

GREAT LAKES EDUCATIONAL LOAN SERVICES, INC.

REPORT ON CONTROLS PLACED IN OPERATION
AND TESTS OF OPERATING EFFECTIVENESS OF
THE STUDENT LOAN SERVICING PROGRAM

FOR THE PERIOD OCTOBER 1, 2005 THROUGH SEPTEMBER 30, 2006



Great Lakes Educational Loan Services, Inc.

Report on Controls Placed in Operation and
Tests of Operating Effectiveness of the
Student Loan Servicing Program

For the period October 1, 2005 through September 30, 2006

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For the period October 1, 2005 through September 30, 2006

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Section I – Report of Independent Auditors

Board of Directors

Great Lakes Educational Loan Services, Inc.

We have examined the accompanying description of controls related to the Student Loan Servicing Program (the Program) of Great Lakes Educational Loan Services, Inc., a member of Great Lakes Higher Education Corporation and Affiliates, applicable to the processing of transactions for lenders. Great Lakes Educational Loan Services, Inc. will be referred to hereinafter as Great Lakes. Our examination included procedures to obtain reasonable assurance about whether: (1) the accompanying description presents fairly, in all material respects, the aspects of the Program's controls that may be relevant to a lender organization's internal control as it relates to an audit of financial statements; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, including those related to the applicable provisions of Title 34, Code of Federal Regulations, Part 682 for the Federal Family Education Loan Program (FFELP), if those controls were complied with satisfactorily and lenders applied the controls contemplated in the design of the Program's controls as described in Section III of this report; and (3) such controls had been placed in operation as of September 30, 2006. The control objectives were specified by management of Great Lakes. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned application presents fairly, in all material respects, the relevant aspects of the Program's controls that had been placed in operation as of September 30, 2006. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and lender organizations applied the controls contemplated in the design of the Program's controls as described in Section III of this report.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specific controls, listed in our description of the tests of operating effectiveness in Section III, to obtain evidence about their effectiveness in meeting the related control objectives, described in our description of those tests, during the period from October 1, 2005 through September 30, 2006. The specific controls, related control objectives, and the nature, timing, extent, and results of the tests are listed in Section III of this report. This information has been provided to lenders who utilized the Program and to their auditors to be taken into consideration, along with information about internal control at the lender organization, when making assessments of control risk for the serviced lenders. In our opinion the controls that

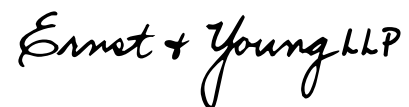
were tested, as described in Section III, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in our description of those tests were achieved during the period from October 1, 2005 through September 30, 2006.

However, the scope of our engagement did not include tests to determine whether the control objectives not listed in our description of the tests of operating effectiveness were achieved; accordingly, we express no opinion on the achievement of the control objectives not included in our description of those tests.

The relative effectiveness and significance of specific controls at Great Lakes and their effect on assessments of control risk at lenders are dependent upon their interaction with controls and other factors present at individual lenders. We have performed no procedures to evaluate the effectiveness of the controls at individual lenders.

The description of the controls at Great Lakes is as of September 30, 2006, and information about tests of the operating effectiveness of specific controls covers the period from October 1, 2005 through September 30, 2006. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of specific controls at the service organization is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes made to the system or controls, or the failure to make needed changes to the system or controls, may alter the validity of such conclusions.

This report is intended solely for the management of Great Lakes Educational Loan Services, Inc., its serviced lenders, and the independent auditors of such lenders.



October 24, 2006

Section II – Description of Controls Provided by Great Lakes Educational Loan Services, Inc.

INTRODUCTION

Overview of Operations

Great Lakes Educational Loan Services, Inc. (Great Lakes) is the loan servicing provider for Great Lakes Higher Education Corporation's affiliated group of companies, one of the nation's largest integrated providers of student loan services. The affiliated group of companies is headquartered in Madison, Wisconsin, and has operating centers in Boscobel, Wisconsin, Columbus, Ohio, and St. Paul, Minnesota; systems development teams in Eau Claire, Wisconsin, and Oakbrook, Illinois; and customer support staff located nationally.

As of September 30, 2006, Great Lakes serviced over 1,933,000 accounts totaling approximately \$30 billion of outstanding loan balances for over 1,300 lenders.

Control Environment

Management is accountable for establishing, communicating, and monitoring internal controls over operating activities. Responsibility for operating activities and the implementation of internal controls over operating activities is assigned to functional areas and group personnel so that appropriate segregation of duties is achieved and maintained. Each functional area reports to a member of the officer group.

A Board of Directors and independent Audit Committee have been established and meet periodically throughout the year. The Board of Directors and Audit Committee are responsible for providing governance, guidance, and oversight.

Great Lakes also maintains an independent Internal Audit department, which reports functionally to the Audit Committee and administratively to the Chief Privacy Officer and Deputy General Counsel. The Internal Audit department is responsible for performing internal reviews related to Great Lakes' operations, financial reporting, and compliance with applicable laws and regulations.

Risk Assessment

Risk assessments related to Great Lakes' loan servicing activities are performed on a continuous basis. Significant risks and the measures to mitigate those risks are discussed as part of periodic officer group meetings and management team meetings. Management has implemented various measures to manage identified risks.

Control Activities

The officer group meets weekly to discuss general operational issues, as well as to periodically review various operational reports. In addition, management team meetings are held to discuss general operational issues and to evaluate appropriate corrective actions.

Great Lakes' hiring practices are designed to determine that new employees are qualified for their job responsibilities. Hiring policies include requiring that employees have minimum education and experience requirements, that written references be submitted, and that employees execute confidentiality statements. Organizational values and behavioral standards are communicated to all employees through policy statements and codes of conduct.

Training of personnel is accomplished through supervised on-the-job training, outside seminars, and in-house classes. Policy and procedures manuals also exist for most functional areas to instruct personnel as to the performance of various activities. Various quality control procedures, including periodic performance reviews, are in place to monitor personnel performance and to determine that employees continue to qualify for their functional responsibilities.

Information and Communication

Information is communicated to authorized personnel in several forms, including periodic management reports, access to information systems, and policy and procedures manuals. Time sensitive information is communicated using electronic mail (e-mail) and voicemail. Open lines of communication exist between the Board of Directors, the Audit Committee, management, and both internal and external auditors. Expectations and responsibilities are formally communicated to personnel in several ways. Details of these communications are discussed above under "Control Activities."

Monitoring

Great Lakes' management and supervisory employees monitor the quality of internal control performance as a routine part of their responsibilities. To assist them in this monitoring, Great Lakes has implemented a series of operational reports that measure the results of Great Lakes' loan servicing activities. These reports include loan volume reports, borrower status reports, delinquency reports, and various other origination and servicing-related reports. Appropriate levels of management review these operational reports, and appropriate action is taken as necessary.

The Board of Directors, Audit Committee, Internal Audit department, and various other regulatory agencies are also involved in monitoring the adequacy and effectiveness of Great Lakes' internal controls, including internal controls over Great Lakes' Student Loan Servicing Program.

STUDENT LOAN SERVICING PROGRAM PROCEDURES

Title 34, Code of Federal Regulations, Part 682 includes the regulations governing the Federal Family Education Loan Program (FFELP). Great Lakes' Student Loan Servicing Program (the Program) has been developed to demonstrate compliance with these regulations.

Origination Process

Application/Promissory Note Receipt and Processing

Great Lakes receives application/promissory note (app/note) information from borrowers, schools, and lenders via hard copy documents and electronic files.

Hard copy app/notes are received by Great Lakes' mailroom. The mailroom forwards the app/notes to Loan Operations for processing. Loan Operations staff sorts, codes, and batches the app/notes. Loan Operations staff review each app/note for completeness and validity. The guidelines for reviewing app/notes are included in a procedures document. They are then scanned into the Imaging system directly to the borrower's folder and also into the workflow queues. These queues control the flow of the app/notes through application processing to determine that all app/notes are complete and processed on a timely basis. The app/notes received through the mailroom are reconciled to the Imaging system on a daily basis.

Data entry processors within Loan Operations access the app/notes through the Imaging workflow queues and key them into the Standard User Interface. The processor has responsibility for reviewing the app/note at the time of entry. Certain data elements must be entered twice to determine accuracy. Each processor has a procedures document which provides step-by-step instructions for reviewing app/notes for completeness. The procedures document also includes instructions for identifying exception app/notes, sorting and handling instructions for acceptable app/notes, app/notes which require corrections, and rejected app/notes.

Regardless of whether the app/note is entered manually or electronically, the app/note processing system performs edit checks for completeness and reasonableness of information. If the data does not pass the edit checks, the system does not permit the app/notes to be approved for guaranty until the appropriate corrections have been made. When incomplete or incorrect information is identified on an app/note, a notation is made on the borrower's system record regarding the type of error and the date the error was discovered. In addition, errors are reported on a listing that is generated daily and assigned to a staff member to make necessary corrections. Great Lakes will contact either the school or the borrower for resolution. App/notes that are originated and approved for guaranty are reconciled to the Imaging system. Originated app/notes that do not pass guaranty edits are listed on a daily error report which is reviewed and worked daily.

