

U.S. Department of Education
Office of Inspector General



**AGREED UPON PROCEDURES
ATTESTATION ENGAGEMENT GUIDE**

**Ensuring Continued Access to
Student Loans Act of 2008
(ECASLA)**

**Asset-Backed Commercial Paper
Conduit Put Program**

**Seller's and Eligible Direct Issuer's Compliance
With Selected Criteria for Puttable Loans**

April 22, 2009



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
Washington, D.C.

April 22, 2009

Dear Colleague:

This letter transmits the U.S. Department of Education's *Agreed Upon Procedures (AUP) Attestation Engagement Guide for the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) Asset-Backed Commercial Paper (ABCP) Conduit Put Program for Seller's and Eligible Direct Issuer's Compliance with Selected Criteria for Puttable Loans*. This Guide provides the requirements for AUP engagements for a Seller or Eligible Direct Issuer that participates in the ABCP Conduit Put Program.

Under the ECASLA, for Federal Family Education Loan (FFEL) Program loans made under sections 428 (subsidized Stafford loans), 428B (PLUS loans), and 428H (unsubsidized Stafford loans) of the Higher Education Act (HEA), the Department has the authority to purchase FFEL Program loans. Under the ABCP Conduit Put Program, the Department commits to purchase Puttable Loans contingent upon the occurrence of certain events.

This Guide describes the Agreed Upon Procedures engagement required of Sellers or Direct Eligible Issuers by sections 3.02 and 3.03 of the Funding Note Purchase Agreement, which in turn reference sections 3(c) and 4(f) of Appendix B to that Agreement. These provisions require the funding note issuer to provide an AUP engagement report prior to any advance from, or a grant of a security interest to, the Conduit Lender. This AUP focuses chiefly, although not exclusively, on whether the loans subject to the proposed grant are Puttable Loans.

This guide explains the coverage and procedures, reporting requirements, and report submission deadlines for the AUP engagement. Any questions regarding the application of this Guide should 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

Table of Contents

- Chapter 1 – General Requirements 1**
- 1.1 Purpose and Background 1
- 1.2 Engagement Objectives..... 5
- 1.3 Engagement Scope 5
- 1.4 Submission Date for Engagement Report 7
- 1.5 Professional Standards..... 7
- 1.6 Fraud or Other Illegal Acts..... 8
- 1.7 Confidential Commercial Information..... 8
- 1.8 Quality Control Reviews 9
- 1.9 References and Resources 9
- 1.10 Technical Assistance 9
- 1.11 Subsequent Editions of Guide 9
- 1.12 Program Requirements..... 9
- Chapter 2 – Planning the Engagement 11**
- 2.1 Management Assertion..... 11
- 2.2 Engagement Letter 11
- 2.3 Engagement Methodology 12
- 2.4 Use of a Third-Party Servicer 13
- Chapter 3 – Agreed Upon Procedures for Selected Criteria for Puttable Loans..... 14**
- 3.1 Agreed Upon Procedures 14
- 3.2 Obtain Management Assertion and Loan Schedule 14
- 3.3 Loan Schedule Testing 16

3.4 Loan Level Testing	18
Chapter 4 – Reporting.....	24
4.1 Engagement Report Package Requirements	24
4.2 Reporting Package Submission.....	25
Exhibit.....	26
Exhibit A - Overview of ABCP Conduit Put Program	26
Attachments.....	27
Attachment 1 – Illustrative Agreed Upon Procedures Report for Seller’s and Eligible Direct Issuer’s Compliance with Selected Criteria for Putable Loans	27
Attachment 2 - Illustrative Agreed Upon Procedures and Results Section for Seller’s and Eligible Direct Issuer’s Compliance with Selected Criteria for Putable Loans.....	29
Attachment 3 – Summary of Loan Population and Sample Characteristics for the Test Pool	34
Attachment 4 – Seller’s or Eligible Direct Issuer’s Management Assertion Regarding the Test Pool	36
Attachment 5 – Schedule of Findings for Seller’s and Eligible Direct Issuer’s Compliance with Selected Criteria for Putable Loans.....	37
Attachment 6 – Seller or Eligible Direct Issuer and Practitioner Information Sheet ...	38
Attachment 7 - Loan Level Testing Results for Seller’s and Eligible Direct Issuer’s Compliance with Selected Criteria for Putable Loans	39
Attachment 8 – Seller’s or Eligible Direct Issuer’s Report on Engagement Findings and Corrective Actions.....	40

Acronyms

<u>Acronym</u>	<u>Definition</u>
ABCP	Asset-Backed Commercial Paper
AUP	Agreed Upon Procedures
ECASLA	Ensuring Continued Access to Student Loans Act of 2008
ED	U.S. Department of Education
ELT	Eligible Lender Trustee
FFELP	Federal Family Education Loan Program
FNPA	Funding Note Purchase Agreement
GAGAS	Generally Accepted Government Auditing Standards
HEA	Higher Education Act of 1965, as amended
LID	Lender Identification Number
OIG	Office of Inspector General
SLPA	Student Loan Purchase Agreement
SPV	Special Purpose Vehicle

Chapter 1 – General Requirements

1.1 Purpose and Background

This Agreed Upon Procedures (AUP) Attestation Engagement Guide (the Guide) provides the requirements for AUP engagements for Sellers and Eligible Direct Issuers participating in the Federal Family Education Loan (FFEL) Asset-Backed Commercial Paper (ABCP) Conduit Put Program. The purpose of this Guide is to describe the AUP engagements of Seller's and Eligible Direct Issuer's compliance with selected criteria for Puttable Loans.

The ABCP Conduit Put Program is authorized under section 459A of the Higher Education Act of 1965, as amended (HEA) by the Ensuring Continued Access to Student Loans Act (ECASLA) of 2008 (Pub. L. 110-227). Under section 459A of the HEA, the U.S. Department of Education (ED) has authority to purchase, or enter into forward commitments to purchase, student loans made under sections 428 (subsidized Stafford loans), 428B (PLUS loans), and 428H (unsubsidized Stafford loans) of the HEA.

Overview of the ABCP Conduit Put Program

The purpose of the ABCP Conduit Put Program is to encourage lenders (i.e., Sellers and Eligible Direct Issuers, defined below) to provide students and parents access to Stafford and PLUS loans by facilitating and providing a highly rated and liquid source of funding to lenders for eligible loans. The ABCP Conduit Put Program does this via a process briefly summarized as follows:

1. Lenders directly, or via a separate legal entity (a "special purpose vehicle"), issue Funding Notes collateralized by eligible student loans.
2. The collateralized Funding Notes are sold to an entity (a "Conduit") which issues commercial paper that is securitized by the Funding Notes and the collateral supporting the Funding Notes.
3. The Conduit sells the commercial paper to investors.
4. The proceeds of the sale of commercial paper are routed back to the Seller or Eligible Direct Issuer to use to make additional student loans or to repay indebtedness secured by or allocated to the loans collateralizing the Funding Notes.

When the Funding Notes are sold to the Conduit, under the ABCP Conduit Put Program, the Federal Government (i.e., ED) agrees to purchase eligible loans if certain events occur. Such a purchase is a "put" (i.e., sale) to ED.

Parties to the Process

In addition to ED, the entities participating in the ABCP Conduit Put Program include the following:

- A *Seller* is (i) an eligible FFEL Program lender, (ii) a holder of beneficial interest in student loans with an Eligible Lender Trustee (ELT) holding legal title to such loans, or (iii) an Eligible Direct Issuer.
- An *Eligible Direct Issuer* of Funding Notes is a state agency or non-for-profit organization that is either (i) not eligible to be a debtor under Chapter 9 of the Bankruptcy Code or (ii) not subject to an involuntary bankruptcy petition under the Bankruptcy Code.
- For loans to be placed in the ABCP Conduit Put Program by (i) all Sellers who are not Eligible Direct Issuers and (ii) Eligible Direct Issuers, at their discretion, such Sellers and Eligible Direct Issuers first sell their loans to a separate legal entity: an individual bankruptcy remote *Special Purpose Vehicle (SPV)*.
- A *Funding Note Issuer* is any entity entering into a Funding Note Purchase Agreement (FNPA) with the Conduit. A Funding Note Issuer may be either an SPV or an Eligible Direct Issuer.
- A *Conduit* is an entity established to issue commercial paper. As of March 2009, Straight-A Funding, LLC is the only Conduit operating under the ABCP Conduit Put Program.
- A *Conduit Administrator* is an agent for the Conduit and is responsible for acquiring Funding Notes, making Advances and distributions, the execution of the Put Agreement, the exercise of Put Options, and the administration, reporting, monitoring, and enforcement of the Put Agreement and FPNAs. The Bank of New York Mellon serves as the Conduit Administrator for Straight-A Funding, LLC.
- A *Conduit Manager* is an agent for the Conduit and is responsible for supervising and managing the issuance of commercial paper, the Funding Note Assets, and certain other operations and activities of the Conduit. BMO Capital Markets Corporation serves as the Conduit Manager for Straight-A Funding, LLC.
- A *Liquidity Provider* is an entity that has agreed to advance funds (i.e., a Liquidity Funding) to a Conduit, in the event that the Conduit is unable to pay amounts owed upon the maturity date of the commercial paper issued by the Conduit. The Federal Financing Bank (FFB) is the Liquidity Provider for Straight-A Funding, LLC. The FFB is a government corporation created by Congress and under the general supervision of the Secretary of the Treasury.

