



We Help Put America Through School

December 19, 2005

Mr. Brett Lief, President
National Council of Higher Education Loan Programs
1100 Connecticut Avenue, NW, Suite 1200
Washington, DC 20036-4110

Dear Mr. Lief:

This letter is in response to the National Council of Higher Education Loan Programs' request, on behalf of the Family Federal Education Loan (FFEL) community, that the Department of Education review and approve the community's Common Claims Initiative (CCI) process. I am issuing this letter subsequent to recent communications from and discussions with members of the Federal Family Education Loan (FFEL) Program community, and it supersedes my previous letter dated October 4, 2005.

As a general matter, lenders may submit claims electronically using the CCI format, and guaranty agencies may review the information included in the submission for completeness and for making a determination as to whether the lender has complied with all of the origination, servicing, and due diligence requirements for claim approval.

During our review, we identified areas where we feel it is necessary to state certain assumptions and conditions on which our response is based, as noted below.

- 1 Promissory Notes – Generally, a claim cannot be paid until the guaranty agency obtains evidence from the lender that the loan is a legally enforceable debt. Evidence of a legally enforceable loan debt includes a legally enforceable promissory note as well as evidence that the loan for which a claim is being filed was made based on that note. The original paper or electronic promissory note or, if the lender relied on a copy of a Master Promissory Note (MPN), the copy of the MPN relied on, is satisfactory evidence that a legally enforceable note was obtained by the lender.

Alternatively, an agency may review and pay a default claim where the lender does not submit the original promissory note (or, where a lender makes a loan based on a copy of an MPN, that actual copy) but submits one of the following:

- A certified true and exact copy of the original paper promissory note.
- A certified true and exact electronic copy or image of the original promissory note.
- A certified true and exact copy of an electronically signed promissory note.

2. We will continue to work with the community to ensure that detailed repayment and prior delinquency due diligence information will be available from the lender if needed by the guaranty agency or the Department during the collections process.
3. The community must implement one or more Department approved processes that guaranty agencies will use to conduct, on a sampling basis, a Post-Claim Review in order to ensure that the automated CCI claims submission and review process is accurate. Each plan must ensure that the sample selected will be large enough to enable the agency to make a valid statistical inference as to the accuracy of the claim submissions received from each lender/servicer. The plan must provide that the review be conducted on a quarterly basis and include lender claims processed during the previous quarter.

We believe that the Post-Claims Review proposal submitted by members of the community last year can, with additional development, form the basis for an acceptable comprehensive Post-Claim Review process. We look forward to working with members of the community in the near future on the development of this (and other) post-claims review processes that meet the requirements noted above.

Finally, as you are aware, some Financial Partner Services program review findings have been on hold pending approval of the CCI process. We will, on a case-by-case basis, reevaluate those findings taking into consideration the now approved CCI process.

If you have any questions, please contact me at 202-377-3005

Sincerely,



Matteo Fontana
General Manager,
Financial Partner Services, Federal Student Aid

cc: Winfield P. Crigler, Student Loan Servicing Alliance