Great Lakes provides 24-hour turnaround on Stafford and PLUS loan origination services. Applications are entered the day they are received for guaranty processing that evening. Checks or Electronic Funds Transfers (EFTs) are sent the next day based on the disbursement data listed on the application. Great Lakes uses overtime and temporary employees during peak processing. During this period, entry of applications received is completed within a 24-hour time frame 90% of the time. Error resolution processing is completed within a 24-hour time frame 70% of the time.

Loan Disbursement

The federal regulations governing loan originations of the FFELP are set forth in Parts 682.205, 682.206, and 682.207. These regulations require that Great Lakes perform certain procedures in the making and disbursing of loans. In addition, the regulations also specify the particular disclosures to be made to borrowers during the origination process.

The first disclosure, which is printed on multipart paper, is produced at the time a loan guaranty is issued for an approved loan. One copy is sent to the borrower and, at the school's option, a second copy is sent to the school. A second disclosure is printed on the check stub. The check and check stub are sent to the school. Schools are given the choice of having their checks sorted in alphabetical or social security number order. A summary report is generated during nightly disbursement processing, which gives a count and total dollar amount of the checks to be issued at each processing site. When the checks are printed the next business day, the check printing software provides an independent count and total dollar amount of the checks printed. These reports are compared to each other and to a physical count of the number of pages of check stock used, and any discrepancies are accounted for. For EFT loan disbursements, an Automated Clearing House (ACH) transaction along with an electronic disbursement roster is prepared by Great Lakes and transmitted to the school.

For each disbursement run, the system produces a disbursement register/fee report which is sent to the lender. A fax transmittal is also generated which contains summary totals of the disbursements by program type as well as a grand total. This fax is sent to lenders to advise them of cash requirements for the disbursement run. Based upon the information generated above, Great Lakes prepares and submits an ACH transaction to debit the lender's bank account.

Canceled Loan Processing

Uncashed checks returned from schools are typically sent directly to Great Lakes, which processes the cancellation as a full refund cash payment transaction on the borrower's account. The system records and identifies specific disbursement data, including check date, amount, and check number, so that returned checks can be readily identified. Schools may choose to return unneeded disbursement funds electronically as an ACH transfer. These funds may be entered to the borrower's account as cash transactions manually or automatically if the school sends an electronic data transaction. In

accordance with Part 682.202, the system automatically generates a transaction to refund all appropriate origination and guaranty fees. A credit is generated on the lender's next guaranty agency invoice, and origination fees are adjusted on the next quarterly cycle of the U.S. Department of Education's Lender Reporting Systems (LaRS).

Great Lakes has a system in place for monitoring outstanding checks. At the time checks are disbursed, a positive pay file is transmitted to Great Lakes' disbursement bank. On a daily basis, Great Lakes monitors the disbursement bank's online check clearing system and issues a stop payment and cancels any disbursements that have been outstanding for 120 days.

Reconciliation

Great Lakes performs a monthly reconciliation of the origination system to the Loan Servicing System. Any loans that are not reconciled on the two aforementioned systems are immediately reviewed and appropriate corrections made.

Servicing Loans

Loans Entering Repayment

The federal regulations for conversion of a loan to repayment status can be found in Parts 682.205 and 682.209. Part 682.205 sets forth the disclosure requirements, and Part 682.209 specifies the required repayment terms that must be established.

Great Lakes sends the borrower a school separation notice at the time the borrower is scheduled to leave school. Borrowers are then sent a system-generated repayment schedule or unsubsidized loan repayment letter a few months before the grace end date. Borrowers are also offered an option for a graduated, income-sensitive, or extended repayment schedule. The system calculates the schedule using the federal parameters of a \$50 minimum payment and the applicable maximum repayment period. The system tracks the maximum repayment period to determine that it is not violated. First due dates are set according to the applicable federal regulation for each loan type.

Borrowers in deferment are sent a deferment end notice approximately 45 days before the deferment is scheduled to end. A new repayment schedule is generated and disclosed to the borrower at the end of the deferment period.

All borrower disclosures and letters are recorded on Great Lakes' borrower history file. Every borrower letter contains Loan Servicing Operations' toll free telephone number.

Reporting Sales, Transfers, and Assignments of Loans

Great Lakes creates an automated “deal folder” for each sale/transfer/assignment that Great Lakes facilitates. This folder contains the following: the transmittal file, a Conversion Checklist, a copy of the borrower transfer notification letter (if applicable), a copy of the app/note examination results (if applicable), and buyer’s approval.

A buyer and a seller of student loans arrange a transaction and then contact Great Lakes’ Conversions department as a facilitator of the transaction. Often, the buyer wants the loans to meet certain criteria (i.e., the loans must be in repayment). Great Lakes then generates a transmittal listing that incorporates these criteria. This listing is then sent to the buyer and seller for approval.

Once the transmittal listing is complete, the seller forwards the collateral (i.e., app/notes) for review. Lenders may ask Great Lakes to perform a collateral examination. This exam identifies potential deficiencies (e.g., no signature on the note). Great Lakes then presents the potential buyer with a listing of potential deficiencies. The buyer then decides whether to purchase these loans and indicates their approval.

At the time the transmittal file is generated, Great Lakes creates a “driver file.” This file is edited for buyer-requested edits (i.e., loans with pending disbursements, delinquent loans, etc.) on the day the transfer is to take place. The transfer program is then run. The transfer program is the first program to run in the nightly cycle (i.e., before payments are posted). This program generates the following:

- Summary Transfer report;
- Detail Transfer reports;
- Account Statement reports for each borrower account transferred; and
- Indication of the transfer in the critical changes/correspondence field for that borrower.

The Conversions department prepares a reconciliation of the transfer the following morning. A transaction file is produced by the transfer program and sent to the guarantor to update the lender number.

Borrower Services

Great Lakes receives thousands of calls daily to its toll free telephone number from borrowers for account balances, interest rates, delinquency payment options, and requests for forms. These calls are handled by an automated telephone system. Incoming borrower calls are greeted by a voice response unit (VRU), which allows the caller to directly access their account information, order forms or letters, and update their demographic

information. The caller may at any time elect to talk directly with a representative. If the caller is 31 or more days delinquent or in skip tracing, the VRU system automatically connects the caller to a Borrower Services representative. This allows Great Lakes to update any pertinent borrower information and to request payment.

All fully trained Borrower Services representatives handle a combination of due diligence phone calls and incoming borrower calls. Staff teams work Monday through Thursday from 8 a.m. to 9 p.m. and Friday from 8 a.m. to 6 p.m. Though it is not a formal standard, representatives generally work on Saturdays from 8 a.m. to 1 p.m. during peak seasons.

The department's goal is to assure that average hold times do not exceed 45 seconds. Great Lakes utilizes telephone software that automatically adjusts the number of agents assigned to receive incoming borrower calls and make outgoing auto-dialer due diligence calls based on a combination of the number of calls holding and the wait time of borrowers on hold.

Specific Borrower Services representatives are responsible for processing correspondence from borrowers and third parties. This function accounts for a small percentage of the department's activity. The policy of the department is to respond to correspondence with a phone call to the borrower whenever possible. Form letters are generally used when a written response is necessary. The department's goal is to respond to correspondence within three days of receipt and e-mails within one day of receipt. These representatives are also available to handle incoming and due diligence calls during peak periods.

There is also a team of support staff which includes a full-time trainer, a quality control specialist, and clerical staff.

Training for new Borrower Services representatives is covered in two formal training sessions. The first session covers due diligence training. Approximately two-thirds of this six- to eight-day session is formal classroom training on the computer system, regulations, and customer service skills. The remainder of the time is spent with experienced representatives, as the trainees observe experienced representatives handling calls. After the training period, the new representatives will spend one to two weeks performing closely supervised work. The lead worker/supervisor will monitor calls and not release the representative to perform unsupervised work until satisfied with the quality of the new representative's work. After approximately three months of successful due diligence performance, representatives are provided additional training. This second formal training session provides representatives the necessary skills to handle incoming borrower calls. This session covers a two- to three-week period and is similar in structure to the initial training period.

Great Lakes also provides 16 hours of training that focuses exclusively on customer service skills. The training includes a variety of learning techniques. Weekly team meetings are held to cover issues, train on new procedures, and review any problems.

Quality control for calls consists of monitoring representatives conversations with borrowers. Both incoming calls and due diligence calls are subject to these reviews. The monitoring is performed by supervisors, lead workers, and quality assurance specialists. A representative will have at least 40 calls monitored each month. The supervisor/lead worker completes an evaluation form for each call that is monitored and reviews it with the representative. Forms are tailored to the type of call being made and include specific types of requirements the representative must fulfill, including such items as:

- meeting the caller's needs;
- using correct phone manners; and
- following procedures such as verifying demographic records, updating accounts correctly, and documenting calls.

Productivity measurements are recorded every 30-day period. Representatives with six months of experience are expected to maintain call volumes between 90% – 110% of the overall average of the department for the period reviewed.

Borrowers can also access their account information through the Internet via a link from www.mygreatlakes.com. Information including account balance, payoff, payment history, status, interest rate, and disbursement data can be viewed. Forms can also be downloaded, coupons ordered, payments made online, and demographic information updated through the Internet.

Due Diligence in Collections

The federal regulations governing due diligence in collections are set forth in Part 682.411.

