CRI
Common Review Initiative

October 27, 2015 Sent via Email

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

Dear Mr. Rogers:

During the period of August 18 – 22, 2014, guarantors participating in the Common Review Initiative (CRI) 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/Servicer 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. Please review the report carefully and where requested, provide a complete response to each finding. If you disagree with a finding, or if you have obtained information to resolve a finding, please include a detailed explanation of your position along with all appropriate supporting documentation with your response to this report.

Please respond in writing within 30 days of the date of this letter. If you have any questions or need additional information, please contact me at (512) 219-4774. If you cannot respond to this correspondence within 30 days, you may request an extension. Please address correspondence to:

Nancy Wilson
TG Program Review 3/3
P.O. Box 83100
Round Rock, TX 78683-3100

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

Sincerely,

Nancy A. Wilson

Nancy A. Wilson
CRI Lead Reviewer

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

Federal Family Education Loan Program

Lending Institution
Program Review

PROGRAM REVIEW REPORT

SERVICER NAME:	Oklahoma Student Loan Authority (OSLA)
SERVICER ID:	700155
LOCATION OF REVIEW:	525 Central Park Drive, Oklahoma City, OK 73105
ON-SITE REVIEW:	August 18, 2014 through August 22, 2014
PERIOD REVIEWED:	January 1, 2012 through December 31, 2013
DATE REPORT ISSUED:	October 27, 2015
LENDER NAMES AND ID NUMBERS REVIEWED:	809070 Bancfirst 825659 Oklahoma Student Loan Authority 834467 OSLA Conduit
GUARANTORS REPRESENTED:	705 - Student Loan Guaranty Foundation of Arkansas (SLGFA) 740 - Oklahoma College Assistance Program (OCAP) 748 - Texas Guaranteed Student Loan Corporation (TG)
GUARANTOR REVIEWERS:	Nancy Wilson, TG – Lead Diana Martinez, TG – Co-Lead Lynn Gonzalez, TG Tammy Parchman, SLGFA Karen Reese, United Student Aid Funds John Rivers, TG Dan Tryon, Michigan Guaranty Agency (MGA)

GUARANTOR REVIEWERS (DESK REVIEW TEAM):	Jennifer Norman, Educational Credit Management Corporation (ECMC) Michelle Arthur, ECMC
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, 2012 to December 31, 2013. However, any findings discovered or resolution of such findings that may have occurred outside this timeframe are included in this report.

A total of 315 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 findings 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:

· Conversion to Repayment
  29 borrower files tested – no findings

· Deferments
  76 borrower files tested – two findings

· Spousal Deferments
  6 borrower files tested – one finding

· Collection Due Diligence, Cures, and Claim Reimbursement
  29 borrower files tested – two findings

· LaRS Loan Level Detail Reporting
  70 borrower files tested – no findings

· LaRS Lender Level Reconciliation
  3 lender IDs tested – one finding

· Income-Based Repayment (IBR)
  76 borrower files tested – two findings

· 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: Incorrect Period of Deferment (6930)

Of the seventy-six (76) loans selected to test deferment processing, there were two (2) instances where unemployment deferment was granted for durations in excess of the maximum twelve (12) month period, and one (1) instance where a military service deferment was granted for a longer period than the borrower was eligible to receive. In addition, one (1) of the unemployment deferments also had an incorrect start date.

B. FINDING: Deferment Eligibility Criteria Not Met (6930)

Of the seventy-six (76) loans selected to test deferment processing, there was one (1) instance where an economic hardship deferment was granted for a borrower who did not meet the eligibility requirements.

C. FINDING: Spousal Deferment Eligibility Criteria Not Met (6930)

Of the six (6) Spousal Consolidation loans reviewed for deferment processing, there were two (2) instances where deferment was granted on the loan when only one co-maker qualified for deferment.

D. FINDING: Claim Form Discrepancies (6580)

Of the twenty-nine (29) loans selected to test claim filing, there were five (5) instances where the information reported on the claim form did not reconcile to the servicing history.

E. FINDING: Incorrect Interest Claimed Amount (6580)

Of the twenty-nine (29) loans selected to test claim filing, there were eleven (11) loans that had an incorrect interest amount reported on the *CCI Claim Form*, field 51.

F. FINDING: LaRS Not Filed Timely (6010)

The three (3) lender IDs included in the 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 reports were submitted late in four (4) instances.

