

Chapter 9

Direct Loan Servicing Centers Response and Support

Essential Questions

- ☞ What functions do the Direct Loan Servicing Centers perform?
- ☞ What kinds of communications do the Direct Loan Servicing Centers provide to borrowers?
- ☞ How can my students receive a deferment or forbearance?
- ☞ How can I contact the Direct Loan Servicing Centers?
- ☞ How can my school comment on the performance of a Direct Loan Servicing Center?

General Information

The current Direct Loan Servicing Center (Loan Servicing Center) is managed by Computer Data Systems, Inc. Later this year, the Department of Education will have multiple servicers who will each manage a separate Loan Servicing Center:

- ☞ Computer Data Systems, Inc. in Utica, NY
- ☞ Education Loan Servicing Center in Indianapolis, IN
- ☞ Electronic Data Systems in Louisville, KY
- ☞ Raytheon E-Systems in Madison, WI

Each Center should be referred to by the City in which it is located, e.g., the Direct Loan Servicing Center in Utica should be referred to as the Direct Loan Servicing Center—Utica or as the Utica Servicing Center.

Although the Department will have several Loan Servicing Centers, students will have only one Loan Servicing Center to deal with—even if students take out several Direct Loans or transfer from one school to another. Once a borrower’s initial loan is assigned to a Loan Servicing Center, each loan thereafter will be assigned to the *same* Loan Servicing Center. Thus, the Direct Loan Servicing Center—Utica will continue to service the loans of all borrowers who received loans prior to startup of the additional Loan Servicing Centers later this year.

Identifying which Loan Servicing Center Services Your Students’ Loans

Schools will be able to identify which Loan Servicing Center each borrower is assigned via acknowledgments from the Loan Origination Center that carry one of the following Servicer Identifiers:

- ☞ Direct Loan Servicing Center—Utica: SV0101
- ☞ Direct Loan Servicing Center—Louisville: SV0201
- ☞ Direct Loan Servicing Center—Indianapolis: SV0301
- ☞ Direct Loan Servicing Center—Madison: SV0401

Schools will also get this information via monthly Delinquency Reports and Annual Cohort Default Rate Reports.

If a school still does not know which Loan Servicing Center services a particular borrower, it can call the “central” School Services number (1-888-445-7745) to be routed to the appropriate location.

Loan Servicing Center Activities

Once loans are “booked,” the Department of Education’s Direct Loan Servicing Centers assume responsibility for servicing and collection activities. These activities, similar to those that lenders perform in the Federal Family Education Loan (FFEL) Program, include:

- ☞ contacting students after initial loan disbursement with additional loan program information
- ☞ applying and capitalizing accrued interest, applying fees, and maintaining borrower account balances
- ☞ recording all payments received daily, and applying payments to borrowers accounts

- ☞ tracking and researching unapplied payments
- ☞ tracking loans through in-school and in-grace periods, and converting loans to repayment status
- ☞ processing deferment and forbearance requests
- ☞ reporting loan information to the National Student Loan Data System and the Department's Central Database
- ☞ collecting and analyzing all information required to support borrowers' requests for loan repayment plans
- ☞ performing comprehensive loan collection activities, including billing, letter writing, telephoning, skip tracing, and borrower tracking activities
- ☞ repaying the collected loan proceeds to the Department of Treasury
- ☞ maintaining audit trails
- ☞ providing required accounting support
- ☞ answering inquiries from the Department and participating schools
- ☞ providing for standard and ad-hoc reporting needs
- ☞ interfacing with other systems, as required

Many schools are familiar with these operations under the current FFEL Program. However, several activities are worthy of special discussion because they apply directly to borrowers and schools.

Borrower Service Features

The school is the borrower's primary contact up to the time Direct Loan funds are disbursed. At that point, the Loan Servicing Center notifies the borrower of the booked loan and begins a relationship that will continue until the borrower fully repays the loan.

The Loan Servicing Centers' first communication with the borrower occurs after the loan has been booked. Additional communication occurs throughout the repayment period. The Loan Servicing Centers also provide the borrower with contacts and telephone numbers in case he or she has questions about the loan or its provisions.

Addresses and Toll-Free Number

The borrower can locate the address and toll-free telephone numbers to the Loan Servicing Center that services his or her loan(s) on all correspondence he or she receives from the Loan Servicing Center. The general correspondence and payment lockbox addresses and toll-free telephone numbers for borrower inquiries are listed below.

