



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

August 3, 2009

TO: Independent Public Accountants

SUBJECT: Amendment No. 1 to *Agreed-Upon Procedures (AUP) Attestation Engagement Guide for the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) Loan Participation Program and Loan Purchase Commitment Program for the 2008-2009 Academic Year (the Guide)*.

This notice makes the following amendments to the subject Guide, Second Edition, issued December 9, 2008.

Background

The Guide provides for AUP engagements of:

- (1) Sponsors participating in the Loan Participation Program for the 2008-2009 academic year, and
- (2) Sellers participating in the Loan Purchase Commitment Program for the 2008-2009 academic year.

Description of Amendments

The Guide is hereby amended to incorporate revised AUPs specified in the table below. In addition, conforming changes are made to the Illustrative Agreed-Upon Procedures and Results contained in Attachments 2 and 7 of the Guide.

AUP	Description of Amendment
§3.5(H) §4.4(H)	Revisions are made: (i) so that the practitioner does not report a finding when a loan's Certified Loan Amount is greater than its Original Loan Amount, and (ii) note that a finding is not always indicative of noncompliance. (Upon review of the report, the Department of Education (ED) will determine whether noncompliance exists.)
§3.5(I)	A revision is made to refer to Loan Documentation, rather than Loan Documents.
§4.4(E)	A revision is made to (i) include procedures relating to additional Loan Documents collected by the ED Servicer and (ii) remove procedures relating to Loan Documents the ED Servicer does not possess in cases where the promissory note was signed electronically by the borrower.
§4.2(A)	A revision is made to provide a corrected telephone contact number for the ED Servicer.
§4.4(E)	A revision is made to revise the reference in line with the revised AUP at §4.4(E).
§§3.5(J) and (R) §§4.4(J) and (R)	Revisions are made to note that a finding is not always indicative of noncompliance. (Upon review of the report, ED will determine whether noncompliance exists.)

Effective Date

These changes are effective for all engagement reports submitted to the Department on or after August 31, 2009. Early implementation is permitted and encouraged.

Specific Changes to the Guide

To reflect this amendment, the following changes are made to the Guide:

AUP at §3.5(H) on page 20.

Replace AUP at §3.5(H) with the following:

3.5(H). Based upon results from §3.5(G), mark an “X” in the “Loan Certification” column on the schedule of Loan Level Testing Results (Attachment 12) if (i) the Loan Type or Loan Period Begin Date for the loan contained in, or referenced by, the loan certification detailed in (G) above does not agree to the Loan Schedule or (ii) the Certified Loan Amount (i.e., the loan amount certified by the school) contained in, or referenced by, the loan certification detailed in (G) above is less than the Original Loan Amount on the Loan Schedule. In addition, report the specific details of noncompliance as a finding in the Schedule of Findings (Attachment 5). Note: A finding is not always indicative of noncompliance. Upon review of the report, ED will make a definitive assessment whether noncompliance exists.

AUP at §3.5(I) on page 20.

Replace the first sentence of AUP at §3.5(I) with the following:

3.5(I). For loans in the sample, compare the following information contained in the Loan Documentation¹ to the Loan Schedule:

AUP at §3.5(J) on page 21, §3.5(R) on page 24, §4.4(J) on page 39, and §4.4(R) on page 43.

Add the following note to the end of AUP at §§3.5(J) and (R) and §§4.4(J) and (R):

Note: A finding is not always indicative of noncompliance. Upon review of the report, ED will make a definitive assessment whether noncompliance exists.

AUP at §4.2(A) on page 29.

Telephone contact number for Susan Manlove is 310-847-5198.

¹ As used in Chapter 3, Loan Documentation consists of the (i) Loan Documents obtained at §3.5(E) and (ii) hardcopy or electronic records obtained from the sponsor, servicer, custodian, or its designee.

AUP at §4.4(E) on page 38.

