

OFFICE OF THE STATE AUDITOR

DIANA DIZOGLIO

Official Audit Report – Issued November 26, 2025

Massachusetts Educational Financing Authority

For the period July 1, 2022 through June 30, 2024



OFFICE OF THE STATE AUDITOR

DIANA DIZOGLIO

November 26, 2025

Thomas M. Graf, Executive Director
Massachusetts Educational Financing Authority
60 State Street, Suite 900
Boston, MA 02109

Dear Mr. Graf:

I am pleased to provide to you the results of the enclosed performance audit of the Massachusetts Educational Financing Authority. As is typically the case, this report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2022 through June 30, 2024. As you know, my audit team discussed the contents of this report with agency managers. This report reflects those comments.

I appreciate you and all your efforts at the Massachusetts Educational Financing Authority. The cooperation and assistance provided to my staff during the audit went a long way toward a smooth process. Thank you for encouraging and making available your team. I am available to discuss this audit if you or your team has any questions.

Best regards,



Diana DiZoglio
Auditor of the Commonwealth

cc: Keith Shaughnessy, Chair of the Massachusetts Educational Financing Authority Board of Directors

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
OVERVIEW OF AUDITED ENTITY	2
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY	8
DETAILED AUDIT FINDINGS WITH AUDITEE’S RESPONSE	13
1. The Massachusetts Educational Financing Authority did not always provide borrowers with consistent loan term information.	13

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Massachusetts Educational Financing Authority (MEFA) for the period July 1, 2022 through June 30, 2024.

The purpose of our audit was to determine the following:

- Did MEFA ensure that loan recipients met the established eligibility requirements in accordance with Section 5(e) of Chapter 15C of the General Laws and with Appendix XII of the *MEFA Student Loan Operations Manual*?
- Did MEFA provide the required loan disclosure information to approved applicants within the timeframes specified under Sections 32.46(4)(a)–(c) and 32.47(2)(a)–(c) of Title 209 of the Code of Massachusetts Regulations?
- To what extent did MEFA ensure that eligible students, coborrowers, and the general public were made aware of MEFA’s State-Supported Supplemental Education Loan Programs as required by Section 5C of Chapter 15C of the General Laws?

Below is a summary of our finding, the effect of that finding, and our recommendations, with hyperlinks to each page listed.

Finding 1 Page 13	MEFA did not always provide borrowers with consistent loan term information.
Effect	The inconsistency between the initial loan agreement and the final disclosure may lead to borrower confusion regarding their repayment obligations, potentially affecting their financial planning and credit score. This situation could also result in reputational damage to MEFA as a lender.
Recommendations Page 14	<ol style="list-style-type: none">1. MEFA should ensure that the repayment term reflected in final disclosure documents either aligns with the loan agreement or is clearly explained when discrepancies occur due to minimum monthly payment thresholds.2. MEFA should include language in disclosures that clarifies how the \$50 minimum payment requirement may impact the actual loan repayment period.

OVERVIEW OF AUDITED ENTITY

The Massachusetts Educational Financing Authority (MEFA) was established by Chapter 803 of the Acts of 1982 and codified as Chapter 15C of the Massachusetts General Laws. MEFA is a self-funded, state-chartered student loan organization. MEFA provides financial assistance to students attending post-secondary schools through financing and refinancing the cost of education.

According to its website, MEFA's mission is to help "students and their families plan, save, and pay for college and reach financial goals." MEFA offers student loan options with fixed interest rates for both undergraduate and graduate students.

MEFA also works with parents, students, and school guidance counselors by providing various instructional opportunities through its advisory and outreach programs. Each MEFA student loan must be certified by the student's college or university before disbursement to ensure that the loan does not exceed the college's or university's cost of attendance.

During the audit period, MEFA disbursed a total of 39,203 student loans, totaling \$866,605,242,¹ and MEFA had assets of approximately \$2.8 billion as of June 30, 2024. MEFA is headquartered in downtown Boston and employed 41 individuals as of June 30, 2024.

