

## Servicing Federally Held Loans

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# Servicing of Federally Held Loans

**Navigating in a Multiple Servicer Environment**

**U.S. Department of Education**

**Panel: Federal Loan Servicers**

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## Agenda

- **Servicing Landscape**
  - The Servicing Realities
  - Not-For-Profit Servicers
  - Split Servicing
- **Navigating the Servicer Environment**
- **Keep It Simple**
  - Centralized Loan Information (NSLDS)
- **Surveys**

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## Servicing Realities – “Define It”

- ❑ **Federal Loan Servicer**  
An entity that services Title IV loans owned by the Department of Education (the Department). These loans include, but are not limited to, William D. Ford Federal Direct Loan (Direct Loan) Program loans and Federal Family Education Loan (FFEL) Purchased Loans, more simply referred to as federally-owned loans.
- ❑ **“TIVAS”**  
An internal acronym used by FSA which stands for the Title IV Additional Servicers. In communications with schools, borrowers, and the financial aid community, FSA uses the term “federal loan servicers.”
- ❑ **Not-For-Profits (NFP)**  
Not-For-Profit awarded federal loan servicing contracts under the HCERA/SAFRA Not-For-Profit (NFP) Servicer Program solicitation.

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## Servicing Realities – “Define It”

- ❑ **Federally-Owned Loans**  
William D. Ford Federal Direct Loan (Direct Loan) and FFELP Purchased Loans (PUT) held by the Department
- ❑ **PUT**  
Loans made under FFELP by lenders and subsequently purchased by ED
- ❑ **Split Loan Servicing**  
Borrowers who have more than one servicer of their Direct Loan and FFEL PUT (federally-owned loans)

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## Servicing Realities – “Define It”

- ❑ **Commercial Loans**  
FFELP loans not held by the Department  
(Note: does not include private education loans)
- ❑ **LDE**  
Loan Distribution Engine (via Common Origination and Disbursement system - COD): interface to assign loans to the federal loan servicers.
- ❑ **“Booked” Loan**  
Booking occurs when the COD system accepts an origination record; links p-note to the record and accepts actual disbursement.

**The federal loan servicer is assigned upon “booking” of loan.**

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## Federal Loan Servicers

The Department currently has 10 federal loan servicers to which we assign Direct Loans. Our federal loan servicers are:


<ul style="list-style-type: none"> <li>• Direct Loan Servicing (ACS)</li> <li>• Fedloan Servicing (PHEAA)</li> <li>• Great Lakes</li> <li>• Nelnet</li> </ul>	<ul style="list-style-type: none"> <li>• SallieMae</li> <li>• Mohela</li> <li>• ESA/EdFinancial</li> <li>• CornerStone</li> <li>• Aspire Resources Inc.</li> <li>• Granite State - GSMR</li> </ul>
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## Servicing Federally Held Loans

### Our Federal Loan Servicers:

- Comply with legislative regulatory requirements and provide unique services
- Educate and inform borrowers regarding the tools and options available to assist them in the management of their student loans
- Offer multiple repayment options tailored to borrower preferences (i.e. online payments, ACH, check, etc.)
- Provide self-service tools for borrowers and options to receive bills and/or correspondence electronically
- Offer dedicated services to schools to help manage cohort default rates

7 


### Not-For-Profit Servicers

**Q. Which Direct Loan borrower accounts are transferred to the NFP's?**

A. We transfer existing Direct Loan borrower accounts currently assigned to the Direct Loan Servicing Center (ACS) that belong to borrowers who have no loans in an in-school or grace period (no new loans since 07/08).


**Q. How will a borrower know if his or her Direct Loans were transferred to a new NFP servicer ?**

A. When we transfer a student or parent borrower's Direct Loans from ACS to an NFP servicer, the new servicer will correspond with the borrower after the transferred loans have been fully loaded to the system.

8 


### Split Servicing - Background

- Split Servicing – borrowers with federally held loans serviced by more than one federal loan servicer
- ED owns both Direct Loans and FFELP (PUT)
  - PUT: Loans made under FFELP by lenders and subsequently purchased by ED
- Split Servicing conditions results from:
  - PUT loans (FFELP loans purchased by ED)
  - Schools transitioning from FFELP to Direct Loan

9 


### Split Servicing – Solution

- Goal : All of a borrower's federally-owned loans will be maintained by a single servicer.
  - Ongoing processes to resolve situations where a borrower's federally-owned loans assigned to two or more federal servicers.
- Federally-owned and commercial loans may still be split among servicers.
- Consolidation sometimes viable option, but not in all circumstances.

