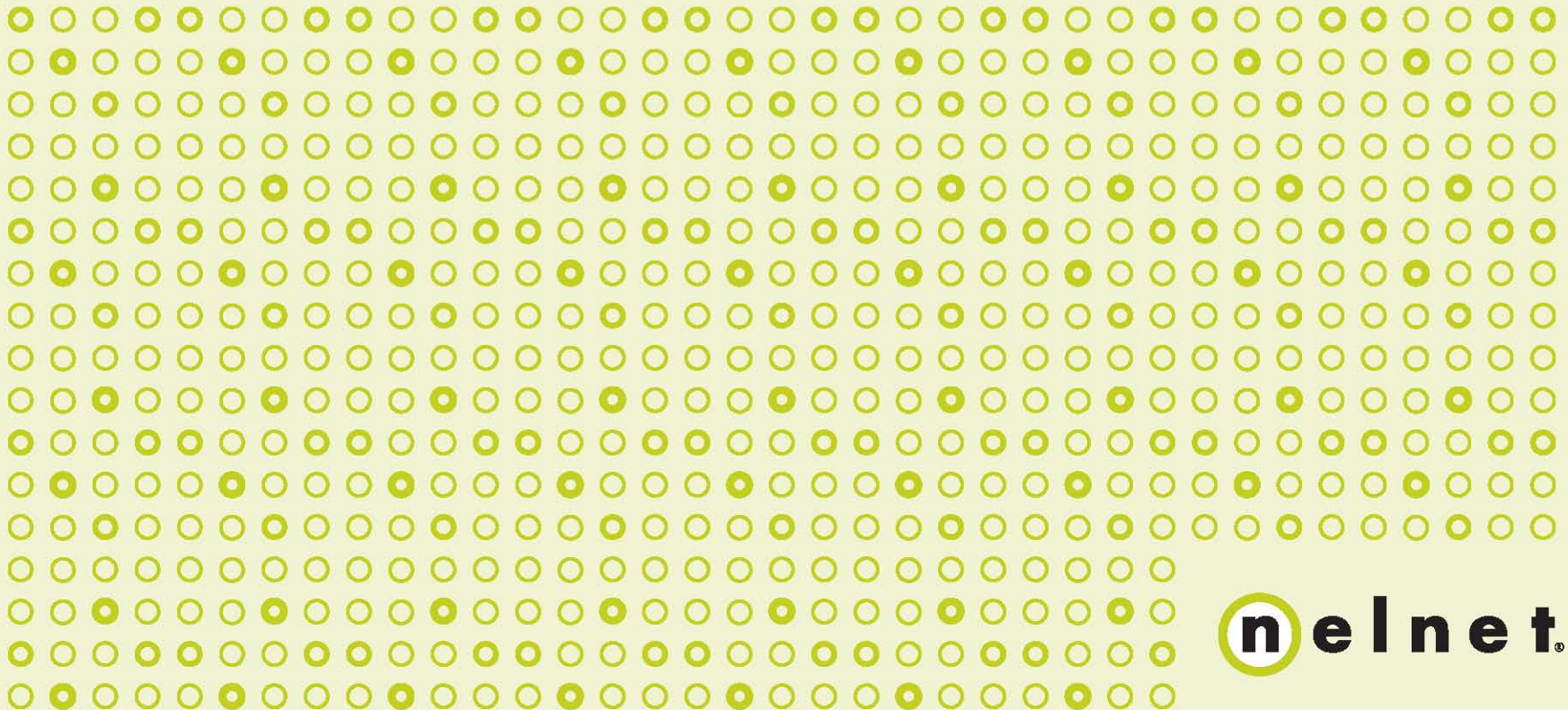


Making the Most of Your RFI/RFP Process

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AGENDA



- Briefly review legislation impacts on preferred lender lists
 - ❖ SLATE, Sunshine, SUNY Code, NPRM
- Discuss 4 stages of RFP
 - ❖ Pre-RFP activities
 - ❖ Creation
 - ❖ Distribution/Collection
 - ❖ Evaluation
- Share results of survey throughout

NEW YORK'S SLATE ACT

**STUDENT LENDING ACCOUNTABILITY
TRANSPARENCY AND ENFORCEMENT ACT
(SLATE)**

SLATE ACT, S 627



Standards for preferred lenders lists

An institution that provides a preferred lender list must comply with the following standards:

