



January 27, 2014

Sent via Email

Andy Rogers  
VP of Operations/Controller  
Oklahoma Student Loan Association (OSLA)  
525 Central Park Drive, Bldg I – Suite 600  
Oklahoma City, OK 73105

Dear Mr. Rogers:

During the period of December 3 – 7, 2012, guarantors participating in the Common Review Initiative (CRI) and the Department of Education conducted a program review of your institution's administration of Federal Family Education Loan Program (FFELP) loans for the lender ID numbers listed in the attached report. The program review was conducted based on the CRI Lender/Service Program Review Guide and in accordance with the requirements of 34 CFR 682.410(c) on behalf of the guarantors listed in the attached report.

Attached to this letter is the program review report prepared by the guarantor review team. Each finding is specifically addressed herein and details the corrective actions necessary to satisfy guarantor requirements. The findings noted herein have been addressed by OSLA; therefore no further response from your institution is required. This review is considered closed upon issuance.

We appreciate the cooperation and significant preparatory work provided by your staff during our on-site visit.

Sincerely,

A handwritten signature in cursive script that reads "Nancy A. Wilson".

Nancy A. Wilson  
CRI Lead Reviewer

c.c.: U.S. Department of Education  
Participating Guaranty Agencies

## Federal Family Education Loan Program

Lending Institution  
Program Review

### PROGRAM REVIEW REPORT

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SERVICER NAME: Oklahoma Student Loan Authority (OSLA)

SERVICER ID: 700155

LOCATION OF REVIEW: 525 Central Park Drive, Oklahoma City, OK 73105

ON-SITE REVIEW: December 3, 2012 through December 7, 2012

PERIOD REVIEWED: January 1, 2010 through December 31, 2011

DATE REPORT ISSUED: January 27, 2014

LENDER NAMES AND ID  
ID NUMBERS REVIEWED:

807674	Bank of America, N.A.
809070	Bancfirst
809094	Arvest Bank
812187	OU Lew Wentz
825659	Oklahoma Student Loan Authority
828352	JPMorgan Chase Bank, N.A.
834467	OSLA Conduit
834511	OSLA Custodial

GUARANTORS  
REPRESENTED:

705 - Student Loan Guaranty Foundation of Arkansas (SLGFA)  
722 - Louisiana Office of Student Financial Assistance (LOSFA)  
740 - Oklahoma College Assistance Program (OCAP)  
748 - Texas Guaranteed Student Loan Corporation (TG)

GUARANTOR  
REVIEWERS:

Marvin Rubio, TG – Lead  
Eric Falkenbury, TG – Co-Lead  
Jennifer Norman, ECMC  
Karen Reese, USAF  
Scott Lauth, USAF  
Matt McCreary, OCAP

GUARANTOR REVIEWERS  
(DESK REVIEW TEAM):

Chris Bolles, USAF

OFFICIALS CONTACTED:

John Bode, QA Analyst  
Pam Chandler, Servicing System Coordinator  
Mary Anne Evans, Customer Service Supervisor  
Leota Gaither, Accounting Supervisor  
Andy Rogers, VP of Operations  
Gary Walcher, Director of Quality Assurance

## **I. SCOPE OF THE REVIEW**

The scope of the review was focused primarily on the period from January 1, 2010 to December 31, 2011. However, any findings discovered that may have occurred outside this timeframe are included in this report.

A total of 249 loans were tested by the guarantor review team. A list of the borrowers' identifying numbers, names, lender IDs, and guarantor IDs is attached in Appendix A.

The review was conducted to ascertain compliance with federal law, regulations and guarantor policies. The review scope was limited to loans owned by the lender IDs, and guaranteed by the guarantors listed in this report. Sample testing was performed to obtain a 95% confidence level with a maximum tolerable error rate established at 10%. Any systemic errors discovered during the review are not subject to the 10% tolerable rate and must be corrected across the entire portfolio. The following areas were tested during the review:

- Origination and Disbursement Procedures  
29 borrower files tested – one finding
- Conversion to Repayment  
29 borrower files tested – one finding
- Income-Based Repayment  
5 borrower files tested – no findings
- Deferments  
29 borrower files tested – no findings
- Collection Due Diligence, Cures, and Claim Reimbursement  
29 borrower files tested – two findings
- LaRS Reporting and Reconciliation  
99 borrower files tested – one finding
- Purchases, Sales, and Transfers  
29 borrower files tested – no findings

## **II. DISCLAIMER**

Although this review was comprehensive, it cannot be assumed to be all inclusive. Therefore, absence of statements in this report regarding specific practices and procedures followed by your institution should not be construed as acceptance, approval, or endorsement of these specific practices or procedures. The specific nature of this report does not limit or lessen your obligation to comply with all statutory, regulatory and Guarantor provisions governing the Federal Family Education Loan Program (FFELP).