Student loans eligible for the ABCP Conduit Put Program include subsidized Stafford, unsubsidized Stafford, and PLUS loans for which a first disbursement was made on or after October 1, 2003, but not later than July 1, 2009, and that was fully disbursed no later than September 30, 2009, or (if applicable) by the date sold or pledged to a

Funding Note Issuer (if earlier). Such loans must be sold and/or pledged to a Funding Note Issuer prior to (i) July 1, 2010, and (ii) the occurrence of an Event of Default.¹

The ABCP Conduit Put Program Funding Process

The ABCP Conduit Put Program provides funds to lenders using the following process:

1. In order to participate in the ABCP Conduit Put Program, Sellers and Funding Note Issuers submit a Notice of Intent to Participate (NOI) to ED.
2. Pursuant to a Student Loan Purchase Agreement (SLPA), Sellers sell eligible student loans to individual bankruptcy remote SPVs. The primary parties to the SLPA are a Seller and a SPV that is a Funding Note Issuer. (Eligible Direct Issuers do not enter into a SLPA and do not sell loans to a SPV.)
3. Eligible Direct Issuers or SPVs (both types of entities being a Funding Note Issuer) pledge the student loans they hold as collateral for the Funding Notes.
4. Pursuant to a FNPA, on an Advance Date (i.e., date of sale), the Funding Note Issuer exchanges a Funding Note for an Advance (i.e., payment) from the Conduit. On the Advance Date, the Conduit is granted a security interest in the eligible loans that the Funding Note Issuer holds as collateral for the Funding Note.² The primary parties to the FNPA are the Funding Note Issuer and the Conduit.
5. The Conduit funds its purchase of each Funding Note through the issuance of commercial paper and/or other securities. Investors purchase the commercial paper and/or other securities.
6. Upon maturity, the commercial paper and/or other securities are paid by the Conduit from one or a combination of the following: (i) payments received under the Funding Notes (which will be paid from collections and proceeds of the underlying eligible loans), (ii) issuance of additional commercial paper and/or securities, (iii) advances provided by a Liquidity Provider, and (iv) a reserve account, if any.

Upon the occurrence of a Put Event, ED has agreed to purchase eligible loans covered by the Put Option. The Put Option is issued by ED to the Conduit pursuant to a Put Agreement between ED and the Conduit. The Put Option covers eligible loans that are part of the ABCP Conduit Put Program. Put Events include (i) the Liquidity Provider's failure to make a Liquidity Advance when due, (ii) a Liquidity Funding remains unpaid for more than 45 days after the date on which it was made, (iii) the date that is 45 days prior to the Put Option expiration date, (iv) a Funding Note Event of Default pursuant to the FNPA, (v) a pledged loan becomes 210 days delinquent, or (vi) the date that is 45

¹ See FNPA Appendix E (Events of Default). The practitioner is not responsible in this engagement to perform any procedures to determine if there was an Event of Default.

² In certain circumstances, the Funding Note Issuer will grant a security interest in loans to the Conduit without an Advance; these transactions occur on a Grant Date (as opposed to an Advance Date).

days prior to the maturity of any other securities issued by the Conduit. ED's agreement to purchase eligible loans from Straight-A Funding, LLC expires on January 19, 2014.³

A graphical overview of the ABCP Conduit Put Program is provided in Exhibit A.

Description of Relevant Loan Portfolio and Loan Criteria

Pursuant to the FNPA, a Seller or Eligible Direct Issuer selects loans that will be sold or pledged to the Funding Note Issuer from its Relevant Loan Portfolio. The Relevant Loan Portfolio is 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 that is owned by the Seller or Eligible Direct Issuer, whether self-serviced or serviced by a third-party servicer. The Relevant Loan Portfolio excludes Restricted Loans, which may not be sold or pledged pursuant to the FNPA while such loans are classified as Restricted Loans. Examples of Restricted Loans include loans (i) covered by a non-transferrable servicing agreement, (ii) subject to a financing arrangement that contains restrictions on the transferability of such loans, (iii) included in a term securitization, or (iv) included in an ECASLA Loan Purchase Commitment Program or Loan Participation Purchase Program. From the Relevant Loan Portfolio, the Seller or Eligible Direct Issuer randomly selects loans, pursuant to a methodology approved by ED, to be included in a Proposed Pool of loans that are proposed to be sold or pledged to the Funding Note Issuer.

The FNPA⁴ describes loans that are eligible for the ABCP Conduit Put Program. In general, a loan must be (1) a Putable Loan, (2) an Eligible Loan, and (3) a Financed Student 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) the first disbursement has been 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.
- An *Eligible Loan* is a Stafford or PLUS loan that is (i) a Putable Loan, (ii) originated and serviced in compliance with all applicable requirements, (iii) guaranteed at least 97% as to principal and interest by a guarantor, (iv) bears interest at a rate equal to the maximum rate permitted under the HEA, except as modified by a borrower benefit, (v) supported by Loan Documents, (vi) selected in accordance with the applicable Loan Sale or Loan Pledge Allocation Criteria, and (vii) other requirements specified in the Funding Note Purchase Agreement. In addition, for subsidized or unsubsidized Stafford loans, all of each borrower's other Stafford loans that are Eligible Loans and that are held by or on behalf of the Seller and/or Eligible Direct Issuer, have been sold or will be sold to the Funding Note Issuer and will become Financed Student Loans.

³ ED's agreement to purchase eligible loans from other Conduits, if any, would expire on the earlier of five years from the execution of the Put Agreement or September 30, 2014.

⁴ See FNPA Appendix A (Definitions) and C (Representations and Warranties).

- A *Financed Student Loan* is any loan identified on a Loan Transmittal Summary Form attached to a Loan Designation Notice submitted by a Funding Note Issuer to a Conduit.

In addition, in regard to Financed Student Loans, the Funding Note Issuer must represent⁵ as to each loan:

- Due diligence and reasonable care have been exercised in making, administering, servicing, and collecting on the loan.
- It has no information in its files that a borrower is currently the subject of a bankruptcy proceeding.
- It has title to, and beneficial ownership of, the loan on or after the date on which the Funding Note Issuer's NOI was received and acknowledged by ED, and before July 1, 2010.
- As of the date the loan was pledged by the Funding Note Issuer, the loan was not delinquent for 210 days or more or subject to a claim filed with a guarantor.

1.2 Engagement Objectives

The objective of the engagement is to perform procedures and report results and findings in order to assist the Conduit (acting through the Conduit Administrator and Conduit Manager) in evaluating whether loans contained in the Seller's or Eligible Direct Issuer's Test Pool (as defined below) meet selected criteria for Puttable Loans pursuant to the program requirements of the ABCP Conduit Put Program.

The AUP engagement is required under Section 20 of the Put Agreement, Section 8 of the Student Loan Purchase Agreement, and Article I of the Funding Note Purchase Agreement. This AUP engagement is to be conducted in accordance with the professional standards described below at Chapter 1, Section 5 (§1.5).

1.3 Engagement Scope

Initial Engagement / Test Pool

The initial engagement performed under this Guide shall, at the Seller's or Eligible Direct Issuer's option, cover either (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, or (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). 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.

⁵ Appendix C (Representations and Warranties) of the FNPA contains a complete listing of the representations and warranties required from a Funding Note Issuer and its ELT.

