	---------

SERVICED LENDER OF LAST RESORT (LLR) (PER LOAN) – TIME AND MATERIAL RATES

Originating (Per Application – Stafford, PLUS, GradPlus only)	\$25.00
Servicing (monthly per Social Security Number (SSN) – which shall mean the combined loans for a borrower under the same Lender ID):	
In School/Grace	\$2.25
Repayment (Other than In School or Grace)	\$4.50
Delinquency Surcharge	\$3.75
Deconversion Fee (Per Loan)	\$60.00

COMMISSION RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Federal Consolidation Loans as detailed in Section C.4.	7.3%
Payments on Defaulted Loans as detailed in Section C.5.	15.0%
Rehabilitation Loans as detailed in Section C.6.	13.5%
Enhanced Collections – Subrogation	11.0%

MONTHLY MAINTENANCE AND STATUTORY AND REGULATORY CHANGE RATES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS      AMOUNT

January 1, 2010 – December 31, 2010	
Hourly Payment Rate up to 700 Hours	\$66.00
Hourly Payment Rate in excess of 700 Hours	96.00

ENHANCEMENT RATES FOR TSAA, TELS, SCHOLARSHIPS AND

LOAN FORGIVENESS PROGRAMS

Hourly Payment Rate \$96.00

MONTHLY PROCESSING RATES FOR GENERAL LEDGER SYSTEM      AMOUNT

January 1, 2010 – December 31, 2010 (Per Month) \$0.00

Hourly Payment Rate for Additional Work \$96.00

The maximum for enhancements shall not exceed eight (8) percent of the Contract Maximum Liability.

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.

**4. The following provision is added as Contract Section E.31 Revenue Sharing:**

E.31 Revenue Sharing

The Contractor shall not provide, directly or indirectly, anything of value, including revenue sharing, to any institution of higher education in exchange for any advantage or consideration provided to the Contractor related to the Contractor's higher education loan servicing activities, including, but not limited to directing guaranty activity to TSAC.

**5. The following provision is added as Contract Section E.32 Voluntary Buyout Program:**

E.32 Voluntary Buyout Program.

The Grantee acknowledges and understands that, for a period of two years beginning August 16, 2008, restrictions are imposed on former state employees who received a State of Tennessee Voluntary Buyout Program (VBP) severance payment with regard to contracts with state agencies that participated in the VBP.

a. The State will not contract with either a former state employee who received a VBP severance payment or an entity in which a former state employee who received a VBP severance payment or the spouse of such an individual holds a controlling financial interest.

b. The State may contract with an entity with which a former state employee who received a VBP severance payment is an employee or an independent contractor. Notwithstanding the foregoing, the Grantee understands and agrees that there may be unique business circumstances under which a return to work by a former state employee who received a VBP severance payment as an employee or an independent contractor of a State grantee would not be appropriate, and in such cases the State may refuse Grantee personnel. Inasmuch, it shall be the responsibility of the State to review Grantee personnel to identify any such issues.

c. With reference to either subsection a. or b. above, a grantee may submit a written request for a waiver of the VBP restrictions regarding a former state employee and a contract with a state agency that participated in the VBP. Any such request must be submitted to the State in the form of the *VBP Contracting*

*Restriction Waiver Request* format available from the State and the Internet at: [www.state.tn.us/finance/rds/ocr/waiver.html](http://www.state.tn.us/finance/rds/ocr/waiver.html). The determination on such a request shall be at the sole discretion of the head of the state agency that is a Party to this Grant Contract, the Commissioner of Finance and Administration, and the Commissioner of Human Resources.

The revisions set forth herein shall be effective April 16, 2009. All other terms and conditions not expressly amended herein shall remain in full force and effect.

**IN WITNESS WHEREOF,**

**NELNET GUARANTOR SOLUTIONS:**

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**EDWARD P. MARTINEZ, EXECUTIVE DIRECTOR**

**DATE**

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**PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)**

**TENNESSEE STUDENT ASSISTANCE CORPORATION:**

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**RICHARD G. RHODA, INTERIM EXECUTIVE DIRECTOR**

**DATE**

**APPROVED:**

---

**M. D. GOETZ, JR., COMMISSIONER OF FINANCE & ADMINISTRATION**    **DATE**

---

**JUSTIN P. WILSON, COMPTROLLER OF THE TREASURY**

**DATE**



GENERAL ASSEMBLY OF THE STATE OF TENNESSEE  
FISCAL REVIEW COMMITTEE

320 Sixth Avenue, North – 8<sup>th</sup> Floor  
NASHVILLE, TENNESSEE 37243-0057  
615-741-2564

Rep. Charles Curtiss, Chairman  
Representatives

Curt Cobb Donna Rowland  
Curtis Johnson David Shepard  
Gerald McCormick Curry Todd  
Mary Pruitt Eddie Yokley  
Craig Fitzhugh, *ex officio*  
Speaker Jimmy Naifeh, *ex officio*

Sen. Douglas Henry, Vice-Chairman  
Senators

Bill Ketron Reginald Tate  
Doug Jackson Jamie Woodson  
Paul Stanley  
Randy McNally, *ex officio*  
Lt. Governor Ron Ramsey, *ex officio*

MEMORANDUM

TO: The Honorable Dave Goetz, Commissioner  
Department of Finance and Administration

FROM: Charles Curtiss, Chairman, Fiscal Review Committee  
Bill Ketron, Chairman, Contract Services Subcommittee

DATE: August 14, 2008

SUBJECT: **Contract Comments**  
(Contract Services Subcommittee Meeting 8/12)

cc  
BK

RFS# 332.05-036

Department: Tennessee Student Assistance Corporation (TSAC)  
Contractor: Nelnet Guarantor Solutions (formerly Guarantec, LLP)  
Summary: The original contract was for the provision of the full servicing of TSAC's Federal Family Education Loan Program, servicing of grants, scholarships, loan forgiveness programs, and the General Ledger System. The proposed amendment makes various revisions to the scope of services and increases the maximum liability by \$26,937,270. The term of the contract remains the same.  
Maximum liability: \$48,062,730  
Maximum liability w/amendment: \$75,000,000

After review, the Fiscal Review Committee voted to recommend approval of the contract amendment.

cc: Dr. Richard Rhoda, Interim Executive Director, TSAC  
Mr. Robert Barlow, Director, Office of Contracts Review



STATE OF TENNESSEE  
**TENNESSEE STUDENT ASSISTANCE CORPORATION**

SUITE 1510, PARKWAY TOWERS  
404 JAMES ROBERTSON PARKWAY  
NASHVILLE, TENNESSEE 37243-0820  
(615) 741-1346 • 1-800-342-1663 • FAX (615) 741-6101

**RECEIVED**

AUG 05 2008

**FISCAL REVIEW**

**MEMORANDUM**

**TO:** Leni Chick, Fiscal Review Committee  
**FROM:** Marcie Mills, Paralegal  
**DATE:** August 1, 2008  
**SUBJECT:** Non-Competitive Amendment Summary

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The Tennessee Student Assistance Corporation (TSAC) proposes to submit a non-competitive amendment to its Contract with Nelnet Guarantor Solutions (NGS) for the purpose of facilitating the conciliation of contract disputes to ensure that there is no disruption of services to the students, student borrowers, parent borrowers, high schools, TSAC participating postsecondary schools and the servicing and administration of the FFELP loan program and the grants, scholarships, and loan forgiveness programs. This contract Amendment is also required to address issues and concerns expressed in both the Performance Audit and Financial and Compliance audit and to cure ambiguity in the cost structure of the original Contract.

Pursuant to Chapter 413, Public Acts of 2003, TSAC is providing the information below for the review of the Fiscal Review Committee.

**Summary of the Terms of the Original Contract**

The Contract between the State of Tennessee, Tennessee Student Assistance Corporation (TSAC), and GuaranTec, LLP, is for the provision for the full servicing of TSAC's Federal Family Education Loan Program (FFELP) and loan portfolio, servicing of TSAC's grants, scholarships, and loan forgiveness programs, and the TSAC General Ledger System.

The Contractor provides 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; processes requests for loan guarantees for FFELP loans; and produces comprehensive management reports.

The Contract is in effect January 1, 2006 through December 31, 2010, with the maximum expenditure not to exceed forty-eight million dollars (\$48,000,000.00).

**Justification for the Proposed Non-Competitive Amendment:**

This Contract Amendment is an integral piece in our efforts at conciliation with the Contractor over Contract disputes that had escalated to the magnitude of TSAC having received notification of imminent suit for Breach of Contract, a ninety-day notice of

cancellation of the \$10 million Performance Bond, and a cessation of all but the bare minimum of services by the Contractor. These issues have been collectively addressed by NGS, TSAC, TSAC's Board of Directors and its Executive Committee, the Attorney General's office, and OCR personnel. This Amendment is a reflection of the collaboration of the aforementioned personnel and the mutual agreement that these matters are negotiable and conciliation is in the best interest of all parties.

The Amendment addresses commission rates due the Contractor. The Contract dispute initially arose from the decrease in revenue that the Contractor experienced as a result of statutory reduction in federal collection rates allowed by the U.S. Department of Education in which commission rates paid to NGS were decreased. In addition to lost revenue created by statutory changes, there has been a steady decrease in TSAC's loan volume decreasing the Contractor's revenue realization. (Due to the decline of the credit market and the volatility of the economy, TSAC recently respected the termination of a Contract for the purchase of rehabilitated loans, and amended the the commission structure with another lender.)

The Amendment provides TSAC the opportunity for enhanced services including, default prevention, an electronic claims process, a "Second Chance" Treasury Offset Program, electronic file transfers, enhanced collection efforts, enhanced sales and marketing support for increasing loan volume, "data warehousing", and reduced cohort default rate incentive.

This Amendment is needed to cure an ambiguity that exists in the Contract (Paragraph C.6) that established a \$48 million dollar cap on the amount that can be paid by TSAC. However, this figure addressed projected Service Rates as provided in Section C.3 of the Contract, and did not include the commission rates as provided for in Paragraphs C.4, C.5, and C6.

And lastly, TSAC is taking this opportunity to address Contract issues and concerns as expressed in both the 2008 Performance Audit and the 2007 Financial and Compliance Audit including the initiation of a comprehensive Contract oversight; the decreased share of guaranteed loans in Tennessee; the proprietary software "source code" not being in escrow; the federal Type II SAS70 Audit not being performed by the Contractor, and services as delineated in the Contract either not being provided or no longer required by TSAC.

**Justification for the Non-competitive Procurement:**

There are no reasonable and competitive procurement alternatives to the proposed amendment. There is an existing Contract with the Contractor.

**Background Information and Explanation (Required if date of Proposed Amendment Effective Date is less than sixty (60) days after F&A receipt)**

The Contract is for the provision of 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 previously noted, this Contract Amendment is an integral piece in our efforts at conciliation with the Contractor, and that these matters are negotiable and conciliation is in the best interest of all parties.