## **III. PROGRAM REVIEW FINDINGS**

As described below, the body of the report is composed of two main sections. Section IV lists all findings discovered during the review. This section is identical on all reports.

Section V lists the specific borrower accounts where findings occurred, and will vary from lender to lender. The findings listed in this section for one lender will not be shared with the

other lenders reviewed. Additionally, the borrowers listed in the attached appendix will vary from lender to lender and will include only those borrowers with loans originated or held by the specific lender.

#### IV. AGGREGATE EXCEPTIONS

This section lists all findings discovered during the review. This section is identical on all reports.

A. FINDING: Defects in Initial Disclosure (**Lender Specific Finding**) (6840)

Of the twenty-nine (29) loans selected to test origination and disbursement compliance, there were twelve (12) instances where the initial disclosure did not contain a clear and concise statement in bold type that the borrower was receiving a loan that must be repaid, as required by the regulations effective August 14, 2008. *(Note: The individual lender performed the origination services of their loans, and transferred the loans to OSLA for servicing after loan origination. This finding is specific to the lender.)*

B. FINDING: Defects in Repayment Disclosure (6840)

Of the twenty-nine (29) loans selected to test conversion to repayment compliance, it was determined that a repayment disclosure was not sent in a timely manner for one (1) borrower when their loan entered repayment.

C. FINDING: Inaccurate Information Reported on the Claim Form (6580)

Of the twenty-nine (29) claims reviewed, it was determined that inaccurate information was reported on the claim form for seven (7) claims.

D. FINDING: Defects in Due Diligence of Collections (6860)

Of the twenty-nine (29) claims reviewed, it was determined that there were several servicing issues with one (1) borrower.

E. FINDING: LaRS Not Filed Timely (6010)

All lender IDs included in the CRI review were examined to determine that a LaRS report had been submitted timely for each quarter within the scope of the review. It was determined that the LaRS report for one (1) lender ID for quarter ended December 2011 had been submitted seventeen (17) days late.

## V. SPECIFIC EXCEPTIONS

This section lists findings discovered for all lenders reviewed during testing. The findings listed in this section are included in the report to OSLA only and will not be shared in their entirety with the lender ID's reviewed. Reports sent to the individual lenders will contain information pertinent to its specific borrowers only.

### A. FINDING: Defects in Initial Disclosure (**Lender Specific Finding**)

Of the sample of twenty nine (29) loans selected to test origination and disbursement compliance, the initial disclosure sent to borrowers #s 1-1, 1- 2, 1-5, 1-8, 1-9, 1-15, 1-16, 1-19, 1-20, 1-24, 1-27 and 1-28 did not contain a clear and concise statement in bold type that the borrower was receiving a loan that must be repaid, as required by the regulations effective August 14, 2008. All affected loans for the aforementioned borrowers were guaranteed by OCAP.

#### REFERENCES:

34 CFR §682.205(a)(1)(c)  
*Common Manual*, 7.6.A & 10.7.A  
PEPS Deficiency Code 6840

#### CORRECTIVE ACTION:

For the borrowers listed above, the servicer was not involved in the origination activities, but received the loans subsequently; no corrective action is needed by the servicer.

The Title IV FFEL Program ended as of July 1, 2010. The intent of the additional disclosure language was to provide an additional notice (currently provided in MPN documentation) in a clear and concise manner BEFORE the loan was issued. Requiring the lender to provide an additional disclosure at this point in time could be confusing to the borrower. Therefore, no corrective action is required by the lender.

### B. FINDING: Defects in Repayment Disclosure

Of the sample of twenty nine (29) loans selected to test conversion to repayment compliance, it was determined that for borrower #2-11 a timely repayment disclosure was not sent to the borrower when their loan(s) entered repayment on 04/30/11.

Federal regulations require that repayment disclosures must be made not less than 30 days or more than 150 days before the first payment on the loan is due from the borrower. If the borrower enters the repayment period without the lender's knowledge, the lender must provide the required disclosures to the borrower immediately upon discovering that the borrower has entered the repayment period.

The borrower was sent a repayment disclosure on 12/14/07 based on a reported separation date of 07/27/07, with a first payment due date of 03/03/08. The borrower subsequently re-enrolled and did not reenter repayment until 04/30/11. A revised repayment disclosure was not sent when the borrower reentered repayment. The 12/14/07 disclosure date is outside the 150 days prescribed by federal regulations.

