

# Session # 7

## Strategies to Navigate in a Multiple Servicer Environment

Cynthia Battle

U.S. Department of Education

Panel: Federal Loan Servicers



START HERE  
GO FURTHER  
FEDERAL STUDENT AID®

# Agenda

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

# 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.

# 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)

# 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.**

# Federal Loan Servicers

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



**SallieMae** | Department of Education Loan Services



# 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

# Not-For-Profit Servicers

- We were pleased to recently add  to our federal loan servicing team
- We continue to expand our federal loan servicer team as our loan portfolio grows
- Contracts awarded under the HCERA/SAFRA Not-For-Profit (NFP) Servicer Program solicitation

# Not-For-Profit Servicers

## Q. Which Direct Loan borrower accounts were transferred to MOHELA?

A. We transferred 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 MOHELA?

A. When we transferred a student or parent borrower's Direct Loans from ACS to MOHELA, the new servicer, MOHELA, corresponded with the borrower after the loans were fully loaded to the system.

# Not-For-Profit Servicers

**Q. How will the school know which federal loan servicer (ACS or MOHELA) is servicing a borrower's loans?**

A. MOHELA will send correspondence and update the servicer information in NSLDS after the loans have been fully loaded to its system.

**Q. How long will it take for MOHELA's information to be reflected in the NSLDS?**

A. The federal loan servicers report loan information to NSLDS on a weekly basis. As a general rule, the new servicer should be identified in NSLDS within 7-10 business days after transferred loans load on the system.



# Not-For-Profit Servicers

## Q. How will MOHELA be identified in NSLDS?

| Servicer Name | NSLDS Name        | NSLDS Servicer Code |
|---------------|-------------------|---------------------|
| MOHELA        | DEPT of ED/MOHELA | 500                 |

## Q. How many federal loan servicing contracts will be awarded?

A. We anticipate the award of 15 new federal loan servicing contracts from October 2011 through January 2013. The following 3 servicers will be implemented by January 2012.

| Servicer          | Anticipated Implementation |
|-------------------|----------------------------|
| MOHELA            | October 2011               |
| ESA / Edfinancial | January 2012               |
| Cornerstone       | January 2012               |



# 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

# 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.

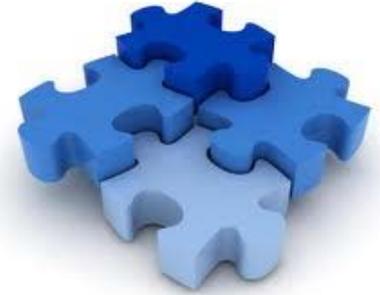
# Agenda

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

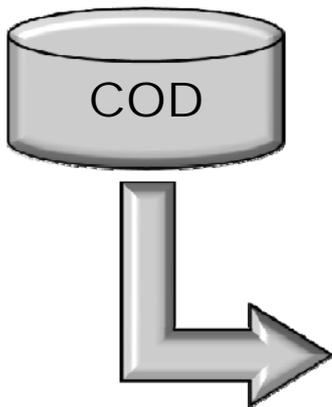
# Challenges and Benefits of a Multiple Servicer Environment