The due diligence application within the Loan Servicing System automatically initiates the creation of delinquency letters. As a safeguard, the due diligence application generates these letters independent of any due diligence phone call activity or results. These letters are recorded in a borrower's account history. Delinquency letters are sent daily from the mail room to the borrower's address as maintained by the Loan Servicing System.

When mail is returned, it is tabulated to determine the total amount returned. A processor updates the invalid address flag and documents the returned mail date for each account. The system then automatically puts the account in the 10-day queue to initiate skip-tracing efforts. Per Part 682.411, skip-tracing procedures are required to be initiated "within 10 days of its (the lender's) receipt of information indicating that it does not know the borrower's current address." Great Lakes transmits address request information

to a credit bureau service to search directory assistance, the post office national change of address, and city directories. This process is completed within 10 days of identifying the account as having an invalid address.

Once this process is completed, those borrowers that are still in skip-tracing are either loaded into the invalid address queue or queued for reference loading. Once Borrower Locating keys reference information into the system, that borrower enters the invalid address queue. The locators take this information and make at least two attempts or one contact for each reference, employer, and endorser. The locator can update the result of these calls online.

If skip-tracing efforts are successful, the borrower's address and phone number are updated and the account is automatically removed from skip-tracing. If efforts are unsuccessful, the system evaluates whether all references have been attempted and then enters a message on the system stating that the borrower is unlocatable. The system automatically sends an information request to all schools of attendance and the current and all previous lenders for any unlocatable borrower. The borrower's folder is then manually reviewed to make certain all entities are loaded on the system. The system automatically prompts for new reference attempts in 180 days.

There are three lead workers that specifically perform skip-tracing quality checks. On average, they review 5% of each locator's completed work for compliance with standards. Locators in training may have up to 100% of their work reviewed. The lead worker also monitors each locator's phone conversations for approximately one hour per week.

Outgoing due diligence phone calls are managed by an auto-dialer system. Every night, a program is run which selects accounts from the Program that meet certain selection parameters. Accounts selected are then put into one of three calling campaigns. Accounts will continue to be selected until Great Lakes is successful in talking to the borrower. The files created for selected accounts include basic collection information which is downloaded into the auto-dialer system. When the system makes successful contact, the call is routed to a Borrower Services representative. The results of all phone conversations are recorded on the system.

The auto-dialer system automatically creates a record which notes unsuccessful attempts at contact. The record is uploaded each night into the Loan Servicing System and updates the borrower's account history. Successful attempts are recorded online at the time of contact during the day.

When a phone number is discovered to be invalid, it is removed from the system. Skip-tracing procedures automatically begin when an account reaches 31 days of delinquency. The actual trace procedure is very similar to address skips.

Requests for collection assistance (RCAs) are automatically generated for all guarantors at 70 days past due, with the exception of RCAs for Great Lakes Higher Education Guaranty Corporation guaranteed loans which are generated at 60 days. Edits are contained in the system which monitors the due diligence history of accounts for compliance. Exception reports are generated and reviewed by members of the management team.

Deferment and Forbearance Processing

Deferment eligibility and supporting documentation requirements are set forth in Part 682.210. A deferment is a documented period of time when the borrower is in repayment but entitled to have payments of either principal, or principal and interest, put on hold. There are many types of deferments, and eligibility requirements are different for each type.

Forbearance requirements are explained in Parts 682.202 and 682.211 and various other sections of the regulations. When a borrower is in repayment and cannot make regular monthly payments, the lender may grant forbearance to that borrower to prevent default. There are certain circumstances, such as a period of internship that exceeds the deferment limit, during which the lender *must* grant forbearance. In addition, the lender is able to grant an “administrative forbearance” which enables the lender to capitalize the accrued unpaid interest under certain circumstances.

As a servicer, Great Lakes must examine all deferment and forbearance requests received from borrowers to determine whether the documents are eligible for processing. Deferment and forbearance requests are considered eligible if the documents are properly completed, contain the signatures of both the borrower and certifying authority, and are certified in compliance with specific federal regulations. A guarantee may be lost if Great Lakes processes an ineligible deferment or forbearance to a borrower’s account.

New deferment/forbearance processors undergo a training period. During that time, 100% of their work is quality checked. For experienced processors, more than 100 accounts are quality checked each month. A comprehensive policy manual is maintained to determine consistent processing. The department’s goal is to process all status changes within three days of receipt.

Borrower Documents

All incoming mail is received in the mail room. The mail is then sorted and delivered to operational units for processing. After processing, documents are forwarded to the Imaging and Data Services department for storage. Status change, forbearance, and deferment documents are exceptions to this procedure. These documents are immediately imaged upon receipt. The images are then routed to the status change unit for processing.

The Imaging and Data Services department is located in a secured vault area at Great Lakes. Access is primarily limited to department personnel.

The Imaging and Data Services department images borrower documents for storage. Once these documents are received by Imaging and Data Services, they are immediately scanned into the imaging system. The quality of each image is then reviewed and the documents indexed. Original loan documents and other permanent records are sent to off-site storage. All other original documents are destroyed 60 days after scanning.

Part 682.414 requires that servicing documents be maintained for five years following the date the loan is paid in full. Hard copy documents that were received prior to January 1994 continue to be stored in borrower files on shelves. Several times a year, a listing of borrower accounts that have been paid in full for at least one year is generated. Based on these listings, loan files are packaged, boxed, and sent to off-site storage. Each box is marked with a destroy date. When this date arrives, the off-site storage vendor contacts Great Lakes to confirm whether the box can be destroyed. Great Lakes verifies and approves each box number. The off-site storage vendor then shreds the documents in that box. The original loan documents and other permanent records received subsequent to January 1994 that are sent to off-site storage after imaging are retained permanently.

Cash Management

Great Lakes outsources its remittance banking function. Mail is picked up by courier from Great Lakes' post office boxes in Milwaukee, Wisconsin, and delivered to the lockbox processor multiple times per day. The mail is then opened, and the negotiability of the check is verified for signature, date and payee. All items are then imaged by a machine with optical character recognition (OCR) capabilities.

The lockbox transmits the file of processed payments to Great Lakes daily. A deposit slip, a check copy for payments received without coupons, and any borrower correspondence are then sent by courier to Great Lakes that day.

Borrowers are also given the option to make their student loan payments by an automated monthly transfer from their bank account. After borrowers have completed authorization forms, Great Lakes transmits a file to its lockbox processor three days before the borrower's payment due date. The lockbox processor initiates ACH transfers to deduct the payment amount from each borrower's bank account and credits the total of all payments to Great Lakes' bank account. The borrower's payment is automatically posted on the payment due date. Similarly, borrowers are given the opportunity to make a single payment on demand via Great Lakes' web site. Like monthly ACH transfers, these payments are automatically posted to the borrower's account on the date processed.

Various payments may also be received and processed at Great Lakes. Deposits are picked up from Great Lakes and delivered to the lockbox processor on a daily basis.

Great Lakes' reconciliation unit balances all deposit amounts per the payment transmissions or deposit slips to the payments posted to borrowers' accounts and to the funds transferred to lenders.

Claims Filing

The federal regulations governing claims filing are set forth in Parts 682.402 and 682.406. Part 682.406 pertains to default claims, whereas Part 682.402 pertains to non-default claims.

In June 2004, the United States Department of Education (the Department) awarded Great Lakes the Exceptional Performer Designation. Claims filed by Great Lakes from June 15, 2004 to June 30, 2006 were eligible for reimbursement at 100%. The reimbursement rate for claims filed on or after July 1, 2006, changed to 99%. To maintain the designation, Great Lakes will submit quarterly and annual compliance audits to the Department.

After a final demand letter has been sent for a delinquent account, the system determines whether all borrower documents have been imaged. If hard copy documents were received prior to the implementation of imaging, an automated request is sent to the Imaging and Data Services department to image the documents.

Filing of claims is electronically performed for loans guaranteed by Great Lakes Higher Education Guaranty Corporation via Great Lakes' imaging system. Based on a table value in the imaging system and the account's default date, the claim is automatically filed by routing the imaging queue to the guarantor and entering the claim information on the system. The guarantor can then access the collateral and servicing documents via imaging.

A computer file of claims paid is sent to Cash Operations as part of the guarantor's purchase process. This file is posted against each account. Any claim that would not pay in full an account within \$1.00 does not post and appears on an exception report. This report is reviewed to determine the cause of the discrepancy.

The same procedures are in place for death, disability, and bankruptcy claims, except the process is performed within the time limits applicable to these claims.

Filing of claims is manually performed for loans guaranteed by guarantors other than Great Lakes Higher Education Guaranty Corporation. Based on the account's default date, a daily report of claims to be filed is generated. The required imaged documents and servicing histories are then printed and matched with a completed Common Claim form and mailed to the respective guarantor.

When the claim is paid by the respective guarantor, the claim payment is posted manually against the defaulted borrower's account. Any claim payment that would not pay the account in full is reviewed to determine the cause of the discrepancy.

The same procedures are in place for death, disability, and bankruptcy claims, except the process is performed within the time limits applicable to these claims.

If any guarantor has a problem with a claim, they will document the problem and return the claim to the manager of the Borrower Accounts department. The manager will then determine if an appeal is warranted or if the return/denial is appropriate. For denied claims, information is entered into the Loan Servicing System, and special allowance and interest benefits amounts are adjusted.