G. FINDING: Annual IBR Renewal Letter Sent Late (Systemic) (6840)

Of the twenty-nine (29) loans selected to test IBR processing, there were twelve (12) instances where the required annual IBR Renewal letter was not sent within the required timeframe. Since this was a systemic issue, the sample was not expanded for this testing element.

H. FINDING: Incorrect IBR Payment Calculation (6851)

Of the twenty-nine (29) loans selected to test IBR processing, there was one (1) instance where the incorrect poverty guideline year was used resulting in an incorrect payment amount. The sample was expanded to seventy-six (76) loans with no additional occurrences noted.

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: Incorrect Period of Deferment

Deferment is a tool available to borrowers to help them meet their loan repayment obligations. Once the repayment period has begun, the borrower is entitled to defer principal payments on a FFELP loan when applicable eligibility criteria are met.

Of the seventy-six (76) loans selected to test deferment processing, there were two (2) instances where unemployment deferment was granted for durations in excess of the maximum twelve (12) month period, and one (1) instance where a military service deferment was granted for a longer period than the borrower was eligible to receive. In addition, one (1) of the unemployment deferments also had an incorrect start date.

Unemployment Deferment
A lender may grant an initial period of unemployment deferment based on the borrower's self-certification for no more than 6 months after the date the lender receives the borrower's unemployment deferment request. A lender may grant an

unemployment deferment extension for no more than 6 months after the date the lender receives the borrower's certification.

The initial period of unemployment deferment that is based on the borrower's self-certification begins on the latest of the following:

- The date that the condition entitling the borrower to the deferment first existed.
- The date that the borrower requests the deferment to begin.
- Six months before the date the lender receives the request and required documentation.

The two (2) instances where unemployment deferments were granted for greater than the maximum twelve (12) month period are detailed below:

Bwr #	Deferment Period	Length
3-6	06/24/13-09/23/14	15 months
3-73	05/06/12-06/05/13	13 months

The one (1) instance where the unemployment deferment had an incorrect start date follows:

Bwr #	Date Condition Occurred	Deferment Start Date
3-6	03/02/14	06/24/13

For **Borrower #3-6**, OSLA agreed with the finding and explained that the deferment was processed in error. The unemployment deferment was correctly reprocessed on 08/27/14 and copies of the screenshots were provided to support that the update was processed.

For **Borrower #3-73**, OSLA agreed with the finding and on 09/12/14 the servicer correctly reapplied the deferment for the period 08/09/12 – 06/05/13.

<u>REFERENCES</u>:

34 CFR §682.210(h)
Common Manual 11.18.C
PEPS Code 6930

Military Service Deferment
A military service deferment is available to a borrower while the borrower is serving on active duty during a war or other military operation, or a national emergency, or while the borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency.

Military service deferment Eligibility Requirements:

- The borrower must be serving on active duty during a war or other military operation or national emergency, excluding any training activities
- The borrower must fall into one of the following categories:
    - Reserve ordered to active duty in connection with a war or other military operation or national emergency, regardless of duty station
    - Retired ordered to active duty in connection with a war or other military operation or national emergency, regardless of duty station
    - Member of the active Armed Forces serving in connection with a war or other military operation or national emergency; must be assigned to a duty station other than where normally assigned
- The borrower must provide a copy of his/her military orders or a written statement from the commanding or personnel officer, or Section 4 of the form must be certified by the commanding or personnel officer

For **Borrower #3-33**, the borrower originally requested a post-active duty student deferment and indicated that he was in school until 05/04/12. His orders required that he report for active duty service beginning 07/10/13. Based on the length of time between enrollment and the call to active duty (greater than 6 months), the borrower did not qualify for a post-active duty student deferment.

Based on the orders received, the servicer applied a military service deferment for the period 09/11/12 through 08/24/15. Per the orders, the borrower was *"ordered to Active Duty Training School [ADTS] for the period indicated [65 days to begin no later than 07/10/13]. Upon completion of the period of ADTS, unless sooner relieved by proper authority, you will return to the place where you attended ADTS and be relieved from such duty."* Also, per the Oath of Extension of Enlistment or Re-Enlistment, the borrower extended the original enlistment period in the Army National Guard to 10/12/14, an additional seven (7) months.

On 09/16/14, the servicer correctly reapplied the deferment for the period 07/10/13 – 09/12/13, and applied administrative forbearance for the periods that the borrower was not eligible for the military service deferment.

