

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE
OFFICE OF EDUCATION

SUPPLEMENTAL GUARANTY AGREEMENT
FOR FEDERAL RE-INSURANCE OF LOANS
HIGHER EDUCATION ACT OF 1965, AS AMENDED

WHEREAS, United Student Aid Funds, Inc. (hereinafter referred to as the "Agency"), has entered into an agreement with the United States Commissioner of Education (hereinafter referred to as the "Commissioner") pursuant to Section 428(b) of The Higher Education Act of 1965, as amended (hereinafter referred to as the "Act"), dated March 15, 1977 (hereinafter referred to as the "428(b) Agreement") entitling students who receive loans which are insured by the Agency to have made on their behalf the payments provided in Section 428(a) of the Act; and

WHEREAS, the Agency has entered into an Agreement with the Commissioner pursuant to Section 428(c)(1)(A) of the Act, dated June 17, 1977 (hereinafter referred to as the "428(c) Agreement"), providing for Federal reimbursement of a percentage of losses incurred by the Agency which result from the default of borrowers receiving student loans insured by the Agency; and

WHEREAS, the Agency has entered into an Agreement with the Commissioner pursuant to Section 422 of the Act, dated August 25, 1966 (hereinafter referred to as the "422 Agreement") providing for advances by the Commissioner to help establish or strengthen the Agency's reserve fund; and

WHEREAS, the Agency assures the Commissioner of its intention to continue to carry out a program of loan insurance under the 422 Agreement, the 428(b) Agreement and the 428(c) Agreement, which Agreements are in full force and effect; and

WHEREAS, the Agency assures the Commissioner that, with respect to so much of any loan insured under the Agency's Student Loan Insurance Program as may be guaranteed by the Commissioner pursuant to this Agreement and to Section 428 A of the Act, the undertaking of the Commissioner under this Agreement is acceptable in full satisfaction of any state law and regulations regarding the maintenance of the Agency's reserve funds; and

WHEREAS, the Agency assures the Commissioner that its Student Loan Insurance Program meets, and will continue to meet, the requirements of Section 428 A (a)(1) of the Act; and

WHEREAS, the Agency assures the Commissioner that it is and will continue to be, otherwise in compliance with the Act and any regulations promulgated pursuant to the Act;

NOW THEREFORE, pursuant to the provisions of Section 428 A of the Act, it is hereby agreed by and between the parties as follows;

1. Based on the above set forth assurances, the Commissioner determines that the Agency is eligible to enter into this Supplemental Guaranty Agreement.
2. The Commissioner shall reimburse the Agency, as such times, in such manner, and on the basis of such documentation as he may from time to time reasonably prescribe, with respect to losses (resulting from the default of student borrowers or, in the case of loans made prior to December 15, 1968, resulting from the death or total and permanent disability of student borrowers) on the unpaid balance of the principal and accrued interest of any student loan insured under the Agency's Student Loan Insurance Program in an amount equal to one hundred per centum (100%) of the amount expended by the Agency in the discharge of its insurance obligations incurred under its Student Loan Insurance Program, except that:
 - (a) if, for any Federal fiscal year, the amount of such reimbursement payments by the Commissioner pursuant to this Agreement exceed five per centum (5%) of the loans which are insured by the Agency under its Student Loan Insurance Program and which were in repayment at the end of the preceding fiscal year, the amount to be paid as reimbursement under this Agreement for such excess shall be equal to ninety per centum (90%) of the amount of such excess; and
 - (b) if, for any Federal fiscal year the amount of such reimbursement payments exceeds nine per centum (9%) of such loans, the amount to be paid as reimbursement under this Agreement for such excess shall be equal to eighty per centum (80%) of the amount of such excess.

For purposes of this Agreement, the amount of loans of the Agency which are in repayment shall be the original principal amount of loans insured by it reduced by (i) the amount the Agency has been required to pay to discharge its insurance obligations under the Act (ii) the original principal amount of loans insured by it which have been fully repaid, (iii) the original principal amount insured on those loans for which payment of the first installment of principal has not become due pursuant to Section 428(b)(1)(E) of the Act or such first installment need not be paid pursuant to Section 428(b)(1)(M) of the Act and (iv) the original principal amount of loans repaid by the Commissioner under Section 437 of the Act.

3. All payments by the Commissioner to the Agency pursuant to this Agreement will be promptly deposited in and credited to the Agency's reserve fund, or if applicable, the reserve fund maintained for the purposes of Section 422(c) of the Act.