Direct Loan Servicing Center—Utica

U.S. Department of Education
Borrower Services Department
Direct Loan Servicing Center
P.O. Box 4609
Utica, NY 13504-4609
1-800-848-0979
TDD 1-800-848-0983
FAX: 1-800-848-0984
Delinquent Account/Collections Department: 1-800-848-0981

Borrower Payment Lockbox:

Direct Loan Servicing Center
P.O. Box 746000
Atlanta, GA 30374-6000

Direct Loan Servicing Center—Louisville

U.S. Department of Education
Borrower Services Department
Direct Loan Servicing Center
P.O. Box 242800
Louisville, KY 40224-2800
1-888-758-9727
TDD 1-888-758-9731
FAX: 1-800-758-9730
Delinquent Account/Collections Department: 1-888-758-9728

Borrower Payment Lockbox:

Direct Loan Servicing Center
P.O. Box 746100
Atlanta, GA 30374-6100

Direct Loan Servicing Center—Indianapolis

U.S. Department of Education
Borrower Services Department
Direct Loan Servicing Center
P.O. Box 6199
Indianapolis, IN 46206-6199
1-888-335-1180
TDD 1-888-335-1183
FAX: 1-888-335-1184

Delinquent Account/Collections Department: 1-888-335-1181

Borrower Payment Lockbox:

Direct Loan Servicing Center
P.O. Box 746200
Atlanta, GA 30374-6200

Direct Loan Servicing Center—Madison

U.S. Department of Education
Borrower Services Department
Direct Loan Servicing Center
P.O. Box 7930
Madison, WI 53707-7930
1-888-988-2022
TDD 1-888-988-2026
FAX: 1-888-988-2025

Delinquent Account/Collections Department: 1-888-988-2023

Borrower Payment Lockbox:

Direct Loan Servicing Center
P.O. Box 746300
Atlanta, GA 30374-6300

(Please note that with the exception of the Direct Loan Servicing Center^{3/4}Utica, the contact information for the Loan Servicing Centers should not be used until the Centers are operational. We will notify schools via Direct Loan Bulletin as to when the additional Centers will be operational.)

Borrowers should attempt to contact their Loan Servicing Center directly; however, if they misplace the contact information, they can call the “Central” Borrower Services number (1-888-447-4460) to be routed to the appropriate location.

Standard Communications

Most of the Loan Servicing Centers’ communication with borrowers will fall into one of the following categories:

- ☞ loan disbursement notifications
- ☞ deferment and forbearance assistance
- ☞ account servicing documents (monthly billings, quarterly statements, coupon books, and annual statements)

Loan Issuance Notification

Through the loan disbursement record, the school notifies the Loan Origination Center of each loan disbursement made to a borrower. Within 10 business days of receiving this record, the assigned Loan Servicing Center will contact the borrower at his or her permanent address. The communication to the borrower will include

- ☞ a redisclosure of the loan amount, the amount disbursed to date, and the loan's terms
- ☞ the name of the office to contact if the borrower did not receive the loan proceeds or if the borrower has questions

Deferment and Forbearance Assistance

During the repayment period, a borrower may request a deferment or a forbearance. A deferment is a period of time during which repayment of the loan principal is temporarily postponed. If the loan is a Direct Subsidized Loan, there will be no interest charged to the borrower while the loan is in deferment. A forbearance is an arrangement to postpone or reduce a borrower's payment amount for a limited and specified period. During forbearance, interest will be charged to the borrower.

The Loan Servicing Centers will notify borrowers of deferment and forbearance options when sending borrowers a repayment schedule and when beginning delinquent loan collection for borrowers, if that procedure is necessary. The notification will describe the borrowers' options and provide a telephone number or address for further assistance.

- ☞ A borrower may request deferment or forbearance forms by telephone from his or her Loan Servicing Center. The Loan Servicing Center tracks all deferment and forbearance requests from a borrower. The Loan Servicing Center completes the borrower-specific information at the top of the forms and sends them to a borrower within three business days of receiving the request.
- ☞ A school may choose to keep a supply of deferment and forbearance forms in its Financial Aid Office. If a borrower obtains these forms from the school, the borrower must complete the borrower-specific information at the top of the forms.
- ☞ The Loan Servicing Centers review deferment and forbearance forms for completeness and accuracy and may contact a borrower for any additional information needed to complete the forms.
- ☞ Borrowers must provide their Loan Servicing Center with all information and documents necessary to establish eligibility for a specific type of deferment or

forbearance. The Loan Servicing Centers act on all deferment and forbearance requests within 10 business days of obtaining all necessary information.