Replace AUP at §4.4(E) with the following:

4.4(E). For loans in the sample, obtain Loan Documents from the ED Servicer.² Loan Documents may be hardcopy or electronic records. Inspect the Loan Documents to ascertain whether they include:

- 1) A copy of the signed promissory note;
- 2) A repayment schedule, if the loan has entered repayment;
- 3) A record of each disbursement (e.g., a report from the loan servicing system detailing the date and amount of the disbursement);
- 4) If, at the time of purchase, the loan is in deferment status, evidence of the borrower's eligibility for the deferment, which consists of:
 - a) A copy of the deferment form, if a written form was used for granting the deferment, or
 - b) For deferments not requiring a written form (e.g., in-school deferment based upon National Student Loan Data System information), the evidence provided in the loan history submission;
- 5) If, at the time of purchase, the loan is in forbearance status, the evidence required to support the exercise of forbearance, which consists of:
 - a) A copy of the forbearance form, if a written form was used for granting the forbearance, or
 - b) For forbearances not requiring a written form (e.g., granted based on an oral conversation with the borrower) the evidence provided in the loan history submission;
- 6) If, at the time of purchase, the loan has entered repayment, a payment history showing the date and amount of each payment received from or on behalf of the borrower, and that amount that was attributed to principal, interest, late charges, and other costs; and
- 7) For loans in the sample that are delinquent at the time of purchase, (i) a collection history showing the date and subject of each communication between the seller and the borrower or endorser relating to the collection of a delinquent loan, (ii) each effort to locate a borrower whose address is unknown, and (iii) each request by the seller for default aversion assistance on the loan.

AUP at §4.4(H) on page 39.

Replace AUP at §4.4(H) with the following:

4.4(H). Based upon results from §4.4(G), mark an "X" in the "Loan Certification" column on the schedule of Loan Level Testing Results (Attachment 13) if (i) the Loan Type, Loan Period Begin Date, or Loan Period End Date for the loan contained in, or referenced by, the loan certification detailed in §4.4(G) does not agree to the Loan Schedule or (ii) the Certified Loan Amount (i.e., the loan amount certified by the school) contained in, or referenced by, the loan certification detailed in §4.4(G) is less than the Original Loan Amount on the Loan Schedule. In addition, report the specific details of noncompliance as a finding in the Schedule of Findings (Attachment 10). Note: A finding is not always indicative of noncompliance. Upon review of the report, ED will make a definitive assessment whether noncompliance exists.

² Contact information for the ED Servicer is detailed in §4.2(A).

AUP at §4.4(EE) on page 47.

Replace the first sentence of AUP at §4.4(EE) with the following:

4.4(EE). For loans in the sample where the promissory note was electronically signed by the borrower (see §4.4(E)(1)) ask officials at the seller if the required exemplary affidavit(s) and supporting material(s)⁴⁵ have been submitted to the ED Servicer.

Attachment 2, AUP at §3.5(G) on page 61.

To conform to the changes in the AUP at §3.5(H) on page 20, replace AUP and Results at §3.5(G) with the following:

Agreed-Upon Procedures	Results
<p>3.5(G). For loans in the sample, obtain from the sponsor’s custodian or its designee the loan certifications from the student’s school. Compare the following information contained in, or referenced by, the loan certification to the Loan Schedule:</p> <ol style="list-style-type: none"> 1) Loan Type (Loan Level Layout Field 20), 2) Original Loan Amount (Loan Level Layout Field 25), and 3) Loan Period Begin Date (Loan Level Layout Field 30). 	<p>The information in the loan certifications agreed to the information in the Loan Schedule and the Certified Loan Amounts were more than or equal to the Original Loan Amounts.</p> <p>Or</p> <p>[Specify number of] loans contained information in the loan certifications that did not agree to the Loan Schedule and/or [specify number of] loans had a Certified Loan Amount less than the Original Loan Amount. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>

Attachment 2, AUP at §3.5(I) on page 61.

