

LOAN PURCHASE PROGRAMS ELECTRONIC ANNOUNCEMENT #14

Date: August 7, 2008

To: FFEL Program Community

From: Larry Warder, Acting Chief Operating Officer
Federal Student Aid

Subject: Document Submission Instructions for Banks Wishing to Perform as Custodians

The attached materials provide instructions to banks that wish to submit materials to the Department for approval as a Custodian under the Loan Participation Purchase Program, as provided in the Master Participation Agreement (MPA) that was posted on July 25, 2008. While interested parties should carefully review the entire MPA, they should specifically refer to Section 10(c) of the MPA.

We have scheduled a Webinar for Friday, August 8, 2008, at 2:00 PM Eastern Time, where we will continue to review operational details of the Loan Participation Purchase Program. Please see Electronic Announcement #11 that was posted to www.federalstudentaid.ed.gov/ffelp on August 1, 2008, for registration information.

Thank you for your continued support of these FFEL Loan Purchase Programs.

**United States Department of Education
Federal Family Education Loan Program**

**Loan Participation Purchase Program Under a Master Participation
Agreement**

**DOCUMENT SUBMISSION INSTRUCTIONS FOR BANKS WISHING
TO PERFORM AS CUSTODIANS**

AUGUST 7, 2008

This document provides information and guidance to banks that wish to submit materials to the Department for approval as a Custodian under the Loan Participation Purchase Program, as provided in the Master Participation Agreement (MPA) that was posted on July 25, 2008. The definition of a custodian is provided in Section 3 of the MPA, and includes only national or state chartered banks who are eligible lenders in the FFEL Program. Additional information regarding the qualifications of a custodian are provided in Section 10(c) of the MPA.

The documents outlined below, must be submitted in hard copy, with original “pen and ink” signatures together in one packet to the address provided at the end of this document.

Upon receipt we will send an e-mail message to the contact e-mail address provided in the Cover Letter, indicating the date the packet was received by the Department. Upon completion of the Department’s approval process, the same contact will be notified of our determination.

Cover Letter

To ensure that the documents submitted are properly tracked, the entity requesting approval as a Custodian should include in its submission a Cover Letter on the entity’s letterhead that includes contact information (name, address, phone number, e-mail address) as well as the text provided in the model cover letter below:

[Date]

Dear Sir or Madam:

[Name of Bank] (the Bank) wishes to serve as a Custodian in the Department of Education's Loan Participation Purchase Program (Program). We request that the Department consider the Bank to be qualified to serve as a Custodian. We submit as attachments to this letter the following to support our request:

- A. A certification by [name of officer], [title of officer] that the Bank meets the specific standards to serve as Custodian established by the Department in the Master Participation Agreement;
- B. A list of key personnel of the Bank, and the responsible official of the Bank, whom the Bank has assigned to manage and conduct the activities of a Custodian under the Program, with title, years of service, and special credentials or certifications of each of these individuals;
- C. A copy of the Bank's most recent SAS 70 letter(s), preferably with respect to systems used in the Custodial area;
- D. A copy of the SEC Regulation AB report(s) most recently filed by the Bank (if applicable);
- E. A description of the trust activities now conducted by the Bank, explaining the number and dollar volume of asset-backed securitizations or similar transactions for which it functions as trustee, describing the characteristics of these transactions as they relate particularly to the functions of Custodian under the Program, including the parties and assets involved in these transactions;
- F. Copies of the Bank's errors and omissions policy and its fidelity bond;
- G. A description of the Bank's disaster recovery procedures;
- H. A list that displays the Bank's EIN and identifies by name and address all affiliates of the Bank, and includes the name and telephone number of the chief executive officer of each;
- I. A list of all of the Bank's Lender Identification Numbers (LIDs), including the names and LIDs of any beneficial holder that participates in the FFEL Program under an Eligible Lender Trustee agreement with the Bank as the eligible lender; and;
- J. A copy of the Bank's most recent audited financial statements.

We request that the Department consider the Bank to qualify to serve as a Custodian under the Program. If the Department decides that the Bank is qualified to serve as a Custodian based on this submission, we understand that the Bank may serve without further submissions to demonstrate its qualifications, unless specifically requested to do so by the Department. We understand that each time we execute an Adoption Agreement (Exhibit A of the MPA) with a specific Sponsor, the Bank warrants and represents at the time of such execution that the statements to which it certifies here continue to be true and correct, and further that the Bank is

not affiliated with the specific Sponsor and, if applicable, an Eligible Lender Trustee for that Sponsor.

Sincerely,

[Signature of Officer]

[Title of Officer]

[Date of Signature]

Enclosures

Attachment A. Officer's Certificate of [Name of Bank] to serve as Custodian

I, _____, hereby certify that I am the duly elected _____ of _____ (“Custodian”), and further certify, on behalf of the Custodian, the following representations and warranties as of the date listed below:

(i) The [Name of Bank] (the Bank) is duly organized, validly existing and in good standing under the laws of the [insert State] which is the State of its formation. The Bank has all licenses necessary to carry out its business as now being conducted or is otherwise exempt under applicable law from such licensing or qualification or is otherwise not required under applicable law to effect such licensing or qualification and no demand for such licensing or qualification has been made upon the Bank by any such state. No licenses or approvals obtained by the Bank have been suspended or revoked by any court, administrative agency, arbitrator or governmental body and no proceedings are pending which might result in such suspension or revocation;

(ii) The Bank is an "eligible lender" as such term is defined in Section 435(d)(1)(A) of the Higher Education Act, and is a [National] or [State]-chartered bank;

(iii) The Bank has a long-term senior unsecured debt rating of not less than investment grade by at least one of Standard & Poor's, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. or Fitch Ratings, or any of their successors in interest;