Due to the magnitude of issues addressed, and the many people involved in this process, it has taken several months to come to this mutually acceptable agreement. However, due to the length of time it took to arrive at an agreement, the Amendment must be in place and effective August 1, 2008, therefore, not allowing TSAC to provide a sixty-day notice as required.

While negotiations were in progress, NGS had stopped all but the basic services. With the acceptance of this Amendment, NGS will resume full services, and enhancements as addressed in the Amendment. A priority for TSAC is for NGS to develop the software analysis for the programs passed by the legislature, including changes to the Tennessee Education Lottery Scholarship (TELS) program, and the addition of the new Tennessee Rural Health Loan Forgiveness Program, and the Helping Heroes Grant. To ensure that there is no impact on the students of Tennessee enrolling in the 2008-2009 academic school year this work must begin immediately.

As such, TSAC respectfully requests that the sixty-day requirement be waived.

# REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance & Administration

Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

RECEIVED

AUG 05 2008

FISCAL REVIEW

1) RFS #	332-05-036-09	
2) State Agency Name :	TENNESSEE STUDENT ASSISTANCE CORPORATION	
<b>EXISTING CONTRACT INFORMATION</b>		
3) Service Caption :	Service Support for Agency	
4) Contractor :	NELNET GUARANTOR SOLUTIONS (NGS)	
5) Contract #	FA-06-16570-00	
6) Contract Start Date :	January 1, 2006	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2010	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$48,062,730.00	
<b>PROPOSED AMENDMENT INFORMATION</b>		
9) <u>Proposed</u> Amendment #	TWO	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt) (ATTACHED)	August 1, 2008	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2010	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$75,000,000.00	
13) Approval Criteria : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state	
	<input checked="" type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
<p>1) This Amendment has added the following language, "The performance bond shall not be cancelled by the Contractor until full termination of the Contract is in effect either through termination for convenience or cause."</p> <p>2) This Amendment will set new commission rates due the Contractor on payments on defaulted loans and successfully rehabilitated loans.</p>		

3) This Amendment will provide for enhanced services including, but not limited to: the development of Default Prevention Services that shall include website design and maintenance, multimedia materials, statistical analysis, and assistance with its Default Prevention Advisory Committee; an incentive provision that will compensate the Contractor to assist TSAC in realizing a reduced default cohort rate; the development and implementation of an electronic claims processing module; the development and implementation of a "Second Chance" Treasury Offset Program to encourage borrowers to make payments as either rehabilitation payments or administrative wage garnishment (AWG) payments resulting in suspension of their treasury offset; the development and implementation of an electronic file transfer of all loans that are eligible for rehabilitation in each rehabilitation cycle; enhanced collection efforts through the Loan Assignment (subrogation) process that shall focus on rehabilitation payments, traditional payments, AWG payments, and loan consolidation; the development and implementation of enhanced sales and marketing support for increasing TSAC's loan volume; the development of an alternative to hard copy reports for TSAC and TSAC's participating postsecondary schools, lenders, and lender servicers, including email and web-based capabilities; the development and hosting of a "Data Warehouse" of TSAC's database enabling TSAC the functionality of performing queries for reporting, exporting, and retrieving of data; the implementation of the Lender of Last Resort (LLR) Program including origination, disbursement, service, entrance/exit counseling, and/or transfer of loans to the DOE should TSAC become a LLR due to loss of conventional sources for student loans; and the expansion of services provided to students, student borrowers, parent borrowers, high schools, TSAC participating postsecondary schools, lenders, lender servicers, vocational rehabilitation counselors, and workforce investment case managers at a new costing schedule that is mutually beneficial to both TSAC and the Contractor.

4) This Amendment will address necessary services that have not been provided by the Contractor, and extraneous services that are no longer required, nor provided by the Contractor.

5) This Amendment will set a new Maximum Liability.

- Base Contract at Current Servicing rate for Non-Collections \$28.0M
- Base Contract at Current Collections Rate Ambiguity/Accounting change – COLLECTIONS \$40.5M

**ADDITIONS:**

- Collection adjustment/Loan enhancements \$ 4.3M
- Grants and Scholarship breakout/enhancements \$ 2.2M
- **New Contract Total \$75.0M**

**15) Explanation of Need for the Proposed Amendment :**

The need for this Contract Amendment is multi-faceted:

1) This Contract Amendment is an integral piece in our efforts at conciliation with the Contractor over Contract disputes that had escalated to the magnitude of a TSAC having received notification of imminent suit for Breach of Contract, a ninety-day notice of cancellation of the \$10 million Performance Bond, and a cessation of all but the bare minimum of services by the Contractor. These issues have been collectively addressed by NGS, TSAC, TSAC's Board of Directors and its Executive Committee, Assistant Attorney General Kevin Steiling, and OCR personnel. This Amendment is a reflection of the collaboration of the aforementioned personnel and the mutual agreement that these matters are negotiable and conciliation is in the best interest of all parties.

2) The Amendment addresses commission rates due the Contractor. The Contract dispute initially arose from the decrease in revenue that the Contractor experienced as a result of statutory reduction in federal collection rates allowed by the U.S. Department of Education, the first of which occurred October 2006 when guarantor retention on consolidated loans was reduced from 18.5 % (of which TSAC retained 5% and NGS was paid 13.5%) to 10%, of which TSAC retained 2.7% and NGS was paid 7.3% (a reduction of 6.2% for NGS), and a second statutory mandate (CCRAA) in October 2007 for payments received on traditional loans at which time the guarantor retention was 23%, of which TSAC retained 6% and NGS received payment of 17%, to 16%, of which TSAC retained 6% and NGS's payment was reduced to 10% (a reduction of 6% for NGS). In addition to lost revenue created by statutory changes, there has been a steady decrease in TSAC's loan volume decreasing the Contractor's revenue realization. (Due to the decline of the credit market and the volatility of the economy, TSAC recently respected the termination of a Contract for the purchase of rehabilitated loans, and amended the commission structure with another lender.)

3) This Amendment provides TSAC the opportunity for enhanced services including, default prevention, an electronic claims process, a "Second Chance" Treasury Offset Program, electronic file transfers, enhanced collection efforts, enhanced sales and marketing support for increasing loan volume, "data warehousing", and reduced cohort default rate incentive.

4) TSAC is addressing Contract issues and concerns as expressed in both the 2008 Performance Audit and the 2007 Financial and Compliance Audit including the initiation of a comprehensive Contract oversight; the decreased share of guaranteed loans in Tennessee; the proprietary software "source code" not being in escrow; the federal Type II SAS70 Audit not being performed by the Contractor, and services as delineated in the Contract either not being provided or no longer required by TSAC.

5) This Amendment is needed to cure an ambiguity that exists in the Contract (Paragraph C.6) that established a \$48 million dollar cap on the amount that can be paid by TSAC. However, this figure addressed projected Service Rates as provided in Section C.3 of the Contract, and did not include the commission rates as provided for in Paragraphs C.4, C.5, and C.6. For the fiscal year 2008, due to a shortfall of funding, it was necessary for Business Affairs to transfer six million (\$6,000,000.00) from the 2010 funding.

**16) Name & Address of Contractor's Current Principal Owner(s) :**  
(not required if proposed contractor is a state education institution)

NELN, Inc.  
121 S. 13th Street, Suite 201  
Lincoln, NE 68508  
Primary contact: Mike Dunlap

**17) Documentation of Office for Information Resources Endorsement :**  
(required only if the subject service involves information technology; N/A to THDA requests)

**select one:**  Documentation Not Applicable to this Request  Documentation Attached to this Request

**18) Documentation of Department of Personnel Endorsement :**  
(required only if the subject service involves training for state employees)

**select one:**  Documentation Not Applicable to this Request  Documentation Attached to this Request

**19) Documentation of State Architect Endorsement :**  
(required only if the subject service involves construction or real property related services)

**select one:**  Documentation Not Applicable to this Request  Documentation Attached to this Request

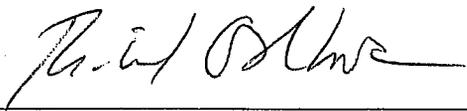
**20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :**

There are no reasonable and competitive procurement alternatives to the proposed Amendment. There is an existing Contract with the Contractor that provides TSAC with the full servicing of TSAC's Federal Family Education Loan Program and loan portfolio, servicing of TSAC's grants, scholarships, and loan forgiveness programs, the TSAC General Ledger System, and the automated proprietary system e\*GRandS used in the administration of TSAC's loan and scholarship programs.

**21) Justification for the Proposed Non-Competitive Amendment :**

The Contract Amendment is required to facilitate the conciliation of contract disputes to ensure that there is no disruption of services to the students, student borrowers, parent borrowers, high schools, TSAC participating postsecondary schools, lenders, lender servicers, vocational rehabilitation counselors, and workforce investment case managers of Tennessee in the servicing and administration of the FFELP loan program and the grants, scholarships, and loan forgiveness programs. This Contract Amendment is also required to address issues and concerns expressed in both the Performance Audit and Financial and Compliance Audit and to cure ambiguity in the cost structure of the original Contract.

**REQUESTING AGENCY HEAD SIGNATURE & DATE :**  
(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)



8.5.08

Agency Head Signature

Date

**REQUEST: NON-COMPETITIVE AMENDMENT**  
ATTACHMENT

**ITEM 10) PROPOSED AMENDMENT EFFECTIVE DATE**

(Required if date of Proposed Amendment Effective Date is less than sixty (60) days after F&A receipt)

**Background Information and Explanation**

The original Contract 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, loan forgiveness programs, and the TSAC General Ledger System.

This Contract Amendment is an integral piece in our efforts at conciliation with the Contractor over Contract disputes that had escalated to the magnitude of a TSAC having received notification of imminent suit for Breach of Contract, a ninety-day notice of cancellation of the \$10 million Performance Bond, and a cessation of all but the bare minimum of services by the Contractor. These issues have been collectively addressed by NGS, TSAC, TSAC's Board of Directors and its Executive Committee, the Office of the Attorney General, and OCR personnel. This Amendment is a reflection of the collaboration of the aforementioned personnel and the mutual agreement that these matters are negotiable and conciliation is in the best interest of all parties.

Due to the magnitude of issues addressed, and the many people involved in this process, it has taken several months to come to this mutually acceptable agreement. However, due to the length of time it took to arrive at an agreement, the Amendment must be in place and effective August 1, 2008, therefore, not allowing TSAC to provide a sixty-day notice as required by F&A per Item #10.

While negotiations were in progress, NGS had stopped all but the basic services. With the acceptance of this Amendment, NGS will resume full services, and enhancements as addressed in the Amendment. A priority for TSAC is for NGS to develop the software analysis for the programs passed by the legislature, including changes to the Tennessee Education Lottery Scholarship (TELS) program, and the addition of the new Tennessee Rural Health Loan Forgiveness Program, and the Helping Heroes Grant. To ensure that there is no impact on the students of Tennessee enrolling in the 2008-2009 academic school year this work must begin immediately.

As such, TSAC respectfully requests that the sixty-day requirement be waived and the REQUEST: NON-COMPETITIVE AMENDMENT be approved.

