

CONTRACT #1
RFS # 332.05-02711
FA # 12-37599
Edison # 29761

**Tennessee Student Assistance
Corporation (TSAC)**

VENDOR:
Nelnet Guarantor Solutions

RICHARD G. RHODA
Executive Director



BILL HASLAM
Governor

STATE OF TENNESSEE
TENNESSEE STUDENT ASSISTANCE CORPORATION
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MEMORANDUM

TO: Leni Chick, Fiscal Review Committee

FROM: Marcie Mills, Contracts Administration Manager

DATE: December 1, 2012

SUBJECT: Non-Competitive Amendment Summary
Nelnet Guarantor Solutions Amendment One

The Tennessee Student Assistance Corporation (TSAC) proposes to submit a non-competitive Amendment to its Contract with Nelnet Guarantor Solutions (NGS) to increase the evaluation factors used to calculate the original rate structure of the contract as these evaluation factors do not adequately reflect current billing due to an increase in TSAC's loan rehabilitation loan program and other revisions as addressed below.

Pursuant to *Tennessee Code Annotated* § 12-4-109, Procurement of Service, the following information is presented for the Fiscal Review Committee.

Summary of the Terms of the Original Contract

The Contract between the TSAC and NGS is for the provision of the full servicing of TSAC's Federal Family Education Loan Program (FFELP) and loan portfolio, and TSAC's grant and scholarship programs.

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

NGS has provided these services to TSAC for more than 25 years, and has produced other valuable services such as Dollar Sensei, TSAC's on-line default prevention and financial literacy product.

As one of five Federal servicers for the U.S. Department of Financial Student Aid (FSA), Nelnet's Loan Servicing division is fully compliant with the Federal Information Security Management Act (FISMA) requirements.

This Contract was secured through a competitive RFP process, and is in effect January 1, 2012, through December 31, 2016, with the current contract maximum expenditure not to exceed Sixty-seven Million Four Hundred Thirty-six Thousand Two Hundred Seventy-Five Dollars (\$67,436,275).

Contract Term

This Contract is effective January 1, 2012, through December 31, 2016. This proposed amendment does not alter the termination date.

Maximum Contract Liability

\$ 67,436,275

Maximum Contract Liability with Proposed Amendment

\$ 136,300,000

Expenditures To-Date (through 9/30/12)

Billing through 9/30/12 reflects a total of \$16,699,269 ¹

A detailed summary of the expenditures has been included with the FRC Supplemental Documentation

Description of the Proposed Amendment Effects and any Additional Services

TSAC is requesting the proposed amendment due to an increase in the projected rehabilitated loan commissions as detailed in Contract Section C.7. This increase in expenditures through this contract correlates with an increase in the sale of

¹ This total does not reflect any refunds/adjustments

rehabilitated loans through revenue contracts RV1134952 and RV1134862, with SunTrust Bank and Nelnet, Inc., respectively.

Additionally, as TSAC reviewed the contract services, actual billing, and legislative mandates and forecasts, it was determined that this requirement to amend the contract would allow TSAC the opportunity to revise other billing evaluation factors as noted in the RFP with evaluation factors based on actual billing for the first nine months of the contract and financial forecasts provided by its fiscal office for an accurate reflection of the contract costs; revise contract language to accurately reflect administrative processes; and address termination events due to current proposed legislation and budgets at the federal level.

Justification for the Proposed Amendment:

TSAC used current billing amounts and forecasts when determining the evaluation factors for the RFP to secure the full servicing of TSAC's loan portfolio, and grants, scholarships, and loan forgiveness programs. However, approximately six to nine months into the contract, TSAC became aware that the calculations used to determine the original rate structure were not adequately reflecting the actual billing. A billing audit determined that TSAC's rehabilitation loan program, a service provided by TSAC to lenders and servicers by assisting delinquent borrowers avoid defaulting on their student loans, directly tying revenue or financial reimbursement for the activities of default aversion for the successful curing of a loan delinquency and the aversion of a loan default, was exceeding the projected commissions paid to NGS for the servicing of these rehabilitated loans far, and is projected to continue to out-perform the original estimates for the next several years. As such, this amendment is required to adjust these evaluation factors for a true contract maximum authority.

Justification for the Non-competitive Procurement:

Since TSAC is not adding any additional services to the existing contract, rather modifying the rates to reflect actual evaluation factors based on billing for the first nine months of the contract that was secured through a competitive RFP process; revising language to accurately reflect administrative and programmatic services; and address termination events, a competitive negotiation process seeking new services is not required.

Supplemental Documentation Required for
Fiscal Review Committee

*Contact Name:	Peter Abernathy, Senior AED and Staff Attorney	*Contact Phone:	615.532.6065	
*Original Contract Number:	FA1237599	*Original RFS Number:	33205-002	
Edison Contract Number: <i>(if applicable)</i>	29761	Edison RFS Number: <i>(if applicable)</i>	NA	
*Original Contract Begin Date:	January 1, 2012	*Current End Date:	December 31, 2016	
Current Request Amendment Number: <i>(if applicable)</i>	ONE			
Proposed Amendment Effective Date: <i>(if applicable)</i>	February 1, 2013			
*Department Submitting:	Higher Education			
*Division:	Tennessee Student Assistance Corporation			
*Date Submitted:	December 3, 2012			
*Submitted Within Sixty (60) days:	Yes (60 Days)			
<i>If not, explain:</i>	Not Applicable			
*Contract Vendor Name:	Nelnet Guarantor Solutions (NGS)			
*Current Maximum Liability:	\$67,436,275			
*Current Contract Allocation by Fiscal Year: (as Shown on Most Current Fully Executed Contract Summary Sheet)				
FY: 2012	FY: 2013	FY: 2014	FY: 2015	FY 2016
\$14,502,050	\$14,145,170	\$13,557,295	\$12,968,605	\$12,263,155
*Current Total Expenditures by Fiscal Year of Contract: (See Exhibit 1) (attach backup documentation from STARS or FDAS report)				
FY: 2012				
\$ 18,579,786				
IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:				
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:				

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Fiscal Review Committee

<p>IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:</p>		<p>The amounts billed for commissions on rehabilitation loan services exceeded contract projects due to an increase from the projected rehabilitated loan commissions as detailed in Contract Section C.7., calculated using the projection evaluation factors of the RFP. This increase in expenditures through this contract correlates with an increase in the sale of rehabilitated loans through revenue contracts with RV1134862 and RV1134862. In addition to the amendment, TSAC is submitting a revised Contract Summary Sheet reflecting a reduction of cost allocations added to FY2012. With the diminishing portfolio and proposed federal legislation eliminating commissions on rehabilitation loans, TSAC does not anticipate expending the allotted funds through 2016.</p>		
*Contract Funding Source/Amount:	State:		Federal:	100% Federal
Interdepartmental:			<i>Other:</i>	
If “ <i>other</i> ” 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>		
NA		NA		
Method of Original Award: <i>(if applicable)</i>			RFP	
*What were the projected costs of the service for the entire term of the contract prior to contract award?			\$67,436,275	

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For all new non-competitive contracts and any contract amendment that changes Sections A or C.3. of the original or previously amended contract document, provide estimates based on information provided the Department by the vendor for determination of contract maximum liability. Add rows as necessary to provide all information requested. **(See Below Exhibit 2)**

If it is determined that the question is not applicable to your contract document attach detailed explanation as to why that determination was made.

Planned expenditures by fiscal year by deliverable. Add rows as necessary to indicate all estimated contract expenditures.

Deliverable description:	FY:	FY:	FY:	FY:	FY:

Proposed savings to be realized per fiscal year by entering into this contract. If amendment to an existing contract, please indicate the proposed savings to be realized by the amendment. Add rows as necessary to define all potential savings per deliverable.

Deliverable description:	FY:	FY:	FY:	FY:	FY:

Comparison of cost per fiscal year of obtaining this service through the proposed contract or amendment vs. other options. List other options available (including other vendors), cost of other options, and source of information for comparison of other options (e.g. catalog, Web site). Add rows as necessary to indicate price differentials between contract deliverables.¹

Proposed Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:

¹ As these services are unique to this contract, have not previously been procured through another contractor, nor has another vendor bid for these services, TSAC is unable to determine the cost of these services through another contractor.

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Fiscal Review Committee

EXHIBIT 1

Payments Against Contract 29761				
Contract	PO No.	PO Date	PO Amount	Contract Max. Amt
				\$67,436,275.00
29761	2790	3/2/2012	\$1,289,611.91	\$66,146,663.09
29761	2793	3/5/2012	\$439,755.10	\$65,706,907.99
29761	2854	3/28/2012	\$1,753,158.73	\$63,953,749.26
29761	2901	4/23/2012	\$1,961,507.91	\$61,992,241.35
29761	2928	5/4/2012	\$145,790.00	\$61,846,451.35
29761	2989	5/24/2012	\$1,558,921.98	\$60,287,529.37
29761	3012	6/7/2012	\$68,406.25	\$60,219,123.12
29761	3087	6/27/2012	\$1,566,659.25	\$58,652,463.87
29761	3088	6/27/2012	\$90,093.75	\$58,562,370.12
29761	3089	6/27/2012	\$442,625.38	\$58,119,744.74
29761	3090	6/27/2012	\$783,329.63	\$57,336,415.11
29761	3091	6/27/2012	\$783,329.63	\$56,553,085.48
29761	3092	6/28/2012	\$1,566,659.25	\$54,986,426.23
29761	3094	6/28/2012	\$1.00	\$54,986,425.23
29761	3096	6/29/2012	\$8,134.02	\$54,978,291.21
29761	3167	8/7/2012	\$78,093.75	\$54,900,197.46
29761	3168	8/7/2012	\$415,381.62	\$54,484,815.84
29761	3169	8/7/2012	\$3,313.34	\$54,481,502.50
29761	3170	8/7/2012	\$1,566,659.25	\$52,914,843.25
29761	3171	8/7/2012	\$1,377,290.66	\$51,537,552.59
29761	3242	9/12/2012	\$1,380,566.68	\$50,156,985.91
29761	3243	9/12/2012	\$78,156.25	\$50,078,829.66
29761	3244	9/12/2012	\$1,633.34	\$50,077,196.32
29761	3376	11/14/2012	\$1,633.34	\$50,075,562.98
29761	3377	11/14/2012	\$1,801.34	\$50,073,761.64
29761	3396	11/21/2012	<u>\$1,217,272.81</u>	\$48,856,488.83
			\$18,579,786.17	\$48,856,488.83

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EXHIBIT 2

Cost Estimate based on estimates provided by the vendor for the contract maximum liability as amended:

RFP 33205-02711	RATE	UNIT	EVALUATION FACTOR	ANNUALIZED VALUE	Evaluation Factor Rev 11-01-12 (Worksheet NGS 5-Yr Projection)	Rev Effective 02/01/2013
YEAR 1						
01/01/12 – 12/31/12						
Servicing Rates for the FFEL Program and Loan Portfolio						
Loans Outstanding – Interim Status A.4, A.5.	\$ 4.20	\$/Per Loan	52,000	\$ 218,400.00	\$75,000	\$ 315,000
Loans Outstanding – Repayment Status A.4.	\$ 7.88	\$/Per Loan	376,000	\$ 2,962,880.00	\$502,250	\$ 3,957,730
Loans Outstanding – Default Status A.8., A.9.	\$ -	\$/Per Loan	74,000	\$ -		\$ -
Default Aversion Assistance A.6.	\$ -	\$/Per Loan	42,000	\$ -		\$ -
Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$ 42.00	\$/Per Claim	26,000	\$ 1,092,000.00		\$ 1,092,000
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$ 42.00	\$/Per Claim	120	\$ 5,040.00		\$ 5,040.00
Treasury Offset Program (TOP) – Second Chancell A.9.g.(7)	\$ 7,500.00	\$/Annually	1	\$ 7,500.00		\$ 7,500.00
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$ 2,500.00	\$/Month	12	\$ 30,000.00		\$ 30,000.00
Monthly Maintenance Rate; Statutory and Regulatory Change Order Rate; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio						
Monthly Maintenance Rate A.3. – A.5.	\$ -	\$/Month	12	\$ -		\$ -
Statutory and Regulatory Change Order Rate A.12.	\$ 125.00	\$/Hour	1,080	\$ 135,000.00		\$ 135,000.00
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$ 125.00	\$/Hour	1,080	\$ 135,000.00		\$ 135,000.00
Development and Support Enhancement Rate for the Default Prevention Initiative A.7., A.12.	\$ 84.00	\$/Hour	1,080	\$ 90,720.00		\$ 90,720.00
LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID)						
In School/Grace A.4.K.	\$ 2.36	\$/ Monthly	120	\$ 283.20		\$ 283

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Repayment (Other than In School or Grace) A.4.K.	\$ 4.73	\$/ Monthly	120	\$ 567.60	\$ 568
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rate A.4.K.	\$ 26.25	\$/Per Loan	120	\$ 3,150.00	\$ 3,150

Net Commission Rates for the FFEL Program and Loan

Portfolio

Federal Consolidation Loans as detailed in Section C.5.(enter percentage (%) rate)	8%	%/Per Loan	\$36,000,000	\$ 2,880,000.00	\$37,000,000	\$ 2,960,000
Payments on Defaulted Loans as detailed in Section C.6. (enter percentage (%) rate)	15%	%/Per Loan	\$10,800,000	\$ 1,620,000.00	\$19,010,000	\$ 2,851,500
Rehabilitation Loans as detailed in Section C.7. (enter percentage (%) rate)	15%	%/Per Loan	\$26,000,000	\$ 3,900,000.00	\$70,000,000	\$ 10,500,000
Enhanced Collections – Subrogation A.9.g.(4)i. (enter percentage (%) rate)	0%	%/Per Loan	\$9,000,000	\$ -	\$ -	-

Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs

Monthly Maintenance Rate A.10.	\$ 52,500.00	\$/Month	12	\$ 630,000.00	\$ 630,000
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	\$ -	\$/Hour	8400	\$ -	\$ -
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$ 125.00	\$/Hour	200	\$ 25,000.00	\$ 25,000
Development and Enhancement Change Order Rate A.12.	\$ 125.00	\$/Hour	6,000	\$ 750,000.00	\$ 750,000
				\$ -	\$ -
				\$ -	\$ -
Monthly Maintenance and Change Order Rate for the General Ledger System					
Monthly Maintenance Rate A.11	\$ 125.00	\$/Month	12	\$ 1,500.00	\$ 1,500
Hourly Payment Rate for Change Orders A.12.	\$ 125.00	\$/Hour	120	\$ 15,000.00	\$ 15,000
				\$ 14,502,040.80	\$ 23,504,991

YEAR 2 01/01/13 – 12/31/13

Loans Outstanding – Interim Status A.4, A.5.	\$ 4.50	\$/Per Loan	25,000	\$ 112,500.00	\$75,000	\$ 337,500
Loans Outstanding – Repayment Status A.4.	\$ 8.40	\$/Per Loan	342,000	\$ 2,872,800.00	\$502,250	\$ 4,218,900
Loans Outstanding – Default Status A.8., A.9.	\$ -	\$/Per Loan	70,000	\$ -	\$ -	-
Default Aversion Assistance A.6.	\$ -	\$/Per Loan	28,000	\$ -	\$ -	-
Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$ 44.52	\$/Per Claim	24,000	\$ 1,068,480.00	\$26,000	\$ 1,157,520
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$ 44.52	\$/Per Claim	120	\$ 5,342.40	\$ -	\$ 5,342
Treasury Offset Program (TOP) —Second Chancell A.9.g.(7)	\$ 7,500.00	\$/Annually	1	\$ 7,500.00	\$ -	\$ 7,500

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Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$ 2,500.00	\$ /Month	12	\$ 30,000.00	\$	30,000
Financial Literacy Website (currently branded “Dollar Sensei”) Hosting, Infrastructure Maintenance, Statutory and Regulatory Updates, and Enhancements A.7.a.	\$ 2,917.00	\$ / Month	12	\$ 35,004.00	\$	2,917
Monthly Maintenance Rate; Statutory and Regulatory Change Order Rate; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio						
Monthly Maintenance Rate A.3. – A.5.	\$ -	\$ /Month	12	\$ -	\$	-
Statutory and Regulatory Change Order Rate A.12.	\$ 128.75	\$ /Hour	1,080	\$ 139,050.00	\$	139,050
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$ 128.75	\$ /Hour	1,080	\$ 139,050.00	\$	139,050
Development and Support Enhancement Rate for the Default Prevention Initiative A.7., A.12.	\$ 87.00	\$ /Hour	1,080	\$ 93,960.00	\$	93,960
					\$	-
LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID)						
In School/Grace A.4.K.	\$ 2.50	\$ / Monthly	120	\$ 300.00	\$	300
Repayment (Other than In School or Grace) A.4.K.	\$ 5.01	\$ / Monthly	120	\$ 601.20	\$	601
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rate A.4.K.	\$ 27.83	\$ /Per Loan	120	\$ 3,339.60	\$	3,340
Net Commission Rates for the FFEL Program and Loan Portfolio						
Federal Consolidation Loans as detailed in Section C.5.(enter percentage (%) rate)	8%	% /Per Loan	\$34,200,000	\$ 2,736,000.00	\$40,700,000	\$ 3,256,000
Payments on Defaulted Loans as detailed in Section C.6. (enter percentage (%) rate)	15%	% /Per Loan	\$10,260,000	\$ 1,539,000.00	\$20,911,000	\$ 3,136,650
Rehabilitation Loans as detailed in Section C.7. (enter percentage (%) rate)	15%	% /Per Loan	\$24,700,000	\$ 3,705,000.00	\$95,000,000	\$ 14,250,000
Enhanced Collections – Subrogation A.9.g.(4)i. (enter percentage (%) rate)	0%	% /Per Loan	\$8,550,000	\$ -	\$	-

Supplemental Documentation Required for Fiscal Review Committee

Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs

Monthly Maintenance Rate A.10.	\$ 52,500.00	\$ /Month	12	\$ 630,000.00	\$54,075	\$ 648,900
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.		\$ /Hour	8,400	\$ -		\$ -
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$ 128.75	\$ /Hour	200	\$ 25,750.00		\$ 25,750
Development and Enhancement Change Order Rate A.12.	\$ 128.75	\$ /Hour	6,000	\$ 772,500.00		\$ 772,500
				\$ -		\$ -
Monthly Maintenance and Change Order Rate for the General Ledger System				\$ -		\$ -
Monthly Maintenance Rate A.11	\$ 128.75	\$ /Month	12	\$ 1,545.00		\$ 1,545
Hourly Payment Rate for Change Orders A.12.	\$ 128.75	\$ /Hour	120	\$ 15,450.00		\$ 15,450
				\$ 13,933,172.20		\$ 28,242,775

YEAR 3 01/01/14 – 12/31/14

Servicing Rates for the FFEL Program and Loan Portfolio

Loans Outstanding – Interim Status A.4, A.5.	\$ 4.90	\$ /Per Loan	12,000	\$ 58,800.00	\$75,000	\$ 367,500
Loans Outstanding – Repayment Status A.4.	\$ 9.00	\$ /Per Loan	296,000	\$ 2,664,000.00	\$502,250	\$ 4,520,250
Loans Outstanding – Default Status A.8., A.9.		\$ /Per Loan	67,000	\$ -		\$ -
Default Aversion Assistance A.6.		\$ /Per Loan	8,000	\$ -		\$ -
Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$ 47.64	\$ /Per Claim	21,000	\$ 1,000,440.00	\$26,000	\$ 1,238,640
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$ 47.64	\$ /Per Claim	120	\$ 5,716.80		\$ 5,717
Treasury Offset Program (TOP) – Second Chancell A.9.g.(7)	\$ 7,500.00	\$ /Annually	1	\$ 7,500.00		\$ 7,500
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$ 2,500.00	\$ /Month	12	\$ 30,000.00		\$ 30,000
Financial Literacy Website (currently branded “Dollar Sensei”) Hosting, Infrastructure Maintenance, Statutory and Regulatory Updates, and Enhancements A.7.a.	\$ 2,917.00	\$ / Month	12	\$ 35,004.00		\$ 35,004

Monthly Maintenance Rate; Statutory and Regulatory Change Order Rate; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio

Monthly Maintenance Rate A.3. – A.5.	\$ -	\$ /Month	12	\$ -		\$ -
Statutory and Regulatory Change Order Rate A.12.	\$ 132.61	\$ /Hour	1,080	\$ 143,218.80		\$ 143,219

Supplemental Documentation Required for Fiscal Review Committee

Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$ 132.61	\$/Hour	1,080	\$ 143,218.80		\$ 143,218
Development and Support Enhancement Rate for the Default Prevention Initiative A.7., A.12.	\$ 90.00	\$/Hour	1,080	\$ 97,200.00		\$ 97,200
LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID)						
In School/Grace A.4.K.	\$ 2.68	\$/ Monthly	120	\$ 321.60		\$ 321
Repayment (Other than In School or Grace) A.4.K.	\$ 5.36	\$/ Monthly	120	\$ 643.20		\$ 643
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rate A.4.K.	\$ 29.77	\$/Per Loan	120	\$ 3,572.40		\$ 3,572
Net Commission Rates for the FFEL Program and Loan Portfolio						
Federal Consolidation Loans as detailed in Section C.5.(enter percentage (%) rate)	8%	%/Per Loan	\$32,490,000	\$ 2,599,200.00	\$40,700,000	\$ 3,256,000
Payments on Defaulted Loans as detailed in Section C.6. (enter percentage (%) rate)	15%	%/Per Loan	\$9,747,000	\$ 1,462,050.00	\$20,911,000	\$ 3,136,650
Rehabilitation Loans as detailed in Section C.7. (enter percentage (%) rate)	15.0%	%/Per Loan	\$23,465,000	\$ 3,519,750.00	\$90,000,000	\$ 13,500,000
Enhanced Collections – Subrogation A.9.g.(4)i. (enter percentage (%) rate)	0%	%/Per Loan	\$8,123,000	\$ -		\$ -
Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs						
Monthly Maintenance Rate A.10.	\$ 52,500.00	\$/Month	12	\$ 630,000.00	\$55,697	\$ 668,364
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.		\$/Hour	8,400	\$ -		\$ -
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$ 132.61		200	\$ 26,522.00		\$ 26,522
Development and Enhancement Change Order Rate A.12.	\$ 132.61	\$/Hour	6,000	\$ 795,660.00		\$ 795,600
Monthly Maintenance and Change Order Rate for the General Ledger System						
Monthly Maintenance Rate A.11	\$ 132.61	\$/Month	12	\$ 1,591.32		\$ 1,591
Hourly Payment Rate for Change Orders A.12.	\$ 132.61	\$/Hour	120	\$ 15,913.20		\$ 15,913
				\$ 13,240,322.12		\$ 27,993,424

Supplemental Documentation Required for Fiscal Review Committee

**YEAR 4
01/01/15 – 12/31/15**

**Servicing Rates for the FFEL
Program and Loan Portfolio**

Loans Outstanding – Interim Status A.4, A.5.	\$ 5.30	\$/Per Loan	120	\$ 636.00	\$75,000	\$ 397,500
Loans Outstanding – Repayment Status A.4.	\$ 9.70	\$/Per Loan	254,000	\$ 2,463,800.00	\$502,250	\$ 4,871,825
Loans Outstanding – Default Status A.8., A.9.	\$ -	\$/Per Loan	59,000	\$ -		\$ -
Default Aversion Assistance A.6.	\$ -	\$/Per Loan	120	\$ -		\$ -
Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$ 50.97	\$/Per Claim	18,000	\$ 917,460.00		\$ 917,460
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$ 50.97	\$/Per Claim	120	\$ 6,116.40		\$ 6,116
Treasury Offset Program (TOP) —Second Chancell A.9.g.(7)	\$ 7,500.00	\$/Annually	1	\$ 7,500.00		\$ 7,500
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$ 2,500.00	\$/Month	12	\$ 30,000.00		\$ 30,000
Financial Literacy Website (currently branded “Dollar Sensei”) Hosting, Infrastructure Maintenance, Statutory and Regulatory Updates, and Enhancements A.7.a.	\$ 2,917.00	\$/ Month	12	\$ 35,004.00		\$ 35,004

