



OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

Guaranteed Student Loan Program
P.O. Box 3000
Oklahoma City, Oklahoma 73101-3000

November 29, 2005

Mr. Andy Rogers
OSLA Student Loan Servicing
P.O. Box 18145
Oklahoma City OK 73154-0145

Dear Mr. Rogers:

In June 2004, the Oklahoma Guaranteed Student Loan Program (OGSLP) and the Student Loan Guarantee Foundation of Arkansas (SLGFA) conducted a joint review of the following lenders serviced by OSLA:

823400	Arvest Bank (Superior)
809070	BancFirst
828352	Bank One EFG
807674	Bank of America
812187	OU Lew Wentz Foundation
825659	OSLA

After a careful review of OSLA's response to the findings, OGSLP/SLGFA have concluded that OSLA has satisfactorily responded to the findings of the compliance review, including the details of the LaRS billing corrections done as a result of the system enhancement implemented in response to Finding #1. The review is now considered closed.

We are pleased to provide you with this information. If you have any questions, please contact Kim Elston, Senior Regulatory Compliance Specialist, at (405) 225-9487.

Sincerely,

Mary Mowdy, Executive Director
Oklahoma Guaranteed Student Loan Program



W.A. Rogers
Vice President

525 Central Park Drive, Suite 600
Oklahoma City, OK 73105-1706
P.O. Box 18145
Oklahoma City, OK 73154-0145
405-556-9211
Fax 405-556-9255
arogers@osla.org

August 19, 2005

Ms. Mary Mowdy, Executive Director
Oklahoma State Regents for Higher Education
Oklahoma Guaranteed Student Loan Program
P.O. Box 3000
Oklahoma City, OK 73101-3000

Dear Ms. Mowdy,

OSLA Student Loan Servicing™ (OSLA) is providing the enclosed information regarding resolution of Finding #1 from the joint compliance review conducted by the Oklahoma Guaranteed Student Loan Program (OGSLP) and the Student Loan Guarantee Foundation of Arkansas (SLGFA). This scope of this review included loans owned by the following lenders that are serviced by OSLA:

Arvest Bank (formerly Superior Bank)	823400
BancFirst	809070
Bank One	828352
Bank of America	807674
OU Lew Wentz Foundation	812187
Oklahoma Student Loan Authority	825659

A copy of your April 27, 2005 letter is enclosed for reference.

FINDING #1 – BILLING LOANS AT AN INCORRECT INTEREST RATE DURING PERIODS OF DEFERMENT:

These billing errors were caused by a problem with OSLA’s Loan Servicing System. Our system vendor released an enhancement to resolve this Interest Benefit billing problem in 2005. OSLA implemented this enhancement to correct these Interest Benefit errors on our June 30, 2005 Lender Report System (LaRS) Report to US Department of Education.

OSLA is enclosing the following documents related to these corrections processed our June 30, 2005 LaRS:

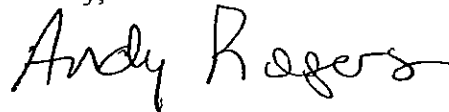
1. Hard copy of LaRS Part II – Interest Benefit. Our billing corrections were posted as CL-BD in the amount of \$2,656.00 and SF-BD in the amount of \$90,782.00.
2. “Lender’s Interest and Special Allowance Request and Report (LARS)” settlement notice dated July 19, 2005 from Department of Education on lender number 825659. The Interest Benefit amount on this settlement notice reconciles back to OSLA’s hard copy of LaRS Part II which includes our interest benefit corrections.

Ms. Mary Mowdy
August 19, 2005
Page 2

OSLA has a listing of borrowers' loans that were included in our interest benefit corrections. This listing reconciles back to the CL-BD and SF-BD corrections on LaRS Part II. We will make this listing (1,105 pages) available for your review if necessary.

If you have any questions, please contact me by telephone at 556-9211 or by e-mail at "arogers@osla.org".

Sincerely,

A handwritten signature in black ink that reads "Andy Rogers". The signature is written in a cursive, flowing style.

W.A. Rogers,
Vice President-Operations / Controller

Enclosures

xc: James T. Farha, OSLA
Rod Durrell, OSLA
Graden Perry, OSLA



OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

Guaranteed Student Loan Program
P.O. Box 3000
Oklahoma City, OK 73101-3000

April 27, 2005

Mr. Andy Rogers
OSLA Student Loan Servicing
P.O. Box 18145
Oklahoma City OK 73154-0145

Dear Mr. Rogers:

In June 2004, the Oklahoma Guaranteed Student Loan Program (OGSLP) and the Student Loan Guarantee Foundation of Arkansas (SLGFA) conducted a joint review of the following lenders serviced by OSLA:

823400	Arvest Bank (Superior)
809070	BancFirst
828352	Bank One EFG
807674	Bank of America
812187	OU Lew Wentz Foundation
825659	OSLA

After a careful review of OSLA's response to the findings, OGSLP/SLGFA have concluded that OSLA has satisfactorily responded to the findings of the compliance review. The only requirement remaining is for OSLA to provide the details of the LaRS billing corrections done as a result of the system enhancement implemented in response to Finding #1. Upon receipt of that documentation, the review will be considered closed.