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, or (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
 - 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.⁶
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 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 all loans to be sold or pledged that were not included in a prior engagement.
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 Loan⁷, or (ii) application of the procedures at §3.4(F) and/or §3.4 (I) of the Guide result 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, or (ii) a subset of the student loans described in clause (i) of this sentence that are planned to be

⁶ 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.

⁷ 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.

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

- 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.⁸

1.4 Submission Date for Engagement Report

Engagement reports are to be submitted to the Conduit Administrator and Conduit Manager by the following submission dates:⁹

1. No later than the third (3rd) business day prior to a Grant Date (i.e., the date on which a Funding Note Issuer grants the Conduit a security interest in the eligible loans that the Funding Note Issuer holds as collateral for the Funding Note obligation) that is not also an Advance Date.
2. No later than the seventh (7th) business date prior to an Advance Date (i.e., the date an Advance to the Funding Note Issuer is made by the Conduit in connection with the Funding Note Issuer granting the Conduit a security interest in the eligible loans that the Funding Note Issuer holds as collateral for the Funding Note obligation).

In addition, upon request, engagement reports shall be submitted to ED or its representatives.

1.5 Professional Standards

This AUP engagement must be conducted in accordance with *Government Auditing Standards* (commonly referred to as generally accepted government auditing standards [GAGAS]), July 2007, issued by the Comptroller General of the United States and the Attestation Standards of the American Institute of Certified Public Accountants (AICPA).

GAGAS must be used in conjunction with the AICPA Attestation Standards. GAGAS ¶6.05 identifies additional GAGAS standards for attestation engagements that go beyond the requirements in the AICPA Attestation Standards. Practitioners must comply with these additional GAGAS standards.

Practitioners must comply with applicable provisions of the public accountancy law(s) and the rules of the jurisdiction(s) in which the practitioner is licensed and where the engagement is conducted.

⁸ 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.

⁹ These submission dates are pursuant to FNPA Appendix B (Conditions Precedent) §3(c) and §4(f).

1.6 Fraud or Other Illegal Acts

The practitioner must be guided by GAGAS provisions covering fraud or other illegal acts, including GAGAS ¶6.13.

A practitioner must exercise reasonable care when pursuing any indication of fraud or other illegal acts and abuse, so that potential future investigations or legal proceedings are not compromised.

If any fraud or illegal act is suspected, the practitioner must report it immediately to the ED Office of Inspector General, Investigation Services (OIG/IS), by phone or fax at the numbers shown below, before further extending engagement steps and procedures:

Assistant Inspector General for Investigations
U. S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202-1510
Phone: (202) 245-6966
Fax: (202) 245-6990

The practitioner must promptly prepare a separate written report as instructed by ED-OIG/IS, and must submit the report to the address provided above, either within 30 days after the fraud or illegal act was discovered or within a time frame agreed to by ED-OIG/IS and the practitioner.

1.7 Confidential Commercial Information

The Freedom of Information Act (FOIA), 5 U.S.C. § 522, gives any person the right to request access to records or information. All agencies of the U.S. Government are required to disclose records upon receiving a written request for them, unless one of the exemptions to the FOIA applies. One of the FOIA exemptions applies to confidential commercial information, which, as defined by the FOIA, means trade secrets and commercial or financial information that is privileged or confidential, because disclosure could reasonably be expected to cause substantial competitive harm.

If you or your client believes that your AUP engagement documentation contains confidential commercial information, you must take appropriate steps to identify that information in your working papers, to protect its confidentiality. If you are asked to submit your AUP engagement documentation to us, and we subsequently receive a request under FOIA for information that you have designated as confidential commercial information, we will make an independent determination of whether that information meets the criteria for exemption from release.

We do not inform you or your client about FOIA requests we receive. However, if we receive a FOIA request for documentation you have identified as confidential commercial information, and we conclude that it should be released under FOIA, to the extent permitted by law; we will make a good faith effort to notify you and provide you, or your client, an opportunity to object, prior to releasing any documentation.

1.8 Quality Control Reviews

It is ED-OIG policy and practice to evaluate the quality of the AUP engagements. As part of such evaluations, the practitioner must make all AUP engagement documentation available to us or our representatives upon request. If we determine that an AUP engagement is substandard, we may:

- Refer the issue to the State Board of Accountancy where the AUP engagement was performed and/or the practitioner is licensed, and the American Institute of Certified Public Accountants (AICPA), or State Society of Certified Public Accountants, if the practitioner is a member; and/or
- Initiate action to suspend or debar the practitioner from conducting additional audits or attestation engagements for use by the Federal government.

Also, ED program officials may require the seller to obtain and submit another AUP engagement to replace the substandard one.

1.9 References and Resources

Guidance and criteria for the ECASLA ABCP Conduit Put Program are provided on the Federal Student Aid Website at <http://federalstudentaid.ed.gov/ffelp/>.

1.10 Technical Assistance

Technical questions about applying the procedures in this Guide may be directed to Hugh M. Monaghan, Director, Non-Federal Audits, by email to hugh.monaghan@ed.gov or by fax at 215-656-6397.

1.11 Subsequent Editions of Guide

Subsequent editions of, and/or amendments to, this Guide may be issued to reflect revisions to the AUP and guidance issued by ED. The practitioner shall use the most recent edition of and/or amendments to this Guide when conducting the AUP engagement. Practitioners should visit the OIG's Non-Federal Audits webpage to determine if a subsequent edition of, and/or amendments to, this Guide have been issued. The OIG's Non-Federal Audits webpage is: <http://www.ed.gov/about/offices/list/oig/nonfed/sfa.html>

1.12 Program Requirements

The various agreements entered into by parties (including Sellers and Eligible Direct Issuers) participating in the ABCP Conduit Put Program are contracts that specify the requirements of the program. This Guide includes summary explanations and descriptions of the ABCP Conduit Put Program and its requirements pertinent to the AUP engagement required of Sellers and Eligible Direct Issuers. These explanations and descriptions are included to provide background and context for practitioners performing AUP engagements. The practitioner may rely upon the information in this

Guide for purposes of performing the AUP engagement. However, this Guide does not replace or amend requirements contained in the various ABCP Conduit Put Program agreements, and any applicable laws, regulations or other program criteria, as such requirements apply to parties (exclusive of the practitioner) participating in the ABCP Conduit Put Program. All terms used but not defined herein shall have the meaning assigned in the FNPA.

Chapter 2 – Planning the Engagement

2.1 Management Assertion

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 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].

2.2 Engagement Letter

An engagement letter between the Seller or Eligible Direct Issuer (as applicable) and the practitioner must be executed and must include the following:

- A statement that the engagement is to be performed in accordance with GAGAS and AICPA Attestation Standards, and this Guide;
- A description of the scope of the engagement and the related reporting that will meet the requirements of this Guide;
- A statement that the parties understand that the practitioner's report will be used to evaluate the propriety of loans included in the Test Pool for the ECASLA ABCP Conduit Put Program;
- A statement that the Seller or Eligible Direct Issuer must provide the practitioner all required representations and assertions;
- A statement that the Seller or Eligible Direct Issuer shall provide, or shall cause its servicer to provide to the practitioner access to all agreements, documents, and electronic files pertinent to the scope of the engagement;

- A provision that the practitioner is required to provide the Secretary of Education, the ED Office of Inspector General, and their representatives, access to and photocopies of AUP engagement documentation, upon request; and
- A provision that the practitioner shall retain AUP engagement documentation and reports for a minimum of seven years after the date of issuance of the practitioner's report(s) to the entity, unless a pertinent law or regulation provides for a longer retention period or the practitioner is notified in writing by ED to extend the retention period.

2.3 Engagement Methodology

This engagement requires attribute sampling for the AUP described in Chapter 3 §3.4. The AUP described in Chapter 3 §3.3 require a review of data records, via queries using database software, contained in the Loan Schedule, described in §3.2(A), identifying the Test Pool for which the engagement is being performed.

Loan Schedule Testing Procedures:

The queries that are to be run on the Loan Schedule are described in Chapter 3 §3.3.