**CONTRACT SUMMARY SHEET**

021406

<b>RFS #</b>  332.05-036-09	<b>Contract #</b>  FA-06-16570-02
<b>State Agency</b> Tennessee Student Assistance Corporation	<b>State Agency Division</b> Fiscal Office
<b>Contractor Name</b> Nelnet Guarantor Solutions	<b>Contractor ID # (FEIN or SSN)</b> 59340716000
AUG 05 2008	
<b>FISCAL REVIEW</b>	

**Service Description**  
Service Support for Agency

<b>Contract BEGIN Date</b> 1-Jan-06	<b>Contract END Date</b> 31-Dec-10	<b>Subrecipient or Vendor?</b> Vendor	<b>CFDA #</b>
--	---------------------------------------	--	---------------

**Mark Each TRUE Statement**

<input checked="" type="checkbox"/> Contractor is on STARS	<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts
--	--

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
332.05	6006	083	25		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006		\$ 7,000,000.00			\$ 7,000,000.00
2007		\$ 9,600,000.00			\$ 9,600,000.00
2008		\$ 15,662,730.00			\$ 15,662,730.00
2009		\$ 23,068,635.00			\$ 23,068,635.00
2010		\$ 19,668,635.00			\$ 19,668,635.00
					\$ -
<b>TOTAL:</b>	\$ -	\$ 75,000,000.00	\$ -	\$ -	\$ 75,000,000.00

— COMPLETE FOR AMENDMENTS ONLY —			State Agency Fiscal Contact & Telephone #
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Mason Ball, 404 James Robertson Parkway, 17th Floor . Ph : 253-7467
2009	\$ 9,600,000.00	\$ 13,468,635.00	
2010	\$ 6,200,000.00	\$ 13,468,635.00	<i>Mason Ball</i>
<b>TOTAL:</b>	\$ 15,800,000.00	\$ 26,937,270.00	
<b>End Date</b>	31-Dec-10	31-Dec-10	

**Contractor Ownership** (complete only for base contracts with contract # prefix FA or GR)

<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business	<input type="checkbox"/> NOT disadvantaged
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> OTHER minority/disadvantaged—	

**Contractor Selection Method** (complete for ALL base contracts— N/A to amendments or delegated authorities)

<input checked="" type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Competitive Method
<input type="checkbox"/> Non-Competitive Negotiation	<input type="checkbox"/> Negotiation w/ Government(eg, ID, GG, GU)	<input type="checkbox"/> Other

**Procurement Process Summary** (complete for Alternative Method, Competitive Negotiation, Non-Competitive Negotiation, OR Other)

Standard State RFP Process (Adhering to all State mandates)

# CONTRACT SUMMARY SHEET

021406

PFS #		Contract #	
332.05-036-09		FA-06-16570-02	
State Agency		State Agency Division	
Tennessee Student Assistance Corporation		Fiscal Office	
Contractor Name		Contractor ID # (FEIN or SSN)	
Nelnet Guarantor Solutions		<input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 593407160-00	
Service Description			
Service Support for Agency			
Contract BEGIN Date	Contract END Date	Subrecipient or Vendor?	CFDA #
1-Jan-06	31-Dec-10	Vendor	
Mark Each TRUE Statement			
<input checked="" type="checkbox"/> Contractor is on STARS		<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts	
Allotment Code	Cost Center	Object Code	Fund
332.05	6006	083	25
FY	State	Federal	Interdepartmental
2006		\$ 7,000,000.00	
2007		\$ 9,600,000.00	
2008		\$ 15,662,730.00	
2009		\$ 23,068,635.00	
2010		\$ 19,668,635.00	
			\$
<b>TOTAL:</b>		<b>\$ 75,000,000.00</b>	<b>\$ 75,000,000.00</b>
<b>COMPLETE FOR AMENDMENTS ONLY</b>		State Agency Fiscal Contact & Telephone #	
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Mason Ball, 404 James Robertson Parkway, 17th Floor Ph : 253-7467
2006	\$ 7,000,000.00		State Agency Budget Officer Approval  
2007	\$ 9,600,000.00		
2008	\$ 15,662,730.00		
2009	\$ 9,600,000.00	\$ 13,468,635.00	
2010	\$ 6,200,000.00	\$ 13,468,635.00	
<b>TOTAL:</b>	<b>\$ 48,062,730.00</b>	<b>\$ 26,937,270.00</b>	
End Date	31-Dec-10	31-Dec-10	
Contractor Ownership (complete only for base contracts with contract # prefix FA or GR)			
<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business <input type="checkbox"/> NOT disadvantaged
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> OTHER minority/disadvantaged
Contractor Selection Method (complete for ALL base contracts—N/A to amendments or delegated authorities)			
<input checked="" type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Competitive Method	
<input type="checkbox"/> Non-Competitive Negotiation	<input type="checkbox"/> Negotiation w/ Government (eg. ID, GG, GU)	<input type="checkbox"/> Other	
Procurement Process Summary (complete for Alternative Method, Competitive Negotiation, Non-Competitive Negotiation, OR Other)			
Standard State RFP Process (Adhering to all State mandates)			

**AMENDMENT TWO  
TO FA-06-16570-00**

This Contract Amendment is made and entered by and between the State of Tennessee, TENNESSEE STUDENT ASSISTANCE CORPORATION (TSAC), hereinafter referred to as the "State" and NELNET GUARANTOR SOLUTIONS (NGS), hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. **The text of Contract Section A.1.o. Lender of Last Resort Program. is deleted in its entirety and replaced with the following:**

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 (LLR) 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.

The Contractor must be prepared to perform lending servicing for an LLR program as determined by the Department of Education (DOE), in conjunction with TSAC's determinations. In the event that TSAC should enact an LLR program, TSAC shall define the program services that will be required within specified timeframes. As requested by TSAC, the Contractor shall originate, disburse, service, and/or transfer those loans to the DOE.

2. **The text of Contract Section A.5. Default Aversion Assistance for the Federal Family Education Loan Program. is deleted in its entirety and replaced with the following:**

A.5. Default Management - Default Aversion Assistance and Default Prevention Services 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 Section 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.

The Contractor shall develop default prevention activities as detailed in Section A.5.n., for FFELP loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor may coordinate with a professional counseling service in accordance with Section D.5 of this Contract. These services shall be directed toward actual and potential borrowers, participating postsecondary schools, lenders, and lender servicers. This shall enable TSAC to benefit from increased loan volume based on these services. The Contractor shall be fully committed to these services.

3. The text of Contract Section A.5.g. Reports, is deleted in its entirety and replaced with the following:

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 all reports on-line.

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.

The Contractor shall be paid to assist TSAC in maintaining a cohort default rate within a range of National Cohort Default Rate, as reported by the Department of Education, as detailed in Section C.14. As prescribed by TSAC the Contractor shall provide TSAC a

report reflecting the cohort default rate by school or lender on the same basis used by the Department of Education by the Contractor, for a specified reporting timeframe, within the timeframe as requested by TSAC.

4. **The following provision is added as Contract Section A.5.n. Default Prevention Services for the Federal Family Education Loan Program.**

A.5.n. Default Prevention Services for the Federal Family Education Loan Program.

The Contractor shall provide for the default prevention services that are fully compliant with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

The default prevention services may include, but not limited to, the following:

- Develop Performance Standards and Measurements,
- Student/Borrower Surveys,
- Partnerships with Schools (as requested by TSAC),
- School visits (as requested by TSAC),
- Website Design and Maintenance (either existing products, or on TSAC's website),
- Multimedia Materials and Presentations,
- Financial Literacy Materials and Presentations, and
- Statistical Analysis.

The Contractor shall assist TSAC with its Default Prevention Advisory Committee to include, but not limited to, the following:

- Coordination of Committee Calls,
- Layout and Design of Brochures and other Materials,
- Follow-up to Operational Areas for Plan Implementations, and
- Tracking of Project Status.

5. **The text of Contract Section A.6. Claim Filing for the Federal Family Education Loan Program. is deleted in its entirety and replaced with the following:**

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. Upon TSAC's request, the Contractor shall develop and implement an electronic claims processing module.

6. **The text of Contract Section A.6.a. Common Claim Initiative. is deleted in its entirety and replaced with the following:**

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.

Upon TSAC's request, the Contractor shall develop an electronic claims process whereby claims can be submitted electronically by TSAC lenders. Additionally, TSAC desires that the claim review process can, to the maximum extent possible, be implemented in an automated fashion to ensure the maximum processing efficiency and review.

7. **The text of Contract Section A.7.f. Collection Agencies, is deleted in its entirety and replaced with the following:**

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.

Upon TSAC's request, the Contractor shall provide a duplicate of each file that is provided to a collection agency to afford TSAC with both the data and the mechanism with which to assist with Administrative Wage Garnishment (AWG) and License Suspension activities. In this connection, TSAC agrees to collaborate with the Contractor and the collection agency so as not to subvert their collection efforts. The files shall be available to TSAC for electronic transmission within one day of being made available to Collection Agencies.

8. **The text of Contract Section A.7.f.1. Performance Tracking, is deleted in its entirety and replaced with the following:**

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, consolidation payoffs, suspended treasury offsets, and the "Second Chance" Treasury Offset Program.
- 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.

9. **The text of Contract Section A.7.g. Treasury Offset, is deleted in its entirety and replaced with the following:**

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.

The Contractor shall implement a "Second Chance" Treasury Offset Program to encourage borrowers to make payments as either rehabilitation payments or AWG payments resulting in suspension of their treasury offset.

**10. The text of Contract Section A.7.j. Rehabilitation. is deleted in its entirety and replaced with the following:**

**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 at least once monthly.

Upon TSAC's request, the Contractor shall provide a report in an electronic format to facilitate electronic file transfer of all loans that are eligible for rehabilitation in each rehabilitation cycle to TSAC. The report shall include, at a minimum:

- Borrower Social Security Number,
- Borrower Full Name,
- Borrower Address,
- Borrower Phone Number,
- Borrower DOB,
- Student Social Security Number, if PLUS loan,
- Student full Name, if a PLUS loan,
- Student Address, if a PLUS loan,
- Student Phone Number, if a PLUS loan,
- Student DOB, if a PLUS loan,
- Loan Type,
- Guarantor ID,
- Guarantee Date,
- Guarantee Amount,
- Interest Rate,
- Principal Outstanding,
- Collection Costs,
- Total Loan Balance,
- Next Due Date,
- Effective Purchase Date, and
- Number and Dollar volume of loans to be rehabilitated.

11. **The following provision is added as Contract Section A.7.m. Enhanced Collection Efforts: Loan Assignment (Subrogation).:**

A.7.m. Enhanced Collection Efforts: Loan Assignment (Subrogation).

The Contractor may contract with a separate Collection Agency to provide enhanced collection efforts through the Loan Assignment process for those loans that are in danger of being assigned to the Department of Education. Those collection efforts shall focus on, in order of priority: 1) rehabilitation payments, 2) traditional payments, 3) AWG payments, and 4) loan consolidation, unless otherwise specified by TSAC.