We are pleased to provide you with this information. If you have any questions, please contact Kim Elston, Senior Regulatory Compliance Specialist, at (405) 225-9487.

Sincerely,

Mary Mowdy, Executive Director
Oklahoma Guaranteed Student Loan Program



W.A. Rogers
Vice President

525 Central Park Drive, Suite 600
Oklahoma City, OK 73105-1706
P.O. Box 18145
Oklahoma City, OK 73154-0145
405-556-9211
Fax 405-556-9255
arogers@osla.org

March 30, 2005

Ms. Mary Mowdy, Executive Director
Oklahoma State Regents for Higher Education
Oklahoma Guaranteed Student Loan Program
P.O. Box 3000
Oklahoma City, OK 73101-3000

Dear Ms. Mowdy,

OSLA Student Loan Servicing™ (OSLA) has received your report dated March 1, 2005 on the joint compliance review conducted by the Oklahoma Guaranteed Student Loan Program (OGSLP) and the Student Loan Guarantee Foundation of Arkansas (SLGFA). This scope of this review included loans owned by the following lenders that are serviced by OSLA:

Arvest Bank (formerly Superior Bank)	823400
BancFirst	820907
Bank One	828352
Bank of America	807674
OU Lew Wentz Foundation	812187
Oklahoma Student Loan Authority	825659

A copy of your March 1, 2005 letter is enclosed for reference.

OSLA is submitting this letter in response to the findings noted in your report.

FINDING #1 – BILLING LOANS AT AN INCORRECT INTEREST RATE DURING PERIODS OF DEFERMENT:

These billing errors are caused by a problem with OSLA’s Loan Servicing System. This problem relates exclusively to Oklahoma Student Loan Authority owned loans since the Oklahoma Student Loan Authority will purchase loans from our lender customers prior to the loans earning any discounted interest rate incentive. Our system vendor released an enhancement to resolve this Interest Benefit billing problem in 2005. This enhancement will correct this problem for current Interest Benefit billings to the Department of Education (DE) and also correct all prior quarters’ erroneous billings. This enhancement has to be in production on the first day of the quarter for which the corrections will be reported to DE. OSLA will provide details on these corrections to Interest Benefit billings when they are reported to DE through our quarterly LaRS report.

Ms. Mary Mowdy
March 30, 2005
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FINDING #2 – DEFECT IN APPLICATION OF PAYMENT:

This payment application problem was caused by human error in reviewing borrower payments received within 120 days of date of disbursement. OSLA previously identified these payments manually to properly pro-rate the origination and/or guarantee fees. OSLA has developed and implemented an automated, system generated report that identifies all borrower payments received within 120 days of date of disbursement. This report is being worked on a weekly basis to properly pro-rate the related fees.

Enclosed with this letter is a copy of the Loan History Detail and Display Payments Reports that reflect the transaction to pro-rate the origination fees in the amount of \$67.04 effective 11/14/2003 for the borrower in this finding.

If you have any questions, please contact me by telephone at 556-9211 or by e-mail at "arogers@osla.org".

Sincerely,



W.A. Rogers,
Vice President-Operations / Controller

Enclosures
xc:



OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

Guaranteed Student Loan Program
P.O. Box 3000
Oklahoma City, Oklahoma 73101-3000

March 1, 2005

Mr. Andy Rogers
OSLA Student Loan Servicing
P. O. Box 18145
Oklahoma City OK 73154-0145

Dear Mr. Rogers:

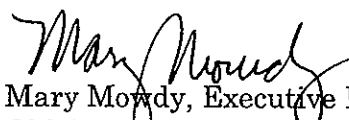
Enclosed is the report of the joint on-site compliance review of OSLA Student Loan Servicing conducted by the Oklahoma Guaranteed Student Loan Program (OGSLP) and the Student Loan Guarantee Foundation of Arkansas (SLGFA) in June 2004. Your written response to the report is requested within 30 days from the receipt of this letter.

The review included loans held by the following lenders, and serviced by your organization:

Arvest Bank (Superior)	823400
BancFirst	809070
Bank One EFG	828352
Bank of America	807674
OU Lew Wentz Foundation	812187
OSLA	825659

We appreciate your cooperation in providing assistance to eligible students through the Federal Family Education Loan Program. If you have questions or need further assistance in complying with the applicable regulations and procedures of this program, please contact Ms. Kim Elston, Senior Regulatory Compliance Specialist, at (405) 225-9487.