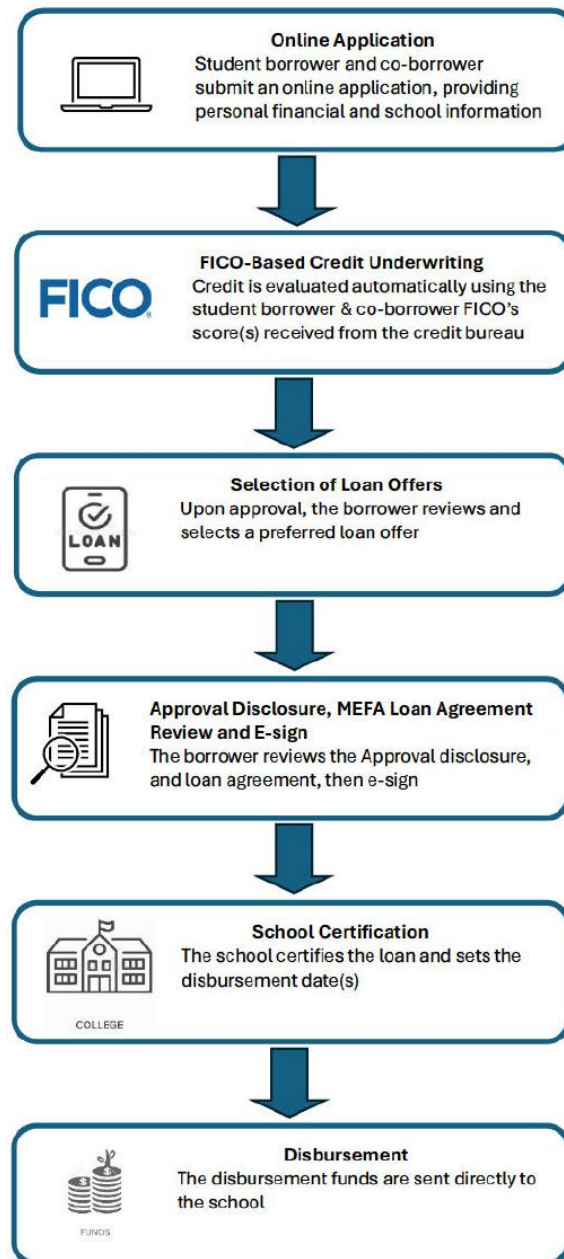
MEFA Educational Loan Programs

According to its website, to be eligible for a MEFA loan, a student must be enrolled at least half-time in an accredited, degree-granting undergraduate or graduate program at an eligible nonprofit college or university in the United States. The student must also maintain satisfactory academic progress as defined by the college or university. Borrowers must be citizens or permanent residents of the United States with no history of (1) default on an education loan and (2) bankruptcy or foreclosure in the past 60 months. Finally, the loan application must comply with MEFA's credit approval standards. These standards depend on the type of loan and the number of signatories on the loan. MEFA reviews applicants' credit scores and additional data from applicants' Experian credit reports and verifies that these scores and data meet its standards.

1. According to MEFA officials, loans disbursed during the audit period included amounts that were approved before the audit period and refinance loans.

According to officials from MEFA, the MEFA loan process is divided into two distinct phases: the origination phase and the servicing phase. The loan process begins at the origination phase, which involves the initial application, the review and approval of the application, the review of disclosure information by the applicant, the school certification of loan eligibility, and finally, disbursement of the loan.

The following diagram, provided to us by MEFA for this audit, illustrates the loan origination process, highlighting the steps from application to the disbursement of funds.



Source: MEFA senior management

As a result of a private loan origination agreement signed on January 29, 2018 between MEFA and Entech Consulting LLC (referred to in this report as Entech), MEFA outsourced its education loan origination processing and call center operations to Entech. According to the terms of the agreement,

Entech has developed and is marketing a computerized education loan origination service using Entech's [loan origination] software (the "Software"), as customized for individual customers, and has employed personnel for the performance of related call center functions.

Entech shall perform all services and duties customary to the origination of education loans in accordance with generally established procedures and industry standards and practices, including. . . . (1) Reviewing and responding to all electronic mail inquiries from applicants (including co-applicants) and borrowers (including co-borrowers) of MEFA's education loans, and processing all inbound documents received by mail, electronic mail or facsimile transmission [and] (2) reviewing and processing via the Platform loan applications and related documents, as applicable, including without limitation credit agreements and applicant certifications.

