May 24, 2010

TO: Independent Public Accountants


This notice makes the following amendments to the subject Guide, issued April 22, 2009.

Background
The Guide provides for AUP engagements of Seller’s and Eligible Direct Issuer’s compliance with selected criteria for Putable Loans pursuant to the rules and provisions of the ECASLA ABCP Conduit Put Program.

Description of Amendments
The Guide is hereby amended to incorporate revisions to §1.3 Engagement Scope, §2.1 Management Assertion, and Required Procedure §3.4(I). This amendment is being made to accommodate instances where student loans are held by a party other than the Seller or Eligible Direct Issuer. However, the Seller or Eligible Direct Issuer plans to purchase the loans from the current holder, to include the loans in the Relevant Loan Portfolio of the Seller or Eligible Direct Issuer, and then pledge or cause some or all of the loans to be pledged to the Conduit prior to July 1, 2010. In addition, conforming changes are made to the Illustrative Agreed-Upon Procedures and Results contained in Attachment 2 and the Seller’s or Eligible Direct Issuer’s Management Assertion Regarding the Test Pool contained in Attachment 4 of the Guide.

Effective Date
These changes are effective for all engagement reports submitted to the Conduit on or after May 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:

1.3 Engagement Scope on pages 5 through 7.

Replace §1.3 with the following:

**Initial Engagement / Test Pool**

The initial engagement performed under this Guide shall, at the Seller’s or Eligible Direct Issuer’s option, cover (i) all student loans included in the Seller’s or Eligible Direct Issuer’s Relevant Loan Portfolio as of the date of determination of the portfolio, (ii) a subset of the student loans described in clause (i) of this sentence that are planned to be pledged to the Conduit on one or more particular Grant Date(s), and/or (iii) any student loans that are (a) planned to be included in the Seller’s or Eligible Direct Issuer’s Relevant Loan Portfolio and (b) planned to be included among the loans pledged to the Conduit on one or more particular Grant Date(s).1 The pool of loans subject to any engagement shall be referred herein as the “Test Pool.” The initial engagement may be performed on a Test Pool with a date of determination that is up to 90 days in advance of any pledge of loans to the Conduit by a Funding Note Issuer. Loans must be pledged to the Conduit prior to July 1, 2010.

**Subsequent Engagements**

Subsequent engagements performed under this Guide are required under the following circumstances:

1. A subsequent engagement is required in advance of any additional pledge of loans to the Conduit by a Funding Note Issuer that occurs more than 90 days after the date of determination of the Test Pool of the prior engagement. Such subsequent engagement shall cover:
   a. A new Test Pool comprised of (i) all student loans now included in the Seller’s or Eligible Direct Issuer’s current Relevant Loan Portfolio as of the date of determination of the current portfolio, (ii) a subset of the student loans described in clause (i) of this sentence that are planned to be pledged to the Conduit on one or more particular Grant Date(s) that will be within 90 days after the date of determination of the new Test Pool, and/or (iii) any student loans that are (a) planned to be included in the Seller’s or Eligible Direct Issuer’s Relevant Loan Portfolio and (b) planned to be included among the loans pledged to the Conduit on one or more particular Grant Date(s) prior to July 1, 2010; and
   b. All loans that had been pledged to the Conduit by a Funding Note Issuer since the prior engagement, but had not been included in a Test Pool that was subject to an engagement performed under this Guide.2

2. A subsequent engagement is required in advance of any additional pledge of loans to the Conduit by a Funding Note Issuer that occurs within 90 days after the date of determination of the Test Pool of the prior engagement, when a Seller plans to sell loans

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1 Clause (iii) includes student loans not currently held by the Seller or Eligible Direct Issuer. However, the Seller or Eligible Direct Issuer plans to purchase the loans from the current holder, to include the loans in a Relevant Loan Portfolio of the Seller or Eligible Direct Issuer, and then pledge or cause some or all of the loans to be pledged to the Conduit.