10 


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11 

### Challenges and Benefits of a Multiple Servicer Environment


- The federal loan servicers and FSA collaborate on solutions to borrower, school, regulatory and operational issues
- Through the multi-servicer, borrower-centric approach, schools will notice different processes and procedures offered by the servicers
- The competitive structure of the servicing contracts allows for more innovation and creativity

12 


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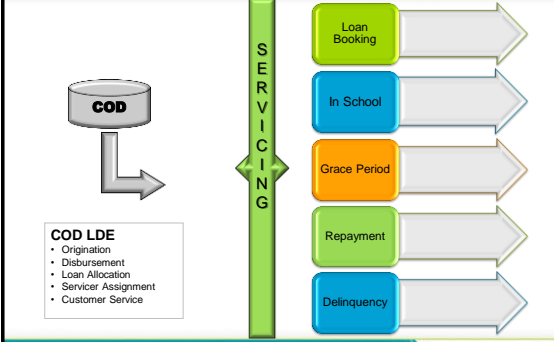
## Servicing Federally Held Loans

### Making it work...




- With the addition of new servicers challenges accompany growth and change
- Remember ... with our borrower-centric approach
  - Schools see many servicers; but
  - Borrowers see **ONE**
- Together with our servicing team, we will work to serve borrowers as efficiently as possible

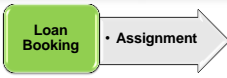
13 



**COD LDE**

- Origination
- Disbursement
- Loan Allocation
- Servicer Assignment
- Customer Service


14 




**Schools want to know...**  
*"When and how is the servicer assigned?"*

**Here's how it works...**

- ✓ The federal loan servicer is assigned upon the "booking" of the loan. Booking occurs when COD accepts an origination record, links to the p-note and accepts actual disbursement.
- ✓ New borrowers are assigned to Great Lakes, FedLoan, Nelnet, and Sallie Mae based upon percentages assigned by FSA. The percentages of new loans each servicer receives is based on its performance (default rates & customer service scores).


15 





**Servicing Practices, Procedures, & Policies**

**Capitalization Practices for the Servicers**

- ✓ Our federal loan servicers must meet regulatory requirements.
- ✓ FSA identified capitalization scenarios that were applied inconsistently between Direct Loan and the FFEL portfolio (for the federally held loans).
- ✓ FSA has documented its preferred business practice to standardize the capitalization rules so that the servicers are consistent.


16 





**Schools want to know....**

**Can schools access sample borrower communications the servicers send?**

Yes, all federal loan servicers make samples of key borrower mailings available on their websites or will send to schools upon request. In many cases, communications are similar except for contact information and address information.


17 



**Payment Fees**  
**Fact or Fiction?**

**Answer: Fiction**

None of the federal loan servicers charge fees on payment methods or any other activities associated with the servicing of federally-owned loans.

18 

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## Servicing Federally Held Loans

**Delinquency** → *Schools want to know...*

**What is required for a school to obtain access for a third party servicer that handles the school's default management activities?**

All of the federal loan servicers allow third party servicer access to school data and reporting AFTER the school establishes an agreement with each servicer indicating its relationship with the third party servicer.

19 US Department of Education

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  - **Centralized Loan Information (NSLDS)**
- Surveys

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**Keep it Simple: Centralized Loan Information**

**NSLDS:**

- Includes Guaranty Agency (GA) or Lender held FFEL, PUT (ED-held FFEL), Direct Loans and servicer assignments
- Updates information if federally-owned loans reassigned to make borrower "whole" or if commercial loans change ownership/servicing

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**NSLDS - Requesting a Report**

- All reports available under the Reports tab
- Click on the [blue number](#)
- Complete the report parameters
- Select Extract or Report (where applicable)
- File layouts are on [IFAP/NSLDS Reference Materials- NSLDS Record Layouts](#)
- Delivered to SAIG Mailbox

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**Delinquency Report on NSLDS**

- ❖ Provides delinquency information by school for all of the federal loan servicers
- ❖ Includes PUT (ED held FFEL) and Direct Loans held by the servicers
- ❖ Provides various data filters
- ❖ Available on NSLDS Professional Access website

<http://ifap.ed.gov/nsldsmaterials/attachments/NSLDSNewsletter27.pdf>

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**Report - Delinquent Borrower (DELQ01)**

Report to assist with default prevention:

- Provides school a report of borrowers who are delinquent in payments to the Federal Loan Servicers (ED Servicers). Excludes loans held by Guaranty Agencies (GAs).
- Contains borrower's contact data as it has been reported to NSLDS.
- Includes loan data, days delinquent, total outstanding balance, repayment plan and payment information.