**Monthly Maintenance Rate;
Statutory and Regulatory Change
Order Rate; and Development and
Support Enhancement Change
Order Rate for the FFEL Program
and Loan Portfolio**

Monthly Maintenance Rate A.3. – A.5.	\$ -	\$/Month	12	\$ -		\$ -
Statutory and Regulatory Change Order Rate A.12.	\$ 136.59	\$/Hour	1,080	\$ 147,517.20		\$ 147,517
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$ 136.59	\$/Hour	1,080	\$ 147,517.20		\$ 147,517
Development and Support Enhancement Rate for the Default Prevention Initiative A.7., A.12.	\$ 93.00	\$/Hour	1,080	\$ 100,440.00		\$ 100,440

**LLR Servicing (Monthly per Social
Security Number (SSN) – The
Combined Loans for a Borrower
Under the Same Lender ID)**

In School/Grace A.4.K.	\$ 2.87	\$/ Monthly	120	\$ 344.40		\$ 344
Repayment (Other than In School or Grace) A.4.K.	\$ 5.73	\$/ Monthly	120	\$ 687.60		\$ 687
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rate A.4.K.	\$ 31.86	\$/Per Loan	120	\$ 3,823.20		\$ 3,823

Supplemental Documentation Required for Fiscal Review Committee

Net Commission Rates for the FFEL Program and Loan

Portfolio

Federal Consolidation Loans as detailed in Section C.5. (enter percentage (%) rate)	8%	%/Per Loan	\$30,865,500	\$ 2,469,240.00	\$40,700,000	\$ 3,256,000
Payments on Defaulted Loans as detailed in Section C.6. (enter percentage (%) rate)	15%	%/Per Loan	\$9,260,000	\$ 1,389,000.00	\$20,911,000	\$ 3,136,650
Rehabilitation Loans as detailed in Section C.7. (enter percentage (%) rate)	15%	%/Per Loan	\$22,292,000	\$ 3,343,800.00	\$90,000,000	\$ 13,500,000
Enhanced Collections – Subrogation A.9.g.(4).i. (enter percentage (%) rate)	0%	%/Per Loan	\$7,716,000	-		-

Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs

Monthly Maintenance Rate A.10.	\$ 52,500.00	\$/Month	12	\$ 630,000.00	\$57,371	\$ 688,452
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	-	\$/Hour	8,400	-		-
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$ 136.59	\$/Hour	200	\$ 27,318.00		\$ 27,318
Development and Enhancement Change Order Rate A.12.	\$ 136.59	\$/Hour	6,000	\$ 819,540.00		\$ 819,540

Monthly Maintenance and Change Order Rate for the General Ledger System

Monthly Maintenance Rate A.11	\$ 136.59	\$/Month	12	\$ 1,639.08		\$ 1,639
Hourly Payment Rate for Change Orders A.12.	\$ 136.59	\$/Hour	120	\$ 16,390.80		\$ 16,390
				\$ 12,557,773.88		\$ 28,111,722

YEAR 5 01/01/16 – 12/31/16

Servicing Rates for the FFEL Program and Loan Portfolio

Loans Outstanding – Interim Status A.4, A.5.	\$ 5.70	\$/Per Loan	120	\$ 684.00	\$75,000	\$ 427,500
Loans Outstanding – Repayment Status A.4.	\$ 10.40	\$/Per Loan	215,000	\$ 2,236,000.00	\$502,250	\$ 5,223,400
Loans Outstanding – Default Status A.8., A.9.		\$/Per Loan	48,000	-		-
Default Aversion Assistance A.6.		\$/Per Loan	120	-		-
Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$ 54.54	\$/Per Claim	15,000	\$ 818,100.00	\$26,000	\$ 1,418,040
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$ 54.54	\$/Per Claim	120	\$ 6,544.80		\$ 6,545
Treasury Offset Program (TOP) – Second Chance A.9.g.(7)	\$ 7,500.00	\$/Annually	1	\$ 7,500.00		\$ 7,500
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$ 2,500.00	\$/Month	12	\$ 30,000.00		\$ 30,000

Supplemental Documentation Required for Fiscal Review Committee

Financial Literacy Website (currently branded "Dollar Sensei") Hosting, Infrastructure Maintenance, Statutory and Regulatory Updates, and Enhancements A.7.a.	\$ 2,917.00	\$ / Month	12	\$ 35,004.00	\$ 35,004
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Monthly Maintenance Rate; Statutory and Regulatory Change Order Rate; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio

Monthly Maintenance Rate A.3. – A.5.	\$ -	\$ /Month	12	\$ -	\$ -
Statutory and Regulatory Change Order Rate A.12.	\$ 140.69	\$ /Hour	1,080	\$ 151,945.20	\$ 151,945
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$ 140.69	\$ /Hour	1,080	\$ 151,945.20	\$ 151,945
Development and Support Enhancement Rate for the Default Prevention Initiative A.7., A.12.	\$ 96.00	\$ /Hour	1,080	\$ 103,680.00	\$ 103,680

LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID)

In School/Grace A.4.K.	\$ 3.07	\$ / Monthly	120	\$ 368.40	\$ 368
Repayment (Other than In School or Grace) A.4.K.	\$ 6.14	\$ / Monthly	120	\$ 736.80	\$ 736
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rate A.4.K.	\$ 34.09	\$ /Per Loan	120	\$ 4,090.80	\$ 4,091

Net Commission Rates for the FFEL Program and Loan Portfolio

Federal Consolidation Loans as detailed in Section C.5.(enter percentage (%) rate)	8%	% /Per Loan	\$ 26,235,675	\$ 2,098,854.00	\$40,700,000	\$ 3,256,000
Payments on Defaulted Loans as detailed in Section C.6. (enter percentage (%) rate)	15%	% /Per Loan	\$ 8,800,000	\$ 1,320,000.00	\$20,911,000	\$ 3,136,650
Rehabilitation Loans as detailed in Section C.7. (enter percentage (%) rate)	15%	% /Per Loan	\$ 21,177,000	\$ 3,176,550.00	\$85,000,000	\$ 12,750,000
Enhanced Collections – Subrogation A.9.g.(4)i. (enter percentage (%) rate)	0%	% /Per Loan	\$ 7,331,000	\$ -	\$ -	\$ -

Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs

Monthly Maintenance Rate A.10.	\$ 52,500.00	\$ /Month	12	\$ 630,000.00	\$59,096	\$ 709,152
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Supplemental Documentation Required for Fiscal Review Committee

Statutory and Regulatory Change Order Rate up to 700 Hours A.12.		\$ /Hour	8400	\$ -	\$ -
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$ 140.69	\$ /Hour	200	\$ 28,138.00	\$ 28,138
Development and Enhancement Change Order Rate A.12.	\$ 140.69	\$ /Hour	6000	\$ 844,140.00	\$ 844,140
					\$ -
Monthly Maintenance and Change Order Rate for the General Ledger System					\$ -
Monthly Maintenance Rate A.11	\$ 140.69	\$ /Month	12	\$ 1,688.28	\$ 1,688
Hourly Payment Rate for Change Orders A.12.	\$ 140.69	\$ /Hour	120	\$ 16,882.80	\$ 16,883
Total 5-Year Value				<u>\$ 11,662,852.28</u>	<u>\$ 28,303,405</u>
			Actual 5-YR Cost	\$ 65,896,161.28	\$ 136,156,317
			Contract Value	\$ 67,436,275.00	\$ 136,300,000
				CSS	CSS
			FY12	\$14,502,050	\$ 14,502,050
			FY13	\$14,145,170	\$ 30,529,431
			FY14	\$13,557,295	\$ 30,280,080
			FY15	\$12,968,605	\$ 30,398,378
			FY16	\$12,263,155	\$ 30,590,061
			TOTAL	<u>\$67,436,275</u>	<u>\$ 136,300,000</u>

Non-Competitive Amendment Request

NOT required for a contract with a federal, Tennessee, or Tennessee local government entity or a grant.

Route a completed request, as one file in PDF format, via e-mail attachment sent to: Agsprs.Agsprs@state.tn.us

APPROVED

COMMISSIONER OF FINANCE & ADMINISTRATION

Request Tracking #	33205-02711	
1. Procuring Agency	Tennessee Student Assistance Corporation (TSAC)	
2. Contractor	Nelnet Guarantor Solutions (NGS)	
3. Contract #	FA1237599	
4. Proposed Amendment #	ONE	
5. Edison ID #	29761	
6. Contract Begin Date	01/01/2012	
7. Current Contract End Date – with ALL options to extend exercised	12/31/2016	
8. Proposed Contract End Date – with ALL options to extend exercised	12/31/2016	
9. Current Maximum Contract Cost – with ALL options to extend exercised	\$67,436,275	
10. Proposed Maximum Contract Cost – with ALL options to extend exercised	\$ 136,300,000	
11. Office for Information Resources Endorsement – information technology service (N/A to THDA)	<input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/> Attached	
12. eHealth Initiative Support – health-related professional, pharmaceutical, laboratory, or imaging	<input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Attached	
13. Human Resources Support – state employee training service	<input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Attached	
14. Explanation Need for the Proposed Amendment		
<p>TSAC is requesting the proposed amendment due to an increase from the projected rehabilitated loan commissions as detailed in Contract Section C.7. This increase in expenditures through this contract correlates with an increase in the sale of rehabilitated loans through revenue contracts with RV RV1134952 and RV1134862. Additionally, as TSAC reviewed the contract services, actual billing, and legislative mandates and forecasts, it was determined that this requirement to amend the contract would allow TSAC the opportunity to revise the billing evaluation factors as noted in the RFP with evaluation factors based on actual billing for the first nine months of the contract and financial forecasts provided by our fiscal office for an accurate reflection of the contract costs; revise</p>		

Request Tracking #	33205-02711
<p>contract language to accurately reflect administrative processes; and address termination events due to the proposed legislation and budgets at the federal level, including the rates for services related to the transition of TSAC's loan portfolio, the procedures for authorization of contracted services, and the maximum allowable time allotted to effectuate these transition services.</p>	
<p>15. Name & Address of the Contractor's Principal Owner(s) <i>– NOT required for a TN state education institution</i></p> <p>Nelnet Guarantor Solutions 121 S 13th St Suite 201 Lincoln, NE 68508 402.458.2370</p>	
<p>16. Evidence Contractor's Experience & Length Of Experience Providing the Service</p> <p>The Contract between the TSAC and NGS is for the provision of the full servicing of TSAC's Federal Family Education Loan Program (FFELP) and loan portfolio, and TSAC's grant and scholarship programs.</p> <p>The Contractor provides an Internet-based system for TSAC that processes requests for FFELP loan guarantees; is accessible by students, student borrowers, parent borrowers, high schools, postsecondary schools, lenders, lender servicers, vocational rehabilitation counselors, and workforce investment case managers; and produces comprehensive management reports.</p> <p>Nelnet has extensive experience in guaranty agency operations and servicing. Since 2005, Nelnet provides full guarantor servicing to College Assist, the State of Colorado's guarantor. National Student Loan Program (NSLP) has used their guarantor systems under a remote access/timeshare agreement since 1988. Additionally, NGS has provided technology services to New York Higher Education Services Corporation (HESC) since 1993.</p> <p>As one of five Federal servicers for the U.S. Department of Financial Student Aid (FSA), Nelnet's Loan Servicing division is fully compliant with the Federal Information Security Management Act (FISMA) requirements.</p>	
<p>17. Efforts to Identify Reasonable, Competitive, Procurement Alternatives</p> <p>The original contract effective January 1, 2012 was procured through the competitive RFP process. As such, 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.</p>	
<p>18. Justification <i>– specifically explain why non-competitive negotiation is in the best interest of the state</i></p> <p>Since TSAC is not adding any additional services to the existing contract, rather revising language to accurately reflect administrative and programmatic services; modifying the rates to reflect actual evaluation factors based on billing for the first nine months of the contract that was secured through a competitive RFP process; and address termination events, a competitive negotiation process seeking new services is not required.</p>	
<p>Agency Head Signature and Date <i>– MUST be signed by the ACTUAL agency head as detailed on the current Signature Certification. Signature by an authorized signatory is acceptable only in documented exigent circumstances</i></p> <p>RICHARD G. RHODA, EXECUTIVE DIRECTOR</p>	



CONTRACT AMENDMENT

Agency Tracking # 33205-02711	Edison ID 29761	Contract # FA1237599	Amendment # ONE		
Contractor Legal Entity Name Nelnet Guarantor Solutions (NGS)			Edison Vendor ID 0000085545		
Amendment Purpose & Effect(s) Increase contract maximum liability due to an increase in rehabilitation loan sales, surpassing the projected evaluation factors in the RFP used to calculate the contract maximum liability; modifying other rates to reflect actual evaluation factors based on billing for the first nine months of the contract; revising programmatic language to accurately reflect administrative procedures, and addressing termination events.					
Amendment Changes Contract End Date: <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO		End Date: 12/31/2016			
TOTAL Contract Amount INCREASE per this Amendment (zero if N/A):			\$ 68,863,725		
Funding —					
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2012		\$14,502,050			\$14,502,050
2013		\$30,529,431			\$30,529,431
2014		\$30,280,080			\$30,280,080
2015		\$30,398,378			\$30,398,378
2016		\$30,590,062			\$30,590,062
TOTAL:		\$136,300,000			\$136,300,000
American Recovery and Reinvestment Act (ARRA) Funding: <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO					
Budget Officer Confirmation: There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations.				<i>OCR USE</i>	
Russ Deaton, Associate Executive Director of Fiscal Affairs 615.532.3860					
Speed Chart (optional)		Account Code (optional)			

**AMENDMENT ONE
OF CONTRACT FA1237599**

This 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, LLC, 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. Contract section A.4.o. National Student Loan Data System (NSLDS) is deleted in its entirety and replaced with the following:

A.4.o. 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' 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 attempt to resolve all errors within thirty (30) business days of notification of the error 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. (Refer to Attachment D, Liquidated Damages)

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

2. Contract section A.6.f. Borrower Letters is deleted in its entirety and replaced with the following:

A.6.f. Contract Section A.6.f., Borrower Letters is intentionally deleted.

3. Contract section A.7. Default Prevention Services for the Federal Family Education Loan Program and Loan Portfolio is deleted in its entirety and replaced with the following:

A.7. Default Prevention Services for the Federal Family Education Loan Program and Loan Portfolio. The Contractor shall provide default prevention services that are fully compliant with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. The Contractor shall be fully committed to these services, and shall perform these services at TSAC's request and direction.

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

- Develop Performance Standards and Measurements,

- Student and Parent Borrower Surveys,
- Partnerships with Schools,
- School visits,
- Multimedia Materials and Presentations,
- Financial Literacy Materials and Presentations, and
- Statistical Analysis.

The Contractor shall assist TSAC with a 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.

A.7.a. Financial Literacy Website (Currently Branded “Dollar Sensei”). The Contractor shall provide TSAC with a website that connects schools to real-time information on delinquent borrowers with a flexible borrower search tool and detailed displays. The system shall also allow schools to merge borrower e-mail and/or street addresses into letters and notices, to store standardized communications, and to apply school branding.

Other key features include the ability to:

- Select borrowers based on pre-determined factors;
- Run delinquent borrower reports;
- Download reports into a variety of file formats;
- Customize e-mail blasts with the institution’s information;
- Mail merge pre-set letters;
- Download reports on delinquent borrower contacts; and
- Download default aversion letters.

The reporting function within the website shall provide both detail and summary reports, which financial aid staff can use to document what they’re doing to control their cohort default rate.

In addition to the comprehensive default aversion system, the website shall include an innovative online financial literacy training program that schools can offer to borrowers.

Computer Based Training Modules shall be used primarily for individual learning and assessment, but the content shall be easily adapted for classroom use as well. The college-level curriculum shall be developed in Captivate and presented in a short video format. Videos shall contain navigation options, bright colors, quick tips, worksheets, rollover topics, questions, and clickable links to sustain user interaction. The following interactive financial literacy courses are currently and shall remain available:

- Money Management – Upon course completion, students will be able to organize financial information, create a personalized budget, and develop a plan to meet financial goals.
- Loan Repayment – At course end, students will understand available repayment options and be able to select the program to best meet their individual needs. Students will also recognize the penalties of loan default. They will be able to identify their options for requesting help to get back on track when having trouble repaying a loan.
- Credit Cards – This course teaches students to effectively manage credit card debt, recognize challenges associated with credit purchases and payments, and avoid risks associated with using credit cards.
- Credit Reports – Students will be able to identify the purpose and importance of credit reports, recognize the types of information that should and should not appear on a credit report, and dispute a claim on their individual credit report.
- Identity Theft – Students will recognize signs of identity theft; understand the steps necessary to protect their identity, and how to respond in the event of identity theft.

The login process shall grant students access to the computer-based training. Upon registration, a pre-test shall measure the student's current knowledge in each subject area. This initial assessment identifies the level of proficiency and areas of concentration for additional learning. The Lesson Summary page displays the pre-test score and a link for each of the five financial literacy modules. Students complete each computer-based training module regardless of the pre-test score. A post-training assessment follows completion of each video to test learning comprehension. Post-test scores are also displayed on the Lesson Summary page.

Contractor and TSAC shall collaborate to ensure that the website is providing current financial information, innovative enhancements, and other modifications as required, including those revisions required to ensure the website accurately reflects current statutory and regulatory requirements for the Federal Family Education Loan Program. TSAC may, at its sole discretion and with written notice to the Contractor, request these changes to the functional requirements, processing procedures, or other modifications.

No more than ten (10) business days after receiving a signed, finalized functional design document from TSAC, the Contractor shall respond with a written proposal for completing the service. Upon written approval from TSAC, the Contractor shall perform the requested service within the time-frame as provided in the written proposal.

The Contractor shall provide daily support to ensure the website is functional and available to borrowers, students, parents, school personnel, and TSAC staff. Additionally, the Contractor shall provide the hosting and maintenance of the infrastructure of the website, including the NDS infrastructure, SSL certificates, etc. This website will not impact the state of Tennessee's network infrastructure. The website will reside on a server maintained by the Contractor. Furthermore, the Contractor will use its own computer systems, or systems procured by the Contractor.

4. Contract section A.8.c. Last Chance Program is deleted in its entirety and replaced with the following:

A.8.c. Last Chance Program. The Contractor will provide a Last Chance Program to make a final attempt to avoid defaulted loans. This program will be enacted by the Contractor at the point that the lender files a claim with TSAC and before the claim is paid. The Contractor will use this opportunity, with the direction of TSAC staff, review the borrower status on NSLDS and if necessary, return the claim to the lender for resolution, including collection of payments, forbearance, deferments, or other means possible to avoid default. This program is designed to prevent defaults and significantly reduce TSAC's default rate.

5. Contract section A.8.d.(1) Claim Files Returned is deleted in its entirety and replaced with the following:

A.8.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 the conditions for return or the lender or lender servicer is unable to provide any additional documentation or information needed within twenty-five (25) business days of the initial reject of the claim file, the Contractor shall return the claim file to the lender or lender servicer. (Refer to Attachment D, Schedule of Liquidated Damages)

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 on how to resolve the return.

The Contractor shall produce a weekly claims report for TSAC of all returned claim files that identify each lender/servicer.

6. Contract section A.8.d.(2) Claim Files Rejected is deleted in its entirety and replaced with the following:

7. A.8.d.(2)Claim Files Rejected. When a claim file is rejected due to the lender's or lender servicer's failure to perform due diligence, has failed to file the claim within the time frame as mandated by statute and/or regulation, or other violations, 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 the conditions for reject or the lender or lender servicer is unable to "cure" the violation within twenty-five (25) business days of the initial reject of the claim file, the Contractor shall return the claim file to the lender or lender servicer. (Refer to Attachment D, Schedule of Liquidated Damages)

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 on how to resolve the reject.

The Contractor shall produce a weekly claims report for TSAC of all rejected claim files that identify each lender/servicer.

8. Contract Section A.8.d.3.i. Edison is deleted in its entirety.

9. Contract Section A.8.d.3.ii. TSAC General Ledger System is deleted in its entirety.

10. Contract section A.8.f. Closed School Claims is deleted in its entirety and replaced with the following:
 - A.8.f. Closed School Claims. Upon receipt of a Closed School Discharge Application and supporting documentation, the Contractor shall take the appropriate action as per applicable regulation.

The Contractor shall report this information to TSAC pursuant to this Contract, Section A.8.d.(4).

The Contractor shall notify other TSAC participating lenders and lender servicers with loans for the same borrower of the discharge action.
11. Contract section A.8.g. Death Claims is deleted in its entirety and replaced with the following:
 - A.8.g. Death Claims. Upon receipt of an original death certificate and supporting documentation, the Contractor shall take the appropriate action as per applicable regulation.

The Contractor shall report this information to TSAC pursuant to this Contract, Section A.8.d.(4).

The Contractor shall notify other TSAC participating lenders or lender servicers with loans for the same borrower of the death claim.
12. Contract section A.8.h. False Certification Claims. is deleted in its entirety and replaced with the following:
 - A.8.h. False Certification Claims. Upon receipt of a False Certification Discharge Application and supporting documentation, the Contractor shall take the appropriate action as per applicable regulation.

The Contractor shall report this information to TSAC pursuant to this Contract, Section A.8.d.(4).

The Contractor shall notify other TSAC participating lenders or lender servicers with loans for the same borrower of the false certification claim.
13. Contract section A.8.i. Federal Teacher Loan Forgiveness is deleted in its entirety and replaced with the following:
 - A.8.i. Federal Teacher Loan Forgiveness. Upon receipt of a federal Teacher Loan Forgiveness Application and supporting documentation, the Contractor shall take the appropriate action as per applicable regulation.

The Contractor shall report this information to TSAC pursuant to this Contract, Section, A.8.d.(4).

The Contractor shall notify other TSAC participating lenders or lender servicers with loans for the same borrower of the claim.
14. Contract section A.8.j. Ineligible Borrower Claims is deleted in its entirety and replaced with the following:
 - A.8.j. Ineligible Borrower Claims. Upon receipt of an Ineligible Borrower Claim and supporting documentation, the Contractor shall take the appropriate action as per applicable regulation.

The Contractor shall report this information to TSAC pursuant to this Contract, Section A.8.d.(4).

The Contractor shall notify other TSAC participating lenders or lender servicers with loans for the same borrower of the claim.

15. Contract section A.8.k. Total and Permanent Disability Claims is deleted in its entirety and replaced with the following:

A.8.k. Total and Permanent Disability Claims. Upon receipt of an Ineligible Total and Permanent Disability Claim and supporting documentation, the Contractor shall take the appropriate action as per applicable regulation.

The Contractor shall report this information to TSAC pursuant to this Contract, Section, A.8.d.(4).

The Contractor shall notify other TSAC participating lenders or lender servicers with loans for the same borrower of the Total and Permanent Disability Discharge claim.

16. Contract section A.8.l. Unpaid Refund is deleted in its entirety and replaced with the following:

A.8.l. Unpaid Refund. Upon receipt of an Unpaid Refund Application and supporting documentation, the Contractor shall take the appropriate action as per applicable regulation.

The Contractor shall report this information to TSAC pursuant to this Contract, Section A.8.d.(4).

The Contractor shall notify other TSAC participating lenders or lender servicers with loans for the same borrower of the claim.

