



August 21, 2019

Jim Farha
President
Oklahoma Student Loan Authority
525 Central Park Drive, Suite 600
Oklahoma City, OK 73105

UPS Tracking #1ZA879643594389023

RE: Final Program Review Determination
OPE ID: 70015500
PRCN: 20182065000

Dear Mr. Farha:

The U.S. Department of Education (Department) - Financial Institution Oversight Service – Southern Division issued a program review report on April 17, 2019. The review covered Oklahoma Student Loan Authority's (OSLA) participation in the Federal Family Education Loan (FFEL) Program authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §1071, for the period from October 1, 2015, through September 30, 2017. OSLA's responses were received on July 11, 2019 and July 25, 2019.

Final determinations have been made concerning all documentation provided and reviewed during the program review. The purpose of this letter and attached report is to close the review.

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above program review control number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact me at 646-428-3771 or send an email to Susan.Ferraiole@ed.gov.

Sincerely,

Susan C. Ferraiole
Acting Director, Southern Division

Enclosure

cc: Gary Walcher, Director of Quality Assurance

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

Financial Institution Oversight Service – Southern Division
Harwood Center - 1999 Bryan St, Suite 1610, Dallas, TX 75201-6817

Prepared for
Oklahoma Student Loan Authority
OPE ID: 70015500
PRCN: 20182065000

Prepared by
U.S. Department of Education
Federal Student Aid
Financial Institution Oversight Service – Southern Division

FINAL PROGRAM REVIEW DETERMINATION

August 21, 2019

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Oklahoma Student Loan Authority
OPE ID: 70015500
PRCN: 20182065000

A. Institutional Information

OPE ID Number: 70015500
Program Review Control Number (PRCN): 20182065000

Name and Address:
Oklahoma Student Loan Authority
525 Central Park Drive, Suite 600
Oklahoma City, OK 73105

Dates of Review: March 5, 2018 through March 9, 2018
Review Period: October 1, 2015 through September 30, 2017

Institutional Information:

Year began participation in the Federal Family Education Loan (FFEL) Program: 1972

Guarantors:

- Oklahoma College Assistance Program
- Great Lakes Higher Education Guaranty Corporation
- Texas Guaranteed Student Loan Corporation
- Louisiana Student Financial Assistance Commission
- United Student Aid Funds
- National Student Loan Program

Total FFEL Program portfolio as of September 30, 2017: \$321,639,175

Systems Used: Student Loan Servicing System (SLSS)

Background Information:

Oklahoma Student Loan Authority (OSLA) was created as a public trust by the Oklahoma legislature for the benefit of the State of Oklahoma. OSLA services federal student loans for students or their parents for post-secondary education. With the elimination of new loan origination in the FFEL Program on July 1, 2010, OSLA continued to service FFEL Program loan portfolios for 43 eligible network lenders. By June 2016, OSLA had purchased all loans from 40 of those network lenders; the remaining lenders transferred to a different service provider.

B. Scope of Review

The U.S. Department of Education (Department) conducted a program review of OSLA from March 5, 2018, through March 9, 2018. The focus of the review was to determine OSLA's

compliance with the statutes and federal regulations as they pertain to the agency's participation in the FFEL Program. The period reviewed was from October 1, 2015 to September 30, 2017.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in this report concerning OSLA's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those practices and procedures. Furthermore, it does not relieve OSLA of its obligation to comply with all the statutory and regulatory provisions governing the FFEL Programs.

This report reflects final findings and details the Department's final determination based upon the response and corrective actions completed by OSLA. Any additional requirements are noted in the final determination.

C. Findings and Final Determination

Finding: Incorrect LaRS Reporting

Noncompliance:

The Department reviewed a sample of 29 borrowers granted the Servicemembers Civil Relief Act (SCRA) benefit. The Department determined that 26 borrowers were incorrectly reported by OSLA for special allowance at a six percent interest rate on the quarterly Lender's Interest and Special Allowance Request and Report (LaRS). The loans incorrectly reported had been first disbursed prior to July 1, 2008. Only loans first disbursed on or after July 1, 2008, and subject to the SCRA interest rate limit, should be calculated and reported at 6 percent for special allowance purposes. See 34 CFR §682.302(h).

The Department also reviewed a sample of 18 borrowers granted military deferments and determined that OSLA incorrectly reported the Average Daily Balance (ADB) for one borrower. OSLA billed interest for two additional days in the quarter for which a borrower was not eligible. Covered interest is defined at 34 CFR §682.300(b). Methods for computing interest is found at 34 CFR §682.304.

Required Action:

OSLA must:

- Make applicable interest and special allowance adjustments for the borrower samples identified in this finding as having been reported to LaRS with the incorrect interest rate or incorrect average daily balance.
- Review the universe of borrowers that were granted the SCRA benefit during the scope period. For any loans first disbursed prior to July 1, 2008, incorrectly reported to LaRS at the 6 percent interest rate, OSLA must make adjustments to LaRS.

- Provide documentation of adjustments made to LaRS, at the borrower level, to this office as a response to this finding.
- Update procedures to reflect that only borrowers with loans first disbursed on or after July 1, 2008, should be reported to LaRS at the lower SCRA rate. A copy of those updated procedures must also be sent to this office as a response to this finding.

Entity Response:

OSLA provided the Department with its certification that it has a system in place to report loans in its LaRS using the correct interest rate. OSLA agreed with the finding and provided updated procedures and special allowance adjustment calculations for borrower loans that should have been reported at 6.8 percent during the scope of the review. OSLA provided the list of borrower loans with the calculated amount of \$289.87 owed to the Department. OSLA also provided data for the adjustment required by the incorrect average daily balance for \$1.62.

Final Determination

The Department has reviewed responses provided by OSLA. OSLA has provided documentation showing that corrections were made to LaRS special allowance billing totaling \$289.87. OSLA also provided documentation showing adjustments of interest billing to LaRS for \$1.62. The Department has reviewed the changes made to OSLA's procedures relating to this finding. This finding is considered closed.

D. Other Matters

- After the issuance of the program review report, the Department received an inquiry on behalf of a borrower who had his SCRA benefit terminated based on OSLA's interpretation of Finding 1. In contacting OSLA, it was determined that all SCRA benefits had been removed from borrowers where the special allowance interest rate reporting was incorrect. This was not the required action for the finding. OSLA is encouraged to seek the Department's input where additional program direction is required.
- OSLA provided updated procedures to reflect that only borrowers with loans first disbursed on or after July 1, 2008, should be reported to LaRS at the lower SCRA rate. Additionally, OSLA should update its revised procedures to clarify granting of the SCRA benefit for the longest period of eligibility based on the match with the Defense Manpower Data Center (DMDC), or documentation provided by the borrower. OSLA should also ensure that all of its procedures align with program requirements.

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E. Summary of Liabilities

The liabilities from this review have already been made through adjustments to LaRS. The total liability was \$289.87.

F. Review Status

This review is considered closed.