- The preferred lender list must disclose the process by which the institution selected lenders for the list, including, but not limited to, the method and criteria used to choose the lenders and the relative importance of the criteria used
- The preferred lender list must state in the same font size and manner as the predominant text on the document that borrowers have the right and ability to select the lender of their choice, do not have to choose a lender on the list, and will suffer no penalty for choosing a lender not on the list
- The institution's decision to include a lender on the preferred lender list and the location of the lender on the list must be determined solely by consideration of the best interest of the borrowers and without regard to the monetary interests of the institution

SLATE ACT, S 627



Standards for preferred lenders lists

- The preferred lender list must be reviewed and updated at least annually
- No lender can be placed on the preferred lender list unless the lender provides assurance to the institution and to borrowers who obtain educational loans from the lender that advertised benefits upon repayment will continue regardless whether the lender sells the loans
- An institution must make a reasonable inquiry as to a lender's loan sale arrangements with another unaffiliated lender. No lender having such an arrangement can be placed on the institution's preferred lender list unless the arrangement is disclosed on the list in the same font size and manner as the predominant text of the list
- No lender can be placed on an institution's preferred lender list or in a favored location on the list for a particular type of loan in exchange for benefits provided to the institution or to the institution's students in connection with a different type of loan

Student Loan Sunshine Act

Sunshine Act



Considerations for RFI/RFP purposes:

- Disclosure of how the preferred lenders were chosen, affiliations with another lender and that the borrower has the right to choose a lender not being recommended
- There must be a minimum of 3 un-affiliated lenders on the preferred lender list
- PLL's must be compiled without prejudice and for the sole benefit of the student/parent borrower
- Lenders must adhere to the disclosure requirements outlined prior to making the loan

The State University of New York

**Agreement on Code of Conduct for Student
Lending Practices**

**Signed March 31st, 2007
Effective June 1st, 2007**

SUNY Code of Conduct

In the event that SUNY or one of its campuses elects to use/publish a preferred lender list, then:

- Every brochure, web page or other document that sets forth a PLL must clearly disclose the selection process (include criteria and importance of each)
- Every brochure, web page or other document that sets forth a PLL shall state in the same font and same manner as the predominant text that:
 - Students/parents can choose any lender they want
 - Are not required to choose a lender on the list, and
 - Will suffer no penalty for choosing a lender not on the PLL
- A SUNY campus' decision to include a lender on any PLL and where they will appear on the list must be solely based on the best interests of the students and parents.

SUNY Code of Conduct^{nelnet}

PLL's, ctd...

- PLL's shall be reviewed no less frequently than annually
- Lenders on the PLL must provide assurances to the campus/student/parent that the advertised benefits upon repayment will continue even if the loans are sold
- A lender on the PLL who sells their loans to another entity must have that disclosed on any document publishing the PLL in same font/text as the rest
- No preferential placement for a lender on a list in exchange for benefits in connection with a different type of loan

SUNY Code of Conduct ^{ne}net.

Other Variables:

- Borrowers can not be directed to e-MPN's that do not allow the borrower to enter the lender code/name for any lender offering the relevant loan
- No more opportuntiy loans

Department of Education NPRM

682.212

&

682.401

NPRM



Factors to consider in an RFP:

- The list has at least three lenders that are not affiliated with each other and will make loans to borrowers at that school.
- The list contains a disclosure to prospective borrowers of the method and criteria used by the school in selecting any lender on the list.
- The list provides a comparison of borrower benefits and interest rates offered by each of the lenders.
- Any benefits offered by lenders on the list are the same for all borrowers at the school.

Bottom Line



- There is a great deal of legislative changes being applied to our industry at the same time and it is confusing
- This legislation is not currently requiring you to conduct an RFP in order to maintain your preferred lender list
- However, an RFI/RFP will help you to:
 - Promote a position of objectivity if you use it to select your preferred lenders
 - Ask necessary questions that aid in the maintenance of your PLL once selected

RFI vs. RFP



Request for Information

- A standard business process whose purpose is to collect written information about the capabilities of various suppliers

vs.