<u>REFERENCES</u>:

34 CFR §682.210(t)
Common Manual 11.8.A
PEPS Deficiency Code 6930

<u>CRI DIRECTED CORRECTIVE ACTION</u>:

Borrowers in deferment receive interest subsidies from the Department of Education that are ultimately paid by taxpayers. Therefore, it is critical that deferments only be granted to those borrowers who qualify.

In order to resolve the findings for Borrowers #3-6, #3-33 and #3-73, OSLA must:

1. Adjust interest and special allowance to the Department of Education for the total number of days the borrowers listed were not eligible for deferment.
2. Provide evidence that the proper adjustments were made to the applicable quarterly LaRS report.

<u>OSLA MANAGEMENT RESPONSE</u>:

As of October 26, 2015, OSLA has resolved the findings noted above by reprocessing the deferments with the revised dates as recommended by the CRI Team.

B. <u>FINDING</u>: Deferment Eligibility Criteria Not Met

Deferment is a tool available to borrowers to help them meet their loan repayment obligations. Once the repayment period has begun, the borrower is entitled to defer principal payments on a FFELP loan when applicable eligibility criteria are met.

Of the seventy-six (76) loans selected to test deferment processing, there was one (1) instance where an economic hardship deferment was granted for a borrower who did not meet the eligibility requirements.

Economic Hardship Deferment
To qualify for this deferment, a borrower must request it and provide the lender with documentation that shows that he or she meets at least one of the following eligibility criteria:

1. The borrower has been granted an economic hardship deferment under either the FDLP or Federal Perkins Loan Program for the period of time for which the borrower has requested an economic hardship deferment for his or her FFELP loan.
2. The borrower is receiving payment or benefit under a federal or state public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance.
3. The borrower is working full time and has a monthly income that does not exceed the greater of *(a)* the minimum wage rate described in section 6 of the Fair Labor Standards Act of 1938 or *(b)* an amount equal to 150% of the poverty guideline applicable to the borrower’s family size, as published annually by the Department of Health and Human Services pursuant to 42 U.S.C. §9902.2.

For **Borrower #3-20**, the bi-weekly income per the provided paystub was $915.25. The annual income was determined to be $23,796.50 ($915.25 times 26 bi-weekly periods in a year) for a monthly income of $1,983.04. The monthly income did not meet the criteria of being less than or equal to 150% of the 2013 Poverty Guideline for a household size of two.

Bwr #	Tax Year	Household Size	150% of Poverty Guideline	Borrower's Calculated Monthly Income
3-20	2013	2	$1,938.75	$1,983.04

OSLA maintains that the borrower qualified for the deferment. OSLA calculated the gross income as $915.25 bi-weekly and $1,830.50 monthly for a household of 2. Using OSLA's calculation the gross monthly income for a household size of 2 did not exceed $1,938.75 (150% of the 2013 Poverty Guideline).

OSLA and CRI differed in their interpretations for the calculation of bi-weekly income to qualify for economic hardship deferment; thus, OSLA's calculation allowed the borrower to qualify for the deferment; the CRI examiner's formula did not.

REFERENCES:

34 CFR §682.210(s)(6)
Common Manual 11.4
PEPS Deficiency Code 6930

CRI DIRECTED CORRECTIVE ACTION:

For **Borrower #3-20**, the pay stub clearly indicated that the borrower was being paid on a bi-weekly basis. Bi-weekly means every two weeks and there are 52 weeks in a year making it 26 pay periods in one year. Therefore, CRI disagrees with the servicer's position that the borrower qualified for economic hardship deferment.

In order to resolve this finding the servicer must:
1. Adjust interest and special allowance to the Department of Education for the total number of days the borrower was not eligible for deferment.
2. Provide evidence that the proper adjustments were made to the applicable quarterly LaRS report.

OSLA MANAGEMENT RESPONSE:

As of October 26, 2015, OSLA has adopted the interpretation suggested by the CRI Team to recognize the difference between a semi-monthly and bi-weekly pay period for this calculation.

C. FINDING: Spousal Deferment Eligibility Criteria Not Met

If a Consolidation loan is made to two spouses as co-makers (as applicable to a Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006), the loan may not be deferred unless each co-maker requests deferment and satisfies applicable eligibility requirements for deferment. If each co-maker qualifies under a separate deferment provision, the lender may defer the loan under one of those deferment types.

Of the six (6) Spousal Consolidation loans reviewed for deferment processing, there were two (2) instances where deferment was granted on the loan when only one co-maker qualified for deferment.

