

COHORT DEFAULT MANAGEMENT PLAN

03/23/09

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CEC000012944

Career Education Corporation
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Consultative Approach and Customer Care Focus

Student Loan Coordinators seek to establish personal contact with student borrowers to ensure they fully understand their student loan rights and responsibilities. Student Loan Coordinators will initiate outreach efforts to student borrowers who have recently 'separated' (graduated, withdrew, or dismissed) and are in their 6-month grace-period continuing into the early stages (first 60 days) of repayment. Additional outreach efforts will be made throughout the cohort repayment period (up to 24 months depending on the student borrower's repayment start date) in the form of telephone calls and letters (Email) generated each time a student borrower becomes delinquent supplementing the lender/servicer's (or William D. Ford Direct Loan's) due diligence efforts and the default aversion assistance activities provided by the guarantor (for FFEL program loans).

Once a student borrower is contacted, Student Loan Coordinators will seek to verify the validity of the demographic information on file and inform the student borrower of his or her monthly payment amount, payment due dates, and lender/servicer contact information. In the case of a student borrower experiencing financial hardship, Student Loan Coordinators will work in partnership with the student borrower to identify more affordable repayment plans, loan consolidation opportunities, and if necessary: payment-stoppage options such as deferment entitlements and forbearance.

Student Loan Coordinators act as the student borrower's partner and advocate in conversation and in written correspondence. The content of CEC's telephone scripts and letters are short, simple, and easy-to-understand. Student Loan Coordinators will seek to help the student borrower identify the most strategic route to long-term repayment by crafting a plan that is specifically tailored to the individual student borrower's budget.

When applicable, Student Loan Coordinators will present other repayment solutions such as deferment entitlements, forbearance, and consolidation. Student Loan Coordinators will also help facilitate completion of necessary paperwork and will act as an intermediary between the student borrower and the lender/servicer. CEC's primary service objective is to help student borrowers avoid the obstacles in the way of successful on-time repayment by developing individualized strategic action plans.

Cohort Overview

Grace Outreach

Grace Outreach (6 months)		
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The first phase of **Cohort Default Management** is the **Grace Outreach**, which effectively 'bridges the gap' between a student borrower's enrollment and the start of student loan repayment.

NOTE: Neither the lender/servicer (nor Direct Loans) nor the student loan guarantor (for FFEL program loans) are required to contact the student borrower during the 6-month grace period! Ironically, this is the time when a student borrower is likely to have questions and be experiencing confusion relating to his or her student loan.

Student Loan Coordinators will generate three grace letters in an attempt to reach a student borrower during the 6-month grace period, ideally 3 letters will be sent prior to the first payment due date. Letters will be sent during the second, fourth, and sixth month of grace. (See Appendix for grace letters)

If a student borrower **is able** to afford his or her monthly student loan payment amount, a Student Loan Coordinator will help simplify repayment by suggesting:

- Automatic debit repayment (subject to lender/servicer approval)

However, if it is determined that a student borrower **is unable** to afford his or her monthly student loan payment amount, a Student Loan Coordinator will help the student borrower identify alternate strategic repayment solutions such as:

- Alternative repayment plans (income based repayment, graduated, income-sensitive, or extended)
- Deferment entitlements
- Forbearance
- Consolidation

Student Loan Coordinators also provide skip-tracing efforts in an attempt to locate hard-to-reach student borrowers who have invalid demographic information on file. As part of standard skip-tracing efforts, Student Loan Coordinators will access third-party databases and partners with various information service providers in an effort to locate the 'freshest' demographic data for student borrowers in a 'skip' status. Once

valid demographic data is procured, Student Loan Coordinators will update our system-of-record and outreach efforts will begin.

Early Cohort Outreach

Grace Outreach (6 months)	Early Cohort Outreach (2 months)	
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The second phase of **Cohort Default Management** is the **Early Cohort Outreach**, a proactive outreach initiative that strives to help student borrowers avoid delinquency by presenting all of the repayment options.

Student Loan Coordinators generate telephone calls and mail correspondence (See Delinquency Letter in Appendix) in an attempt to reach a student borrower during the first 60 days of delinquency. *NOTE: the student loan guarantor (for FFEL program loans only) is not required to contact the student borrower during this critical time period!* Once the student borrower is contacted, a Student Loan Coordinator will determine if the student borrower is able to afford his or her monthly student loan payment.

