

LOAN PURCHASE PROGRAMS ELECTRONIC ANNOUNCEMENT #38

Date: December 3, 2008

To: FFEL Program Community

From: James A. Manning, Acting Chief Operating Officer
Federal Student Aid

Subject: Submission of “Offer to Sell” Requests Under the 2007-2008 Short-Term Purchase Program

In Electronic Announcement #36 we attached the text of the Notice and the Master Loan Sale Agreement 2007-2008 (2007-2008 MLSA) that was published in the *Federal Register* on December 2, 2008 announcing the terms and conditions of the Department’s 2007-2008 Short-Term Purchase Program. Electronic Announcement #37 provided instructions for the submission of 2007-2008 MLSA execution documents. This announcement provides format and submission instructions for the “Offer to Sell” that must be submitted by a loan holder wishing to sell 2007-2008 academic year loans to the Department.

Note that, unlike the process required for the sale to the Department of 2008-2009 academic year loans, a “Notice of Intent to Participate is not required for the 2007-2008 Short-Term Purchase Program.

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

Attachment

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 2 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.

**United States Department of Education
Federal Family Education Loan Program
2007-2008 Short-Term Purchase Program**

**“OFFER TO SELL” 2007-2008 ACADEMIC YEAR FFEL LOANS
DECEMBER 3, 2008**

This document provides the format and instructions for a lender/holder’s (now called the “Seller”) submission of an “Offer to Sell” 2007-2008 FFEL Program loans to the U.S. Department of Education (the Department). Note that a Seller may not submit an “Offer to Sell” earlier than the day it submitted its Adoption Agreement for the Master Loan Sale Agreement 2007-2008 (2007-2008 MLSA) to the Department, as provided in Electronic Announcement # 37. As noted in earlier documents, the Department will only purchase loans under this program once each week with the Purchase Date generally being Monday (see below for holiday exceptions). The lender/holder’s “Offer to Sell” is due no later than noon on the Wednesday second preceding the Purchase Date.

This document also describes the steps that the Seller must complete for any weekly sale of 2007-2008 academic year FFEL Program loans and the deadlines for completing those steps. In a separate Electronic Announcement we will provide the specifications and submission requirements for the required Bill of Sale and the data files that must be submitted to the Department’s servicer.

“Offer to Sell” 2007-2008 Eligible Loans

As provided in Section 1 of the 2007-2008 MLSA, each Seller that wishes to sell 2007-2008 academic year loans to the Department for a given week must submit an “Offer to Sell” for that week. The Seller must submit its “Offer to Sell,” in the format provided in this document, as a PDF attachment to an e-mail that is sent to ffel.agreementprocess@ed.gov, with a subject line of “Offer to Sell for Purchase Date of <insert relevant Purchase Date>.” As stated in the 2007-2008 MLSA, the Department will not purchase loans from a lender in a given week unless the average outstanding principal balance of the loans offered by that lender for that week is at least \$3,000. If the Department determines that the average balance of loans in an offer is not at least \$3,000 the entire offer from that Seller will be rejected for that week.

For each week, the Department will consider those “Offers to Sell” that it receives by the stated deadline date (the second Wednesday preceding the Purchase Date) and will calculate how much of each Seller’s offer the Department will purchase (see below for a discussion of that calculation) and will notify each Seller by e-mail addressed to the contact person identified on the Seller’s “Offer to Sell” of the accepted amount.

Calculation of Amount of Offer Accepted for Purchase

The Department will purchase all Eligible Loans offered for sale by Sellers for the week if the amount needed to purchase those loans does not exceed \$500 million. If the amount needed to purchase all loans included in timely, qualifying offers for a week exceeds \$500 million, the Department will use the following process to calculate the portion of the \$500 million that will be accepted from each Seller's offer –

1. Determine the percentage of each Seller's total 2007-2008 FFEL Stafford and PLUS holdings (as of November 19, 2008) to the total 2007-2008 FFEL Stafford and PLUS holdings for all loan holders.
2. Calculate the ratio of each Seller's holding percentage from Step 1 to the holding percentages of all Sellers submitting offers for the week.
3. Apply the ratios calculated in Step 2 to the \$500 million available for the maximum week to determine each Seller's initial share.
4. The amount accepted for each Seller will be the lesser of the amount calculated in Step 3 or the amount offered by the Seller in its "Offer to Sell".
5. In the event that the amount determined in Step 4 for one or more Sellers is the offered amount (as opposed to the higher calculated amount from Step 3) the residual amount still available from the \$500 million will be allocated by calculating the percentage of each Seller's shortfall amount (amount offered by the Seller less amount calculated under Step 4) to the sum of all Seller's shortfall amounts and applying that percentage to the residual funds available. This additional amount will be added to the amount calculated in Step 4 unless the total is greater than the Seller's offered amount, in which case the Seller's offered amount will be used. In the event that funds still remain this step will be repeated for any Seller whose total does not yet equal their offered amount.
6. Note that no one Seller will be approved for more than \$425 million (85% of the \$500 million) in a week unless all other Sellers' requested offers have been met.

As noted earlier, once the Department has calculated the amount of a Seller's offer the Department will inform each Seller of the accepted amount in an e-mail addressed to the contact person included on the Seller's "Offer to Sell."

Steps in Loan Purchase Process

Once the Department has informed the Seller of the amount of the Seller's offer the Department will accept for purchase, the Seller and the Department's servicer will coordinate submission of the loan conversion files (see upcoming, Electronic Announcement #39), consistent with the schedule and process discussed below, so as to consummate the sale on the scheduled Purchase Date. The Seller's servicer must cooperate with the Department's servicer to resolve any data file exceptions, including loan eligibility issues. The final sale must have a total value (97 percent of the outstanding principal plus outstanding accrued borrower interest as of the Purchase Date) equal to or only slightly less (in the event that one or more loans have lost their eligibility to be sold) than the amount accepted by the Department.