Loan Level Testing Procedures:

The loan level testing (Chapter 3 §3.4) requires that a random sample (using a random number generator) of loans be selected from the Loan Schedule. The practitioner must select loans using the following guidelines:

- 1) An attribute sample must be used to estimate the frequency of occurrence of noncompliance with the specified eligibility requirements.
- 2) The sampling unit is each individual loan.
- 3) The sample size requirements are as follows:
 - a) The sample size must be 100 loans for (i) an initial engagement or (ii) a subsequent engagement, where the previous engagement disclosed no loans that failed to meet the selected criteria for a Putable Loan (based upon the results of specified procedures §3.4(K) through §3.4(P)), or for which application of the procedures at §3.4(F) and/or §3.4(I) of the Guide did not disclose any noncompliance that could not be remedied to the satisfaction of the Conduit. However, if the Test Pool consists of less than 100 loans, all loans shall be selected. A sample size of 100 loans will meet the requirements of the Funding Note Purchase Agreement.
 - b) The sample size must be 230 loans for a subsequent engagement, where the previous engagement disclosed that one or more loans failed to meet the selected criteria for a Putable Loan (based upon the results of specified procedures §3.4(K) through §3.4(P)), or for which application of the procedures at §3.4(F) and/or §3.4(I) of the Guide disclosed noncompliance that could not be remedied to the satisfaction of the Conduit. However, if the Test Pool consists of less than 230 loans, all loans shall be selected. A sample size of 230 loans will meet the requirements of the Funding Note Purchase Agreement.

- 4) The practitioner will apply the procedures, specified in Chapter 3 §3.4 to each of the sampled loans.
- 5) The results of applying the procedures indicate whether each of the sampled loans is in compliance with (i) the requirements for a Putable Loan and (ii) certain specified eligibility requirements. A loan is considered to be noncompliant if it fails to meet one or more of the requirements for a Putable Loan or the specified eligibility requirements. The count of noncompliant loans should match the number of loans failing to meet one or more of the eligibility requirements, as detailed in the schedule of Loan Level Testing Results (Attachment 7).
- 6) The practitioner must summarize the population and sample characteristics (e.g., number of errors and error rate¹⁰) using the Summary of Loan Population and Sample Characteristics (Attachment 3).
- 7) As required by certain AUP set forth in Chapter 3, the practitioner must report findings when exceptions are noted. These findings should be presented as illustrated in the Schedule of Findings (Attachment 5).

2.4 Use of a Third-Party Servicer

Sellers and Eligible Direct Issuers may contract with third-party servicers to perform functions and/or maintain records for which they are responsible. Consequently, practitioners may need to have access to third-party servicers in order to perform the procedures required by this Guide. In performing engagements under this Guide, practitioners shall consider such third-party servicer records or functions as if they were the Seller's or Eligible Direct Issuer's.

¹⁰ For purpose of this Guide, an "error" is a loan considered to be noncompliant with one or more of the requirements for a Putable Loan and/or certain specified eligibility requirements, as indicated in Attachment 7. The sample's "error rate" is the number of loans with one or more errors divided by the sample size.

Chapter 3 – Agreed Upon Procedures for Selected Criteria for Putable Loans

3.1 Agreed Upon Procedures

The AUP set forth in the sections of this Chapter must be performed on the Loan Schedule identifying the Test Pool for which the engagement is being performed (defined in Chapter 1 §1.3). Sections 3.2 through 3.4 below provide the AUP to be performed on a Seller's or Eligible Direct Issuer's Loan Schedule identifying the Test Pool for which the engagement is being performed.

3.2 Obtain Management Assertion and Loan Schedule

Compliance Requirements for Sellers and Eligible Direct Issuers:

Pursuant to FNPA §3.03 and Appendix B (Conditions Precedent) §3 and §4, an AUP shall be conducted of the Test Pool as a condition precedent to all grants (i.e., pledges by a Funding Note Issuer to the Conduit) of student loans to a Funding Note Issuer under the ABCP Conduit Put Program, except for grants of student loans occurring on a Grant Date which is not an Advance Date if the collateral value of such student loans is less than 5% of the balance of the Funding Note. As explained in Chapter 1 §1.3 of this Guide, student loans pledged under this exception must be included for testing in the next subsequent AUP engagement.

Required Procedures:

3.2(A). Obtain from the Seller or Eligible Direct Issuer (i) the management assertion specified at Chapter 2 §2.1 and (ii) the Loan Schedule identifying the Test Pool for which the management assertion was made. The Loan Schedule shall reflect information on the loans included in the Test Pool as of the date of determination of the Test Pool.¹¹

¹¹ This date is herein referred to as the Loan Schedule's report date.

3.2(B). Inspect the Loan Schedule to see that it includes the following data fields:

Field	Definition
Borrower First Name	Borrower's first name.
Borrower Last Name	Borrower's last name.
Borrower SSN	Borrower's Social Security Number.
Loan Number	Unique identifying number for each loan.
Principal Balance	Principal balance outstanding per the loan servicing system as of the Loan Schedule's report date.
Loan Type	Specifies the type of loan (e.g., subsidized Stafford, unsubsidized Stafford, or PLUS)
First Disbursement Date	The date of the loan's first disbursement.
Final Disbursement Date	The date of the loan's final disbursement.
Loan Period Begin Date	The loan period begin date.
Loan Period End Date	The loan period end date.
Loan Status Code	The loan's NSLDS Loan Status Code (as of the Loan Schedule's report date) per Table B-10 of Appendix B of the NSLDS Guaranty Agency Data Provider Instructions. ¹²
Seller or Eligible Direct Issuer LID	The lender identification number (LID) for the Seller or the Eligible Direct Issuer.
Original Lender LID	The LID for the lender that made the loan's first disbursement.
Guarantor	The 3-digit guaranty agency code assigned by ED.
Servicer	The identification number for the servicer.
School Type	The type of school associated with the loan (i.e., 4-Year Institution, 2-Year Institution, Proprietary/Vocational Institution, or Other).

Report any discrepancies as a finding in the Schedule of Findings (Attachment 5).

3.2(C). Inspect the Loan Schedule files as follows:

- 1) Using database or audit software, perform the following procedures on the Loan Schedule file: (i) count the number of loans contained in the Loan Schedule and (ii) compute the total Principal Balance for all loans contained in the Loan Schedule.

¹² The NSLDS Guaranty Agency Data Provider Instructions are available at:
[http://www.ifap.ed.gov/ifap/byNSLDSType.jsp?type=NSLDS%20Guaranty%20Agency%20\(GA\)%20Data%20Provider%20Instructions](http://www.ifap.ed.gov/ifap/byNSLDSType.jsp?type=NSLDS%20Guaranty%20Agency%20(GA)%20Data%20Provider%20Instructions)

- 2) Compare the number of loans and total Principal Balance for all loans from §3.2(C)(1) and the number of loans and total Principal Balance of the Test Pool specified in management’s assertion from §3.2(A). Report any discrepancies as a finding in the Schedule of Findings (Attachment 5).

3.2(D). Indicate the total number of loans and the total Principal Balance from the Loan Schedule (i.e., from §3.2(C)(1)) as population characteristics on the Summary of Loan Portfolio Population and Sample Characteristics (Attachment 3).

3.3 Loan Schedule Testing

Compliance Requirements:

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 either (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, or (ii) a subset of the student loans described in clause (i) that will be pledged to the Conduit on 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.¹³ 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.

Required Procedures:

3.3(A) Using database or audit software, query the Loan Schedule (i.e., from §3.2(A)) to see that the Loan Type field contains only subsidized Stafford, unsubsidized Stafford, and PLUS loans. Report as a finding in the Schedule of Findings (Attachment 5) all instances of loan types other than subsidized Stafford, unsubsidized Stafford, and PLUS loans.

¹³ See FNPA Appendix A (Definitions) for “Putable Loan.”

3.3(B) Using database or audit software, query the Loan Schedule (i.e., from §3.2(A)) to see that each loan’s First Disbursement Date is on or after October 1, 2003, and no later than July 1, 2009. Report as a finding in the Schedule of Findings (Attachment 5) all instances of First Disbursement Dates that are before October 1, 2003, or later than July 1, 2009.

3.3(C) Using database or audit software, query the Loan Schedule (i.e., from §3.2(A)) to see that each loan’s Final Disbursement Date is no later than September 30, 2009.¹⁴ Report as a finding in the Schedule of Findings (Attachment 5) all instances of Final Disbursement Dates that are later than September 30, 2009.

3.3(D) Using database or audit software, query the Loan Schedule (i.e., from §3.2(A)) to see that each loan’s Loan Status Code is limited to one of the following codes:

Loan Status Code	Loan Status
DA	Deferred
FB	Forbearance
IA	Loan Originated
ID	In School or Grace Period
IG	In Grace Period
IM	In Military Grace
RP	In Repayment

Report as a finding in the Schedule of Findings (Attachment 5) all instances of Loan Status Codes that are other than those specified in the table at §3.3(D).