12. **The following provision is added as Contract Section A.8.k. Enhanced Sales and Marketing Support for Increasing Loan Volume.:**

A.8.k. Enhanced Sales and Marketing Support for Increasing Loan Volume.

The Contractor shall assist TSAC in the preparation, development and execution of their marketing plan and provide a sales representative(s) and/or contractor(s), not to exceed two (2), to assist in their loan volume market expansion. The contractor shall be compensated as detailed in Section C.15 of this Contract. In the event TSAC becomes dissatisfied with the Contractor's sales and/or marketing support, it shall submit to the Contractor written notice thereof, showing reasonable cause why a substitution of either the marketing plan or the marketing personnel should be made, with the contractor's assurances that reasonable efforts shall be made to resolve the issue(s).

13. **The following provision is added as Contract Section A.8.l. Reports for TSAC and TSAC Participating Postsecondary Schools, Lenders, and Lender Servicers.:**

A.8.l. Reports for TSAC and TSAC Participating Postsecondary Schools, Lenders, and Lender Servicers.:

Upon TSAC's request, the Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers alternative formats for the transmittal and retrieval of reports, including, but not limited to, web-based, spreadsheet, .pdf, and email.

14. **The following provision is added as Contract Section A.8.m. Data Warehousing.:**

A.8.m. Data Warehousing.

Upon TSAC's request, the Contractor shall assist TSAC in the development of a "Data Warehouse" of TSAC's database, enabling TSAC the functionality of performing queries for reporting, comparing, exporting, and retrieving of data at a time deemed appropriate by TSAC. The Contractor shall provide data as requested by TSAC.

15. **The following provision is added as Contract Section A.8.n. Forms.:**

A.8.n. Forms.

The Contractor shall ensure the forms, form layouts, formats, programs, procedures, and documentation needed for, but not limited to, the processing and adding/changing/deleting/updating, of a manual default aversion assistance; transmitting and receiving default aversion assistance; requesting a claim for payment; recording the receipt of claim files; and programs and initiatives as they are developed and implemented by the Contractor 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 for the Federal Family Education Loan Program.

**16. The following provision is added as Contract Section A.8.o. GAFR/NSLDS Reasonability Rate:**

A.8.o. GAFR/NSLDS Reasonability Rate.

The Contractor shall be compensated to improve the percentage variance between TSAC's GAFR/NSLDS (Guarantee Agency Financial Report/National Student Loan Data System) reasonability rate and the published goal as issued by the Department of Education in its quarterly and annual reports.

This shall be achieved by the Contractor through data analysis to determine both the variances, the reasons for the variances, and developing a solution. The Contractor shall invoice for developmental fees as noted in Section C.3.

**17. The text of Contract Section A.11.a. Enhancements, is deleted in its entirety and replaced with the following:**

A.11.a. Enhancements.

TSAC may request, at any time, additional work from the Contractor. The additional work may involve enhancements or changes other than regulatory and statutory changes as set forth in Section A.11.b. Requested changes may include modifications to the functional requirements and processing procedures or other modifications according to a priority schedule as provided by TSAC. Upon receipt of 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.

Enhancements shall be billed at an Hourly Rate as detailed in Section C. of this Contract.

**18. The text of Contract Section A.11.b. Statutory Changes, is deleted in its entirety and replaced with the following:**

A.11.b. Statutory Changes.

TSAC may request, at any time, additional work from the Contractor as required by statutory and regulatory changes, and the Contractor shall be compensated as detailed in Section C.3.

**19. The following provision is added as Contract Section A.11.b.1. Statutory and Regulatory Changes – Loans:**

A.11.b.1. Statutory and Regulatory Changes – Loans.

TSAC may request 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 and 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.

20. **The following provision is added as Contract Section A.11.b.2. Statutory and Regulatory Changes – Grants, Scholarships, and Loan Forgiveness Programs.**

A.11.b.2. Statutory and Regulatory Changes – Grants, Scholarships, and Loan Forgiveness Programs.

TSAC may request, and the contractor shall provide, changes to e\*GRandS that are required by the State of Tennessee statutory and regulatory requirements for the TSAA, TELS, Scholarships, and Loan Forgiveness Programs. Requested changes may include modifications to the functional requirements and processing procedures or other modifications. 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. Statutory Changes for the TSAA, TELS, Scholarships, and Loan Forgiveness Program shall be billed at an Hourly Rate as detailed in Section C.3 of this Contract.

21. **The text of Contract Section A.22. Technical Support. is deleted in its entirety.**
22. **The text of Contract Section C.1. Maximum Liability. is deleted in its entirety and replaced with the following:**

C.1. Maximum Liability.

In no event shall the maximum liability of the State under this Contract exceed Seventy-five Million Dollars (\$75,000,000.00). The Rates in Section C.3, C.4, C.5, C.6, C.14. and C.15 shall constitute the entire compensation due the Contractor for the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The 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 Rates detailed in Section C. 3 and the Rates detailed in Sections C.4, C.5, C.6, C.14, and C.15.

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.

23. **The text of Contract Section C.3. Payment Methodology. is deleted in its entirety and replaced with the following:**

C.3. Payment Methodology.

For any federal legislative mandates which affect loan yields for the FFELP Program, the items reflected in Section C.3 and the resulting percentage of change in loan yields shall be applied by TSAC in a pro rata fashion to the existing rate items in Section C.3 as a percentage to determine the new rates.

TSAC shall make no guarantee as to the volume of rehabilitated loans, payments on defaulted loans, and/or consolidated loans to be received by the Contractor.

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 RATES – YEAR 1

SERVICING RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO      AMOUNT

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 RATES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS      AMOUNT

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

DEVELOPMENT AND MONTHLY PROCESSING RATES FOR GENERAL LEDGER SYSTEM      AMOUNT

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

SERVICE RATES – YEAR 2

SERVICING RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO      AMOUNT

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 RATES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS AMOUNT

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

MONTHLY PROCESSING RATES FOR GENERAL LEDGER SYSTEM AMOUNT

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

SERVICE RATES – YEAR 3

SERVICING RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO AMOUNT

Stafford Loan 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  
 Treasury Offset Program (TOP) “Second Chance” (Annually) \$7,500  
 Data Warehousing – Data Transmission (Monthly - Upon Delivery) \$2,500

DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Hourly Payment Rate \$90.00  
 (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Loan Report)

DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE DEFAULT PREVENTION INITIATIVE

Hourly Payment Rate \$75.00

SERVICED LENDER OF LAST RESORT (LLR) (PER LOAN) – TIME AND MATERIAL RATES

Originating (Per Application – Stafford, PLUS, GradPlus only) \$25.00  
 Servicing (monthly per Social Security Number (SSN) – which shall mean the combined loans for a borrower under the same Lender ID):  
 In School/Grace \$2.25  
 Repayment (Other than In School or Grace) \$4.50  
 Delinquency Surcharge \$3.75  
 Deconversion Fee (Per Loan) \$60.00

COMMISSION RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Federal Consolidation Loans as detailed in Section C.4.	7.3%
Payments on Defaulted Loans as detailed in Section C.5.	15.0%
Rehabilitation Loans as detailed in Section C.6.	13.5%
Enhanced Collections – Subrogation	11.0%

MONTHLY MAINTENANCE AND STATUTORY AND REGULATORY CHANGE RATES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS AMOUNT

July 1, 2008 – December 31, 2008	
Hourly Payment Rate up to 700 Hours	\$60.00
Hourly Payment Rate in excess of 700 Hours	\$90.00

ENHANCEMENT RATES FOR TSAA, TELS, SCHOLARSHIPS AND LOAN FORGIVENESS PROGRAMS

Hourly Payment Rate	\$90.00
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MONTHLY PROCESSING RATES FOR GENERAL LEDGER SYSTEM AMOUNT

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

SERVICE RATES – YEAR 4

SERVICING RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO AMOUNT

Stafford Loan 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
Treasury Offset Program (TOP) “Second Chance” (Annually)	\$7,500
Data Warehousing – Data Transmission (Monthly - Upon Delivery)	\$2,500

DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Hourly Payment Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Loan Report)	\$93.00
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DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE DEFAULT PREVENTION INITIATIVE

Hourly Payment Rate	\$78.00
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SERVICED LENDER OF LAST RESORT (LLR) (PER LOAN) – TIME AND

MATERIAL RATES

Originating (Per Application – Stafford, PLUS, GradPlus only)	\$25.00
Servicing (monthly per Social Security Number (SSN) – which shall mean the combined loans for a borrower under the same Lender ID):	
In School/Grace	\$2.25
Repayment (Other than In School or Grace)	\$4.50
Delinquency Surcharge	\$3.75
Deconversion Fee (Per Loan)	\$60.00

COMMISSION RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Federal Consolidation Loans as detailed in Section C.4.	7.3%
Payments on Defaulted Loans as detailed in Section C.5.	15.0%
Rehabilitation Loans as detailed in Section C.6	13.5%
Enhanced Collections – Subrogation	11.0%

MONTHLY MAINTENANCE AND STATUTORY AND REGULATORY CHANGE RATES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS      AMOUNT

January 1, 2009 – December 31, 2009	
Hourly Payment Rate up to 700 Hours	\$63.00
Hourly Payment Rate in excess of 700 Hours	\$93.00

ENHANCEMENT RATES FOR TSAA, TELS, SCHOLARSHIPS AND LOAN FORGIVENESS PROGRAMS

Hourly Payment Rate	\$93.00
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MONTHLY PROCESSING RATES FOR GENERAL LEDGER SYSTEM      AMOUNT

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

SERVICE RATES – YEAR 5

SERVICING RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO      AMOUNT

Stafford Loan 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
Treasury Offset Program (TOP) “Second Chance” (Annually)	\$7,500
Data Warehousing – Data Transmission (Monthly - Upon Delivery)	\$2,500

DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN

PORTFOLIO

Hourly Payment Rate \$96.00  
(Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Loan Report)

DEVELOPMENT AND SUPPORT ENHANCEMENT RATES FOR THE DEFAULT PREVENTION INITIATIVE

Hourly Payment Rate \$81.00

SERVICED LENDER OF LAST RESORT (LLR) (PER LOAN) – TIME AND MATERIAL RATES

Originating (Per Application – Stafford, PLUS, GradPlus only) \$25.00  
Servicing (monthly per Social Security Number (SSN) – which shall mean the combined loans for a borrower under the same Lender ID):  
In School/Grace \$2.25  
Repayment (Other than In School or Grace) \$4.50  
Delinquency Surcharge \$3.75  
Deconversion Fee (Per Loan) \$60.00

COMMISSION RATES FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Federal Consolidation Loans as detailed in Section C.4. 7.3%  
Payments on Defaulted Loans as detailed in Section C.5. 15.0%  
Rehabilitation Loans as detailed in Section C.6. 13.5%  
Enhanced Collections – Subrogation 11.0%

MONTHLY MAINTENANCE AND STATUTORY AND REGULATORY CHANGE RATES FOR TSAA, TELS, SCHOLARSHIPS, AND LOAN FORGIVENESS PROGRAMS AMOUNT

January 1, 2010 – December 31, 2010  
Hourly Payment Rate up to 700 Hours \$66.00  
Hourly Payment Rate in excess of 700 Hours 96.00

ENHANCEMENT RATES FOR TSAA, TELS, SCHOLARSHIPS AND LOAN FORGIVENESS PROGRAMS

Hourly Payment Rate \$96.00

MONTHLY PROCESSING RATES FOR GENERAL LEDGER SYSTEM AMOUNT

January 1, 2010 – December 31, 2010 (Per Month) \$0.00  
Hourly Payment Rate for Additional Work \$96.00

The maximum for enhancements shall not exceed eight (8) percent of the Contract Maximum Liability.