Credit Bureau Reporting

Part 682.208 specifies credit bureau reporting requirements. Once a month, Great Lakes reports credit bureau information for every serviced borrower to Experian, Trans Union, and Equifax. The standard "Metro II" format is used by each credit bureau. The information is reported under the name of the lender, with Great Lakes listed as the contact.

Management Reports

The Loan Servicing System's applications include several standard reports which both summarize and detail the lender's loan portfolio. Lender transaction reports, which summarize the data needed to facilitate accounting entries that lenders must make, are prepared three times per month. All lender transaction reports are reconciled by Great Lakes prior to distribution.

Monthly servicing reports provide management summary information. Detail on every account is also provided.

Lender information is submitted to the LaRS via an electronic file on a quarterly basis. These electronic report files are produced and edited by the Loan Servicing System. All known U.S. Department of Education edits have been built into the system.

GENERAL DATA PROCESSING PROCEDURES

General data processing procedures establish the control environment in which the Program's applications are developed and operated. Therefore, the general data processing procedures have an impact on the effectiveness of controls in Program applications. Great Lakes' general data processing procedures are described under the following categories:

- Organization and administration
- Application development, maintenance, and documentation
- Hardware and system software
- Security controls to data files and programs
- Security controls to web applications
- Security controls to computer facilities
- Operations and scheduling
- Backup and recovery management
- Environmental safeguards

Organization and Administration

A separation of functions exists between Information Services (IS) personnel and Great Lakes' operational personnel as well as within the IS group via the access security software system supporting the Loan Servicing system environment. The IS group consists of two separate departments: Systems Development and Systems Support. IS personnel are not allowed to update transactions within the Loan Servicing system production environment.

Application Development, Maintenance, and Documentation

Formal standards and procedures are published and maintained for all functions within the IS group. Application development standards guide the application development, program maintenance, coding, documentation, testing, and implementation activities. System Development project leaders are responsible for reviewing documentation over new and changed programs to determine that development is consistent with standards.

Application development activities for the Loan Servicing System and other systems maintained by Great Lakes are initiated, prioritized, authorized, and approved by Great Lakes' operational management. Great Lakes' operational management submits development requests via a documented project request process.

For major activities, the IS group uses a project management and control system to schedule and monitor progress through implementation. For minor activities, a problem management system is used by the IS group to record, track, and resolve application problems when they occur. Any system-related calls received by the IS group are documented within the problem management system.

Audit and change management software are utilized for development activities so that changes adhere to established standards and procedures. The software prevents changes that do not pass the tests to be promoted to production. A commercial software library management system moves new and changed programs to production status only after the program meets system standards and has the proper approval. Development and testing is performed within non-production libraries.

The development process is guided by a formal development methodology that describes the various approval processes, testing requirements, technical analysis, and end user participation. A commercial software library management system is used to control application programs, source, object, and executable codes. The methodology requires the documentation of user authorization and approval, signifying that appropriate user testing was performed. Project leaders review development activities for proper authorization, appropriate testing, and adequate documentation updates. Documentation is maintained online for a period of 720 days. The methods, tools, and procedures used provide the controls to help prevent the introduction of errors or corruption of business data.

Hardware and System Software

The Loan Servicing System, including hardware and system software, is maintained at the Great Lakes' data center/computer facility located in Madison, Wisconsin.

Great Lakes uses an IBM z/OS mainframe computer system to process the Loan Servicing System. The mainframe equipment and related peripherals are maintained under contracts with the applicable hardware vendors.

The IBM mainframe computer runs under control of the IBM z/OS operating system. Various system software is licensed directly from appropriate vendors. The Systems Support technical staff is responsible for maintaining and modifying such software to make certain the system is running at current release levels. All system software changes are tested within a test environment prior to implementation. Any changes to the software are performed only after receiving the proper authorization from Great Lakes.

A change management system is used to record, schedule, and monitor all changes to the software applications. Access to implement system software changes is limited to authorized personnel.

Security Controls to Data Files and Programs

All data files are maintained on magnetic cartridge, disk, or optical devices. Disk files are backed up to cartridges, which are stored offsite as well as within the local cartridge library. A cartridge library management system is used to manage the location, movement, retention cycles, and contents of the cartridges. Optical devices also create a backup copy, which is also stored offsite.

The cartridge library is located within the computer facility and can only be accessed by personnel having authorization to access the computer facility. Offsite storage consists of a remote, environmentally controlled facility leased for this purpose. Access is controlled by key and is monitored.

All logical access to the mainframe system is controlled by access security software, Top Secret, which is administered by Security Services within System Support. Security Services is responsible for the technical implementation of logical security profiles for all system users. This includes the administration of computer access authorizations on all of Great Lakes' computer systems. The same security software restricts access to data.

To obtain logical access to Great Lakes' computer system, a user's supervisor must complete and forward an electronic work request to Security Services. This form contains a listing of the functions/access the user needs. After verifying proper approval, Security Services assigns a user access identification (ID) and password to the user. Access is granted via this unique password and access ID and is further restricted by a unique access profile defining the data and applications for which authorization has been granted. The computer security software indefinitely suspends access IDs after 60 days of inactivity or failure to change a password after 60 days. Supervisors of Great Lakes' employees are responsible for informing Security Services if an employee is being transferred or terminated. In addition, the Human Resources Department generates and provides a report of employee terminations and transfers to Security Services.

The software library management system uses profiles and resource controls of the security software system to control changes, approvals, program promotions, and implementation of application programs. It uses its own facilities to provide version logging and change history.

Security Controls to Web Applications

Great Lakes' Internet Borrower Inquiry Services (IBIS) web application securely allows borrowers, schools, and lenders using individual accounts and passwords to access account information through the Internet. The application runs on a Microsoft Windows server. Security Services restricts access to the system to those employees who have responsibility for the web application. User access is restricted via account information, including a borrower-assigned password. Networks Administration controls access to the web server. Secure Socket Layer certificates are used for encryption when sensitive information is transferred between the user and the IBIS web server.

Great Lakes' firewalls are configured to limit traffic to the IBIS web server to web and secure web browsing. In addition to an intrusion detection plan for denial of service attacks maintained by Great Lakes' Internet provider, Great Lakes maintains two intrusion detection systems. These systems notify appropriate personnel of unusual activity.

A change control process is used to approve, document, and track changes to the IBIS web server. Systems Support reviews changes for proper authorization, adequate testing, and updating of documentation.

Security Controls to Computer Facilities

Access to Great Lakes' facilities is secured through a magnetically encoded card-key access system and perimeter alarms. Picture identification badges and access cards are issued to all employees and other authorized recurring visitors based on job function. Unissued, nonactive access cards are secured by Security Services. Various categories of secured areas and time frames have been established to restrict personnel to those work areas and times that correspond to their job responsibilities. Invalid access attempts are denied by the access software.

Operations and Scheduling

The IS group is responsible for scheduling, supporting, and monitoring the computer processing schedule and providing output distribution. Standard policies and procedures for computer operations are documented.

A job-scheduling system is used to execute the daily, weekly, and monthly operation batch schedules. The job-scheduling system documents the start, execution, and completion of all scheduled batch jobs. In addition, nonscheduled jobs must be processed through the job-scheduling system.

Nonscheduled jobs must be submitted using an electronic production run request form. Upon receipt of the production run request form from Great Lakes' personnel, an email is automatically generated notifying the submitter's supervisor of the job request not on the existing production schedule. When a remote user organization submits a production run request form, the appropriateness of the requestor is validated by IS personnel who also verify that the request was completed in accordance with the specifications. Only those jobs requested by an individual included on the list of authorized requestors will be run. Problems, exceptions, and other unexpected deviations from processing are documented in the online jobs altered listing generated by the job-scheduling application. The problem management system entries are reviewed daily by appropriate management staff.

Backup and Recovery Management

All application and database files are backed up to cartridge after daily processing. Daily transactions entered online are logged to disk and transferred to cartridge when the disk is full. In the event files at the company's data center are destroyed, it is possible to restore these files using previous file backups and the intervening daily transaction files.

A rotation schedule is maintained for each file and the activity logged. Cartridges to be rotated off-site are picked up daily by courier and delivered to the off-site location. When cartridges are returned from storage, they are checked against the original list for verification. Cartridges are available from the off-site location 24 hours a day, 7 days a week.

Environmental Safeguards

The computer facilities are equipped with an automated fire protection system. The computer facilities are also equipped with an Uninterruptible Power Supply system (UPS), commercial power from two separate grids with automatic switching and a backup generator. The UPS provides a constant level of power to the computer equipment and is capable of providing backup electricity for a short period of time. The backup generator is diesel fueled and allows the computer facility to continue to operate in the event of an extended power loss. The generator and UPS are tested periodically. The facility is also equipped with sensors for under-floor water and smoke detection. All power, fire, and emergency systems are monitored remotely 24 hours a day by a security vendor.

Section III – Information Provided by Independent Auditors

Objectives of the Review

This report contains the results of Ernst & Young's examination of the Program and compliance tests directed by applicable provisions of Title 34, Code of Federal Regulations, Part 682 and other specific objectives of the Program's internal controls. This report is intended to provide the Program's lenders and their auditors with sufficient information to understand the Program and the relationship of the Program's controls with those of participating lenders for the period of October 1, 2005 to September 30, 2006.

