



**UNITED STATES DEPARTMENT OF EDUCATION**

Financial Partners – Northern Region

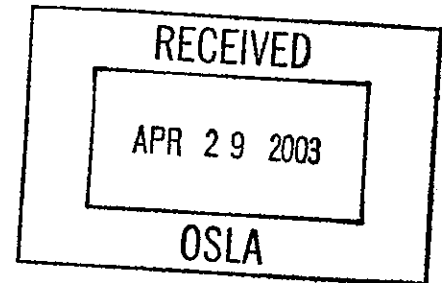
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Robert Bridgman  
Senior Guarantor and  
Lender Review Specialist

April 22, 2003



Jim Farha, President  
Oklahoma Student Loan Authority  
525 Central Park Drive, Suite 600  
Oklahoma City, OK 73105-1706

Dear Mr. Farha:

Thank you for your cooperation on our visit to the Oklahoma Student Loan Authority.

The review report for the secondary market operations of the Oklahoma Student Loan Authority is enclosed. The specific nature of the review does not otherwise limit or lessen your institution's obligation to comply with the rules and regulations governing the Federal Family Education Loans.

You may consider the review closed. Within the scope of the Oklahoma Student Loan Authority review as a loan servicer conducted in November we observed a discrepancy in the average daily balance that affects the billings for the March 2002 quarter. The discrepancy is addressed in that report, only. If you have any questions or comments about the Federal Family Education Loans program please contact me.

Sincerely,

Robert Bridgman  
Senior Guarantor and Lender  
Review Specialist

cc: Mirek Halaska, Regional Director, And Southern Region  
Oklahoma Guaranteed Student Loan Program  
Financial Partners

LENDER REVIEW SCOPE

|  |  |
|--|--|
| <u>Date...</u>   | April 22, 2003   |
| Lender Name and Address...   | Oklahoma Student Loan Authority<br>525 Central Park Drive, Suite 600<br>Oklahoma City, Oklahoma 73105 – 1706   |
| Telephone Number...  | 405.556.9200   |
| Dates of Review...   | September 9-13, 2002   |
| Contact Official...  | Jim Farha, President<br>Rod Durrell, Vice President and Chief Financial Officer<br>Graden Perry, Vice President – Loan Management<br>Andy Rogers, Controller and Vice President<br>Brigid Cook, Director of Quality Assurance<br>Pam Chandler, Training Coordinator<br>Darlene Hitt, Collections Team Leader<br>Fran Willoughby, Loan Originations Team Leader |
| ED Official...   | Robert Bridgman, Senior Guarantor and Lender Review Specialist<br>Earl Crisp, Guarantor and Lender Review Specialist, Dallas<br>Don Smith, Guarantor and Lender Review Specialist, Chicago<br>Marge Stroud, Guarantor and Lender Review Specialist, Chicago<br>Judi Charlton, Guarantor and Lender Review Specialist, San Francisco                            |
| Lender Identification Number & Associated Program Review Control Number... | 825659    2002-4-05-5003<br>833059    2002-4-05-5004<br>833224    2002-4-05-5005   |

Scope and Purpose

The review includes the period beginning April 1, 1996, through September 30, 2001 for three lender identification numbers used by the Authority. The review evaluates compliance with Federal regulations governing the Federal Family of Education Loan Program. The review focused on the following areas:

- a. Quarterly billings of interest, special allowance, lender fees and origination fees.
- b. Accounting for the quarters ending September 30, 1999, through June 30, 2002.

- c. Reporting to guarantee agencies and via the agencies to the National Student Loan Data System, and
- d. Borrower and loan service including loan status, payments, and other transactions.

Background

OSLA originates loans to students and parents primarily through its Student Lending Network of approximately 32 lenders and directs the purchase of those loans prior to repayment or during the grace period by the Authority. Purchase timing depends on the loan type and awareness of status changes. The Authority issues taxable and tax-exempt bonds and notes and maintains a revolving line of credit to fund and hold student loan notes. The Authority performs its own servicing through a remote connection, for the period in this review, with UNIPAC Service Corporation. On March 1, 2002, the Authority converted to a licensed in-house system.

The Authority uses three Lender Identification Numbers:

- 825659 - Primary
- 833059 - Lender of Last Resort
- 833224 – Separate Portfolio Code (no new activity)

The Authority portfolio balances as of September 30, 2001 included \$407 million for all loan types:

| Interim & Grace | Loans in Repayment<br>Less than 90 Days<br>Delinquent | Loans Delinquent<br>90-270 Days | Loans over 270<br>Days Delinquent | Loans Filed for<br>Claim | Total Portfolio |
|-----------------|---|---------------------------------|-----------------------------------|--------------------------|-----------------|
| 134,286,248     | 39,794,253  | 187,303,748                     | 2,651,965                         | 1,667,646                | 407,113,534     |

The amount of loans in default as a percentage of the portfolio loan balance remains under 3.2%. The change in default definition from the 180<sup>th</sup> day of delinquency to 270<sup>th</sup> day drove down the default amounts to near 1.6% for several quarters.