4. The Agency shall establish and maintain such administrative and fiscal procedures as are necessary to assure proper and efficient administration of its Student Loan Insurance Program and the Agency shall assure that due diligence (as described in regulations promulgated by the Commissioner, unless the Agency has established and disseminated its own specific standards for due diligence) will be exercised by lenders in the making, servicing, and collecting of loans insured under its Student Loan Insurance Program and by the Agency in the collecting of defaulted loans which it holds. The Commissioner's execution of this Agreement shall not be construed as indicating his acceptance of any procedures as may currently be or previously have been employed by the Agency.
5. In connection with any claim for payment on a loan re-insured pursuant to this Agreement, the Agency shall assure the Commissioner that (a) the terms of such loan comply with all Agency, state and Federal requirements, (b) that all reasonable efforts have been made to collect the loan, and (c) the loan is in default or, with respect to loans made prior to December 15, 1968, that the borrower is deceased or is totally and permanently disabled (as defined and determined in the Act and the regulations promulgated thereunder).
6. The Agency shall submit reports to the Commissioner at such times and in such manner as he may reasonably prescribe concerning the status of the reserve fund and the operation of the Agency's Student Loan Insurance Program. The Agency shall keep such records as may be necessary to make such reports, and shall afford access thereto at any reasonable time to the Commissioner or other agencies of the Federal government designated by the Commissioner to assure the correctness and verification of such reports.

In addition the Agency shall submit to the Commissioner upon request any of the forms, procedures or other materials used in the operation of its Student Loan Insurance Program. The Agency shall also submit to the Commissioner for his approval and prior to their adoption any forms, procedures, regulations, or other materials which the Agency proposes to adopt or revise and which substantially affect the operation of its Student Loan Insurance Program.

7. If, after a payment has been made by the Commissioner pursuant to this Agreement with respect to any loan, any payments are made to the Agency in discharge of the obligations incurred by the borrower with respect to such loan (including any payments of interest accruing on any such loan after such payment by the Commissioner), there shall be paid over to the Commissioner (for deposit in the fund established by Section 431 of the Act) such portion of the amount of such payment as is determined (in accordance with regulations prescribed or to be prescribed by the Commissioner) to represent his equitable share
- *To be submitted for approval in accord with section 6 of this agreement.

thereof, but otherwise, there shall be no subrogation of the United States to the rights of the Agency; provided, that except as the Commissioner may otherwise by or pursuant to regulation provide, amounts so paid by a borrower on such loan shall be first applied in reduction of principal owing on such loan. The Agency shall submit payments due the Commissioner pursuant to this section within 60 days of the receipt of such payments. The Commissioner may set off the amounts payable to him by the Agency against amounts payable by him to the Agency.

8. The Agency may, if authorized by regulations promulgated under the Act, allow forbearance for the benefit of the student borrower as may be agreed upon by the parties to the loan and approved by the Agency.
9. The Commissioner's obligation to make payments, as provided for in this Agreement, shall extend only with respect to loans insured by the Agency prior to the expiration of the authority provided in the Act. This Agreement is subject to annual renegotiation; provided, however, that until 60 days (or such longer period as the Commissioner may permit) after the Commissioner commences such renegotiation, this Agreement shall remain in effect so as to provide Federal reinsurance benefits to the greatest extent possible under the Act as to all student loans guaranteed by the Agency.
10. This Agreement may be terminated by either party upon not less than 60 days written notice to the other party, except that the Commissioner may terminate this Agreement only for cause. Termination shall not affect obligations incurred under this Agreement by either party before the effective date of termination. If termination is effected by the Commissioner, it will not become final until the Agency has been afforded reasonable notice and an opportunity for a hearing, except that the Commissioner may suspend this Agreement pending the outcome of the hearing if he determines that such action is necessary in order to prevent substantial harm to Federal interests.

If the Commissioner finds that any of the assurances or representations made by the Agency in connection with this Agreement are incomplete or incorrect in any material respect or that there has been a failure by the Agency to comply with any of the provisions of this Agreement or applicable Federal law or regulations, he may take such action short of termination as may be necessary to protect the interests of the United States. Such action may include withholding payments to be made to the Agency (or to lenders whose loans are insured by the Agency) until adequate documentation therefore is provided or requiring that the Agency reimburse the Commissioner for any payments made, or any payments which the Commissioner has become obligated to make, as a result of the Agency's making such incomplete or incorrect statements or violating such provisions of this Agreement or applicable Federal law or regulations.

