

Nelnet Loan Services completes system conversions

System conversions was initially marked by the successful completion of system conversions for Nelnet's loan generation and loan servicing businesses housed in its Indianapolis facility (formerly EFS Services, Inc.). The conversions effectively transferred Nelnet's student loan servicing functions from the former EFS servicing system to the company's own Nservice system. Nelnet's full service loan generation business was converted from a third party platform to the company's internal Ngenius platform.

The two large scale conversions were conducted to provide Nelnet with enhancements consistent with the company's internal system conversions conducted earlier this year. The enhancements include superior long-term loan servicing and generation platforms; expanded customer service and change responsiveness; and improved integration to the Internet. In addition, the Indianapolis initiative further positions Nelnet to establish single databases for its servicing and loan generation businesses, accessible by all of the company's servicing centers. This seamless system for its Indianapolis operation will allow Nelnet personnel to provide assistance to borrowers, schools, lenders, and guarantors, regardless of location.

Combined, the conversions impacted over 1.6 million borrower loans totaling more than \$2.8 billion, 356 unique lender IDs, 365 schools, and 21 guaranty agencies.



dream learn grow

"Although we had a pattern to follow from our own system conversion earlier in the year, the size and scope of the EFS project required countless hours of planning, research, testing, and communication with all involved parties," commented Don Bouc, President of Nelnet Corporation and the company's chief spokesperson. "Both conversion teams are complimented on their successful and timely conclusions to the projects. In addition, Nelnet once again thanks our customers for their valuable input and assistance in these system changes."

Nelnet is a vertically integrated educational finance organization dedicated to providing products and services that facilitate education finance for students, parents, schools, lenders, and guarantors. Nelnet offices are located in Albany, NY; Boise, ID; Denver, CO; Indianapolis, IN; Jacksonville, FL; Lincoln, NE; Phoenix, AZ; Portland, ME; St. Paul, MN; Tulsa, OK; and Washington, DC.

With \$9 billion in total assets, Nelnet originates in excess of \$2 billion for itself and its service partners annually, and services, or provides servicing software for, more than \$36.5 billion in student loans. Nelnet ranks among the nation's leaders in terms of total student loan assets managed.

Additional information is available at www.nelnet.net.

nelnet news

a newsletter for our clients

winter 2003

1
nelnet's loan services

2
premier products...premier
service

3
site-specific servicing
•
pinless e-signature

4
regulatory and industry news

5
upcoming conferences
contact numbers

6
default aversion

Premier Products...Premier Service

At Nelnet, we are dedicated to providing revolutionary solutions designed to streamline processes and create positive customer service opportunities. We also recognize that our industry faces continuous change and our products must be dynamic in order to meet the needs of our customers. 2002 marked a period of growth and change within our organization and in the products offered to our lender clients, school community, and borrowers. The following provides a brief overview of some of the changes recently introduced:

Nteract

An enhanced version of Nteract was launched in July 2002 as the next generation of Internet tools for our lender and school clients. Our partners requested and responded for additional functionality due to the growing popularity of this product in the marketplace. Nelnet is happy to introduce the following updates:

- Enhanced loan inquiry - In addition to obtaining loan generation information, lenders and schools may now access loan repayment details. Adding repayment information provides a comprehensive overview of each loan. From applications and disbursements to next payment due dates and deferments...Nteract is your one-stop product.
- Delinquency reporting - In an effort to provide effective solutions to assist with default aversion activities, Nteract now offers delinquency reporting. Lenders and schools may search by individual borrowers or obtain delinquency bucket totals.
- PLUS pre-approval - Lenders and schools may now initiate a PLUS pre-approval using Nteract. Obtain approvals or denials within seconds!

Nterchangesm

Nterchange serves as a secure vehicle for borrowers to apply for Stafford and PLUS loans, complete entrance and exit counseling and testing, and access vital loan information through the Internet. To answer the demand for consolidation loan applications, Nelnet has applied the following update to Nterchange:

- Online consolidation application with electronic signature - The newest application feature within Nterchange offers borrowers the opportunity to apply for a consolidation loan through the privacy and security of the Internet. The consolidation application includes the ability to electronically sign the promissory note using Nelnet's PIN-less process.

In addition to the enhancements already in production, Nelnet continues to examine the needs of our partners. Look for more updates to Nteract for delinquency reporting, Nterchange for electronic signatures on PLUS loan applications, and www.nelnet.net for guarantor loan inquiry.



Site-Specific Servicing

After careful evaluation and analysis, Nelnet Loan Services determined that centralizing operations throughout its offices was the most effective approach to the servicing of FFELP and Private loans. In addition to maximizing our personnel talents and improving product service, this site-specific structure placed Nelnet in the best position to support and maintain future growth. Please take a moment to view Nelnet's operational departments and its corresponding office(s).

Loan Generation—Denver, CO, Jacksonville, FL, Indianapolis, IN, Lincoln, NE, Tulsa, OK, Portland, ME. This department is responsible for processing borrower applications and disbursement activities.