The examination was conducted in accordance with the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards No. 70 (SAS No. 70), its interpretations, and amendments. This report contains a description of the general data processing controls relating to the Program's controls placed in operation as of September 30, 2006. Our examination of Great Lakes' controls was restricted to the control objectives and related controls specified by Great Lakes below and was not extended to procedures described elsewhere in this report, but not listed or to procedures that may be in effect at the lender's organization. Our examination included a review of the control environment and included inquiry of appropriate management, inspection of documents and records, observations and walkthroughs, and tests of operating effectiveness for the period from October 1, 2005 to September 30, 2006. It is each user auditor's responsibility to evaluate this information in relation to the controls in place at each lender organization. If certain complementary controls are not in place at the lender organization, Great Lakes' controls may not compensate for such weaknesses.

The control objectives and controls that achieve the control objectives that follow have been specified by Great Lakes' management. Also included are tests we performed to obtain evidence about the effectiveness of the controls and the results of those tests.

Lender Organization Controls

Great Lakes' processes were designed with the assumption that certain controls would be implemented by lender organizations. In certain situations, application of specific controls at lender organizations is necessary to achieve certain control objectives included in this report. In such instances, the required lender organization internal controls are indicated under the related control objective in Section III of this report.

The following describes other internal controls that should be in operation at lender organizations to complement the controls at Great Lakes. Lender organizations and their auditors should review their respective contracts with Great Lakes and the respective responsibilities set forth therein. Lender organizations and their auditors should also consider whether controls have been placed in operation at lender organizations to determine that:

- Transactions are appropriately authorized, complete, and accurate;
- Erroneous input data are corrected and resubmitted;
- Output reports are reviewed by appropriate users for completeness and accuracy; and
- Output received from Great Lakes is routinely reconciled to relevant control totals.

The lender organization control considerations presented above or elsewhere in Section III do not represent a comprehensive list of all internal controls that should be employed by lender organizations. Other internal controls may be required at lender organizations.

Lender organizations should refer to the applicable provisions of the federal regulations included in Title 34, Code of Federal regulations, Part 682, in conjunction with their review of the following objectives.

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**STUDENT LOAN SERVICING PROGRAM CONTROL OBJECTIVES,
CONTROLS SPECIFIED BY GREAT LAKES, TESTS PERFORMED, AND RESULTS OF TESTING**

SCHEDULE 1

Application/Promissory Note Receipt and Processing

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that application/promissory notes (app/notes) received are processed in accordance with the applicable portions of 34 CFR Part 682.206.</p>	<p>App/notes received by the mailroom are reconciled to the Imaging system on a daily basis.</p>	<p>Reviewed a sample of reconciliations and noted that reconciliations were performed in a timely manner. Any discrepancies were noted and resolved in a timely manner.</p>	<p>No relevant exceptions noted.</p>
	<p>Each app/note received by Great Lakes' personnel is manually reviewed for completeness.</p>	<p>Tested a sample of app/notes noting that the applicable information required by federal regulations was included.</p>	<p>No relevant exceptions noted.</p>
	<p>App/notes entered online by borrowers or manually by Great Lakes are subject to a series of system edit checks for completeness and reasonableness of information. Certain data elements must be entered twice to determine accuracy.</p>	<p>Attempted to post invalid app/note information directly to the system, noting the information was rejected.</p>	<p>No relevant exceptions noted.</p>
	<p>An error listing is generated, which is reviewed by management on a daily basis to determine corrections that need to be recorded prior to submission for guaranty approval. Measures to initiate the required corrections are performed daily.</p>	<p>Tested a sample of app/notes noting that the applicable information was complete and accurate.</p>	<p>No relevant exceptions noted.</p>
	<p>Tested program change controls as described in Schedule 15.</p>	<p>Tested a sample of daily error listings and related corrections performed by Great Lakes' personnel noting that corrections were made in a timely manner.</p>	<p>No relevant exceptions noted.</p>

SCHEDULE 1

Application/Promissory Note Receipt and Processing (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
	<p>A report is generated daily, which contains a listing of originated app/notes guaranteed. A manual reconciliation is performed to match the originated app/notes guaranteed to the Imaging system. App/notes not guaranteed are included on an error report that is reviewed daily. Measures to initiate the required corrections are performed daily.</p>	<p>Tested a sample of originated and guaranteed app/notes noting that the app/note exists on the Imaging system.</p> <p>Reviewed a sample of error reports noting that required corrections were made in a timely manner.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 2

Loan Disbursement

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that loan disclosures are generated in accordance with the applicable portions of 34 CFR Part 682.205.</p> <p>Controls provide reasonable assurance that properly authorized loans are disbursed in accordance with the applicable portions of 34 CFR Part 682.207.</p>	<p>After an app/note receives guarantee approval, the application program automatically generates the required disclosure.</p> <p>The application program that generates loan disbursements contains edit procedures to determine compliance with the applicable federal regulations.</p> <p>Loan amounts and the scheduled disbursement dates are established when the app/note is originally entered on the system. The system automatically selects loans for disbursement based on the preestablished dates and prepares the disbursements based on loan amounts guaranteed. Check disbursements are printed and mailed daily, and EFT disbursements are initiated on a daily basis based on system generated reports.</p>	<p>Observed that the system is generating disclosure statements as required by federal regulations.</p> <p>Reviewed loan disbursement regulations with Great Lakes' personnel noting that they are in accordance with federal regulations.</p> <p>Selected a sample of loans disbursed by check and EFT during the reporting period noting that the loans were disbursed in accordance with Great Lakes' policies and procedures and federal regulations.</p> <p>Tested a sample of loans noting that the amount disbursed did not exceed the authorized amount.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 2

Loan Disbursement (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
	<p>A “Disbursements Made Report” is produced for each lender’s disbursements on the date disbursed. Great Lakes’ personnel reconcile the detail of the “Disbursements Made Report” to the authorized app/notes loan file to determine that checks have been produced and EFTs have been initiated. Checks are then mailed to the appropriate educational institution.</p> <p>Unused check stock is secured in a restricted area.</p> <p>Great Lakes’ personnel also reconcile the EFT loan disbursements transferred to each school to the EFT disbursement roster transmitted to the school.</p> <p>Based upon the detail “Disbursements Made Report” generated for each lender, an ACH transaction is automatically initiated, which charges the lender’s account for the net disbursement amount plus any applicable guaranty fees.</p>	<p>Tested a sample of disbursement reconciliations procedures performed by Great Lakes’ personnel noting that the checks had been produced or that EFT transactions had been executed.</p> <p>Reviewed physical access to the check stock at the facility in Madison, Wisconsin, noting that it was restricted to appropriate Great Lakes’ personnel.</p> <p>Tested a sample of EFT loan disbursement reconciliations noting that disbursement data and fund transfers agreed.</p> <p>For a sample of loan disbursements, compared the amounts per the ACH transactions to the funds disbursed per the “Disbursements Made Reports” noting that the loan disbursement and the guaranty fee equaled the amount charged to the lender.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 2

Loan Disbursement (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
	Great Lakes maintains bank accounts for disbursements. Great Lakes' personnel reconcile the bank accounts on a monthly basis.	Tested a sample of bank reconciliations noting that the reconciliations are performed on a monthly basis.	No relevant exceptions noted.

SCHEDULE 3

Canceled Loan Processing

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that uncashed disbursement checks with issuance dates 120 days prior to the current date or returned check or EFT disbursements are properly canceled.</p>	<p>A reconciliation list is provided monthly by Great Lakes' disbursement bank, which itemizes uncashed checks. For uncashed checks with issuance dates 120 days prior to the current date, Great Lakes issues a stop payment and cancels the disbursement for the appropriate borrower and lender.</p> <p>Returned/canceled disbursements received and processed by Great Lakes are balanced against daily deposits and transactions posted to Great Lakes' loan servicing database.</p>	<p>Tested a sample of monthly reconciliations noting that uncashed checks in excess of 120 days were canceled and stop payment orders were issued.</p> <p>Tested a sample of reconciliations, noting that returned/canceled disbursements were properly reconciled to the daily deposits and transaction posting reports.</p> <p>Tested a sample of returned/canceled disbursements, noting that they were posted to Great Lakes' loan servicing database.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>
<p>Controls provide reasonable assurance that origination fees are properly refunded for canceled loans in accordance with the applicable portions of 34 CFR Part 682.202.</p>	<p>The application program (Servicing System application) automatically generates a transaction to refund any applicable origination fee when a loan is canceled.</p>	<p>Tested a sample of returned/canceled disbursements noting that the origination fees were properly refunded.</p> <p>Tested program change controls as described in Schedule 15.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 4

Reconciliation

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that loans originated by Great Lakes' personnel are properly included on the Loan Servicing System.</p>	<p>The databases between the origination system and the Loan Servicing System are compared electronically on a monthly basis. The "Lender Origination Service Reconciliation Report" details any differences between the databases. Great Lakes' personnel investigate these differences on a timely basis.</p>	<p>Tested a sample of monthly reconciliations, noting that Great Lakes' personnel perform follow-up procedures to ascertain that any differences between the origination system and the Loan Servicing System are investigated and resolved.</p>	<p>No relevant exceptions noted.</p>