17. Contract section A.9.c.(1)i. Edison is deleted in its entirety.

18. Contract section A.9.c.(1)ii. TSAC General Ledger System is deleted in its entirety.

19. Contract section A.9.c.(2)i. Edison is deleted in its entirety.

20. Contract section A.9.c.(2)ii. TSAC General Ledger System is deleted in its entirety.

21. Contract section A.9.g. Collection Agencies is deleted in its entirety and replaced with the following:

A.9.g. Collection Agencies. The Contractor shall provide TSAC with default collections recovery assistance and coordinate with professional collection agencies as approved in writing by TSAC. The number of professional collections agencies shall be determined by TSAC.

If more than one (1) collection agency is selected, the agencies shall compete with one another for volume of account placements that shall be made according to the agencies' demonstrated effectiveness in bringing defaulted accounts current and maintaining a current status.

The Contractor shall assign accounts using a competitive performance based 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 not screen default collections recovery assistance requests for ease or difficulty of collection 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 the default status.

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 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 costs 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 costs, and other charges to the figures provided by the Contractor.

22. Contract section A.10.I. Electronic Reporting Formats is deleted in its entirety and replaced with the following:

A.10.I. Electronic Reporting Formats.

The Contractor shall record on the grant and scholarship programs system, at a minimum, the source of the maintenance activity, the effective date, and the date TSAC was notified.

23. Contract section A.12. Change Orders is deleted in its entirety and replaced with the following:

A.12. Change Orders. TSAC may, at its sole discretion and with written notice to the Contractor, request changes to the functional requirements, processing procedures, or other modifications required by either the U.S. Department of Education or the State of Tennessee statutory or regulatory requirements for the Federal Family Education Loan Program and/or grant and scholarship system. Other change orders may involve modifications to the functional requirements, processing procedures, programmatic enhancements, benchmark and data updates, system queries, or other revisions according to a priority schedule as provided by TSAC.

24. The following is added as Contract section A.12.i Electronic Communication.

- i. For requests to address benchmark and data updates, system queries, and other minor revisions, the request from TSAC to the Contractor, the Contractor's confirmation and proposal estimate, and TSAC's acceptance, may be transmitted electronically, via secure email.

25. Contract Section A.22.c. Default or Termination is deleted in its entirety and replaced with the following:

A.22.c. Default or Termination. Default or Termination. In the event of default by the Contractor or termination for any reason of this contract or any part of this contract, the Contractor agrees to deliver to TSAC in a timely manner, and at no additional cost to TSAC, except as provided for in Section A.12. or D.3. of this Contract, 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,
- All source codes held in escrow,
- All software needed to operate the latest source code held in escrow,
- Complete record of the entire loan portfolio in a medium acceptable to TSAC,
- Complete documentation listing all items in process, and
- Any other documentation, information, or software necessary for complete and functional conversion of the data base system to the new servicer.

The Contractor shall provide a test tape, within ninety (90) days prior to termination, 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 conversion data, the Contractor shall assist in the resolution of any errors which may arise relative to the content of the data.

In the event the Contractor fails to deliver the latest system source code and all related software in a timely manner to TSAC, TSAC shall have the right to obtain the latest system source code and all related software directly from the escrow company.

26. 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 One Hundred Thirty-Six Million, Three Hundred Thousand Dollars (\$136,300,000.00). The payment rates in Section C.3, C.5, C.6, C.7., and C.8. shall constitute the entire compensation due the Contractor for all service and Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment 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 payment rates detailed in Section C. 3 and the payment rates detailed in Sections C.5, C.6, C.7., and C.8.

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.

27. Contract section C.3.b. Payment Rates is deleted in its entirety and replaced with the following:

C.3.b. Payment Rates. The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

SERVICE DESCRIPTION – YEAR 1 January 1, 2012 – January 31, 2013	AMOUNT (PER COMPENSABLE INCREMENT)
Servicing Rates for the FFEL Program and Loan Portfolio	Amount
Loans Outstanding – Interim Status A.4, A.5.	\$ 4.20 / Per Loan
Loans Outstanding – Repayment Status A.4.	\$7.88 / Per Loan
Loans Outstanding – Default Status A.8., A.9.	\$0.00 / Per Loan
Default Aversion Assistance A.6.	\$0.00 / Per Loan
Review and/or Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$42.00 / Per Claim
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$42.00 / Per Claim
Treasury Offset Program (TOP) “Second Chance” A.9.g.(7)	\$7,500.00 / Annually
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$2,500.00 / Month
Monthly Maintenance Rate; Statutory and Regulatory Changes; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio	Amount
Monthly Maintenance Rate A.3. – A.5.	\$0.00 / Month
Statutory and Regulatory Change Order Hourly Rate A.12.	\$125.00 / Hour
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$125.00 / Hour
Development and Support Enhancement Rate for the Default Prevention Initiative A.7., A.12.	\$84.00 / Hour
LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID) A.4.K.	Amount

In School/Grace A.4.K.	\$2.36 / Monthly Per SSN
Repayment (Other than In School or Grace) A.4.K.	\$4.73 / Monthly Per SSN
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rates A.4.K.	\$26.25 / Per Loan
Net Commission Rates for the FFEL Program and Loan Portfolio	
	Amount
Federal Consolidation Loans as detailed in Section C.5.	8.0% / Per Loan
Payments on Defaulted Loans as detailed in Section C.6.	15.0% / Per Loan
Rehabilitation Loans as detailed in Section C.7.	15.0% / Per Loan
Enhanced Collections – Subrogation A.9.g.(4)i.	0.0% / Per Loan
Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs	
	Amount
Maintenance Rate A.10.	\$52,500.00 / Month
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	\$0.00 / Hour
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$125.00 / Hour
Development and Enhancement Change Order Rate A.12.	\$125.00 / Hour
Monthly Maintenance and Change Order Rate for the General Ledger System	
	Amount
Maintenance Rate A.11	\$125.00 / Month
Hourly Payment Rate for Change Orders A.12.	\$125.00 / Hour

SERVICE DESCRIPTION – YEAR 2 February 1, 2103 - December 31, 2013	AMOUNT (PER COMPENSABLE INCREMENT)
Servicing Rates for the FFEL Program and Loan Portfolio	
	Amount
Loans Outstanding – Interim Status A.4, A.5.	\$4.50 / Per Loan
Loans Outstanding – Repayment Status A.4.	\$8.40 / Per Loan
Loans Outstanding – Default Status A.8., A.9.	\$0.00 / Per Loan
Default Aversion Assistance A.6.	\$0.00 / Per Loan
Review and/or Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$44.52 / Per Claim

Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$44.52 / Per Claim
Treasury Offset Program (TOP) "Second Chance" A.9.g.(7)	\$7,500.00 / Annually
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$2,500.00 / Month
Transition Authorized Work D.3.	\$115 / Hour
Monthly Maintenance Rate; Statutory and Regulatory Changes; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio	
Monthly Maintenance Rate A.3. – A.5.	\$0.00 / Month
Statutory and Regulatory Change Order Hourly Rate A.12.	\$128.75 / Hour
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$128.75 / Hour
Development and Support Enhancement Rate for the Default Prevention Initiative A.7.	\$87.00 / Hour
Financial Literacy Website (Currently Branded "Dollar Sensei") Hosting, Infrastructure Maintenance, Statutory and Regulatory Updates, and Enhancements A.7.a.	\$2,917 / Month
LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID) A.4.K.	
In School/Grace A.4.K.	\$2.50 / Monthly Per SSN
Repayment (Other than In School or Grace) A.4.K.	\$5.01 / Monthly Per SSN
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rates A.4.K.	\$27.83 / Per Loan
Net Commission Rates for the FFEL Program and Loan Portfolio	
Federal Consolidation Loans as detailed in Section C.5.	8.0% / Per Loan
Payments on Defaulted Loans as detailed in Section C.6.	15.0% / Per Loan
Rehabilitation Loans as detailed in Section C.7.	15% / Per Loan
Enhanced Collections – Subrogation A.9.g.(4)i.	0.0% / Per Loan

Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs	Amount
Maintenance Rate A.10.	\$54,075 / Month
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	\$0.00 / Hour
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$128.75 / Hour
Development and Enhancement Change Order Rate A.12.	\$128.75 / Hour
Monthly Maintenance and Change Order Rate for the General Ledger System	
Maintenance Rate A.11	\$128.75 / Month
Hourly Payment Rate for Change Orders A.12.	\$128.75 / Hour

SERVICE DESCRIPTION – YEAR 3 January 1, 2014 - December 31, 2014	AMOUNT (PER COMPENSABLE INCREMENT)
Servicing Rates for the FFEL Program and Loan Portfolio	
Loans Outstanding – Interim Status A.4, A.5.	\$4.90 / Per Loan
Loans Outstanding – Repayment Status A.4.	\$9.00 / Per Loan
Loans Outstanding – Default Status A.8., A.9.	\$0.00 / Per Loan
Default Aversion Assistance A.6.	\$0.00 / Per Loan
Review and/or Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$47.64 / Per Claim
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$47.64 / Per Claim
Treasury Offset Program (TOP) “Second Chance” A.9.g.(7)	\$7,500.00 / Annually
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$2,500.00 / Month
Transition Authorized Work D.3.	\$115 / Hour
Monthly Maintenance Rate; Statutory and Regulatory Changes; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio	
Monthly Maintenance Rate A.3. – A.5.	\$0.00 / Month

Statutory and Regulatory Change Order Hourly Rate A.12.	\$132.61 / Hour
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$132.61 / Hour
Development and Support Enhancement Rate for the Default Prevention Initiative A.7.,	\$90.00 / Hour
Financial Literacy Website (Currently Branded “Dollar Sensei”) Hosting, Infrastructure Maintenance, Statutory and Regulatory Updates, and Enhancements A.7.a.	\$2,917 / Month
LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID) A.4.K.	Amount
In School/Grace A.4.K.	\$2.68 / Monthly Per SSN
Repayment (Other than In School or Grace) A.4.K.	\$5.36 / Monthly Per SSN
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rates A.4.K.	\$29.77 / Per Loan
Net Commission Rates for the FFEL Program and Loan Portfolio	Amount
Federal Consolidation Loans as detailed in Section C.5.	8.0% / Per Loan
Payments on Defaulted Loans as detailed in Section C.6.	15.0% / Per Loan
Rehabilitation Loans as detailed in Section C.7.	15% / Per Loan
Enhanced Collections – Subrogation A.9.g.(4)i.	0.0% / Per Loan
Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs	Amount
Maintenance Rate A.10.	\$55,697 / Month
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	\$0.00 / Hour
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$132.61 / Hour
Development and Enhancement Change Order Rate A.12.	\$132.61 / Hour

Monthly Maintenance and Change Order Rate for the General Ledger System	Amount
Maintenance Rate A.11	\$132.61 / Month
Hourly Payment Rate for Change Orders A.12.	\$132.61 / Hour

SERVICE DESCRIPTION – YEAR 4 January 1, 2015 - December 31, 2015	AMOUNT (PER COMPENSABLE INCREMENT)
Servicing Rates for the FFEL Program and Loan Portfolio	Amount
Loans Outstanding – Interim Status A.4, A.5.	\$5.30 / Per Loan
Loans Outstanding – Repayment Status A.4.	\$9.70 / Per Loan
Loans Outstanding – Default Status A.8., A.9.	\$0.00 / Per Loan
Default Aversion Assistance A.6.	\$0.00 / Per Loan
Review and/or Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$50.97 / Per Claim
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$50.97 / Per Claim
Treasury Offset Program (TOP) “Second Chance” A.9.g.(7)	\$7,500.00 / Annually
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$2,500.00 / Month
Transition Authorized Work D.3.	\$115 / Hour
Monthly Maintenance Rate; Statutory and Regulatory Changes; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio	Amount
Monthly Maintenance Rate A.3. – A.5.	\$0.00 / Month
Statutory and Regulatory Change Order Hourly Rate A.12.	\$136.59 / Hour
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$136.59 / Hour
Development and Support Enhancement Rate for the Default Prevention Initiative A.7.	\$93.00 / Hour
Financial Literacy Website (Currently Branded “Dollar Sensei”) Hosting, Infrastructure Maintenance, Statutory and Regulatory Updates, and Enhancements A.7.a.	\$2,917 / Month
LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID) A.4.K.	Amount

In School/Grace A.4.K.	\$2.87 / Monthly Per SSN
Repayment (Other than In School or Grace) A.4.K.	\$5.73 / Monthly Per SSN
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rates A.4.K.	\$31.86 / Per Loan
Net Commission Rates for the FFEL Program and Loan Portfolio	Amount
Federal Consolidation Loans as detailed in Section C.5.	8.0% / Per Loan
Payments on Defaulted Loans as detailed in Section C.6.	15.0% / Per Loan
Rehabilitation Loans as detailed in Section C.7.	15% / Per Loan
Enhanced Collections – Subrogation A.9.g.(4)i.	0.0% / Per Loan
Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs	Amount
Maintenance Rate A.10.	\$57,371 / Month
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	\$0.00 / Hour
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$136.59 / Hour
Development and Enhancement Change Order Rate A.12.	\$136.59 / Hour
Monthly Maintenance and Change Order Rate for the General Ledger System	Amount
Maintenance Rate A.11	\$136.59 / Month
Hourly Payment Rate for Change Orders A.12.	\$136.59 / Hour

SERVICE DESCRIPTION – YEAR 5 January 1, 2016 - December 31, 2016	AMOUNT (PER COMPENSABLE INCREMENT)
Servicing Rates for the FFEL Program and Loan Portfolio	Amount
Loans Outstanding – Interim Status A.4, A.5.	\$5.70 / Per Loan
Loans Outstanding – Repayment Status A.4.	\$10.40 / Per Loan
Loans Outstanding – Default Status A.8., A.9.	\$0.00 / Per Loan

Default Aversion Assistance A.6.	\$0.00 / Per Loan
Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$54.54 / Per Claim
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$54.54 / Per Claim
Treasury Offset Program (TOP) "Second Chance" A.9.g.(7)	\$7,500 / Annually
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$2,500 / Month
Transition Authorized Work D.3.	\$115 / Hour
Monthly Maintenance Rate; Statutory and Regulatory Changes; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio	
Amount	
Monthly Maintenance Rate A.3. – A.5.	\$0.00 / Month
Statutory and Regulatory Change Order Hourly Rate A.12.	\$140.69 / Hour
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$140.69 / Hour
Development and Support Enhancement Rate for the Default Prevention Initiative A.7.	\$96.00 / Hour
Financial Literacy Website (Currently Branded "Dollar Sensei") Hosting, Infrastructure Maintenance, Statutory and Regulatory Updates, and Enhancements A.7.a.	\$2,917 / Month
LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID) A.4.K.	
Amount	
In School/Grace A.4.K.	\$3.07 / Monthly Per SSN
Repayment (Other than In School or Grace) A.4.K.	\$6.14 / Monthly Per SSN
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rates A.4.K.	\$34.09 / Per Loan
Net Commission Rates for the FFEL Program and Loan Portfolio	
Amount	
Federal Consolidation Loans as detailed in Section C.5.	8.0% / Per Loan
Payments on Defaulted Loans as detailed in Section C.6.	15.0% / Per Loan

Rehabilitation Loans as detailed in Section C.7.	15.0% / Per Loan
Enhanced Collections – Subrogation A.9.g.(4)i.	0.0% / Per Loan
Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs	
Maintenance Rate A.10.	\$59,096 / Month
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	\$0.00 / Hour
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$140.69 / Hour
Development and Enhancement Change Order Rate A.12.	\$140.69 / Hour
Monthly Maintenance and Change Order Rate for the General Ledger System	
Maintenance Rate A.11	\$140.69 / Month
Hourly Payment Rate for Change Orders A.12.	\$140.69 / Hour

28. Contract section C.5. Federal Consolidation Loans is deleted in its entirety and replaced with the following:

C.5. 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 Percent (2.0%) which shall be retained by the State (for a current net commission rate of Eight Percent (8.0%) for the Contractor). 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. 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. Notwithstanding the foregoing, and without regard to the retained amount by the State, in no event will the commission due the Contractor at any time be less than six percent (6%).

TSAC shall make no guarantee as to the amount of consolidated loan commissions to be received by the Contractor.

29. Contract section C.6. Payments on Defaulted Loans is deleted in its entirety and replaced with the following:

30.

C.6. 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 (1.0%) which shall be retained by the State (for a current net commission rate of Fifteen Percent (15.0%) 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. 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. 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. Notwithstanding the foregoing, and without regard to the retained amount by the State, in no event will the commission due the Contractor at any time be less than twelve percent (12%).

TSAC shall make no guarantee as to the amount of defaulted loan commissions to be received by the Contractor.

31. Contract section C.7. Rehabilitation is deleted in its entirety and replaced with the following:

C.7. 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 Three Point Five Percent (3.5%) which shall be retained by TSAC (for a current net commission rate of Fifteen Percent (15.0%). 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. All enhancements and modifications are also subject to TSAC's prior approval. The commission due the Contractor as described above shall be determined by the product of (i) such commission percentage described above, multiplied by the sum of (ii) the outstanding principal balance and accrued and unpaid interest and collection costs on the applicable rehabilitated loan, less 50.0% of the difference between such outstanding balance and the discounted amount which TSAC receives in any sale of such rehabilitated loan to an unrelated third party.

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. Notwithstanding the foregoing, and without regard to the retained amount by the State, in no event will the commission due the Contractor at any time be less than twelve percent (12%).

TSAC shall make no guarantee as to the amount of rehabilitated loan commissions to be received by the Contractor.

32. Contract section C.9. Retention of Final Payment is deleted in its entirety and replaced with the following:

C.9. Retention of Final Payment. An amount of One Million Three Hundred Sixty-Three Thousand Dollars (\$1,363,000.00), 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.

33. Contract section Termination for Convenience is deleted in its entirety and replaced with the following:

D.3. Termination for Convenience. The Contract may be terminated by either party by giving written notice to the other, at least ninety (90) days before the effective date of termination ("Termination Date"). All services performed during the ninety (90) day period must be authorized in writing by the State prior to the service being performed.

As of the Termination Date, the Contractor shall be compensated pursuant to this Contract, Section C.3.b., for all satisfactory services authorized by the State and

completed by the Termination Date. In no event shall the State be liable for any work completed during the ninety (90) day period between notice of termination and the Termination Date without prior written authorization for the work by the State.

During the aforementioned ninety (90) day period, the parties shall meet and confer in good faith to agree upon a wind down of services provided by the Contractor under this Contract. Such discussions may also include negotiations toward an extension, amendment, or other action with respect to this Contract. During this ninety (90) day period the parties may agree that a transition period shall begin during which time the parties will transition the services. If an extension beyond the ninety (90) day period is agreed upon, such extension shall be made by the terminating party by giving written notice to the other at least thirty (30) days before the effective date of the termination, provided that the other party accepts the requested extension by providing written approval to the terminating party. All services performed during any extension beyond the aforementioned ninety (90) day period shall be compensated pursuant to this Contract, Section C.3.b., and must be authorized in writing by the State prior to the service being performed. The Contractor shall be compensated for all satisfactory services authorized by the State.

If no such extension, amendment, or other action is agreed upon, then at the Termination Date, the parties agree that a period of transition shall begin, during which the parties will transition the services provided hereunder (the "Transition Period"), utilizing the rates defined in this Contract, Section C.3.b, Payment Rates (Transition Authorized Work). Such rates shall apply only to the work required to transition the loan portfolio to the new servicer. This shall not apply to other rates in effect as of the date of Termination Notice.

The Transition Period will begin no later than the end of the ninety (90) day period, or extension thereto, and end no later than the expiration of (a) two hundred seventy (270) days beginning on the date of authorization from the State if the State is transferring the Loan Portfolio to a third party that utilizes or has agreed to utilize the Contractor's systems and processes to manage such third party's loan portfolio; or (b) three hundred sixty (360) days beginning on the date of authorization from the State if the State is transferring the loan portfolio to a third party that does not utilize the Contractor's systems and processes to manage such third party's loan portfolio.

The State shall have no payment obligations to the Contractor for transition services beyond the two hundred seventy (270) day period or three hundred sixty (360) day period, whichever is applicable.

34. 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 certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The State:

Peter Abernathy, Senior Associate Executive Director and Staff Attorney
Tennessee Student Assistance Corporation
Suite 1510 Parkway Towers

404 James Robertson Parkway
Nashville, TN 37243-0820
Email: Peter.Abernathy@tn.gov
Telephone Number: 615.532.6065
Fax Number: 615.741.5555

The Contractor:

Nelnet Guarantor Solutions, LLC
Attn: Joe Popevis, Managing Director
121 S. 13th Street, Suite 201
Lincoln, NE 68508
joe.popevis@nelnet.net
Telephone: 402.458.1450

William J. Munn, General Counsel
Nelnet, Inc.
3015 S. Parker Rd., Suite 400
Aurora, CO 80014
bill.munn@nelnet.net
Telephone: 303.696.5405

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

- 35. Contract Attachment A is deleted in its entirety and replaced with the new attachment A attached hereto.
- 36. Contract Attachment D is deleted in its entirety and replaced with the new attachment D attached hereto.
- 36. Contract Attachment E is deleted in its entirety and replaced with the new attachment E attached hereto.

Required Approvals. The State is not bound by this Amendment until it is signed by the contract parties and approved by appropriate officials in accordance with applicable Tennessee laws and regulations (depending upon the specifics of this contract, said officials may include, but are not limited to, the Commissioner of Finance and Administration, the Commissioner of Human Resources, and the Comptroller of the Treasury).

Amendment Effective Date. The revisions set forth herein shall be effective February 1, 2013. All other terms and conditions of this Contract not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

NELNET GUARANTOR SOLUTIONS:

JOE POPEVIS, MANAGING DIRECTOR

DATE

TENNESSEE STUDENT ASSISTANCE CORPORATION:

RICHARD G. RHODA, EXECUTIVE DIRECTOR

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 an 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.

Common Account Maintenance (CAM): Common Account Maintenance (CAM) is the FFELP industry standard created for service providers to exchange information updates on borrower and loan record. The transactions defined within CAM fall into three categories: General Account Maintenance (with 21 transactions), Default Aversion (with 5 transactions), and Claim Processing (with 12 transactions). These are in broad use among service providers, but have not yet been universally adopted.

CAM is owned by the National Council of Higher Education Loan Programs (NCHELP) Electronic Standards Committee (ESC), specifically the ESC General Account Maintenance Advisory Team (GAMAT) and the ESC Default Aversion and Claims Advisory Team (DACAT).

Primary participants in the ongoing maintenance of the Common Account Maintenance standard are the members of the ESC and the listed Advisory Teams.

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.

Default Status: The failure of a borrower (or endorser or comaker, if any) to make installment payments when due, provided that this failure persists for the most recent period of 270 days (for a loan repayable in monthly installments) or the most recent 330-day period (for a loan repayable in less frequent

installments). A loan also may be considered in default if the borrower (or endorser or comaker, if any) fails to meet other terms of the promissory note or other written agreement(s) with the lender under circumstances where the Department or guarantor of the loan reasonably concludes that the borrower no longer intends to honor the borrower's obligation to repay the loan.

Delinquency: A period that begins on the day after the due date of a payment when the borrower fails to make the equivalent of one full payment.

Edison: Project Edison is the State of Tennessee's Enterprise Resource Planning (ERP) system. ERP systems use an integrated software package to perform administrative business functions, such as financials and accounting, procurement, payroll, benefits, and personnel administration. Edison uses a common database that allows the system to share information between business functions within an agency, and across agencies statewide.

The Edison system (PeopleSoft ERP current version is 8.9) provides the functionality for third party applications to electronically interface specific transactions into the Edison application. These transactions can be transmitted either via flat file or web services. Flat file transmissions will use SFTP - and for transmissions originating outside of the State network, encryption of data at rest is required. All file or web service data transmissions will conform to the published file specifications. Examples of the two flat files currently used by TSAC (AP and PO) are available upon request.

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.