Request For Proposal

- An invitation for suppliers, through a bidding process, to submit a proposal on a specific product or service

Stages of an RFP



- Pre-RFP Activities
- Development
- Distribution/Collection
- Evaluation

Pre-RFP Activities



- Gather Project Personnel and Organization
 - Consider your purpose for conducting an RFP
 - Then add members to your committee from areas on campus that are impacted by your decision and/or can provide a constructive contribution
 - Begin the discussion of the goal
 - Be specific!
 - Determine how the group will work together to achieve it/them
 - **80% of respondents had a committee involved**
 - **Mostly comprised of FA & Business Office reps**
 - **15% had a current student(s) on the committee**

Pre-RFP Activities



- Develop a project schedule
 - Reverse Planning Calendar – start from the date when the project is to be finished and work backward in time
 - Once your overall timeline is determined, look for possible conflicts that may require extra time for that stage, e.g. holidays
 - Be prepared for unexpected delays
 - **79% of those surveyed indicated the entire process took 3+ months**
 - **Interestingly, the greater the amount of time it took, the less expected it was of the school contact**

Developing a Timeline ^{nelnet.}

“Being this the first RFP we did we had a timeline and expected it to be 3-4 months. It ended up being about 7 months due to the scheduling conflicts with the committee members and responsibilities during the school year, etc.”

Pre-RFP Activities



- Compile a list of who the RFP will be sent to by setting a list and pre-screening:
- **75% invited 10+ lenders to respond**
 - Current list of preferred lenders *
 - Consider holding a general group meeting to review your requirements (FA staff recommendations*)
 - Lender reps who have contacted their office *
 - Obtain a list of lenders who are members of NYSFAAA or more specifically your region *
 - Attend industry conferences * and start compiling a preliminary list
 - School visits to get more information *
 - Greentree Gazette *
 - Issue an RFI

Pre-RFP Activities



- Budget estimation and development
 - ❖ If Necessary!
 - RFP's can be used for more than just developing a suggested lender list
 - If you are going to be purchasing a product or service, make sure you know how much money you have to work with before you even begin the process

RFP Development

- Anatomy of an RFP
 - Project Overview and Administrative Information
 - Management Requirements
 - Supplier Qualifications and References
 - Technical Requirements
 - Supplier's Section
 - Pricing Section (if applicable)
 - Contracts and Licenses (if applicable)

RFP Development

- Administrative Section
 - All of the requirements and information with which a vendor must comply in order to submit an acceptable proposal
 - Where, when and how to submit the proposal
 - If you are going to grant a time period and method for vendors to ask clarifying questions
 - RFP contact names & addresses at your school
 - How proposals will be evaluated

“Rules for the Road”

RFP Development

Supplier Qualifications and References

- #1 Area most school RFP's focus on
- Refer back to what you decided is important to you in making your selection
- Common categories include:
 - **Company History**: length of time in the industry, #/location of employees, financial stability, types of loans offered

RFP Development



Qualifications/References, ctd...

- Common categories include:
 - **Benefits/Pricing By Loan Type**: fees, automatic vs. earned benefits, grace periods, potential loss/reinstatement, calculations
 - **Customer Service to Borrowers & Schools**: methods of borrower contact, call center availability, languages spoken, background/training of reps
 - **Default Prevention Efforts/Record**: lender default rate, school specific rate, Ed Performance status, efforts beyond federally mandated diligence, when/what types of contact, financial literacy tools

RFP Development

- Technical Requirements
 - Ask questions to ensure that the candidates are capable of processing each loan type in the manner that you prefer/are
 - e.g. data transmission tool, disbursement methods, guarantor, entrance/exit counseling abilities, reporting capabilities

RFP Development

- Suppliers Section
 - Place in the RFP reserved for suppliers to provide information that they feel is necessary but was not requested
 - Commonly referred to as a “value-add” section
 - Use caution
 - “Be careful what you ask for!”

RFP Development

Why re-invent the wheel?

“Be sure to look at Monograph 15 put out by NASFAA.”

Monograph 15 is available at www.nasfaa.org but you must be a member to access it.

