

Student Lending Subsidiary of Bank

Edgewater Technology evaluates Loan Servicing Systems at student lender to identify viable options, either through potential internal or external technologies, to replace the existing legacy Loan Servicing System

Edgewater Technology's approach provided:

- In-depth understanding of the student loan business as performed by the student loan organization;
- Detailed analysis of organization's current technology;
- Comprehensive collection and documentation of business requirements for:
 - Loan servicing of the organization's Federal Family Education Loan Program (FFELP) and private loans;
 - Customer servicing of the organization's FFELP and private loans; and
 - Default aversion and collections servicing of the student loan organization's FFELP and private loans.
- Identification and evaluation of potential options for the replacement of the organization's mainframe applications; and
- Presentation of resulting findings with recommendations.

The Environment Drivers:

In their role as a student loan service provider, this student loan subsidiary of a bank had been using three mainframe applications to support the Loan Servicing, Customer Servicing and Default Aversion/Collections functionality for their FFELP and private student loans. The applications were customized from an original consumer lending mainframe system. Due to the complex, highly regulated, volatile, and idiosyncratic business and regulatory requirements of the Student Lending industry, the current applications did not support the business function optimally. The student lending organization was nearing their limit of the loan volume that the Loan Servicing System and their staff could process, thereby limiting their potential for future business growth.

The mainframe used to platform the Loan Servicing, Customer Servicing and Default Aversion/Collections applications was supported by the Information Technology department. The bank's goal is to replace the current legacy mainframe platform within two years. Edgewater Technology was chosen to explore and evaluate possible alternatives that would permit the bank to migrate off the main-

frame hardware, yet enable the organization to continue to support and grow their student lending and loan servicing business. The bank selected Edgewater due to their industry knowledge and experience, technical expertise and outstanding reputation within the Student Loan community.

The Solutions:

Edgewater gathered and documented the business requirements for the loan servicing applications hosted on the mainframe and performed a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis of the systems. Among other findings, this brought to light the high volume of manual processes and workarounds driven by the inherent design limitations of the current applications and the affiliated risks, and costs associated with this degree of manual data manipulation.

Edgewater researched and evaluated possible alternatives that would support the business requirements and goals as defined by the bank's student loan organization. Options included any combination of: possible off-the-shelf software package customization and integration; outsourcing of services; leveraging and enhancing existing front-end loan guarantee system; re-platforming; or full custom application development. Factors that were considered included, but were not limited to: an acceptable match to the bank's business requirements, currency of technology, flexibility to accommodate frequent regulatory loan product changes, functional efficiency, scalability, time to delivery, resources needed to support the applications, data conversion effort, integration effort, impact on the existing front end loan guarantee system, and cost.

The Benefits:

Documented business requirements were given to senior management that provided the organization the information necessary to determine the appropriate next steps. Edgewater identified the pros and cons of each of the mainframe replacement options, and examined and provided supporting documentation to assist the bank's senior management in making an informed decision. The bank's senior management gained a better understanding of the hardware and software systems currently supporting their business and the limitations of these systems, allowing for a cost effective and timely development of a legacy system replacement strategy.