For **Borrower #SP-1**, one spouse (husband) qualified for the military service deferment. The wife did not qualify for the military service deferment, or any other concurrent deferment. A military service deferment was incorrectly processed on the Spousal Consolidation loan for the period 07/08/11 – 07/14/12.

OSLA agreed with the finding. For **Borrower #SP-1**, the deferment was removed on 06/15/15 and copies of the screenshots were provided to support that the update was processed.

For **Borrower #SP-6**, one spouse (husband) qualified for economic hardship deferment based on the deferment form completed by the husband. The wife did not complete a second deferment form indicating that she qualified for a concurrent deferment. The economic hardship deferment was processed on the Spousal Consolidation loan for the period 08/22/12 – 08/21/13.

OSLA agreed with the finding. For **Borrower #SP-6**, the deferment was removed on 12/23/14 and copies of the screenshots were provided to support that the update was processed.

*Note: OSLA employs a practice of having both spouses sign the same deferment form to defer a Spousal Consolidation loan. Although this practice is not prohibited, having each borrower complete a separate deferment form provides a more accurate audit trail. In the case of **Borrower #SP-6**, an economic hardship deferment was processed 09/01/11 – 08/21/12 as both borrowers had signed the same economic hardship deferment form. It could be assumed that the borrowers qualified for the subsequent economic hardship deferment based on the prior economic hardship deferment. However, the documentation for the deferment processed 08/22/12 – 08/21/13 does not directly support that assumption.*

<u>REFERENCES</u>:

34 CFR §682.210(t)(5), 34 CFR §682.210(s)(6)
Common Manual 11.1.A, 11.4, 11.8
PEPS Deficiency Code 6930

CRI DIRECTED CORRECTIVE ACTION:

Borrowers in deferment receive interest subsidies from the Department of Education that are ultimately paid by taxpayers. Therefore, it is critical that deferments only be granted to those borrowers who qualify.

In order to resolve this finding, OSLA must:
1. Refund interest and special allowance to the Department of Education for the period that the above referenced borrowers were not eligible for deferment.
2. Provide evidence that the proper adjustments were made to the applicable quarterly LaRS reports.

OSLA MANAGEMENT RESPONSE:

As of October 26, 2015, OSLA has resolved these findings by cancelling the deferments.

D. FINDING: Claim Form Discrepancies

To request claim reimbursement, lenders or third-party servicers must complete the Common Claim Initiative (CCI) FFELP Claim Form. Information provided in the *CCI Claim Form* must be accurate and complete.

Of the twenty-nine (29) loans selected to test claim filing, there were five (5) instances where the information reported on the claim form did not reconcile to the servicing history.

For **Borrower #5-1**, an incorrect first payment due date and incorrect deferment months were reported in claim form fields 36 and 39. OSLA listed the first payment due date as 11/25/09 instead of 12/25/09, and listed the number of deferment months as 29 instead of 30.

For **Borrower #5-4**, an incorrect number of reconversion months was reported in claim form field 42. OSLA listed the number of reconversion months as 8 instead of 9. According to the *CCI Claim Form* instructions, for Stafford loans the lender should multiply the number of events by 3 to arrive at the number of reconversion months.

For **Borrower #5-13**, an incorrect number of reconversion months was reported in claim form field 42. OSLA listed the number of reconversion months as 5 instead of 6. According to the *CCI Claim Form* instructions, for Stafford loans the lender should multiply the number of events by 3 to arrive at the number of reconversion months.

For **Borrower #5-15**, an incorrect number of events and an incorrect number of reconversion months were reported in claim form fields 41 and 42. OSLA listed the number of events as 0 instead of 1, and the number of reconversion months as 0 instead of 2. According to the *CCI Claim Form* instructions, for Consolidation loans the lender should multiply the number of events by 2 to arrive at the number of reconversion months.

For **Borrower #5-27**, an incorrect number of events and an incorrect number of reconversion months were reported in claim form fields 41 and 42. OSLA listed the number of events as 1 instead of 2, and the number of reconversion months as 3 instead of 6. According to the *CCI Claim Form* instructions, for Stafford loans the lender should multiply the number of events by 3 to arrive at the number of reconversion months.

None of the findings noted above had a monetary impact.

REFERENCES:

34 CFR §682.414(a)(4)
Common Manual 13.1.A
CCI Claim Form, Instructions
PEPS Deficiency Code 6580

CRI DIRECTED CORRECTIVE ACTION:

Although there was no monetary impact, OSLA must ensure that the claim form correctly reflects the data in the servicing history and follows the claim form instructions.