Interim Period: The period during which a Stafford loan borrower is in the in-school or grace period. If the borrower returns to school before the grace period is fully used, the borrower continues to qualify for in-school status and to be considered in the interim period. This does not apply to PLUS loans.

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)

National Student Loan Clearinghouse (NSLC): NSLC provides a central repository for information on the enrollment of Qualifying Program borrowers who are currently attending or have attended educational institutions. The educational institutions have appointed NSLC to be their agent for the purposes of satisfying their obligations to report to lenders, guaranty agencies, and the U.S. Department of Education information on the enrollment status of Qualifying Program borrowers (including students on whose behalf a Federal PLUS loan was made).

TSAC contracts with the NSLC for the purpose of collecting information on the enrollment of Qualifying Program borrowers (including students on whose behalf a Federal PLUS loan was made), and to satisfy TSAC's federal obligation to report enrollment information to lenders and lender servicers.

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.

Repayment Status: The period during which payments of principal and interest are required. **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.

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.

SCHEDULE OF LIQUIDATED DAMAGES

Assessed liquidated damages shall be subject to the approval of TSAC's Executive Director.

1. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per loan identified as an error by NSLDS that is not resolved within the specified time frame.
(Section A.4.o.)
2. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per loan not processed within the specified time frame.
(Sections A.5.g. and A.6.e.)
3. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per letter not distributed within the specified time frame.
(Sections A.9.b.(1), and A.9.b.(2))
4. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per claim file that is not recorded on the system within the specified time frame.
(Section A.8.b.(3))
5. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per claim file not returned, rejected, or approved for payment within the specified time frame.
(Section A.8.d.)
6. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per returned or rejected claim file that is unable to be resolved not returned within the specified time frame.
(Section A.8.d.(1) and A.8.d.(2))
7. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per claim file not scheduled for payment within the specified time frame.
(Section A.8.d.(3))
8. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per claim file not reviewed within the specified time frame.
(Section A.8.d.(6))
9. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per dispute not responded to within the specified time frame.
(Section A.9.b.(4))
10. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) day per payment not processed within the specified time frame.
(Section A.9.c.)
11. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per borrower or endorser not properly processed as per the specified action.
(Section A.8.e. and Section A.9.e.)

12. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per borrower per action, or inaction, within the specified time frame.
(Section A.9.g.(2))
13. The Contractor may be subject to a liquidated damage of twenty-five dollars (\$25.00) per day per for each day the report is not received within the specified time frame.
(Section A.11.d.)
14. The Contractor may be subject to a liquidated damage of one thousand dollars (\$1,000.00) per day per agreed upon change not delivered by the agreed upon date.
(Section A.12.a.)
15. The Contractor may be subject to a liquidated damage of one thousand dollars (\$1,000.00) per day per defect not corrected within the specified time frame.
(Section A.12.d.)
16. The Contractor may be subject to a liquidated damage of ten dollars (\$10.00) per day per call not handled within the specified time frames or as directed.
(Sections A.15.b and A.15.b.(1))
17. The Contractor may be subject to a liquidated damage of two hundred fifty dollars (\$250.00) per day for each day the report is submitted beyond the specified deadline.
(Section A.20.a.)
18. Should the Contractor submit the report late, or with material errors, such that TSAC is unable to file for reinsurance payments in a timely manner, the Contractor shall pay TSAC the amount of the reinsurance as reflected on the report. Once TSAC files the late, or corrected, report, TSAC shall reimburse the Contractor the amount of the reinsurance, less one percent (1%) liquidated damage.
(Section A.20.a.)
19. The Contractor may be subject to a liquidated damage of two hundred fifty dollars (\$250.00) per day for each day the reinsurance payments are not posted and reconciled within the specified time frame.
(Section A.20.a.)

**Contract for the full servicing of TSAC's Federal Family Education Loan Program
and Loan Portfolio,
TSAC's Grant and Scholarship Programs,
and the TSAC General Ledger System
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CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

Begin Date 01/01/2012	End Date 12/31/2016	Agency Tracking # 33205-02711	Edison Record ID 29761
Contractor Legal Entity Name Nelnet Guarantor Solutions			Edison Vendor ID 0000085545

Service Caption (one line only)
For the provision of the Full Servicing of TSAC's Loan Portfolio, Grant and Scholarship Programs, and General Ledger

Subrecipient or Vendor <input type="checkbox"/> Subrecipient <input checked="" type="checkbox"/> Vendor	CFDA # NA
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Funding —					
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2012		\$14,502,050.00			\$14,502,050.00
2013		\$14,145,170.00			\$14,145,170.00
2014		\$13,557,295.00			\$13,557,295.00
2015		\$12,968,605.00			\$12,968,605.00
2016		\$12,263,155.00			\$12,263,155.00
TOTAL:		\$67,436,275.00			\$67,436,275.00

American Recovery and Reinvestment Act (ARRA) Funding: YES NO

Ownership/Control

African American Asian Hispanic Native American Female
 Person w/Disability Small Business Government NOT Minority/Disadvantaged
 Other:

Selection Method & Process Summary (mark the correct response to confirm the associated summary)

<input checked="" type="checkbox"/> RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
<input type="checkbox"/> Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
<input type="checkbox"/> Alternative Competitive Method	The predefined, competitive, impartial, procurement process was completed in accordance with the associated, approved procedures and evaluation criteria.
<input type="checkbox"/> Non-Competitive Negotiation	The non-competitive contractor selection was completed as approved, and the procurement process included a negotiation of best possible terms & price.
<input type="checkbox"/> Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with <u>all</u> interested parties or <u>all</u> parties in a predetermined "class."

Budget Officer Confirmation: There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations.

Russ Deaton

Russ Deaton, Associate Executive Director of Fiscal Affairs
615.532.3860

OCR USE - FA

FA1237599

Speed Chart (optional) 0	Account Code (optional)
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**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
TENNESSEE STUDENT ASSISTANCE CORPORATION
AND
NELNET GUARANTOR SOLUTIONS**

This Contract, by and between the State of Tennessee, Tennessee Student Assistance Corporation, hereinafter referred to as the "State" or "TSAC" and Nelnet Guarantor Solutions, LLC, hereinafter referred to as the "Contractor," is for the provision of the full servicing of TSAC's Federal Family Education Loan Program and loan portfolio, TSAC's Grant and Scholarship 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 (parent and graduate/professional) 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) (Refer To Attachment E, Contract Index)

The Tennessee Student Assistance Corporation administers grant and scholarship programs. The grant program is the Tennessee Student Assistance Award (TSAA) Program. The scholarship programs are the Ned McWherter Scholars (NMS) Program, Robert C. Byrd Honors Scholarship (RBHS) Program, Christa McAuliffe Scholarship (CMS), and the Dependent Children Scholarship (DCS) Program. The Tennessee Education Lottery Scholarship (TELS) Program includes the Tennessee HOPE Scholarship, Tennessee ASPIRE Award, General Assembly Merit Scholarship (GAMS), Tennessee HOPE Access Grant, Tennessee HOPE Non-traditional program, Tennessee HOPE Foster Child Grant, the Dual Enrollment Grant, the Wilder-Naifeh Technical Skills Grant, and the Helping Heroes Grant Program. The loan forgiveness programs are the Tennessee Teaching Scholars Program (TTSP), Minority Teaching Fellows Program (MTFP), Graduate Nursing Loan Forgiveness Program, Tennessee Math & Science Teacher Loan Forgiveness Program, and the Tennessee Rural Health Loan Forgiveness Program. (Refer to Attachment C, Links to Statutory and Regulatory Requirements) (Refer To Attachment E, Contract Index)

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 ledger with relevant information. (Refer to Attachment B, State of Tennessee Interface Protocols) (Refer To Attachment E, Contract Index)

The State of Tennessee's integrated software package, Enterprise Resource Planning system, a.k.a. Project Edison, is the State of Tennessee's financials and accounting system and shall be designated as Edison throughout this Contract.

The Contractor is a Limited Liability Company.
Contractor Edison Registration ID: 0000085545
Contractor Place of Incorporation or Organization: Nebraska

A. SCOPE OF SERVICES:

A.1. Service and Deliverables. The Contractor shall provide all service and deliverables as required, described, and detailed herein and shall meet all service and delivery timelines as specified by this Contract.



A.2. Internet-based System State Standards. The Contractor shall provide TSAC an Internet-based system that is accessible by TSAC personnel, students, student and parent borrowers, high schools, TSAC participating postsecondary schools, lenders, lender servicers, Default Aversion (DAV) and Collection Agency vendors, and vocational rehabilitation counselors for processing of loans, grants, and scholarships. 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, functionality and flexibility, prompt access to information to accommodate the preferences of TSAC for its students, student and parent borrowers, Default Aversion and Collection Agency vendors, high schools, TSAC participating postsecondary schools, lenders, lender servicers, and vocational rehabilitation counselors; and provide relational system capabilities in data entry, processing, analysis, reporting, organization, tracking, warehousing, and refinement of data.

The Contractor shall comply with U.S. Department of Education and State standards and guidelines when such standards exist and U.S. Department of Education- State-approved standards for application development tasks in the absence of U.S. Department of Education and/or State standards. TSAC review and approval is required for the use of non-standard products and procedures.

A.3. Internet-based System for the Federal Family Education Loan Program and Loan Portfolio. The Contractor shall provide TSAC, as part of the Internet-based system, the capability of administering the Federal Family Education Loan Program and Loan Portfolio including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The system shall meet the U.S. Department of Education and the State of Tennessee statutory and regulatory requirements, and comply with TSAC's directives and initiatives for the Federal Family Education Loan Program.

The Contractor shall provide the capability for selected TSAC personnel to make on-line inquiries for student and parent borrower records; and postsecondary schools, lenders, lender servicers, and guarantor profiles as designated by the Loan Division Associate Executive Director. The Contractor shall also provide the capability to print all screens as part of the Internet-based system. In addition, the Contractor shall provide selected TSAC personnel with update capabilities as designated by the Loan Division Associate Executive Director.

The Contractor shall provide screen layouts, data entry screens, forms, form layouts, formats, programs, procedures, and documentation needed to facilitate the administration of the Loan Program and Loan Portfolio. The Contractor shall ensure the screen layouts, data entry screens, forms, form layouts, formats, programs, procedures, and documentation needed to facilitate the administration of the Loan Program and Loan Portfolio shall meet the U.S. Department of Education and the State of Tennessee statutory and regulatory requirements, and comply with TSAC's directives and initiatives of the Federal Family Education Loan Program and Loan Portfolio.

The Contractor shall provide a method of importing and converting the existing data for the Loan Program and Loan Portfolio that currently reside on the existing Internet-based system in Access and Excel. The imported and converted data must be utilized in a system that meets or exceeds the requirements stated in this Scope of Services.

Data entry screens shall be populated with information from the system and shall include, at a minimum:

- Student and parent borrowers' name,
- Student and parent borrowers' street address, city, state, and zip code,



- Student borrower and parent borrowers' telephone numbers,
- Unique Borrower ID,
- 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 provide system edits for the administration of the Loan Program and Loan Portfolio 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 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 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 format. The report shall include, at a minimum:

- System edit code number,
- System edit code description, and
- Corrective action needed for rejects.

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.

The system shall provide loan tracking and reporting capabilities during the life of the loan at the borrower and loan level.

The Contractor shall honor and process all existing TSAC loans which have been certified as eligible on or before December 31, 2011. All loans that meet the U.S. Department of Education statutory and regulatory requirements shall be incorporated into the existing database as requested by TSAC.

A.4. Program Management for the Federal Family Education Loan Program and Loan Portfolio. The Contractor shall provide TSAC as part of an Internet-based system the capability to facilitate the management of the Loan Program and Loan Portfolio, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.

A.4.a. Branding. The Contractor shall provide the capability to brand specific postsecondary school information or logo on forms, publications, and internet-based products to accommodate the preferences of TSAC.

A.4.b. Cohort Default Rate. 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 U.S. Department of Education, as detailed in Section C.8. The Contractor shall provide TSAC a report reflecting the cohort default rate by postsecondary school or lender/servicer on the same basis used by the U.S. Department of Education by the Contractor, for a specified reporting timeframe as requested by TSAC.



- A.4.c. Common Manual Support. The Contractor shall support TSAC's full participation in the Common Manual Governing Board. The Contractor shall be responsible for the distribution of the Common Manual, and updates, in either hardcopy or electronic format to TSAC personnel and outside parties as determined by TSAC.

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

- A.4.d. 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 including, and without limitation, Federal Stafford Loans and Federal PLUS Loans.

- A.4.e. Correspondence. All correspondence sent to the student 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 printed at Contractor's site shall be distributed by the Contractor at no additional cost to TSAC.

The Contractor shall respond to correspondence received from the student and parent borrowers within seven (7) business days of receipt. The Contractor shall provide TSAC access to its response. Any response made by the Contractor shall meet the U.S. Department of Education and the State of Tennessee statutory and regulatory requirements, and comply with TSAC's directives and initiatives for the Federal Family Education Loan Program.

- A.4.f. Data Warehousing. The Contractor shall maintain TSAC's "Data Warehouse" of TSAC's loan database, enabling TSAC the functionality of performing queries for reporting, comparing, exporting, and retrieving of data within a timeframe determined by TSAC.

- A.4.g. Document Management. The Contractor shall use a document management system for scanning, storing and retrieving any and all documents and reports processed by TSAC and the Contractor which shall include, at a minimum:

- Loan applications,
- Master Promissory Notes,
- Loan servicing transactions,
- Correspondence to and from the borrower,
- Loan volume reports, and
- Claim files.

The Contractor shall provide the capability for selected TSAC personnel, as designated by the Loan Division Associate Executive Director, to retrieve any and all stored images of documents or reports on-line at the TSAC office.

- A.4.h. 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.4.i. 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. Banner, DataTel, EdExpress, PowerFAIDs, PeopleSoft, etc.) to process loan data for loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.
- A.4.j. Internal Internet Products. The Contractor shall provide Internet-based products for TSAC that are accessible by student and parent borrowers, TSAC participating postsecondary schools, lenders, lender servicers, and Default Aversion and Collection Agency vendors. These products shall have distinctive customer service features, accuracy and predictability, ease of use, prompt access to information, and the functionality and flexibility to accommodate the preferences of TSAC for its student and parent borrowers, TSAC participating postsecondary schools, lenders, lender servicers, and Default Aversion and Collection Agency vendors.
- A.4.k. Lender of Last Resort Program. The Contractor must be prepared to perform lending servicing for a Lender of Last Resort Program (LLR) program as determined by TSAC, in conjunction with the U.S. Department of Education'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.

The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers a process for 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. The Contractor's system shall handle all aspects of this program

- A.4.l. Management 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. These reports shall provide TSAC with information to gauge past performance and to project future opportunities.

The 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, gender, Tennessee congressional district, geographical distribution by zip code; and parent borrowers by age, gender, Tennessee congressional district, and geographical distribution by zip code.



- An annual performance report listing a summary of achievements made throughout the State fiscal year (July 1 – June 30); services provided to TSAC, student borrowers, parent borrowers, TSAC participating schools, lenders, and lender servicers with the efforts made to improve these services throughout the year; loan volume for the top ten (10) postsecondary schools; loan volume for the top ten (10) lenders; a narrative 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 1st of each year. The Contractor shall produce up to fifty (50) copies of the report. The Associate Executive Director for the Loan Division will contact the Contractor via email to advise the number of copies required for distribution to members of the TSAC Board of Directors and applicable TSAC staff.
- The Contractor shall be responsible for preparing a monthly financial accounting report of lockbox collections to TSAC which shall be sent to the Loan and Fiscal Divisions of 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 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, and 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 on-line in daily, weekly, monthly, quarterly, State fiscal year, Federal fiscal year, and calendar year formats to accommodate the preferences of TSAC.

- A.4.m. Master Promissory Note. The Contractor shall provide the capability for student and parent borrowers, TSAC participating postsecondary schools, lenders, and lender servicers using an electronic process to print a duplicate Master Promissory Note.

In the event a duplicate hardcopy Master Promissory Note is requested, the Contractor shall provide the duplicate at no additional cost to TSAC.

- A.4.n. 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. (Refer to Attachment A, Glossary)

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

- A.4.o. 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 resolve all errors within thirty (30) business days of notification of the error 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. (Refer to Attachment D, Liquidated Damages)

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

- A.4.p. Notice of Loan Guarantee and Disclosure Statement. The Contractor shall provide the capability for lenders and lender servicers using an electronic process to print a duplicate or revised Notice of Loan Guarantee and Disclosure Statement on-line.

In the event a duplicate hardcopy Notice of Loan Guarantee and Disclosure Statement is requested, the Contractor shall provide a duplicate 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.4.q. Policy and Procedures Guide. Upon awarding of the Contract, the Contractor shall provide to TSAC a Policy and Procedures Guide which explains, in detail, the procedures used by the Contractor for the administration of the Loan Program and Loan Portfolio. The Policy and Procedures Guide shall meet the U.S. Department of Education and the State of Tennessee statutory and regulatory requirements, and comply with TSAC's directives and initiatives for the Federal Family Education Loan Program, and shall be approved by TSAC in writing prior to implementation.

- A.4.r. Profiles. 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 for 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, Federal fiscal year, calendar year, and cumulative by loan status, each loan type and all loan types. These profiles shall also include, at a minimum:



- Lenders 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),
- Lenders designated an Exceptional Performer,
- Postsecondary schools utilizing Disbursement Support,
- Lenders or lender servicers utilizing Disbursement Support,
- Delinquencies,
- Schools closed by the U.S. Department,
- Schools who have lost eligibility for Title IV aid,
- 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 notify TSAC within twenty-four (24) business hours of any changes.

A.4.s. Publications. The Contractor shall assist TSAC with the development and printing of informational publications for use by TSAC participating postsecondary schools and student and parent borrowers. These publications shall include, at a minimum:

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

A.4.t. Reasonability Rate. The Contractor shall be compensated to improve the percentage variance between TSAC's GAFFR/NSLDS (Guarantee Agency Financial Report/National Student Loan Data System) reasonability rate and the published goal as issued by the U.S. Department of Education in its quarterly and annual reports.

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

A.4.u. Support of TSAC Personnel. The Contractor shall provide support and services to TSAC personnel which shall include designating professional level management personnel to serve as liaisons to TSAC. Additionally, the Contractor shall provide three (3) customer service representatives, one (1) financial analyst, and two (2) account service representatives to support the Loan Program and Loan Portfolio.



The customer service representatives and financial analyst shall be located in Nashville, Tennessee at the TSAC offices in space provided by TSAC for the duration of the contract period.

The primary responsibilities for the customer service representatives shall be the handling of incoming telephone, fax, or email inquiries from student and parent borrowers, TSAC participating postsecondary schools, lenders, lender servicers, and other interested parties regarding the loan program. The customer service representatives must have knowledge of the Internet-based systems and products, and be capable of providing support to TSAC personnel, TSAC participating postsecondary schools, lenders, lender servicers, Default Aversion (DAV) vendors, and Collection Agency vendors.

The financial analyst shall be knowledgeable of the Internet-based system and shall provide portfolio statistics, portfolio review, and portfolio projections as required by TSAC and provide support to TSAC personnel.

The account service representatives shall be knowledgeable of the Internet-based system and other products and shall provide training and information to TSAC participating postsecondary schools on services and products offered by TSAC. The account service representative shall work from their home or at the TSAC offices and must be available to travel.

The customer service representatives, financial analyst, and account service representatives shall coordinate their activities under TSAC's guidance and approval. The Contractor shall provide the representatives with computers and other equipment as required to perform their duties at no additional cost to TSAC.

In the event TSAC becomes dissatisfied with any of the representatives 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.4.v. System Generated Letters. All language in a system generated letter must have the prior written approval of TSAC before any system generated letters may be produced and distributed to student and parent borrowers, TSAC participating postsecondary schools, lenders, and lender servicers.

A.4.w. Total Enrollment Reporting Process. The Contractor shall support TSAC's full participation 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.x. Weekly Production Report. The Contractor shall provide TSAC the capability of producing a weekly production report of all loans processed during the prior week as specified by TSAC. The weekly production report shall include, at a minimum:

- Loan type,
- Number of student and borrowers,



- Dollar amounts,
- Number of loan servicing transactions in a processed status,
- Number of loan servicing transactions returned for correction,
- Number of loan servicing transactions in a rejected status,
- Number of default aversion assistance requests processed,
- Number of default aversion assistance requests returned for correction,
- Number of default aversion assistance requests rejected,
- Number of claim files reviewed and processed by lender, or lender servicer,
- Number of calls received and/or abandoned,
- Number of Administrative Wage Garnishment letters sent by type, and
- Number of refund requests in process.

The Contractor shall provide a detailed report for each line item on the weekly production report that supports the information in the report.

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.

- A.5. Loan Servicing for the Federal Family Education Loan Program. The Contractor shall provide TSAC, as part of an Internet-based system, the capability to facilitate the processing, editing, tracking, and reporting of all loan servicing transactions (e.g. demographic, loan, enrollment, deferment, forbearance, and repayment) 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.

All loan servicing transactions received shall be reviewed by the Contractor for chronological sequence to avoid reporting gaps.

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

- Source of the loan servicing transaction,
- Type of loan servicing transaction,
- Effective date(s) of loan servicing transaction, and
- Date TSAC received the loan servicing transaction.



- A.5.a. Borrower Status Letter (BSR). The Contractor shall produce and distribute a Borrower Status Letter (BSR) annually for each Federal Stafford Loan borrower who is in an in-school or grace status. 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.b. Common Account Maintenance (CAM). The Contractor shall provide TSAC and TSAC participating postsecondary schools, lenders, and lender servicers with the capability to utilize a Common Account Maintenance (CAM) process for 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 servicing 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. (Refer to Attachment A, Glossary)
- A.5.c. Loan Servicing Processing. The Contractor shall provide TSAC, lenders, and lender servicers with the capability of near real-time/real-time processing of loan servicing transactions for loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor will process and edit all hardcopy loan servicing transactions received from TSAC lenders, and lender servicers.

The Contractor shall provide for the receipt, editing, tracking, resolution, and reporting of loan servicing transactions that are fully compliant with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program.

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

- A.5.d. Reject Resolution. When a loan servicing transaction submitted electronically is rejected, the Contractor shall send a response file to the postsecondary school and the lender, or lender servicer submitting the loan servicing transaction within twenty-four (24) hours of the initial rejection.

When a hardcopy loan servicing transaction is rejected, the Contractor shall contact the postsecondary school and the lender, or lender servicer submitting the rejected loan servicing transaction either by telephone, fax, or email within forty-eight (48) hours of the initial rejection. If the required information cannot be obtained to clear the reject, the Contractor shall return the hardcopy loan servicing transaction within three (3) business days of the initial rejection. Every returned loan servicing transaction shall be accompanied by a written explanation of the return defining the reason why the loan servicing transaction was returned along with instructions on how to resolve the return.

The Contractor shall provide to TSAC the instructions for correcting the loan servicing transaction rejects unless TSAC instructs the Contractor to resolve any loan servicing transaction rejects for TSAC participating postsecondary schools, lenders, and lender servicers.

- A.5.e. Reports. The Contractor shall provide TSAC with comprehensive reports in summary and detailed formats for loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.



The Contractor shall provide TSAC, and TSAC participating schools, lenders and lender servicers with the capability to print reports on-line according to the following criteria: daily, weekly, monthly, quarterly, annually, and by State fiscal year, Federal Fiscal year, and calendar year.

The reports shall include, at a minimum:

- Postsecondary school name and OPEID,
- Lender or lender servicer name and OPEID,
- Student and parent borrowers' names,
- Social security number,
- Guarantee date,
- Student and parent borrowers' 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),
- Loans showing a default aversion request, and
- Loans showing a paid default.

