

F.H. CANN & ASSOCIATES, INC.
(A Collection Agency)

Campus-Based Student Loan Programs

**Independent Accountants' Report on
Management's Assertions of Compliance with Regulations
Applicable to Campus-Based Loan Programs**

December 31, 2007

HERMAN & HERMAN
— Certified Public Accountants —

F.H. CANN & ASSOCIATES, INC.
(A Collection Agency)

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**Independent Accountants' Report on
Management's Assertions of Compliance with Regulations
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December 31, 2007

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HERMAN & HERMAN
Certified Public Accountants

2000 Commonwealth Avenue
Newton, MA 02466
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INDEPENDENT ACCOUNTANT'S REPORT

To the Shareholders of
F.H. Cann & Associates, Inc.
(A Collection Agency)
1600 Osgood Street, Suite 2-120
Andover, MA 01845

We have examined management's assertions, included in the accompanying Statement of Compliance with Regulations Applicable to Campus-Based Student Loan Programs (CBSL Programs), dated June 23, 2008, that F.H. Cann & Associates, Inc. ("F.H. Cann") complied with the specific compliance requirements regarding Reporting, Perkins Loans and Servicer Eligibility listed in Section IV of the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, relative to participation in the Federal Student Financial Assistance Programs during the year ended December 31, 2007. Management is responsible for F.H. Cann's compliance with those requirements. Our responsibility is to express an opinion on F.H. Cann's compliance based on our examination.

Our examination was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and the Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, issued by the U.S. Department of Education, Office of the Inspector General, 2000 Revision, and accordingly, included examining, on a test basis, evidence about F.H. Cann's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on F.H. Cann's compliance with specified requirements.

In our opinion, F.H. Cann & Associates, Inc. complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2007.

This report is intended solely for the information of the Shareholders, Board of Directors, management, customers of F.H. Cann and the U.S. Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

June 23, 2008



F.H.CANN & ASSOCIATES

F. H. CANN & ASSOCIATES, INC.

Accounts Receivable Management

Statement of Compliance with Regulations
Applicable to Campus-Based Student Loan Programs

June 23, 2008

Herman & Herman, CPA's
2000 Commonwealth Avenue
Newton, MA 02466

We are providing you with the following assertions relating to our compliance with the specified compliance requirements regarding applicable Reporting, Perkins Loans and Servicer Eligibility listed in Section IV of the U.S. Department of Education's Audit Guide, Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers, relative to participation in the Federal Student Financial Assistance Programs during the year ended December 31, 2007. F.H. Cann is required to comply with the requirements that govern student financial assistance programs and that relate to the compliance categories denoted as "Responsibility of F.H. Cann & Associates, Inc. Campus-Based Operations" in the attached schedule, Division of Responsibility for Compliance Requirements.

The following assertions are made to you in order to comply with the reporting requirements of the U.S. Department of Education's Audit Guide, Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers, issued by the U.S. Department of Education, Office of Inspector General, 2000 Revision (the "ED SFA Guide"). The assertions are made based on our understanding of the applicable regulations of Campus-Based Student Loan Programs, which are contained in 34 CFR 668 and 674.

REPORTING

Assertion 1

F.H. Cann & Associates, Inc. complied with the reporting requirements of providing its institution clients with certain information for the institution such as periodic collections reports and other reports containing required debtor data as applicable to our clients.

PERKINS LOANS

Assertion 2

F.H. Cann & Associates, Inc. complied with the Perkins Collections and Due Diligence compliance requirement listed in Section II of the ED SFA Guide as they apply to our clients.



1600 Osgood Street • North Andover, MA 01845 • Tel: 877.750.9801

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SERVICER ELIGIBILITY

Assertion 3

F.H. Cann & Associates, Inc. complied with the Third-Party Eligibility Compliance requirements listed in Section IV of the ED SFA Guide.

SERVICER'S SYSTEMS AND INTERNAL CONTROLS

Assertion 4

F.H. Cann & Associates, Inc. has established systems with internal controls which reasonable assurance that F.H. Cann has complied with the requirements listed in Section II of the ED SFA Guide for those services which it provided.

To the best of our knowledge and belief, the foregoing assertions are true and accurate. Management of F.H. Cann & Associates, Inc. recognizes that it is responsible for F.H. Cann's compliance with the aforementioned requirements.



Frank H. Cann, President
F.H. Cann & Associates, Inc.