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## Servicing Federally Held Loans

### Report - Delinquent Borrower (DELQ01)


- Provides the total number of borrowers who fall within a specific delinquency range
- The asterisk (\*) in the School Branch ID field retrieves ALL borrower data from a campus. For a single school, include the two-digit branch code
- Users can select: a single federal loan servicer or, all five; cohort year, and one or more periods

25 

### Report - School Portfolio (SCHPR1)


Report on the school's current loan portfolio:

- Provides schools with loan status data about all Direct Loan and/or Federal Family Education Loan (FFEL) loans for the school code associated with the user's ID
- If school has merged, previous school codes are included
- Shows current and original loan holder
- School can track student's loan activity:
  - Current Status; Date entered repayment; Current balances; Delinquency Date, etc...

26 


### Individual Servicer Reports

- ❖ Provides greater level of detail
- ❖ Offers customization options
- ❖ Includes only loans serviced by that organization

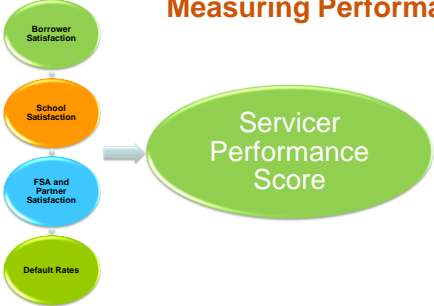
27 


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28 

### Measuring Performance




29 

### Customer Satisfaction Surveys

Conducted quarterly and designed to take 10 minutes or less.

Survey three groups:

- Borrowers
- Schools
- FSA staff


30 

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## Servicing Federally Held Loans

### Surveys - Borrowers


- ❖ Quarterly phone surveys of 2,000 respondents
  - ✓ 250 per servicer (8 servicers x 250 borrowers)
- ❖ Random selection by repayment status
- ❖ Surveyors from Discovery Research Group will contact borrowers
- ❖ Same proportion of borrowers in school, grace, and repayment within samples of servicers
  - ✓ Repayment sample greater for the NFP servicers due to the status of the borrower being transferred

31 

### Surveys - Schools


- ❖ Quarterly phone survey of random samples
  - ✓ 75 per servicer (total of 375)

(Servicers: ACS, FedLoan Servicing, Great Lakes, Nelnet and Sallie Mae)
- ❖ Sampled by servicer and institution type
- ❖ Surveyors from OLC Global will contact schools
- ❖ School contact information pulled from PEPS
- ❖ Ask school personnel about only 1 servicer


32 

WE NEED YOU!

### If the survey calls ...




- Please respond
- Base responses on only your experiences with the servicing of federally held debt
- Forward the call to a colleague at your school if your work does not involve such matters

33 


### Resources - Federal Loan Servicers

<p><b>CornerStone</b> NSLDS Servicer Code: 502</p> <p>NSLDS Name: Dept of ED/ CornerStone-UHEAA</p> <p>Borrower Phone: 800-663-1662 Web: <a href="http://www.mycornerstoneloan.org">www.mycornerstoneloan.org</a> School Phone: 877-336-7307 Web: <a href="http://www.mycornerstoneloan.org">www.mycornerstoneloan.org</a></p>	<p><b>Direct Loan Servicing Center</b> NSLDS Servicer Code: 583</p> <p>NSLDS Name: Direct Loan Servicing Center</p> <p>Borrower Phone: 800-848-0979 Web: <a href="http://www.myedaccount.com">www.myedaccount.com</a> School Phone: 888-877-7656 Web: <a href="http://www.myedaccount.com/schools">www.myedaccount.com/schools</a></p>
<p><b>ESA / Edfinancial</b> NSLDS Servicer Code: 501</p> <p>NSLDS Name: Dept of ED/ ESA-Edfinancial</p> <p>Borrower Phone: 855-337-6884 Web: <a href="http://www.edfinancial.com/d">www.edfinancial.com/d</a> School Phone: 855-945-1001 Web: <a href="http://www.edfinancial.com/d/schools">www.edfinancial.com/d/schools</a></p>	<p><b>FedLoan Servicing (PHEAA)</b> NSLDS Servicer Code: 700579</p> <p>NSLDS Name: Dept of ED/ FedLoan Servicing (PHEAA)</p> <p>Borrower Phone: 800-699-2908 Web: <a href="http://www.myfedloan.org">www.myfedloan.org</a> School Phone: 800-655-3813 Web: <a href="http://www.myfedloan.org/schools">www.myfedloan.org/schools</a></p>