2 These loans would be those included in a pledge of loans occurring on a Grant Date which is not an Advance Date and where the collateral value of such student loans is less than 5% of the balance of the Funding Note.
to a Funding Note Issuer, or an Eligible Direct Issuer plans to pledge loans, not included in the Test Pool for the prior engagement. Such subsequent engagement shall cover (i) all loans to be sold or pledged that were not included in a prior engagement and/or (ii) any student loans that are (a) planned to be included in the Seller’s or Eligible Direct Issuer’s Relevant Loan Portfolio and (b) planned to be included among the loans pledged to the Conduit on one or more particular Grant Date(s) prior to July 1, 2010.

3. A subsequent engagement is also required if (i) the prior engagement discloses that any (i.e., one or more) student loan included in the prior engagement’s sample is not a Putable Loan, or (ii) application of the procedures at §3.4(F) and/or §3.4 (I) of the Guide discloses noncompliance that cannot be remedied to the satisfaction of the Conduit. Such a subsequent engagement shall cover:

   a. A new Test Pool comprised of (i) all student loans now included in the Seller’s or Eligible Direct Issuer’s current Relevant Loan Portfolio as of the date of determination of the current portfolio, (ii) a subset of the student loans described in clause (i) of this sentence that are planned to be pledged to the Conduit on one or more particular Grant Date(s) that will be within 90 days after the date of determination of the new Test Pool, and/or (iii) any student loans that are (a) planned to be included in the Seller’s or Eligible Direct Issuer’s Relevant Loan Portfolio and (b) planned to be included among the loans pledged to the Conduit on one or more particular Grant Date(s) prior to July 1, 2010; and

   b. All loans that had been pledged to a Funding Note Issuer since the prior engagement, but had not been included in a Test Pool that was subject to an engagement performed under this Guide.

2.1 Management Assertion on page 11.

Replace §2.1 with the following:

This is an AUP engagement as defined in GAGAS ¶1.23. The Seller or Eligible Direct Issuer (as applicable) must provide the practitioner with the management assertion detailed below. The practitioner will perform the procedures in Chapter 3, prepare the respective reporting package described in Chapter 4, and submit the respective reporting package to management of the Seller or Eligible Direct Issuer.

**Seller’s or Eligible Direct Issuer’s Management Assertion for ABCP Conduit Put Program AUP Engagement:**

For all loans included in the Test Pool for this AUP engagement, with a date of determination of [MM/DD/YYYY], under the rules and provisions of the ABCP Conduit Put Program, each loan (i) is a Stafford or PLUS loan, (ii) has a first disbursement date that is on or after October 1, 2003, but not later than July 1, 2009, and (iii) was fully disbursed no later than September 30, 2009, or the Grant

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3 If the prior AUP engagement disclosed that one or more loans failed to meet the selected criteria for a Putable Loan, pursuant to FNPA Appendix B (Conditions Precedent) §3(c) and §4(f), as reflected in this Guide, management of the Seller or Eligible Direct Issuer shall have implemented procedures to assure compliance with the selected criteria for a Putable Loan. The Test Pool for the subsequent engagement shall have been determined based upon the revised procedures implemented by management of the Seller or Eligible Direct Issuer.

4 These loans would be those included in a grant of loans occurring on a Grant Date which is not an Advance Date and where the collateral value of such student loans is less than 5% of the balance of the Funding Note.
Date, if earlier. The Test Pool, with a date of determination of [MM/DD/YYYY], consists of [specify number] loans having a total Principal Balance of [specify amount]. The Test Pool, with a date of determination of [MM/DD/YYYY], includes [does not include] student loans held by a party other than the Seller or Eligible Direct Issuer that are planned to be included in the Relevant Loan Portfolio of the Seller or Eligible Direct Issuer and among the loans pledged to the Conduit on one or more Grant Date(s).

