From: VP - Finance
Sent: Tuesday, April 21, 2009 8:30 PM (GMT)
To: Matt Seelye Redacted by HELP
Cc: Kevin Corser Redacted by HELP Finance Employee Redacte Finance Employee ; Finance Employee
Subject: RE: KC Loan Default Assumption/Outside Vendor Loan Data

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Matt,

Fin. E'ee and I met today, and we reviewed the Outside Vendor default data below. Unfortunately, the figures have significantly increased across the board. The default rate for KU/KHEC is 69.5% for the 2006 repayment vintage. The 2007 and 2008 vintages are following the same trend as the 2006 vintage, but the defaults are trending higher in the early months of repayment. I have 2006 and 2007 default data and weighted average FICO's broken out below.

Private Lender: Loan Default Rates for Kaplan Students

	Repay Year	$Orig.	WA_FICO	7/2008 Default Rate	4/2009 Default Rate
KU	2006	2.5 M	557	53.8%	62.6%
	2007	10.1 M	559	36.3%	53.3%
KHEC					
	2006	1.4M	557	74.5%	81.2%
	2007	15.2 M	552	54.0%	72.4%
Total					
	2006	3.9 M	557	61.5%	69.5%
	2007	25.3M	555	46.9%	64.8%

Kaplan Choice Loans
Through 3/31, we have disbursed $2.2 million in Kaplan Choice Loans (all volume is from KHEC schools). Of these loans the majority fit into the following FICO bands: 1) Redacted ; and 2) Redacted Redacted .

We may consider a two-tiered approach for reserves. Given the FICO profile of the Kaplan Choice Loans through 3/31, we should assume an 80% default rate for loans in repayment with the potential to make adjustments for recoveries through collection efforts. For loans in interim status, we should rely on the drop rate for KU/KHEC to give us an estimate of expected defaults. In talking with Fin. E'ee we estimate drops to occur at a rate of 5% per month over 18 months (approximately 60%). I have provided the details to Fin. E'ee and we can discuss further when you return.

Fin. E'ee and I discussed several variables that should be included in the model, and we have requested additional data on the Kaplan Choice portfolio (from the servicer) so we can get started.

Please let me know if you have any questions.

Thanks,

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From: Matt Seelye
Sent: Monday, April 20, 2009 11:04 PM
To: VP - Finance
Cc: Kevin Corser; Fin. E'ee ; Fin. E'ee ; Fin. E'ee
Subject: KC Loan Default Assumption

Hi VP - Finance

For accounting purposes, we will need to provide a reserve on the KC loans equal to expected default. The only proxy we might have to use for KC loan performance is the data you received from Outside Vendor performance and your industry experience.

Will you please take the point position in analyzing the characteristics of the KC loan activity to date and devising a methodology by which we can establish a FICO based, etc. reserve methodology?

I'm copying Kevin and Fin. E'ee as: Kevin is a key customer for the work product and Fin. E'ee is likely the person to muster an analytical resource (e.g., Fin. E'ee ?) to help you build the analysis. I wouldn't mind giving Fin. E'ee a chance but he might need detailed guidance from you and Fin. E'ee (consult Fin. E'ee).

We should build something that enables us to keep track of loan performance such that if different characteristics emerge, we can tailor the loan program. For example, if performance varies by program of study, geographic region, loan amount, etc.

This is time sensitive, so please jump in quickly.

Many thanks,

Matt