

AL 95-5

Subject: FFEL Student Loan Program

TO: Chief Executive Officers and Compliance Officers of all National Banks,
Department and Division Heads and All Examining Personnel

PURPOSE

The purpose of this letter is to advise banks participating in the Federal Family Education Loan Program of a new compliance audit requirement.

REQUIREMENTS

A change in the Higher Education Act of 1965, implemented by 34 CFR 682.305(c) requires annual audits, beginning with your first fiscal year after July 23, 1992. Audit guidelines were recently developed by the Department of Education and made available in April 1995. A copy of the audit guide can be obtained by calling the Federal Student Aid Information Center at the Department of Education at 1-(800)-433-3243.

The initial audit(s) for fiscal years 1993 and 1994 must be completed by September 30, 1995. Failure to complete the required audit may jeopardize the bank's rights under the FFEL program. There is no size threshold to these audit requirements. All banks participating in FFEL programs must comply. Further, the auditor "must meet the qualification and independence standards contained in Government Accounting Standards, including the requirements relating to continuing professional education. Internal auditors of a lender are not independent of the entity while auditing within it."

Lenders who originate and/or hold \$10 million or more in a fiscal year, and lenders whose reports identify findings of noncompliance, must file the full

audit report with: Guarantor and Lender Oversight Staff
U.S. Department of Education
600 Independence Avenue, SW
Room 4624, ROB-3
Washington, DC 20202-5132

Other participating lenders must retain their reports for three years and submit them to the Guarantor and Lender Oversight Staff if requested.

Questions pertaining to the audit guide should be directed to the applicable
Regional Inspector General's Office attached to this letter.

National banks are reminded that, when they participate in government programs, they must stay abreast of all requirements to ensure continuation of any associated guarantees.

ORIGINATING OFFICE

For questions on this advisory letter, contact the Chief National Bank Examiner's Office, (202) 874-5170.

Jimmy F. Barton
Chief National Bank Examiner
Date: August 10, 1995

Attachment
(Attachment Not Available Electronically)