3.3 Loan Schedule Testing – Compliance Requirements on page 16.

Replace §3.3 Compliance Requirements with the following:

Pursuant to the FNPA, a Seller or Eligible Direct Issuer selects loans that will be sold to and/or pledged by the Funding Note Issuer from its Relevant Loan Portfolio. At the Funding Note Issuer’s election, the Test Pool for the AUP engagement is (i) the Relevant Loan Portfolio, which consists of the Seller’s or Eligible Direct Issuer’s complete portfolio of student loans that would satisfy the criteria for an Eligible Loan as of the date of determination of the Relevant Loan Portfolio, (ii) a subset of the student loans described in clause (i) that will be pledged to the Conduit on particular Grant Date(s), and/or (iii) any student loans that are (a) planned to be included in the Seller’s or Eligible Direct Issuer’s Relevant Loan Portfolio and (b) planned to be included among the loans pledged to the Conduit on one or more particular Grant Date(s).

The FNPA describes loans that are eligible for participation in the ABCP Conduit Put Program. One of the requirements for the ABCP Conduit Put Program is that a loan must be a Putable Loan. A Putable Loan is any Financed Student Loan that (i) became a Financed Student Loan prior to the earlier of July 1, 2010, and the occurrence of an Event of Default, (ii) is a subsidized Stafford, unsubsidized Stafford, or PLUS loan, and (iii) had its first disbursement made on or after October 1, 2003, but no later than July 1, 2009, and that was fully disbursed no later than September 30, 2009, or if the Grant Date is earlier than September 30, 2009, on or prior to the Grant Date. The procedures at §3.3(A) through §3.3(C) test the loans in the Loan Schedule for compliance with selected criteria for Putable Loans.

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5 See FNPA Appendix A (Definitions) for “Putable Loan.”
**AUP at §3.4(I) on page 20.**

Replace AUP at §3.4(I) with the following:

3.4(I). For loans in the sample, compare the following information contained in the applicable loan servicing system\(^6\) to the Loan Schedule:

1) Borrower First Name*
2) Borrower Last Name*
3) Borrower SSN
4) Loan Number
5) Principal Balance*
6) Loan Type
7) First Disbursement Date
8) Final Disbursement Date
9) Loan Period Begin Date
10) Loan Period End Date
11) Loan Status Code*
12) Seller or Eligible Direct Issuer LID**
13) Original Lender LID
14) Guarantor

*Note: The Principal Balance, Loan Status Code, and borrower’s first and/or last name per the applicable loan servicing system at the time the engagement is performed may not agree with the information contained in the Loan Schedule. The practitioner shall review the borrower and/or loan history (e.g., transactions affecting the loan’s Principal Balance, changes to the Loan Status Code, or changes to the borrower’s name) contained in the applicable loan servicing system to ascertain the Principal Balance, Loan Status Code, and/or borrower’s first and/or last name applicable to the loan as of the Loan Schedule’s report date.

**Note: If applicable, obtain from the Seller or Eligible Direct Issuer a listing of the loans, included in the sample and held by a party other than the Seller or Eligible Direct Issuer, that are planned to be included in the Seller’s or Eligible Direct Issuer’s Relevant Loan Portfolio and planned to be included among the loans pledged to the Conduit on one or more Grant Date(s). Such list shall include the loan number, the name of the current holder, and the current holder’s LID. In addition, such list must be included in the attestation documentation for the engagement. For the listed loans only, a finding should not be reported if the Seller or Eligible Direct Issuer LID listed on the Loan Schedule does not agree with the LID contained in the applicable loan servicing system.

