

## AGENDA ITEM 15.

### FFELP SERVICING AND ORIGINATIONS CONTRACT

**Submitted for:** Action

**Summary:** **Background:** In January of 2009, the Illinois Student Assistance Commission (ISAC) issued a Request for Proposals (RFP) for loan originations and servicing for ISAC's Illinois Designated Account Program (IDAPP) FFELP loan portfolio. IDAPP's Alternative Loan portfolio was outsourced to Education Computer Systems, Inc. (ECSI) in late 2007. Moving the servicing of IDAPP's FFELP portfolio to an outside vendor is a major component of the restructuring of ISAC to reduce costs and increase its efficiency. Management estimates that this contract will reduce servicing costs by approximately \$8 million over a five-year period from a combination of or reduced servicing costs and headcount reductions.

ISAC currently services its FFELP loan portfolio (approximately \$1 billion) utilizing a combination of 12 servicing platforms, the largest of which is a remote servicing platform from Nelnet. The number of servicing platforms is a legacy issue relating to past loan purchases. Previously, IDAPP would leave purchased portfolios on their existing servicing platforms. The large number of servicing platforms creates significant accounting issues as each needs to be reconciled and consolidated monthly before financial statements can be produced. This process is costly and time-consuming. Finally, and most critical, Nelnet has informed ISAC that it intends to decommission the remote servicing platform on which ISAC currently services \$619 million of its FFELP portfolio.

**RFP Process:** Five (5) bidders responded to the RFP each addressing a series of in-depth questions about their systems and processes. A team of ISAC staff evaluated the responses on a technical basis, scoring each as to the ability of the bidder to service loans as required by ISAC. One bidder was deemed not responsible and one bidder did not receive a high enough score to allow review of their pricing proposal. The top three bidders (based on technical score only) were then evaluated as to the pricing of the services being requested. The bidders were then ranked based on a combined score of technical and price responses. The top bidder based upon technical score and price was **EdFinancial Services, LLC of Knoxville, Tennessee (EdFinancial).**

**Academic Year 2010:** To prevent a detrimental interruption of loan processing for Academic Year 2010, ISAC and EdFinancial have commenced transition planning and put in place a limited statement of work that covered originations and servicing of Academic Year 2010 loan volume. It is necessary to have that transition activity commence so that IDAPP could process new loans for Academic Year 2010 immediately. Applications start coming in early June for fall 2009. That statement of work clearly provides that execution of the Servicing and Originations Contract (as defined below) is contingent upon the Commission's approval.

**Servicing and Originations Contract:** Management is now seeking the approval of the Commission to execute and deliver originations and servicing contract with Ed Financial (the “**Servicing and Originations Contract**”). The Servicing and Originations Contract with Ed Financial shall be for a term not to exceed seven (7) years including two (2) one-year renewals and shall be in an aggregate amount not to exceed \$20 million including all renewals. The Chairman and Executive Director shall have the authority to negotiate such terms as each deems acceptable and in the best interest of ISAC.

**Action requested:**

That the Commission approve the following resolutions:

“**BE IT RESOLVED** that the Illinois Student Assistance Commission (ISAC) authorizes the execution and delivery by the Executive Director of a servicing contract with Ed Financial, LLC. (the “**Servicing and Originations Contract**”) and any amendments thereto in substantially the form attached hereto as **Exhibit A** with such changes and modifications as the Chairman and Executive Director deem acceptable and in the best interests of the ISAC such other agreements, documents, certificates and instruments as are necessary to consummate the transactions contemplated by the Servicing and Originations Contract; provided, however, that the term of the Servicing and Originations Contract shall not exceed seven (7) years including renewals and the aggregate amount of fees payable by ISAC to Ed Financial under the Servicing Contract shall not exceed \$20 million for the entire term of the Servicing and Originations Contract.”

“**BE IT FURTHER RESOLVED** that, subject to the limitations set forth in the paragraph above, the Chairman and Executive Director are, and each of them is, hereby authorized to do or perform all such acts and to execute all such certificates, documents and other instruments as they or any of them deem necessary, convenient or desirable to consummate the transactions contemplated by this Resolution and all of the acts and doings of the Chairman and Executive Director which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be and are hereby approved, confirmed and ratified”.