3.3(E) Using database or audit software, query the Loan Schedule (i.e., from §3.2(A)) to see that each loan’s Principal Balance is greater than \$0 (zero). Report as a finding in the Schedule of Findings (Attachment 5) all instances of Principal Balances that are equal to or less than \$0 (zero).

3.3(F) Using database or audit software, query the Loan Schedule (i.e., from §3.2(A)) to see that the fields (specified in the table at §3.2(B)) for each loan are populated (i.e., not blank). Report as a finding in the Schedule of Findings (Attachment 5) all instances where the fields (specified in the table at §3.2(B)) are not populated (i.e., blank) for a loan.

¹⁴ If the Grant Date is earlier than September 30, 2009, each loan’s Final Disbursement Date must be on or prior to the Grant Date.

3.4 Loan Level Testing

Compliance Requirements:

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) the first disbursement has been 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 §3.4(K) through §3.4(P) test the sampled loans for compliance with selected criteria for Putable Loans.

Required Procedures:

3.4(A). Request from the Seller's or Eligible Direct Issuer's management a listing of the location(s) of documents, records, and servicing systems for the loans listed on the Loan Schedule. The Seller or Eligible Direct Issuer or its servicer maintains this information.

3.4(B). Randomly select (using a random number generator) a sample of loans, pursuant to the guidelines contained in Chapter 2 §2.3, from the population of loans listed on the Loan Schedule (from §3.2(A)).

3.4(C). Compute the total of the Principal Balance amounts for the sample population and report the amount on the Summary of Loan Population and Sample Characteristics (Attachment 3).

3.4(D). List the Loan Number and Principal Balance amount for each of the loans in the sample on the schedule of Loan Level Testing Results (Attachment 7).

3.4(E). For each loan in the sample, obtain a hardcopy or electronic copy of the signed promissory note from the Seller, Eligible Direct Issuer, or third-party servicer. Compare the following information contained in the promissory note to the Loan Schedule:

- 1) Borrower First Name*
- 2) Borrower Last Name*
- 3) Borrower SSN
- 4) Original Lender LID

5) Loan Type (i.e., Stafford¹⁵ or PLUS)

*Note: The borrower's first and/or last name listed on the promissory note may not agree with the information contained in the Loan Schedule due to changes in the borrower's name (e.g., changes due to marriage). In these instances, the practitioner shall review the borrower and/or loan history contained in the applicable loan servicing system or loan records to ascertain whether the borrower named on the promissory note is the same person named on the Loan Schedule.

3.4(F). Based upon results from §3.4(E), mark an "X" in the "Agreement With Promissory Note" column on the schedule of Loan Level Testing Results (Attachment 7) if any of the information for the loan in the signed promissory note detailed in §3.4(E) above does not agree to the Loan Schedule. In addition, report the specific details of the discrepancy as a finding in the Schedule of Findings (Attachment 5).

Note:

A finding is not always indicative of noncompliance. Upon review of the report, the Conduit (through its agents: the Conduit Administrator and Conduit Manager) will assess, determine and document whether any discrepancies noted from the results of performing the procedures in §3.4(E) are noncompliance, and may ask the Seller or Direct Eligible Issuer to provide a corrective action plan ("CAP") that will resolve the finding. If the CAP is accepted by the Conduit, the Seller or Eligible Direct Issuer shall provide to the Conduit evidence of completion of the CAP in order to resolve the noncompliance.

In the event such a noncompliance is not remedied to the satisfaction of the Conduit, the Seller or Direct Eligible Issuer shall exclude the loan(s) subject to the noncompliance from the loans subject to the proposed grant, and shall provide a subsequent AUP engagement of the remaining loans subject to the proposed grant, with a sample size of 230 loans as described in §2.3, Loan Level Testing Procedures (3)(b). If any subsequent AUP discloses discrepancies that are noncompliance, that cannot be resolved to the satisfaction of the Conduit, the Seller or Direct Eligible Issuer shall exclude the loan(s) subject to the noncompliance from the loans subject to the proposed grant, and shall provide another subsequent AUP engagement of the remaining loans subject to the proposed grant, with a sample size of 230 loans as described in §2.3, Loan Level Testing Procedures (3)(b).

3.4(G) For each loan in the sample, obtain a hardcopy or electronic copy of the signed promissory note from the Seller, Eligible Direct Issuer, or third-party servicer. Inspect the promissory note to see that each loan's Promissory Note Date (i.e., the date the

¹⁵ The promissory note may not specify if the Stafford loan is subsidized or unsubsidized.

borrower signed the promissory note) is on or before the loan's First Disbursement Date.

3.4(H) Based upon results from §3.4(G), mark an "X" in the "Promissory Note Date" column on the schedule of Loan Level Testing Results (Attachment 7) if the Promissory Note Date is after the First Disbursement Date. Report as a finding in the Schedule of Findings (Attachment 5) all instances of loans with a Promissory Note Date that is after the First Disbursement Date.

3.4(I). For loans in the sample, compare the following information contained in the applicable loan servicing system¹⁶ 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.

¹⁶ 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.

3.4(J). Based upon results from §3.4(I), mark an “X” in the “Agreement With Loan Schedule” column on the schedule of Loan Level Testing Results (Attachment 7) if any of the information for the loan in the applicable loan servicing system detailed in §3.4(I) above does not agree to the Loan Schedule. In addition, report the specific details of the discrepancy as a finding in the Schedule of Findings (Attachment 5).

Note:

A finding is not always indicative of noncompliance. Upon review of the report, the Conduit (through its agents: the Conduit Administrator and Conduit Manager) will assess, determine and document whether any discrepancies noted from the results of performing the procedures in §3.4(I) are noncompliance, and may ask the Seller or Direct Eligible Issuer to provide a corrective action plan (“CAP”) that will resolve the finding. If the CAP is accepted by the Conduit, the Seller or Eligible Direct Issuer shall provide to the Conduit evidence of completion of the CAP in order to resolve the noncompliance.

In the event such a noncompliance is not remedied to the satisfaction of the Conduit, the Seller or Direct Eligible Issuer shall exclude the loan(s) subject to the noncompliance from the loans subject to the proposed grant, and shall provide a subsequent AUP engagement of the remaining loans subject to the proposed grant, with a sample size of 230 loans as described in §2.3, Loan Level Testing Procedures (3)(b). If any subsequent AUP discloses discrepancies that are noncompliance, that cannot be resolved to the satisfaction of the Conduit, the Seller or Direct Eligible Issuer shall exclude the loan(s) subject to the noncompliance from the loans subject to the proposed grant, and shall provide another subsequent AUP engagement of the remaining loans subject to the proposed grant, with a sample size of 230 loans as described in §2.3, Loan Level Testing Procedures (3)(b).

3.4(K). For loans in the sample, inspect the applicable loan servicing system to see that the loan’s First Disbursement Date is on or after October 1, 2003, and no later than July 1, 2009.

3.4(L). Based upon results from §3.4(K), mark an “X” in the “First Disbursement Date” column on the schedule of Loan Level Testing Results (Attachment 7) if the loan’s First Disbursement Date is before October 1, 2003, or later than July 1, 2009. In addition, report the specific details of noncompliance as a finding in the Schedule of Findings (Attachment 5).

3.4(M). For loans in the sample, inspect the applicable loan servicing system to see that the loan's Final Disbursement Date is no later than September 30, 2009.¹⁷

3.4(N). Based upon results from §3.4(M), mark an "X" in the "Final Disbursement Date" column on the schedule of Loan Level Testing Results (Attachment 7) if the loan's Final Disbursement is later than September 30, 2009. In addition, report the specific details of noncompliance as a finding in the Schedule of Findings (Attachment 5).

3.4(O). For loans in the sample, inspect the hardcopy or electronic copy of the signed promissory noted obtained to perform the procedures at §3.4 (E) to see that the Loan Type is a Stafford or PLUS loan.

3.4(P). Based upon results from §3.4(O), mark an "X" in the "Loan Type" column on the schedule of Loan Level Testing Results (Attachment 7) if the loan is not a subsidized Stafford, unsubsidized Stafford, or PLUS loan. In addition, report the specific details of noncompliance as a finding in the Schedule of Findings (Attachment 5).