Client Accounting—Jacksonville, FL
This department manages all accounting-related processes, including, but not limited to, the processing of borrower payments, consolidation payments, and claim payments.

Contact Center—Denver, CO, Jacksonville, FL, Indianapolis, IN The main hub of the Contact Center is located in Indianapolis, IN with a presence in Denver, CO and Jacksonville, FL.

Processing—Lincoln, NE
This department is responsible for processing deferment requests, forbearances, guarantor reports, skip accounts, Clearinghouse data, NSLDS information and school correspondence containing enrollment status updates and separation data.

Acquisitions, Transfers, Cure, and Recovery —Denver, CO. All activities related to internal and external conversions, lender and bond transfers, cure, and recovery are coordinated in this department.

Claims—Denver, CO
All activities related to default aversions and claims are coordinated in this department.

We want to assure you that Nelnet is committed to providing high-quality service to our lenders, as well as our borrower and guarantor partners. If you have any questions, please don't hesitate to contact your Lender Product Support Officer.

Consolidation, pinless e-signature

A new online loan application offering PINLESS e-signature functionality is now available to borrowers consolidating through Nelnet's lender clients. The online option has been well-received, with numerous applications submitted via the Web within the first weeks of availability.

"When we implemented the technology, we were comfortable that the online application would be widely utilized," commented Don Bouc, President of Nelnet Corporation and the company's chief spokesperson. "This type of electronic capability streamlines the consolidation process for borrowers, while helping avoid delays in application return for our lender clients and for our own consolidation initiatives."





Measuring the success of higher education

The Deputy Secretary of the Department of Education, Bill Hansen, at the Office of English Language Acquisition Conference in November 2002 said, "Accountability is about students, not processes or systems. In higher education, \$12 billion in Pell grants and \$45 billion in loans are driven to students, not schools."

Before pondering Hansen's comments, note that a key component of the policy direction came from both the Administration and the Hill during the last Congressional debate over whether elementary secondary education reauthorization was accountable. Accountability was and is characterized by the No Child Left Behind legislation, based on testing outcomes frequently used throughout the student's K-12 experience. While this is not a new concept for those who took the Iowa Basic Skills test nearly 45 years ago, it is new as a federal initiative rather than a state initiative.

With that in mind, the stage was set by the debate surrounding the K-12 reauthorization for folks to discuss and ponder the reauthorization of the Higher Education Act. Note, that those folks close to the student loan programs vacillate between hoping that the accountability of higher education will remain on center stage and wanting to push it aside to have a substantive discussion about consolidation loans, interest rates, repayment terms, and loan limits.

That said, take a moment and consider Hansen's comment and assume that student loan issues will remain in the discussion wings. Also consider that some of those in leadership positions on the Hill have been frustrated over the challenges of defining how accountability should be applied at colleges and universities. Some believe that colleges who keep costs down should be rewarded with special grants. Others have opined that accrediting bodies need to be beefed up. Keeping costs down, while important, addresses only part of the accountability issue and accrediting bodies evaluate what could be rather than what happened. But Hansen, as one of the primary spokespersons for the Department of Education seems to be suggesting something else.

"Accountability is about students, not processes or systems. In higher education, \$12 billion in Pell grants and \$45 billion in loans are driven to students, not schools."

**- Bill Hansen
Deputy Secretary of the Department of Education**

Hansen said that students are the focal point and federally sponsored Title IV programs are about funding students—not colleges. Do you suppose that he meant that accountability should be measured at the student level in much the same way that it is intended to be measured under the No Child Left Behind legislation by testing? Or do you suppose that he meant that outcomes of the higher education process should be evaluated in some other quantifiable manner? If so, should it be graduation placement in a related career, staying out of jail, (just kidding—wouldn't want the Enron folks to bias the measurable success of higher education), or the old standby, default rates? Career colleges have already figured this out and seem to welcome the prospect of measuring outcomes and accountability. They often market their institutions by publicizing the success of their students.

Whether one graduates, or is placed in a job that relates to their studies, would seem to be measurable at the student level. Those measures might even be traceable through the transfer process that is apparently more common than could have been imagined. Ponder the systems that might be necessary to track individual students, as well as their curriculum changes. And when you received the data, how would you determine who was accountable for the success or failure of the process. Finally, how should institutions receive an incentive?

Clearly, there will be challenging debates as folks attempt to address the issue of measuring the success of higher education. Evaluating outcomes would seem to be the point from which to begin...but then it could get "messy."