Sincerely,


Mary Mowdy, Executive Director
Oklahoma Guaranteed Student Loan Program

Cc:

Enclosures

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
655 research Parkway, Suite 200
Oklahoma City, Oklahoma 73105

Report of

OSLA STUDENT LOAN SERVICING

ON-SITE COMPLIANCE REVIEW

For the Oklahoma Guaranteed Student Loan Program and the Student Loan
Guarantee Foundation of Arkansas

SERVICER NAME: OSLA Student Loan Servicing

ADDRESS: 525 Central Park Drive, Suite 600
Oklahoma City OK 73105-1706

**LENDER NAMES AND
ID NUMBERS:**

825659	Oklahoma Student Loan Authority
823400	Superior Federal Bank, FSB
809070	BancFirst
828352	BankOne, N.A.
807674	Bank of America

REVIEWERS: Ms. Kim Elston
Oklahoma Guaranteed Student Loan Program

Ms. Becky Collins
Mr. Mike Smith
Ms. Pamela Baker
Mr. Chris Pitcock
Student Loan Guarantee Foundation of Arkansas

PRINCIPALS

INTERVIEWED: Mr. Jim Farha, President
Mr. Graden Perry, VP of Loan Management
Mr. Rod Durrell, VP of Finance
Mr. Andy Rogers, VP of Operations/Controller
Ms. Pam Chandler, Servicing System Coordinator
Ms. Bridgid Cook, Director of Quality Assurance
OSLA Student Loan Servicing

DATES OF REVIEW: June 7-11, 2004

GUARANTEE AGENCY AUTHORITY:

FEDERAL – The Federal Family Education Loan Program, formerly the Guaranteed Student Loan Program, was created in 1965 by Title IV, Part B of the Higher Education Act of 1965, as amended. The purpose of the Federal Family Education Loan Program is to provide loans to students demonstrating eligibility, which enables students to pursue a postsecondary education.

STATE – Oklahoma legislation establishing the Student Educational Assistance Fund was enacted in 1965, authorizing the Oklahoma State Regents for Higher Education to utilize the fund for guaranteeing loans made by private or public lending institutions to students applying for such loan guarantees for the purpose of obtaining financial assistance for attending eligible educational institutions. The Oklahoma State Regents for Higher Education are further authorized and empowered to promulgate such rules, regulations, and procedures with respect to student eligibility, terms of loans, and other matters they may consider appropriate.

The Student Loan Guarantee Foundation of Arkansas (SLGFA) was designated by the Arkansas State Legislature in 1967 to provide loan guarantees for students attending postsecondary institutions.

PURPOSES OF REVIEW:

The purposes of this review are (1) to determine if OSLA is operating within the authorizing statutes, regulations, agreements, and policies governing the student loan program, and (2) to provide technical assistance to further ensure compliance with all applicable regulations of the Federal Family Education Loan Program.

SCOPE:

The scope was to evaluate the following areas: (1) due diligence in making a loan, (2) due diligence in disbursing a loan, (3) due diligence in servicing a loan, (4) due diligence in the collection of loans, (5) accuracy in the reporting of loans to the guarantor, and (6) completion of the Lender's Request for Interest and Special Allowance Reports from April 1, 2002 to December 31, 2003. The scope of this review is not limited to these areas and is expanded to encompass areas that were identified during the program review. Although the review was thorough, this visit cannot be assumed to be all-inclusive. Therefore, absence of statements in this report regarding specific practices and procedures followed by OSLA 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 OSLA's obligation to comply with all of the statutory provisions and regulations governing the Federal Family Education Loan Program.

Of the loans disbursed under the five lender IDs reviewed, samples were selected at random and reviewed for compliance with the various requirements of loan servicing. A listing of these borrowers is designated as Exhibit I. The review of these files should provide OGSLP/SLGFA with an accurate representation of the total portfolio and OSLA's compliance with Federal Family Education Loan Program regulations.

FINDINGS:

A copy of this report is disseminated to each lender ID reviewed during the testing. As described below, the body of the report is composed of two main sections: Aggregate Exceptions and Specific Exceptions.

The Aggregate Exceptions section lists all program violations discovered during the review. This section is identical on all reports.

The Specific Exceptions section lists the specific borrower accounts where program violations 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 Exhibit I will vary from lender to lender and will include only those borrowers with loans originated or held by the specific lender.

AGGREGATE EXCEPTIONS

FINDING #1 - BILLING LOANS AT AN INCORRECT INTEREST RATE DURING PERIODS OF DEFERMENT:

OSLA offers interest rate reductions to its borrowers based on timely repayment and method of payment; however, for subsidized loans during periods of deferment, OSLA was billing the U.S. Department of Education at the applicable interest rate, rather than the actual interest rate.