The loan origination process includes a mobile application that allows customer service representatives to initiate applications through loan origination software. However, borrowers are eventually required to set up an online account to access important disclosures and view other critical documents. As part of this process, students must create an account and provide personal and financial information, including their names, Social Security numbers, income, school names, desired loan amounts, grade levels, and academic years for which they need the loan.

Once registered, student borrowers are required to review several important documents. These include the Application and Solicitation Disclosure, MEFA's Electronic Communication and Signature Disclosure, and the Privacy Policy Disclosure. The Application and Solicitation Disclosure is designed to inform borrowers about loan options and help them compare MEFA loans with other available financing options.

Student borrowers have the option to invite a coborrower, who is often a parent, to join the application process. The student borrower sends a direct invitation to the coborrower, who then creates their own MEFA account and completes their portion of the application. Once the coborrower has set up their account, both the student borrower and the coborrower review the Application and Solicitation Disclosure and the Privacy Policy Disclosure, verify the loan amount entered by the student borrower, and provide their housing and income information.

After completing these steps, the borrower moves on to the credit consent stage, where they must authorize MEFA to evaluate their credit history. This evaluation is conducted using FICO-based² underwriting, which is a scoring assessment using many different pieces of credit data in an individual's credit report, and is facilitated through Experian, MEFA's credit reporting partner.

Once the minimum credit score requirement is met, MEFA presents the available loan options to the student borrower and coborrower. After reviewing the options and selecting a loan, the student borrower and coborrower can electronically sign the loan documents to finalize the loan.

Before finalizing the loan, the borrower(s) must review the Truth in Lending Approval Disclosure and the MEFA Loan Agreement, consent to the terms, and authorize identity verification. This verification process ensures the authenticity of both the student borrower and coborrower, which is required to complete the electronic signature process securely.

Upon completion of the loan agreement, the coborrower must complete the self-certification form, which is required by the United States Department of Education. This self-certification involves submitting the estimated cost of attendance and financial aid awards.

After the loan agreement is signed, MEFA contacts the student's school to certify the loan based on eligibility requirements and enrollment status and to verify the cost of attendance, as well as any other financial aid the student may be receiving. The school also establishes the disbursement date for the funds. Once the disbursement date is set, both the student and coborrower receive an email notification to log in to their account and review the final disclosure document. Once MEFA has determined that the 30-day grace period has concluded, the origination process is complete and the loan is transferred to the servicing phase.

MEFA contracts with the Pennsylvania Higher Education Assistance Agency (PHEAA) to provide loan servicing for borrowers. According to PHEAA's website,

The Pennsylvania Higher Education Assistance Agency (PHEAA) was created by the Pennsylvania General Assembly in 1963 to provide affordable access to higher education for PA students and families. . . .

PHEAA conducts student loan servicing operations nationally as American Education Services (AES). . . . AES was created to guarantee and service a variety of Federal Family Education Loan

2. FICO is an acronym for Fair Isaac Corporation, the company that developed one of the most widely used credit scoring models in the United States. A FICO score is a specific type of credit score that helps lenders assess one's likelihood of repaying a loan.

Program (FFELP) and private education loan products for lending partners throughout the United States. AES is a national leader in providing quality customer service to millions of student loan borrowers through its highly trained and experienced customer service representatives.

According to MEFA's service agreement with PHEAA, dated April 1, 2018,

Pennsylvania Higher Education Assistance Agency [doing business as] American Education Services will be responsible for servicing the Education Loans over the life of the loan or the term of the Servicing Agreement. Servicer will provide loan Servicing in accordance with the Servicing Guidelines

As part of the service process, PHEAA reviews loan documentation and ensures timely repayment of loan amounts. Borrowers have the option to begin repayment immediately or to defer payments until they have completed their educational program.