The Department's servicer will prepare and forward to the Seller's servicer for validation a pre-sale conversion file with totals. The Seller's servicer must review this file and confirm the pre-sale totals. The Seller must use these totals and related reports to complete the required Bill of Sale and the associated Final Loan Schedule Summary of Loans Sold (see Exhibit B of the 2007-2008 MLSA).

For illustrative purposes only, the chart below presents a sample timeline with deadlines, for an offer that will result in a Purchase Date of Monday, December 22. All weekly sales begin with the submission by Sellers of "Offers to Sell" no later than noon on the second Wednesday preceding the Purchase Date - December 10 in this example. Note that the same day of week activities apply to each activity even when the Purchase Date is moved from a Monday to a later day because of a Federal holiday (see below for list of those exceptions). All times below are Eastern Time.

2007-2008 FFEL Short-Term Purchase Program		
Step/Activity	Performed By	Completed No Later Than
Step One – "Offer to Sell" is submitted to Department's FSA Office by e-mail to: ffel.agreementprocess@ed.gov .	Seller or Seller's servicer	Noon, Wednesday, December 10
Step Two – Determination of amount of Seller's offer that will be accepted.	Department's Federal Student Aid Office	Noon, Thursday, December 11
Step Three – Seller informed by e-mail of accepted amount of offer the Department will purchase.	Department's Federal Student Aid Office	Noon, Thursday, December 11
Step Four – Submission to the Department's servicer of conversion file for accepted amount.	Seller or Seller's servicer.	Noon, Monday, December 15
Step Five – Editing of conversion file and submission of Loan Listing to Seller or Seller's servicer.	Department's servicer	Noon, Wednesday, December 17
Step Six – Submission of Bill of Sale, with supporting Schedule to Department' servicer by e-mail to: ED.servicer@ed.gov .	Seller or Seller's servicer	7:00 AM, Thursday, December 18
Step Seven – Creation of internal payment invoice.	Department's Federal Student Aid Office	5:00 PM, Thursday, December 18
Step Eight – Auditing of payment invoice and submission of Funding Request to the Department's Finance Office.	Department's Federal Student Aid Office	Noon, Friday, December 19
Step Nine – Payment authorization sent to U.S. Treasury	Department's Finance Office	10:00 AM, Monday, December 22
Step Ten – Payment made to Seller's account	U.S. Treasury	5:00 PM, Monday, December 22
Step Eleven – Loans converted to Department's servicer's system	Department's servicer	5:00 PM, Monday, December 22

Exceptions: While Offers to Sell must still be submitted by the second Wednesday preceding the Purchase Date (usually the second following Monday), for the weeks that include the Federal holidays of December 25, 2008, January 1, 2009, January 19, 2009 and February 16, 2009 the Purchase Dates will be as follow –

Purchase Date Exceptions	
Offer to Sell Submission Date	Purchase Date
Wednesday, December 17, 2008	Tuesday, December 30, 2008
Wednesday, December 24, 2008	Wednesday, January 7, 2009
Wednesday, January 7, 2009	Tuesday, January 20, 2009
Wednesday, February 4, 2009	Tuesday, February 17, 2009

As noted above, we will provide in Electronic Announcement #39 information on contact points with the Department's servicer, data file specifications, and submission instructions.

**“OFFER TO SELL”
PURSUANT TO MASTER LOAN SALE AGREEMENT 2007-2008**

To: U.S. Department of Education _____, 200__

From: _____ <Name of Seller>

Seller’s Lender ID (LID): _____

Proposed Purchase Date: [MM/DD/CCYY] (See page 4 of Electronic Announcement #38 for allowable dates)

Certification: The Seller by submitting this “Offer to Sell” offers to sell to the U.S. Department of Education Eligible Loans, as defined in Section 3 of the Master Loan Sale Agreement 2007-2008, on the Purchase Date proposed above at a total purchase price of \$ <insert amount from last computation below>. The Seller also certifies that it will sell such loans to the Department up to the dollar amount of this offer that is accepted by the U.S. Department of Education.

SUMMARY OF LOANS OFFERED FOR SALE

Column A	Column B	Column C	Column D	Column E	Column F
Loan Type	Number of Loans	Outstanding Principal Balance at Purchase Date	Accrued Borrower Interest at Purchase Date	Total Value of Loans	Average Outstanding Principal Balance
FFEL Stafford Subsidized					
FFEL Stafford Unsubsidized					
FFEL PLUS (Parent & Graduate Student)					
Totals					

Average Outstanding Principal Balance is calculated by dividing Column C by Column B. The total average outstanding principal balance for all loans (bottom right cell) must be at least \$3,000

PURCHASE PRICE CALCULATION

Total Outstanding Principal Balance (Total from Column C) [\$_____.]

Total Borrower’s Accrued/Unpaid Interest (Total from Column D) [\$_____.]

Total Amount Outstanding (Total of two above amounts) [\$_____] times 0.97 equals

Total Amount of Seller’s Offer [\$_____] (To be inserted above in certifying paragraph)

Signature of Authorized Official: _____

Typed Name and Title of Authorized Official: _____

Typed Name and Phone Number of Seller’s Contact Point: _____

E-Mail Address of Seller’s Contact Point: _____

Submit this “Offer to Sell” as a PDF attachment to an e-mail addressed to ffel.agreementprocess@ed.gov with a Subject Line of “Offer to Sell for Purchase Date of <insert Purchase Date>.”