- 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

# Making it work...

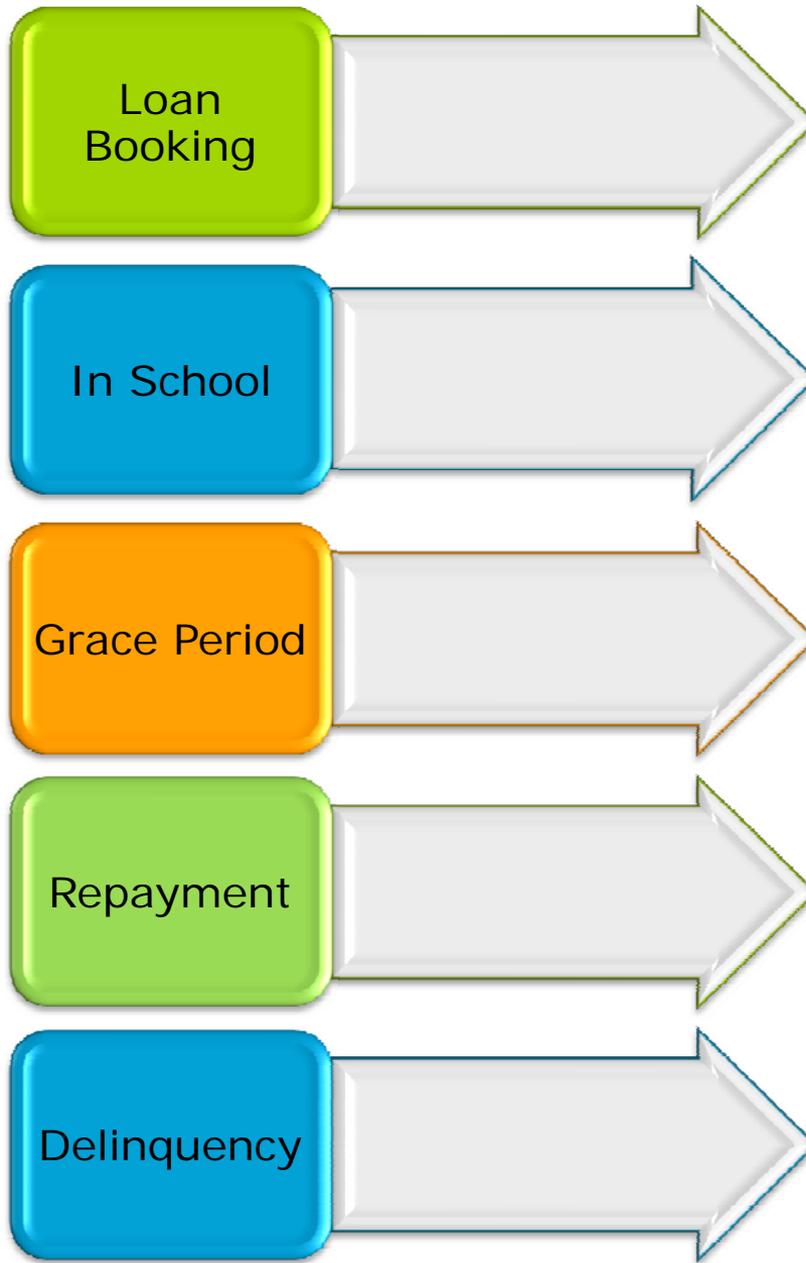
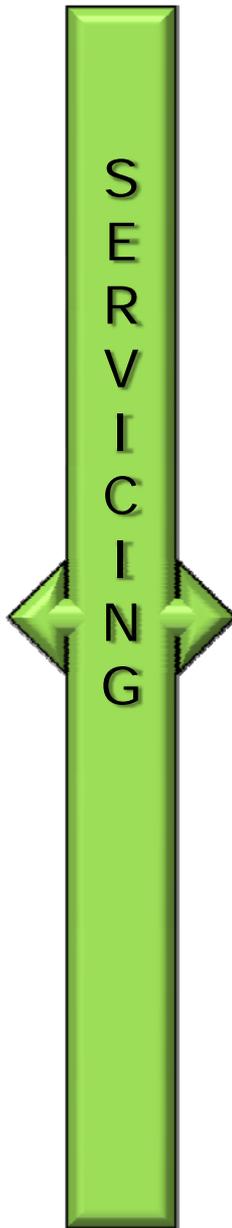


- With the addition of new servicers challenges accompany growth and change
- Remember ... with our borrower-centric approach
  - Schools see many servicers; but
  - Borrowers see **ONE**
- Together with our servicing team, we will work to serve borrowers as efficiently as possible



### **COD LDE**

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



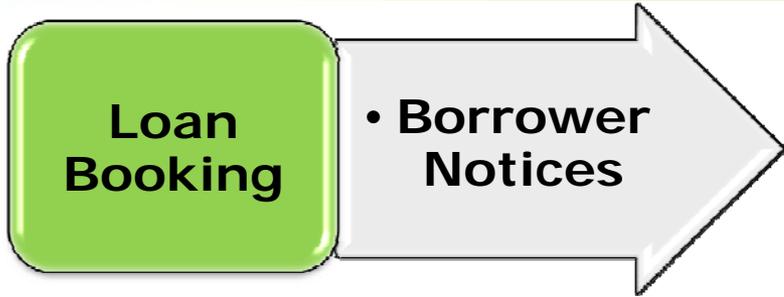


**Here's how it works...**

**Schools want to know...**

***"When and how is the servicer assigned?"***

- ✓ 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).