REFERENCES:

34 CFR §682.205(c)  
*Common Manual*, 10.7.A  
PEPS Deficiency Code 6840

SERVICER RESPONSE:

OSLA explained that in this situation the borrower had three groupings of loans. Loans under Groups A and B were disbursed under lender ID 809097, First National Bank of Oklahoma. The lender transferred the loans under Group A to lender ID 825659 effective 06/27/05. The Group B loans were transferred to lender ID 825659 on 04/25/06, and then to lender ID 834467 on 09/18/09. The loans under Group A and B had a separation date of 07/27/07 with a first payment due date of 03/03/08. The repayment disclosure was sent on 12/14/07. However, OSLA was notified on 03/26/08 that the borrower had returned to school and was continuously enrolled, so the loans were put back into in-school status and updated with a new separation date of 10/29/10. Group C loans were disbursed under lender ID 809094, Arvest Bank. The lender transferred the loans to OSLA for servicing on 09/14/10 while the loans were in grace status, and then transferred the loans to lender ID 825659 on 06/29/11. A repayment disclosure was generated on 03/16/11 for the Group C loans with a 06/03/11 payment due date.

The system should have automatically generated a new repayment disclosure before the new repayment began for the loans in Groups A and B. However, statements were generated for all three groups on 05/01/11 for the 06/03/11 payment due date. The borrower began making regular monthly payments on 06/01/11, and consolidated the loans on 07/03/12.

OSLA performed research by querying their system to detect similar situations and none were noted.

CORRECTIVE ACTION:

The borrower was not harmed by the servicer's failure to send a revised repayment disclosure that included all the borrower's loans. This appears to be an isolated incident. No further action is required.

C. FINDING: Inaccurate Information Reported on the Claim Form

Of the sample of twenty nine (29) claims reviewed, it was determined that inaccurate information was reported on the claim form for seven (7) claims.

To request claim reimbursement, lenders or third-party servicers must complete the Common Claim Initiative (CCI) FFELP Claim Form. Information provided in the Claim Form must be accurate and complete. In comparing the information in the Claim Form to OSLA's servicing system, inaccuracies were found with the claim forms for seven (7) borrowers.

For borrower #5-3, there was a continuous period of deferment/forbearance that should have counted as an event in field 41; OSLA listed the number of events as 0. In addition, OSLA listed 0 in field 42 (# of reconversion months) when the field should have been populated with 3.

For borrower #5-5, field 39 inaccurately listed the number of deferment and forbearance months as 12 and 6, respectively. According to OSLA's system the correct number of months for deferment was 11 and for forbearance was 7. In addition, field 42 was incorrect. OSLA listed 5 reconversion months and the correct number was 6.

For borrower #5-8, field 42 was inaccurate. OSLA listed 13 reconversion months and the correct number was 15.

For borrower #5-16, field 38 inaccurately listed the number of borrower payments as 6; the correct number of payments was 8. Field #39 had the number of forbearance months as 34; the correct number was 46. Additionally, field 42 incorrectly listed the number of reconversion months as 5; the correct number of months was 6.

For borrower #5-18, there was a continuous period of deferment/forbearance that should have counted as an event in field 41; OSLA listed the number of events as 0. In addition, OSLA listed 0 in field 42 when the field should have been populated with 3 reconversion months.

For borrower #5-24, field 39 inaccurately listed the number of forbearance months. OSLA listed 20 forbearance months but the correct number of months was 2. In addition, field 41 listed the incorrect number of events. OSLA listed 2 events and the appropriate number was 1. Also, field 42 was incorrect. OSLA listed 3 reconversion months and the correct number was 2.

For borrower #5-29, field 42 was inaccurate. OSLA listed 8 reconversion months and the correct number was 9.

None of the findings noted above had a monetary impact.



REFERENCES:

34 CFR §682.401(b)(19)  
*Common Manual*, 13.1(A)  
PEPS Deficiency Code 6580  
CCI FFELP Claim Form, Instructions

SERVICER RESPONSE:

In January 2013, OSLA implemented an internal control that incorporates a Quality Control Procedure for Claim Packets. This procedure is performed daily to ensure that the CCI Forms are completed accurately. Once the procedure has been completed, it is verified and signed by the Claims Supervisor. A copy of the procedures was provided to the CRI review team.

To ensure claim forms are free from errors and that personnel understand how the fields of the claim form are populated, OSLA has given each Review Specialist a copy of the CCI Form instructions related to how each of the fields on the claim form are populated.

CORRECTIVE ACTION:

OSLA addressed the findings satisfactorily. No further action is required.

D. FINDING: Defects in Due Diligence of Collections

Of the sample of twenty nine (29) claims reviewed, it was determined that there were several servicing issues with one (1) borrower.