34 


### Resources - Federal Loan Servicers

<p><b>Great Lakes Educational Loan Services</b> NSLDS Servicer Code: 700581</p> <p>NSLDS Name: Dept of ED/ Great Lakes</p> <p>Borrower Phone: 800-236-4300 Web: <a href="http://www.mygreatlakes.org">www.mygreatlakes.org</a> School Phone: 888-696-6919 Web: <a href="http://www.mygreatlakes.org">www.mygreatlakes.org</a></p>	<p><b>MOHELA</b> NSLDS Servicer Code: 700500</p> <p>NSLDS Name: Dept of ED/ MOHELA</p> <p>Borrower Phone: 888-866-4352 Web: <a href="http://www.moheila.com">www.moheila.com</a> School Phone: 888-866-4353 Web: <a href="http://www.moheila.com/schools">www.moheila.com/schools</a></p>
<p><b>Nelnet</b> NSLDS Servicer Code: 700580</p> <p>NSLDS Name: Dept of ED / Nelnet</p> <p>Borrower Phone: 888-486-4722 Web: <a href="http://www.nelnet.com">www.nelnet.com</a> School Phone: 888-483-5638 Web: <a href="http://www.nelnetloanservicing.com">www.nelnetloanservicing.com</a></p>	<p><b>Sallie Mae</b> NSLDS Servicer Code: 700578</p> <p>NSLDS Name: Dept of ED / Sallie Mae</p> <p>Borrower Phone: 800-722-1300 Web: <a href="http://www.salliemae.com">www.salliemae.com</a> School Phone: 888-272-4665 Web: <a href="http://www.opennet.salliemae.com">www.opennet.salliemae.com</a></p>

35 

### Resources - Federal Loan Servicers

<p><b>Aspire Resources, Inc.</b> NSLDS Servicer Code: 503</p> <p>NSLDS Name: Dept of ED/Aspire Resources Inc.-JSL</p> <p>Borrower Phone: 855-475-3335 Web: <a href="http://www.AspireResourcesInc.com">www.AspireResourcesInc.com</a> School Phone: 888-902-6077 E-mail: <a href="mailto:SchoolSupport@AspireResourcesInc.com">SchoolSupport@AspireResourcesInc.com</a></p>	<p><b>Granite State - GSMR</b> NSLDS Servicer Code: 504</p> <p>NSLDS Name: Dept of ED/Granite State-GSMR-NH</p> <p>Borrower Phone: 888-556-0022 Web: <a href="http://www.gsmr.org">www.gsmr.org</a> School Phone: 800-303-8353 E-mail: <a href="mailto:schoolcontact@gsmr.org">schoolcontact@gsmr.org</a></p>
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36 

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## Servicing Federally Held Loans

**Getting to Know your Servicer!**



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This slide features a blue header with a small grid icon in the top right corner. The main content area is white and contains the title "Getting to Know your Servicer!" in blue. Below the title is a cartoon illustration of three people (two women and one man) sitting around a table, engaged in a discussion. The person on the left is wearing a red shirt, the person in the middle is wearing a purple shirt, and the person on the right is wearing a green shirt. There are papers on the table. At the bottom of the slide, there is a blue footer with the number "37" and the "US Department of Education" logo.



We appreciate your feedback and comments!

**David Bartnicki**  
**Federal Training Officer**  
**404-974-9312;david.bartnicki@ed.gov**

38 US Department of Education

This slide features a blue header with a small grid icon in the top right corner. The main content area is white. On the left side, there is a graphic that says "Thank You" in a stylized, overlapping font. To the right of this graphic, the text "We appreciate your feedback and comments!" is displayed. Below this, the contact information for David Bartnicki is listed in bold black text. At the bottom of the slide, there is a blue footer with the number "38" and the "US Department of Education" logo.