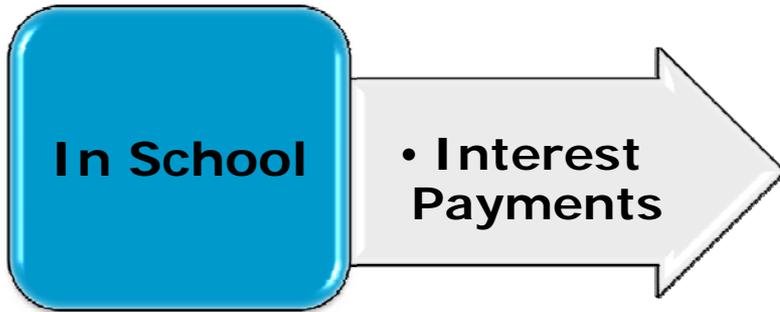


Question borrowers might be asking you...

*“How do I know which servicer is servicing my loans?”*

## Here's how it works...

- ✓ When we assign a student or parent borrower's Direct Loans to a federal loan servicer, the servicer corresponds with the borrower.
- ✓ The “welcome” correspondence notifies the borrower of the servicer, toll-free phone number, and website information.
- ✓ Always refer borrower to NSLDS if they need to identify their federal loan servicer.

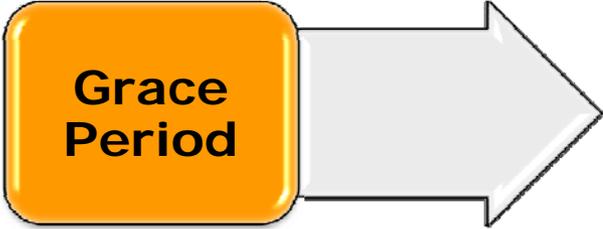


Question borrowers might be asking you...

*“How do I make interest payments on my unsubsidized loans while I’m in school?”*

## Here’s how it works...

- ✓ Borrowers can always view and make a payment on the servicer’s website at any time.
- ✓ Quarterly interest statements are generated either automatically or at the request of the borrower (e-mail or paper mail) while the borrower is in school.



## Grace Period

Question borrowers might be asking you...

*“When must I begin repayment on my loan?” Do I get a grace period?”*

Here’s how it works...

✓ **Borrowers with Direct or Stafford Loans:**

Borrowers receive a 6-month grace period that begins the day after they graduate, leave school, or drop below half-time status. Payments are due after the grace period ends.

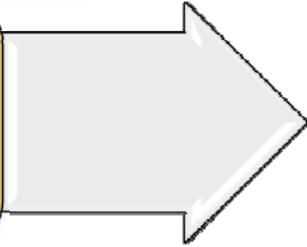
✓ **Borrowers with PLUS Loans for Graduate & Professionals:**

Borrowers can postpone payments while enrolled at least half time. Grad PLUS borrowers may also postpone payments for the 6 months after they graduate, leave school or drop below half time (for loans first disbursed on or after July 1, 2008).

✓ **Borrowers with Parent PLUS Loans:**

PLUS loan borrowers (with loans disbursed on or after July 1, 2008) can request to postpone payments while the student for whom they obtained the PLUS Loan is enrolled at least half time. PLUS borrowers may also request to postpone payments for the 6 months after the student is no longer enrolled at least half time.

**Grace  
Period**



## **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.



*“What are the most important things a student should know as he/she prepares for loan repayment?”*

There are several important messages the servicers deliver to borrowers as they are leaving school and entering repayment:

- ✓ Check **NSLDS** to identify all federal loans
- ✓ Provide servicers with updated contact information
- ✓ Sign up for online account access
- ✓ Sign up for automatic debit to ensure timely payments and receive a 0.25% interest rate reduction
- ✓ Call the servicer to obtain information on repayment options that best meet the borrower’s financial situation
- ✓ Understand that servicers are there to help!



**Repayment**

• **Deferment**

**Question borrowers might  
be asking you...**

*“Can I provide my  
servicer one deferment  
form for my ED held FFEL  
and DL loans?”*

As a general rule, the federal loan servicers will accept either the FFEL Program or Direct Loan Program deferment form for all deferment requests for federally-owned loans. In some cases, a FFEL form must be used for FFEL program loans and a DL form for Direct Loans.