Federal regulations require lenders, or servicers on their behalf, to send the borrower at least one written notice or collection letter when a borrower's loan is 1-15 days delinquent. Additionally, the Common Manual states that if the servicer receives information that the borrower's loan has entered or reentered repayment, and the information is received after the date on which the repayment period began, the servicer must treat the loan as though it were in forbearance. The forbearance extends from the first date of the repayment period through the date on which the first or next payment on the loan is scheduled to be due.

Borrower #5-4 initially entered repayment on 03/01/05. The borrower returned to school and OSLA granted an in-school deferment for the period of 01/20/09–12/17/11. On 02/10/10, OSLA received late notification that the student had withdrawn effective 12/19/09. An administrative forbearance was not applied to the borrower's account and instead the borrower's loan was put into repayment with a payment due date of 01/16/10. Since the payment due date established for the borrower was prior to the date of notification (02/10/10), OSLA's system did not

generate a repayment disclosure to notify the borrower that their loan had reentered repayment and that interest had been capitalized, nor was the required 1-15 day delinquency notification sent to the borrower.

This issue was discussed with OSLA during and after CRI's on-site review. OSLA explained that they were aware of the issue which was identified as systemic. OSLA stated that their "Auto LTS Process" that processes school deferments was not automatically placing loans in an administrative forbearance when they received late notification of out-of-school dates. OSLA stated that once they became aware of the issue they began to fix all affected loans.

When an issue identified in a CRI review is determined to be systemic in nature, CRI requires the servicer to perform a full file review to identify all loans affected by this issue. Since OSLA stated that they had already identified and corrected the issue, CRI asked OSLA to provide information regarding the correction of the issue such as: when did the issue start, how many accounts were affected, when did OSLA finish correcting the affected loans and the amount of penalties, if applicable, were assessed by the applicable guarantors.

REFERENCES:

34 CFR §682.211(f)(3)  
34 CFR §682.411(c)  
*Common Manual*, 11.21.K, 12.4.A  
PEPS Deficiency Code 6860

SERVICER'S RESPONSE:

OSLA stated that the timeframe for when the "LTS Auto Process" stopped applying administrative forbearances for in-school deferments where a late notification of an out-of-school date was received was September 2009 – November 2009. The number of loans affected by this issue by guarantor code is as follows:

<u>Guarantor Code</u>	<u># of Loans</u>
705	2,260
722	262
740	13,627
748	95

The error was caused when MTEJOB (Auto LTS enrollment status change program) shortened or cancelled a school deferment and an administrative forbearance was not processed to bring the loan current (to date of processing) for the timeframe of September 2009 – November 2009. The issue was discovered in November 2009. At that time, a query was developed that was run each time the Auto LTS was run so that an administrative forbearance could be manually processed, and the account was not left delinquent. In addition to the aforementioned query, OSLA ran queries to

identify any loans that were affected prior to November 2009. Corrective action was performed by processing an appropriate administrative forbearance. This review and corrective action was concluded in June 2010. Cure procedures were performed for any loans that could have been determined as a possible loss of guarantee if the loan were to default in the future.

In January 2010, a quality control process was put into place to identify late notification separations in order to process the appropriate administrative forbearances. In addition to the quality control process, OSLA ran queries to locate accounts in the affected timeframes in order to take corrective action and process administrative forbearances as appropriate.

CORRECTIVE ACTION:

OSLA addressed the finding satisfactorily. No further action is required.

E. FINDING: LaRS Not Filed Timely

The Lender's Interest and Special Allowance Request and Report (LaRS report) is utilized by the U.S. Department of Education (ED) to calculate interest benefits and special allowance payments due to a lender, to calculate origination fees and lender loan fees owed to ED, and to obtain information on a lender's portfolio. To be considered timely, lenders must submit the LaRS report to ED within 90 days of the quarter's end.

All lender IDs included in the CRI review were examined to determine that a LaRS report had been submitted timely for each quarter within the scope of CRI's review. It was determined that the LaRS report for Oklahoma Student Loan Authority lender ID# 825659 for quarter end December 2011 had been submitted seventeen (17) days late.

REFERENCES:

34 CFR §682.305  
*Common Manual*, Chapter A.3.A and A.3.B  
PEPS Deficiency Code 6010

SERVICER RESPONSE:

Immediately upon notification of the late filing noted above, OSLA assigned additional staff to the process of preparation, review and submission of quarterly LaRS reports. Since the occurrence of the late LaRS filing noted, OSLA has filed all LaRS in a timely manner.

CORRECTIVE ACTION:

OSLA addressed the finding satisfactorily. No further action is required.