The Contractor shall also provide to TSAC, TSAC participating postsecondary schools, lenders, and lender servicers upon request a comprehensive listing of all loans or a listing of loans for a specific timeframe. The report shall be provided by social security number or alphabetic order, as requested by TSAC, and shall include, at a minimum:

- Breakdown by loan type,
- Breakdown by loan status,
- Student and parent borrowers' names,
- Student and parent borrowers' date of births,
- Student and parent borrowers' social security numbers,



- Insurance number,
- Guarantee date,
- Graduation or less than half-time date, and
- Maturity date.

A.5.f. Tracking. The Contractor shall provide TSAC the capability to track the loan servicing transactions for loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.

The Contractor shall also have the capability to track all loan servicing transactions, at a minimum:

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

A.5.g. Turnaround Times. TSAC requires that all loan servicing 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 servicing transactions to the posting of loan servicing transactions on the system. (Refer to Attachment D, Schedule of Liquidated Damages)

A.6. Default Aversion Servicing for the Federal Family Education Loan Program and Loan Portfolio. The Contractor shall provide TSAC as part of the Internet-based system the capability to collect, edit, process, track, and report student and parent borrower demographic and delinquent loan information from TSAC and TSAC participating lenders and lender servicers on loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.



The Contractor shall also be able to coordinate the transfer of all default aversion assistance requests received from lenders and lender servicers to the default aversion assistance servicer selected by TSAC. The Contractor shall be fully committed to these services.

A.6.a. Default Aversion Assistance Requests (DAAR) Processing. The Contractor shall provide TSAC and TSAC participating lenders and lender servicers with the capability of near real-time/real-time processing of default aversion assistance requests on loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor will also process and edit all hardcopy default aversion assistance requests received from TSAC, lenders, and lender servicers.

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.

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 chronological sequence to avoid reporting gaps.

Student 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.6.b. Reject Resolution. When a default aversion assistance request submitted electronically is rejected, the Contractor shall send a response file to the lender or lender servicer submitting the default aversion assistance request within twenty-four (24) hours of the initial rejection.

When a hardcopy default aversion assistance request 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 (48) 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. Every returned default aversion assistance request shall be accompanied by a written explanation of the return defining the reason why the default aversion assistance request was returned along with instructions on how to resolve the return.

A.6.c. Reports. The Contractor shall provide TSAC with comprehensive reports in summary and detailed formats for loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall provide TSAC with the capability to print reports selected according to the following criteria: daily, weekly, monthly, quarterly, State fiscal year, federal fiscal year, and calendar year.

The reports shall include, at a minimum:

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



- Name of student and parent borrower,
- Social security number,
- Loan type,
- Guarantee date,
- Date default aversion assistance request received,
- Number and dollar value of default aversion assistance requests received,
- Number of lender updates received, 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 servicer, and fully supports TSAC's allocating Default Prevention Fees from the Federal Fund to the Operating Fund.

The report shall include, at minimum:

- Lender or lender servicer name and OPEID,
- Postsecondary school name and OPEID,
- Loan type,
- Name of the Default aversion assistance servicer,
- 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, and
- Number and dollar value of default aversion assistance requests received within eighteen (18) months of a prior cure.

A.6.d. Tracking. The Contractor shall provide TSAC the capability to track default aversion assistance requests for all 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 all default aversion assistance requests, including at a minimum:

- Loan type,



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

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

- A.6.e. Turnaround Times. TSAC requires that all default aversion assistance requests utilizing an electronic or manual process shall 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 default. (Refer to Attachment D, Schedule of Liquidated Damages)

The Contractor shall transfer all default aversion assistance requests received from lenders and servicers to TSAC's default aversion assistance servicer within a maximum turnaround of three (3) business days measured from the Contractor's initial receipt and posting of the default aversion assistance request. (Refer to Attachment D, Schedule of Liquidated Damages)

- A.6.f. Borrower Letters. The Contractor shall, within five (5) business days of the receipt of a default aversion assistance request from a lender servicer, send a letter to the borrower stating that TSAC has assigned the account to a default aversion assistance servicer. (Refer to Attachment D, Schedule of Liquidated Damages)

- A.6.g. 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 a roster to the TSAC participating postsecondary school that certified the loan. The roster shall include, at a minimum:

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



A.7. Default Prevention Services for the Federal Family Education Loan Program and Loan Portfolio. The Contractor shall provide default prevention services that are fully compliant with all applicable statutes, regulations, directives, and initiatives for the Federal Family Education Loan Program. The Contractor shall be fully committed to these services.

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

- Develop Performance Standards and Measurements,
- Student and Parent 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,
- On-line Counseling Materials,
- Financial Literacy Materials and Presentations, and
- Statistical Analysis.

The Contractor shall assist TSAC with a 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.

A.8. Claim Processing and Review for the Federal Family Education Loan Program and Loan Portfolio. The Contractor shall provide TSAC as part of the Internet-based system the capability of processing and reviewing all claim types for loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.

The Contractor shall develop an automated electronic claims process, whereby claims can be submitted electronically by lenders and lender servicers to ensure maximum processing efficiency and review, within a timeframe determined by TSAC.

A.8.a. Common Claim Initiative. The Contractor shall provide TSAC participating lenders and lender servicers with the capability to utilize a Common Claim Initiative process for loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall provide for the receipt, reviewing, 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.8.b. Receipt of Claim Files. The Contractor shall provide TSAC lenders and lender servicers with the capability to record the receipt of claim files on 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, lenders, and lender servicers.

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

- Source of the claim file,
- Type of claim filed,
- Date TSAC received the claim file, and
- Lender or lender servicer name.

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

(1) Reports. The Contractor shall provide TSAC with comprehensive reports in summary and detailed formats for loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. The Contractor shall provide TSAC with the capability to print the reports selected according to the following criteria: daily, weekly, monthly, quarterly, State fiscal year, federal fiscal year, and calendar year.

The reports shall include, at a minimum:

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

(2) Tracking. The Contractor shall provide TSAC the capability to track the receipt of claim files on 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 all claim files, at a minimum:

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

(3) Turnaround Times. The Contractor shall record on the system all claim files received from TSAC, 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. (Refer to Attachment D, Schedule of Liquidated Damages)

A.8.c. Last Chance Program. The Contractor will provide a Last Chance Program to make a final attempt to avoid defaulted loans. This program will be enacted by the Contractor at the point that the lender files a claim with TSAC and before the claim is paid. The Contractor will use this opportunity, with the direction of TSAC staff, to contact the borrower for a last attempt to collect payments, forbearance, deferments, or other means possible to avoid default. This program shall be designed to prevent defaults and significantly reduce TSAC's default rate.

A.8.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 (a request for an increase in the amount of claim payment when the principal or interest was underpaid, a due diligence error was incorrectly cited, there was an error in interest calculations, incorrect information was provided on the original claim form, a timely filing violation is being appealed, or other issue that resulted in the original claim payment being incorrect) and appeals. (Refer to Attachment D, Schedule of Liquidated Damages)

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 or loans with another lender or lender servicer. 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. The Contractor must document and advise TSAC in writing why it is approving some loans for payment and not approving others.

(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 the 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. (Refer to Attachment D, Schedule of Liquidated Damages)

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 on how to resolve the return.

The Contractor shall produce a weekly claims report for TSAC of all returned claim files that identify each lender/servicer.

- (2) Claim Files Rejected. When a claim file is rejected due to the lender 's or lender servicer's failure to perform due diligence, has failed to file the claim within the time frame as mandated by statute and/or regulation, or other violations, 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 the conditions for reject or the lender or lender servicer is unable to "cure" the violation 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. (Refer to Attachment D, Schedule of Liquidated Damages)

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 on how to resolve the reject.

The Contractor shall produce a weekly claims report for TSAC of all rejected claim files that identify each lender/servicer.

- (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 a weekly claims paid report for TSAC of all approved claim files for payment that shall identify the amounts due to each lender or lender servicer. (Refer to Attachment D, Schedule of Liquidated Damages)

The report shall provide, at a minimum:

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



- Total claim paid amount, and
- Scheduled 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 print 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 shall pay 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 pay claims on single accounts with different rates of reinsurance and different loan 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 utilizing 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.

- i. Edison. The Contractor shall provide the capability for communication between Edison and the Federal Family Education Loan Program system to load claim payment data.
- ii. 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 load default payment.

- (4) Reports. The Contractor shall provide TSAC with comprehensive reports for claim processing. The Contractor shall provide TSAC with the capability to run the selected reports according to the following criteria: daily, weekly, monthly, quarterly, State fiscal, federal fiscal, and calendar years.

The management reports shall include, at a minimum:

- Lender or lender servicer name and OPEID,
- Postsecondary school name and OPEID,
- Number of student and parent borrowers,
- Social security number,
- Loan type,
- Guarantee date,



- 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 a monthly claims statistics report for each month and cumulatively for the State fiscal year, Federal fiscal year, and calendar year of claims paid for each postsecondary school and lender and lender servicer. The report shall contain the cohort default rate as calculated by the Contractor for the previous quarter.

- (5) Tracking. The Contractor shall provide TSAC the capability to track the review process of all claim files on loans from including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.

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,
- Grade level,
- Number of student and parent borrowers,
- Date claim file reviewed,
- Claim status type, and
- Number 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.

- (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. (Refer to Attachment D, Schedule of Liquidated Damages)

- A.8.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 shall file the Proof of Claim within twenty-four hours of receipt of notice of bankruptcy. 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. (Refer to Attachment D, Schedule of Liquidated Damages)

The Contractor shall also notify any collection agency or the default aversion assistance servicer to which the student and parent borrower's loan has been assigned for 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.8.f. Closed School Claims. The Contractor shall forward all Closed School Discharge Applications and any supporting documentation as specified by TSAC to TSAC for review within twenty-four (24) hours of receipt of Closed School claim. (Refer to Attachment D, Schedule of Liquidated Damages)
 - A.8.g. Death Claims. The Contractor shall forward all original death certificates and any supporting documentation as specified by TSAC to TSAC for review to TSAC for review within twenty-four (24) hours of receipt of death claim. The Contractor shall notify other TSAC participating lenders or lender servicers with loans for the same borrower of the death claim. (Refer to Attachment D, Schedule of Liquidated Damages)
 - A.8.h. False Certification Claims. The Contractor shall forward all False Certification Discharge Applications and any supporting documentation as specified by TSAC to TSAC for review within twenty-four (24) hours of receipt of False Certification claim. (Refer to Attachment D, Schedule of Liquidated Damages)
 - A.8.i. Federal Teacher Loan Forgiveness. The Contractor shall forward any federal Teacher Loan Forgiveness Applications to TSAC for review within twenty-four (24) hours of receipt of claim. (Refer to Attachment D, Schedule of Liquidated Damages)
 - A.8.j. Ineligible Borrower Claims. The Contractor shall forward all Ineligible Borrower Claims and any supporting documentation as specified by TSAC to TSAC for review within twenty-four (24) hours of receipt of claim. (Refer to Attachment D, Schedule of Liquidated Damages)
 - A.8.k. Total and Permanent Disability Claims. The Contractor shall forward all Total and Permanent Disability Discharge Request Applications and any supporting documentation as specified by TSAC to TSAC for review within twenty-four (24) hours of receipt of claim. (Refer to Attachment D, Schedule of Liquidated Damages)
- The Contractor shall notify other TSAC participating lenders or lender servicers with loans for the same borrower of the Total and Permanent Disability Discharge claim.
- A.8.l. Unpaid Refund. The Contractor shall forward all Unpaid Refund Applications and any supporting documentation as specified by TSAC to TSAC for review within twenty-four (24) hours of receipt claim. (Refer to Attachment D, Schedule of Liquidated Damages)
- A.9. Default Collections for the Federal Family Education Loan Program and Loan Portfolio. The Contractor shall provide TSAC as part of the Internet-based system the capability of processing default collections for loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans.



- A.9.a. Collection Costs. 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.
- A.9.b. Default Collections Activity. The Contractor shall perform default collections activities on paid claim files (including claim files on which an “ineligible borrower” claim has been paid).
- (1) Borrower Letter. The Contractor shall send a letter to the borrower, within five (5) business days after the payment of a default claim to the lender or lender servicer. The letter shall state that the 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)
 - (2) Endorser Letter. The Contractor shall send a letter to the endorser within five (5) business days after the payment of a default claim to a lender or lender servicer. The letter shall 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)
 - (3) Rosters. The Contractor shall send rosters to the TSAC participating postsecondary school that certified the loan within five (5) business days after payment of a default claim to the lender or lender servicer. The rosters shall include, at a minimum:
 - Student and parent borrower name,
 - Social security number,
 - Lender or lender servicer name and OPEID,
 - Guarantee date, and
 - Claim paid date.
 - (4) Disputes. The Contractor shall respond to any correspondence received from student and parent borrowers disputing the default claim (e.g. default status, loan amount, etc) within seven (7) business days of receipt. The Contractor shall immediately notify TSAC of the dispute and provide TSAC access to the Contractor’s response. Any response made by the Contractor shall meet the U.S. Department of Education and the State of Tennessee statutory and regulatory requirements, and comply with TSAC’s directives and initiatives for the Federal Family Education Loan Program. (Refer to Schedule D, Liquidated Damages)
 - (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, 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, letter, or email. 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, with the schedule of payments to be made.

- A.9.c. Payments on Defaulted Loans. The Contractor shall instruct all parties submitting payments on defaulted loans (including, and without limitation, student and parent borrowers, endorsers, employers, and collection agencies) to direct their payments to TSAC's lockbox specified for the receipt of payments on defaulted loans.

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, the Contractor shall immediately apply it to the defaulted loan, allocating the payment first to collection costs (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, the Contractor shall place it in suspense 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. (Refer to Attachment D, Schedule of Liquidated Damages)

The Contractor shall also process, track, and report on any settlement or compromise payment as determined by TSAC. Settlement or compromise payments shall be based upon U.S. Department of Education statutory and regulatory requirements.

The Contractor shall have the capability to accurately account for refunds, including "injured spouse" refunds of federal offsets and reversals for insufficient funds. The Contractor shall also have the capability to automatically write-off small balances on defaulted accounts that fall within dollar thresholds determined by TSAC.

- (1) Default Payment Lockbox. The Contractor shall provide TSAC with a separate lockbox for the receipt of payments on defaulted loans at a State of Tennessee approved financial institution. The lockbox shall also meet the U.S. Department of



Education and the State of Tennessee statutory and regulatory requirements, and comply with TSAC's directives and initiatives 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.

- i. Edison. The Contractor shall provide the capability for communication between Edison and the Federal Family Education Loan Program and Loan Portfolio system to load default payment data.
- ii. 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 load default payment data on the TSAC General Ledger.

- (2) CRQ (Check Request) Interfaced 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.
- i. Edison. The Contractor shall provide the capability for communication between Edison and the Federal Family Education Loan Program system to record CRQ refund payment data.
 - ii. 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 load CRQ refund payment data on the TSAC General Ledger.

- A.9.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.9.e. Reporting on Defaults. If a borrower or endorser fails to establish an agreement to repay a defaulted loan 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 consumer reporting agencies and report to them at least monthly in the manner and within established timeframes acceptable to the U.S. Department of Education, the consumer reporting agencies, and TSAC.
- Provide information on defaulted loans to other entities as determined by TSAC,
- Research and resolve any disputes arising from national consumer reporting agency reporting within timeframes required by law.

The Contractor shall note on the system all parties notified and the date notification was provided. (Refer to Attachment D, Schedule of Liquidated Damages)

A.9.f. Reports. The Contractor shall provide TSAC with comprehensive reports in a detailed format for loans, including, and without limitation, Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. These reports shall provide TSAC with information on the number of payments in a suspense status, loans with an outstanding credit balance, and loans with a balance less than one hundred dollars. The Contractor shall also provide the capability to print these reports online.

The suspense report shall include, at a minimum:

- Borrower's name,
- Social security number,
- Payment amount,
- Reason in suspense, and
- Date payment received.

The outstanding credit balance report shall include, at a minimum:

- Borrower's name,
- Social security number,
- Amount of credit balance, and
- Date last payment received.

The balances with less than one hundred dollars report shall include, at a minimum:

- Borrower's name,
- Social security number,



- Date last payment received, and
- Current balance.

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.

- A.9.g. Collection Agencies. The Contractor shall provide TSAC with default collections recovery assistance and coordinate with professional collection agencies as approved in writing by TSAC. The number of professional collections agencies shall be determined by TSAC.

If more than one (1) collection agency is selected, the agencies 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.

The Contractor shall assign accounts using a competitive performance based 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 not screen default collections recovery assistance requests for ease or difficulty of collection 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 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 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 costs 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 costs, and other charges to the figures provided by the Contractor.



- (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.

The results of the audit 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, and suspended treasury offsets through 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.

Once each calendar 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 preliminary and final audit reports shall be provided to TSAC for their review.

- (2) Administrative Wage Garnishment. The Contractor shall ensure the collection agencies initiate an Administrative Wage Garnishment (AWG) process to collect on all non-paying defaulted borrowers. The Contractor shall ensure that the collection agencies comply with 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:

- Requesting approval from TSAC to proceed with Administrative Wage Garnishment activities,
- 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,
- Ensure TSAC is notified of all requests for administrative hearings and provide 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.

(Refer to Attachment D, Schedule of Liquidated Damages)

- (3) License Revocation. The Contractor shall provide TSAC with an electronic file of all defaulted borrowers in the Loan Portfolio once per month, as determined by TSAC, providing TSAC with the mechanism with which to conduct the license revocation procedures in accordance with Tennessee Code Annotated Title 23-3-111; Title 49-5-108; Title 56-1-312; and Title 61-1-141.

TSAC agrees to collaborate with the Contractor and the collection agency so as not to subvert their collection efforts.

- (4) Loan Assignment. The Contractor shall provide TSAC with the forms, form layouts, formats, programs, procedures, and documentation needed to process a loan assignment.

The system shall accommodate the mandatory assignment of non-paying defaulted accounts, voluntary assignment of non-paying defaulted accounts, Chapter 7 and Chapter 13 bankruptcy assignments to Educational Credit Management Corporation (ECMC), 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.

- i. 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.

- (5) 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 record and track temporary repayment agreements, 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, as specified



by TSAC, 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.

- (6) Rehabilitation. The Contractor shall provide TSAC, as part of the Internet-based system, the capability to automatically identify borrowers who qualify for Loan Rehabilitation according to federal statutory and regulatory requirements, in each rehabilitation cycle. The Contractor shall also be able to coordinate with a rehabilitation lender selected by TSAC.

If the borrower has other outstanding loans, the Contractor must determine why these loans were not included in the rehabilitation cycle. The Contractor must document and advise TSAC in writing why the loans were not included in the rehabilitation cycle.

The Contractor shall record a borrowers' consent to rehabilitate the loan on the system.

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

The Contractor shall delete all successfully rehabilitated loans from its reporting to national consumer reporting agencies at least once monthly. The Contractor shall also notify the prior lender or lender servicer of the rehabilitation.

The Contractor shall provide a report 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 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.

(7) 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.

i. Treasury Offset Appeals. The Contractor shall forward all Tax Offset Appeal requests and any supporting documentation as specified by TSAC to TSAC for review.

A.10. Grant and Scholarship 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, on-line application data, data transmittal, status tracking, selection process, disbursement, cancellation, repayment, and history information for the grant and



scholarship programs. The system shall be accessible by TSAC and TSAC participating postsecondary schools, high schools, vocational rehabilitation counselors, and students.

The grant and scholarship 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 grant and scholarship programs. The Contractor shall ensure the form layouts, formats, programs, procedures, and documentation needed to facilitate the administration of the grant and scholarship programs shall meet the U.S. Department of Education and the State of Tennessee statutory and regulatory requirements, and comply with TSAC's 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 programs administered by TSAC personnel 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's on-line financials and accounting system Edison, the Tennessee State Department of Education, the Tennessee Higher Education Commission (THEC), and the Tennessee State Department of Labor. (Refer to Attachment B, State of Tennessee Interface Protocols)

A.10.a. Application Origination. The Contractor shall provide for a Destination Point for the grant and scholarship 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 grant and scholarship 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.

A.10.b. Electronic Application Processing. The Contractor shall provide the capability for TSAC to receive, add, change, delete, and update application data from students, participating postsecondary schools, high schools, vocational rehabilitation counselors, and the Tennessee State Department of Education through the grant and scholarship programs system available through the TSAC website <http://www.tn.gov/CollegePays/>.

The Contractor shall provide the forms, form layouts, formats, programs, procedures, and documentation for TSAC, participating postsecondary schools, high schools, vocational rehabilitation counselors, and students to receive, print, add, change, delete, and update application data.

The Contractor shall provide to TSAC the capability to add, change, delete, and update data, and print all processing reports or their equivalents upon request. Any and all changes made to the system edits shall be made within timeframes to be determined by TSAC and are subject to TSAC's prior approval.

The Contractor shall process and edit ISIR information received from the Central Processor, TSAC, participating postsecondary schools, high schools, vocational rehabilitation counselors, the Tennessee State Department of Education, and students.

The Contractor shall provide to TSAC the capability to add, change, delete, and update application data. The Contractor shall also provide TSAC with the capability to 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, and update transaction made to the grant and scholarship programs applications entered by TSAC, postsecondary schools, high schools, vocational rehabilitation counselors, the Tennessee State Department of Education, and students participating in the grant and scholarship programs. The transaction will be recorded by TSAC user, ISIR, individual student, postsecondary schools, high schools, vocational rehabilitation counselors, and the Tennessee State Department of Education participating in the grant and scholarship programs. ISIR data will be recorded on the grant and scholarship programs system.

The Contractor shall also provide reporting capabilities to TSAC of all add, change, delete, and update transactions made to the grant and scholarship 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 for all network traffic using Secure Socket Layer (SSL) and provide continuously up-to-date industry standard security at specified requirement levels for data input and review by TSAC, participating postsecondary schools, high schools, vocational rehabilitation counselors, the Tennessee State Department of Education, and students.

A.10.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, and update capabilities for administering students in the grant and scholarship programs.

(1) Postsecondary School Profile.

The postsecondary school profile shall include, at a minimum:

- Postsecondary school name,
- Postsecondary school federal number,
- Director of financial aid's name,
- Director of financial aid's title,
- Director of financial aid's email address,
- Secondary contact's name, title, and email address,
- Postsecondary school mailing address,
- Postsecondary school phone number,



- Postsecondary school fax number,
- Postsecondary school's vocational rehabilitation counselor's name, and
- Postsecondary school's vocational rehabilitation counselor's email address.

(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, and
- Student's per grade level.

The Contractor shall provide TSAC with the capability to add, change, delete, and update the postsecondary school and high school profiles. The Contractor will provide participating postsecondary schools and high schools with on-line capability to change and update information required by TSAC.

A.10.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 grant and scholarship programs.

The Contractor shall create matrix tables from data provided by TSAC that are used to determine an applicant's eligibility for the grant and scholarship programs.

The Contractor shall provide calculations and ranking of applicants to determine eligibility for the grant and scholarship programs

A.10.e. Electronic Exchange of Data. The Contractor shall provide for the exchange of data as provided in the following.

- (1) Tennessee State Department of Education. The Contractor shall provide the capability for electronic communication between the Tennessee State Department of Education's High School Transcript system and the grant and scholarship programs system to update each applicant record with high school transcript data.



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, social security number, and high school.

- (2) American College Testing. The Contractor shall provide the capability for electronic communication between the American College Testing (ACT) and the grant and scholarship programs system to update each applicant record with the high school name, ACT score, and 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.

- (3) Scholastic Aptitude Test. The Contractor shall provide the capability for electronic communication between the College Board/Scholastic Aptitude Test (SAT) and the grant and scholarship programs system to update each applicant record with the high school name, SAT score, and 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.