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\(^6\) The information on the borrower’s loan will be contained in a loan servicing system maintained by the Seller, Eligible Direct Issuer, or third-party servicer.
**Attachment 2, AUP at §3.4(I) on page 32.**

Replace AUP and Results at §3.4(I) with the following:

<table>
<thead>
<tr>
<th>Agreed-Upon Procedures</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3.4(I).</strong> For loans in the sample, compare the following information contained in the applicable loan servicing system to the Loan Schedule:</td>
<td>Information contained in the loan servicing system supports (i.e., agrees to) the data contained in Loan Schedule.</td>
</tr>
<tr>
<td>1) Borrower First Name*</td>
<td>Or</td>
</tr>
<tr>
<td>2) Borrower Last Name*</td>
<td>For [specify number] loans loan servicing system did not support (i.e., agree to) the data contained in the Loan Schedule. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</td>
</tr>
<tr>
<td>3) Borrower SSN</td>
<td></td>
</tr>
<tr>
<td>4) Loan Number</td>
<td></td>
</tr>
<tr>
<td>5) Principal Balance*</td>
<td></td>
</tr>
<tr>
<td>6) Loan Type</td>
<td></td>
</tr>
<tr>
<td>7) First Disbursement Date</td>
<td></td>
</tr>
<tr>
<td>8) Final Disbursement Date</td>
<td></td>
</tr>
<tr>
<td>9) Loan Period Begin Date</td>
<td></td>
</tr>
<tr>
<td>10) Loan Period End Date</td>
<td></td>
</tr>
<tr>
<td>11) Loan Status Code*</td>
<td></td>
</tr>
<tr>
<td>12) Seller or Eligible Direct Issuer LID**</td>
<td></td>
</tr>
<tr>
<td>13) Original Lender LID</td>
<td></td>
</tr>
<tr>
<td>14) Guarantor</td>
<td></td>
</tr>
</tbody>
</table>

*Note: The Principal Balance, Loan Status Code, and borrower’s first and/or last name per the applicable loan servicing system at the time the engagement is performed may not agree with the information contained in the Loan Schedule. The practitioner shall review the borrower and/or loan history (e.g., transactions affecting the loan’s Principal Balance, changes to the Loan Status Code, or changes to the borrower’s name) contained in the applicable loan servicing system to ascertain the Principal Balance, Loan Status Code, and/or borrower’s first and/or last name applicable to the loan as of the Loan Schedule’s report date.

**Note: If applicable, obtain from the Seller or Eligible Direct Issuer a listing of the loans, included in the sample and are held by a party other than the Seller or Eligible Direct Issuer, that are planned to be included in the Seller’s or Eligible Direct Issuer’s Relevant Loan Portfolio and planned to be included among the loans pledged to the Conduit on one or more Grant Date(s). Such list shall include the loan number, the name of the current holder, and the current holder’s LID. In addition, such list must be included in the attestation documentation for the engagement. For the listed loans only, a finding should not be reported if the Seller or Eligible Direct Issuer LID listed on the Loan Schedule does not agree with the LID contained in the applicable loan servicing system.
Attachment 4, Seller’s or Eligible Direct Issuer’s Management Assertion Regarding the Test Pool on page 36.

Replace Attachment 4 with the following:

Note: The following management assertion is to be provided on letterhead of the Seller or Eligible Direct Issuer.

To [CPA Firm]:

For all loans included in the Test Pool for this AUP engagement, with a date of determination of [MM/DD/YYYY], under the rules and provisions of the ABCP Conduit Put Program, each loan (i) is a Stafford or PLUS loan, (ii) has a first disbursement date that is on or after October 1, 2003, but not later than July 1, 2009, and (iii) was fully disbursed no later than September 30, 2009, or the Grant Date, if earlier. The Test Pool, with a date of determination of [MM/DD/YYYY], consists of [specify number] loans having a total Principal Balance of [specify amount]. The Test Pool, with a date of determination of [MM/DD/YYYY], includes [does not include] student loans held by a party other than the Seller or Eligible Direct Issuer that are planned to be included in the Relevant Loan Portfolio of the Seller or Eligible Direct Issuer and among the loans pledged to the Conduit on one or more Grant Date(s).

Signed:

___________________  ____________________  _______________
Name     Title     Date

Questions

Questions about this amendment may be sent to Kevin Winicker, Assistant Director, Non-Federal Audits, by email to Kevin.Winicker@ed.gov.

Sincerely,

/s/

Keith West
Assistant Inspector General for Audit