3.4(Q). If the preceding procedures specified in §3.4 (above), indicate exceptions, the practitioner must report in the AUP report (Attachment 1) and the Summary of Loan Population and Sample Characteristics (Attachment 7) the loan level testing results and project such results, at the upper limit only, to the population of loans at the applicable confidence level. An upper-only limit yields an estimation that the actual error rate for the population is less than the upper limit. The applicable confidence levels¹⁸ are as follows:

- 1) A 95 percent confidence level must be used for (i) an initial engagement or (ii) a subsequent engagement, where the previous engagement disclosed no loans that failed to meet the selected criteria for a Putable Loan. As described in Chapter 2 §2.3, these engagements will utilize a sample of 100 loans. However, if the Test Pool consists of less than 100 loans, all loans shall be selected.
- 2) A 99 percent confidence level must be used for a subsequent engagement, where the previous engagement disclosed that one or more loans failed to meet the selected criteria for a Putable Loan. As described in Chapter 2 §2.3, these engagements will utilize a sample of 230 loans. However, if the Test Pool consists of less than 230 loans, all loans shall be selected.

An illustrative example of the practitioner's statement on loan level testing results for an AUP engagement is as follows:

¹⁷ If the Grant Date is earlier than September 30, 2009, each loan's Final Disbursement Date must be on or prior to the Grant Date.

¹⁸ The 95 percent confidence level is pursuant to the definition of "Agreed Upon Procedures Letter" at FNPA Appendix A (Definitions). The 99 percent confidence level is pursuant to FNPA Appendix B (Conditions Precedent) §3(c) and §4(f).

First paragraph:

As part of the Agreed Upon Procedures, we randomly selected [specify number] loans with Principal Balances totaling [specify amount] (the “Sampled Loans”) from the population of [specify number] loans with Principal Balances totaling [specify amount] (the “Test Pool”). We performed the specified procedures on the Sampled Loans.

Second paragraph:

1) Based upon the results of the specified procedures §3.4(K) through §3.4(P), we noted an exception in the criteria of Putable Loans for [specify number] loan(s), or [specify percentage] percent. As a result, a subsequent engagement needs to be completed in accordance with the ABCP Conduit Put Program’s requirements.

Or

2) Based upon the results of the specified procedures §3.4(K) through §3.4(P), no exceptions in the criteria of Putable Loans were noted.

Third Paragraph:

Based upon the results of the specified procedures §3.4(E) through §3.4(P), we noted an exception in the specified loan eligibility requirements for [specify number] loans, or [specify percentage] percent. Based upon statistical sampling procedures for attribute samples, at the [95% or 99%] confidence level, it is estimated that no more than [specify percentage] percent of loans in the population failed to meet one or more of the specified eligibility requirements.

Chapter 4 – Reporting

4.1 Engagement Report Package Requirements

The report package for the AUP engagement must include:

- Agreed Upon Procedures Report and Results (Attachments 1 and 2);
- Summary of Loan Population and Sample Characteristics (Attachment 3);
- Copy of management’s assertion (Attachment 4);
- Schedule of Findings (Attachment 5);
- Seller or Eligible Direct Issuer and Practitioner Information Sheet (Attachment 6);
- Loan Level Testing Results (Attachment 7);
- Any separate report on illegal acts submitted under the procedures described in Chapter 1 §1.6;
- Any management letters issued to the lender concerning this engagement; and
- Seller’s or Eligible Direct Issuer’s Report on Engagement Findings and Corrective Actions (Attachment 8), if applicable.¹⁹

Note: If Attachment 5 of the report package for the ABCP Conduit Put Program contains, or may contain, personally identifiable information, it may be subject to the Privacy Act of 1974, as amended. The report package should not include personally identifiable information subject to state and federal privacy laws, unless it is not possible to satisfy the requirements of this Guide without it. If the reporting package includes such personally identifiable information, all transmittals should specify that personally identifiable information is included. The dissemination, distribution or providing a reporting package that includes personally identifiable information, may only be made, as necessary or required, to the following parties: the practitioner, servicer, Seller, Eligible Direct Issuer, Funding Note Issuer, Conduit Administrator, ED, or other party to the ABCP Conduit Put Program. It is strictly prohibited to provide copies to any other parties.

¹⁹ If the AUP engagement disclosed that one or more loans failed to meet the selected criteria for a Puttable Loan, the Seller or Eligible Direct Issuer is to prepare a report explaining the cause of noncompliance and the procedures it has or will implement to assure compliance with the selected criteria for a Puttable Loan. This is required pursuant to FNPA Appendix B (Conditions Precedent) §3(c) and §4(f). In addition, Attachment 8 should be completed for all other findings identified in the AUP engagement.

4.2 Reporting Package Submission

The Seller or Funding Note Issuer must submit the reporting package electronically, in a PDF format, as follows:

Submitted to	Send to*	Enter as Email's Subject
The Bank of New York Mellon, as Conduit Administrator	BMOStraightA@bnymellon.com	[Funding Note Issuer and Seller Name], Final AUP Report
BMO Capital Markets, as Conduit Manager ²⁰	StraightA.Issuer@bmo.com	[Funding Note Issuer and Seller Name], Final AUP Report

***Note:** If the Seller or Funding Note Issuer believes the reporting package contains any information subject to the Privacy Act of 1974 or other state or federal laws regulating the privacy of personally identifiable information (including electronic records containing such information), such reporting package (i) shall not be distributed as described above and instead shall be distributed pursuant to a secure or encrypted delivery method as required by the Privacy Act of 1974 or other state or federal laws regulating the privacy of personally identifiable information (including electronic records containing such information), and (ii) shall not be distributed to the Conduit Manager by the seller or funding note issuer. In such case, the Conduit Administrator will provide a copy to the Conduit Manager only after personally identifiable information has been redacted from the report.

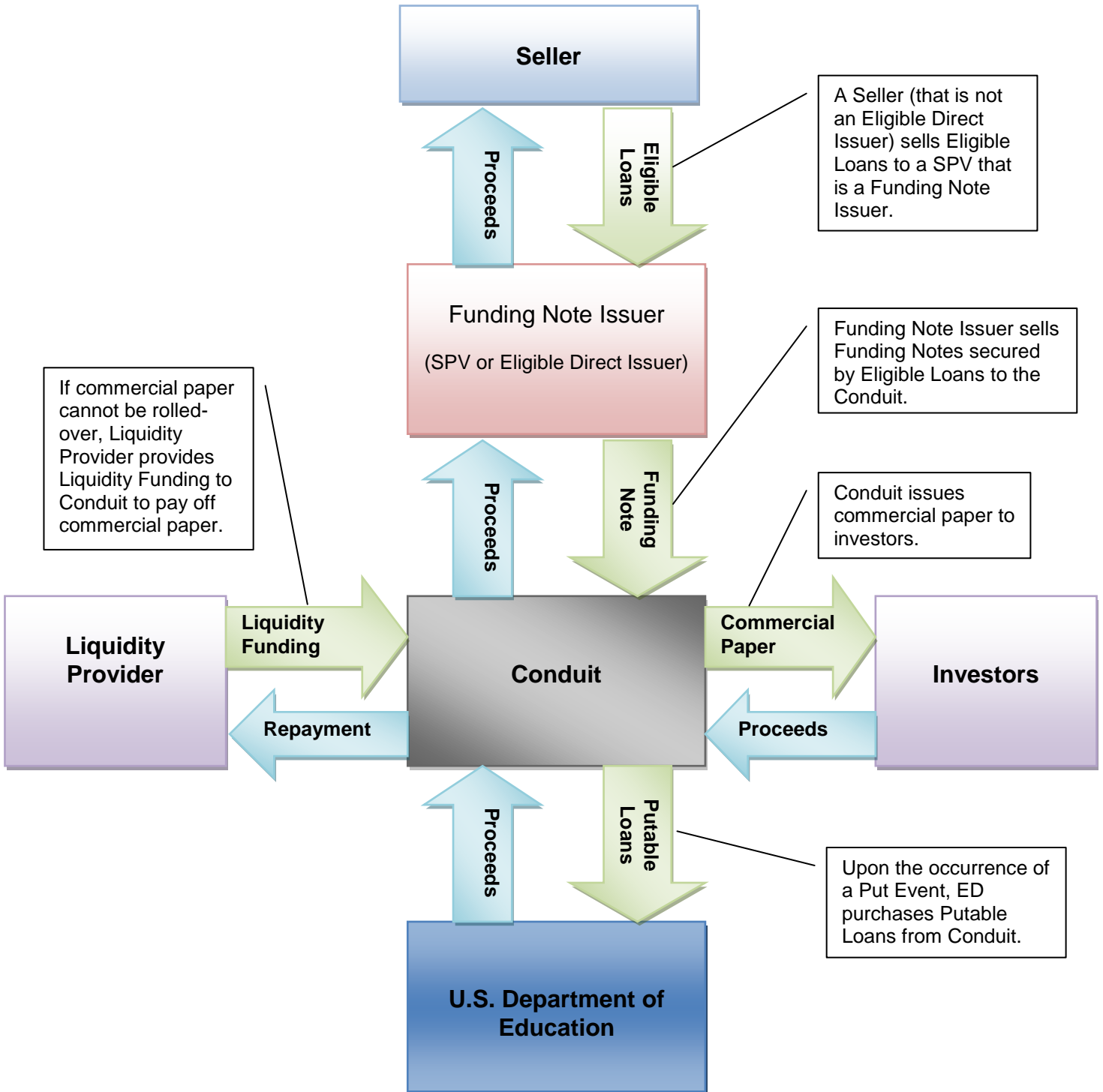
Questions about the reporting package submission process may be directed to BMO Capital Markets, by email to StraightA.Issuer@bmo.com.