Originations for fiscal year ending September 30, 2001

The Authority originates consolidation loans, serial loans, and lender of last resort loans. Most loans are originated within the Lender Network.

| Loan Origination<br>Source | Stafford<br>Subsidized Loans | Unsubsidized Loans | Parent Loans | Total Education<br>Loans | Consolidation Loans |
|----------------------------|------------------------------|--------------------|--------------|--------------------------|---------------------|
| Authority                  | 7,719,261                    | 5,472,815          | 816,724      | 14,008,800               | 19,027,649          |
| Lender Networks            | 50,714,270                   | 8,553,463          | 35,959,110   | 95,226,843               | 0                   |

Consolidation loans, as a percentage of the total portfolio remains constant at approximately 20% since March 1998.

## Disclaimer

The absence of statements in this report about specific practices or procedures of the Authority should not be construed as acceptance, approval or endorsement of those practices or procedures. The conclusions cited in this report do not limit nor lessen the Authority's obligation to comply with all other provisions of the Federal Family Education Loan programs.

No findings were noted during the review. Observations of the review are identified below.

## Observation:

The due diligence letters provide detailed information on the loan balances and delinquency. One of the delinquent letters mentions that the ED Ombudsman Office is available for assistance but omits any direct method to contact that office. Regulation 34 CFR 682.411 (b) (3) directs the lender to provide the borrower with "information on the availability" of the Student Loan Ombudsman's office. Gen-00-04 cites Enclosure D as all the information about the Ombudsman's office that should be included as meeting the requirement of the regulation. Enclosure D is sectioned into three components; an internet address, a toll free telephone number, and a mail address. In a private letter clarifying the intent of the regulation to your contractor, ED believes that "generally" lenders would provide two of the three items in Enclosure D.

## Recommendation:

The letters currently in use, the statement, and the delinquent notice, when mentioning the Ombudsman office, should provide a means of contacting that office. Within the context of those letters providing the toll free telephone number would seem consistent with the directions of the Dear Partner letter and the intent of the private letter.

## EXIT INTERVIEW

An exit interview was held with Jim Farha, President, Rod Durrell, Vice President, Graden Perry, Vice President, Andy Rogers, Controller, Brigid Cook, and Pam Chandler, advising them of the program review findings pertaining to the administration of the Federal Family Education Loan Program. A copy of this report is being mailed to the Guarantee Agency.

## Appendix

| Borrower Files |             |           |
|----------------|-------------|-----------|
| Borrower ID    | First Name  | Last Name |
|                | Caleb       |           |
|                | Donnette    |           |
|                | Wanda       |           |
|                | Michelle    |           |
|                | Sherry      |           |
|                | Kaycee      |           |
|                | Marcus      |           |
|                | Derika      |           |
|                | Leslie      |           |
|                | Tonna       |           |
|                | Christopher |           |
|                | Carol       |           |
|                | Michael     |           |
|                | Melinda     |           |
|                | Misha       |           |
|                | Roberta     |           |
|                | Skye        |           |
|                | Susan       |           |
|                | Wesley      |           |
|                | Randy       |           |
|                | Donna       |           |
|                | Cynthia     |           |
|                | George      |           |
|                | Lisa        |           |
|                | Resa        |           |
|                | Ana         |           |
|                | Michael     |           |
|                | Mark        |           |
|                | Diana       |           |
|                | Linda       |           |

NOTE: Certain personal information masked for privacy.

| Conversion to Repayment |             |           |
|-------------------------|-------------|-----------|
| Borrower ID             | First Name  | Last Name |
|                         | George      |           |
|                         | Jason       |           |
|                         | Donald      |           |
|                         | Phillip     |           |
|                         | Jessica     |           |
|                         | Nicketa     |           |
|                         | William     |           |
|                         | Michael     |           |
|                         | John        |           |
|                         | William     |           |
|                         | Michelle    |           |
|                         | Jean        |           |
|                         | Carrie      |           |
|                         | Heather     |           |
|                         | Donald      |           |
|                         | Christopher |           |

| Origination, Deferment, Forbearance |            |           |
|-------------------------------------|------------|-----------|
| Borrower ID                         | First Name | Last Name |
|                                     | Cynthia    |           |
|                                     | Annette    |           |
|                                     | Misty      |           |
|                                     | Latasha    |           |
|                                     | Audrey     |           |
|                                     | Tara       |           |
|                                     | Devon      |           |
|                                     | Christine  |           |
|                                     | Christina  |           |
|                                     | Jeffrey    |           |
|                                     | Vivian     |           |
|                                     | Charlotte  |           |
|                                     | Kellie     |           |
|                                     | Audrey     |           |
|                                     | Glenis     |           |
|                                     | Cynthia    |           |
|                                     | Mary       |           |
|                                     | Cindy      |           |
|                                     | Amy        |           |
|                                     | Ingrid     |           |
|                                     | Charles    |           |

NOTE: Certain personal information masked for privacy.