

E-UPDATES is an electronic newsletter sponsored and operated by the Student Loan Guarantee Foundation of Arkansas (SLGFA) to provide program information to schools and lenders participating in the Federal Family Education Loan Program (FFELP).

E-Signature

SLGFA would like to inform schools and lenders of the upcoming availability of the electronic signature process (hereafter called e-sign process) for Stafford and PLUS borrowers. This new service to schools and lenders is yet another step toward streamlining the loan application process. It eliminates the need for the lender/guarantor to collect a signed piece of documentation by obtaining the borrower's signature via the online application process. The e-sign process is expected to be fully productional before the end of November 2002. The information contained within will assist schools and lenders in understanding the process and the steps they can take now to prepare for participation in this service once fully implemented.

The e-sign process is offered in conjunction with SLGFA's IT service provider, Sallie Mae. The process entails borrowers completing their promissory note on the World Wide Web (via NetWizard™) and does comply with federal requirements for electronic signatures. Schools and lenders participate in e-sign much like they do in the current "wet signature process" that has been in place for years, which includes the current authentication of borrowers via the school's certification and funds delivery mechanism. The following description outlines how the e-sign process differs from a typical wet signature process¹ for a borrower that does not already have a valid Master Promissory Note:

When the school determines borrower eligibility for a loan, they build a CommonLineSM application send record via WhizKid, FAM System, or other means and send it to SLGFA for guarantee like today. The only difference is that mark it as a "W" for a Web guarantee, so that SLGFA's guarantee system will forward the certification record to NetWizard. At the same time, NetWizard will send an email notification to the borrower with a link to NetWizard informing the borrower they should go online and complete their promissory note.

The borrower then follows the link to NetWizard and completes the application and promissory note. Before submitting, the borrower has the option to either print the note and wet sign or to e-sign the note. Assuming the borrower chooses to e-sign, then they are given the option to print the signed note (if they have an acceptable printer) or have SLGFA print and mail to them.

Once signed, SLGFA will receive a true and exact copy of the note via a PDF file. For lenders that disburse their monies or have another entity besides SLGFA disbursing on their behalf, SLGFA will forward a true and exact copy of the note to them. For lenders whom SLGFA disburses, the process will continue just as it does today.

Schools wishing to allow their borrowers to participate in the e-sign service should take the following steps to prepare for implementation:

1. Notify SLGFA of their interest and/or intent to participate (contact Mike Smith by phone at 800-622-3446, 636 or by email at msmith@slgfa.org).
2. Notify lenders that the school would like for them to participate in the e-sign process.
3. Identify any process flow² changes that need to take place within the school's environment.
4. Discuss and decide on Web-face co-branding³ options.
5. Discuss and decide on NetWizard service options.

¹ Assumes that the school is processing loan applications by guarantee and print.

² Identify how to inform the borrower that they will be completing their application online instead of by the current means utilized. Also, the e-sign process should minimize the walk-in and phone traffic experienced by school, thereby allowing school personnel to be re-directed to other important tasks.

³ Allows the school to make the online loan application on NetWizard appear like the school's Web site so as to strengthen the relationship with the borrower and the school.

Lenders wishing to allow their borrowers to participate in the e-sign service should take the following steps to prepare for implementation:

1. Notify SLGFA of their interest and/or intent to participate (contact Janet Gonyea by phone at 800-622-3446, 633 or by email at jgonyea@slgfa.org).
2. Identify the type of notification⁴ they wish to receive from SLGFA when loan is signed electronically.
3. Provide SLGFA with their privacy policy, which will be included in NetWizard to present to the borrower when completing the online promissory note.

Since the e-sign process offered by SLGFA is PIN-less (does not require a personal identification number) it does not include authentication of the borrowers' identify through a shared secret. The PIN-less e-sign process provides the same level of protection as the wet signature method. That protection is outlined below:

- Student applies to school.
- Student completes FAFSA.
- Student completes school-specific financial aid forms.
- Student and school receive the ISIR
- School determines financial aid package
- School certifies eligibility and validates attendance
- School delivers loan funds to the borrower.

SLGFA does not restrict multiple e-sign processes utilized by lender customers. Though lenders are required to provide SLGFA a description of each of their e-signature processes, SLGFA does not evaluate their process for compliance with federal requirements. The description(s) provided by the lender must include an overview of the steps that borrowers must follow in completing that lender's e-sign process. If the lender uses multiple processes, the description must also outline how the lender identifies which process was used for each loan. After providing the initial description(s), lenders must also notify SLGFA of any significant changes to their e-sign processes. The initial and any subsequent lender notification should be sent to Becky Collins at bcollins@slgfa.org.

Unless the lender follows guidelines in the U.S. Department of Education's "Standards For Electronic Signatures In Electronic Student Loan Transactions", loans are not insured if deemed by a court to be legally unenforceable because of the e-signature process in use at the time the notes endorsed. If the loan has not been purchased by SLGFA prior to being deemed unenforceable, then the lender must report the loan as having permanently lost its guarantee. The lender must refund applicable federal interest and special-allowance payments to the U.S. Department of Education in its next submission of ED Form 799. If the loan has been purchased as a claim, the lender will be required to repurchase the loan. If SLGFA must establish the validity of the lender's e-sing process, the lender may be required to assist SLGFA, including the reimbursement of associated legal expenses.

Questions regarding the requirements for utilizing multiple e-sign processes should be directed to either Becky Collins by phone at 800-622-3446, 638 or by email at bcollins@slgfa.org or to Majon Downs by phone at 800-622-3446, 640 or by email at mdowns@slgfa.org.

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⁴ Several options are available depending on the lender or the servicer's computing system and should be discussed with SLGFA operational staff.