To conform to the change in the AUP at §3.5(I) on page 20, replace AUP and Results at §3.5(I) with the following:

Agreed-Upon Procedures	Results
<p>3.5(I). For loans in the sample, compare the following information contained in the Loan Documentation to the Loan Schedule:</p> <ol style="list-style-type: none"> 1) Loan Number (Loan Level Layout Field 1), if recorded in loan documents, 2) SSN (Loan Level Layout Field 3), 3) Last Name (Loan Level Layout Field 5), 4) First Name (Loan Level Layout Field 6), 5) First Disbursement Date (Loan Level Layout Field 15), 6) Guaranty Date (Loan Level Layout Field 13), 7) Disbursement Amount (Loan Level Layout Field 18), 8) Loan Type (Loan Level Layout Field 20), 9) Original Lender ID (Loan Level Layout Field 21), and 10) Actual Interest Rate (Loan Level Layout Field 27). 	<p>The Loan Documentation supports (i.e., agree to) the data contained in the Loan Schedule.</p> <p>Or</p> <p>[Specify number of] loans did not have Loan Documentation that support (i.e., agree to) the data contained in the Loan Schedule. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>

Attachment 7, AUP at §4.4(E) on page 76.

To conform to the changes in the AUP at §4.4(E) on page 38,
 Replace AUP and Results at §4.4(E) with the following:

Agreed-Upon Procedures	Results
<p>4.4(E). For loans in the sample, obtain Loan Documents from the ED Servicer. Inspect the Loan Documents to see that they include:</p> <ol style="list-style-type: none"> 1) A copy of the signed promissory note; 2) A repayment schedule, if the loan has entered repayment; 3) A record of each disbursement (e.g., a report from the loan servicing system detailing the date and amount of the disbursement); 4) If, at the time of purchase, the loan is in deferment status, evidence of the borrower’s eligibility for the deferment, which consists of: <ol style="list-style-type: none"> a) A copy of the deferment form, if a written form was used for granting the deferment, or b) For deferments not requiring a written form (e.g., in-school deferment based upon National Student Loan Data System information), the evidence provided in the loan history submission; 5) If, at the time of purchase, the loan is in forbearance status, the evidence required to support the exercise of forbearance, which consists of: <ol style="list-style-type: none"> a) A copy of the forbearance form, if a written form was used for granting the forbearance, or b) For forbearances not requiring a written form (e.g., granted based on an oral conversation with the borrower) the evidence provided in the loan history submission; 6) If, at the time of purchase, the loan has entered repayment, a payment history showing the date and amount of each payment received from or on behalf of the borrower, and that amount that was attributed to principal, interest, late charges, and other costs; and 7) For loans in the sample that are delinquent at the time of purchase, (i) a collection history showing the date and subject of each communication between the seller and the borrower or endorser relating to the collection of a delinquent loan, (ii) each effort to locate a borrower whose address is unknown, and (iii) each request by the seller for default aversion assistance on the loan; 	<p>The practitioner obtained all of the required Loan Documents from the ED Servicer.</p> <p>Or</p> <p>For [specify number of] loans, the ED Servicer did not provide all of the required Loan Documents. For specific details, see Schedule of Findings (Attachment 10), Finding No. [specify].</p>

Attachment 7, AUP at §4.4(G) on page 76.

To conform to the changes in the AUP at §4.4(H) on page 39, replace AUP and Results at §4.4(G) with the following:

Agreed-Upon Procedures	Results
<p>4.4(G). For loans in the sample, obtain from the sponsor’s custodian or its designee the loan certifications from the student’s school. Compare the following information contained in, or referenced by, the loan certification to the Loan Schedule:</p> <ol style="list-style-type: none"> 1) Loan Type (Loan Level), 2) Original Loan Amount (Loan Level), 3) Loan Period Begin Date (Loan Level) and 4) Loan Period End Date (Loan Level). 	<p>The information in the loan certifications agreed to the information in the Loan Schedule and the Certified Loan Amounts were more than or equal to the Original Loan Amounts.</p> <p>Or</p> <p>[Specify number of] loans contained information in the loan certifications that did not agree to the Loan Schedule and/or [specify number of] loans had a Certified Loan Amount less than the Original Loan Amount. For specific details, see Schedule of Findings (Attachment 10), Finding No. [specify].</p>

Questions

Questions about this amendment may be sent to Hugh M. Monaghan, Director, Non-Federal Audits, by email to hugh.monaghan@ed.gov or by fax at 215-656-6397.

Sincerely,

/s/

Keith West
Assistant Inspector General for Audit