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## ***CHAPTER I: INTRODUCTION***

### **A. STATEMENT OF PURPOSE**

The Regents of the University of California (The Regents) are soliciting proposals from pre-qualified Loan Servicers for the provision of student loan services, which include, but are not limited to, lock-box processing, accounting, billing, in-school and out-of-school loan services, due diligence and collection support, reports, and an interactive on-line system to support its campuses' administration and collection of loans from Federal, institutional, and privately-funded student loan programs.

### **B. SCHEDULE AND SUBMITTAL DATES**

Listed below are the important actions and the dates and times by which they are to be taken or completed. Action on any of these dates shall occur between 8 a.m. and 5 p.m., Pacific Standard Time (PST), unless otherwise noted.

<u>Date</u>	<u>Event</u>
January 22, 2004	Release of RFP
February 3, 2004	Deadline for Submitting Questions for Discussion at the Bidders' Conference
February 11, 2004	Bidders' Conference 10 a.m. to 4 p.m. Pacific Standard Time 1111 Franklin Street, Conference Room 5320 Oakland, California
February 20, 2004	Deadline for Additional Bidder Questions and Concerns
February 27, 2004	Deadline for UC to Respond to Bidders' Additional Questions and Concerns
March 12, 2004, 4 p.m. (PST)	RFP Closing Date: Proposals Due
July 1, 2004	Effective Date of New Contract

If the original proposal is received after the RFP Closing Date, it shall be rejected and returned unless the delay is due to negligence of the University of California.

It is the bidder's sole responsibility to assure that its proposal is received on or before the RFP Closing Date and time. Telegraphic, facsimile, and oral proposals shall not be accepted. The cost of preparing and/or submitting this proposal shall be borne solely by the bidder.

The original proposal must be received by the RFP Closing Date and time, must contain an original signature, and must be clearly identified and labeled with the word "ORIGINAL."

Proposals shall be in a sealed package marked:

Name of Bidder  
RFP Number UCOP044CL  
Date and Time Proposal Due

One (1) complete, original RFP proposal response shall be addressed to:

Cindi Lamoureux, C.P.M  
UCLA Purchasing Department  
10920 Wilshire Boulevard, Suite 650  
Los Angeles, CA 90024  
Phone: 310-794-6030

and

One (1) complete RFP proposal response copy on diskette or CD (Windows compatible applications), and nine (9) complete RFP proposal response hardcopies shall be addressed to:

Jackie Ito-Woo  
University of California Office of the President  
SAS - Student Financial Services  
1111 Franklin Street, #9103  
Oakland, CA 94607  
Phone: 510-987-9544

The University does not guarantee the above schedule and reserves the right to modify this schedule to best meet its needs.

### **C. AGREEMENT TERM**

The commencement date of a new contract is expected to be July 1, 2004\*. The term of the Agreement shall commence on July 1, 2004 and shall continue for three (3) years until June 30, 2007. The Agreement may be renewable for ten (10) additional years in one to three year periods, beginning July 1, 2007, by mutual written agreement.

Should the University contract with a new loan servicer, conversion activities shall commence prior to this date so that full servicing may begin on July 1, 2004.

## **D. BACKGROUND INFORMATION**

### **1. Responsibilities of the Office of the President**

The UC Office of the President is responsible for the administration of and the budget for the student loan services Agreement. This office serves as the primary liaison between the University and the loan servicer regarding contractual, Federal and State compliance, University policy, and systems and service delivery issues.

The Office of the President responds to requests for system-wide data regarding long-term student loan activity and prepares an annual report to The Regents on Student Financial Support, which may include data extracted from reports produced by the loan servicer or from data the loan servicer provides.

The Office of the President also coordinates and oversees the University's participation in the California State Offset Program.

In addition, the Office of the President reconciles and transfers to each campus the funds recovered through the California State Offset Program as well as payments processed by the loan servicer that are deposited into the University's bank account.

### **2. Responsibilities of the Campus**

With regard to the Federal loan programs, each campus, along with its campus Financial Aid Office, applies for new Federal capital contributions, administers its Federal loan programs, and completes and files the required reports with the Federal government. In addition, each campus administers its own University loan programs; a few campuses complete annual reports regarding the status of their privately funded loan programs.

