

**From:** Kevin Corser [Redacted]  
**Sent:** Friday, July 17, 2009 2:32 PM (GMT)  
**To:** Finance Employee  
**Subject:** RE: Kaplan Choice Loan Reserve Rate

Y, thanks

**From:** Finance Employee  
**Sent:** Friday, July 17, 2009 10:30 AM  
**To:** Kevin Corser  
**Subject:** FW: Kaplan Choice Loan Reserve Rate

Is this the email you needed?

**Redacted**

EXECUTIVE ASSISTANT TO VP/CONTROLLER  
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**From:** Finance Employee On Behalf Of Kevin Corser  
**Sent:** Wednesday, July 08, 2009 1:49 PM  
**To:** KHER Exec Dir-Presidents - All; [Redacted] **VPs - Operations**  
**Cc:** VP - Operations Wade Dyke; Lionel Lenz; [Redacted] Finance Employees Matt Seelye;  
VP - Finance [Redacted] Finance Employees [Redacted]; Beth Hollenberg  
**Subject:** Kaplan Choice Loan Reserve Rate

Hi Everyone,

As most of you are aware, the Kaplan Choice Loan has been reserved at a rate of 50%. This 50% rate was preliminary until we could complete an analysis to determine the KC Loan expected default rate. During June, we completed the analysis of factors such as marketplace repayment trends for subprime loans, FICO scores for loans issued, and the historical default rates on the [Redacted by HELP Committee] (similar loan product). Unfortunately, the news is not good. We expect only 20% of the KC Loans issued to be repaid. Obviously, we will work closely with Genesis and you to increase repayment, but the expected performance of these loans will require us to reserve 80% of KC loans.

**How will this impact you?**

The June P&L statements reflect a one-time adjustment in account 4418 to bring the reserve rate up to 80% on net disbursed loans. Going forward, new KC loan disbursements will be reserved at 80%. The impact to your P&L will depend on the volume of KC loans you have outstanding. The June YTD adjustment for each school will be communicated through the Group Controllers. We will also analyze the impact and work with Operations executives to determine an appropriate budget adjustment for each school (est. completion date by July 31).

**What can you do?**

As we discussed at the Management Conference, KC Loans should be used as a last option. Primary options before going to KC loans include:

- Drive the EXCITE program – cash is King
- Make sure all of your students who can qualify apply for state grants
- Ensure all students apply for other alternative loans
- Get co-borrowers
- Partner with agencies

If you have any questions, please contact your Group Controller.

Best regards,

Kevin Corser  
VP and Corporate Controller

Confidential

KHE 325963