



STUDENT LOAN

Automated Loan Origination and Servicing

FINANCE CORPORATION

Student Loan Finance Corporation's (SLFC) portal solution, built by BEA and Computer Sciences Corporation (CSC) allows SLFC to dramatically expand its presence in the loan origination market, diversifying SLFC's product set and creating new revenue opportunities. Additionally, by implementing a Web-based, self-service application built on BEA WebLogic Portal™, SLFC is improving the margins on its core loan-servicing business.

OVERVIEW

SLFC has been servicing student loans since 1979. Tight margins typical of the industry drove SLFC to look at ways to achieve greater profitability. The keys to increasing profitability are trimming costs and increasing volume. To achieve these objectives, SLFC launched an initiative to improve the efficiency of its flagship loan-servicing program.

In parallel with this initiative, SLFC pursued a second goal: to drive new revenue through its emerging loan-origination business. The firm has traditionally serviced loans established by third parties. SLFC sees a large market opportunity in assisting third parties with origination—one that could result in substantial fee revenue. A limitation, however, is that originations tend to be process- and paper-intensive,

which can translate into high costs that eat into profitability.

Initially, SLFC engaged CSC's Consulting Group to address its growth strategy. CSC's early project work at SLFC involved the development of an IT strategy based on SLFC's growth projections. As a result of that strategy, SLFC was able to secure a large portfolio of new business from a major financial institution. In order to meet the financial institution's specific requirements, CSC recommended that SLFC deploy a Web portal based on BEA's suite of products.

SLFC chose BEA and CSC to develop a solution that would address the dual challenges of loan servicing and loan origination. The BEA-CSC solution expands SLFC's self-service capabilities to reduce operating costs,

unify loan servicing and origination processes under one umbrella, and expose functionality as necessary to each of SLFC's key audiences—lenders, school administrators and borrowers.

“The portal solution from BEA and CSC is helping us achieve our two strategic objectives,” said Patti Waterman, chief information officer at SLFC. “For loan servicing, it's increasing our capacity and significantly lowering our administrative overhead by moving towards straight-through processing, which is enabling us to improve the margins on our core business. In addition, it is helping us break into the origination market. We anticipate that the success we're having with our current lenders will be replicated countless times as we bring more lenders into our portal environment.”

COMPANY BRIEF

SLFC is service provider for lenders and schools in education lending, and is a secondary market for student loans, providing liquidity for financial institutions and keeping default rates low for colleges and universities. SLFC's work ensures that capital is available to make student loans accessible to everyone wishing to pursue a college education. SLFC services over 450,000 loans with a combined value of more than \$1 billion.

BUSINESS PROCESS CHALLENGE

SLFC has been servicing student loans on behalf of lenders since 1979. Tight margins typical of the industry drove SLFC to look at ways to work more profitability. As with many low-margin businesses, the keys to increasing profitability are trimming operating costs and increasing volume. However, increased volume is typically accompanied by an increased administrative burden. This makes it very difficult to add loan portfolios while simultaneously cutting costs.

To address this challenge, the firm launched an initiative to improve the efficiency of its loan-servicing program. The objective was to leverage technology to slash overhead by expanding borrower and lender self-service, which, in turn, would enable SLFC to handle a larger loan volume.

In parallel with this initiative, SLFC was pursuing a second goal: to drive new revenue through its emerging loan-origination business. Loan origination is a relatively new market for SLFC. The firm has traditionally serviced loans that were established by third parties. SLFC sees a large market opportunity in also assisting third parties with origination—one that could result in substantial fee revenue. In addition, the overhead associated with servicing loans that SLFC itself originates is much lower than the overhead required to service non-SLFC-originated loans.

One limitation SLFC faced is that loan originations tend to be process- and paper-intensive, which often translates into high personnel and handling costs that could eat into profitability and offset the gains that SLFC hoped to accrue.

To solve this problem, SLFC turned to its information technology (IT) organization. The IT team was asked to deliver a solution that utilized automated workflows rather than manual processes to minimize origination costs, and build the system on an extensible foundation so that SLFC could quickly and easily add lenders to the origination program.

SOLUTION

SLFC selected its long-standing IT services provider CSC and trusted technology provider BEA for assistance in developing a comprehensive solution that would address the dual challenges of loan servicing and loan origination. The BEA-CSC proposed solution unifies nearly all SLFC business processes under one umbrella and exposes functionality as necessary to each of SLFC's key audiences—lenders, schools, and students.

Although SLFC had been using the Web for several years to provide product information and sales material, the transactional elements of the company's Web site were limited. Applications were independent of one another, creating functional silos that were not leveraged across the organization. Many workflows initiated online required some type of manual intervention before completion. In addition, the Web site was

focused solely on loan servicing, meaning it was unable to support loan originations.

A development team composed of professionals from both CSC and BEA Professional Services began building a more robust Web application on the BEA WebLogic Enterprise Platform™. CSC managed the implementation and its team was responsible for most of the software development, testing, and deployment. CSC teamed with BEA Professional Services to provide additional architecture and product expertise.