OSLA agreed with the finding and has completed training with the claim filers requiring them to review and correct fields as necessary. Additionally, OSLA's Quality Control Department has begun reviewing certain field as part of the daily quality control process.

No further action is required for this finding. This issue will be reviewed as part of the 2016-2017 biennium review to confirm compliance.

OSLA MANAGEMENT RESPONSE:

As of October 26, 2015, OSLA confirms that the actions noted above have been implemented and are ongoing.

E. FINDING: Incorrect Interest Claimed Amount

If a lender has complied with all applicable due diligence and loan servicing requirements, a guarantor will pay the applicable percentage of the outstanding eligible interest owed from the interest-paid-through date (IPTD) through the date the guarantor pays the claim.

Of the twenty-nine (29) loans selected to test claim filing, there were eleven (11) loans that had an incorrect interest amount reported on the *CCI Claim Form*, field 51.

Of the eleven (11) loans that had an incorrect interest amount claimed, eight (8) loans were understated by 1 day of interest:

Bwr #	IPTD	Principal Balance	Interest Rate	Accrued Interest Claimed	Actual Accrued Interest	Difference
5-1	04/25/12	$7,116.67	6.80%	$462.41	$463.73	$1.32
5-9	08/11/11	$1,505.07	2.36%	$31.12	$31.22	$0.10
5-10	09/09/11 09/09/11	$6,188.71 $9,206.78	2.39% 6.80%	$718.96	$721.09	$2.13
5-11	07/12/11	$10,458.18	6.80%	$642.53	$644.47	$1.94
5-16	11/10/11	$5,618.37	6.80%	$354.59	$355.64	$1.05
5-18	07/06/12	$3,186.74	2.39%	$65.27	$65.48	$0.21
5-25	03/05/12	$16,829.15	2.39%	$385.99	$387.11	$1.12
5-29	08/20/11	$11,763.64	2.39%	$254.03	$254.82	$0.79

Of the eleven (11) loans that had an incorrect interest amount claimed, three (3) loans were overstated by 1 day of interest:

Bwr #	IPTD	Principal Balance	Interest Rate	Accrued Interest Claimed	Actual Accrued Interest	Difference
5-20	11/10/12	$11,211.12	2.35% 6.80%	$534.50	$532.72	$1.78
5-21	06/17/12	$45,606.69	2.39% 6.80%	$1,687.57	$1,681.79	$5.78
5-23	05/23/11	$38,387.36	5.375%	$1,604.33	$1,598.69	$5.64

In the case of overstated interest amount on the claim form, the guarantor's edits resulted in the payment of the correct (reduced) interest amount. The guarantor used the IPTD to determine the claim payment and did not rely on the interest amount field to make the claim payment determination. Therefore there was no monetary impact associated with this finding.

<u>REFERENCES</u>:

34 CFR §682.414(a)(4), 34 CFR §682.402
Common Manual 13, 13.1.A
CCI Claim Form, Instructions

CRI DIRECTED CORRECTIVE ACTION:

Although there was no monetary impact, OSLA must ensure that the claim form correctly reflects the data in the servicing history and follows the claim form instructions.

OSLA agreed with the finding and has implemented a process to correct the issue. OSLA claim filers are to perform a payoff calculation on the day they are filing the claim to show the amount of interest claimed as of that day. The claim filer will update field 51 with the information and then print the screen to retain in OSLA files.

No further action is required for this finding. This issue will be reviewed as part of the 2016-2017 biennium review to confirm compliance.

OSLA MANAGEMENT RESPONSE:

As of October 26, 2015, OSLA confirms that the actions noted above have been implemented and are ongoing.

F. 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.

The three (3) lender IDs included in the 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 reports were submitted late in four (4) instances as follows:

LID	Quarter Ended	Days Late
809070	03/31/12	31
825659	03/31/12	67
825659	06/30/12	11
834467	06/30/12	10

REFERENCES:

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

CRI DIRECTED CORRECTIVE ACTION:

OSLA addressed this issue by training additional staff to assist in preparing LaRS submittals and has not had a recurrence of late LaRS filings since the quarter ended 06/30/12.

No further action is required for this finding.

OSLA MANAGEMENT RESPONSE:

As of October 26, 2015, OSLA confirms that the actions noted above have been implemented and are ongoing.