The vast majority of the loan funds are awarded to financially needy students (undergraduate and graduate students) and are disbursed on a multiple basis throughout the year: The University of California, Berkeley, and the University of California, Merced, are on the semester system and have two disbursements; the other campuses are on a quarter system and typically have three disbursements. In addition, some campuses disburse loans in the summer session. Campuses typically

convert loan records to the loan servicer as disbursements are made and conduct exit interviews with students before they leave school.

Each campus is responsible for the collection and accounting of its loan funds. If payments are not received when due, campuses begin internal collection efforts to recover delinquent amounts. The timing and type of such follow-up action varies from campus to campus (with a few campuses litigating in small claims court). The accuracy, timeliness, and availability of information from the loan servicer's reports and on-line system regarding the activity affecting each account are critical to the campuses' collection operations. If internal collection efforts are unsuccessful, campuses refer their delinquent accounts to collection agencies and monitor closely the collection agencies' actions. If the first-placement collection agencies are unsuccessful, some campuses make additional collection efforts before referring the loans to second-placement collection agencies, while other campuses transfer their loans directly from first-placement to second-placement agencies.

Due to the campuses' aggressive and effective collection operations, the default rate of their borrowers is below the national average for the Federal Perkins Loan Program. If a campus determines that a defaulted loan is uncollectible, it may close out the account, e.g., write off uncollectible institutional loans or assign Federal Perkins Loans to the Federal government.

### 3. Student Loan Portfolio Summary

The following chart provides a summary, by loan status, of the University's student loan portfolio, as of December 31, 2003.

#### PORTFOLIO SUMMARY BY LOAN STATUS

Loan Status	# of Borrowers	# of loans	Loan Amount	Principal Balance
Enrolled	42,066	44,557	\$112,502,910	\$112,420,454
Grace/Post-Deferment Grace	15,013	16,381	\$48,388,517	\$45,758,671
Interrupted Grace	1,897	2,070	\$5,295,015	\$5,271,186
Deferred/Postponed	5,194	6,115	\$20,811,581	\$17,611,156
Cancellation	6	7	\$19,607	\$14,883
Current	25,581	31,618	\$107,354,433	\$63,891,627
Temporary Payment Plan	199	281	\$1,413,015	\$1,108,285
Past Due (1 or more days)	9,720	11,820	\$30,059,744	\$23,968,805
Litigation	33	50	\$84,821	\$59,751
Assignment Pending	37	42	\$104,067.19	\$90,0523
Bankruptcy Pending	191	263	\$644,517	\$479,379

To be Closed	3,008	3,263	\$10,499,748	-\$143,795
Closed*	330,736	464,160	\$650,890,206	\$21,802,377
<b>Total</b>	433,681	580,627	\$988,068,181	\$292,322,832

\*"Closed" includes Federal Perkins Loans assigned to and accepted by the Federal government.

The unduplicated count of borrowers is 381,245.

Additional information about the University's portfolio and volumes of transactions are provided in the Appendices under "Portfolio Statistics" as well as in other Chapters throughout this RFP as a guideline to bidders to assist in the preparation of their proposals. The University does not, however, guarantee that the statistics provided are totally accurate or that past trends will continue into the future.

**4. Historical Information Regarding the University's Use of Loan Servicers**

In 1977, the University converted from its own centralized automated student loan billing and collection system to the full-service, on-line system offered by American National Educational Corporation (ANEC). In 1986, Academic Financial Services Association (AFSA), purchased ANEC, but the University's loan portfolio remained on the ANEC system, which AFSA continued to maintain until June 1987. In July 1987, the University converted from the AFSA-maintained ANEC system to the full-service, on-line system owned by Wachovia Student Financial Services, Inc. (Wachovia). In 1994, the University's contract for student loan services was awarded to EduServ Technologies, Inc. EduServ Technologies, Inc. owned the former Wachovia system, System III, so no system conversion was needed. The University's loan portfolio has continued to be serviced on System III, though system ownership has changed. The current contract for student loan services is with AMS Servicing Group.