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.

24. **The text of Contract Section C.4. Federal Consolidation Loans, is deleted in its entirety and replaced with the following:**

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 10%) less two point seven percent (2.7%) which shall be retained by the State (for a current net commission rate of seven point three percent (7.3%) for the Contractor). 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.

For any federal legislative mandates which affect Federal Consolidation Loan yields, the resulting percentage of change in loan yields shall be applied by TSAC in a pro rata fashion to the existing rates as a percentage to determine the new rates.

TSAC shall make no guarantee as to the volume of consolidated loans to be received by the Contractor.

25. **The text of Contract Section C.5. Payments on Defaulted Loans, is deleted in its entirety and replaced with the following:**

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 16%) less one percent (1%) which shall be retained by the State (for a current net commission rate of fifteen percent (15%) for the Contractor). 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.

For any federal legislative mandates which affect Defaulted Loan Collection yields, the resulting percentage of change in loan yields shall be applied by TSAC in a pro rata fashion to the existing rates as a percentage to determine the new rates.

TSAC shall make no guarantee as to the volume of defaulted loans to be received by the Contractor.

26. **The text of Contract Section C.6. Rehabilitation, is deleted in its entirety and replaced with the following:**

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.

For any federal legislative mandates which affect Rehabilitation loan yields the resulting percentage of change in loan yields shall be applied by TSAC in a pro rata fashion to the existing rates as a percentage to determine the new rates.

TSAC shall make no guarantee as to the volume of rehabilitated loans to be received by the Contractor.

27. **The text of Contract Section C.13. Retention of Final Payment, is deleted in its entirety and replaced with the following:**

C.13. Retention of Final Payment.

An amount of Seven Hundred Fifty Thousand Dollars (\$750,000), 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.

28. **The following provision is added as Contract Section C.14. Default Cohort Rate..:**

C.14. Default Cohort Rate.

Should the Contractor maintain a cohort default rate within 1% (+ or -) of the National Cohort Default Rate (NCDR) as published by the Department of Education in the Draft Rate, the Contractor shall be compensated Twenty-five Thousand Dollars (\$25,000.00), or if the cohort default rate is within -2% and below, the Contractor shall be compensated Fifty Thousand Dollars (\$50,000.00). Should the Contractor maintain a cohort default rate within 1% (+ or -) of the National Cohort Default Rate (NCDR) as published by the Department of Education in the Official Rate, the Contractor shall be compensated Twenty-five Thousand Dollars (\$25,000.00), or if the cohort default rate is within -2% and below, the Contractor shall be compensated Fifty Thousand Dollars (\$50,000.00).

NATIONAL COHORT	TSAC COHORT	DRAFT		OFFICIAL
<u>DEFAULT RATE</u>	<u>DEFAULT RATE</u>	<u>RATE</u>	<u>RATE</u>	<u>RATE</u>
X	+ or - 1% (NCDR)	\$25,000	and/or	\$25,000
X	- 2% and below (NCDR)	\$50,000	and/or	\$50,000

29. **The following provision is added as Contract Section C.15 Incremental Stafford and Plus Loan Guaranteed Loan Volume..:**

C.15 Incremental Stafford and Plus Loan Guaranteed Loan Volume.

As per Section A.8.k., the Contractor shall be compensated at a base annual price of One Hundred and Seventy-five Thousand Dollars (\$175,000.00), for each sales representative and/or contractor, prorated on a monthly basis of employment per representative.

In addition, the Contractor shall be compensated \$3.50 for every \$1,000 over \$700,000,000 in net loan guarantee volume on a calendar year basis, and \$3.50 for every \$1,000 over the previous year's base (over a minimum of \$700,000,000).

30. **The following provision is added as Contract Section D.20. Prohibition of Illegal Immigrants..:**

D.20. Prohibition of Illegal Immigrants.

The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.

- a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document at Attachment G, hereto, semi-annually each March and October during the period of this Contract. Such attestations shall be maintained by the Contractor and made available to state officials upon request.
- b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the Contractor and made available to state officials upon request.
- c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
- d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.
- e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.

29. **Contract Attachment ATTACHMENT G ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE attached hereto is added as a new Contract Attachment.**

30. **The text of Contract Section E.2. Communications and Contacts. is deleted in its entirety and replaced with the following:**

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:

Richard G. Rhoda, Interim Executive Director  
Tennessee Student Assistance Corporation  
Suite 1900 Parkway Towers  
404 James Robertson Parkway

Nashville, TN 37243-0820  
Email: Richard.Rhoda@state.tn.us  
Telephone Number: 615.741.3605  
Fax Number: 615.741.6230

The Contractor: Edward P. Martinez, Executive Director  
Nelnet Guarantor Solutions, LLC  
Suite 400  
3015 South Parker Road  
Aurora, CO 80014-2306  
Email: Ed.Martinez@nelnet.net  
Telephone Number: 303.696.5411  
Fax Number: 303.696.5640

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.

**31. The text of Contract Section E.5. Partial Takeover, is deleted in its entirety and replaced with the following:**

**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 thirty (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.

**32. The text of Contract Section E.8. Performance Bond, is deleted in its entirety and replaced with the following:**

**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. Notwithstanding language in the Performance Bond to the contrary, the Contractor shall not cancel the performance bond at any time prior to the full term of the contract.





AUTHORIZED INDIVIDUALS

TSAC

Richard Rhoda  
Peter Abernathy  
Tim Phelps  
Levis Hughes  
Naomi Derryberry  
Stephanie Aylor  
Robert Biggers

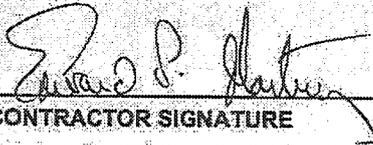
NELNET GUARANTOR SOLUTIONS (NGS)

Ed Martinez  
Jeff Moore  
Lori Gloer  
Caron Peterson  
Peter McArdle  
Stacey Butts  
William Joyner  
Kelly McVeagh  
Diane Ezell  
Susan Jackson

## ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	332-05-036-09
CONTRACTOR LEGAL ENTITY NAME:	NELNET GUARANTOR SOLUTIONS (NGS)
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	59-3407160-00

The Contractor, identified above, does hereby attest, certify, warrant, and assure that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract.



CONTRACTOR SIGNATURE

NOTICE: This attestation MUST be signed by an individual empowered to contractually bind the Contractor. If said individual is not the chief executive or president, this document shall attach evidence showing the individual's authority to contractually bind the Contractor.

Edward P. Martinez, Executive Director

PRINTED NAME AND TITLE OF SIGNATORY

8-29-08

DATE OF ATTESTATION



**GENERAL ASSEMBLY OF THE STATE OF TENNESSEE  
FISCAL REVIEW COMMITTEE**

320 Sixth Avenue, North – 8<sup>th</sup> Floor  
NASHVILLE, TENNESSEE 37243-0057  
615-741-2564

**Rep. Charles Curtiss, Chairman**  
Representatives

Curt Cobb  
Curtis Johnson  
Gerald McCormick  
Mary Pruitt  
Craig Fitzhugh, *ex officio*  
Speaker Jimmy Naifeh, *ex officio*

Donna Rowland  
David Shepard  
Curry Todd  
Eddie Yokley

**Sen. Douglas Henry, Vice-Chairman**  
Senators

Doug Jackson  
Bill Ketron  
Paul Stanley  
Randy McNally, *ex officio*  
Lt. Governor Ron Ramsey, *ex officio*

Reginald Tate  
Jamie Woodson

**M E M O R A N D U M**

TO: The Honorable Dave Goetz, Commissioner  
Department of Finance and Administration

FROM: Charles Curtiss, Chairman, Fiscal Review Committee  
Bill Ketron, Chairman, Contract Services Subcommittee

cc  
BK

DATE: March 28, 2008

SUBJECT: **Contract Comments**  
(Contract Services Subcommittee Meeting 3/24/08)

**RFS# 332.05-002**

**Department: Tennessee Student Assistance Corporation (TSAC)**

**Contractor: Nelnet Guarantor Solutions (formerly Guarantec, LLP)**

**Summary: The original contract was for the provision of the full servicing of TSAC's Federal Family Education Loan Program (FFELP) and loan portfolio, servicing of TSAC's grants, scholarships, and loan forgiveness programs, and the TSAC General Ledger System. The proposed amendment seeks to reflect the name change of the vendor, and the addition of the student financial aid program GEAR-UP TN Bridge Incentive Awards, effective February 1, 2008.**

**Maximum liability: \$48,000,000**

**Maximum liability w/amendment: \$48,062,730**

After review, the Fiscal Review Committee voted to recommend approval of the contract amendment.

cc: Mr. Robert W. Ruble, Executive Director  
Mr. Robert Barlow, Director, Office of Contracts Review

**CONTRACT SUMMARY SHEET**

021406

*Revised*

<b>RFS #</b>		<b>Contract #</b>	
332.05-002		FA-06-16570-00	
<b>State Agency</b>		<b>State Agency Division</b>	
Tennessee Student Assistance Corporation		Fiscal Office	
<b>Contractor Name</b>		<b>Contractor ID # (FEIN or SSN)</b>	
Nelnet Guarantor Solutions		C- or <input checked="" type="checkbox"/> V- 593407160-00	
<b>Service Description</b>			
Service Support for Agency			
<b>Contract BEGIN Date</b>	<b>Contract END Date</b>	<b>Subrecipient or Vendor?</b>	<b>CFDA #</b>
1-Jan-06	31-Dec-10	Vendor	

**Mark Each TRUE Statement**

<input checked="" type="checkbox"/> Contractor is on STARS	<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts
--	--

<b>Allotment Code</b>	<b>Cost Center</b>	<b>Object Code</b>	<b>Fund</b>	<b>Funding Grant Code</b>	<b>Funding Subgrant Code</b>
332.05	6006	083	25		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006		\$ 7,000,000.00			\$ 7,000,000.00
2007		\$ 9,600,000.00			\$ 9,600,000.00
2008		\$ 15,662,730.00			\$ 15,662,730.00
2009		\$ 9,600,000.00			\$ 9,600,000.00
2010		\$ 6,200,000.00			\$ 6,200,000.00
<b>TOTAL:</b>	\$ -	\$ 48,062,730.00	\$ -	\$ -	\$ 48,062,730.00