If a student borrower **is able** to afford his or her monthly student loan payment amount, a Student Loan Coordinator will help simplify repayment by suggesting:

- Automatic debit repayment (subject to lender/servicer approval)

However, if it is determined that a student borrower **is unable** to afford his or her monthly student loan payment amount, a Student Loan Coordinator will help the student borrower identify alternate strategic repayment solutions such as:

- Alternative repayment plans (income based repayment, graduated, income-sensitive, or extended)
- Deferment entitlements
- Forbearance
- Consolidation

Student Loan Coordinators will also provide skip-tracing in an attempt to locate hard-to-reach student borrowers who have invalid demographic information on file. Student Loan Coordinators will attempt to reach the student borrower by calling archived telephone numbers on file and by contacting the student borrower's personal references, co-signers, and co-makers (if available).

Late Cohort Outreach

Grace Outreach (6 months)	Early Cohort Outreach (2 months)	Late Cohort Outreach (up to 24/36 months)
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After Student Loan Coordinators generate telephone calls and mail correspondence (See Appendix - Delinquency and 240 Delinquency letter) to a student borrower during the 6-month grace period and during the first 60 days of repayment, Student Loan Coordinators then supplement the default aversion efforts performed by the student borrower's lender/servicer and guarantor (for FFEL program loans only) by making outreach telephone calls until a student borrower becomes current (Cured) during the cohort repayment period with the third phase of **Cohort Default Management** called **Late Cohort Outreach**.

Student Loan Coordinators supplement the default aversion assistance provided by the guarantor (for FFEL program loans) and the due diligence activities (*minimum activity requirements*) performed by the FFELP lender/servicer and/or Direct Loans. Student Loan Coordinators also perform skip-tracing activities to locate student borrowers with invalid demographic data. Student Loan Coordinators skip-tracing efforts include (but are not limited to) calling the student borrower's previously-known telephone numbers as well as contacting the student borrower's personal references, co-makers, and co-signers on file. (Additionally utilize third party services and alumni)

Student Loan Coordinator Activity Overview

Telephone

Telephone outreach efforts will begin once the student borrower during the entire 'cohort period' (*6-month grace period + first 60 days of repayment + each time the student borrower becomes past due during the cohort repayment period for up to 24 months depending on the student borrower's repayment start date*) Telephone contacts are designed to:

- Communicate loan payment amounts and due dates
- Provide lender/servicer contact information
- Promote re-enrollment to complete/further education at CEC
- Verify the student borrower's demographic data to reduce skip-tracing risk

- Identify repayment obstacles and/or delinquency reasons
- Promote lender-specific automatic-debit repayment programs
- Present lender-specific repayment plans (Income based repayment, income-sensitive, graduated, extended) to align payment amounts with student borrower's earning power
- Present deferment and/or forbearance payment-stoppage options (if necessary)
 - Assist with form completion and lender-approval
- Discuss loan consolidation opportunities (if appropriate)

✉ **Mail**

Letters are mailed to the student borrower during the entire 'cohort period. (*6-month grace period + first 60 days of repayment + four additional letters during the cohort repayment period for up to 24 months depending on the student borrower's repayment start date*) Additionally our Student Loan Coordinators will communicate via email correspondence. The letter series is designed to:

- Inform the student borrower of loan repayment options, due dates, and Student Loan Coordinator contact information
- Request deferment and/or forbearance to temporarily suspend payments