According to MEFA officials, MEFA offers modified payment plans to support borrowers experiencing financial difficulties, allowing for lower monthly payments. MEFA provides guidance and support through four distinct programs designed to help both undergraduate and graduate students manage repayment. These options include an interest-only payment program, which temporarily reduces financial stress by allowing borrowers to pay only the interest for a specified period. Modified payment terms may be offered to borrowers who experience financial hardship to help prevent default if borrowers' accounts are 15 or more days overdue. MEFA reviews loan portfolio performance reports, including aging reports, to assess its overall inventory of loans, including those in delinquency.

During the audit period, a total of 35,217 loans, totaling \$651,146,413, were approved and accepted. The table below provides a breakdown of the loan types and their corresponding total dollar amounts.

MEFA Loan Type	Fiscal Year 2023 Amount	Fiscal Year 2024 Amount	Total Amount
Undergraduate Immediate Repay	\$ 33,050,346	\$ 41,345,397	\$ <u>74,395,743</u>
Deferred Graduate Fixed Interest	9,539,991	9,954,220	<u>19,494,211</u>
Deferred Undergraduate Fixed Interest	85,586,916	96,370,933	<u>181,957,849</u>
Undergraduate Fixed Interest Only	39,670,357	38,621,367	<u>78,291,724</u>
Graduate Fixed Interest Only	3,450,177	4,028,792	<u>7,478,969</u>
Undergraduate Deferred with Coborrower Release Provision: 15-Year Term	62,405,581	71,808,415	<u>134,213,996</u>
Undergraduate Immediate Repay: 10-Year Term	71,086,508	84,227,413	<u>155,313,921</u>
Total	\$ <u>304,789,876</u>	\$ <u>346,356,537</u>	\$ <u>651,146,413</u>

Marketing of Supplemental Loan Program

According to Section 5C of Chapter 15C of the General Laws, MEFA is authorized to develop a state-supported supplemental education loan program. This program is intended to provide additional financial assistance to students through loans with favorable terms, such as lower interest rates, making it easier and more affordable for students to pay for their education. This initiative must be implemented in partnership with participating higher education institutions and is designed to help these institutions attract and retain students.

A key objective of this program is to raise public awareness so that MEFA can assist as many qualified students and higher education institutions as possible.

Outreach

According to officials, MEFA works with organizations to build strong business-to-business relationships to help market its programs. It also provides school administrators, counselors, community organizations, and college staff members with training and development programs, which are aimed at enhancing student lending practices and increasing awareness of MEFA's services.

MEFA aims to increase awareness of the student loan process by working directly with families to develop a clear timeline for borrowers regarding student loan offerings and the overall financial aid process, ensuring that they are well-prepared to make informed financial decisions. This includes helping families understand how financial aid packages may not fully cover all educational costs, potentially creating a funding gap between attendance expenses and available funds.

To educate and engage potential student borrowers, MEFA conducts targeted advertising campaigns. These efforts include branded paid search advertisements and a variety of other communication channels, such as radio spots, billboards, and online banners on social media platforms. In addition to its marketing efforts, MEFA also conducts direct outreach to students, families, and college personnel members.

MEFA events, including webinars and participation at lender fairs, are offered both in-person and virtually. These events are designed to inform families and students about options for financing higher education. As part of its marketing strategy, MEFA uses metric tools, such as Google Analytics, to monitor website traffic. MEFA tracks call-to-action buttons on its website and analyzes the paths users take through the website to better understand their behavior and needs. This allows MEFA to more effectively guide users to the appropriate webpages or materials that they are likely seeking.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Massachusetts Educational Financing Authority (MEFA) for the period July 1, 2022 through June 30, 2024.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Did MEFA ensure that loan recipients met the established eligibility requirements in accordance with Section 5(e) of Chapter 15C of the General Laws and with Appendix XII of the <i>MEFA Student Loan Operations Manual</i> ?	Yes
2. Did MEFA provide the required loan disclosure information to approved applicants within the timeframes specified under Sections 32.46(4)(a)–(c) and 32.47(2)(a)–(c) of Title 209 of the Code of Massachusetts Regulations (CMR)?	Partially; see Finding 1
3. To what extent did MEFA ensure that eligible students, coborrowers, and the general public were made aware of MEFA’s State-Supported Supplemental Education Loan Programs as required by Section 5C of Chapter 15C of the General Laws?	To a sufficient extent

To accomplish our audit objectives, we gained an understanding of the MEFA internal control environment relevant to our objectives by reviewing applicable policies and procedures and relevant contracts, as well as by conducting interviews and walkthroughs with MEFA management. We evaluated the design and implementation of the internal controls significant to our audit objectives. We also tested the operating effectiveness of application controls related to the processing of student loan applications and the approval of loan disclosures for applicants who were approved. In addition, to obtain sufficient, appropriate evidence to address our audit objectives, we performed the procedures described below.

