

## **Questions and Answers About Servicing Federally-Owned Loans**

### **Attachment to March 2010 Electronic Announcement**

In early September 2009, the Department began assigning FFEL Purchased Loans to the four new servicers on our federal loan servicing team—FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae. Since that time, we have posted a number of Electronic Announcements in our “Loan Servicing Information” series that provide information about our servicing of federally-owned loans and the four new federal loan servicers. In addition, at the Federal Student Aid Conference in December 2009, we presented information and fielded questions about our approach to servicing federally-owned loans.

In this document, we provide an up-to-date overview of how we are currently servicing federally-owned loans. While we have addressed many of the questions and answers in previous communications and conference presentations, some are late-breaking and provide information that we have not yet communicated. The questions and answers are organized in sections as follows:

- Section 1 – Approach to Servicing Federally-Owned Loans
- Section 2 – New Federal Loan Servicers
- Section 3 – Servicing FFEL Purchased Loans

We appreciate the community’s ongoing support of our approach to servicing federally-owned loans.

#### **Section 1 – Approach to Servicing Federally-Owned Loans**

##### **Q 1.1: What are federally-owned loans?**

**A 1.1:** Federally-owned loans are Title IV loans that the Department of Education (the Department) owns and services. The loans that currently fall into this category are as follows:

- ***Direct Loans*** – These loans are made by the Department under the William D. Ford Federal Direct Loan (Direct Loan) Program. We service the loans originated and disbursed by schools that participate in the Direct Loan Program. Upon “booking” of a Direct Loan, the Department corresponds with the borrower about the servicing of his or her loan.
- ***FFEL Purchased Loans*** – These loans are made under the Federal Family Education Loan (FFEL) Program by FFEL lenders and subsequently purchased by the Department. Through methods commonly referred to as a “PUT” by FFEL loan holders and the Department, the Department becomes the owner of the loan and assumes all servicing responsibilities for the purchased loans. Upon purchase of a loan by the Department, both the prior FFEL loan holder and the Department correspond with the borrower about the purchase and servicing of his or her loan.

**Q 1.2: What is the Department’s approach to servicing federally-owned loans?**

**A 1.2:** To best handle the increasing capacity needs for federally-owned Title IV loans, we have implemented a multi-servicer, borrower-centric approach to servicing federally-owned loans. We are currently servicing federally-owned loans through the assistance of six federal loan servicers.

Two of the federal loan servicers—Direct Loan Servicing Center (ACS) and Department of Education Student Loan Servicing Center (ACS)—began servicing loans for us prior to September 2009. The four new federal loan servicers—FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae—began servicing loans for us in September 2009. To date, loans have been assigned to the servicers as follows:

<i>Loan Category</i>	<i>Servicer</i>
Direct Loans	Direct Loan Servicing Center (ACS)
FFEL Purchased Loans	Department of Education Student Loan Servicing Center (ACS)
FFEL Purchased Loans	FedLoan Servicing (PHEAA)
FFEL Purchased Loans	Great Lakes Educational Loan Services, Inc.
FFEL Purchased Loans	Nelnet
FFEL Purchased Loans	Sallie Mae

Through the multi-servicer, borrower-centric approach to servicing, our goal is to assign all of a borrower’s federally-owned loans to the same servicer. This approach to servicer assignment means that schools may need to work with more than one servicer. We understand that some schools will need to adjust their processes to manage work with multiple servicers and appreciate the effort schools will make to assist us in ensuring that borrowers are served as wholly as possible.

Due to the nature of the FFEL Purchased Loan process, the assignment of a borrower’s federally-owned loans to the same servicer has not automatically occurred for all borrowers. In time, assignment of borrower’s federally-owned loans to the same servicer will become standard operating procedure. When this does not occur automatically, we will work to resolve situations in which a borrower’s federally-owned loans are assigned to two or more federal loan servicers. Resolution will involve transferring the borrower’s loans from one servicer to another.

**Q 1.3: When will the Department assign Direct Loans as well as FFEL Purchased Loans to the new federal loan servicers?**

**A 1.3:** We expect to begin assigning Direct Loans to the new federal loan servicers—FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae—by August 31, 2010. Preparations for doing so are underway, and we will communicate the details related to Direct Loan servicer assignment in a forthcoming Electronic Announcement on the [Information for Financial Aid Professionals \(IFAP\) Web site](#).