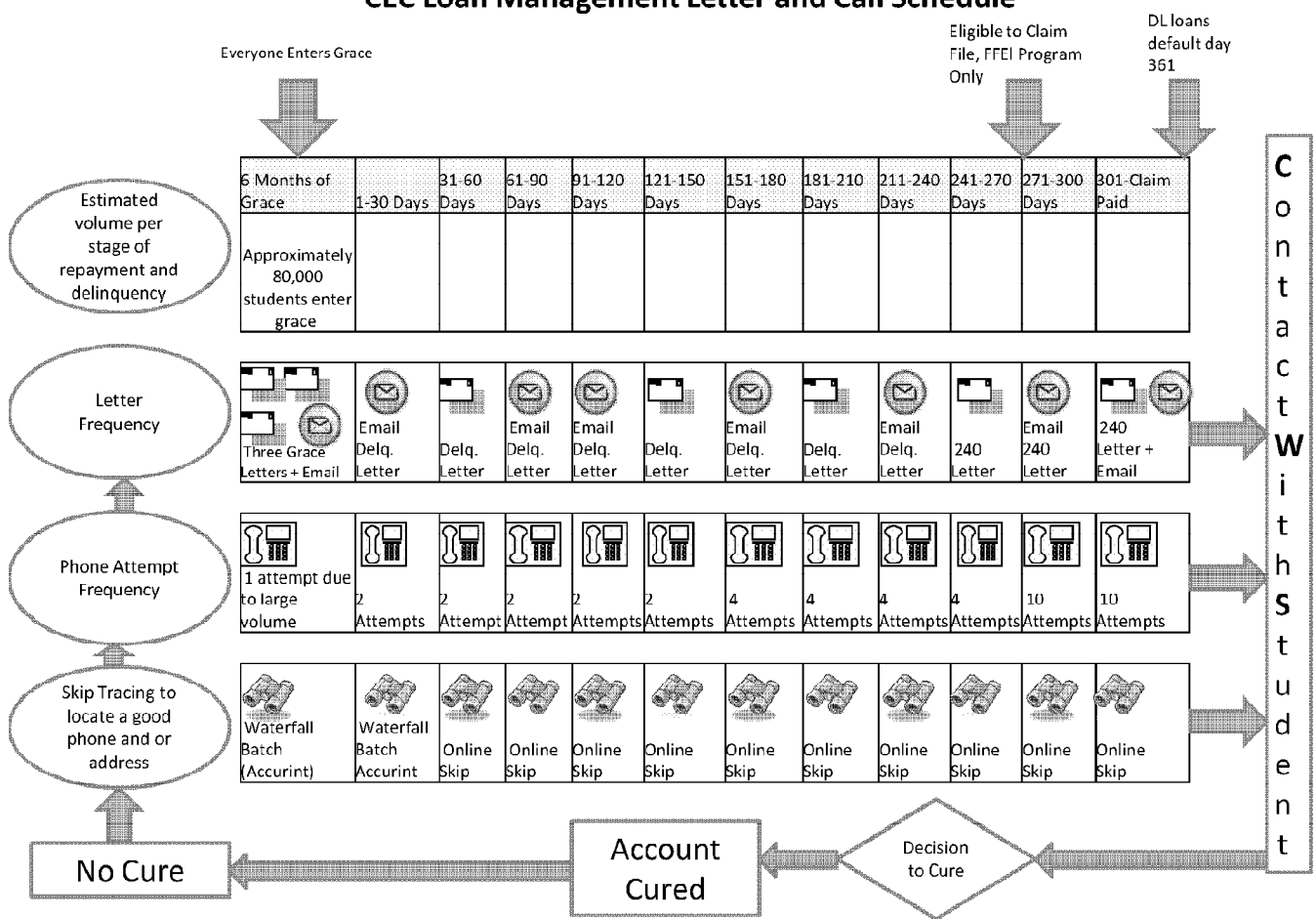
📞 **Skip-Tracing**

Skip-tracing is performed when necessary to locate hard-to-reach student borrowers whom have invalid demographic information on file. *Skip tracing activities are designed to procure the 'freshest' demographic data by:*

- Calling previously-known valid telephone numbers including the student borrowers' personal references and co-signers on file
- Cross-referencing information with data from third-party information providers and by accessing online databases

Operational Frequency of letters, calls and skip-tracing

CEC Loan Management Letter and Call Schedule



- Waterfall Batch (grace) – send Accurant (fee service) all known bad address and phone numbers, update database (loan tracker, Cview)
- Waterfall Batch (1-30 Days) – send Accurant (fee service) all known bad address and phone numbers, update database (loan tracker, Cview)
- Phone attempt – make a call to reach student, could result in a contact, left message, busy, no answer, answering machine, disconnected, not in service, etc.
- Three grace letters – send letters in appendix at first 2 months of grace, 4 months of grace, and final 6 months of grace.
- Online Skip – use Accurant search at student level (fee service) more in depth search of place of employment, relatives, neighbors, etc.

Operational Workflow

Below is a graphical depiction of CEC's Cohort Default Management operational workflow.

