

OFFSET PROGRAM BORROWER SELECTION CRITERIA

SEPTEMBER MONTH-END INITIAL SELECTION

1. To be initially selected, a borrower's loan must meet all of the following conditions "A" through "F".
 - A. loan is in a grace or repayment status (or)
loan is in litigation
 - B. loan is not pending cancellation due to death or disability
 - C. loan is not in a hardship deferment or hardship billing for "interest only" status
 - D. loan is more than five months past due (or)
loan doesn't have a good address (or)
loan is in collection (internal or external)
 - E. the total amount due is greater than \$0
 - F. the Offset Indicator code is not equal to "N" (do not report at anytime), "T" (do not report this year), or "Q" (offset payment applied to loan which was previously coded "N")
2. All of the borrower's loans will be excluded if conditions "A" or "B" are met:
 - A. the Social Security Number is invalid
 - B. the aggregate liability amount is less than \$10.00
3. Borrowers who meet at least one of the following conditions "A" through "D" will be selected for the September month-end offset notification letter:
 - A. all of the borrower's loans were not selected for the Offset Program in the previous year
 - B. at least one of the borrower's loans had an offset payment applied in the previous year
 - C. the aggregate Total Amount Due is greater than or equal to \$1,000.00, and the borrower's primary and/or billing address is a California address
 - D. the aggregate Total Amount Due is less than \$1,000.00, a monetary transaction has been processed against one of the loans in the last five years, and the borrower's primary and/or billing address is a California address
4. Borrowers who complete processes #1 through #3 are sent offset "due process" notification letters.

NOVEMBER MONTH-END FINAL SELECTION

5. At November month-end, the updated condition of the loans of the borrowers who were sent a "due process" notification letter is evaluated by passing these loans through the initial criteria (processes #1 through #3). The borrowers who again complete these processes are selected and placed on a magnetic tape that is sent to the California State Franchise Tax Board by the middle of December.