**Repayment**

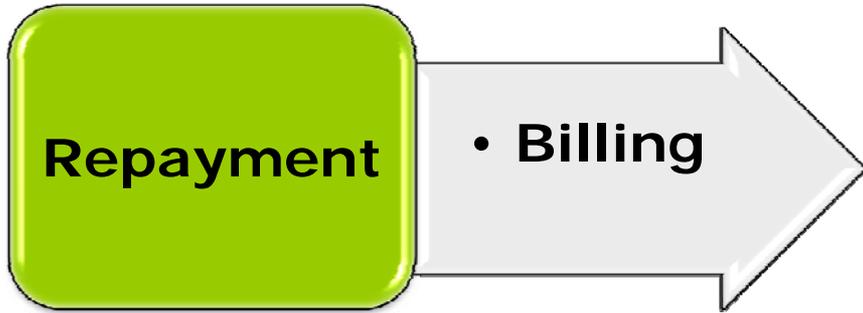
- **Bills and Notices**



**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.



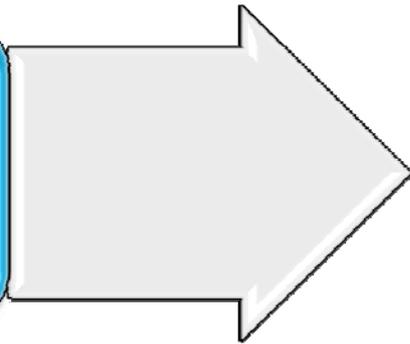
# Payment Fees

## 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.

**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.

# Agenda

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

# 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

# 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

# NSLDS - Report Tab

START HERE  
GO FURTHER  
FEDERAL STUDENT AID

National Student Loan Database

NSLDS

Menu Aid Enroll Org Report Tran

Report List | Web Report List

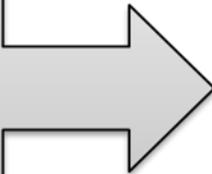
Logged on as: SCTST3 ONLINE USER from WILLIAMS COLLEGE

### Report List

Search Report ID:

|                    | Report ID | Names                               | Log Page |
|--------------------|-----------|-------------------------------------|----------|
| <a href="#">1</a>  | DELQ01    | DELINQUENT BORROWER REPORT          |          |
| <a href="#">2</a>  | DER001    | DATE ENTERED REPAYMENT REPORT       |          |
| <a href="#">3</a>  | DRC015    | 24 MONTH REPAYMENT INFO LOAN DETAIL |          |
| <a href="#">4</a>  | DRC016    | 36 MONTH REPAYMENT INFO LOAN DETAIL |          |
| <a href="#">5</a>  | DRC035    | SCHOOL COHORT DEFAULT RATE HIST RPT |          |
| <a href="#">6</a>  | EXTC01    | EXIT COUNSELING COMPLETION RESULTS  |          |
| <a href="#">7</a>  | FAT001    | REQUEST FOR FINANCIAL AID HISTORY   |          |
| <a href="#">8</a>  | OVP001    | SCHOOL OVERPAYMENT REPORT           |          |
| <a href="#">9</a>  | PRKDF1    | PERKINS DEFAULT SUMMARY             |          |
| <a href="#">10</a> | SCHDF1    | BORROWER DEFAULT SUMMARY REPORT     |          |
| <a href="#">11</a> | SCHER1    | ENROLLMENT REPORTING SUMMARY REPORT |          |
| <a href="#">12</a> | SCHLL1    | SCHOOL LOAN LIST                    |          |
| <a href="#">13</a> | SCHPR1    | SCHOOL PORTFOLIO REPORT             |          |

Click on the blue number to complete the report parameters.



# 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>

# 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.



# 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



# Report - Delinquent Borrower (DELQ01)

---

- Report option allows a sort by SSN or Name
- Extract options include NSLDS Standard or Comma Delimited.
- Report can be scheduled for automatic delivery
  - Scheduled Report allows for a frequency (daily, weekly etc.)