(iv) The Bank has a combined capital and surplus of at least \$50,000,000, as set forth in its most recent published annual report of condition;

(v) The Bank has submitted with this certification materials to demonstrate, to the satisfaction of the Department, that it has the administrative capability and operating systems adequate to discharge faithfully the functions of the Custodian under the Master Participation Agreement (the Agreement) governing the Department's Loan Participation Purchase Program, and has allocated sufficient staff (including Responsible Officers of the corporation) to carry out such duties;

(vi) The Bank has all requisite power and authority to hold each Loan as trustee, and to execute, deliver and perform, and to enter into and consummate, all transactions contemplated by the Agreement. The Bank is duly authorized to execute, deliver and perform as Custodian under the Agreement, to execute and deliver an Adoption Agreement. If the Bank executes an Adoption Agreement adopting the Agreement, and assuming due authorization, execution and delivery by each of the Sponsor and the Department of that Adoption Agreement, the Adoption Agreement will constitute a legal, valid and binding obligation of the Bank to serve as Custodian, enforceable against it in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of rights of creditors generally, and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law);

(vii) The execution and delivery of an Adoption Agreement by the Bank and the performance of and compliance with the terms of the Agreement will not violate the Bank's formation documents or constitute a default under or result in a breach or acceleration of, any material

contract, agreement or other instrument to which the Bank is a party or which may be applicable to the Bank or its assets;

(viii) The Bank is not in violation of, and the execution and delivery of an Adoption Agreement by the Bank and its performance and compliance with the terms of the Agreement will not constitute a violation with respect to, any order or decree of any court or any order or regulation of any federal, state, municipal or governmental agency having jurisdiction over the Bank or its assets, which violation might have consequences that would materially and adversely affect the condition (financial or otherwise) or the operation of the Bank or its assets or might have consequences that would materially and adversely affect the performance of its obligations and duties hereunder;

(ix) The Bank does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in the Agreement;

(x) There are no actions or proceedings against, or investigations of, the Bank before any court, administrative agency or other tribunal

(A) that might prohibit its entering into the Agreement,

(B) seeking to prevent the transfer of the Loans to the Bank or the creation and sale of the Participation Interests or the consummation of the transactions contemplated by the Agreement or

(C) that might prohibit or materially and adversely affect the performance by the Bank of its obligations under, or the validity or enforceability of, the Agreement;

(xi) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Bank of, or compliance by the Bank with, the Agreement or the consummation of the transactions contemplated by the Agreement, except for such consents, approvals, authorizations or orders, if any, that have been obtained; and

(xii) No directors, senior officers or key personnel have been convicted for violations of laws pertaining to banking or securities, fraud or embezzlement.

Further, we certify that we are qualified to act as Custodian pursuant to the law of the United States and in accordance with our Charter and by-laws.

[Name of Bank], NATIONAL ASSOCIATION

By _____
[Name and title of Official]
[Date of signature]

Attachment B: Description of Key Staff

As described above, please submit a list of key personnel of the Bank, and the responsible official of the Bank, whom the Bank has assigned to manage and conduct the activities of a Custodian under this Program, with the title, years of service, and special credentials or certifications of each of these individuals and label it Attachment B.

Attachment C: SAS 70 letter(s)

Please attach a copy of the Bank's most recent SAS 70 letter(s), preferably with respect to systems used in the Custodial area, and label it Attachment C.

Attachment D: SEC Regulation AB report(s) most recently filed by the Bank [if applicable]

Please submit copies of the SEC Regulation AB report(s) most recently filed by the Bank with the SEC [if applicable] and label them Attachment D.

Attachment E. Description of Current Trust Activities

Please submit a description of the trust activities now conducted by the Bank, explaining the number and dollar volume of asset-backed securitizations or similar transactions for which it functions as trustee, describing the characteristics of these transactions as they relate particularly to the functions of Custodian under the Program, including the parties and assets involved in these transactions and label this Attachment E.

Attachment F: Copies of the Bank's errors and omission policy and its fidelity bond

Please submit copies of the Bank's errors and omissions policy and its fidelity bond and label it Attachment F.

Attachment G: A description of the Bank's disaster recovery procedures

Please submit a description of the Bank's disaster recovery procedures, and label them Attachment G.

Attachment H: The Bank's EIN and all Bank Affiliates

Please submit a list that displays the Bank's EIN and identifies by name and address all affiliates of the Bank, and includes the name and telephone number of the chief executive officer of each, and label as Attachment H.

Attachment I: Listing of Bank’s Lender Identification Numbers (LIDs).

Please submit a list of all of the Bank’s Lender Identification Numbers (LIDs), including the names and LIDs of any beneficial holder that participates in the FFEL Program under an Eligible Lender Trustee agreement with the Bank as the eligible lender and label as Attachment I.

Attachment J: Audited Financial Statements

Please submit a copy of the Bank’s most recent audited financial statements and label as Attachment J.

Submission Instructions

As indicated above, all documents must be submitted in hard copy, with original “pen and ink” signatures, together in one packet to:

If by U.S. Postal Service mail:

United States Department of Education
400 Maryland Avenue, SW
UCP, Room 111G3
Washington, DC 20202-5138
Attention: FFEL Agreement Process Team

If by courier or express mail:

United States Department of Education
830 First Street, N.E.
Room 111G3
Washington, DC 20202-5138
Attention: FFEL Agreement Process Team

Paperwork Burden Statement

According to the Paperwork reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0087. The time required to complete this information collection is estimated to average 10 hours per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, D.C. 20202-4537. **If you have comments or concerns regarding the status of your individual submission of this form, write directly to:** Policy Liaison and Implementation, Federal Student Aid, U.S. Department of Education, 400 Maryland Avenue, S.W., UCP3, 11th floor, Washington D.C. 20202-4537.