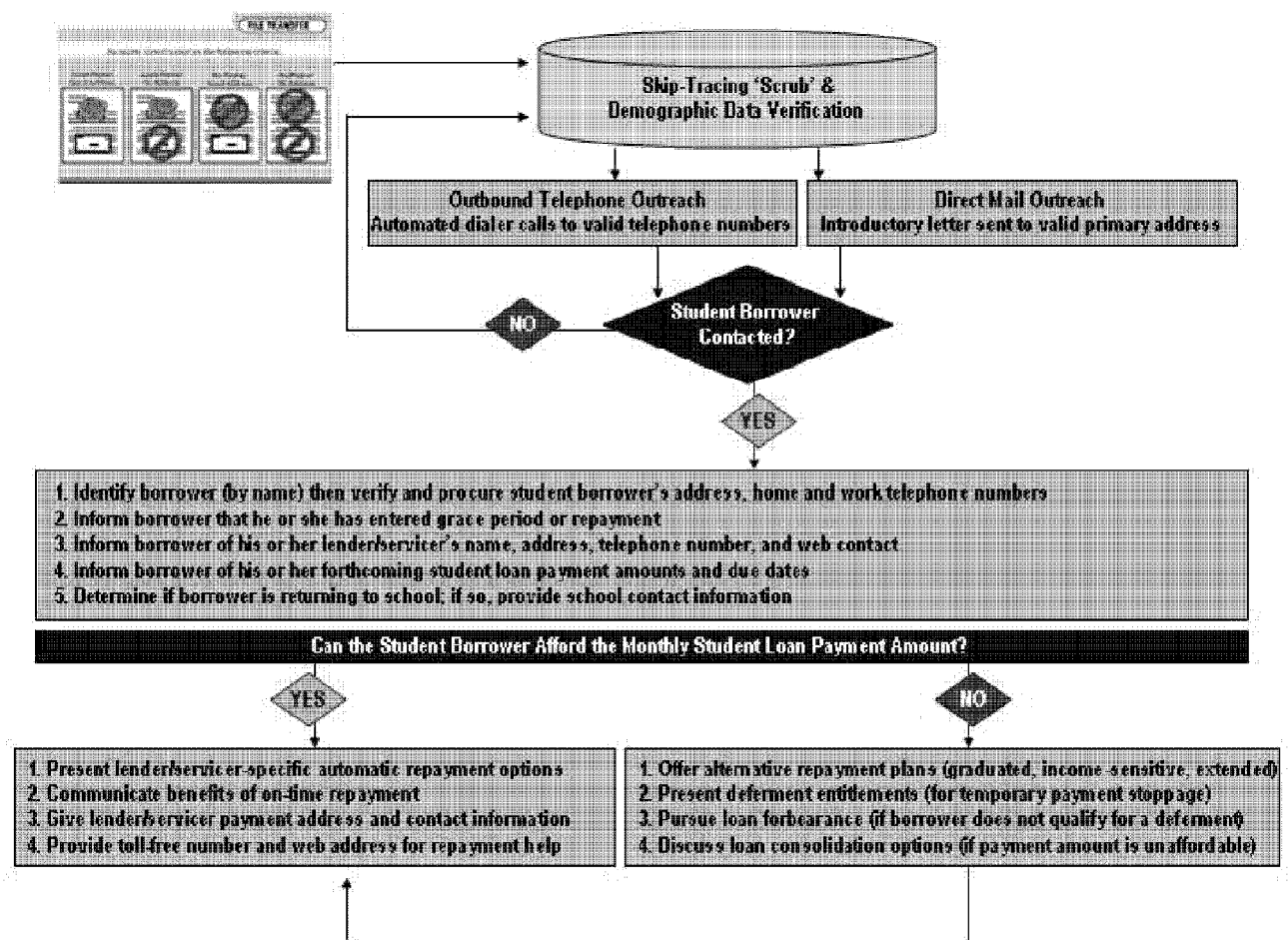


Exhibit A

7-Step Telephone Script

1. Identify self

"Is John Doe available please? Hello John, this is () from CEC (School specific) calling in regards to your Sallie Mae (Example) student loan guaranteed by USA Funds (Example) for your attendance at SCHOOL NAME."

2. Verify demographics

"John, are you still residing at 123 Main St. Anytown USA 22222 and your home telephone number is 123-555-5555?"

3. Request an alt

"What is another telephone number where you may be reached?"

4. Request E-mail address

"What is an E-mail address where we may reach you?"

5. Identify Solution

"Our records indicate that you have a Sallie Mae student loan with a monthly payment amount of \$150 due on the 15th of every month. Are you able to afford your monthly student loan payment?"

5a. If yes:

"Great! Let me send you an application for automatic repayment called Sallie Mae's Direct Repay@, please complete this application and return it to Sallie Mae ASAP so your student loan payment can be deducted from your banking account monthly. This will help you make your payments on-time each month. You will also receive an interest rate reduction for on-time payments! If you are online, please go to www.salliemae.com and you can sign up for manager your loans.