## **Section 2 – New Federal Loan Servicers**

### **Q 2.1: What services do the Department’s new federal loan servicers provide?**

**A 2.1:** Our new federal loan servicers—FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae—are highly-qualified experienced student loan servicers and are committed to providing “best-in-business” service. Each servicer will provide the services that are needed by schools. These services include, but are not limited to, the following:

- Toll-free phone and Web site access for borrower and school customers
- Single point of contact for school customers
- Counseling support in the form of materials and Web products
- Delinquency/default prevention and management support in the form of reports, predictive call modeling, and robust skiptracing tools

We understand that many schools are concerned about the possible loss of extra services that guaranty agencies previously provided to assist with delinquency/default prevention. We have compiled information about school support services focused on delinquency/default prevention that the new federal loan servicers are providing to customers. This information is available in the following four attachments:

- School Support Services for FedLoan Servicing (PHEAA)
- School Support Services for Great Lakes Educational Loan Services, Inc.
- School Support Services for Nelnet
- School Support Services for Sallie Mae

**Note:** To further assist schools in receiving delinquency/default prevention information, we are developing a new National Student Loan Database (NSLDS) report that will consolidate delinquency information reported to us by the new federal loan servicers—FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae. We will communicate the availability of the new report in a forthcoming Electronic Announcement on the [IFAP Web site](#).

For complete information about all services offered by each of the new federal loan servicers, a school should refer to the servicer’s Web site or contact the servicer directly. Servicer contact information for schools is also available on [the IFAP Web site’s Loan Servicing Centers for Schools page](#).

### **Q 2.2: Will the Department publish the customer satisfaction survey and default prevention data that it will collect quarterly and on which it will base the allocation of loan volume to the new federal loan servicers?**

**A 2.2:** Yes. We posted the first quarter customer service results in [a March 10, 2010 Electronic Announcement on the IFAP Web site](#). We will post future results in this same manner.

**Q 2.3: What process should a school follow if it is not satisfied with a response it receives from a new federal loan servicer and wants to escalate the concern to Federal Student Aid?**

**A 2.3:** First, we ask that the school contact the new federal loan servicer and attempt to get the question answered or the issue addressed. If the school is not satisfied with the response it receives from the servicer, it should contact the Federal Student Aid Research and Customer Care Center (RCCC) at 800/433-7327 or [fsa.customer.support@ed.gov](mailto:fsa.customer.support@ed.gov) for assistance.

**Section 3 – Servicing FFEL Purchased Loans**

**Q 3.1: How will a school know which federal loan servicer is servicing a borrower’s FFEL Purchased Loan?**

**A 3.1:** The servicer of a FFEL Purchased Loan will be identified in the NSLDS. Both the student or parent borrower and the school will be able to view the federal loan servicer code and name associated with each loan.

The servicers of FFEL Purchased Loans are identified in the NSLDS as follows:

<i>Servicer Name</i>	<i>NSLDS Name</i>	<i>GA Code</i>	<i>Lender Servicer Code</i>
Department of Education Student Loan Servicing Center (ACS)	DEPT OF ED/ACS	577	700577
FedLoan Servicing (PHEAA)	DEPT OF ED/FEDLOAN SERVICING (PHEAA)	579	700579
Great Lakes Educational Loan Services, Inc.	DEPT OF ED/GREAT LAKES	581	700581
Nelnet	DEPT OF ED/NELNET	580	700580
Sallie Mae	DEPT OF ED/SALLIE MAE	578	700578

In addition to completing an individual lookup via the appropriate NSLDS Web site ([NSLDS Student Access Web site](#) for student and parent borrowers or [NSLDS Professional Access Web site](#) for schools), a new “Status of Loans Purchased by ED Report” (PLPED3) is available for school use. For complete information about NSLDS identification information for FFEL Purchased Loans on NSLDS Web pages and options related to the new report, refer to [NSLDS Newsletter 25: NSLDS Identification Information and New School Report for FFEL Purchased Loans on the IFAP Web site](#).

**Note:** At this time, the “Status of Loans Purchased by ED Report” (PLPED3) includes only a borrower’s FFEL Program Loans (purchased by the Department or otherwise with the Department for servicing). If a borrower also has Direct Loan Program loans, these loans will not be included in the report. All Direct Loan Program Loans are currently being serviced by the Direct Loan Servicing Center and are identified in the NSLDS by Direct Loan Servicer Code 00100. Similarly, the report will not include a borrower’s FFEL Program loans that are not owned and serviced by the Department.