G. FINDING: Annual IBR Renewal Letter Sent Late (Systemic)

For each subsequent year that a borrower who currently has a Partial Financial Hardship (PFH) remains on the IBR plan, the lender must notify the borrower in writing of the requirements to provide documentation of the borrower's Adjusted Gross Income (AGI), spouse's loan information (if applicable) and self-certification of his or her family size if the borrower chooses to remain on the IBR plan. The lender must send this notice to the borrower no later than 60 days, and no earlier than 90 days, prior to the borrower's annual deadline date. The borrower's annual deadline date must be no earlier than 35 days before the end of the borrower's annual payment period.

Of the twenty-nine (29) loans selected to test IBR processing, there were twelve (12) instances where the required annual IBR Renewal letter was not sent within the required timeframe as detailed below (*Note: since this was considered a systemic issue the sample was not expanded for this testing element*):

Bwr#	IBR Start Date	IBR Deadline Date	60-Day Renewal	90-Day Renewal	Letter Sent	Days Late
12-1	03/24/13	04/03/14	02/02/14	01/03/14	02/22/14	20
12-2	02/13/13	02/23/14	12/25/13	11/25/13	01/09/14	15
12-3	01/20/13	01/30/14	12/01/13	11/01/13	12/21/13	20
12-5	06/03/13	06/13/14	04/14/14	03/15/14	05/03/14	19
12-8	02/26/13	03/08/14	01/07/14	12/08/13	01/24/14	17
12-9	08/09/13	08/19/14	06/20/14	05/21/14	07/10/14	20
12-10	12/02/12	12/12/13	10/13/13	09/13/13	11/02/13	20
12-12	09/05/12	09/15/13	07/17/13	06/17/13	08/05/13	19
12-14	07/18/13	07/28/14	05/29/14	04/29/14	06/18/14	20
12-15	12/17/12	12/27/13	10/28/13	09/28/13	11/17/13	20
12-19	01/16/13	01/26/14	11/27/13	10/28/13	12/17/13	20
12-23	05/15/13	05/25/14	03/26/14	02/24/14	04/16/14	21
12-28	05/13/13	05/23/14	03/24/14	02/22/14	04/13/14	20

REFERENCES:

34 CFR §682.215(e)(2)-(5)
Common Manual 10.8.D
PEPS Code 6840

CRI DIRECTED CORRECTIVE ACTION:

OSLA agreed with the finding and made adjustments to their system profile to align the timing of the letters in accordance with the regulatory requirements.

No further action is required. This issue will be reviewed as part of the 2016-2017 biennium review to confirm compliance.

OSLA MANAGEMENT RESPONSE:

As of October 26, 2015, OSLA confirms that the actions noted above have been implemented and are ongoing.

H. FINDING: Incorrect IBR Payment Calculation

Of the twenty-nine (29) loans selected to test IBR processing, there was one (1) instance where the incorrect poverty guideline year was used resulting in an incorrect payment amount. The sample was expanded to seventy-six (76) loans with no additional occurrences noted.

Federal regulations require that a lender use the poverty guideline as published annually by the U.S. Department of Health and Human Services (DHHS) to determine a borrower's maximum monthly payment under PFH.

For **Borrower #12-13**, the incorrect poverty guideline year (2011) was used in determining the borrower's PFH/IBR eligibility resulting in an incorrect payment amount. OSLA determined the payment amount to be $133.10. The payment amount using the 2012 poverty guideline would have been $127.85. The difference was $5.45.

REFERENCES:

34 CFR §682.215(b)(1)
Common Manual 10.8.D
PEPS Code 6851

CRI DIRECTED CORRECTIVE ACTION:

The incorrect IBR payment amount resulted in the borrower paying annually $65.40 over the required IBR/PFH payment amount across nine (9) loans (five Subsidized

Stafford loans and four Unsubsidized Stafford loans, all serviced by OSLA). The borrower subsequently renewed their PFH/IBR in 2013. Because the over payment per loan is less than $1.00 per month, and IC interest is only paid on the Subsidized Stafford loans, the financial impact is minimal and no adjustments to the borrower's loans are required.

OSLA agreed with the finding and immediately implemented a quality control review process that occurs within 5 working days of the IBR processing date. Quality control steps include checking that the correct Poverty Guideline year was utilized for calculation of the PFH monthly payment amount. If an incorrect Poverty Guideline year is detected, the IBR is reprocessed immediately using the correct guideline year.

No further action is required at this time. This issue will be reviewed as part of the 2016-2017 biennium review to confirm compliance.

<u>OSLA MANAGEMENT RESPONSE</u>:

As of October 26, 2015, OSLA confirms that the actions noted above have been implemented and are ongoing.