OCR RELEASED  
JUN 03 2008  
TO ACCOUNTS

**— COMPLETE FOR AMENDMENTS ONLY —**

<b>State Agency Fiscal Contact &amp; Telephone #</b>		
<b>FY</b>	<b>Base Contract &amp; Prior Amendments</b>	<b>THIS Amendment ONLY</b>
		\$ -
<b>State Agency Budget Officer Approval</b>		
<i>Mason Ball</i>		
<b>Funding Certification</b> (certification required by T.C.A. § 9-4-5113 that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)		
<b>TOTAL:</b>	\$ -	\$ -
<b>End Date</b>	31-Dec-10	31-Dec-10

**Contractor Ownership** (complete only for base contracts with contract # prefix FA or GR)

<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business	<input type="checkbox"/> NOT disadvantaged
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> OTHER minority/disadvantaged—	

**Contractor Selection Method** (complete for ALL base contracts— N/A to amendments or delegated authorities)

<input checked="" type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Competitive Method
<input type="checkbox"/> Non-Competitive Negotiation	<input type="checkbox"/> Negotiation w/ Government (eg, ID, GG, GU)	<input type="checkbox"/> Other

**Procurement Process Summary** (complete for Alternative Method, Competitive Negotiation, Non-Competitive Negotiation, OR Other)

Standard State RFP Process (Adhering to all State mandates)

# CONTRACT SUMMARY SHEET

021406

<b>332.05-002</b>	<b>Contract #</b> <b>FA-06-16570-01</b>
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<b>State Agency</b> Tennessee Student Assistance Corporation	<b>State Agency Division</b> Fiscal Office
---	---

<b>Contractor Name</b> Nelnet Guarantor Solutions	<b>Contractor ID # (FEIN or SSN)</b> <input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 593407160-00
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**Service Description**  
Service Support for Agency

<b>Contract BEGIN Date</b> 1-Jan-06	<b>Contract END Date</b> 31-Dec-10	<b>Subrecipient or Vendor?</b> Vendor	<b>CFDA #</b>
--	---------------------------------------	--	---------------

**Mark Each TRUE Statement**

<input checked="" type="checkbox"/> Contractor is on STARS	<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts
--	--

<b>Allotment Code</b> 332.05	<b>Cost Center</b> 6006	<b>Object Code</b> 083	<b>Fund</b> 25	<b>Funding Grant Code</b>	<b>Funding Subgrant Code</b>
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FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006		\$ 7,000,000.00	OCR RELEASED		\$ 7,000,000.00
2007		\$ 9,600,000.00			\$ 9,600,000.00
2008		\$ 9,662,730.00	MAY 07 2008		\$ 9,662,730.00
2009		\$ 9,600,000.00			\$ 9,600,000.00
2010		\$ 12,200,000.00	TO ACCOUNTS		\$ 12,200,000.00
					\$ -
<b>TOTAL:</b>	\$ -	\$ 48,062,730.00	\$ -	\$ -	\$ 48,062,730.00

**— COMPLETE FOR AMENDMENTS ONLY —**

<b>FY</b>	<b>Base Contract &amp; Prior Amendments</b>	<b>THIS Amendment ONLY</b>	<b>State Agency Fiscal Contact &amp; Telephone #</b> Mason Ball, 404 James Robertson Parkway, 17th Floor . Ph : 253-7467
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2008	\$ 48,000,000.00	\$ 62,730.00	<b>State Agency Budget Officer Approval</b>  <i>Mason Ball</i>
------	------------------	--------------	--

**Funding Certification** (certification, required by T.C.A. § 9-4-6113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)

<b>TOTAL:</b>	\$ 48,000,000.00	\$ 62,730.00	
<b>End Date</b>	31-Dec-10	31-Dec-10	

**Contractor Ownership** (complete only for base contracts with contract # prefix: FA or GR)

<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business	<input type="checkbox"/> NOT disadvantaged
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> OTHER minority/disadvantaged—	

**Contractor Selection Method** (complete for ALL base contracts— N/A to amendments or delegated authorities)

<input checked="" type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Competitive Method
<input type="checkbox"/> Non-Competitive Negotiation	<input type="checkbox"/> Negotiation w/ Government (eg D, GG, GU)	<input type="checkbox"/> Other

**Procurement Process Summary** (complete for Alternative Method, Competitive Negotiation, Non-Competitive Negotiation, OR Other)

Standard State RFP Process (Adhering to all State mandates)

APR 28 2010



STATE OF TENNESSEE  
**TENNESSEE STUDENT ASSISTANCE CORPORATION**  
SUITE 1510, PARKWAY TOWERS  
404 JAMES ROBERTSON PARKWAY  
NASHVILLE, TENNESSEE 37243-0820  
(615) 741-1346 • 1-800-342-1663 • FAX (615) 741-6101

**MEMORANDUM**

**TO:** Leni Chick, Fiscal Review Committee  
**FROM:** Marcie Mills, Paralegal *mm*  
**DATE:** March 14, 2008  
**SUBJECT:** Non-Competitive Amendment Summary

**RECEIVED**  
MAR 14 2008  
**FISCAL REVIEW**

Then Tennessee Student Assistance Corporation (TSAC) proposes to submit a non-competitive amendment to its Contract with Guarantec, LLP (now Nelnet Guarantor Solutions) for the addition of the GEAR-UP TN Bridge Incentive Awards financial aid program to the e\*GRandS proprietary software system to facilitate the administration of the GEAR-UP TN TN Bridge Incentive Awards program for TSAC and THEC.

Pursuant to Chapter 413, Public Acts of 2003, TSAC is providing the information below for the review of the Fiscal Review Committee.

**Summary of the Terms of the Original Contract**

The Contract between the State of Tennessee, Tennessee Student Assistance Corporation (TSAC), and Guarantec, LLP, is for the provision for the full servicing of TSAC's Federal Family Education Loan Program (FFELP) and loan portfolio, servicing of TSAC's grants, scholarships, and loan forgiveness programs, and the TSAC General Ledger System.

The Contractor provides 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; processes requests for loan guarantees for FFELP loans; and produces comprehensive management reports.

The Contract is in effect January 1, 2006 through December 31, 2010, with the maximum expenditure not to exceed forty-eight million dollars (\$48,000,000.00).

**Justification for the Proposed Non-Competitive Amendment:**

The Contract must be amended to reflect the new name of the Contractor, Nelnet Guarantor Solutions (formerly Guarantec, LLP). The Contract Amendment is also needed to add the GEAR-UP TN Bridge Incentive Awards financial aid program to the e\*GRandS system to facilitate the administration of the GEAR-UP TN GEAR-UP TN Bridge Incentive Awards program for TSAC and THEC. TSAC is currently manually processing the distribution of GEAR-UP Tennessee Bridge Incentive award funds to the institutions; receipt of funds back from the institutions for students who chose not to attend their

institution; redistribution of funds for students who have changed schools; and all reports showing the individual students and which schools they attended. The addition of this program into the software system e\*GRandS would allow these processes to be processed electronically. Additionally, this will allow THEC and postsecondary institutions electronic access to student financial data for recipients of this award.

**Justification for the Non-competitive Procurement:**

There are no reasonable and competitive procurement alternatives to the proposed amendment. There is an existing Contract with the Contractor which provides TSAC with an automated proprietary system e\*GRandS used in the administration of TSAC's loan and scholarship programs. This amendment is for additional work required by the Contractor to add the GEAR-UP TN Bridge Incentive Awards program, currently administered manually by TSAC, to the proprietary software system e\*GRandS.

**Background Information and Explanation (Required if date of Proposed Amendment Effective Date is less than sixty (60) days after F&A receipt)**

The Tennessee Student Assistance Corporation (TSAC) is submitting an Amendment One to its Contract with Guarantec, LLP (now Nelnet Guarantor Solutions) for the addition of automating the student financial aid program GEAR-UP TN Bridge Incentive for processing financial aid payments through the e\*GRandS system that currently services TSAC's grants, scholarships loan forgiveness programs, and the TSAC General Ledger System. TSAC provides administration and processing of financial aid payments for the GEAR-UP TN Bridge Incentive program for the Tennessee Higher Education Commission (THEC). The Amendment proposed effective date is February 1, 2008.

The Executive Directors of THEC and TSAC signed the interdepartmental Memorandum of Understanding for the reimbursement of the cost of automating the financial aid processing for the financial aid program on October 4, 2007.

The draft of the proposed amendment was submitted to TSAC's OCR Examiner, Amanda Leigh, on November 1, 2007, for a preliminary review, as TSAC wanted to be assured of approval by OCR prior to circulating the document for signatures, as it had been a complicated agreement to negotiate between all interested parties. On November 7, Ms. Leigh advised TSAC of needed corrections to the amendment.

On November 20, 2007 TSAC submitted to Jane Chittenden, Director for Procurement and Contract Management, F&A, the REQUEST: OIR Procurement Endorsement; REQUEST: NON-COMPETITIVE AMENDMENT; Contract Amendment One (and attachments G, Software Requirements Specification, and H, GEAR-UP TN Release Outline); and the original Contract effective January 1, 2006 through December 31, 2010 (and Index). On November 21, 2007, Ms Chittenden advised TSAC that as the amendment was for an IT project, the proposal must be submitted to OIR Planning for review and approval.

Accordingly, TSAC submitted the aforementioned documents to Leighann Haynes, Finance and Administration, and was advised by Todd Regan of F&A OIR IT Planning, that TSAC would need to submit a Project Proposal; Risk Assessment; Operational Cost

The State of Tennessee is an equal opportunity, equal access, affirmative action employer.

Assessment; Initial Cost Assessment; and Summary of Cost Benefit Analysis. TSAC was surprised by this request for prior approval on a contract amendment totaling \$62 thousand dollars to a \$48M contract. Discussions were held with Ms. Haynes and Mr. Ragan by THEC's, O. W. Higley regarding the scope of our proposed project. On December 19, 2007, TSAC was advised that after reviewing our materials, and an understanding of our existing software proprietary database, this would not be a IT project requiring an IT-ABC review. (Documentation attached to the REQUEST: Non-Competitive Amendment)

Promptly, on December 20, 2007, TSAC sent the Amendment One to the Contractor for signature. Due to the Contractor's time constraints and issues that did not pertain to this agreement, it was not until January 28, 2008, that the documents were signed by the Contractor, and were not received by TSAC until January 30, 2008.

On January 31, 2008, TSAC Executive Director, Robert W. Ruble signed the documents. While preparing the package contract amendment for submission to OCR it was realized that the REQUEST: NON-COMPETITIVE AMENDMENT had not been submitted to OCR for approval. Unfortunately, due to the arduous process of this project this was inadvertently overlooked.

TSAC submitted the REQUEST: NON-COMPETITIVE AMENDMENT and the Amendment One to OCR for approval.

## REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

RECEIVED

MAR 14 2008

Commissioner of Finance &amp; Administration

FISCAL REVIEW

Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS #	332.05-002	
2) State Agency Name :	Tennessee Student Assistance Corporation (TSAC)	
<b>EXISTING CONTRACT INFORMATION</b>		
3) Service Caption :	Service support for agency	
4) Contractor :	GuaranTec, LLP (now Nelnet Guarantor Solutions)	
5) Contract #	FA-06-16570-00	
6) Contract Start Date :	January 1, 2006	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2010	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$48,000,000.00	
<b>PROPOSED AMENDMENT INFORMATION</b>		
9) <u>Proposed</u> Amendment #	ONE	
10) <u>Proposed</u> Amendment Effective Date (attached explanation required if date is < 60 days after F&A receipt) See Attachment	February 1, 2008	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2010	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$48,062,730.00	
13) Approval Criteria : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
The Amendment reflects change in the name of the Contractor from GuaranTec, LLP to Nelnet Guarantor Services. (See Attachment A) Amendment also requires Contractor to add the student financial aid program GEAR-UP TN Bridge Incentive Awards to the e*GRandS proprietary software system.		
15) Explanation of Need for the Proposed Amendment: The Contract must be amended to reflect the new name of the Contractor, Nelnet Guarantor Solutions (formerly GuaranTec, LLP). The Contract Amendment is also needed to add the GEAR-UP TN Bridge		

Incentive Awards financial aid program to the existing e\*GRandS system to facilitate the administration of the GEAR-UP TN Bridge Incentive Awards financial aid program for TSAC and the Tennessee Higher Education Commission (THEC).

**16) Name & Address of Contractor's Current Principal Owner(s) :**  
(not required if proposed contractor is a state education institution)

NELN, Inc.  
121 S. 13th Street, Suite 201  
Lincoln, NE 68508  
Primary contact: Mike Dunlap

**17) Documentation of Office for Information Resources Endorsement :**  
(required only if the subject service involves information technology)

select one:

Documentation Not Applicable to this Request

Documentation Attached to this Request

**18) Documentation of Department of Personnel Endorsement :**  
(required only if the subject service involves training for state employees)

select one:

Documentation Not Applicable to this Request

Documentation Attached to this Request

**19) Documentation of State Architect Endorsement :**  
(required only if the subject service involves construction or real property related services)

select one:

Documentation Not Applicable to this Request

Documentation Attached to this Request

**20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :**

There are no reasonable and competitive procurement alternatives to the proposed amendment. There is an existing Contract with the Contractor which provides TSAC with an automated proprietary system e\*GRandS used in the administration of TSAC's loan and scholarship programs. This amendment is for additional work required by the Contractor to add the GEAR-UP TN Bridge Incentive Awards program, currently administered manually by TSAC, to the proprietary software system e\*GRandS.

**21) Justification for the Proposed Non-Competitive Amendment :**

The Contract must be amended to reflect the new name of the Contractor, Nelnet Guarantor Solutions (formerly Guarantec, LLP). The Contract Amendment is also needed to add the GEAR-UP TN Bridge Incentive Awards financial aid program to the e\*GRandS system to facilitate the administration of the GEAR-UP TN Bridge Incentive Awards program for TSAC and THEC. TSAC is currently manually processing the distribution of GEAR-UP Tennessee Bridge Incentive award funds to the institutions; receipt of funds back from the institutions for students who chose not to attend their institution; redistribution of funds for students who have changed schools; and all reports showing the individual students and which schools they attended. The addition of this program into the software system e\*GRandS would allow these processes to be processed electronically. Additionally, this will allow THEC and postsecondary institutions electronic access to student financial data for recipients of this award.

**REQUESTING AGENCY HEAD SIGNATURE & DATE :**

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)

*Robert W. Ruble*

*3-6-08*

**ROBERT W. RUBLE, EXECUTIVE DIRECTOR**  
Agency Head Signature

**March 6, 2008**  
Date

**REQUEST: NON-COMPETITIVE AMENDMENT**  
**ATTACHMENT**

**ITEM 10) PROPOSED AMENDMENT EFFECTIVE DATE**

(Required if date of Proposed Amendment Effective Date is less than sixty (60) days after F&A receipt)

**Background Information and Explanation**

The Tennessee Student Assistance Corporation (TSAC) is submitting an Amendment One to its Contract with Guarantec, LLP (now Nelnet Guarantor Solutions) for the addition of automating the student financial aid program GEAR-UP TN Bridge Incentive for processing financial aid payments through the e\*GRandS system that currently services TSAC's grants, scholarships loan forgiveness programs, and the TSAC General Ledger System. TSAC provides administration and processing of financial aid payments for the GEAR-UP TN Bridge Incentive program for the Tennessee Higher Education Commission (THEC). The Amendment proposed effective date is February 1, 2008.

The Executive Directors of THEC and TSAC signed the interdepartmental Memorandum of Understanding for the reimbursement of the cost of automating the financial aid processing for the financial aid program on October 4, 2007.

The draft of the proposed amendment was submitted to TSAC's OCR Examiner, Amanda Leigh, on November 1, 2007, for a preliminary review, as TSAC wanted to be assured of approval by OCR prior to circulating the document for signatures, as it had been a complicated agreement to negotiate between all interested parties. On November 7, Ms. Leigh advised TSAC of needed corrections to the amendment.

On November 20, 2007 TSAC submitted to Jane Chittenden, Director for Procurement and Contract Management, F&A, the **REQUEST: OIR PROCUREMENT ENDORSEMENT; REQUEST: NON-COMPETITIVE AMENDMENT;** Contract Amendment One (and attachments G, Software Requirements Specification, and H, GEAR-UP TN Release Outline); and the original Contract effective January 1, 2006 through December 31, 2010 (and Index). On November 21, 2007, Ms Chittenden advised TSAC that as the amendment was for an IT project, the proposal must be submitted to OIR Planning for review and approval.

Accordingly, TSAC submitted the aforementioned documents to Leighann Haynes, Finance and Administration, and was advised by Todd Regan of F&A OIR IT Planning, that TSAC would need to submit a Project Proposal; Risk Assessment; Operational Cost Assessment; Initial Cost Assessment; and Summary of Cost Benefit Analysis. TSAC was surprised by this request for prior approval on a contract amendment totaling \$62 thousand dollars to a \$48M contract. Discussions were held with Ms. Haynes and Mr. Ragan by THEC's, O. W. Higley regarding the scope of our proposed project. On December 19, 2007, TSAC was advised that after reviewing

**REQUEST: NON-COMPETITIVE AMENDMENT**

**Attachment**

**Item 10) Proposed Amendment Effective Date**

**Page 2**

our materials, and an understanding of our existing software proprietary database, this would not be a IT project requiring an IT-ABC review. (Attachment A) OIR signified approval by signing the OIR Procurement Endorsement on December 20, 2007. (Attachment B)

Promptly, on December 20, 2007, TSAC sent the Amendment One to the Contractor for signature. Due to the Contractor's time constraints and issues that did not pertain to this agreement, it was not until January 28, 2008, that the documents were signed by the Contractor, and were not received by TSAC until January 30, 2008.

On January 31, 2008, TSAC Executive Director, Robert W. Ruble signed the documents. While preparing the package contract amendment for submission to OCR it was realized that the REQUEST: NON-COMPETITIVE AMENDMENT had not been submitted to OCR for approval. Unfortunately, due to the arduous process of this project this was inadvertently overlooked.

TSAC respectfully submits the REQUEST: NON-COMPETITIVE AMENDMENT and the Amendment One to OCR for approval.



# EMAIL TRANSMITTAL

to Request OIR Procurement Endorsement

**TO :** Jane Chittenden, Director  
OIR Procurement & Contract Management FAX # 741-6164

**FROM :** Thomas R. Bain, Associate Executive  
Director for Compliance and Legal Affairs  
Tennessee Student Assistance Corporation FAX # 741-5555

**DATE :** DATE 12/19/07

**RFS #** 332.05-002

**RE :** Procurement Endorsement — GuaranTec, LLP (now Nelnet  
Guarantor Solutions) Contract

**INFORMATION SYSTEMS PLAN PROJECT:** N/A

**NUMBER OF FAX PAGES (including cover) :** N/A

The nature and scope of service detailed in the attached service procurement document(s) appears to require Office for Information Resources (OIR) review and support, because the procurement involves information technology or information systems services.

This communication seeks to ensure that OIR is aware of the procurement and has an opportunity to review the matter. Please determine whether OIR is supportive of the procurement. If you have any questions or concerns about this matter, please call Tom Bain at 615-253-7476

**Please indicate below your response to this proposed procurement, and return this communication at your earliest convenience (note the return FAX number above).**

Thank you for your help.

Attachment(s)

Must include the entire contract or amendment document and where applicable, the non-competitive contract or amendment request form. The original contract and any prior amendments that were applied to the same section of the contract must be provided with an amendment. Electronic copies of the contract, amendments, and request form without signature are acceptable.

RFP documents must be provided in electronic form.

OIR Endorsement :

*Mark Benzel (gc)*

OIR Chief Information Officer

12/20/07

Date

**AMENDMENT ONE  
TO FA-06-16570-00**

This Contract Amendment is made and entered by and between the State of Tennessee, Tennessee Student Assistance Corporation, hereinafter referred to as the "State" and Guarantec, LLP, hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

**1. The following provision is added as Contract Section A.26.:**

**A.26. GEAR-UP TN Bridge Incentive Awards**

Addition of the student financial aid program GEAR-UP TN Bridge Incentive Awards to the e\*GRandS system as set forth in the Software Requirements Specification Enhancement: Issue 6365 – EG060059 GEAR-UP TN Bridge Award (Refer to Attachment G).

**2. Contract Attachment G attached hereto is added as a new Contract Attachment.**

**3. The text of Contract Section C.1. is deleted in its entirety and replaced with the following:**

**C.1. Maximum Liability.**

In no event shall the maximum liability of the State under this contract exceed Forty-eight million sixty-two thousand seven hundred and thirty dollars (\$48,062,730.00). 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.

**4. The following language is added to Contract Section C.3.:**

**C.3. Payment Methodology**

**DEVELOPMENT FEES FOR THE GEAR-UP TN BRIDGE  
INCENTIVE AWARDS**

February 1, 2008 – May 1, 2008

Hourly Payment Rate for Software Enhancement\*\* \$90.00

\*\*The Contractor shall be compensated for the addition of the financial aid program GEAR-UP TN Bridge Incentive Awards to the e\*GRandS system at a billing rate of ninety dollars (\$90.00) per hour and shall not exceed six hundred ninety-seven (697)

hours. In no event shall the maximum liability of the State for the GEAR-UP addition to e\*GRandS exceed Sixty-two thousand seven hundred and thirty dollars (\$62,730.00).

5. **The following is added as Contract Section E.31.:**

E.31. Completion Date.

It is anticipated by the parties that all software enhancements required for the addition of GEAR- UP TN Bridge Incentive Awards to e\*GRandS shall be completed by April 30, 2008 so that the Tennessee Student Assistance Corporation shall have full functionality and tested by May 1, 2008 and a tentative timeline for completion has been attached. (Refer to Attachment H). Any delay in the completion of the work described herein shall constitute a material breach of this Contract.