*Paul Tone, Government and Industry Relations,
Washington, D.C.*



Winter 2003

Upcoming conferences

The following is a tentative schedule of upcoming state, regional, and national conferences:

MeCA (ME)	March 25-26	Rockland, ME	Samoset Resort
KASFAA (KS)	April 2-4	Topeka, KS	Capital Plaza
SCASFAA (SC)	April 6-9	Myrtle Beach, SC	Springmaid Beach Resort
NeASFAA (NE)	April 9-11	Grand Island, NE	Holiday Inn
IASFAA (IA)	April 10-11	Newton, IA	DMACC Newton Conf. Center
ISFAA (IN)	April 13-15	Angola, IN	Potawatomi Inn
WASFAA (Western)	April 13-15	Honolulu, HI	Hilton Hawaiian Village Honolulu
NCASFAA (NC)	April 14-16	Wilmington, NC	Hilton Wilmington Riverside
CAFAA (CO)	April 23-25	Pueblo, CO	Marriott Hotel & Conf. Center
TGSLC (TX)	April 23-25	Austin, TX	Marriott at the Capital.
SUNYFAP (NY)	April 23-25	Glen Falls, NY	Queensbury Hotel
TASFAA (TN)	April 27-30	Franklin, TN	Cool Springs Marriott
AASFAA (AZ)	April 30-May 2	Gila River, AZ	Wild Horse Pass
ILASFAA (IL)	March 30-April 2	Itasca, IL	Wyndham Hotel & Resort
MASFAA (MT)	April 9-11	Dillon, MT	Guest House Inn
SDASFAA (SD)	April 14-16	Deadwood, SD	Holiday Inn Express-Gold Dust
AASFAA (AL)	May 11-14	Gulf Shores, AL	White Sands Resort
VASFAA (VA)	May 11-14	Virginia Beach, VA	Ramada Plaza Oceanfront
EASFAA (Eastern)	May 14-17	Hershey, PA	Hershey Lodge & Convention Center
NCHELP	May 18-21	Hilton Head Island, SC	Crown Plaza Resort
FASFAA (FL)	May 20-23	Lake Buena Vista, FL	Wyndham Palace
GASFAA (GA)	May 28-30	St. Simons Island, GA	King and Prince Hotel
OASFAA (OH)	May 28-30	Huron, OH	Sawmill Creek Resort
RMASFAA (Smr. Inst.)	June 6-13	Denver, CO	Regis University
MASFAA (MS)	June 18-20	Biloxi, MS	Grand Hotel
NASFAA (National)	July 9-12	Salt Lake City, UT	Salt Palace Conv. Center

Nelnet contact information

denver

school hotline 800.375.7013
 borrower inquiries 888.486.4722
 fax 877.290.4584

hawaii

school hotline 877.557.1423
 fax 808.525.7591

indianapolis

school hotline 800.634.2533
 fax 800.469.2262

iowa

school hotline 800.755.7858
 fax 515.957.8821

jacksonville

school hotline 800.524.2502
 borrower inquiries 800.228.5931
 fax 904.281.7004

lincoln

school hotline 800.755.7858
 fax 888.274.9876

tulsa

school hotline 800.788.1881
 fax

private loan inquiries

school hotline 866.551.8070
 private loan fax 866.551.8059
 customer service 888.964.2890

payment mailing address

Nelnet
 P.O. Box 2970
 Omaha, NE 68103-2970

FFELP loan inquiries address

Nelnet
 Attn: Loan Origination
 P.O. Box 82596
 Lincoln, NE 68501-2596

Private loan inquiries

Nelnet
 Attn: Private Loan Department
 P.O. Box 82523
 Lincoln, NE 68501-2523

borrower inquiries on the Web

www.nelnet.net

@theU

www.attheu.com

Due Diligence – A Trilogy of Sorts

Three different locations – three different time zones – three different processes – three different philosophies – three different strategies – three different Contact Centers, but one common thread – best due diligence best practice.

Nelnet's contact centers in Denver, Jacksonville, and Indianapolis have been responsible for due diligence practices and each has had their own uniqueness. Which contact center truly has had the most successful due diligence process in place? How do we determine what program is best practice when it relates to due diligence and collections? Is it the one with the lowest delinquency? Is it the one with the lowest default rate? Is it the one that costs the least? Or is it a combination of all of these?

These were the type of questions Nelnet has been asking over the past few months. We assembled a team of experts from the Contact Centers, Finance, Claims, Lender Product Support, Private Loans, and a consulting firm to add an unbiased view and direction.

This team looked at delinquency ratios, roll rates, forbearance ratios, claim ratios, administration costs, claim characteristics, and client requirements to determine best practice. The project team and the consulting firm then thoroughly analyzed the statistical data and a new due diligence and collection model was developed. This new model features an aggressive approach against risks associated with the private loan sector, a forbearance policy that is forecasted to leverage earnings and mitigate risks, and finally a comprehensive FFELP strategy that is generic in design, yet flexible enough to accommodate multiple client requests.

An overview of our approach is highlighted below:

- Skip tracing conducted on current repayment accounts
- High balance collection strategies on early stage delinquency
- Supplemental collection window expanded by an additional 30 days
- Forbearance tool utilized as a matter of last recourse

To summarize, it was once said, *"If you don't know where you are going, any road will get you there."* We now know what road we want to take and why we want to get there, so now the second phase begins. This project was formulated by the expertise and experience of many, but still predicated on the three contact center's existing success – a trilogy of sorts.

Expect to receive more information in the near future from your Lender Product Support Officers.

Tim Puckett
Nelnet LPS Officer