11. THIS Agreement shall be construed in the light of the Act and the regulations thereunder.
12. No member of or delegate to Congress, or resident Commissioner, shall be admitted to any share of part of this agreement, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this agreement if made with a corporation for its general benefit.
13. This agreement shall apply to reinsurance payments made by the Commissioner after the date both parties have executed this agreement or the date the Commissioner determines to be the date the Agency has implemented a program of student loan insurance which meets the requirements of Section 428A(a)(1) of the Act, whichever is earlier.

United Student Aid Funds, Inc.
Name of Agency

Date: June 17, 1977

By *J. Wilmer Mcanderson*

Its President

And *Ruth B. Gray*

Its Corporate Secretary

UNITED STATES COMMISSIONER
OF EDUCATION

Date: JUN 17 1977

By *A. J. Kalan*

Associate Commissioner - Acting
Office of Guaranteed Student Loans
Title

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION

AGREEMENT FOR
FEDERAL REINSURANCE OF LOANS
PURSUANT TO 428(c) OF THE HIGHER EDUCATION ACT OF 1965, AS AMENDED

WHEREAS, United Student Aid Funds, Inc.
(hereinafter referred to as the "Agency") has entered into an agreement with the U.S. Commissioner of Education (hereinafter referred to as the "Commissioner") pursuant to section 428(b) of the Higher Education Act of 1965, as amended (hereinafter referred to as the "Act") dated March 15, 1977 (hereinafter referred to as the "428(b) Agreement");

WHEREAS, the Agency has assured the Commissioner of its intention to continue to carry out a program of loan insurance under the 428(b) Agreement, which agreement is in full force and effect; and

WHEREAS, the Agency has assured the Commissioner that such Federal credit as is extended to the Agency under this agreement through the Federal reinsurance of its insurance obligations to lenders is acceptable in lieu of cash in full satisfaction of any State law and regulations regarding the maintenance of the Agency's reserve funds;

NOW, THEREFORE, pursuant to the provisions of section 428(c)(1)(A) of the Act (excluding the provisions of section 428(c)(1)(B) and (C)), it is mutually agreed as follows:

1. This agreement shall be construed in the light of, and all terms used herein shall have the same meaning as in, the Act and the Regulations promulgated thereunder. The Agency shall be bound by all changes in the Act or Regulations in accordance with their effective dates.

2. The Commissioner shall reimburse the Agency in an amount equal to 80 percent of the amount expended by it in discharge of its insurance obligation with respect to losses resulting from the default of the student borrower on the unpaid balance of principal and accrued interest on loans which have been or may be insured under a 428(b) agreement or which were insured under the provisions of section 428(a)(1)(c)(i) of the Act and which defaults occur after the date this agreement is executed by the Commissioner. The date a default occurs will be determined in accordance with Federal regulations regardless of whether a claim has been filed with or paid by the Agency.

3. All payments made by the Commissioner to the Agency pursuant to this agreement will be promptly deposited in or credited to the Agency's reserve fund, or if applicable, the reserve fund maintained for the purposes of Section 422(c) of the Act.

4. The Agency shall establish and maintain such administrative and fiscal procedures as are necessary to ensure proper and efficient administration of its Student Loan Insurance Program. The Agency shall assure that due diligence (as described in regulations promulgated by the Commissioner, unless the Agency has established and disseminated its own specific standards for due diligence) will be exercised by lenders in the making, servicing and collecting of loans insured under its Student Loan Insurance Program and by the Agency in the collecting of defaulted loans which it holds. The Commissioner's execution of this Agreement shall not be construed as indicating his acceptance of any procedures as may currently be or previously have been employed by the Agency.

5. In connection with any one claim for payment on a loan re-insured pursuant to this Agreement, the Agency shall assure the Commissioner that (a) the terms of such loan comply with all Agency, State and Federal requirements, (b) that all reasonable efforts have been made to collect the loan, and (c) the loan is in default or, with respect to loans made prior to December 15, 1968, that the borrower is deceased or is totally and permanently disabled (as defined and determined in the Act and the regulations promulgated thereunder). If any loan does not comply with 5(a) above, USA Funds will repurchase the claim.

6. The Agency may, if authorized by regulations promulgated under the Act, allow forbearance for the benefit of the student borrower as may be agreed upon by the parties to the loan and approved by the Agency.