- (4) Tennessee State Department of Labor. The Contractor shall provide the capability for electronic communication between the Tennessee State Department of Labor and the grant and scholarship programs system to update each applicant record with General Educational Development (GED) data.

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.10.f. Electronic Roster Processing. The Contractor shall provide TSAC with the capability to produce exportable applicant rosters sorted by participating postsecondary schools, high schools, and vocational rehabilitation counselors for each active program that indicates all eligible or selected applicants. The Contractor shall provide for Audit, Information, Certification, Payment, and Reconciliation rosters.

The rosters shall include, at a minimum:

- Participating postsecondary school,
- Applicant's name,
- Social security number (last four digits only),
- Certification indicator,
- Award amount by semester/quarter/trimester,
- Estimated Family Contribution (EFC) (for TSAA only),
- Number of attempted hours (for TELS only), and
- Hours in Program.



The Contractor shall provide the capability for TSAC to transmit and receive exportable rosters to participating postsecondary schools, high schools, vocational rehabilitation counselors, and the Tennessee State Board of Education through the grant and scholarship programs system available through the TSAC website or in hardcopy format.

The Contractor shall provide the forms, form layouts, formats, programs, procedures, and documentation for TSAC, participating postsecondary schools, high schools, vocational rehabilitation counselors, and the Tennessee State Department to Education to receive, add, change, delete, update, transmit, and print roster information.

A.10.g. Payments of Awards Roster. The Contractor shall provide TSAC with the capability to create exportable payment rosters by participating postsecondary school for all students certified as eligible on the certification rosters.

The roster shall include, at a minimum:

- Participating postsecondary school,
 - Student name,
 - Social security number (last four digits only),
 - Award amount by semester/quarter/trimester,
 - Participating postsecondary school number assigned by USDOE,
 - Line for the Program Administrator's signature,
 - "Prepared by:" line,
 - "Reviewed by:" line,
 - "Authorized by:" line, and
 - Total student count and award amount by semester, quarter, or trimester for the participating postsecondary school.
- (1) Edison. The Contractor shall provide the capability for communication between Edison and the grant and scholarship programs system to load payment data. This process shall provide the data required for creating a payment transaction and providing the necessary forms, form layouts, formats, programs, procedures, and documents needed to process the transaction through Edison. (Refer to Attachment A, Glossary and Attachment B, State of Tennessee Interface Protocols)
- (2) TSAC General Ledger System. The Contractor shall provide the capability for communication between the TSAC General Ledger System and the grant and scholarship programs system to post, change, and update payment data on the TSAC General Ledger. (Refer to Attachment B, State of Tennessee Interface Protocols)
- (3) Total Awards. The Contractor shall provide TSAC the capability to track payments to individual students. The Contractor shall ensure that student recipients do not exceed the maximum term award amount, maximum annual award amount, and maximum number of terms or years by program, as



designated by TSAC and the State of Tennessee statutory and regulatory requirements.

A.10.h. Refund and Adjustment Transaction Roster. The Contractor shall provide the capability for TSAC to create a roster for all refund and adjustment transactions.

The roster shall include, at a minimum:

- Student name,
- Social security number (last four digits only),
- Amount of refund and adjustment transaction,
- Date of refund and adjustment transaction,
- Postsecondary school's name,
- Program type,
- Voucher Number,
- Academic year,
- Department ID,
- Business Unit, and
- Total of refund and adjustment transactions.

(1) Edison. The Contractor shall provide the capability for communication between Edison and the grant and scholarship programs system to record refund and adjustment transactions payment data. This process shall provide the data required for processing refund and adjustment transactions and creating the necessary forms, form layouts, formats, programs, procedures, and documents needed to process the transactions through Edison.

(2) TSAC General Ledger System. The Contractor shall provide the capability for communication between the TSAC General Ledger System and the grant and scholarship programs system to post, change, and update refund and adjustment payment data on the TSAC General Ledger.

A.10.i. Repayments and Cancellations for the Loan Forgiveness Programs. The Contractor shall provide to TSAC a loan repayment and 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 and 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.



The Contractor shall complete the U.S. Department of the Treasury, Internal Revenue Service Form 1098-E and distribute to student recipients on an annual basis.

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

- Student's name,
- Social security number (last four digits only),
- Student's address,
- Amount of interest accrued,
- Outstanding principal,
- Loan balance,
- Payment due date,
- Amount paid, and
- Check number.

A.10.j. Delinquency Calculations and Reports for the Loan Forgiveness Programs. 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 days delinquency. This process shall create letters and reports which correspond to the number of days delinquent. The Contractor shall provide to TSAC the data required for a report designed by TSAC, to report delinquent accounts to a collection agency.

A.10.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 grant and scholarship programs as defined by TSAC.

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 with print capability.

The reports shall include, at a minimum:

- Student name,
- Social security number (option for either full SSN or last four digits only),
- Program type,
- Amount,
- Academic year,
- High school unweighted GPA,
- High school weighted GPA,



- Adjusted Gross Income (AGI),
- Income levels,
- Race,
- Gender,
- Hours 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 in a daily, weekly, monthly, enrollment term, State fiscal year, and calendar year format to accommodate the preferences of TSAC, participating postsecondary schools, high schools, the Tennessee Higher Education Commission, the Tennessee State Department of Education, vocational rehabilitation counselors, and the U.S. Department of Education.

A.10.l. Electronic Reporting Formats.

The Contractor shall record on the grant and scholarship programs system, at a minimum, the source of the maintenance activity, the effective date, and the date TSAC was notified. All grant and scholarship programs maintenance activities should report in chronological order to avoid reporting gaps.

A.10.m. Program Management for the Grant and Scholarship Programs.

- (1) Recipient report. The Contractor shall provide a report listing the recipients who have received more than one scholarship award.

The report shall include, at a minimum:

- Student name,
- Social security number (last four digits only),
- Program name,
- Amount received, and
- Date received.



- (2) Correspondence. All correspondence distributed to students or participating postsecondary schools and high schools shall be on official TSAC letterhead. Letters to students for the grant and scholarship programs administered on-line shall be printed at the Contractor's site and shipped to the State of Tennessee Post Office for mailing. Letters to students for the grant and scholarship programs administered manually by TSAC shall be printed at TSAC. Letters to participating postsecondary schools and high schools shall also be printed at TSAC.
- (3) On-line Inquiries. The Contractor shall provide the capability for authorized TSAC personnel to make on-line inquiries to student records, postsecondary schools profiles, high school profiles, and print screens as designated by the Associate Executive Director and TSAC's Executive Director.
- (4) Updates. The Contractor will provide authorized TSAC personnel with update capability as designated by the Associate Executive Director and TSAC's Executive Director.
- (5) Purge and/or Archive Records. The Contractor shall provide the capability to purge and/or archive records from 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.
- (6) Board Report. The Contractor shall provide a report by participating postsecondary schools listing all recipients who have received a FFELP loan, grant, and/or scholarship award. This report shall be available in real-time and by academic year and number of recipients.

A.11. 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 for the grant and scholarship programs, and the Federal Family Education Loan Program. The General Ledger System must be capable of operating in the State's technical environment. (Refer to Attachment B, State of Tennessee Interface Protocols)

The General Ledger System shall reside on a server located at the Contractor's designation, approved by TSAC.

The Contractor shall provide appropriate security for all network traffic using Secure Socket Layer (SSL) and provide continuously up-to-date industry standard security for all stored data.

A.11.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.



All applicable components of the General Ledger System shall have the capability to post into and update the general ledger with relevant information. 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 the U.S. Department of Education and the State of Tennessee statutory and regulatory requirements, and complies with TSAC's 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,
- 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, and 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 reversal of entries,
- Maintain historical 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 the grant and scholarship programs and the FFELP systems.

A.11.b. Miscellaneous Accounting Activities. The Contractor shall maintain and support certain miscellaneous accounting activities for TSAC 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,
- 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.11.c. Edison. The Contractor shall provide the capability for communication between Edison and the General Ledger System to record selected Edison entries. Any communication or transfer of data shall be in the file format as specified by the General Ledger System.

A.11.d. 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 the U.S. Department of Education and the State of Tennessee statutory and regulatory requirements, and comply with TSAC's directives and initiatives for the receipt and processing of guarantee fee payments. The Contractor shall remit 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.12. Change Orders. TSAC may, at its sole discretion and with written notice to the Contractor, request changes to the functional requirements, processing procedures, or other modifications required by either the U.S. Department of Education or the State of Tennessee statutory or regulatory requirements for the Federal Family Education Loan Program and/or changes to the grant and scholarship system. Other change orders may involve enhancements other than regulatory and statutory changes. Requested changes may include modifications to the functional requirements, processing procedures, or other modifications according to a priority schedule as provided by TSAC.

A.12.a. Memorandum of Understanding. No more than ten (10) business days after receiving a signed, finalized functional design document from TSAC, the Contractor shall respond with a written proposal for completing the service. Said proposal must specify:

- (1) the effect, if any, of implementing the requested change(s) on all other services required under this Contract;
- (2) the specific effort involved in completing the change(s);
- (3) the expected date for User Acceptance Testing;
- (4) the expected schedule for completing the change(s);
- (5) the maximum number and type of person hours required for the change(s); and
- (6) the maximum cost for the change(s), PROVIDED THAT such maximum cost shall not exceed the product of the person hours required multiplied by the appropriate payment rate proposed for change order work.

The Contractor shall not perform any change order service until TSAC has approved the change order proposal. If approved, TSAC will sign the change order proposal, and it shall constitute a Memorandum of Understanding (MOU) between the Contract Parties pertaining to the specified change(s) and shall be incorporated, hereby, as a part of this Contract. (Refer to Attachment D, Schedule of Liquidated Damages)

A.12.b. Change Order Performance. Subsequent to TSAC approval of an MOU, the Contractor shall complete the required change order services. TSAC shall perform User Acceptance Testing as applicable before providing written approval of the work performed. TSAC will be the sole judge of the acceptable completion of change order work and, upon such determination, shall provide the Contractor written approval of the work.

A.12.c. Change Order Remuneration. TSAC will remunerate the Contractor only for acceptable work. All acceptable work performed pursuant to an approved MOU, without a formal amendment of this contract, shall be remunerated in accordance with and further limited by contract section C.3. Payment Methodology, provided that, the State shall be liable to the Contractor only for the cost of the actual person hours worked to complete the change order work, not to exceed the maximum cost for the change detailed in the MOU. In no instance shall TSAC be liable to the Contractor for the cost of any person hours worked in excess of the maximum person hours indicated in or of any amount exceeding the maximum cost specified by the approved MOU authorizing the service. Upon TSAC's approval of the change order work, the Contractor shall invoice TSAC in accordance with the relevant provisions of this Contract.

A.12.d. 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. (Refer to Attachment D, Liquidated Damages)



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. (Refer to Attachment D, Liquidated Damages)

A.13. Security. The Contractor is responsible for ensuring that proprietary software systems are secure and protected from unauthorized access. Standard security measures must be taken to control access to the systems and information contained within. The Contractor must provide a secure data environment. The Contractor shall have a process for all systems that includes:

- Assigning passwords,
- Screening personnel,
- Assigning password security levels,
- Assigning remote access, and
- Server and hardware room security

A.14. Audits.

A.14.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.14.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 participate in the timely resolution of such exceptions or findings.

A.14.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.

A.15. Communications. The Contractor shall provide student borrowers, parent borrowers, and TSAC participating postsecondary schools, high schools, lenders, lender servicers, and vocational rehabilitation counselors with the ability to contact TSAC and the Contractor for information by telephone, fax, on-line, and email.

A.15.a. Toll-free Telephone Service. The Contractor shall provide, at a minimum, the following telephone lines:

- One (1) dedicated 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) dedicated 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 (separate from the FFELP number for student borrowers).
- 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, and students regarding the grant and scholarship programs.
- One (1) dedicated incoming toll-free telephone number with a minimum of two (4) line roll-over capability to the TSAC offices in Nashville to handle all customer service inquiries.

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

A.15.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 TSAC with the appropriate liquidated damages 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)

(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. These performance standards will be measured daily. The Contractor shall credit TSAC with the applicable liquidated damages 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.16. Conversion. The Contractor must provide a Conversion Plan that describes the tasks, milestones, and timeframes to convert TSAC's loan data, grant and scholarship programs data, and existing processes from the current provider to the proposed solution. This plan must clearly define both TSAC's and the Contractor's responsibilities during the conversion. The Contractor shall begin testing immediately after the Contract start date 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 dependable.

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.17. Disaster Recovery Plan. The Contractor shall provide a detailed and comprehensive Disaster Recovery Plan for the Federal Family Education Loan Program and loan portfolio, grant and scholarship programs, and the General Ledger System that meets the U.S. Department of Education and the State of Tennessee statutory and regulatory requirements, and complies with TSAC's directives and initiatives. 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 or the Contractor. The Disaster Recovery Plan shall also ensure that TSAC or the Contractor has the capability to continue processing data in the event of a disaster. The Disaster Recovery Plan shall be tested, at no additional cost to TSAC, no later than six (6) months following the effective date of the contract and annually thereafter. A report on the results of each testing shall be provided to TSAC at no additional cost to TSAC.

- A.18. E-Mail Address Book. The Contractor will provide and maintain an e-mail address book for TSAC's participating postsecondary schools, high schools, vocational rehabilitation counselors, lenders, and lender servicers.

- A.19. 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, students, student borrowers, and parent borrowers. The protocols shall include, at a minimum:

- POP3,
- FTP,
- PDF,
- HTML,
- HTM,
- XML,
- HTTP,



- HTTPS,
- HDDP, and
- DHCP.

A.20. Federal Reporting.

A.20.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 no later than close of business on the third (3rd) business day prior to the U.S. Department of Education's required filing date. The Contractor shall have the capability to exchange information electronically using all of the methods, medias, and communications protocols available to TSAC. (Refer to Attachment D, Schedule of Liquidated Damages)

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 the U.S. Department of Education and the State of Tennessee statutory and regulatory requirements, and complies with TSAC's 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 ensure 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. (Refer to Attachment D, Schedule of Liquidated Damages)

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 three (3) 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. (Refer to Attachment D, Schedule of Liquidated Damages)

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.20.b. Form 1098-E. The Contractor shall complete and distribute the U.S. Department of the Treasury, Internal Revenue Service Form 1098-E to student recipients, student borrowers, and parent borrowers on an annual basis.



The Form 1098-E shall include, at a minimum:

- Student's and/or parent's name,
- Social security number,
- Account Number,
- Student's and/or parent's address,
- Amount of interest received,
- TSAC's Federal ID Number,
- TSAC's address, and
- TSAC's telephone number.

A.20.c Form 1096. The Contractor shall complete the Form 1096 and distribute to the U.S. Department of the Treasury, Internal Revenue Service with the transmittal of the Form 1098-E's.

A.21. 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.22. Source Code and Software in Escrow. The Contractor shall deposit the system source code and all software programs needed to operate the source code in escrow with an escrow company pre-approved by TSAC. Upon any update made to the system source code or related software, the Contractor shall deposit in a timely manner such updated system source code and related software into the escrow account. The Contractor shall pay all fees associated with placing and maintaining the latest source code and all related software in escrow.

A.22.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.22.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 latest system source code and all software programs needed to operate the latest source code in escrow with the approved escrow company. The Contractor shall provide TSAC with a signed letter from the approved escrow company stating that the latest source code and all related software needed to operate the latest source code have been placed in escrow and confirming TSAC's right to obtain the latest source code and all related software held in escrow in the event of Contractor default or termination as described below.

A.22.c. Default or Termination. In the event of default by the Contractor or termination for any reason of this contract or any part of this contract, the Contractor agrees to deliver to TSAC in a timely manner, and at no additional cost to TSAC, except as provided for in Section A.12. of this Contract, 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,
- All source codes held in escrow,
- All software needed to operate the latest source code held in escrow,
- Complete record of the entire loan portfolio in a medium acceptable to TSAC,
- Complete documentation listing all items in process, and
- Any other documentation, information, or software necessary for complete and functional conversion of the data base system to the new servicer.



The Contractor shall provide a test tape, within ninety (90) days prior to termination, 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 conversion data, the Contractor shall assist in the resolution of any errors which may arise relative to the content of the data.

In the event the Contractor fails to deliver the latest system source code and all related software in a timely manner to TSAC, TSAC shall have the right to obtain the latest system source code and all related software directly from the escrow company.

- A.23. Training. The Contractor shall provide training for TSAC personnel, participating postsecondary schools, high schools, and vocational rehabilitation counselors on the use of systems, relative Internet-based products, or other services as described in this Contract as requested by TSAC.
- A.24. User Guide. The Contractor will create a comprehensive users guide for designated TSAC personnel, TSAC participating postsecondary schools, high schools, lenders, lender servicers, vocational rehabilitation counselors, and students. These guides shall be easily referenced to the Federal Family Education Loan Program system, the grant and scholarship programs system, the General Ledger system, and all relative Internet-based products. The Contractor shall make the guides available on-line in a PDF format. Availability of the on-line guides shall be within ninety (90) days of the Contract start date. The Contractor shall update the guides for any changes made to the systems within five (5) business days of the change and notify the users of any changes.
- 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 and payment status for TSAA,
- Program eligibility and payment status for TELS,
- Program eligibility and payment status for Grant and Scholarships,
- Program eligibility and payment status for Loan Forgiveness Programs,
- Master Promissory Notes,
- School Certifications,
- On-line applications for the Grant and Scholarship Programs,
- Deferral forms,
- Loan discharge applications,
- Information on completing the FAFSA,
- Links,
- The 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 inquire on their on-line applications and award data through links on the TSAC website.

A.25.b. Student Borrowers. The Contractor shall provide the capability for student borrowers to 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 inquire on their Federal Family Education Loan Program loans through links on the TSAC website.

B. CONTRACT PERIOD:

This Contract shall be effective for the period beginning January 1, 2012, and ending on December 31, 2016. The Contractor hereby acknowledges and affirms that the State shall have no obligation for services rendered by the Contractor which were not performed within this specified contract period.

C. PAYMENT TERMS AND CONDITIONS:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Sixty-Seven Million Four Hundred Thirty-Six Thousand Two Hundred Seventy-Five Dollars (\$67,436,275). The payment rates in Section C.3, C.5, C.6, C.7., and C.8. shall constitute the entire compensation due the Contractor for all service and Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment 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 payment rates detailed in Section C. 3 and the payment rates detailed in Sections C.5, C.6, C.7. and C.8.

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 payment 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.
- C.3.a. Compensable Increments Section A. The Contractor's compensation shall be contingent upon the satisfactory completion of units, milestones, or increments of service defined in Section A.
- C.3.b. Payment Rates. The Contractor shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

SERVICE DESCRIPTION – YEAR 1 January 1, 2012 - December 31, 2012	AMOUNT (PER COMPENSABLE INCREMENT)
Servicing Rates for the FFEL Program and Loan Portfolio	Amount
Loans Outstanding – Interim Status A.4, A.5.	\$ 4.20 / Per Loan
Loans Outstanding – Repayment Status A.4.	\$7.88 / Per Loan
Loans Outstanding – Default Status A.8., A.9.	\$0.00 / Per Loan
Default Aversion Assistance A.6.	\$0.00 / Per Loan
Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$42.00 / Per Claim
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$42.00 / Per Claim
Treasury Offset Program (TOP) “Second Chance” A.9.g.(7)	\$7,500.00 / Annually
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$2,500.00 / Month
Monthly Maintenance Rate; Statutory and Regulatory Changes; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio	Amount
Monthly Maintenance Rate A.3. – A.5.	\$0.00 / Month
Statutory and Regulatory Change Order Hourly Rate A.12.	\$125.00 / Hour
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$125.00 / Hour
Development and Support Enhancement Rate for the Default Prevention Initiative A.7., A.12.	\$84.00 / Hour
LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID) A.4.K.	Amount



In School/Grace A.4.K.	\$2.36 / Monthly Per SSN
Repayment (Other than In School or Grace) A.4.K.	\$4.73 / Monthly Per SSN
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rates A.4.K.	\$26.25 / Per Loan
Net Commission Rates for the FFEL Program and Loan Portfolio	
	Amount
Federal Consolidation Loans as detailed in Section C.5.	8.0% / Per Loan
Payments on Defaulted Loans as detailed in Section C.6.	15.0% / Per Loan
Rehabilitation Loans as detailed in Section C.7.	15.0% / Per Loan
Enhanced Collections – Subrogation A.9.g.(4)i.	0.0% / Per Loan
Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs	
	Amount
Maintenance Rate A.10.	\$52,500.00 / Month
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	\$0.00 / Hour
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$125.00 / Hour
Development and Enhancement Change Order Rate A.12.	\$125.00 / Hour
Monthly Maintenance and Change Order Rate for the General Ledger System	
	Amount
Maintenance Rate A.11	\$125.00 / Month
Hourly Payment Rate for Change Orders A.12.	\$125.00 / Hour

SERVICE DESCRIPTION – YEAR 2 January 1, 2013 - December 31, 2013	AMOUNT (PER COMPENSABLE INCREMENT)
Servicing Rates for the FFEL Program and Loan Portfolio	
	Amount
Loans Outstanding – Interim Status A.4, A.5.	\$4.50 / Per Loan
Loans Outstanding – Repayment Status A.4.	\$8.40 / Per Loan
Loans Outstanding – Default Status A.8., A.9.	\$0.00 / Per Loan
Default Aversion Assistance A.6.	\$0.00 / Per Loan
Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$44.52 / Per Claim
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$44.52 / Per Claim



Treasury Offset Program (TOP) "Second Chance" A.9.g.(7)	\$7,500.00 / Annually
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$2,500.00 / Month
Monthly Maintenance Rate; Statutory and Regulatory Changes; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio	
Monthly Maintenance Rate A.3. – A.5.	\$0.00 / Month
Statutory and Regulatory Change Order Hourly Rate A.12.	\$128.75 / Hour
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$128.75 / Hour
Development and Support Enhancement Rate for the Default Prevention Initiative A.7., A.12.	\$87.00 / Hour
LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID) A.4.K.	
In School/Grace A.4.K.	\$2.50 / Monthly Per SSN
Repayment (Other than In School or Grace) A.4.K.	\$5.01 / Monthly Per SSN
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rates A.4.K.	\$27.83 / Per Loan
Net Commission Rates for the FFEL Program and Loan Portfolio	
Federal Consolidation Loans as detailed in Section C.5.	8.0% / Per Loan
Payments on Defaulted Loans as detailed in Section C.6.	15.0% / Per Loan
Rehabilitation Loans as detailed in Section C.7.	16.0% / Per Loan
Enhanced Collections – Subrogation A.9.g.(4)i.	0.0% / Per Loan
Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs	
Maintenance Rate A.10.	\$52,500 / Month
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	\$0.00 / Hour



Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$128.75 / Hour
Development and Enhancement Change Order Rate A.12.	\$128.75 / Hour
Monthly Maintenance and Change Order Rate for the General Ledger System	
	Amount
Maintenance Rate A.11	\$128.75 / Month
Hourly Payment Rate for Change Orders A.12.	\$128.75 / Hour

SERVICE DESCRIPTION – YEAR 3 January 1, 2014 - December 31, 2014	AMOUNT (PER COMPENSABLE INCREMENT)
Servicing Rates for the FFEL Program and Loan Portfolio	
	Amount
Loans Outstanding – Interim Status A.4, A.5.	\$4.90 / Per Loan
Loans Outstanding – Repayment Status A.4.	\$9.00 / Per Loan
Loans Outstanding – Default Status A.8., A.9.	\$0.00 / Per Loan
Default Aversion Assistance A.6.	\$0.00 / Per Loan
Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$47.64 / Per Claim
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$47.64 / Per Claim
Treasury Offset Program (TOP) “Second Chance” A.9.g.(7)	\$7,500.00 / Annually
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$2,500.00 / Month
Monthly Maintenance Rate; Statutory and Regulatory Changes; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio	
	Amount
Monthly Maintenance Rate A.3. – A.5.	\$0.00 / Month
Statutory and Regulatory Change Order Hourly Rate A.12.	\$132.61 / Hour
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$132.61 / Hour
Development and Support Enhancement Rate for the Default Prevention Initiative A.7., A.12.	\$90.00 / Hour



LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID) A.4.K.	Amount
In School/Grace A.4.K.	\$2.68 / Monthly Per SSN
Repayment (Other than In School or Grace) A.4.K.	\$5.36 / Monthly Per SSN
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rates A.4.K.	\$29.77 / Per Loan
Net Commission Rates for the FFEL Program and Loan Portfolio	
Federal Consolidation Loans as detailed in Section C.5.	8.0% / Per Loan
Payments on Defaulted Loans as detailed in Section C.6.	15.0% / Per Loan
Rehabilitation Loans as detailed in Section C.7.	16.5% / Per Loan
Enhanced Collections – Subrogation A.9.g.(4)i.	0.0% / Per Loan
Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs	
Maintenance Rate A.10.	\$52,500 / Month
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	\$0.00 / Hour
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$132.61 / Hour
Development and Enhancement Change Order Rate A.12.	\$132.61 / Hour
Monthly Maintenance and Change Order Rate for the General Ledger System	
Maintenance Rate A.11	\$132.61 / Month
Hourly Payment Rate for Change Orders A.12.	\$132.61 / Hour

SERVICE DESCRIPTION – YEAR 4 January 1, 2015 - December 31, 2015	AMOUNT (PER COMPENSABLE INCREMENT)
Servicing Rates for the FFEL Program and Loan Portfolio	
Loans Outstanding – Interim Status A.4, A.5.	\$5.30 / Per Loan
Loans Outstanding – Repayment Status A.4.	\$9.70 / Per Loan
Loans Outstanding – Default Status A.8., A.9.	\$0.00 / Per Loan
Default Aversion Assistance A.6.	\$0.00 / Per Loan



Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$50.97 / Per Claim
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$50.97 / Per Claim
Treasury Offset Program (TOP) "Second Chance" A.9.g.(7)	\$7,500.00 / Annually
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$2,500.00 / Month
Monthly Maintenance Rate; Statutory and Regulatory Changes; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio	
Monthly Maintenance Rate A.3. – A.5.	\$0.00 / Month
Statutory and Regulatory Change Order Hourly Rate A.12.	\$136.59 / Hour
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$136.59 / Hour
Development and Support Enhancement Rate for the Default Prevention Initiative A.7., A.12.	\$93.00 / Hour
LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID) A.4.K.	
In School/Grace A.4.K.	\$2.87 / Monthly Per SSN
Repayment (Other than In School or Grace) A.4.K.	\$5.73 / Monthly Per SSN
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rates A.4.K.	\$31.86 / Per Loan
Net Commission Rates for the FFEL Program and Loan Portfolio	
Federal Consolidation Loans as detailed in Section C.5.	8.0% / Per Loan
Payments on Defaulted Loans as detailed in Section C.6.	15.0% / Per Loan
Rehabilitation Loans as detailed in Section C.7.	17.0% / Per Loan
Enhanced Collections – Subrogation A.9.g.(4)i.	0.0% / Per Loan
Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs	
Maintenance Rate A.10.	\$52,500.00 / Month



Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	\$0.00 / Hour
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$136.59 / Hour
Development and Enhancement Change Order Rate A.12.	\$136.59 / Hour
Monthly Maintenance and Change Order Rate for the General Ledger System	
	Amount
Maintenance Rate A.11	\$136.59 / Month
Hourly Payment Rate for Change Orders A.12.	\$136.59 / Hour

SERVICE DESCRIPTION – YEAR 5 January 1, 2016 - December 31, 2016	AMOUNT (PER COMPENSABLE INCREMENT)
Servicing Rates for the FFEL Program and Loan Portfolio	
	Amount
Loans Outstanding – Interim Status A.4, A.5.	\$5.70 / Per Loan
Loans Outstanding – Repayment Status A.4.	\$10.40 / Per Loan
Loans Outstanding – Default Status A.8., A.9.	\$0.00 / Per Loan
Default Aversion Assistance A.6.	\$0.00 / Per Loan
Payment of Claim Files A.8., A.8.d., and A.8.d.(3)	\$54.54 / Per Claim
Supplemental Claims Purchased A.8., A.8.d., A.8.d.(3)	\$54.54 / Per Claim
Treasury Offset Program (TOP) “Second Chance” A.9.g.(7)	\$7,500 / Annually
Data Warehousing – Data Transmission (Monthly Upon Delivery) A.4.f.	\$2,500 / Month
Monthly Maintenance Rate; Statutory and Regulatory Changes; and Development and Support Enhancement Change Order Rate for the FFEL Program and Loan Portfolio	
	Amount
Monthly Maintenance Rate A.3. – A.5.	\$0.00 / Month
Statutory and Regulatory Change Order Hourly Rate A.12.	\$140.69 / Hour
Development and Support Enhancement Change Order Rate (Including, but not limited to: Electronic Reports, Data Warehousing, Electronic File Transfer, GAFR/NSLDS Reasonability Rate, and Electronic File Transfer Rehabilitation Report) A.12.	\$140.69 / Hour
Development and Support Enhancement Rate for the Default Prevention Initiative A.7., A.12.	\$96.00 / Hour



LLR Servicing (Monthly per Social Security Number (SSN) – The Combined Loans for a Borrower Under the Same Lender ID) A.4.K.	Amount
In School/Grace A.4.K.	\$3.07 / Monthly Per SSN
Repayment (Other than In School or Grace) A.4.K.	\$6.14 / Monthly Per SSN
Lender of Last Resort (LLR) Originating for Stafford, PLUS, and GradPlus only - Time and Material Rates A.4.K.	\$34.09 / Per Loan
Net Commission Rates for the FFEL Program and Loan Portfolio	
	Amount
Federal Consolidation Loans as detailed in Section C.5.	8.0% / Per Loan
Payments on Defaulted Loans as detailed in Section C.6.	15.0% / Per Loan
Rehabilitation Loans as detailed in Section C.7.	18.0% / Per Loan
Enhanced Collections – Subrogation A.9.g.(4)i.	0.0% / Per Loan
Monthly Maintenance; Statutory and Regulatory Change Orders; and Development and Enhancement Change Order Rate for the Grant and Scholarship Programs	
	Amount
Maintenance Rate A.10.	\$52,500 / Month
Statutory and Regulatory Change Order Rate up to 700 Hours A.12.	\$0.00 / Hour
Statutory and Regulatory Change Order Rate in excess of 700 Hours A.12.	\$140.69 / Hour
Development and Enhancement Change Order Rate A.12.	\$140.69 / Hour
Monthly Maintenance and Change Order Rate for the General Ledger System	
	Amount
Maintenance Rate A.11	\$140.69 / Month
Hourly Payment Rate for Change Orders A.12.	\$140.69 / Hour

C.3.c. Change Orders. The Contractor shall be compensated for changes requested and performed pursuant to Contract Section A.12, without a formal amendment of this contract based upon the payment rates detailed in the schedule below and as agreed pursuant to said Section A.12, provided that compensation to the Contractor for such "change order" work shall not exceed two percent (2 %) of the contract Maximum Liability. If, at any point during the Contract period, the State determines that the cost of necessary "change order" work would exceed said maximum amount, the State may amend this Contract to address the need.

C.3.d. Loan Yields as per Legislative Mandates. 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.

- C.4. Estimated Volume. The estimated volume for the Loan Program and Loan Portfolio is listed in Attachment F in this Contract. 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.
- C.5. 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 Percent (2.0%) which shall be retained by the State (for a current net commission rate of Eight Percent (8.0%) for the Contractor). 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. 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.

- C.6. 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 (1.0%) which shall be retained by the State (for a current net commission rate of Fifteen Percent (15.0%) 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. 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. 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.

- C.7. 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 Three Point Five Percent (3.5%) which shall be retained by TSAC (for a current net commission rate of Fifteen Percent (15.0%) for the Contractor for Year 1, January 1, 2012 through December 31, 2012; less Two Point Five Percent (2.5%) which shall be retained by TSAC (for a current net commission rate of Sixteen Percent (16.0%) for the Contractor for Year 2, January 1, 2013 through December 31, 2013; less Two Percent (2.0%) which shall be retained by TSAC (for a current net commission rate of Sixteen Point Five Percent (16.5%) for the Contractor for Year 3, January 1, 2014 through December 31, 2014; less One Point Five Percent (1.5%) which shall be retained by TSAC (for a current net commission rate of Seventeen Percent (17%) for the Contractor for Year 4, January 1, 2015 through December 31, 2015; and less Point Five Percent (0.5%) which shall be retained by TSAC (for a current net commission rate of Eighteen Percent (18.0%) for the Contractor for Year 5, January 1, 2016 through December 31, 2016; . 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. All enhancements and modifications are also subject to TSAC's prior approval. The commission due the Contractor as described above shall be determined by the product of (i) such commission percentage described above, multiplied by (ii) the outstanding principal balance and accrued and unpaid interest on the



applicable rehabilitated loan, less 50.0% of the difference between such outstanding balance and the discounted amount which TSAC receives in any sale of such rehabilitated loan to an unrelated third party.

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.

- C.8. Default Cohort Rate. Should the Contractor maintain a cohort default rate (as referenced in A.4.b.) 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).

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

- C.9. Retention of Final Payment. An amount of Six Hundred Seventy-Four Thousand Three Hundred Sixty-Two Dollars (\$ 674,362.00), 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.
- C.10. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.11. Invoice Requirements. The Contractor shall invoice the State only for completed increments of service and for the amount stipulated in section C.3, above, and present said invoices no more often than monthly, with all necessary supporting documentation, to:

Tennessee Student Assistance Corporation
 Suite 1510 Parkway Towers
 404 James Robertson Parkway
 Nashville, TN 37243

- a. Invoice Detail. Each invoice shall clearly and accurately detail all of the following required information (calculations must be extended and totaled correctly).
- (1) Invoice Number (assigned by the Contractor)
 - (2) Invoice Date
 - (3) Contract Number (assigned by the State)
 - (4) Customer Account Name: Tennessee Student Assistance Corporation
 - (5) Customer Account Number (assigned by the Contractor to the above-referenced Customer)
 - (6) Contractor Name
 - (7) Contractor Federal Employer Identification, Social Security, or Tennessee Edison Registration ID Number Referenced in Preamble of this Contract
 - (8) Contractor Contact for Invoice Questions (name, phone, and/or fax)
 - (9) Contractor Remittance Address
 - (10) Description of Delivered Service



- (11) Complete Itemization of Charges, which shall detail the following:
 - i. Service or Milestone Description (including name & title as applicable) of each service invoiced
 - ii. Number of Completed Units, Increments, Hours, or Days as applicable, of each service invoiced
 - iii. Applicable Payment Rate (as stipulated in Section C.3.) of each service invoiced
 - iv. Amount Due by Service
 - v. Less Amount Due as per Liquidated Damages referenced in A.14.b.
 - vi. Less Amount Due as per Liquidated Damages referenced in A.14.b.(1)
 - vii. Total Amount Due for the invoice period

b. Invoice Criteria. The Contractor understands and agrees that an invoice under this Contract shall:

- (1) include only charges for service described in Contract Section A and in accordance with payment terms and conditions set forth in Contract Section C;
- (2) only be submitted for completed service and shall not include any charge for future work;
- (3) not include sales tax or shipping charges; and
- (4) initiate the timeframe for payment (and any discounts) only when the State is in receipt of the invoice, and the invoice meets the minimum requirements of this section C.5.

C.12. Payment of Invoice. A payment by the State shall not prejudice the State's right to object to or question any payment, invoice, or matter in relation thereto. A payment by the State shall not be construed as acceptance of any part of the work or service provided or as approval of any amount invoiced.

C.13. 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.14. 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.15. Prerequisite Documentation. The Contractor shall not invoice the State under this Contract until the State has received the following documentation properly completed.

a. The Contractor shall complete, sign, and present to the State an "Authorization Agreement for Automatic Deposit (ACH Credits) Form" provided by the State. By doing so, the Contractor acknowledges and agrees that, once said form is received by the State, 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).

b. The Contractor shall complete, sign, and present to the State a "Substitute W-9 Form" provided by the State. The taxpayer identification number detailed by said form must agree with the Contractor's Federal Employer Identification Number or Tennessee Edison Registration ID referenced in this Contract.

D. STANDARD TERMS AND CONDITIONS:



- D.1. Required Approvals. The State is not bound by this Contract until it is signed by the contract parties and approved by appropriate officials in accordance with applicable Tennessee laws and regulations (depending upon the specifics of this contract, said officials may include, but are not limited to, the Commissioner of Finance and Administration, the Commissioner of Human Resources, and the Comptroller of the Treasury).
- D.2. Modification and Amendment. This Contract may be modified only by a written amendment signed by all parties hereto and approved by both the officials who approved the base contract and, depending upon the specifics of the contract as amended, any additional officials required by Tennessee laws and regulations (said officials may include, but are not limited to, the Commissioner of Finance and Administration, the Commissioner of Human Resources, and the Comptroller of the Treasury).
- D.3. Termination for Convenience. The Contract may be terminated by either party by giving written notice to the other, at least ninety (90) days before the effective date of termination. Should the State exercise this provision, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Should the Contractor exercise this provision, the State shall have no liability to the Contractor except for those units of service which can be effectively used by the State. The final decision as to what these units of service are, shall be determined by the State. In the event of disagreement, the Contractor may file a claim with the Tennessee Claims Commission to seek redress.
- 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 terminate the Contract and withhold payments in excess of fair compensation for completed services.
- a. The State will provide notification of termination for cause in writing. This notice will: (1) specify in reasonable detail the nature of the breach; (2) provide the Contractor with an opportunity to cure, which must be requested in writing no less than 10 days from the date of the Termination Notice; and (3) shall specify the effective date of termination in the event the Contractor fails to correct the breach. The Contractor must present the State with a written request detailing the efforts it will take to resolve the problem and the time period for such resolution. This opportunity to "cure" shall not apply to circumstances in which the Contractor intentionally withholds its services or otherwise refuses to perform. The State will not consider a request to cure contract performance where there have been repeated problems with respect to identical or similar issues, or if a cure period would cause a delay that would impair the effectiveness of State operations. In circumstances where an opportunity to cure is not available, termination will be effective immediately.
- b. Notwithstanding the foregoing, 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, each shall contain, at a minimum, sections of this Contract below pertaining to "Conflicts of Interest," "Nondiscrimination," and "Records" (as identified by the section headings). 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.

The Contractor acknowledges, understands, and agrees that this Contract shall be null and void if the Contractor is, or within the past six months has been, an employee of the State of Tennessee or if the Contractor is an entity in which a controlling interest is held by an individual who is, or within the past six months has been, an employee of the State of Tennessee.

- 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 handicap, 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. Prohibition of Illegal Immigrants. The requirements of *Tennessee Code Annotated*, Section 12-4-124, *et seq.*, 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. Written Attestation. 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 H, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the Contractor and made available to state officials upon request.
 - b. Written Attestation Semi-Annually. 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. Records. 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. Sanctions. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of *Tennessee Code Annotated*, Section 12-4-124, *et seq.* 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. Definition. 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.

- D.9. Records. The Contractor shall maintain documentation for all charges 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.10. Prevailing Wage Rates. All contracts for construction, erection, or demolition or to install goods or materials that involve the expenditure of any funds derived from the State require compliance with the prevailing wage laws as provided in *Tennessee Code Annotated*, Section 12-4-401 *et seq.*
- D.11. 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.12. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.
- D.13. 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.14. 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.15. State Liability. The State shall have no liability except as specifically provided in this Contract.
- D.16. 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, natural disasters, riots, wars, epidemics, or any other similar cause.
- D.17. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.
- D.18. 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.19. 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.20. 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.21. 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 certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The State:

Peter Abernathy, Senior Associate Executive Director and Staff Attorney
Tennessee Student Assistance Corporation
Suite 1510 Parkway Towers
404 James Robertson Parkway
Nashville, TN 37243-0820
Email: Peter.Abernathy@tn.gov
Telephone Number: 615.532.6065
Fax Number: 615.741.5555

The Contractor:

Edward Martinez, Executive Director
Nelnet Guarantor Solutions, LLC
3015 South Parker Road, Suite 400
Aurora, CO 80014
Ed.Martinez@nelnet.net
Telephone Number: 303.696.5456
Fax Number: 303.696.5640

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.



- 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. 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 (TCRS), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established pursuant to *Tennessee Code Annotated*, Title 8, Chapter 35, Part 3 accepts 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, if a retired member of TCRS, may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the period of this Contract.
- E.5. Confidentiality of Records. Strict standards of confidentiality of records and information shall be maintained in accordance with applicable state and federal 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 applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards. Such confidential information 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 applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards.

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. Nothing in this paragraph shall permit Contractor to disclose any information that is confidential under federal or state law or regulations, regardless of whether it has been disclosed or made available to the Contractor due to intentional or negligent actions or inactions of agents of the State or third parties.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

- E.6. 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 pursuant to this contract unless a printing authorization number has been obtained and affixed as required by *Tennessee Code Annotated*, Section 12-7-103 (d).
- E.7. Ownership of Software and Work Products.
- a. Definitions.



- (1) "Contractor-Owned Software," which shall mean commercially available software the rights to which are owned by Contractor, including but not limited to commercial "off-the-shelf" software which is not developed using State's money or resources.
- (2) "Custom-Developed Application Software," which shall mean customized application software developed by Contractor solely for State.
- (3) "Rights Transfer Application Software," which shall mean any pre-existing application software owned by Contractor or a third party, provided to State and to which Contractor will grant and assign, or will facilitate the granting and assignment of, all rights, including the source code, to State.
- (4) "Third-Party Software," which shall mean software not owned by the State or the Contractor.
- (5) "Work Product," which shall mean all deliverables exclusive of hardware, such as software, software source code, documentation, planning, etc., that are created, designed, developed, or documented by the Contractor for the State during the course of the project using State's money or resources, including Custom-Developed Application Software. If the system solution includes Rights Transfer Application Software, the definition of Work Product shall also include such software.

b. Rights and Title to the Software

- (1) All right, title and interest in and to the Contractor-Owned Software shall at all times remain with Contractor, subject to any license granted herein.
- (2) All right, title and interest in and to the Work Product, and to modifications thereof made by State, including without limitation all copyrights, patents, trade secrets and other intellectual property and other proprietary rights embodied by and arising out of the Work Product, shall belong to State. To the extent such rights do not automatically belong to State, Contractor hereby assigns, transfers, and conveys all right, title and interest in and to the Work Product, including without limitation the copyrights, patents, trade secrets, and other intellectual property rights arising out of or embodied by the Work Product. Contractor shall execute any other documents that State or its counsel deem necessary or desirable to document this transfer and/or allow State to register its claims and rights to such intellectual property rights or enforce them against third parties, and Contractor shall cooperate fully in the foregoing endeavors.
- (3) All right, title and interest in and to the Third-Party Software shall at all times remain with the third party, subject to any license granted thereby.

c. Nothing in this Contract shall prohibit the Contractor's use for its own purposes of the general knowledge, skills, experience, ideas, concepts, know-how, and techniques obtained and used during the course of providing the services requested under this Contract.

d. Nothing in the Contract shall prohibit the Contractor from developing for itself, or for others, materials which are similar to and/or competitive with those that are produced under this Contract.

E.8. Incorporation of Additional Documents. Each of the following documents is included as a part of this Contract by reference. In the event of a discrepancy or ambiguity regarding the Contractor's



duties, responsibilities, and performance under this Contract, these items shall govern in order of precedence below.

- a. Contract. This Contract document with any attachments or exhibits (excluding the items listed at subsections b. through e., below);
 - b. Proposal Clarifications and/or Addenda. Any clarifications of or addenda to the Contractor's proposal seeking this Contract;
 - c. State Solicitation. The State solicitation, as may be amended, requesting proposals in competition for this Contract;
 - d. Technical Specifications. Any technical specifications provided to proposers during the procurement process to award this Contract;
 - e. Proposal. The Contractor's proposal seeking this Contract.
- E.9. 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. It is expressly understood and agreed that the obligations set forth in this section shall survive the termination of this Contract in perpetuity.
- E.10. Lobbying. The Contractor certifies, to the best of its knowledge and belief, that:
- a. No federally appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of 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, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.
 - b. 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.
 - c. The Contractor shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.
- This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into and is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, *U.S. Code*.
- E.11. Contractor Commitment to Diversity. The Contractor shall comply with and make reasonable business efforts to exceed the commitment to diversity represented by the Contractor's proposal responding to RFP33205-02711 (Attachment 6.2, Section B, Item B.15) and resulting in this Contract.



The Contractor shall assist the State in monitoring the Contractor's performance of this commitment by providing, as requested, a quarterly report of participation in the performance of this Contract by small business enterprises and businesses owned by minorities, women, and persons with a disability. Such reports shall be provided to the state of Tennessee Governor's Office of Diversity Business Enterprise in form and substance as required by said office.

- E.12. Performance Bond. The Contractor shall provide to the State a performance bond guaranteeing full and faithful performance of all undertakings and obligations under this Contract and in the amount equal Ten Million Dollars (\$10,000,000.00). The Contractor shall submit the bond no later than the day immediately preceding the Contract start date and in the manner and form prescribed by the State (at Attachment Reference I), and the bond shall be issued through a company licensed to issue such a bond in the state of Tennessee. The performance bond shall guarantee full and faithful performance of all undertakings and obligations under this Contract for the first, calendar year of the Contract (ending December 31st following the Contract start date) in the amount of Ten Million Dollars (\$10,000,000.00) and, thereafter, a new performance bond in the amount of Ten Million Dollars (\$10,000,000.00) covering each subsequent calendar year of the contract period. In which case, the Contractor shall provide such performance bonds to the State no later than each December 10th preceding the calendar year period covered beginning on January 1st of each year.

Failure to provide to the State the performance bond(s) as required herein prior to the Contract start date and, as applicable, no later than December 10th preceding each calendar year period covered beginning on January 1st of each year, shall result in contract termination. The Contractor understands that the stated amount of the performance bond required hereunder shall not be reduced during the contract period for any reason. 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.

- E.13. 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."

- E.13.a. Contractor Breach— The State shall notify Contractor in writing of a Breach.

- (1) Actual Damages 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 D 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.

E.13.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.14. 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 90 (ninety) 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.15. Unencumbered Personnel. All persons assigned by the Contractor to perform services for the State under this Contract, whether they are employees, agents, subcontractors, or principals of the Contractor, shall not be subject to any employment contract or restrictive covenant provisions which would preclude those persons from performing the same or similar services for the State after the termination of this Contract, either as a State employee, an independent contractor, or an employee, agent, subcontractor or principal of another contractor with the State. If the Contractor provides the State with the services of any person subject to a restrictive covenant or contractual provision in violation of this provision, any such restrictive covenant or contractual provision will be void and unenforceable, and the Contractor will pay the State and any person involved all of its expenses, including attorney's fees, caused by attempts to enforce such provisions.
- E.16. Disclosure of Personal Identity Information. The Contractor shall report to the State any instances of unauthorized disclosure of confidential information that come to the attention of the Contractor. Any such report shall be made by the Contractor within twenty-four (24) hours after the instance has come to the attention of the Contractor. The Contractor, at the sole discretion of the State, shall provide no cost credit monitoring services for individuals that are deemed to be part of a potential disclosure. The Contractor shall bear the cost of notification to individuals having personal identity information involved in a potential disclosure event, including individual letters and/or public notice.
- E.17. 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 G, 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.18. 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.19. 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 agrees to comply with all terms and conditions applicable to TSAC in any agreement entered into by TSAC for on-line check deposit services as though fully set forth herein and agrees to indemnify and hold harmless the State should the Contractor be sued as a result of the Contractor's failure to comply with such Agreement.