SCHEDULE 5

Loans Entering Repayment

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that repayment schedules/disclosures are generated in accordance with the applicable portions of 34 CFR Parts 682.205 and 682.209 and are mailed to the borrowers prior to the beginning of the repayment period.</p>	<p>The application program (Servicing System application) that generates repayment schedules/disclosures is programmed so that repayment schedules/disclosures are generated in accordance with the federal regulations. Repayment schedules/disclosures are mailed timely upon generation.</p>	<p>For a sample of borrowers entering repayment, recalculated the repayment schedules noting that they were in accordance with the federal regulations.</p> <p>Tested a sample of borrowers entering repayment noting that a repayment schedule was sent prior to the beginning of the repayment period. For those borrowers without interest benefits, noted that unsubsidized borrower repayment schedules were produced at the beginning of the repayment period to include capitalized interest.</p> <p>Tested program change control as described in Schedule 15.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 6

Reporting Sales, Transfers, and Assignments of Loans

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that loan sales, transfers, and assignments are approved and properly recorded.</p>	<p>A “transmittal listing” is generated detailing loans to be transferred between a buying and selling lender. This listing is sent to the buying and selling lender for approval. An automated transfer is only completed upon receipt of the required approval by Great Lakes’ personnel.</p> <p>A reconciliation is performed by Great Lakes’ personnel to demonstrate that transfers are properly recorded. Any differences are investigated on a timely basis.</p>	<p>Tested a sample from a population of sales, transfers, and assignments between lenders noting that approval was obtained.</p> <p>Tested a sample of reconciliations noting that they were performed and that any exceptions were investigated and resolved.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 7

Due Diligence in Collections

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that collection activities are performed in accordance with the applicable portions of 34 CFR Part 682.411.</p>	<p>The application program (Servicing System application) automatically generates notices/collection letters during specific delinquency periods.</p> <p>Upon receipt of returned mail or when a phone number is discovered to be invalid, Great Lakes' personnel update the invalid address/phone number flag, and the system will initiate skip-tracing procedures in accordance with federal regulations (within 10 days).</p>	<p>Tested a sample of delinquent loans noting that the system performed due diligence activities (i.e., generated letters) in accordance with federal regulations and Great Lakes' policies.</p> <p>Tested program change controls as described in Schedule 15.</p> <p>Reviewed returned mail/invalid phone number procedures with Great Lakes' personnel and also reviewed performance of procedures.</p> <p>Tested a sample of delinquent borrowers noting that the system initiated skip-tracing efforts within 10 days of Great Lakes' receipt of notification of bad addresses/invalid phone numbers.</p> <p>Tested program change controls as described in Schedule 15.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 7

Due Diligence in Collections (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
	<p>The application program (Servicing System application) automatically initiates a Request for Claim Assistance within the time frame established by the federal regulations.</p> <p>An automated dialer system is utilized by Great Lakes to make borrower phone contacts. The system is programmed to initiate phone calls in accordance with the federal regulations.</p> <p>The application program (Servicing System application) contains edits that monitor the due diligence history of accounts for compliance.</p>	<p>Tested a sample of claims noting that the system appropriately required default aversion assistance within the time frame established by the federal regulations.</p> <p>Tested program change controls as described in Schedule 15.</p> <p>Tested a sample of delinquent loans noting that the system initiated due diligence activities in accordance with federal regulations.</p> <p>Tested a sample of delinquent borrowers noting that the borrower phone number contacted per Great Lakes' system agreed with the telephone bill received from Great Lakes' telephone vendor.</p> <p>Tested a sample of delinquent borrowers noting that the system initiated the required due diligence procedures.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 8

Deferment and Forbearance Processing

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that deferments and forbearances are granted in accordance with the applicable portions of 34 CFR Parts 682.210 and 682.211, respectively.</p>	<p>Requests/communications for deferments or forbearances are received by Great Lakes’ personnel. Quality control procedures performed by Great Lakes determine that borrowers requesting deferments or forbearances are counseled on eligibility and documentation requirements.</p> <p>Borrowers eligible for deferment or forbearance are required to complete a form indicating their request. Borrower Accounts staff review the imaged forms/documents for completeness and enter the data online. The status processing system validates eligibility and determines effective dates for purposes of accurately calculating interest to be billed to the U.S. Department of Education.</p>	<p>Reviewed Great Lakes’ quality control procedure results, noting that eligibility and documentation requirements related to deferment and forbearance requests were determined to have been appropriately communicated to borrowers in accordance with federal regulations.</p> <p>Tested a sample of borrowers in deferment and forbearance noting their eligibility in accordance with federal regulations and the proper completion of the supporting documentation.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 8

Deferment and Forbearance Processing (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that interest is accurately calculated and capitalized to principal or billed to the U.S. Department of Education for the period of authorized deferment or forbearance in accordance with the applicable portions of 34 CFR Parts 682.210 and 682.211, respectively.</p>	<p>The application program (Servicing System application) automatically accrues and capitalizes interest based on the borrower's status, status change effective dates, and loan type. The application program (Servicing System application) is also programmed so that applicable interest benefits are properly billed to the U.S. Department of Education on a quarterly basis.</p>	<p>Tested a sample of borrowers in deferment and forbearance noting that interest was correctly calculated and accrued by the system, and was either appropriately capitalized to principal at the forbearance or deferment-end date, or was billed to the U.S. Department of Education during the deferment period.</p> <p>Tested program change controls as described in Schedule 15.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 9

Borrower Documents

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that critical documents are maintained, either in image or original form, in accordance with the applicable portions of 34 CFR Part 682.414.</p> <p>Controls provide reasonable assurance that certain critical information in the loan servicing database agrees with the respective supporting documents, either in image or original form, in the borrower’s file.</p>	<p>Status change, deferment, and forbearance documents are imaged upon receipt. For those original loan documents not imaged immediately upon receipt, a system-generated transmittal listing accompanies original loan documents to Imaging and Data Services. These documents are checked against the list to verify receipt by Imaging and Data Services.</p> <p>Required system records are maintained online for at least one year following the date the loan is paid in full, after which the system records are transferred to the imaging system.</p> <p>Data entered online from supporting documents is subject to a series of edit checks for completeness and reasonableness of information. Certain data elements must be entered twice to determine accuracy.</p>	<p>Tested a sample of borrowers in different stages of loan activity noting that the deferment and forbearance documents were immediately imaged and that the required critical documents were checked against the transmittal listing and maintained.</p> <p>Tested a sample of loans that had been paid in full noting that required system records were maintained online for least one year, and subsequently imaged.</p> <p>Attempted to post invalid information, noting the information was rejected.</p> <p>Tested a sample of borrowers in different stages of loan activity noting that certain critical information contained in Great Lakes’ loan servicing database agreed with the information maintained in the borrower’s file.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 10

Cash Management

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that transactions processed by the lockbox processor are properly transmitted and recorded by Great Lakes.</p>	<p>Files are transmitted daily to Great Lakes and are balanced prior to and after transmission.</p> <p>Cash transactions received from the lockbox are balanced against daily deposits and payments posted to Great Lakes' loan servicing database.</p>	<p>Tested a sample of transmission reconciliations, noting that the data transmitted by the lockbox processor was properly received by Great Lakes.</p> <p>Tested a sample of payment transactions received from the lockbox processor noting that the payments were posted to Great Lakes' loan servicing database.</p> <p>Tested a sample of reconciliations, noting that transactions were properly reconciled to the daily deposits and payment posting reports.</p> <p>Tested a sample of payment transactions received from the lockbox processor noting that the payments were posted to Great Lakes' loan servicing database.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>
<p>Controls provide reasonable assurance that transactions processed by Great Lakes are properly recorded.</p>	<p>Cash transactions received and processed by Great Lakes are balanced against daily deposits and payments posted to Great Lakes' loan servicing database.</p>	<p>Tested a sample of reconciliations, noting that transactions were properly reconciled to the daily deposits and payment posting reports.</p>	<p>No relevant exceptions noted.</p>

SCHEDULE 10

Cash Management (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that payment transactions, including borrower payments, consolidation payments, and claim payments, are properly allocated between principal, interest, and late charges.</p>	<p>When payments are posted, the application program (Servicing System application) automatically allocates the payment between principal, interest, and late charges.</p>	<p>Tested a sample of payment transactions processed by Great Lakes noting that the payments were posted to the Great Lakes' loan servicing database.</p> <p>Tested a sample of payments noting that they were properly allocated between principal, interest, and late charges.</p> <p>Tested program change controls as described in Schedule 15.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 11

Claims Filing

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that claims for defaulted loans are filed in accordance with the applicable portions of 34 CFR Part 682.406.</p> <p>Controls provide reasonable assurance that nondefault claims are filed in accordance with the applicable portions of 34 CFR Part 682.402.</p>	<p>Filing of default claims is electronically performed in accordance with federal regulations for loans guaranteed by Great Lakes Higher Education Guaranty Corporation via Great Lakes' imaging system.</p> <p>The application program (Servicing System application) initiates the filing of default claims guaranteed by other guarantors in accordance with federal regulations via the creation of a daily report of claims to be filed. Measures to initiate the filing of these claims are performed on a daily basis.</p> <p>Proper certification (i.e., death certificate, medical report, or court order) must be received by Great Lakes before a claim will be submitted to the guaranty agency. Once the certification is received, it is imaged and an image queue is created to initiate the review procedures.</p>	<p>Tested a sample of delinquent borrowers noting that the system filed a claim with Great Lakes Higher Education Guaranty Corporation within the time frame established by the federal regulations.</p> <p>Tested program change controls as described in Schedule 15.</p> <p>Tested a sample of delinquent borrowers, noting that claims were filed with other guaranty agencies within the time frame established by the federal regulations.</p> <p>Tested program change controls as described in Schedule 15.</p> <p>Tested a sample of loans noting that the proper certification (i.e., death certificate, medical report, or court order) was received by Great Lakes prior to filing the claim.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 11