7. If, after the Commissioner has made payment under this agreement, any payments are made by the borrower in discharge of the loan obligation (including any payments of interest accruing on such loan after payment by the Commissioner), there shall be paid over to the Commissioner such proportions of the amounts of such payments as is determined (in accordance with section 428(c)(6) of the Act) to represent his equitable share thereof. The Agency shall submit such payments due the Commissioner within sixty days of the receipt of the payments on the loan. Unless the Commissioner provided otherwise by regulation, amounts paid by the borrower on the loan shall be first applied in reduction of principal owing on the loan.

8. The Commissioner shall make payments pursuant to this agreement at such times, in such manner and on the basis of such documentation as he may from time to time prescribe. The Commissioner may set off amounts payable to him by the Agency against amounts payable by him to the Agency.

9. The Agency shall submit reports to the Commissioner at such times and in such manner as he may reasonably prescribe concerning the status of the reserve fund and the operation of the Agency's Student Loan Insurance Program. The Agency shall keep such records as may be necessary to make such reports, and shall afford access thereto at any reasonable time to the Commissioner or other agencies of the Federal Government designated by the Commissioner to assure the correctness and verification of such reports.

*To be submitted for approval in accord with section 9 of this agreement.

In addition, the Agency shall submit to the Commissioner upon request any of the forms, procedures or other materials used in the operation of its Student Loan Insurance Program. The Agency shall also submit to the Commissioner for his approval and prior to their adoption any forms, procedures, regulations, or other materials which the Agency proposes to adopt or revise and which substantially affect the operation of its Student Loan Insurance Program.

10. Nothing in this agreement shall be construed to require collection of the amount of any loan by the lender or the Agency from the estate of a deceased borrower, or from a borrower found by the lender or the Agency to have become totally and permanently disabled (as determined in accordance with Federal regulations).

11. The Commissioner's obligation to make payments, as provided for in this Agreement, shall extend only with respect to loans insured by the Agency prior to termination of this agreement or prior to the expiration of the authority provided in the Act.

12. This Agreement may be terminated by either party upon not less than 60 days written notice to the other party, except that the Commissioner may terminate this Agreement only for cause. Termination shall not affect obligations incurred under this Agreement by either party before the effective date of termination. If termination is effected by the Commissioner, it will not become final until the Agency has been afforded reasonable notice and an opportunity for a hearing, except that the Commissioner may suspend this Agreement pending the outcome of the hearing if he determines that such action is necessary in order to prevent substantial harm to Federal interests.

13. If the Commissioner finds that any of the assurances or representations made by the Agency in connection with this Agreement are incomplete or incorrect in any material respect or that there has been a failure by the Agency to comply with any of the provisions of this Agreement or applicable Federal law or regulations, he may take such action short of termination as may be necessary to protect the interests of the United States. Such action may include withholding payments to be made to the Agency (or to lenders whose loans are insured by the Agency) until adequate documentation thereof is provided or requiring that the Agency reimburse the Commissioner for any payments made, or any payments which the Commissioner has become obligated to make, as a result of the Agency's making such incomplete or incorrect statements or violating such provisions of this Agreement or applicable Federal law or regulations.

14. No member of or delegate to Congress, or resident Commissioner, shall be admitted to any share or part of this agreement, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this agreement if made with a corporation for its general benefits.

IN WITNESS WHEREOF, this Agreement has been executed by the duly authorized representative of the Agency and in the name of and on behalf of the Commissioner, by the undersigned official.

United Student Aid Funds, Inc.
Name of Agency

Date: 6/17/77

By *J. Wilmer Muradon*
Title President

Attest *B. B. Bequay*
Title Corporate Secretary

UNITED STATES COMMISSIONER
OF EDUCATION

Date: JUN 17 1977

By *M. Palmer*
Title Acting Associate Commissioner
Office of Guaranteed Student Loans

USAF contracts

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
BUREAU OF HIGHER EDUCATION

TERMS AND CONDITIONS COVERING ADVANCES MADE
UNDER SECTION 422 OF THE ACT

HIGHER EDUCATION ACT OF 1965
TITLE IV-B

WHEREAS, the United Student Aid Funds, Inc., a nonprofit corporation, (hereinafter referred to as the "Corporation") has entered into an agreement with the U.S. Commissioner of Education (hereinafter referred to as the "Commissioner") pursuant to section 428(b) of the Higher Education Act of 1965 (hereinafter referred to as the "Act") for coverage of its student loan endorsement program (hereinafter referred to as the "Program") under the provisions of section 428(a) of the Act, and