Student Loan Eligibility Requirements

To determine whether MEFA ensured that loan recipients met the established eligibility requirements in accordance with Section 5(e) of Chapter 15C of the General Laws and with Appendix XII of the *MEFA Student Loan Operations Manual*, we took the following actions. First, we obtained a dataset containing detailed information³ on all 35,217 loans approved and accepted during the audit period from MEFA's loan origination software, which is used to process loan applications. From this dataset, we selected a statistical⁴ sample of 60 loans, using a 95% confidence level,⁵ a 0% expected error rate,⁶ and a 5% tolerable error rate.⁷

For each of the 60 loans in our sample, we confirmed that the corresponding student had a certificate of admission or enrollment at a participating institution of higher education by reviewing screenshots of school certifications stored in MEFA's loan origination software.

We reviewed the credit application results for each applicant to confirm that MEFA assessed their credit history for any education loan defaults, bankruptcies, or foreclosures within the past 60 months. We also determined whether each applicant met MEFA's minimum FICO score requirements as specified in the *MEFA Student Loan Operations Manual's* credit criteria by comparing the FICO scores of the student borrower and any coborrowers against the required thresholds, which ranged from 670 to 710 during the audit period.

In addition, we confirmed that the combined income of the borrower and any coborrower(s) met or exceeded the federal poverty guidelines by comparing the applicants' reported income amounts to MEFA's required thresholds.

-
3. The dataset included details such as loan application identifications, student and coborrower names, loan types and descriptions, loan award amounts, and disbursement dates.
 4. Auditors use statistical sampling to select items for audit testing when a population is large (usually over 1,000) and contains similar items. Auditors generally use a statistics software program to choose a random sample when statistical sampling is used. The results of testing using statistical sampling, unlike those from judgmental sampling, can usually be used to make conclusions or projections about entire populations.
 5. Confidence level is a mathematically based measure of the auditor's assurance that the sample results (statistic) are representative of the population (parameter), expressed as a percentage. A 95% confidence level means that 95 out of 100 times, the statistics accurately represent the larger population.
 6. Expected error rate is the number of errors that are expected in the population, expressed as a percentage. It is based on the auditor's knowledge of factors such as prior audit results, the understanding of controls gained in planning, or a probe sample. In this case, we are assuming there are no errors in the data provided to us by the auditee.
 7. The tolerable error rate (which is expressed as a percentage) is the maximum error in the population that is acceptable while still using the sample to conclude that the results from the sample have achieved the objective.

For this objective, we found no significant issues during our testing. Therefore, we concluded that, based on our testing, MEFA ensured that loan recipients met the eligibility requirements established in Section 5(e) of Chapter 15C of the General Laws.

Loan Disclosure Information

To determine whether MEFA provided the required loan disclosure information to approved applicants within the timeframes specified under 209 CMR 32.46(4)(a)–(c) and 32.47(2)(a)–(c), we took the following actions. We used the same statistical sample of 60 loans that we selected for our eligibility testing, drawn from the dataset of 35,217 loans approved and accepted during the audit period.

For each of the 60 loans in our sample, we reviewed the loan disclosure documents to ensure that approved applicants received the required disclosures before loan approval. We determined whether the approval disclosure date matched the approval completion date recorded in MEFA’s loan origination software. We also confirmed that the disclosure documents included required information such as payment terms, loan amounts, and associated fees, and that the loan agreements, which detail the consequences of defaulting, were signed by the borrower and any coborrower(s). Finally, we ensured that the loan term stated in the final disclosure matched the term outlined in the signed loan agreement by comparing both documents.

For this objective, we found certain issues during our testing; namely, that MEFA did not always provide borrowers with consistent information regarding their loan repayment terms. See [Finding 1](#) for more information.