Claims Filing (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
		<p>Tested a sample of loans noting that a claim and appropriate related documentation was filed with the guaranty agency within the time frame established by federal regulations.</p>	<p>No relevant exceptions noted.</p>

SCHEDULE 12

Credit Bureau Reporting

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that Great Lakes reports certain loan and lender information to credit bureaus in accordance with applicable portions of 34 CFR Part 682.208.</p>	<p>On a monthly basis, an extract program generates tapes for credit bureaus of the current status of loans on Great Lakes' loan servicing database. A monthly reconciliation is performed by Great Lakes' personnel to determine that loans have been included on the tapes. Any differences are investigated and corrected.</p>	<p>Tested a sample of monthly reconciliations noting that loans on Great Lakes' loan servicing database were properly included on the tapes generated for the credit bureaus, and differences were investigated and corrected.</p>	<p>No relevant exceptions noted.</p>

SCHEDULE 13

Management Reports

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that management reports, including lender transaction reports and monthly servicing reports, are complete, accurate, and distributed to the appropriate lender.</p>	<p>The application program (Servicing System application) that generates the lender transaction reports is programmed so that transaction reports, which include loan transfers, returned/canceled loan disbursements, payments, accrued interest, and new loan disbursements, are complete.</p>	<p>Tested a sample of loan transfers noting that they were properly reflected in the lender transaction reports.</p> <p>Tested a sample of returned/ canceled checks and EFT disbursements noting that they were properly reflected in the lender transaction reports.</p> <p>Tested a sample of payments noting that they were properly reflected in the lender transaction reports.</p> <p>Recalculated accrued interest and interest adjustments for a sample of accounts included in the lender transaction reports.</p> <p>Tested a sample of new loan disbursements noting that they were properly reflected in the lender transaction reports.</p> <p>Tested program change controls as described in Schedule 15.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 13

Management Reports (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
	<p>The application program (Servicing System application) that generates the monthly servicing reports is programmed so that the reports are complete and timely.</p> <p>Standard report formats are used to demonstrate that lender names, report titles, descriptive headings, dates, page numbers, and lender totals included in the lender transaction reports and monthly servicing reports are complete and clerically accurate.</p>	<p>Traced a sample of individual borrower payments, new loans, and outstanding principal balances to the monthly "Portfolio Status Reports."</p> <p>Tested the aging of a sample of loans on the monthly "Lender Delinquency Report" noting that the loans were classified in the proper aging categories based upon the last payment date.</p> <p>Tested program change controls as described in Schedule 15.</p> <p>Reviewed a sample of management reports, noting the lender number, titles, descriptive headings, date, page numbers, and lender totals were complete.</p> <p>Tested the clerical accuracy of a sample of management reports.</p> <p>Tested program change controls as described in Schedule 15.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 13

Management Reports (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that the LaRS reports are complete, accurate, and filed in accordance with federal regulations.</p>	<p>Great Lakes' personnel manually review management reports for clarity and legibility and compare lender name and number per the mailing labels to the management report prior to mailing.</p>	<p>Discussed with Great Lakes' personnel the policies and procedures controlling report distribution and observed Great Lakes' personnel performing management review.</p>	<p>No relevant exceptions noted.</p>
	<p>The application program (Servicing System application) that generates the LaRS reports is programmed so that the reports, including loan origination fees, average daily principal balances, and interest benefits, are complete, accurate and filed in accordance with federal regulations.</p>	<p>Tested a sample of borrowers with new loans noting that origination fees were properly included in the quarterly LaRS report.</p>	<p>No relevant exceptions noted.</p>
		<p>Tested a sample of borrowers noting that the appropriate loan origination fee was charged based upon the loan type.</p>	<p>No relevant exceptions noted.</p>
		<p>Tested a sample of returned/ canceled disbursements noting that origination fees were properly adjusted on the quarterly LaRS report.</p>	<p>No relevant exceptions noted.</p>
		<p>Tested a sample of borrowers noting that average daily principal balances were properly calculated and included in the correct special allowance category in the LaRS report.</p>	<p>No relevant exceptions noted.</p>

SCHEDULE 13

Management Reports (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
		<p>Tested a sample of borrowers noting that interest benefits were properly calculated and included in the correct interest rate category in the LaRS report.</p> <p>Reviewed LaRS report calculations and filing procedures with appropriate Great Lakes' personnel for the period under review.</p> <p>For a sample of lenders, we tested the LaRS report noting that it was clerically accurate and completed in accordance with federal regulations.</p> <p>Examined the LaRS reporting procedures manual and discussed with personnel the quarterly reporting and data flow processes.</p> <p>Examined the appropriateness of access granted to individuals with access to use the LaRS On-Line Adjustments transactions for reasonableness of access based upon users' job responsibilities.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 13

Management Reports (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
	<p>U.S. Department of Education edits have been built into the application program (Servicing System application) used to generate the LaRS reports.</p>	<p>Tested a sample of program changes and confirmed that the changes were appropriately authorized, tested, and approved.</p> <p>Tested a sample of LaRS reports noting that the reports were filed in accordance with federal regulations.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

**GENERAL DATA PROCESSING CONTROL OBJECTIVES, CONTROLS SPECIFIED BY GREAT LAKES,
TESTS PERFORMED, AND RESULTS OF TESTING**

SCHEDULE 14

Organization and Administration

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that appropriate segregation of functions exists between IS, Loan Servicing and other Great Lakes' personnel.</p>	<p>The security scheme provides, via an access control security software system, for separation between IS, Loan Servicing, and other Great Lakes' personnel.</p> <p>IS personnel are not allowed to initiate or authorize transactions within the Loan Servicing System production environment.</p> <p>Great Lakes' organization provides for appropriate segregation of functions, specifically between Loan Servicing, Systems Development, and Systems Support.</p>	<p>Reviewed a sample of mainframe user profiles noting that access was appropriate based on department and job title.</p> <p>Reviewed the appropriateness of access granted to individuals who can make changes to the security software access files.</p> <p>Reviewed a sample of IS user profiles noting that they were not allowed to initiate or authorize transactions.</p> <p>Reviewed the organization charts for Loan Servicing, Systems Development, and Systems Support personnel and ascertained appropriate segregation of functions.</p> <p>Reviewed a sample of Loan Servicing, Systems Development, and Systems Support personnel noting access granted to users does not create a conflict of functions.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 15

Application Development, Maintenance, and Documentation

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that application program (system) development and maintenance procedures provide proper authorization, testing, review, and approval for implemented program changes and modifications.</p>	<p>Program development and testing is performed within non-production libraries.</p> <p>Authorization for new and changed programs is documented within a project management system for major activities and within a problem management system for minor activities. Furthermore, users document their approval of major and minor changes, signifying that appropriate user testing was performed.</p> <p>Programming project leaders review new and changed programs for proper authorization, appropriate testing, and updating of program documentation.</p>	<p>Reviewed the Systems Development standards and procedures manual and discussed with Systems Development and Security Services personnel the level of segregation between the development and production libraries for development and testing as well as the limitations on programmers' access to the production environment.</p> <p>Tested the security listings noting that access assigned to Systems Development personnel for production data sets and libraries are restricted to read only and thus precluding program development within the environment.</p> <p>Tested a sample of new and changed programs noting that users documented their authorization and approval of testing.</p> <p>Reviewed the Systems Development standards and procedures manual and inquired of Systems Development personnel about the procedures for authorizing, testing, and documenting new and changed programs.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 15

Application Development, Maintenance, and Documentation (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
	<p>Each program change performed is processed against audit software to determine that standards and procedures are followed. The change software system does not allow programs that fail the audit software test to be promoted into production.</p> <p>Programs are moved to production status using a commercial software library management system based on the program meeting system standards as well as proper approval by authorized personnel.</p>	<p>Tested a sample of new or changed programs noting that authorized Systems Development personnel have reviewed them for completeness (e.g., existence of proper authorization, testing, and documentation updates).</p> <p>Performed an online review of the job stream for compiling code, noting that the audit software steps are required for program compiles and cannot be circumvented if programming standards are not met.</p> <p>Reviewed the Systems Development standards and procedures manual and discussed with Systems Development personnel the authorized approval process for implementing program changes.</p> <p>Tested a sample of new or changed programs noting that authorized Systems Development personnel's approval was included.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 15

Application Development, Maintenance, and Documentation (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that system documentation, which defines the system at appropriate levels of detail, is updated to reflect changes to the system.</p>	<p>There are formal documentation standards that relate to the program change process. Systems Development project leaders review new and changed programs to determine documentation is current.</p> <p>Documentation supporting program changes is maintained online in libraries for a period of 720 days.</p>	<p>Reviewed the Systems Development standards and procedures manual and discussed with Systems Development personnel the documentation standards and the types of documentation maintained.</p> <p>Tested a sample of new or changed programs noting that program change documentation was maintained in accordance with the standards and procedures in place.</p> <p>Tested a sample of new or changed programs made over the past two years and determined that the associated documentation was maintained online.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 16