6. **Contract Attachment H attached hereto is added as a new Contract Attachment.**

7. **The following is added as Contract Section E.32.:**

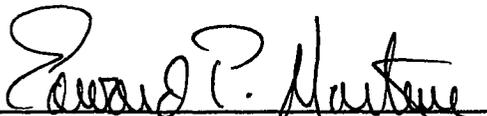
E.32. Contractor Name.

All references to "GuanTec, LLP" shall be deleted and replaced with "Nelnet Guarantor Solutions (NGS)."

The revisions set forth herein shall be effective February 1, 2008. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

NELNET GUARANTOR SOLUTIONS

 1-28-08  
\_\_\_\_\_  
CONTRACTOR SIGNATURE DATE  
EDWARD P. MARTINEZ, EXECUTIVE DIRECTOR  
\_\_\_\_\_  
PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

TENNESSEE STUDENT ASSISTANCE CORPORATION

 1-31-08  
\_\_\_\_\_  
ROBERT W. RUBLE, EXECUTIVE DIRECTOR DATE

**APPROVED:**

*M. D. Goetz, Jr. /agl*

*4-30-08*

---

**M. D. GOETZ, JR., COMMISSIONER  
DEPARTMENT OF FINANCE AND ADMINISTRATION**

**DATE**

*John G. Morgan*

*5/5/08*

---

**JOHN G. MORGAN, COMPTROLLER OF THE TREASURY**

**DATE**

January 22, 2008

*VIA FACSIMILE TRANSMITTAL TO (615) 741-6101  
AND BY UPS OVERNIGHT SIGNATURE REQUIRED*

Dr. Robert W. Ruble, Executive Director  
Tennessee Student Assistance Corporation  
404 James Robertson Parkway  
Parkway Towers, Suite 1950  
Nashville, TN 37243-0820

Re: Contract between TSAC and Nelnet Guarantor Solutions; notice of breaches  
by TSAC

Dear Dr. Ruble:

I enjoyed talking to you at the recent NCHelp Leadership conference. Unfortunately, I am compelled to send this letter pursuant to the Contract effective as of January 1, 2006 (the "Contract") between Tennessee Student Assistance Corporation ("TSAC") and Nelnet Guarantor Solutions LLC, formerly known as Guarantec, LLP ("Nelnet"). Notice is hereby given pursuant to Section E.4(b) of the Contract that TSAC has breached the Contract in the manner described below:

1. **Commissions for Rehabilitated Loans.** Section C.6 of the Contract provides that Nelnet is entitled to a commission on rehabilitated loans at the rate allowable by the U.S. Department of Education, less 5% which was to be retained by TSAC. It has come to our attention that Nelnet has received commissions in an amount less than the sum to which it was due, as portions allocable to accrued interest, collection costs, late charges and attorneys fees charges to the borrowers on such rehabilitated loans were omitted from Nelnet's commission amounts. All such amounts of accrued interest, collection costs, late charges and attorneys fees are clearly to be included in the amounts to which TSAC (and thus Nelnet in its commission) are entitled under the Guaranty Agency Financial Report Guide. The amount of such commissions to which Nelnet is entitled but has not yet received is approximately \$8.2 million. Nelnet submitted an invoice to TSAC for said amount on December 12, 2007, with a due date of January 11, 2008. TSAC has refused to pay the commissions earned and due by written notice dated January 10, 2008. Thus, demand is hereby made for the immediate payment of such commissions, and for TSAC to include the full amounts of such commissions received by Nelnet in the future. TSAC has thirty (30) days from the date of this correspondence to cure this breach.

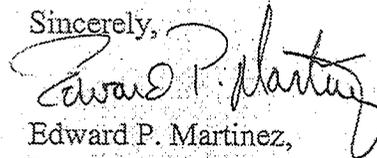
2. **Commissions for Consolidation of Defaulted Loans.** Section C.4 of the Contract provides that Nelnet is entitled to a commission on consolidation of defaulted loans at "the rate allowable by the U.S. Department of Education (currently 18.5%) less 5%" which was to be retained by TSAC. The rate allowable by the Department of Education was reduced from 18.5% to 10% through a legislative change. Q&A Nos. 65 and 10 of the Request for Proposal (incorporated into the Contract by Section E.12 thereof) clarified that any reduction of retention percentages by the Department of Education "shall be addressed at that time through a Contract amendment." Nelnet has requested such amendment, but TSAC has thus far rejected that request. Demand is hereby made for the immediate amendment of the Contract to adjust Nelnet's commission and TSAC's retention amounts to correspond with the change in the rate allowed by the Department of Education, effective as of the legislative change reducing that rate.

3. **Maximum Liability.** Section C.1 of the Contract provides that the maximum liability of TSAC may not exceed the amount of \$48 million. It has come to our attention that TSAC has tracked payments on commissions due to Nelnet and applied such commission amounts against the maximum liability amount. However, it is clear from a plain reading that the maximum liability is intended to apply only to "Service Rates" for which TSAC is liable and must pay with its own funds; in fact, Section C.3 of the Contract expressly limits the application of the "maximum liability" to "Service Rates." The maximum liability amount was never intended to apply to limit commissions, which do not get paid out of TSAC funds from its own pocket, but instead are derived from amounts recovered from the Department of Education or borrowers, and which are separately addressed in Sections C.4, C.5 and C.6 of the Contract. Demand is hereby made that the commission amounts received by Nelnet under Sections C.4, C.5 and C.6 not be applied to the "maximum liability" amount on prior and future calculations.

If the breaches described above are not cured within thirty (30) days, or no later than February 22, 2008, Nelnet intends to pursue its remedies to the fullest extent provided under law.

Bob, thus far all of my interactions with you and Levis Hughes have been friendly and cordial. I trust that we can build upon that to arrive at a contract resolution that benefits both parties. Let me know if you wish to discuss further any of the issues raised in this letter.

Sincerely,



Edward P. Martinez,  
Executive Director  
Nelnet Guarantor Solutions

# CONTRACT SUMMARY SHEET

8-8-05

COPY

RFP # <b>332.05-002</b>	Contract # <b>EA-06-16570-00</b>
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State Agency Tennessee Student Assistance Corporation	State Agency Division Fiscal Services
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Contractor Name Guarantec, LLP	Contractor ID # (FEIN or SSN) <input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 593407160-00
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Service Description  
Service Support for Agency

Contract BEGIN Date 1-Jan-06	Contract END Date 31-Dec-10	Subrecipient or Vendor? Vendor	CFDA #
---------------------------------	--------------------------------	-----------------------------------	--------

Mark, if Statement is TRUE

<input checked="" type="checkbox"/> Contractor is on STARS as required	<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts as required
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Allotment Code 332.05	Cost Center 1111	Object Code 083	Fund 25	Funding Grant Code	Funding Subgrant Code
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FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2006				\$ 7,000,000.00	\$ 7,000,000.00
2007				\$ 9,600,000.00	\$ 9,600,000.00
2008				\$ 9,600,000.00	\$ 9,600,000.00
2009				\$ 9,600,000.00	\$ 9,600,000.00
2010				\$ 12,200,000.00	\$ 12,200,000.00
					\$ -
<b>TOTAL:</b>	\$ -	\$ -	\$ -	\$ 48,000,000.00	\$ 48,000,000.00

<b>COMPLETE FOR AMENDMENTS ONLY</b>			State Agency Fiscal Contact & Telephone # Douglas Cullum, CPA (615) 253-7446
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	

FY	Base Contract & Prior Amendments	THIS Amendment ONLY	State Agency Budget Officer Approval 
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FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Funding Certification (certification, required by T.C.A. §9-4-5113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)
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TOTAL:	\$ -	\$ -	
End Date			

<b>Contractor Ownership</b>			
<input type="checkbox"/> African American	<input type="checkbox"/> Disabled	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business <input checked="" type="checkbox"/> NOT minority/disadvantaged
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> OTHER minority/disadvantaged—

<b>Contractor Selection Method</b>			
<input checked="" type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Procurement Method	
<input type="checkbox"/> Non-Competitive Negotiation	<input type="checkbox"/> Government	<input type="checkbox"/> Other	

**Procurement Process Summary**

Standard State RFP Process (Adhering to all State mandates).



STATE OF TENNESSEE

# FAX TRANSMITTAL

TO:	Bill Ezell, Chief Executive Officer Office for Information Resources	FAX # 532-0471
FROM:	Stephanie Aylor, Loan Program Administrator	FAX # 741-6101
DATE:	May 24, 2005	
RFS#	332.05.0105	
RE:	OIR Procurement Endorsement Documentation for — The Full Servicing of TSAC's Federal Family Education Loan Program and Loan Portfolio, Servicing of TSAC's Grants, Scholarships, Loan Forgiveness Programs, and the TSAC General Ledger System	

NUMBER OF FAX PAGES (INCLUDING COVER): 1

The proposed, service procurement documents referenced above are hereby forwarded to the Office for Information Resources (OIR) for review. The subject scope of services appears to include information systems services or information technology support activities.

This communication seeks to ensure that OIR is aware of the procurement and has an opportunity to review the matter to determine whether OIR is supportive. Please indicate OIR endorsement of the procurement described by signature below and return this communication at your earliest convenience (note the return FAX number above).

If you have any questions or concerns about this matter, please call **Stephanie Aylor** at 615-741-1346 x139.

Thank you for your help.

Attachment

OIR ENDORSES THE SUBJECT PROCUREMENT REQUEST

*David E. Johnson*

5/24/05

Office for Information Resources

Date



**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

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 data 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 data 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 (TDSDL) 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 TDSDL 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 TDSDL 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 offense 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, LLC

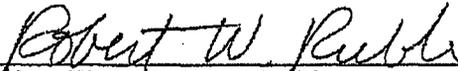


Chuck Hosea, President

9/27/05

Date

Tennessee Student Assistance Corporation



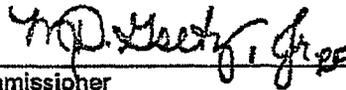
Robert W. Ruble, Executive Director

9-28-05

Date

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:



M. D. Goetz, Jr., Commissioner

NOV 09 2005

Date

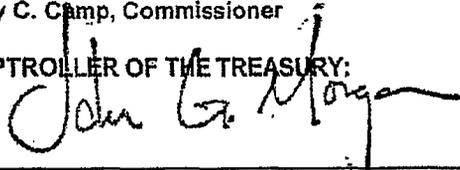
DEPARTMENT OF PERSONNEL:

n/A

Randy C. Camp, Commissioner

Date

COMPTROLLER OF THE TREASURY:



John G. Morgan, Comptroller of the Treasury

12/5/05

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.

**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

TSAC

Robert Ruble  
Dan Lee  
Naomi Derryberry  
Stephanie Aylor  
Robert Biggers  
Doug Cullum

GUARANTEC

Becky Stilling  
Wendy Doyle  
Craig Church  
Peter Bosco  
Peter McArdle  
Susan Anderson  
Dan Stephens  
Austin Norris  
Stacey Butts  
William Joyner  
Tom Kamundia  
Kelly McVeagh  
Diane Ezell  
Susan Jackson