Marketing and Outreach of State-Supported Supplemental Loan Program

To determine to what extent MEFA ensured that eligible students, coborrowers, and the general public were made aware of MEFA’s State-Supported Supplemental Education Loan Programs as required by Section 5C of Chapter 15C of the General Laws, we took the following actions. First, we interviewed MEFA officials to discuss their marketing and outreach strategies for publicizing these loan programs. We also inquired whether MEFA had key performance indicators or internal metrics in place to measure the effectiveness of its outreach efforts, and how management reviewed these metrics.

We obtained and examined MEFA's marketing plans that were in effect during the audit period to determine whether outreach activities were both planned and executed. We selected a judgmental,⁸ nonstatistical sample of 10 events out of a population of 28 planned financial aid and college loan marketing events. We reviewed supporting documentation (e.g., webinar recordings and attendance records) to confirm that these events took place. In addition, we examined the general ledger and supporting invoices totaling \$825,808 for fiscal year 2023 and \$773,296 for fiscal year 2024 to determine whether MEFA incurred marketing expenses to support its loan awareness campaigns.

We also reviewed loan performance reports containing key performance indicators such as email open rates, paid media campaign results, and website traffic. Additionally, we examined meeting calendars to determine whether MEFA held regular meetings to discuss and monitor its marketing campaigns.

For this objective, we found no significant issues during our testing. Therefore, we concluded that, based on our testing, MEFA sufficiently ensured that eligible students, coborrowers, and the general public were made aware of MEFA's State-Supported Supplemental Education Loan Programs as required by Section 5C of Chapter 15C of the General Laws.

We used a combination of statistical and nonstatistical sampling methods for testing. Where we used nonstatistical sampling methods, we did not project the results of our testing to any populations.

Data Reliability Assessment

Loan Origination Software

To determine the reliability of the data within MEFA's loan origination software, we conducted interviews and system walkthroughs with MEFA management and staff members who were knowledgeable about the data and responsible for its oversight, in order to gain an understanding of the system's controls and data management processes.

8. Auditors use judgmental sampling to select items for audit testing when a population is very small, the population items are not similar enough, or there are specific items in the population that the auditors want to review. Auditors use their knowledge and judgment to select the most appropriate sample. For example, an auditor might select items from areas of high risk. The results of testing using judgmental sampling cannot be used to make conclusions or projections about entire populations; however, they can be used to identify specific issues, risks, or weaknesses.

We reviewed System and Organization Control reports⁹ covering the audit period. We also tested the data to ensure that it did not contain certain dataset issues (i.e., duplicate records, blank fields, and data corresponding to dates outside the audit period). Additionally, we conducted a gap analysis to determine whether loan application numbers appeared in sequential order. Further, we compared the total number of records in the dataset we received to the number observed during the data extraction process to confirm completeness.

We selected a random sample of 20 approved and accepted loans and traced the applicant identification, applicant name, loan type, and loan amount to the signed loan agreements to determine accuracy.

Finally, we confirmed that the number of loan types in the dataset matched the number of MEFA loan types advertised on the MEFA website.

Marketing and Outreach Plans

To determine the reliability of the marketing plans we conducted interviews with MEFA management and staff members who were knowledgeable about the marketing plans and responsible for their oversight, in order to gain an understanding of how they were developed. We examined the plans for gaps by counting the weeks included in each plan to ensure that they covered the full duration of the audit period. We also randomly selected five planned financial aid and college loan marketing events and traced their dates, titles, and descriptions to MEFA webinar recordings on YouTube to determine their accuracy.

Based on the results of the data reliability assessment procedures described above, we determined that the information we obtained during the course of our audit was sufficiently reliable for the purposes of our audit.

9. A System and Organization Control report is a report on controls about a service organization's systems relevant to security, availability, processing integrity, confidentiality, or privacy.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Massachusetts Educational Financing Authority did not always provide borrowers with consistent loan term information.

The Massachusetts Educational Financing Authority (MEFA) did not always provide borrowers with consistent information regarding their loan repayment terms. In some cases, we identified discrepancies between the repayment term disclosed in the final disclosure document and the term specified in the executed loan agreements. Specifically, the final disclosures reflected a shorter repayment period than what was contractually outlined in the loan agreements.