Hardware and System Software

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that applicable and relevant standard features within the computer hardware and system software are utilized.</p> <p>Controls provide reasonable assurance that new system software and changes to existing software are appropriately authorized, tested, and implemented.</p>	<p>Standard control features such as label checking (validating that the correct backup tape is being used to load stored data) are used and monitored to determine they are operational.</p> <p>Systems Support personnel are responsible for maintaining and modifying the system software based on changes received from third-party software vendors. Changes to the system software are performed only after receiving proper authorization from management.</p> <p>Operating system software changes provided by the system software vendor are tested within a nonproduction environment before being implemented on the production systems.</p> <p>Access to implement system software changes is limited to authorized personnel.</p>	<p>Performed online verification of operating system control features, such as backup tape label checking and master scheduling to validate these features are enabled.</p> <p>Tested a sample of operating system changes noting that changes were approved by authorized personnel before being implemented into production.</p> <p>Tested a sample of operating system changes noting that testing was documented prior to being implemented into the production environment.</p> <p>Tested a sample of users having access to implement system software changes and ascertained that their access was appropriate based on their department and job title.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 17

Security Controls to Data Files and Programs

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that logical access (e.g., to data files, production transactions, source code, and production code) is limited to properly authorized individuals and programs.</p>	<p>Disk and tape files are identified by internal labels. The internal labels are checked by the operating system to determine the proper files are used. In addition to internal labels, external labels are used.</p> <p>Each Great Lakes' user is assigned an access ID that restricts access to data files and applications (production transactions). Access IDs for Great Lakes' personnel are based on department and job title. The access table is maintained by Security Services.</p>	<p>Performed online verification of operating system control features, such as backup tape label checking and master scheduling to validate these features are enabled.</p> <p>For a sample of users, ascertained that both end users and system users (e.g., Systems Support, Systems Development, etc.) access was appropriate based on department and job title.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 17

Security Controls to Data Files and Programs (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
	<p>End-user access rights are reviewed annually by management for appropriateness.</p> <p>Only appropriate Systems Development and Systems Support personnel have access to the source code. Access IDs for other personnel are based upon job descriptions and responsibilities. The access table is maintained by Security Services.</p> <p>Personnel do not have access to production code outside of the online program development tool. Only authorized Systems Development and Systems Support personnel have access to the online development tool and related files. Systems Development personnel have read-only access to the production program data sets.</p>	<p>Reviewed Great Lakes' users having access to production data sets for appropriateness of access based on department and job title.</p> <p>Reviewed appropriateness of access granted to Great Lakes' personnel authorized to change user profiles based on department and job title.</p> <p>Reviewed a sample of management reviews of logical access to the mainframe, ascertaining whether the review occurred and that appropriate follow-up procedures were performed.</p> <p>For a sample of users with access to source code, inspected with Systems Support personnel the appropriateness of the access based on department and job title.</p> <p>For a sample of users with access to the online development tool, inspected with Systems Support personnel the appropriateness of the access based on department and job title.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 17

Security Controls to Data Files and Programs (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
	<p>Access IDs of users who have not accessed the mainframe servicing system in the last 60 days are suspended indefinitely. The system also suspends the access IDs for any users who have not changed their passwords after a period of 60 days.</p> <p>Uses of data altering utilities are documented as they occur during emergencies to correct data anomalies. Great Lakes' personnel review the database audit log for altered data. In addition, access to these utilities is restricted through security software.</p> <p>An online data altering utility is used by Loan Servicing personnel to adjust certain loan fields for a borrower. Access is restricted (via security software) to authorized personnel, and changes are recorded in the borrower's online loan file.</p>	<p>Reviewed and discussed with Security Services the policies and procedures in place regarding the automatic suspension of user IDs for the period under review.</p> <p>Reviewed the access control security system options noting the reasonableness of restriction parameters set for the revocation of access IDs.</p> <p>For a sample of users, examined the appropriateness of update access to the data altering utilities with Systems Support and Loan Servicing personnel.</p> <p>For a sample of users with the ability to use the online data altering utilities, determined that the access was appropriate based up the users' department and job title.</p> <p>With the assistance of Great Lakes' personnel, reviewed a change to a loan field made using the online data altering utility noting that the change appeared on the borrower's online loan file and in the adjustments section of the corresponding report periodically submitted to lenders.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 17

Security Controls to Data Files and Programs (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
	<p>Lender Organization Consideration</p> <p>On a regular basis, lender organizations should review the adjustment section of appropriate reports and explanations received from Great Lakes.</p>		

SCHEDULE 18

Security Controls to Web Applications

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that changes to the IBIS web server are properly supported, approved, and tracked.</p> <p>Controls provide reasonable assurance that access to view borrower account information via the IBIS web application is restricted to appropriately authorized users.</p>	<p>Systems Support personnel review and document their approval of changes to the IBIS web server for proper authorization, adequate testing, and updating of supporting documentation.</p> <p>User access to the IBIS web application is restricted via account information (borrower social security number and borrower-assigned password).</p> <p>Each Great Lakes' employee is assigned an access ID on the system and granted access based on responsibilities for the IBIS web application.</p> <p>Secure Socket Layer certificates are used for encryption when sensitive information is transferred between the user and the IBIS webserver.</p> <p>Great Lakes' intrusion detection systems are configured such that appropriate Systems Support personnel are notified of suspicious activity.</p>	<p>Reviewed a sample of IBIS web server changes made during the examination period noting that the changes were supported by documentation approved by appropriate personnel.</p> <p>Tested user access to the IBIS web application, determining that such access was restricted via account information.</p> <p>Reviewed a list of employees with access to the IBIS web application ascertaining that this access was appropriate based upon job responsibility.</p> <p>Reviewed Operating System level security and other related controls.</p> <p>Reviewed the IBIS web application, noting that Secure Socket Layer certificates were used for the web site that supports the IBIS web application.</p> <p>Reviewed a sample of suspicious activity logged during our examination period, noting that appropriate system support personnel were notified.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 18

Security Controls to Web Applications (continued)

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
	<p>Great Lakes' firewalls are appropriately configured to only allow network traffic with a business purpose.</p>	<p>Reviewed a sample of the firewall configurations ascertaining that services allowed through the firewall have a business purpose.</p> <p>Reviewed a listing of employees with the ability to modify the firewall configurations, determining that this access is appropriate based upon job title and related responsibilities.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 19

Security Controls to Computer Facilities

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that access to physical facilities in Madison, Wisconsin, is limited to authorized personnel.</p>	<p>Physical access to computer and imaging equipment and Great Lakes' offices at the facility in Madison, Wisconsin, is restricted through the use of card-activated locks and perimeter alarms. The perimeter of the Madison, Wisconsin, facility is monitored by video surveillance equipment.</p> <p>At the facility in Madison, Wisconsin, new and used, unissued, nonactive access cards are stored in a locked drawer located in the Security Services area.</p> <p>Invalid physical access attempts are denied by the access software used to manage physical access at the Madison, Wisconsin, location.</p>	<p>Discussed with Security Services personnel the policies and procedures for monitoring and maintaining the card-key (access card) system.</p> <p>Observed the physical access system in use and tested access to the building and data centers with appropriately authorized access cards at the facility in Madison, Wisconsin.</p> <p>Reviewed the access granted to the Enterprise Operations Center (i.e., computer room and tape library), the Network Computer Center and Imaging and Data Services for a sample of Great Lakes' personnel based on employees' job descriptions and related responsibilities and noted the timeliness of each new setup.</p> <p>Reviewed procedures for controlling unissued, nonactive access cards and visitor access at the facility in Madison, Wisconsin.</p> <p>Observed the secured storage of unissued access cards and tested a sample and noted that they were not activated.</p> <p>Attempted to access various doors at the facility in Madison, Wisconsin, with unauthorized access cards noting that the attempts were appropriately denied.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>

SCHEDULE 20

Operations and Scheduling

Control Objectives	Controls Specified by Great Lakes	Tests Performed by Ernst & Young LLP	Results of Testing Performed by Ernst & Young LLP
<p>Controls provide reasonable assurance that scheduled jobs are performed timely and completely.</p> <p>Controls provide reasonable assurance that nonscheduled jobs are appropriately authorized and completed in accordance with user specifications.</p>	<p>A job-scheduling application is used to determine that scheduled processing is completed.</p> <p>Deviations from scheduled processing and processing problems are documented in the online jobs altered listing generated by the job scheduling application. The log is reviewed by the Great Lakes' supervisor who investigates unusual schedule changes.</p> <p>The appropriate supervisor is notified when jobs are submitted by Great Lakes' personnel to Great Lakes' scheduler that are not on the existing production schedule.</p>	<p>Reviewed and inquired of Systems Support personnel the production standards and procedures manual regarding production control policies and procedures.</p> <p>Tested a sample of scheduled production run requests for timely completion, execution, and resolution to deviations.</p> <p>Reviewed and inquired of Systems Support personnel the production standards and procedures for schedule modifications.</p> <p>Reviewed and inquired of Systems Support personnel the policies and procedures regarding execution of jobs not on the production schedule.</p> <p>Tested a sample of nonscheduled production run requests for timely execution and authorization requests.</p>	<p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p> <p>No relevant exceptions noted.</p>