# 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

# Report- School Portfolio (SCHPR1)

---

- School can track student's loan activity
  - Current Status
  - Date entered repayment
  - Current balances
  - Delinquency Date
  - Original and current holder
  - Claim information on GA held loans
  - CDR Date of Default



# Individual Servicer Reports

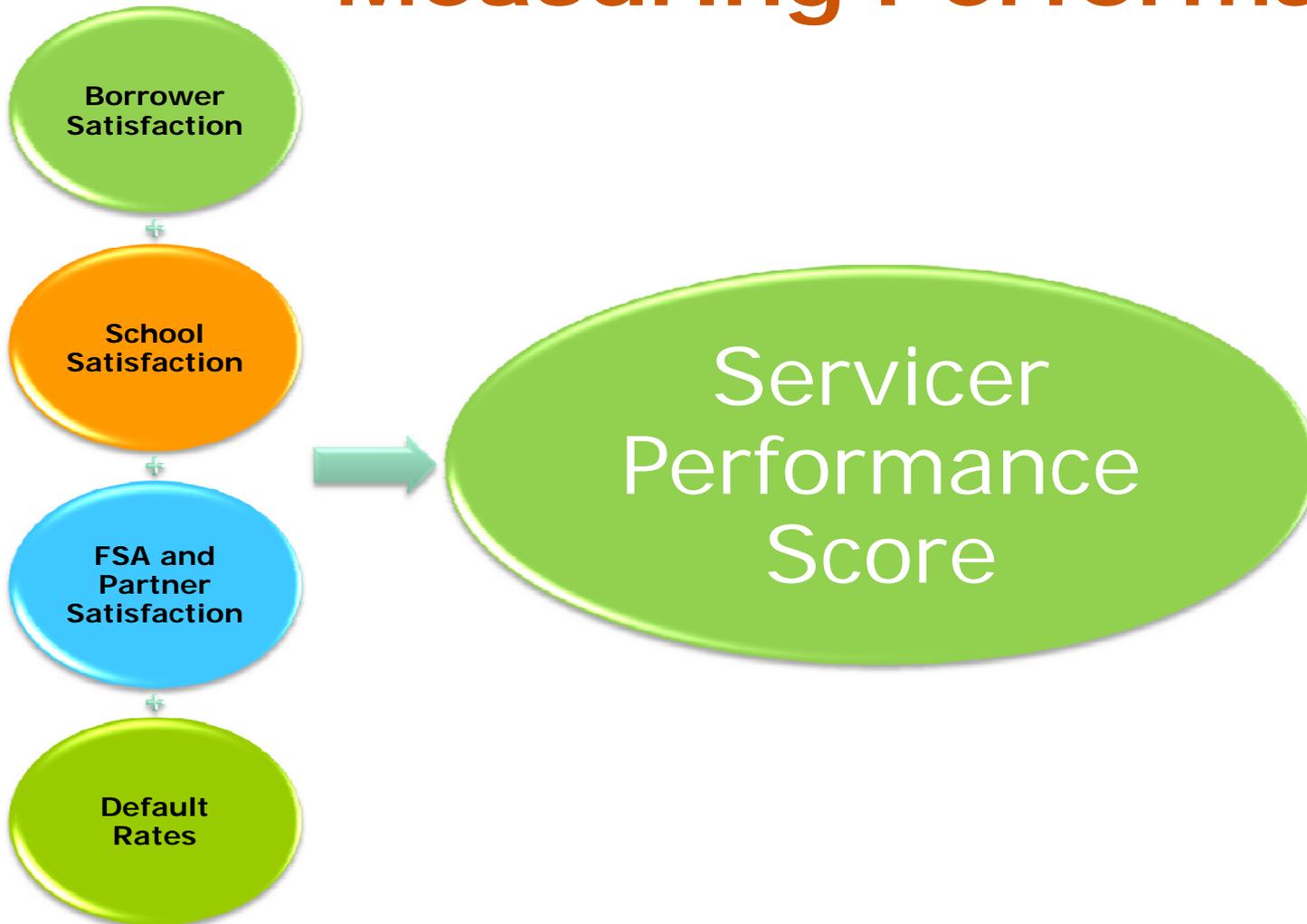
---

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

# Agenda

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

# Measuring Performance



# Customer Satisfaction Surveys

Conducted quarterly and designed to take 10 minutes or less.