The solution's core technology is based on the BEA WebLogic Server™, which provides an industrial-strength infrastructure for developing, integrating, securing and managing enterprise applications. The external-facing Web presence is built on BEA WebLogic Portal™, a platform that simplifies the production and management of custom-fit portals. BEA WebLogic Portal enables SLFC to integrate content, applications, and business processes in a personalized and tailored manner for each audience.

“The sites appear to the outside world as three distinct portals,” said Waterman. “However, the portals are actually running on a single instance of the portal software, pulling data from the same back-end data stores. The three views share a common authentication service, they sit atop the same application and portal server, and the same user interface was reused for each portal with simple content and presentation changes implemented for each audience.”

The student portal enables borrowers to make changes to their user profiles and track payments and disbursements. The school portal allows school administrators to review the status of loans for students who are financing their educations and make various changes to these loans in real time. The lender portal offers visibility into specific loans that SLFC is servicing on behalf of each participating lender.

SLFC selected BEA WebLogic Enterprise Platform as its development platform based on a number of business-critical criteria, including BEA's unified infrastructure that protects SLFC from having to deploy point

products from multiple vendors. This minimized project risk and reduced the in-house expertise that SLFC needed to manage the solution. BEA also offered unmatched standards support, which maximizes business and technical flexibility as SLFC's needs evolve. The standards-based approach simplifies integration across the enterprise and outside the enterprise with participating lenders. Perhaps most importantly, SLFC felt that the BEA WebLogic Enterprise Platform would accelerate time to value.

“This strategic project, lead by CSC, will help us break into a new market and eliminate many costly manual processes, and as such, we wanted to see rapid results,” said Waterman. “Based on conversations with several BEA customers, the extensive feature set of BEA WebLogic Portal and its strict adherence to open standards made us feel confident that building on BEA would give us the best chance to move this project along quickly. That's exactly what happened, and we expect subsequent projects to move even faster now that the infrastructure is in place. The portal we built on BEA WebLogic is a big win for SLFC.”

The portals are running on the Sun Solaris operating system. The primary database environment is Microsoft SQL Server. CreditRevue for Student Lending, from Credit Management Solutions, is used for loan origination and the loan-servicing system is homegrown. BEA WebLogic Server is running on four Sun Fire servers.

The three BEA portals were the first phase of three planned projects for BEA WebLogic development. While these portals are specific to a particular lender, SLFC is currently developing its home portal, SLFC.com, which will be capable of expanding to allow expanded real-time capabilities to SLFC borrowers, schools, and lenders.



RESULTS

The three BEA-powered portals went live in Spring 2003, after only seven months of development. The first phase of the project was designed specifically to support a major national bank, its student borrowers, and participating schools. SLFC has long serviced loans on behalf of this lender which is one of the largest student loan providers in the country, with more than 200,000 notes currently in effect. SLFC plans to add more lenders to the portal environment in the coming months.

The portals are replacing a combination of telephone support, email communication, and paper forms that SLFC formerly used for loan servicing. For borrowers who still prefer to contact SLFC by phone with questions about their loans, SLFC service representatives have access to the same applications that are available via the portal. This enables SLFC to expedite problem resolution and provide answers to questions as quickly as possible.

Loan origination, a new offering from SLFC for their lending partners, is completely electronic. SLFC is able to capture applicant data and process applications entirely online for their banking partners.

“The long-term potential for us in the origination market is unlimited,” said Waterman “It’s hard to overstate the importance of CSC’s role in recommending and implementing this portal. Over the past few years, CSC has earned a trusted advisor role with our management team. They embraced our vision to establish a presence in the origination market and have helped us develop a roadmap to grow our business. The BEA WebLogic Portal that CSC has implemented opens

up the possibility of new revenue streams, a more diversified business, and deeper relationships with lenders and borrowers. And for loan servicing, our BEA-powered portal is increasing the potential loan volume we can handle while significantly lowering our overhead by enabling straight-through processing, which automates and streamlines processes so we can improve the margins on our core business.”

All business conducted on the Web is completed in real time. For example, payments or changes to borrower profiles are executed immediately. User authentication and authorization are powered by BEA’s unified security model and single sign-on, which leverage BEA’s unified user profiles to determine access to specific applications and data.

Waterman added, “From a technical perspective, the BEA-CSC solution is a big win. It is dramatically shortening development time and cost. This will enable us to bring new customers online rapidly, and it will allow us to accelerate our time to market with new services and functionality.”

ABOUT BEA

BEA Systems, Inc. (Nasdaq: BEAS) is the world’s leading application infrastructure software company, providing the enterprise software foundation for more than 15,000 customers around the world, including the majority of the Fortune Global 500. BEA and its WebLogic® and Tuxedo® brands are among the most trusted names in business.

Headquartered in San Jose, Calif., BEA has 77 offices in 31 countries and is on the Web at www.bea.com.

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