- ☞ The Loan Servicing Centers will negotiate deferments and forbearances to meet the needs of the borrower while maintaining compliance with the law and regulations.

Deferments

Direct Loan borrowers are entitled to the same deferments as FFEL Program borrowers who had no outstanding balance as of July 1, 1993. In addition, Direct Loan borrowers who have an outstanding balance on a FFEL Program loan (made before July 1, 1993) at the same time they obtain a Direct Loan are eligible for all the pre-July 1, 1993 FFEL deferments. The Department's entrance and exit counseling materials list these additional deferments (see Chapter 3).

Deferments are authorized during any period when the borrower is

- ☞ enrolled at least half-time at an eligible school
- ☞ pursuing a course of study under an eligible graduate fellowship program
- ☞ pursuing a rehabilitation training program for disabled individuals
- ☞ conscientiously seeking, but unable to find, full-time employment (not to exceed three years)
- ☞ experiencing, or will experience, economic hardship (not to exceed three years)

Forbearance

A forbearance may be granted when the borrower is willing but unable to make scheduled payments. Forbearance can take the form of several options: the borrower either makes no payments, receives an extension of time for making payments, or makes smaller payments than originally scheduled.

Forbearance will also be granted if the borrower

- ☞ is unable to make scheduled payments due to financial hardship or poor health

- ☞ serves in a medical or dental internship or residency program
- ☞ serves in a position under the National and Community Service Trust Act of 1993
- ☞ has a monthly debt burden for all federal Title IV student loans that equals or exceeds 20 percent of his or her total monthly gross income (not to exceed three years)

Annual Statements

Each January, the Loan Servicing Center prepares and sends every borrower an annual statement containing data for the previous 12 months.

At a minimum, the annual statement includes the following:

- ☞ borrower identification number
- ☞ borrower name and address
- ☞ period covered by statement
- ☞ beginning account balance of all the borrower's open Direct Loans
- ☞ account activity for the year
- ☞ ending account balance
- ☞ toll-free customer service telephone number

The statement will also include any additional information needed for adequate reporting as required by the Department. Endorsers will be sent annual statements only for loans delinquent 60 days or more.

School Services Features

Each Loan Servicing Center maintains a toll free telephone number to support schools:

- ☞ Direct Loan Servicing Center—Utica
School Services
1-888-877-7658

- ☞ Direct Loan Servicing Center—Louisville
School Services
1-888-758-9729

- ☞ Direct Loan Servicing Center—Indianapolis
School Services
1-888-335-1182

- ☞ Direct Loan Servicing Center—Madison
School Services
1-888-988-2024

A complete list of toll-free telephone numbers for each of the Loan Servicing Centers is included in Appendix W.

The Loan Servicing Centers also provide exit counseling support to schools. See Chapter 3 for more information on exit counseling support.

Problem Resolution

If a school or a borrower has a complaint related to either a Direct Loan Servicing Center or the Loan Origination Center, they should contact the School Relations (schools) or Borrower Services (borrowers) unit at the appropriate site. If further action is necessary, the school or borrower should contact the Regional Direct Loan Account Management Staff in their region. The Account Management Staff will research questions and complaints, follow up if necessary, and attempt to come to a resolution. The telephone numbers of the Regional Account Managers are listed in Appendix W.

When the Department of Education receives a complaint about any center (Servicing or Loan Origination), a copy of the complaint will be sent to the appropriate center. Complaints concerning collection activity at a Loan Servicing Center will be handled as follows:

- ☞ If the complaint alleges a violation of state or federal law, the Loan Servicing Center will temporarily cease collection activity on the account in question.
- ☞ If the complaint is received by a Loan Servicing Center directly from a borrower, the Loan Servicing Center will send a copy of the complaint to the Department of Education within three business days of receipt.
- ☞ The Loan Servicing Center will send the Department a copy of its collection activity record on the account and any other relevant information the Department needs to respond to the complaint within five business days.
- ☞ Collection activity on the account will not be resumed until resolution of the complaint has been approved by the Department of Education.