FINDING #2 – DEFECT IN APPLICATION OF PAYMENT:

In one instance, a substantial borrower payment was made within 120 days of the date of disbursement; however, a proportional refund of fees was not made to the borrower's account.

OBSERVATION #1 – UNDER-BILLING OF SPECIAL ALLOWANCE DURING THE QUARTER OF CLAIM PAYMENT:

Examination of LaRS interest billing on claim loans during the quarter of claim payment indicated a consistent under-billing of special allowance by six days. Interviews with OSLA staff indicated OSLA had subsequently modified its procedure for inputting the effective date of claim payment, thereby resolving the under-billing issue.

OBSERVATION #2 – MISSING BACKUP DATA FOR LaRS INTEREST BILLING AND BALANCES IN THE FOURTH QUARTER OF 2003:

OSLA was unable to provide backup data for the 12/31/03 LaRS interest billing or Part V balances; however, interest credited at the individual account level for that quarter did not indicate any errors in billing.

SPECIFIC EXCEPTIONS

FINDING #1 - BILLING LOANS AT AN INCORRECT INTEREST RATE DURING PERIODS OF DEFERMENT:

OSLA offers interest rate reductions to its borrowers based on timely repayment and method of payment; however, for subsidized loans during periods of deferment, OSLA billed the U.S. Department of Education at the applicable interest rate, rather than the actual interest rate.

<u>LID</u>	<u>NAME</u>	<u>SSN</u>	<u>ACTUAL RATE</u>	<u>BILLED RATE</u>
825659			4.69%	6.19%
			2.76%	4.26%

CITATION:

34 CFR Section 682.300(d)(1):

Except as provided in paragraph (d)(2) of this section, the Secretary pays the lender at the actual interest rate on a loan provided that the actual interest rate does not exceed the applicable interest rate.

Financial Partners Lender/Service Review Guide, page 27:

For programs that offer reduced rates for loans in repayment, review the 799 billing for full subsidy when these loans go into deferment or claim status. These must be billed at the actual interest rate for subsidy but the applicable rate of special allowance.

REQUIREMENT:

In accordance with the citation referenced above, OSLA must not bill for more than the actual interest rate during periods of deferment. OSLA must develop and maintain procedures to correct these deficiencies and must provide OGSLP/SLGFA with written assurance that these procedures will be implemented to prevent any recurrence of this error in the future.

Because this problem appears to have been systemic, OSLA must find and correct all such instances of excess billing and must provide OGSLP/SLGFA with documentation that these errors have been corrected.

FINDING #2 - DEFECT IN APPLICATION OF PAYMENT:

In one instance, a substantial borrower payment was made within 120 days of the date of disbursement; however, a proportional refund of fees was not made to the borrower's account.

<u>LID</u>	<u>NAME</u>	<u>SSN</u>	<u>DATE</u>	<u>AMOUNT</u>
			11/14/03	\$2167.50

CITATION:

34 CFR Section 682.202(c) Fees for FFEL Program loans.

- (7) Shall refund by a credit against the borrower's loan balance the portion of the origination fee previously deducted from the loan that is attributable to any portion of the loan—
- (i) That is returned by a school to a lender in order to comply with the Act or with applicable regulations;
 - (ii) That is repaid or returned within 120 days of disbursement, unless—
 - (A) The borrower has no FFEL Program loans in repayment status and has requested, in writing, that the repaid or returned funds be used for a different purpose; or
 - (B) The borrower has a FFEL Program loan in repayment status, in which case the payment is applied in accordance with Sec. 682.209(b) unless the borrower has requested, in writing, that the repaid or returned funds be applied as a cancellation of all or part of the loan;

REQUIREMENT:

In accordance with the above-cited regulation, OSLA must credit the borrower's account with a refund of the fees proportional to the payment amount received within 120 days of disbursement. OSLA must develop procedures to ensure that borrowers receive the proper refund of fees in these instances, and provide OGSLP/SLGFA with assurance that these procedures will be implemented.

CONCLUSION

Two items of noncompliance with Federal Family Education Loan Program regulations were noted during the review of OSLA Student Loan Servicing. These items of noncompliance have been described above. Actions required of OSLA Student Loan Servicing because of these items are:

1. Submit to OGSLP/SLGFA an appropriate corrective action response to the compliance report items of noncompliance.
2. Make appropriate adjustments of interest billing for the accounts affected by Finding #1 and submit documentation of these corrections along with the response to the compliance report.
3. Make the proportional credit of loan fees to the borrower's account as required in Finding #2 and submit documentation of these corrections along with the response to the compliance report.

EXHIBIT I

[Original list of borrowers not included for privacy reasons]