

Appendix I. Perkins/NDSL Due Diligence Checklist

CONTACTS WITH THE BORROWER (674.42)

- Conducted an Exit Interview
- Grace Period Contacts
 - 9-month initial grace period
 - 90 days after the commencement of any grace period
 - 150 days after the commencement of any grace period
 - 240 days after the commencement of any grace period
 - 6-month initial grace period & post deferment grace periods
 - 90 days after the commencement of any grace period
 - 150 days after the commencement of any grace period

BILLING PROCEDURES (674.43)

TYPE OF BILLING SYSTEM USED:

- Coupon System, OR
- Billing System
 - Statement of account at least 30 days before first payment due date
 - Statement of account 15 days before due date of subsequent payments

OVERDUE NOTICES:

- First overdue notice 15 days after payment due date
- Second overdue notice 30 days after first overdue notice
- Final Demand Letter 15 days after second overdue notice

LATE CHARGES:

- Late charges assessed for period of enrollment beginning on or after 1/1/86
- Borrower notified of the amount of the late charge imposed

ACCELERATION (If loan is accelerated):

- Notice of intent to accelerate provided 30 days before acceleration
- Notice of acceleration provided on or after the effective date of acceleration

TELEPHONE CONTACT (If borrower does not respond to Final Demand Letter):

- Telephone contact made with borrower before beginning collection procedures

ADDRESS SEARCHES (674.44)

IF MAIL, OTHER THAN UNCLAIMED MAIL, SENT TO BORROWER IS RETURNED UNDELIVERED, INSTITUTION SHALL TAKE STEPS TO LOCATE THE BORROWER

- Institutional records reviewed in all appropriate offices for an updated address on the borrower
- Telephone directories & information operators used to obtain new address
- ED Skiptracing Service used

Perkins/NDSL Due Diligence Checklist (continued)

ADDRESS SEARCHES (CONT'D)

IF ALL OF THE ABOVE FAILS

- Institutional personnel used to attempt to locate the borrower, or
- Account referred to commercial skiptracing service

IF SKIPTRACING IS UNSUCCESSFUL

- Reasonable attempt to locate the borrower at least twice a year

COLLECTION PROCEDURES (674.45)

- Defaulted borrower reported to credit bureau, unless prohibited by State law
 - Institutional personnel used to collect
- OR
- Collection firm used to collect
 - Second collection firm used
 - (12-month limit on unsuccessful collection attempt by any entity)
 - Collection costs assessed against the borrower
 - Annual attempts made to collect from the borrower
 - Fund reimbursed for all collection costs initially charged to the Fund and subsequently paid by the borrower

LITIGATION PROCEDURES (674.46)

- Borrower owes total amount of \$200 or more (principal, interest, late charge & collection costs) on a combination of Defense, Direct or Perkins loans
- Borrower can be located and easily served
- Borrower has assets or income to satisfy major portion of outstanding debt
- Borrower does not have a valid defense that will bar judgement for the institution
- Expected litigation costs, including atty.'s fees, do not exceed amount which can be recovered
- Account litigated

WRITEOFF

- Account written off: Balance under \$200 SOL has expired

BANKRUPTCY PROCEDURES (674.49)

UPON RECEIPT OF BANKRUPTCY NOTICE:

- Collection effort ceased
- Filed a Proof of Claim, unless Chapter 7 notice states borrower has no assets
- Suspended collection efforts against any endorser
- Proper objections/complaints filed, if appropriate

Perkins/NDSL Due Diligence Checklist (continued)

RESUMPTION OF COLLECTION

RESUMED COLLECTION FROM THE BORROWER IF:

- Borrower's petition for relief in bankruptcy has been dismissed
- Court has denied borrower request for undue hardship discharge
- Borrower loan is not excepted from discharge under other applicable provision of the Code
- Bankruptcy petition didn't provide for the loan obligation or unsecured claims in general
- Resumed collection from the endorser of a loan on which a borrower has filed Chapter 13 and the case has been completed or dismissed, or the stay has been lifted
- Deposited any payment received from a borrower into the FUND after a loan has been discharged in bankruptcy

ASSIGNMENT (674.50)

INSTITUTION MAY SUBMIT A DEFAULTED LOAN FOR ASSIGNMENT IF:

- The institution is unable to collect despite complying with due diligence requirements
- The total amount of the borrower account (principal, interest, late charges, and collection costs) is \$200 or more on a combination of Defense, Direct and Perkins loans

AND

- The loan has been accelerated