Another option for schools to obtain federal loan servicer information is to use the NSLDS Transfer Student Monitoring/Financial Aid History (TSM/FAH) Process. Through the TSM/FAH Process, a school can submit a file of student identifiers to the NSLDS via the Student Aid Internet Gateway (SAIG) and then receive in its SAIG mailbox a response file that contains all loan and grant data in the NSLDS for each identified borrower. The data elements returned in the response file will include the current holders and servicers of each borrower's loans. As changes occur in a loan's holder or servicer and are updated in the NSLDS, they would also be reflected in subsequent TSM/FAH response files. In order to use this batch service, schools must sign up via the [SAIG Enrollment Web site](#). For more information about this option, refer to [the NSLDS Transfer Student Monitoring/Financial Aid Processes and Batch File Layouts for 2010-2011 posted on the IFAP Web site](#).

**Q 3.2: What process should a school follow when it needs to reduce the amount of a borrower's FFEL Purchased Loan once the Department owns it?**

**A 3.2:** When a school needs to complete a downward adjustment or reallocate subsidized and unsubsidized loan funds for a FFEL Purchased Loan, it should first contact the FFEL Program lender that sold the loan to the Department. The selling lender is required to handle the adjustment and forward the information to the federal loan servicer that services the loan on the Department's behalf. The federal loan servicer will then apply the adjustment to the borrower's loan account.

If a school has difficulty completing the adjustment through the selling lender, it should forward the adjustment information and amount to the school lockbox of the federal loan servicer that services the FFEL Purchased Loan for the Department. The school lockbox addresses for the federal loan services are as follows:

<i>Servicer</i>	<i>School Lockbox Address</i>
Department of Education Student Loan Servicing Center (ACS)	ACS/PUT Loans P.O. Box 371884 Pittsburgh, PA 15250-7884
FedLoan Servicing (PHEAA)	School Refunds Department of Education FEDLOAN Servicing P.O. Box 530264 Atlanta, GA 30353-0264
Great Lakes Educational Loan Services, Inc.	School Adjustments Department of Education P.O. Box 740199 Atlanta, GA 30374-0199
Nelnet	School Adjustments U.S. Department of Education P.O. Box 530210 Atlanta, GA 30353-0232
Sallie Mae	School Refunds Department of Education P.O. Box 740194 Atlanta, GA 30374-0194

**Q 3.3: What initiatives are currently underway to begin positioning a borrower to have one servicer for all of his or her FFEL Purchased Loans?**

**A 3.3:** At this time, a student or parent borrower may have FFEL Purchased Loans assigned to the Department of Education Student Loan Servicing Center (ACS) and/or FFEL Purchased Loans assigned to two or more of the new federal loan servicers. We have initiatives underway to begin positioning such a borrower to have one servicer for all of his or her FFEL Purchased Loans. In these cases, we must transfer the borrower’s loans from one servicer to another. Upon completion, one servicer will service all of the borrower’s FFEL Purchased Loans.

The two FFEL Purchased Loan transfer initiatives are as follows:

<i>If a borrower has loans assigned to...</i>	<i>We will transfer the loans to...</i>
Department of Education Student Loan Servicing Center (ACS)	One of the new federal loan servicers: <ul style="list-style-type: none"> <li>• FedLoan Servicing (PHEAA)</li> <li>• Great Lakes Educational Loan Services, Inc.</li> <li>• Nelnet</li> <li>• Sallie Mae</li> </ul>
Two or more of the new federal loan servicers	One of the two or more new federal loan servicers

We provide information specific to each FFEL Purchased Loan transfer initiative in Q&As 3.4 and 3.5.

**Note:** If a borrower has FFEL Purchased Loans and Direct Loans, he or she will still have two federal loan servicers for the time being—one of the new federal loan servicers for the FFEL Purchased Loans and the Direct Loan Servicing Center (ACS) for the Direct Loans. We are evaluating options for resolving these situations and will provide more information shortly.

**Q 3.4: How will a borrower know if his or her FFEL Purchased Loan has been transferred from the Department of Education Student Loan Servicing Center (ACS) to one of the new federal loan servicers?**

**A 3.4:** In December 2009, we began the transfer of FFEL Purchased Loans assigned to the Department of Education Student Loan Servicing Center (ACS). We are transferring these loans to one of the new federal loan servicers—FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae—as part of our global effort to position each student or parent borrower for having all of his or her FFEL Purchased Loans serviced by one servicer. We expect to continue these transfers through June 2010.

When we transfer a student or parent borrower’s FFEL Purchased Loan from the Department of Education Student Loan Servicing Center (ACS) to one of new federal loan servicers, the new servicer will correspond with the borrower after the transfer occurs. In this correspondence to the borrower, the new servicer will explain that the borrower’s FFEL Purchased Loan has been transferred and that the servicer will service the loan on our behalf going forward. The correspondence will include both toll-free phone number and Web site information for the servicer.

Some student or parent borrowers may have a FFEL Purchased Loan with the Department of Education Student Loan Servicing Center (ACS) and a FFEL Purchased Loan with one of the new federal loan servicers. In this case, we will transfer the borrower's FFEL Purchased Loan with ACS to the same federal loan servicer that services the borrower's other FFEL Purchased Loans. Again, our goal is for the borrower to have one servicer at the end of this transfer process.

**Q 3.5: How will a borrower know if his or her FFEL Purchased Loan has been transferred from one of the new federal loan servicers to another servicer?**

**A 3.5:** In late January 2010, we began the transfer of FFEL Purchased Loans for borrowers whose loans are assigned to two or more of the new federal loan servicers—FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae. We are transferring these loans to one of the two or more new federal loan servicers as part of our global effort to position each student or parent borrower for having all of his or her FFEL Purchased Loans serviced by one servicer. These transfers will continue every two months on an ongoing basis.

When we transfer a student or parent borrower's FFEL Purchased Loan from one of the new federal loan servicers to another, the new servicer will correspond with the borrower after the transfer occurs. In this correspondence to the borrower, the new servicer will explain that the borrower's loan has been transferred and that the servicer will service the loan on our behalf going forward. The correspondence will include both toll-free phone number and Web site information for the servicer.

**Q 3.6: When the Department transfers a borrower's FFEL Purchased Loan from one servicer to another, will the borrower's FFEL Purchased Loan and FFEL Program loans that have not been purchased by the Department be with the same servicer?**

**A 3.6:** No. Our global effort to position each student or parent borrower for having all of his or her FFEL Purchased Loans serviced by one servicer is limited to the borrower's federally-owned FFEL Purchased Loans. If a borrower also has FFEL Program loans that have not been purchased by the Department and wants all loans with one servicer, the borrower must consolidate his or her loans to achieve this result.

**Q 3.7: When the Department transfers a borrower's FFEL Purchased Loan from one servicer to another, how long will it take for the new servicer information to be reflected in the NSLDS?**

**A 3.7:** The new federal loan servicers report loan information to the NSLDS on a weekly basis. As a general rule, when we transfer a student or parent borrower's FFEL Purchased Loan from one servicer to another, the new servicer information should be available in the NSLDS within seven to ten business days after the loan transfer has been completed.

The majority of FFEL Purchased Loan transfers from one servicer to another are completed on schedule. However, in some cases, issues can occur with the data transfer and delay availability of the information in the NSLDS. If a school is concerned about new servicer information for a borrower's FFEL Purchased Loan not being available in the NSLDS, it should contact the Federal Student Aid Research and Customer Care Center (RCCC) at 800/433-7327 or [fsa.customer.support@ed.gov](mailto:fsa.customer.support@ed.gov) for assistance.

**Q 3.8: When the Department transfers a borrower's FFEL Purchased Loans from one servicer to another, will it be necessary for the borrower to reinitiate actions related to the status of his or her account (for example, reapply for a deferment or forbearance)?**

**A 3.8:** Loan status information will be included when a FFEL Purchased Loan is transferred from one of the new federal loan servicers to another. The student or parent borrower should experience no break or gap in any status (such as deferment or forbearance) that applies to his or her loan as a result of the transfer.

**Q 3.9: Until the Department transfers all of a borrower's FFEL Purchased Loans to one servicer, can the borrower submit loan status requests and payments to one location for processing and dissemination to all servicers?**

**A 3.9:** There is no central submission location for loan status requests and payments for FFEL Purchased Loans.

- ***Loan Status Requests*** – A student or parent borrower who has more than one servicer of his or her FFEL Purchased Loans must follow each servicer's procedures for such requests. To assist the borrower in this effort, the new federal loan servicers will all accept each other's forms; however, the borrower must submit the form he or she completes to each servicer.

**Note:** If a borrower has FFEL Purchased Loans and FFEL Program loans that have not been purchased by the Department with the same servicer, the borrower may be able to submit one form or request that covers all loans to the servicer. The borrower should check with the servicer for guidance in this case.

- ***Payments*** – A student or parent borrower who has more than one servicer of his or her FFEL Purchased Loans must send a separate payment coupon and check or arrange for separate electronic payment to each servicer. Federal law does not allow payment lockbox use across servicers.

**Note:** If a borrower has FFEL Purchased Loans and FFEL Program loans that have not been purchased by the Department with the same servicer, the borrower must send a separate payment coupon and check or arrange for separate electronic payment for each loan type to the servicer. Federal law requires federally-owned loans to be processed through a federal payment lockbox, and prohibits the processing of payments on loans that are not federally-owned through this lockbox.