June 23, 2008



F.H.CANN & ASSOCIATES

F. H. CANN & ASSOCIATES, INC.

Accounts Receivable Management

SERVICER INFORMATION SHEET

F.H. Cann & Associates, Inc. (A Collection Agency)
 1600 Osgood Street
 Andover, MA 01845

For the year ended December 31, 2007

President: Frank H. Cann

Contact person and title: Frank H. Cann
President/CEO

Lead auditor: Dennis A. Herman
Partner

Firm's name: Herman & Herman, CPA's
2000 Commonwealth Avenue
Newton, Massachusetts 02466

Telephone number: (617) 969-5200
(617) 332-7169 fax

Division of Responsibility for Compliance Requirements

Compliance Requirement

Responsibility of Institution	Responsibility of F.H. Cann & Associates, Inc.	Explanation of Divided Responsibility
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I. Computer operations

- A. Terminal and software security
- B. Data integrity
- C. System and data backup
- D. Disaster recovery plan

	X	
X	X	(1)
	X	
	X	

II. Cash management

- A. Drawdowns
- B. Authorization vs. expenditures
- C. Reconcile general ledger to bank
- D. Bank account notes federal funds

X		
X		
X		
X		

III. Financial reports

- A. FISAP
- B. EDPMTS/EDCAPS
- C. Pell IPS

X		
X		
X		



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F.H. Cann & Associates, Inc.
Division of Responsibility for Compliance Requirements - continued
For the year ended December 31, 2007

Compliance Requirement	Responsibility of Institution	Responsibility of F.H. Cann & Associates, Inc.	Explanation of Divided Responsibility
IV. Institutional eligibility			
A. Participation agreement/ECAR	X		
B. Accreditation status	X		
C. Admissions policy	X		
D. Eligible programs	X		
E. Calculation of institution eligibility ratios	X		
F. Licenses	X		
G. Administrative capability items	X		
V. Student Eligibility			
A. High school diploma or equivalent or ability to benefit	X		
B. Regularly enrolled in eligible program	X		
C. Citizen or permanent resident	X		
D. Satisfactory progress	X		
E. Default/refund status	X		
F. Social security match requirement	X		
G. Other requirements	X		
VI. Coordination of programs			
A. Financial aid organization	X		
B. Other information available	X		
C. Needs analysis	X		
D. Professional judgment documentation	X		
VII. Administrative capability			
A. Student file maintenance	X	X	(2)
B. Record retention	X	X	(2)
C. Verification	X		
VIII. Disbursements			
A. Financial aid transcript/NSLDS information	X		
B. Independent/Dependent status determination	X		
C. Timing and amount of disbursement	X		
IX. Refunds or overpayments			
A. Policy	X		
B. Refund calculations	X		
C. Overpayment calculations	X		
D. Disbursement and accounting for refunds/overpayments	X		
X. Institutional disclosure			
A. Accuracy of institutional data	X		
B. Disclosure to students	X		

F.H. Cann & Associates, Inc.
Division of Responsibility for Compliance Requirements - continued
For the year ended December 31, 2007

Compliance Requirement	Responsibility of Institution	Responsibility of F.H. Cann & Associates, Inc.	Explanation of Divided Responsibility
XI. Pell grant			
A. Types of expenditures allowed	X		
B. Program performance			
1. Calculation and disbursement of awards	X		
2. Timing of payment; cutoff dates for receipt of SARS	X		
C. Financial reports	X		
XII. Campus-based programs (general)			
A. Types of expenditures allowed			
1. Program expenditures	X		
2. Administrative cost allowance	X		
B. Program performance			
1. Accuracy of FISAP data	X		
2. System of need analysis, etc.	X		
XIII. Campus-based programs (Perkins)			
A. Type of expenditures allowed	X		
B. Matching	X		
C. Program performance			
1. Student eligibility	X		
2. Approved promissory notes	X		
3. Due diligence	X	X	(4)
4. Repayment records	X	X	(3)
D. Special compliance requirements			
1. Minimum cash balance; cash planning	X		
2. Treatment of interest earned on Perkins loan balance	X		
XIV. Campus-based programs (FSEOG)			
A. Eligible expenditures	X		
B. Matching	X		
C. Selection of students for FSEOG awards	X		
XV. Campus-based programs (FWS)			
A. Types of expenditures and employment allowed			
1. Types of employment allowed	X		
2. Types of expenditures allowed	X		
B. Matching	X		
C. Program performance			
1. Selection of students for employment	X		
2. Approval of time sheets and payment to students	X		
D. Special compliance requirements			
1. JLD and CSJLD programs	X		
2. CSL programs (5% minimum)	X		

F.H. Cann & Associates, Inc.
Division of Responsibility for Compliance Requirements - continued
For the year ended December 31, 2007

Footnotes

1. The institution provides F.H. Cann & Associates, Inc. with data and information necessary for initial and subsequent updates of loan and borrower information necessary for input into F.H. Cann & Associates, Inc.'s servicing system. F.H. Cann & Associates, Inc. relies upon any information or data supplied to it by an institution, and that the institution has reviewed such information or data for incompleteness or inaccuracies. F.H. Cann & Associates, Inc. maintains data integrity through internal controls, data processing controls (error messages, edit reports, etc.) and system maintenance.
2. F.H. Cann & Associates, Inc. retains and maintains certain records such as loan history, addresses, etc. Institutions is responsible for form (deferment, cancellation, etc.), retention and the maintenance of the total program.
3. F.H. Cann & Associates, Inc. prepares disclosure and payment information for all institutions serviced.
4. F.H. Cann & Associates, Inc. performs timely mailing of payment requests. Institution is responsible for all other due diligence.