RFP Development

- **Consider getting advice from schools**
- Develop a high level outline of the RFP and have the team agree upon it
- Once the outline is developed, consider breaking out a section and delegate the actual “writing” to a team member
- Allow time for an “independent review” of the finished RFP
- ❖ Write the evaluation criteria for each requirement/question

RFP Development

- Develop the scoring methodology for answers now!
 - Will some questions have a greater “weight” in your overall decision?
 - Finding a way to assign a numerical value to possible answers will keep the final decision more objective
 - It will also help in determining how to frame a question so that the evaluation stage is less complicated

RFP Development

- Depending upon the size/number of requirements you are seeking, you may want to leave out the “simply information” aspects for a future RFI
- Remember “K-I-S-S”
- **Average # of questions asked is in the 21-30 range**
- **Top 3 questions that contributed towards a decision, topics include:**
 - Borrower benefits & fees
 - Customer service
 - Servicing related questions - life of loan service/sell loans/service own

RFP



Distribution/Collection

- Refer back to the list of vendors that was compiled in the pre-RFP phase
- Ensure that your contact person is still there
- Refer back to your timeline-if you have strayed off schedule, make sure that new variables are considered for possible adjustment for this phase
 - If you are working on this project at a specific time because it is slow for your office/duties, then other schools typically have the same idea
 - Lenders tend to get bombarded with RFP's around the Christmas/New Year break

Distribution/Collection

71% gave 4 weeks+ for lender to respond

– Good amount of time considering lenders:

- Teams who create responses are often small
- Lenders may need to reach out to servicers to obtain answers to questions
- The more detailed and/or school specific questions usually require coordination with other divisions, i.e. calculations, school-specific default rates
- Responses often need to be reviewed by a legal department before they can be submitted back to the school

Distribution/Collection



- Distribute your RFP and reiterate the submission criteria
- Consider setting guidelines for if, how and how long a lender can ask questions to clarify
 - **62% of those surveyed were contacted for follow-up**
 - **Most common clarification centered around calculations**
 - **Also depth of details to provide & confirming preferred method of response**
- Be prepared for requests for an extension
 - **50% of schools surveyed were asked for an extension from a lender(s)**
 - **All granted and typically gave 1-2 weeks**

RFP Evaluation



- Re-assemble the team as a group and review the evaluation criteria
- Outline the ground rules clearly, with special emphasis placed on the schedule
 - **On average it took 4-5 weeks to review the responses**
- If using evaluation forms/spreadsheets, make sure that every member understands how to use the form and how to consistently evaluate the answers

RFP Evaluation



- If certain answers are critical, then a preliminary evaluation can be used to weed out responses that do not meet the basic needs
- Build in time for answers to be clarified with the vendor who submitted it
- Oral presentations can be a useful tool once your “short list” has been determined

RFP Evaluation



Factors decisions were based upon:

- **Borrower Benefits 20.97%**
- **Overall Cost Of The Loan 14.52%**
- **Processing Efficiency 17.74%**
- **Length of Time the Lender Has Been In the Industry 11.29%**
- **Customer Service 19.35%**
- **Relationship(s) 8.06%**
- **Other (FA experience w/ lender, default rates, ease of application, e-sign availability, life of loan servicing, repayment options) 8.06%**

Post Decision Activities

“Be prepared to give responses to the lenders that didn't make your lists as to 'why'. It's a difficult time period after you notify those who didn't make your list... Many of your lenders colleagues are friends... Don't take it personally! Offer specific reasons on why/how the lenders that did make your list made it.”

Successful RFP Requires Us To:



- Gain visibility for internal acceptance of the identified need and potential solutions
- Develop a project schedule
- Organize project personnel
- Evolve real requirements and ensure that they are clearly stated and measurable
- Develop rigorous evaluation criteria thus ensuring an objective evaluation

Less Successful RFP



May Include:

- Not enough time has been allocated for the RFP process
- Requirements unfairly limit the range of vendors who may participate
- Requirements are either not clear or downright ambiguous
- The project team has not been fully educated (goals/objectives, options, etc...)

Words of Wisdom



- **Don't be intimidated by it, get some people together, put someone in charge of coordinating everybody. Get a template of questions from one of the lenders or organizations and customize it to your needs. I would also make a list of the top 3-5 things you consider the most important with a lender before you look at their responses. This will give you something to continually go back to because lenders will give you all sorts of information and offers, that while nice, don't mean anything to you.**

Words of Wisdom



- **“Set aside plenty of time! Look at other schools' RFI's. Create a scorecard. Regarding the RFI - less is more.”**
- **“The process takes some work BUT better to have a list and be able to justify it then turn your students over to the market place which will only lead to more work for the FAO”**



CAMPUS SALES
TRAINING

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QUESTIONS