## Survey three groups

- Borrowers
- Schools
- FSA staff

# Surveys - Borrowers

- ❖ Quarterly phone surveys of 1,250 respondents
  - 250 per servicer
- ❖ 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 all servicers

# Surveys - Schools

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

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

# HOT Topics and Questions



# Contact Information

We appreciate your feedback & comments

**Cynthia Battle**

Phone: 202-377-3261

E-mail: [cynthia.battle@ed.gov](mailto:cynthia.battle@ed.gov)

# Servicer Panel Members

Remember to visit the Federal Loan Servicers in the PC Lab!

| Federal Loan Servicer                 | Representative  |
|---------------------------------------|-----------------|
| Direct Loan Servicing (ACS)           | Ryan Pitts      |
| FedLoan Servicing (PHEAA)             | Dan Weigle      |
| Great Lakes Educational Loan Services | Brett Lindquist |
| MOHELA                                | Jennifer Farmer |
| Nelnet                                | Jim Harris      |
| Sallie Mae                            | Bob Leary       |

# Resources - Federal Loan Servicers

**Direct Loan Servicing Center**  
NSLDS Servicer Code: 583

NSLDS Name: **Direct Loan Servicing Center**  
Borrower Phone: 800-848-0979  
Web: [www.myedaccount.com](http://www.myedaccount.com)  
School Phone: 888-877-7658  
Web: [www.myedaccount.com/schools](http://www.myedaccount.com/schools)

**FedLoan Servicing (PHEAA)**  
NSLDS Servicer Code: 700579

NSLDS Name: **Dept of ED/ FedLoan Servicing (PHEAA)**  
Borrower Phone: 800-699-2908  
Web: [www.myfedloan.org](http://www.myfedloan.org)  
School Phone: 800-655-3813  
Web: [www.myfedloan.org/schools](http://www.myfedloan.org/schools)

**Great Lakes Educational Loan Services**  
NSLDS Servicer Code: 700581

NSLDS Name: **Dept of ED/ Great Lakes**  
Borrower Phone: 800-236-4300  
Web: [www.mygreatlakes.org](http://www.mygreatlakes.org)  
School Phone: 888-686-6919  
Web: [www.mygreatlakes.org](http://www.mygreatlakes.org)

**Nelnet**

NSLDS Servicer Code: 700580

NSLDS Name: **Dept of ED / Nelnet**  
Borrower Phone: 888-486-4722  
Web: [www.nelnet.com](http://www.nelnet.com)  
School Phone: 866-463-5638  
Web: [www.nelnetloanservicing.com](http://www.nelnetloanservicing.com)

**Sallie Mae**

NSLDS Servicer Code: 700578

NSLDS Name: **Dept of ED / Sallie Mae**  
Borrower Phone: 800-722-1300  
Web: [www.salliemae.com](http://www.salliemae.com)  
School Phone: 888-272-4665  
Web: [www.opennet.salliemae.com](http://www.opennet.salliemae.com)

**MOHELA**

NSLDS Servicer Code: 700500

NSLDS Name: **Dept of ED/ MOHELA**  
Borrower Phone: 888-866-4352  
Web: [www.mohela.com](http://www.mohela.com)  
School Phone: 888-866-4353  
Web: [www.mohela.com/schools](http://www.mohela.com/schools)



# Sessions of Interest



## Loan Servicing Sessions

#9. Default Prevention Essentials

#40. Public Service Loan Forgiveness (PSLF) & Teacher Loan Forgiveness

#41. Loan Repayment Plans

## Federal Loan Servicers Information Sessions

- ACS – Wednesday, Nov. 30<sup>th</sup> 7:30 a.m. – 8:45 a.m.
- FedLoan Servicing (PHEAA) – Tuesday, Nov. 29<sup>th</sup> 5:15 p.m. – 6:30 p.m.
- Great Lakes – Wednesday, Nov. 30<sup>th</sup> 5:15 p.m. – 6:30 p.m.
- Nelnet – Thursday, Dec. 1<sup>st</sup> 5:15 p.m. - 6:30 p.m.
- Sallie Mae – Thursday, Dec. 1<sup>st</sup> 7:30 a.m. – 8:45 a.m.

***Remember to visit the Federal Loan Servicers in the PC Lab!***