In addition, upon request, the Seller, Eligible Direct Issuer, Conduit Administrator, Conduit Manager, and/or practitioner must provide the engagement report to ED or its representative (which includes the OIG or its representative).

²⁰ If the Seller or Funding Note Issuer believes the reporting package contains any personally identifiable information, it should be sent only to the Conduit Administrator.

Exhibit

Exhibit A - Overview of ABCP Conduit Put Program



Attachments

Attachment 1 – Illustrative Agreed Upon Procedures Report for Seller’s and Eligible Direct Issuer’s Compliance with Selected Criteria for Putable Loans

To: [Seller or Eligible Direct Issuer]

We have performed the procedures enumerated below, which were agreed to by the [Seller or Eligible Direct Issuer], [Funding Note Issuer, if applicable], the Conduit and the U.S. Department of Education, as set forth in the *Agreed Upon Procedures Attestation Engagement Guide for Ensuring Continued Access to Student Loans Act (ECASLA) Asset-Backed Commercial Paper (ABCP) Conduit Put Program for Seller’s and Eligible Direct Issuer’s Compliance with Selected Criteria for Putable Loans*, which is required to be used per the ABCP Conduit Put Program’s Purchase Agreement(s). We performed the procedures solely to assist the specified parties in evaluating the [Seller’s or Eligible Direct Issuer’s] compliance with certain program requirements regarding the loans that were included in the [Seller’s or Eligible Direct Issuer’s] Test Pool as of [specify date].

Management of the [Seller or Eligible Direct Issuer] is responsible for [Seller’s or Eligible Direct Issuer’s] compliance with those requirements. This agreed upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

[See Chapter 3 §3.4(Q) for illustrative reporting language pertaining to the population of the Test Pool, the sample characteristics, the engagement results, and the projection of such results.]

[See Attachment 2 for an illustrative reporting format of the agreed-upon procedures performed and the results of those procedures.]

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on [Seller’s or Eligible Direct Issuer’s] compliance with the program requirements of the ECASLA ABCP Conduit Put Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been included in this report. Our procedures do not provide a legal determination of the [Seller’s or Eligible Direct Issuer’s] compliance with the specified requirements.

This report is intended solely for the information and use of the [Funding Note Issuer, if applicable], the Conduit (and its agents), the U.S. Department of Education and the management of [Seller or Eligible Direct Issuer] and is not intended to be and should not be used by anyone other than these specified parties.

[CPA Firm Signature]

[Date]

**Attachment 2 - Illustrative Agreed Upon Procedures and Results
Section for Seller's and Eligible Direct Issuer's Compliance with
Selected Criteria for Puttable Loans**

Agreed Upon Procedures	Results
3.2 Obtain the Management Assertion and Loan Schedule	
<p>3.2(A). Obtain from the Seller or Eligible Direct Issuer (i) the management assertion specified at Chapter 2 §2.1 and (ii) the Loan Schedule representing the Test Pool for which the management assertion was made. The Loan Schedule shall reflect information on the loans included in the Test Pool as of the date of determination of the Test Pool.</p>	<p>The [Seller or Eligible Direct Issuer] provided the required management assertion and Loan Schedule.</p> <p>Or</p> <p>The [Seller or Eligible Direct Issuer] did not provide the required management assertion or Loan Schedule. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.2(B). Inspect the Loan Schedule to see that it includes the data fields specified in the table at §3.2(B).</p>	<p>The Loan Schedule contained the required data fields.</p> <p>Or</p> <p>The Loan Schedule did not contain [specify] data fields. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.2(C). Inspect the Loan Schedule files as follows:</p> <ol style="list-style-type: none"> 1) Using database or audit software, perform the following procedures on the Loan Schedule file (i) count the number of loans contained in the Loan Schedule and (ii) compute the total Principal Balance for all loans contained in the Loan Schedule. 2) Compare the number of loans and total Principal Balance for all loans from §3.2(C)(1) and the number of loans and total Principal Balance of the Test Pool specified in management's assertion from §3.2(A). 	<p>The number of loans and total Principal Balance for all loans contained in the Loan Schedule agree with the amounts specified in management's assertion.</p> <p>Or</p> <p>The number of loans and/or total Principal Balance for all loans contained in the Loan Schedule do/does not agree with the amounts specified in management's assertion. The total(s) of [number of loans and/or total Principal Balance] is/are [specify], whereas the amount(s) per the management's assertion is(are) [specify]. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.2(D). Not applicable for this schedule.</p>	

3.3 Loan Schedule testing	
<p>3.3(A). Using database or audit software, query the Loan Schedule (i.e., from §3.2(B)) to see that the Loan Type field contains only subsidized Stafford, unsubsidized Stafford, and PLUS loans.</p>	<p>Loan types include only subsidized Stafford, unsubsidized Stafford, and PLUS loans.</p> <p>Or</p> <p>[Specify count] loans are unallowable loan types of [specify]. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.3(B). Using database or audit software, query the Loan Schedule (i.e., from §3.2(A)) to see that each loan's First Disbursement Date is on or after October 1, 2003, and no later than July 1, 2009.</p>	<p>The First Disbursement Dates are on or after October 1, 2003, and no later than July 1, 2009.</p> <p>Or</p> <p>[Specify number] of loans had First Disbursement Dates before October 1, 2003, or later than July 1, 2009. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.3(C). Using database or audit software, query the Loan Schedule (i.e., from §3.2(A)) to see that each loan's Final Disbursement Date is no later than September 30, 2009.</p>	<p>The Final Disbursement Dates are no later than September 30, 2009.</p> <p>Or</p> <p>[Specify number] loans had Final Disbursement Dates later than September 30, 2009. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.3(D). Using database or audit software, query the Loan Schedule (i.e., from §3.2(A)) to see that each loan's Loan Status Code is limited to one of the codes specified in the table at §3.3(D).</p>	<p>The Loan Status Codes include only the codes specified in the table at §3.3(D).</p> <p>Or</p> <p>[Specify number] loans had Loan Status Codes of [specify codes]. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.3(E). Using database or audit software, query the Loan Schedule (i.e., from §3.2(A)) to see that each loan's Principal Balance is greater than \$0 (zero).</p>	<p>The Principal Balances are greater than \$0 (zero).</p> <p>Or</p> <p>[Specify number] loans had Principal Balances of \$0 (zero) or less. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>

<p>3.3(F). Using database or audit software, query the Loan Schedule (i.e., from §3.2(A)) to see that the fields (specified in the table at §3.2(B)) for each loan are populated (i.e., not blank).</p>	<p>The fields (specified in the table at §3.2(B)) for each loan are populated (i.e., not blank).</p> <p>Or</p> <p>[Specify number] loans had blank [specify field name(s)] fields. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.4 Eligibility – Loan Level</p>	
<p>3.4(A). Not applicable for this schedule.</p>	
<p>3.4(B). Not applicable for this schedule.</p>	
<p>3.4(C). Not applicable for this schedule.</p>	
<p>3.4(D). Not applicable for this schedule.</p>	
<p>3.4(E). For each loan in the sample, obtain a hardcopy or electronic copy of the signed promissory note from the Seller, Eligible Direct Issuer, or third-party servicer. Compare the following information contained in the promissory note to the Loan Schedule:</p> <ol style="list-style-type: none"> 1) Borrower First Name 2) Borrower Last Name 3) Borrower SSN 4) Original Lender LID 5) Loan Type (i.e., Stafford or PLUS) 	<p>The practitioner obtained copies of the promissory notes and information contained in the promissory notes supports (i.e., agrees to) the Loan Schedule.</p> <p>Or</p> <p>For [specify number] loans, the promissory notes were not provided. For [specify number] loans the promissory note 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].</p>
<p>3.4(F). Not applicable for this schedule.</p>	
<p>3.4(G) For each loan in the sample, obtain a hardcopy or electronic copy of the signed promissory note from the Seller, Eligible Direct Issuer, or third-party servicer. Inspect the promissory note to see that each loan's Promissory Note Date (i.e., the date the borrower signed the promissory note) is on or before the loan's First Disbursement Date.</p>	<p>The Promissory Note Dates are on or before the respective First Disbursement Dates.</p> <p>Or</p> <p>For [specify number] loans, the Promissory Note Date was after the First Disbursement Date. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.4(H). Not applicable for this schedule.</p>	