Out of a sample of 60 accepted and approved loans, we identified 4 loans, each valued at \$4,000 or less, for which the repayment term shown in the final disclosure was shorter than the term in the signed loan agreement. This means that borrowers were shown repayment schedules that allowed them less time to pay off their loans than the actual agreements provided. The differences in repayment terms for these loans ranged from 3 to 68 months.

According to MEFA officials, this discrepancy was caused by the implementation of MEFA's minimum monthly payment policy of \$50, which can lead to a shortened repayment term for smaller loan amounts. We found that loans of \$4,000 or less are particularly susceptible to this issue, as the \$50 minimum payment compresses the repayment schedule below the standard loan term. During the audit period, 2,102 approved loans were issued for amounts of \$4,000 or less and were therefore potentially affected by this inconsistency.

The inconsistency between the initial loan agreement and the final disclosure may lead to borrower confusion regarding their repayment obligations, potentially affecting their financial planning and credit score. This situation could also result in reputational damage to MEFA as a lender.

Authoritative Guidance

According to Section 32.46 of Title 209 of the Code of Massachusetts Regulations (CMR), disclosure forms as required by 209 CMR 32.46–32.48 must be made clearly and conspicuously.

According to 209 CMR 32.47,

(2) Approval disclosures. On or with any notice of approval provided to the consumer, the creditor shall disclose the information required under 209 CMR 32.18 and the following information: . . .

(c) Repayment terms. . . .

2. *The term of the loan, which is the period during which regularly scheduled payments of principal and interest will be due.*

Reasons for Issue

According to MEFA officials, the discrepancy between the initial loan agreement and the final disclosure is due to the implementation of MEFA's minimum monthly payment policy of \$50, which is consistent with industry standards for private student loan lenders. For smaller loan amounts, this minimum payment requirement results in a shorter repayment period being reflected in the final disclosure than the standard term stated in the loan agreement. This difference is triggered by the system's calculation of payment schedules to meet the minimum monthly payment threshold.

Recommendations

1. MEFA should ensure that the repayment term reflected in final disclosure documents either aligns with the loan agreement or is clearly explained when discrepancies occur due to minimum monthly payment thresholds.
2. MEFA should include language in disclosures that clarifies how the \$50 minimum payment requirement may impact the actual loan repayment period.

Auditee's Response

With respect to the single partial finding regarding loan disclosure inconsistencies, we emphasize that in all instances MEFA borrowers were charged the appropriate amount due on their loans. Specifically, borrowers' loan agreements and monthly loan statements all reflected the correct repayment terms, and the minimum monthly payment amount identified in the review was clearly disclosed in the signed loan agreement. The Auditor's partial finding of an inconsistency between the loan agreement and the final disclosure should in fact, as described in the next paragraph, be limited only to the number of months contained in the final loan disclosure document, not the loan agreement itself (which properly conveyed all aspects of the loan terms).

Further, we note that within the final disclosure's repayment obligation table, there were two numbers for the repayment term: the number of months in the header to that table, and the number of months in the detailed description of the borrower's repayment obligation in the body of the table. The header number was populated based upon the loan product that the borrower selected (such as our 15-year fixed rate student loan), while the information in the table reflected the actual repayment terms to the product chosen, which in appropriate circumstances incorporated the minimum monthly payment amount when triggered (and resulted in a shorter term than the product chosen). To date, MEFA is not aware of any instances where a borrower has expressed confusion regarding their loan repayment obligations as disclosed in the loan agreement and the final loan disclosure.

MEFA appreciates the recommendations provided by the Auditor, and MEFA has already implemented enhancements consistent with these recommendations prior to receiving the Auditor's report. . . .

Since identifying this matter, MEFA has revised its systems and disclosure templates to address any perceived discrepancies between the product term of the loan and the repayment term when minimum payments come into play (i.e., to make the repayment term even clearer to consumers on a go-forward basis), and these updates were effective on September 16, 2025.

Auditor's Reply

Based on its response, MEFA is taking measures to address our concerns regarding this matter. As part of our post-audit review process, we will follow up on this matter in approximately six months.