WHEREAS, pursuant to section 422 of the Act the Commissioner intends to make advances to the Corporation for the purpose of helping to establish or strengthen its Program, and

WHEREAS, the Corporation is desirous of receiving such advances as the Commissioner may make available to it from time to time on the basis of such applications as may be filed therefor by the Corporation;

NOW, THEREFORE, in order to establish the terms and conditions on the basis of which any such advances will be made by the Commissioner to the Corporation and returned by the Corporation to the Commissioner, it is agreed as follows:

1. The Corporation shall deposit any advances made by the Commissioner pursuant to these Terms and Conditions into a reserve fund (hereinafter called the "Fund") together with all sums (a) received by the Corporation as fees on loans, endorsed on the basis of such advances (b) collected on defaulted loans so endorsed less expenses of collection, (c) representing interest or other earnings of the Fund derived from the investment of the assets thereof. The Corporation will charge a fee of one-half of one percent per annum of the unpaid principal balances of all loans endorsed by the Corporation under its Program.

2. The assets of the Fund, which may be invested solely in accordance with the prevailing standard of prudent management in the disposition of funds required of fiduciaries by Title 12, Section 3302 of the Delaware Code of 1953, as amended, will be used only to endorse loans to student residents of each State as provided by the addendum to this agreement for each State, to purchase promissory notes evidencing such loans as may be in default, to refund overpayment of fees on such loans when appropriate and to repay such advances made by the Commissioner pursuant to these Terms and Conditions, except that fees and interest and other earnings of the Fund may also be used for expenditures attributable to the necessary, proper, and efficient administration of such loans.

3. The Commissioner may call upon the Corporation for repayment of part or all of any sums advanced to the Corporation hereunder, at such times and to the extent that he determines, after taking into account the maturity and solvency of the Fund (including notes purchased), the Corporation's requirements for its then outstanding obligations as well as its requirements for future loans and commitments based on its prior performance and established trends, that to do so will best carry out the purposes of the Act. Such repayments shall be made to the U.S. Office of Education or to such other State or nonprofit private institutions or organizations as may be designated by the Commissioner.

4. The Corporation shall maintain full and complete records of the transactions of the Fund and establish such ledger accounts as are necessary to enable it to account for the use of funds advanced by the Commissioner on a State by State basis. The Corporation shall submit reports to the Commissioner at such times and in such manner as the Commissioner may prescribe concerning the status of the Fund, the use of sums advanced by the Commissioner pursuant to these Terms and Conditions, and the collection and disbursement of fees, interest, and other earnings of the Fund. In addition, the Corporation shall, upon request, furnish the Commissioner with a copy of the most recent statement available of its financial condition.

5. All records related to the Fund or to the administration of the Program shall be retained by the Corporation for audit and inspection purposes by the Federal Government, until disposition of such records is authorized by the Commissioner.

6. No member or delegate of Congress or resident commissioner shall be admitted to any share or part of this agreement or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this agreement if made with a corporation for its general benefits.

7. In the event the Corporation fails or is no longer able to carry out or comply with any of its obligations hereunder, or in the event it becomes necessary for the Commissioner to take action under Paragraph (8) of the agreement entered into pursuant to section 428(b) of the Act, the Commissioner may, after notice and a reasonable opportunity given to take corrective action, require that no further loans shall be endorsed on the basis of the assets of the Fund. The Commissioner's right to such relief shall not be construed to limit his right to take such other action, including action in connection with the disposition of the assets of the Fund, as he deems necessary to protect the interest of the United States, taking into account the Corporation's requirements for its then outstanding obligations in respect of loans endorsed on the basis of such advances.

8. These Terms and Conditions shall be construed and interpreted in the light of the Act and the Regulations issued thereunder.

IN WITNESS WHEREOF, this agreement has been executed by the duly authorized representative of the Corporation and in the name of and on behalf of the Commissioner, by the undersigned official.

UNITED STUDENT AID FUNDS, INC.

Date August 25, 1966

by Allen Marshall

Attest Ray W. Trumble

President
Title

Secretary
Title

U.S. Commissioner of Education

by J. W. Moore

August 25, 1966

Title Acting Director
Division of Student Financial Aid