5b. If no:

"Perhaps an alternative repayment plan will help you temporarily lower your payments. There are several options: IBR, graduated, income-sensitive, and extended plans available designed to align your student loan payment with your earning power."

or

"If you are experiencing financial hardship there are deferment and forbearance options available to temporarily suspend your payments and bring your account current."

Or if borrower is in school or soon-to-be-returning to school:

"Let me fax or E-mail you an in-school deferment to suspend your payment while you are enrolled in school at least half-time."

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6. Establish follow-up

"Please follow-up with Sallie Mae at 1-888-2SALLIE and visit www.salliemae.com to ensure that this matter has been resolved. If you have any questions in the future, call me at 1-800-xxx-xxxx.

7. Close call

"Thank you for your time and do not hesitate to contact me if you need help in the future!"
SPEAK ENTHUSIASTICALLY!

Exhibit B

**Cohort Default Management
Telephone Script**

Student Borrower: John Doe
Early Intervention Specialist: Student Loan Coordinator
Lender/Servicer: Sallie Mae (Example)
Guaranty Agency: USA Funds (Example)
School: CEC (School Specific)

Borrower Contact (during grace period and early repayment)

Agent: Hello, is **John Doe** available please?
John Doe (John): This is **John**.
Agent: Hi **John**, this is () calling from CEC (School Specific) regarding your federal student loan guaranteed by **USA Funds** for your attendance at **SCHOOL NAME**. This call is to remind you that your student loan enters repayment in **xx** days. I am calling to help you with any questions you may have. First, are you still residing at **123 Main Street, Anytown, USA 12345**?
John: Yes I am.
Agent: Our records show that I am calling you at your primary telephone number. What is an alternate telephone number (perhaps work number) where you may be reached?
John: I do not have one.
Agent: What is an E-mail address where you may be reached?
John: jdoe@aol.com
Agent: John, our records show that you **graduated** from **SCHOOL NAME** on **mm/dd/yyyy**, is that correct?
OR
Agent: John, our records show that you **withdrew** from **SCHOOL NAME** on **mm/dd/yyyy**? Are you planning to return to **SCHOOL NAME** in the near future? If so, I am happy to give you **SCHOOL NAME's** contact information (if applicable, give school website).
OR
Agent: John, our records show that you are **in school less than half-time** at **SCHOOL NAME** as of on **mm/dd/yyyy**. Are you aware that because of your less-than-half-time status your student loan entered repayment?

Are you working? If so, where are you working? What is a work telephone number where you may be reached?

Our records show that you have a **Stafford** student loan with **Sallie Mae** that is guaranteed by **USA Funds** with a scheduled monthly payment amount of **\$100** due on the **15th** of every month beginning **June 15**. John, are you able to afford this **\$100** monthly payment?

**If
No:**

**If
Yes:**

John: No

Agent: Discuss various solutions:

- Alternative repayment options (graduated, income-sensitive, extended, IBR)
- Deferments
- Forbearance
- Loan consolidation

John, if you need help in the future, please contact me at 800-xxx-xxxx. You can also reach your lender/servicer, XXXX, at 1-xxx-xxx-xxxx.

John: Yes

Agent: John, I would like to E-mail you a link to download **Sallie Mae Direct Repay** automatic debit program (servicer-specific information) application.

This program will enable you to pay your student loan payments on-time by automatically deducting your monthly payment from your checking or savings account. *(Provide lender-servicer-specific information: e.g. interest rate reduction for automatic on-time monthly payments.)*

Agent: Are you interested in this program?

John: Yes, please send me the link.

OR

John: No.

Agent: Your payments can be sent monthly to xxxx (provide payment address). If you need to contact xxxx, they can be reached at xxx-xxx-xxxx. If you need any assistance in future, please call me at 800-xxx-xxxx or visit us online.

Left-Message-to-Call (LMTC)

Agent: Hello, is **John Doe** available please?

Approved Third Party (ATP): No, **John** is not here right now

Agent This is Ima from CEC (School Specific), I am calling regarding his enrollment at SCHOOL NAME, where I might reach him today?

ATP: He cannot be reached.

Agent: Okay, then I will leave a message. Do you have pen and paper?

ATP: Yes.

Agent: This is Ima; please have **John Doe** give me call back at xxx-xxx-xxxx.

Left-Message-to-Answering Machine/Voice Mail (Automated Message)