The Contractor must report all losses to TSAC on a monthly basis.

E.20. Communications. 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.21. Liability of Contractor. If Contractor takes or fails to take any action which constitutes a Breach in connection with servicing responsibilities under this Contract (whether or not such action or inaction amounts to negligence), Contractor shall have a reasonable time to cause such Breach to be cured. If such Breach is not cured within twelve (12) months of Contractor's discovery of such Breach, Contractor shall reimburse TSAC for losses resulting from such Breach.

In no event will Contractor be liable under any theory of tort, contract, strict liability or other legal or equitable theory for any lost profits or exemplary, punitive, special, incidental, indirect or



consequential damages, each of which is hereby excluded by agreement of the parties regardless of whether or not Contractor has been advised of the possibility of such damages. Any action for the Breach of any provisions of this Contract shall be commenced within one (1) year after the deadline for Contractor to cure such Breach.

These limitations on Contractor's liability and exclusion of damages are independent of any other remedy or provision herein and shall not be affected by Contractor's inability to perform or cure any error or any failure of any other remedy or provision.

In no event shall the Contractor be liable for any damages caused by TSAC's failure to perform its responsibilities under this Contract or TSAC's violation or failure to comply with any applicable law or governmental regulation in respect of a Loan or participation in any Loan program.

Either party shall have the right to mitigate its liability under this Contract by taking such actions as may be appropriate including, but not limited to, performance of services by Contractor in order to avert any loss to TSAC.

Contractor shall be entitled to rely upon any information or data supplied to it by TSAC, any party on TSAC's behalf, or any third party, including lenders, educational institutions, and borrowers and shall have no liability for any error or loss if any such information or data is incomplete or inaccurate. Furthermore, Contractor shall have no liability for its failure to comply with any rule, regulation or requirement applicable to any of the Loans, including without limitation any change in any interpretation, claim review process, or enforcement of policies, procedures or practices with respect thereto, which was not articulated in writing and actually made known to Contractor or to the student loan industry generally a reasonable period in advance of its implementation.

E.22. Approvals. Any approval or consent required in this Contract shall not be unreasonably delayed, withheld, or conditioned by the party which is requested to give such approval or consents.

IN WITNESS WHEREOF,

NELNET GUARANTOR SOLUTIONS, LLC:

William J. Munn, Secretary

December 29, 2011
DATE

TENNESSEE STUDENT ASSISTANCE CORPORATION:

RICHARD G. RHODA, EXECUTIVE DIRECTOR

12/29/11
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 an 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.

Common Account Maintenance (CAM): Common Account Maintenance (CAM) is the FFELP industry standard created for service providers to exchange information updates on borrower and loan record. The transactions defined within CAM fall into three categories: General Account Maintenance (with 21 transactions), Default Aversion (with 5 transactions), and Claim Processing (with 12 transactions). These are in broad use among service providers, but have not yet been universally adopted.

CAM is owned by the National Council of Higher Education Loan Programs (NCHELP) Electronic Standards Committee (ESC), specifically the ESC General Account Maintenance Advisory Team (GAMAT) and the ESC Default Aversion and Claims Advisory Team (DACAT).

Primary participants in the ongoing maintenance of the Common Account Maintenance standard are the members of the ESC and the listed Advisory Teams.

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.

Default Status: The failure of a borrower (or endorser or comaker, if any) to make installment payments when due, provided that this failure persists for the most recent period of 270 days (for a loan repayable in monthly installments) or the most recent 330-day period (for a loan repayable in less frequent installments). A loan also may be considered in default if the borrower (or endorser or comaker, if any)



fails to meet other terms of the promissory note or other written agreement(s) with the lender under circumstances where the Department or guarantor of the loan reasonably concludes that the borrower no longer intends to honor the borrower's obligation to repay the loan.

Delinquency: A period that begins on the day after the due date of a payment when the borrower fails to make the equivalent of one full payment.

Edison: Project Edison is the State of Tennessee's Enterprise Resource Planning (ERP) system. ERP systems use an integrated software package to perform administrative business functions, such as financials and accounting, procurement, payroll, benefits, and personnel administration. Edison uses a common database that allows the system to share information between business functions within an agency, and across agencies statewide.

The Edison system (PeopleSoft ERP current version is 8.9) provides the functionality for third party applications to electronically interface specific transactions into the Edison application. These transactions can be transmitted either via flat file or web services. Flat file transmissions will use SFTP - and for transmissions originating outside of the State network, encryption of data at rest is required. All file or web service data transmissions will conform to the published file specifications. Examples of the two flat files currently used by TSAC (AP and PO) are available upon request.

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.

Interim Period: The period during which a Stafford loan borrower is in the in-school or grace period. If the borrower returns to school before the grace period is fully used, the borrower continues to qualify for in-school status and to be considered in the interim period. *Does not apply to PLUS loans.*

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)

National Student Loan Clearinghouse (NSLC): NSLC provides a central repository for information on the enrollment of Qualifying Program borrowers who are currently attending or have attended educational institutions. The educational institutions have appointed NSLC to be their agent for the purposes of satisfying their obligations to report to lenders, guaranty agencies, and the U.S. Department of Education information on the enrollment status of Qualifying Program borrowers (including students on whose behalf a Federal PLUS loan was made).

TSAC contracts with the NSLC for the purpose of collecting information on the enrollment of Qualifying Program borrowers (including students on whose behalf a Federal PLUS loan was made), and to satisfy TSAC's federal obligation to report enrollment information to lenders and lender servicers.



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.

Repayment Status: The period during which payments of principal and interest are required. The repayment period follows any applicable in-school or grace period and excludes any period of authorized deferment or forbearance.

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.

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 specifics 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 specifics the scope, approach, resources, and schedule of intended testing activities. The role of a test plan is to guide testing activities. It is a managerial document, not a technical one. In essence, it is a project plan for testing, and being a project plan, should set goals and define resources.

The standard setting organization, IEEE, identifies the following as subjects to be addressed in a Test Plan:



- Test Plan ID,
- Introduction,
- Test Items,
- Features to be Tested,
- Features not to be Tested,
- Approach,
- Item Pass/Fail Criteria,
- Suspension Criteria and Resumption Requirements,
- Test Deliverables,
- Testing Tasks,
- Environmental Needs,
- Responsibilities,
- Staffing Needs,
- Training Needs,
- Schedule,
- Risks and Contingencies, and
- Approvals.

Unit Test Plan: Documents a single unit test and describes how Unit tests are to be performed by the developer. This plan will include procedures and requirements needed to perform these tests.

User Acceptance Test Plan: Describe how UAT tests will be conducted, what tests will be conducted and what resources and training will be required for this testing phase.

Work Plan: Describes the work activities for accomplishing deliverables, schedule, resources, scheduled start/end dates for each task and budget details for the project. Much of this content may be in appendices that are maintained as living documents, supported by project planning and tracking tools. Include, at a minimum, a list of the key elements in the project work breakdown structure and a description of those activities. The Work Plan provides the basis against which project cost and schedule status may be regularly measured as the project proceeds.



STATE OF TENNESSEE INTERFACE PROTOCOLS

Tennessee Student Assistance Corporation - Data networking services for TSAC are centrally "hosted" from the State's Capitol Complex Service Center (CCSC - Data Center), delivered through the Down-Town Metropolitan Area Network (MAN) Infrastructure.

File and E-Mail services are as follows:

- a. File Services - Microsoft Windows Active Directory Services, on VMWare, running Windows 2003 Enterprise Server Operating System.
- b. E-Mail Services - Novell GroupWise Ver. 8 , on "stand-alone" and/or "cluster" environment, running Novell NetWare Ver. 6 and Novell OES2 (Linux) Operating Systems,

Tennessee Department of Safety uses an IBM mainframe platform with IMS databases and DB2 tables.

Tennessee Department of Labor uses a Bull 9000 platform with the GCOS8 operating system and IDS-II databases.

**LINKS TO STATUTORY AND REGULATORY REQUIREMENTS**

Federal Family Education Loan Program

<http://www2.ed.gov/programs/ffel/index.html>

http://www.access.gpo.gov/nara/cfr/waisidx_03/34cfr682_03.html

<http://www.tennessee.gov/sos/rules/1640/1640.htm> Tenn. Comp. R. and Regs. 1640-01-02

Robert C. Byrd Program

<http://www2.ed.gov/programs/iduesbyrd/index.html>

http://edocket.access.gpo.gov/cfr_2005/julqtr/pdf/34cfr668.26.pdf

<http://www.tennessee.gov/sos/rules/1640/1640.htm> Tenn. Comp. R. and Regs. 1640-01-16

Rules of the Tennessee Student Assistance Corporation

<http://www.tennessee.gov/sos/rules/1640/1640.htm>

Tennessee Code Annotated

<http://www.michie.com/tennessee/> (Select Title 49)



SCHEDULE OF LIQUIDATED DAMAGES

Assessed liquidated damages shall be subject to the approval of TSAC's Executive Director.

1. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per loan identified as an error by NSLDS that is not resolved within the specified time frame.
(Section A.4.o.)
2. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per loan not processed within the specified time frame.
(Sections A.5.g. and A.6.e.)
3. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per letter not distributed within the specified time frame.
(Sections A.6.f., A.9.b.(1), and A.9.b.(2))
4. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per claim file that is not recorded on the system within the specified time frame.
(Section A.8.b.(3))
5. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per claim file not returned, rejected, or approved for payment within the specified time frame.
(Section A.8.d.)
6. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per returned or rejected claim file that is unable to be resolved not returned within the specified time frame.
(Section A.8.d.(1) and A.8.d.(2))
7. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per claim file not scheduled for payment within the specified time frame.
(Section A.8.d.(3))
8. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per claim file not reviewed within the specified time frame.
(Section A.8.d.(6))
9. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per claim file not returned to TSAC within the specified time frame.
(Sections A.8.f., A.8.g., A.8.h., A.8.i., A.8.j., and A.8.k.)
10. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per Unpaid Refund Application not sent to TSAC for review within the specified time frame.
(Section A.8.l.)
11. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per dispute not responded to within the specified time frame.
(Section A.9.b.(4))



12. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) day per payment not processed within the specified time frame.
(Section A.9.c.)
13. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per borrower or endorser not properly processed as per the specified action.
(Section A.8.e. and Section A.9.e.)
14. The Contractor may be subject to a liquidated damage of five dollars (\$5.00) per day per borrower per action, or inaction, within the specified time frame.
(Section A.9.g.(2))
15. The Contractor may be subject to a liquidated damage of twenty-five dollars (\$25.00) per day per for each day the report is not received within the specified time frame.
(Section A.11.d.)
16. The Contractor may be subject to a liquidated damage of one thousand dollars (\$1,000.00) per day per agreed upon change not delivered by the agreed upon date.
(Section A.12.a.)
17. The Contractor may be subject to a liquidated damage of one thousand dollars (\$1,000.00) per day per defect not corrected within the specified time frame.
(Section A.12.d.)
18. The Contractor may be subject to a liquidated damage of ten dollars (\$10.00) per day per call not handled within the specified time frames or as directed.
(Sections A.15.b and A.15.b.(1))
19. The Contractor may be subject to a liquidated damage of two hundred fifty dollars (\$250.00) per day for each day the report is submitted beyond the specified deadline.
(Section A.20.a.)
20. Should the Contractor submit the report late, or with material errors, such that TSAC is unable to file for reinsurance payments in a timely manner, the Contractor shall pay TSAC the amount of the reinsurance as reflected on the report. Once TSAC files the late, or corrected, report, TSAC shall reimburse the Contractor the amount of the reinsurance, less one percent (1%) liquidated damage.
(Section A.20.a.)
21. The Contractor may be subject to a liquidated damage of two hundred fifty dollars (\$250.00) per day for each day the reinsurance payments are not posted and reconciled within the specified time frame.
(Section A.20.a.)



**Contract for the full servicing of TSAC's Federal Family Education Loan Program
and Loan Portfolio,
TSAC's Grant and Scholarship Programs,
and the TSAC General Ledger System
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**ESTIMATED LOAN VOLUME****YEAR 1**THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Loans Outstanding – Interim Status (Per Loan)	52,000
Loans Outstanding – Repayment Status (Per Loan)	376,000
Loans Outstanding – Default Status (Per Loan)	74,000
Default Aversion Assistance (Per Loan)	42,000
Claims Purchased (Per Claim)	26,000
Supplemental Claims Purchased (Per Claim)	10

YEAR 2THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Loans Outstanding – Interim Status (Per Loan)	25,000
Loans Outstanding – Repayment Status (Per Loan)	342,000
Loans Outstanding – Default Status (Per Loan)	70,000
Default Aversion Assistance (Per Loan)	28,000
Claims Purchased (Per Claim)	24,000
Supplemental Claims Purchased (Per Claim)	10

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Loans Outstanding – Interim Status (Per Loan)	12,000
Loans Outstanding – Repayment Status (Per Loan)	296,000
Loans Outstanding – Default Status (Per Loan)	67,000
Default Aversion Assistance (Per Loan)	8,000
Claims Purchased (Per Claim)	21,000
Supplemental Claims Purchased (Per Claim)	10

YEAR 4THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Loans Outstanding – Interim Status (Per Loan)	0
Loans Outstanding – Repayment Status (Per Loan)	254,000
Loans Outstanding – Default Status (Per Loan)	59,000
Default Aversion Assistance (Per Loan)	0
Claims Purchased (Per Claim)	18,000
Supplemental Claims Purchased (Per Claim)	10

YEAR 5



THE FEDERAL FAMILY EDUCATION LOAN PROGRAM AND LOAN PORTFOLIO

Loans Outstanding – Interim Status (Per Loan)	0
Loans Outstanding – Repayment Status (Per Loan)	215,000
Loans Outstanding – Default Status (Per Loan)	48,000
Default Aversion Assistance (Per Loan)	0
Claims Purchased (Per Claim)	15,000
Supplemental Claims Purchased (Per Claim)	0



AUTHORIZED INDIVIDUALS

TSAC

**Richard Rhoda
Peter Abernathy
Tim Phelps
Jane Pennington
Naomi Derryberry
Stephanie Aylor
Robert Biggers**

CONTRACTOR

**Ed Martinez
Bob Biersdorf
Jeff Riekenburg
Becky Keith
Peter McArdle
Tim Rutledge
Dave Clark
Susie Trujillo
Leticia Burger
Garmaine Terry
Dan Rodgers**



ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	33205-02711
CONTRACTOR LEGAL ENTITY NAME:	Nelnet Guarantor Solutions, LLC
Contractor Edison Registration ID:	0000085545

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.

Robert W. Beiersdorf

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.

Robert W. Beiersdorf, *Exec. Director*

PRINTED NAME AND TITLE OF SIGNATORY

12-16-2011

DATE OF ATTESTATION



PERFORMANCE BOND

The Surety Company issuing bond shall be licensed to transact business in the State of Tennessee by the Tennessee Department of Commerce and Insurance. Bonds shall be certified and current Power-of-Attorney for the Surety's Attorney-in-Fact attached.

KNOW ALL BY THESE PRESENTS:

That we,

Nelnet Guarantor Solutions, LLC

(Name of Principal)

6420 Southpoint Parkway, Jacksonville, FL 32216

(Address of Principal)

as Principal, hereinafter called the Principal, and

Fidelity And Deposit Company Of Maryland

(Name of Surety)

1400 American Lane, Tower 1, 13th Schaumburg, IL 60196

(Address of Surety)

as Surety, hereinafter called the Surety, do hereby acknowledge ourselves indebted and securely bound and held unto the State of Tennessee as Obligee, hereinafter called the Obligee, and in the penal sum of

TEN MILLION DOLLARS

(\$10,000,000)

good and lawful money of the United States of America, for the use and benefit of those entitled thereto, for the payment of which, well and truly to be made, we bind ourselves, our heirs, our administrators, executors, successors, and assigns, jointly and severally, firmly by these presents.

BUT THE CONDITION OF THE FOREGOING OBLIGATION OR BOND IS THIS:

WHEREAS, the Obligee has engaged the Principal for a sum not to exceed

Sixty-Seven Million Four Hundred Thirty-Six Thousand Two Seventy-Five Dollars
 (Contract Maximum Liability) (\$67,436,275.00)

to complete Work detailed in the Scope of Services detailed in the State of Tennessee Request for Proposals bearing the RFP Number: (33205-02711), a copy of which said Request for Proposals and the resulting Contract are by reference hereby made a part hereof, as fully and to the same extent as if copied at length herein.



NOW, THEREFORE, if the Principal shall fully and faithfully perform all undertakings and obligations under the Contract hereinbefore referred to and shall fully indemnify and hold harmless the Obligee from all costs and damages whatsoever which it may suffer by reason of any failure on the part of the Principal to do so, and shall fully reimburse and repay the Obligee any and all outlay and expenses which it may incur in making good any such default, and shall fully pay for all of the labor, material, and Work used by the Principal and any immediate or remote sub-contractor or furnisher of material under the Principal in the performance of said Contract, in lawful money of the United States of America, as the same shall become due, then this obligation or bond shall be null and void, otherwise to remain in full force and effect.

AND for value received, it is hereby stipulated and agreed that no change, extension of time, alteration, or addition to the terms of the Contract or the Work to be performed thereunder or the specifications accompanying the same shall in any wise affect the obligation under this bond, and notice is hereby waived of any such change, extension of time, alteration, or addition to the terms of the Contract or the Work or the specifications.

IN WITNESS WHEREOF the Principal has hereunto affixed its signature and Surety has hereunto caused to be affixed its corporate signature and seal, by its duly authorized officers, on this
Obligation must be renewed each term with a new bond annually. Per Section E.12 - Bond must be received by the 10th of December every year for the duration of the contract.

31st day of December, in the year 2011

WITNESS:

Nelnet Guarantor Solutions, LLC
(Name of Principal)

[Signature]
(Authorized Signature of Principal)

William J. Munn
(Name of Signatory)

Secretary
(Title of Signatory)

Fidelity And Deposit Company Of Maryland
(Name of Surety)

[Signature]
(Signature of Attorney-in-Fact)

Marcy L Overman
(Name of Attorney-in-Fact)

NAIC #39306 / FEIN #13-3046577
(Tennessee License Number of Surety)



Power of Attorney
FIDELITY AND DEPOSIT COMPANY OF MARYLAND
COLONIAL AMERICAN CASUALTY AND SURETY COMPANY

KNOW ALL MEN BY THESE PRESENTS: That the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, and the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY, corporations of the State of Maryland, by FRANK E. MARTIN JR., Vice President, and GREGORY E. MURRAY, Assistant Secretary, in pursuance of authority granted by Article VI, Section 2, of the By-Laws of said Companies, which are set forth on the reverse side hereof and are hereby certified to be in full force and effect on the date hereof, does hereby nominate, constitute and appoint Marcy L. OVERMAN, Donelle ROYCE, Shannon KLEIN and Barbara S. DALE, all of Omaha, Nebraska, EACH its true and lawful agent and Attorney-in-Fact, to make, execute, seal and deliver, for, and on its behalf as surety, and as its act and deed: **any and all bonds and undertakings**, and the execution of such bonds or undertakings in pursuance of these presents, shall be as binding upon said Companies, as fully and amply, to all intents and purposes, as if they had been duly executed and acknowledged by the regularly elected officers of the Company at its office in Baltimore, Md., in their own proper persons. This power of attorney revokes that issued on behalf of Kirk A. JOHNSON, Marcy L. OVERMAN, Douglas P. IRVIN, Donelle ROYCE, Shannon KLEIN, Barbara S. DALE, dated June 19, 2009.

The said Assistant Secretary does hereby certify that the extract set forth on the reverse side hereof is a true copy of Article VI, Section 2, of the By-Laws of said Companies, and is now in force.

IN WITNESS WHEREOF, the said Vice-President and Assistant Secretary have hereunto subscribed their names and affixed the Corporate Seals of the said FIDELITY AND DEPOSIT COMPANY OF MARYLAND, and the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY, this 21st day of July, A.D. 2011.

ATTEST:

FIDELITY AND DEPOSIT COMPANY OF MARYLAND
COLONIAL AMERICAN CASUALTY AND SURETY COMPANY



Gregory E. Murray

By:

Frank E. Martin Jr.

Gregory E. Murray Assistant Secretary

Frank E. Martin Jr.

Vice President

State of Maryland }
 City of Baltimore } ss:

On this 21st day of July, A.D. 2011, before the subscriber, a Notary Public of the State of Maryland, duly commissioned and qualified, came FRANK E. MARTIN JR., Vice President, and GREGORY E. MURRAY, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, and the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY, to me personally known to be the individuals and officers described in and who executed the preceding instrument, and they each acknowledged the execution of the same, and being by me duly sworn, severally and each for himself deposes and saith, that they are the said officers of the Companies aforesaid, and that the seals affixed to the preceding instrument is the Corporate Seals of said Companies, and that the said Corporate Seals and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority and direction of the said Corporations.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.



Maria D. Adamski

Maria D. Adamski

Notary Public

My Commission Expires: July 8, 2015



EXTRACT FROM BY-LAWS OF FIDELITY AND DEPOSIT COMPANY OF MARYLAND

"Article VI, Section 2. The Chairman of the Board, or the President, or any Executive Vice-President, or any of the Senior Vice-Presidents or Vice-Presidents specially authorized so to do by the Board of Directors or by the Executive Committee, shall have power, by and with the concurrence of the Secretary or any one of the Assistant Secretaries, to appoint Resident Vice-Presidents, Assistant Vice-Presidents and Attorneys-in-Fact as the business of the Company may require, or to authorize any person or persons to execute on behalf of the Company any bonds, undertaking, recognizances, stipulations, policies, contracts, agreements, deeds, and releases and assignments of judgements, decrees, mortgages and instruments in the nature of mortgages,...and to affix the seal of the Company thereto."

EXTRACT FROM BY-LAWS OF COLONIAL AMERICAN CASUALTY AND SURETY COMPANY

"Article VI, Section 2. The Chairman of the Board, or the President, or any Executive Vice-President, or any of the Senior Vice-Presidents or Vice-Presidents specially authorized so to do by the Board of Directors or by the Executive Committee, shall have power, by and with the concurrence of the Secretary or any one of the Assistant Secretaries, to appoint Resident Vice-Presidents, Assistant Vice-Presidents and Attorneys-in-Fact as the business of the Company may require, or to authorize any person or persons to execute on behalf of the Company any bonds, undertaking, recognizances, stipulations, policies, contracts, agreements, deeds, and releases and assignments of judgements, decrees, mortgages and instruments in the nature of mortgages,...and to affix the seal of the Company thereto."

CERTIFICATE

I, the undersigned, Assistant Secretary of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, and the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY, do hereby certify that the foregoing Power of Attorney is still in full force and effect on the date of this certificate; and I do further certify that the Vice-President who executed the said Power of Attorney was one of the additional Vice-Presidents specially authorized by the Board of Directors to appoint any Attorney-in-Fact as provided in Article VI, Section 2, of the respective By-Laws of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, and the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY.

This Power of Attorney and Certificate may be signed by facsimile under and by authority of the following resolution of the Board of Directors of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND at a meeting duly called and held on the 10th day of May, 1990 and of the Board of Directors of the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY at a meeting duly called and held on the 5th day of May, 1994.

RESOLVED: "That the facsimile or mechanically reproduced seal of the company and facsimile or mechanically reproduced signature of any Vice-President, Secretary, or Assistant Secretary of the Company, whether made heretofore or hereafter, wherever appearing upon a certified copy of any power of attorney issued by the Company, shall be valid and binding upon the Company with the same force and effect as though manually affixed."

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seals of the said Companies,

this 31st day of December, 2011.


Assistant Secretary