

South Carolina State Education Assistance Authority Lender of Last Resort Procedures

The Higher Education Act of 1965, as amended, requires the guaranty agency, or a lender or lenders under an agreement with the guaranty agency, to serve as a Lender-of-Last Resort for an eligible borrower who is otherwise unable to obtain a Federal Family Education Loan (FFEL) loan. To meet this requirement the South Carolina State Education Assistance Authority (Authority) has developed and implemented procedures which were approved by the Department on March 31, 1994 (see Attachment A & B). The following amendments to those procedures are being made at the direction of FP-08-03 dated March 26, 2008, and FP-08-05 dated May 5, 2008 which provides updated assistance for the implementation of a Lender-of-Last Resort (LLR) program by a guaranty agency in the FFEL Program. Guaranty agencies are instructed to submit updated LLR rules and operating procedures to the Department for review and approval. The Authority hereby submits the following:

Demonstration of the need for LLR Loans and identification of the entity or entities serving as lender-of-last resort.

1. The Authority will provide for an eligible lender to serve as its designated Lender-of-Last Resort (LLR).
 - a. The Authority has a contractual agreement with SC Student Loan to serve as the designated FFEL lender for its borrowers. SC Student Loan has been serving as the Lender-of-Last Resort for the Authority since the approval of their LLR procedures from the U.S. Department of Education on March 31, 1994. This relationship will continue and will be automatically renewed on an annual basis unless SC Student Loan notifies the Authority of its intent to terminate the LLR agreement at least 60 days prior to the effective date of termination. SC Student Loan agrees to fully disburse any loan with a first disbursement made prior to that effective date.
 - b. The Authority will only make LLR loans in the event that its contacted lender is unable to serve as the LLR. Should this occur, the Authority will make LLR loans under the LLR program utilizing Federal Advances and will contract with SC Student Loan for servicing functions.
 - c. In order for the Authority to determine the financial and administrative capability of SC Student Loan to serve as its designated LLR, SC Student Loan must submit to the Authority, on an annual basis, Financial Reports and a Certification of Administrative Capability (see Attachment C).
2. The designated LLR will consider applicants referred to it by any lender participating in the Authority's Guaranty Program which meet the following criteria:
 - a. The applicant meets federal eligibility criteria;

- b. An eligible lender, pursuant to its own policies, has declined to make the loan. Applicants who are denied a loan by another lender may apply with SC Student Loan; and
- c. All applicants are first considered for a regular guarantee by the Authority.

LLR Scope and Coverage

As the designated guaranty agency for the state, the Authority will assist a school located within South Carolina in the identification of a FFEL lender who will make conventional loans to the school's students. SC Student Loan, as the designated lender for the Authority, will assist with conventional FFEL loans to the school's students and parents as long as students and parents meet Federal eligibility criteria.

The Authority's LLR program is currently available to borrowers seeking Federal Stafford subsidized and unsubsidized loans. The Authority will entertain the option of making Federal PLUS loans available if necessary.

A school shall work with the Authority to determine its eligibility for participation in the Authority's LLR program. To determine eligibility, a school will provide at a minimum the following:

- The number and percentage of the school's FFEL loan applicants who are expected to be unable to obtain a conventional FFEL loan;
- The names of the FFEL lender(s) that provided FFEL loans in the past to students attending the school (or their parents) which, based on available information, have indicated that they will no longer provide conventional FFEL loans to these individuals. And, for each such lender, an estimate of the number of students who will be impacted by the lender's decision; and
- The names of other FFEL lenders that the school or Authority contacted to request FFEL loan access for students at the school for the 2008-09 academic year.

LLR Outreach

To insure that information regarding the LLR Program is accessible to institutions in the state of South Carolina, the Authority shall reach out to all higher education organizations within the state, including the SC Commission on Higher Education, to solicit assistance in promoting the availability of its LLR Program. The Authority also plans to provide information on the availability of its LLR loans and the processes by which eligible borrowers can access these loans in SC by corresponding with the financial aid offices of SC institutions.

LLR Operating Procedures

1. Guaranty agency's LLR contact person:
David Roupe, Vice President of Guaranty Services
SC State Education Assistance Authority
PO Box 210219
Columbia, SC 29221

2. School and borrower contact information:
SC Student Loan
Loan Origination Department
PO Box 21487
Columbia, SC 29221

Borrower assistance: (866) 516-7252
Schools assistance: (800) 488-9875
3. Operating Hours for LLR Services:
8:00 a.m. – 5:00 p.m. EST Monday – Friday for telephone or in-person inquiries.

24-hour Web access is available for general information and filing electronic applications at www.scstudentloan.org
4. The designated LLR will:
 - a. Respond to the borrower within 60 days of receipt of a completed application.
 - b. Complete applications will normally be approved within 24 hours of receipt of a completed Master Promissory Note.
 - c. Disbursements will be made based upon applicable regulatory requirements.
 - d. Insure that students receiving loans through the LLR program are provided counseling concerning the responsibilities of their loan obligations and the consequences of not fulfilling those obligations. LLR borrowers receive both entrance and exit loan counseling at the school they are attending or via a medium used by the school as part of the counseling requirements dictated by federal regulation (§682.604). In addition, borrower(s) receiving loans from SC Student Loan receive financial counseling materials in the form of a brochure entitled “Mapping Your Financial Future.” This brochure includes information on the borrower’s rights and responsibilities, alternatives to borrowing, consequences of default, and web contacts for other information including career counseling, scholarship information, and payment calculators.
 - e. Not impose any additional eligibility requirements, beyond the statutory and regulatory requirements, upon a student seeking an LLR loan.
 - f. Loans made under the LLR program will not be made for a combined (subsidized/unsubsidized) loan amount of less than \$200.

Reporting of LLR Program Implementation

On a daily basis, the Authority will fax to the Department an LLR Approval Report that will be sorted by school indicating the LLR loans guaranteed. The report will include information on the number, loan type and dollar volume of LLR loans approved, the school(s) attended and the reason(s) the loan was approved as an LLR loan.