<p>3.4(I). For loans in the sample, compare the following information contained in the applicable loan servicing system to the Loan Schedule:</p> <ol style="list-style-type: none"> 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 	<p>Information contained in the loan servicing system supports (i.e., agrees to) the data contained in Loan Schedule.</p> <p>Or</p> <p>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].</p>
<p>3.4(J). Not applicable for this schedule.</p>	
<p>3.4(K). For loans in the sample, inspect the applicable loan servicing system to see that the loan's First Disbursement Date is on or after October 1, 2003, and no later than July 1, 2009.</p>	<p>The First Disbursement Dates are on or after October 1, 2003, and no later than July 1, 2009.</p> <p>Or</p> <p>[Specify number] loans had First Disbursement Dates before October 1, 2003, or later than July 1, 2009. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.4(L). Not applicable for this schedule.</p>	
<p>3.4(M). For loans in the sample, inspect the applicable loan servicing system to see that the loan's Final Disbursement Date is no later than September 30, 2009.</p>	<p>The Final Disbursement Dates are no later than September 30, 2009.</p> <p>Or</p> <p>[Specify number] loans had Final Disbursement Dates later than September 30, 2009. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.4(N). Not applicable for this schedule.</p>	

<p>3.4(O). For loans in the sample, inspect hardcopy or electronic copy of the signed promissory note obtained to perform the procedures at §3.4E to see that the Loan Type is a Stafford or PLUS loan.</p>	<p>Loan types include only subsidized Stafford, unsubsidized Stafford, and PLUS loans.</p> <p>Or</p> <p>[Specify count] loans are unallowable loan types of [specify]. For specific details, see Schedule of Findings (Attachment 5), Finding No. [specify].</p>
<p>3.4(P). Not applicable for this schedule.</p>	
<p>3.4(Q). Not applicable for this schedule.</p>	

Attachment 3 – Summary of Loan Population and Sample Characteristics for the Test Pool

Summary of Loan Population and Sample Characteristics For Testing Related to “Putable Loan” Criteria					
	Number of Loans	Principal Balance Amount	Number of Loans With Errors	Error Rate	Upper Limit Error Rate
Population Characteristics					
Sample Characteristics					
Note: The Number of Loans With Errors and Error Rate reported in this table includes loans with one or more errors for the selected criteria of Putable Loan that are tested at procedures §3.4(K) through §3.4(P).					

Summary of Loan Population and Sample Characteristics For Testing Related to Selected Eligibility Criteria, Including That of Putable Loans					
	Number of Loans	Principal Balance Amount	Number of Loans With Errors	Error Rate	Upper Limit Error Rate
Population Characteristics					
Sample Characteristics					
Note: The Number of Loans With Errors and Error Rate reported in this table includes loans with one or more errors for the selected eligibility criteria, including that of Putable Loan, that are tested at procedures §3.4(E) through §3.4(P).					

Notes:

- The sample's "error rate" is the number of errors divided by the sample size.
- For purpose of this Guide, an "error" is a loan considered to be noncompliant with one or more of the specified requirements.
- This schedule must also include the reporting required by Chapter 3 §3.4(Q), as applicable.

**Attachment 4 – Seller’s or Eligible Direct Issuer’s Management Assertion
Regarding the Test Pool**

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].

Signed:

Name

Title

Date

**Attachment 5 – Schedule of Findings for Seller’s and Eligible Direct Issuer’s
Compliance with Selected Criteria for Putable Loans**

Note: The information contained in this Attachment may be subject to the Privacy Act of 1974, as amended. Disseminating, distributing or providing this Attachment, with personally identifiable information, to entities other than the practitioner, servicer, Seller, Eligible Direct Issuer, Conduit Administrator, Conduit Manager, ED, or other party to the ABCP Conduit Put Program is strictly prohibited.

Personally identifiable information should not be included, unless absolutely necessary. [See Note at Section 4.1.] Social Security Numbers should be not listed in the Schedule of Findings included in the reporting package; instead, if necessary, other identifiers that are not personally identifiable information should be used (e.g., loan numbers).

Certain AUP in this Guide require the reporting of findings in a Schedule of Findings when exceptions are noted. For such instances, the practitioner is to develop and report the condition of the finding as required by GAGAS ¶ 6.17. Where the finding (condition) pertains to individual loans, the condition must be described as it pertains to each individual loan. For example:

Finding No. 1 – For 2 of sampled loans, First Disbursement Date per the Loan Servicing System differed from the First Disbursement Date per the Loan Schedule.

Condition: Application of AUP §3.4(l) disclosed that the information in the Loan Schedule did not agree with the information in the loan servicing system for 2 of the sampled loans selected. Specifically:

- First Disbursement Dates differed from the Loan Schedule for the following loans:

Loan #12

First Disbursement Date per Loan Servicing System:	January 15, 2005
First Disbursement Date per Loan Schedule:	February 20, 2005

Loan #106

First Disbursement Date per Loan Servicing System:	September 5, 2008
First Disbursement Date per Loan Schedule:	August 25, 2008

Note: For these engagements, the auditor is not required to develop and present other elements of a finding included in GAGAS ¶6.16 (criteria), ¶6.18 (cause), and ¶6.19 (effect or potential effect); however, such elements may be included.

**Attachment 6 – Seller or Eligible Direct Issuer and Practitioner
Information Sheet**

Seller or Eligible Direct Issuer Information

Lender ID Number(s):
Test Pool Determined on (Date):
Telephone Number:
Fax Number:
President:
Contact Person & Title:

Audit Firm Information

Partner In Charge:
Email Address:
License Number: (Home State):
(Out of State):
Firm's Name:
Street:
City, State, Zip:
Telephone Number:
Fax Number:

**Attachment 7 - Loan Level Testing Results for Seller's and Eligible Direct Issuer's
Compliance with Selected Criteria for Putable Loans**

LOAN LEVEL SAMPLING RESULTS SUMMARY								
Loan Sample AUP §3.4(D)			Loan Eligibility Requirements That Were Not Met (AUP Section 3.4) ²¹			Putable Loan Requirements That Were Not Met (AUP Section 3.4) ²²		
			Agreement With Promissory Note	Agreement With Loan Schedule	Agreement With Loan Schedule	First Disbursement Date	Final Disbursement Date	Loan Type
Sample Number	Loan Number	Principal Balance	AUP §3.4 (F)	AUP §3.4 (H)	AUP §3.4 (J)	AUP §3.4 (L)	AUP §3.4 (N)	AUP §3.4 (P)
1	1122334455	\$2,500.00						
2	2233445566	\$5,000.00						
n ²³	5566778899	\$7,000.00						

²¹ Identify noncompliance with loan eligibility requirements for each loan by placing an "X" in the applicable column.

²² Identify noncompliance with Putable Loan requirements for each loan by placing an "X" in the applicable column.

²³ Where "n" is the last loan in the sample.

Attachment 8 – Seller’s or Eligible Direct Issuer’s Report on Engagement Findings and Corrective Actions

Name of Seller or Eligible Direct Issuer:

Official Who Prepared Plan:

Phone Number:

Current Report Findings and Corrective Actions:

Finding #XX:

Comments on Finding (e.g., explanation of cause of noncompliance):

Action Taken or Planned (including dates):

Finding #XX:

Comments on Finding:

Action Taken or Planned (including dates):

Status of Corrective Action on Prior AUP Findings (only for findings where corrective actions were planned but not taken):

Report on Test Pool with Date of Determination:

Finding #:

Status of Corrective Action: