

Session #3

Direct Loan Servicing

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Agenda:

- Servicing “Today” - one Direct Loan Servicer
 - ✓ Direct Loan Servicing – Borrower Services
 - ✓ Direct Loan Servicing – School Services
 - School Reports
 - Delinquency & Default Prevention

- Servicing “Tomorrow” with multiple Servicers
 - ✓ A Changing Landscape in FSA
 - ✓ Additional Servicers
 - Default Aversion

- On the Horizon

Direct Loan Servicing: Borrowers

- ✓ Repayment options tailored to individual need
 - Standard, Extended and Graduated
 - Income Contingent Repayment (ICR)
 - Income-Based Repayment (IBR)
 - Alternative Repayment
- ✓ Payment due date selection by borrower
- ✓ Options for receiving bills and/or correspondence electronically
- ✓ Self-Service tools for borrowers (telephone voice response system, Web portals)
- ✓ Online form submission (forbearance and deferments)



**Repayment Plans
and Options**

Loan Forgiveness

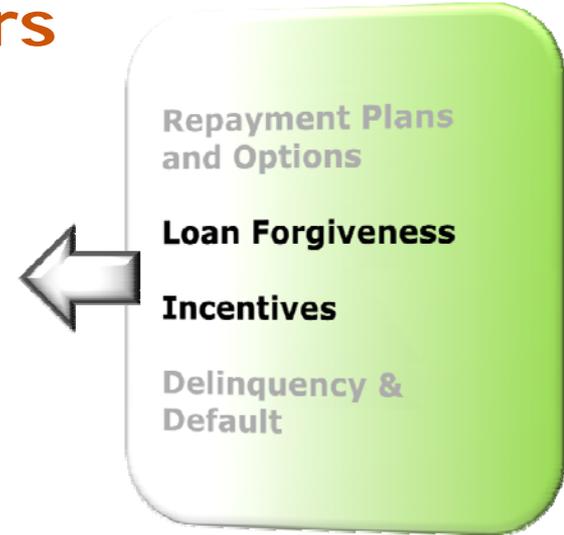
Incentives

Delinquency &
Default

Direct Loan Servicing: Borrowers

Public Service Forgiveness Program

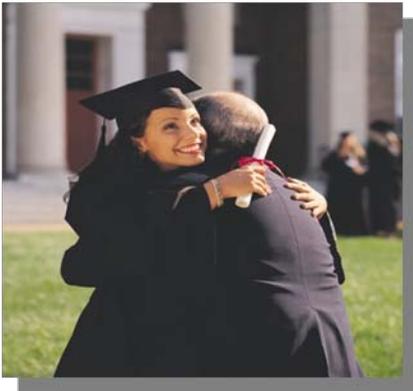
- Created to encourage individuals to enter and continue to work full-time in public service jobs.
- Forgiveness of the remaining balance due on eligible federal student loans after borrower has made 120 payments.
- Only non-defaulted loans made under the William D. Ford Direct Loan Program are eligible for loan forgiveness.



Repayment incentives:

- Up Front interest rebate
- Electronic Debit Account (EDA)

Direct Loan Servicing Web sites



For Borrowers - www.dl.ed.gov

- Real Time Account Information
- Online Transaction Processing - Borrower Self-Service
- Online Counseling and Rules Based Messaging
- Interactive Pre-qualifier for Deferment and Forbearance Requests including online submission
- Online payments
- Electronic Mail Services
- EDA Enrollment
- Online Calculators
- Online Surveys

For Schools - www.dl.ed.gov/schools

- Student Account Lookup
- Online Reports – Portfolio, Delinquency and Counseling
- Complete Question Center



Direct Loan Servicing School Reports

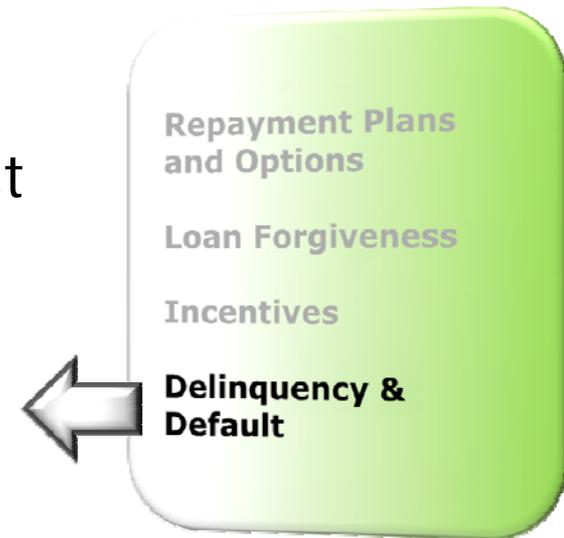
- What types of Reports:
 - Entrance counseling
 - Exit counseling
 - Portfolio
 - Delinquency
- When:
 - as needed daily, weekly, monthly
- Where:
 - SAIG mailbox, email, DL servicing Web site
- Why:
 - to monitor borrower activity at DL servicing



Direct Loan Servicing

Preventing Delinquency & Defaults

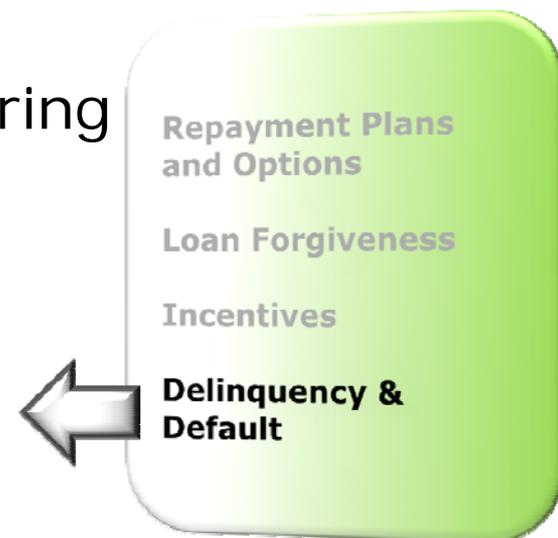
- Educates and informs borrowers as to the tools and options available to assist them in the management of their student loans
- Exceeds minimum regulatory due diligence requirements
- Works in partnership with the school community to assist borrowers in the later stages of delinquency



Direct Loan Servicing

Preventing Delinquency & Defaults

- Pre-Repayment Counseling
 - ✓ Calls made two months prior to entering repayment
 - ✓ Emails sent to assist with repayment
- Delinquency Counseling
 - ✓ 31 days we begin a series of calls
 - ✓ Letters begin at 7 days delinquent
- Call Campaigns
 - ✓ High balance calls (balance of 80K or greater)
 - ✓ Borrowers who fall within the COHORT population will also receive up to 4 manual calling attempts.



Direct Loans – Delinquency & Default Prevention

Late Stage Delinquency Assistance (**LSDA**) involves school personnel reaching out to seriously delinquent borrowers (240+ days), and facilitating the critical contact with the loan servicer to prevent loan default.

Remember...

We work together to combat delinquency. The DL servicer has developed an LSDA guide and online tools for schools to assist in delinquency efforts.

Direct Loan School Services:
(888) 877-7658



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➤ On the Horizon



A Changing Landscape

Ensuring Continued Access to Student Loans Act (ECASLA) :

Provided Secretary with authority to purchase FFELP loans:

- Loan Participation Program
- Loan Purchase Program (PUT)
- Conduit

A Changing Landscape

What is being proposed?

- 100% Direct Lending
- A Modernized and Expanded Perkins Program – Originated and Serviced through the Department

Additional Servicers

- To ensure that the Department of Education could handle volumes of loans sold to the government and any additional Direct Loan volumes, the Department has entered into agreements with four additional servicers.
- These agreements are for servicing only. Origination and disbursement of all Direct Loans will be through the Common Origination and Disbursement System (COD).

Additional Servicers

- ❑ Created an environment of competition to ensure student borrowers received best in business service.

- ❑ Selected Additional Federal Loan Servicers
 - ✓ ACS (current servicer)
 - ✓ Great Lakes Education Loan Services (additional)
 - ✓ Nelnet (additional)
 - ✓ Sallie Mae Corporation (additional)
 - ✓ AES / PHEAA (additional)

Measuring Performance

Performance Measurements:

- ❑ Service Levels
 - Borrowers
 - Schools
 - Department of Education
 - Borrower Defaults

- ❑ On-going program compliance reviews

Additional Servicers: Performance through Competition

- Allocation of volume is performance based
 - ✓ Default management performance metrics
 - % of “In Repayment” Portfolio Dollars that go into default
 - % of unique “In Repayment” Portfolio borrowers that go into default
 - ✓ Customer Satisfaction Surveys (borrower, school, FSA)
 - ✓ Volume allocations will vary significantly among servicers based on results

- Competition will deliver improved services
 - ✓ Servicers are rewarded for providing excellent default aversion techniques that deliver the desired results
 - ✓ Healthy competition produces continuous improvement efforts

Approach:

- ✓ All borrower federally held loans will be maintained by a single servicer
- ✓ Servicers must comply with all legislative and regulatory requirements and will provide **unique** best in business services
- ✓ Schools will be working with multiple servicers

Examples of Services:

- Single Point of Contact for Schools per Servicer
- Financial literacy materials and web tools
- Predictive call modeling
(for delinquency)
- Robust skip tracing tools
(for delinquency)
- Web Chat



Additional Servicers

Borrower Services:

The Additional Servicers offer:

- Multiple repayment options tailored to borrower preferences (i.e. Online payments, ACH, check, etc.)
- Options for receiving bills and/or correspondence electronically
- Self-Service tools for borrowers (telephone voice response system, Web portals)
- Dedicated services to schools to help manage cohort default rates



Additional Servicers

Default Aversion Techniques

The Additional Servicers:

- Exceeds minimum regulatory due diligence requirements
- Educates and informs borrowers as to the tools and options available to assist them in the management of their student loans
- Provides outbound targeted calling campaigns along with inbound call center representatives to help borrowers become current
- Utilizes electronic communication methods such as email to keep borrowers informed about account status

Additional Servicers

Default Aversion

- Default management results will be published frequently and provide transparency in student loan servicing among each servicer
- Servicers will partner with financial literacy advocacy groups to educate borrowers and assist schools
- Each servicer is encouraged to continually improve and compete among one another to deliver the best results for borrowers, schools, and FSA

What does all this mean for schools?

- Will schools have to work with multiple servicers?
- Will schools likely have different reporting formats for various school reports ?
- Can a school designate which servicer they want?
- How will a school know which servicer has a borrowers loans?



Yes, schools will work with all servicers.



Yes, schools will likely have different reporting from each servicer.



No, schools cannot designate a servicer.



Schools will use NSLDS to determine which servicer has borrower loans.

Delinquency and Default Aversion Techniques	Direct Loan Servicer (Current)	Additional Federal Loan Servicers
Exceeds minimum regulatory requirements	✓	✓
Extended repayment options	✓	✓
Deferment and Forbearance options	✓	✓
Repayment Counseling	✓	✓
Targeted Call Campaigns	✓	✓
Borrower Self Service Tools	✓	✓
Financial Literacy Materials		✓
Delinquency Reporting for Schools	✓	✓
Dedicated School Services	✓	✓

Implementation Timeline

Three-Phase Implementation

- **Phase 1** (Initial) – **COMPLETE**
- **Phase 2** (Intermediate) – 3/31/10 Completion Date
- **Phase 3** (Final) – 8/31/10 Completion

Timeline:

August 31, 2009: (Phase 1) - COMPLETE

- Additional Servicers fully operational to handle loan sales for Department

March 31, 2010: (Phase 2)

July 15, 2010:

- Allocations of new borrower loan volume will be determined (per servicer)

August 31, 2010: (Phase 3)

- Additional Servicers fully operational to handle William D. Ford Direct Loans



Get to know your Federal Loan Servicers:

Direct Loan Servicing Center

NSLDS Servicer Code: 00100

NSLDS Name: **Direct Loan Servicing Center**

Borrower Phone: 800-848-0979

Web: www.dl.ed.gov

School Phone: 888-877-7658

Web: www.dl.ed.gov/schools



Student Loan Servicing Center (ACS)

NSLDS Servicer Code: 700577

NSLDS Name: **Dept of ED / ACS**

Borrower Phone: 800-508-1378

Web: www.ed-servicing.com

School Phone: 866-938-4750

Web: www.ed-servicing.com

Get to know your Federal Loan Servicers:



FedLoan Servicing (PHEAA)

NSLDS Servicer Code: 700579

NSLDS Name:

Dept of ED/ FedLoan Servicing (PHEAA)

Borrower Phone: 800-699-2908

Web: www.myfedloan.org

School Phone: 800-655-3813

Web: www.myfedloan.org

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

School Phone: 888-686-6919

Web: www.mygreatlakes.org



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Get to know your Federal Loan Servicers:

Nelnet

NSLDS Servicer Code: 700580

NSLDS Name: **Dept of ED / Nelnet**

Borrower Phone: 888-486-4722

Web: www.nelnet.com

School Phone: 866-463-5638

Web: www.nelnet.com



Sallie Mae

NSLDS Servicer Code: 700578

NSLDS Name: **Dept of ED / Sallie Mae**

Borrower Phone: 800-722-1300

Web: www.salliemae.com

School Phone: 888-272-4665

Web: www.opennet.salliemae.com

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FSA Exit Counseling

Coming in
Spring 2010

- New site for FSA Exit Counseling
- Integrated into www.nslds.ed.gov
 - Current student site for aid detail
 - Student uses PIN to access
- Coordinating to use same terminology as Entrance Counseling

FSA Exit Counseling

- NSLDS will provide student with current loan data
- Calculators for various repayment types will be provided
- Link provided to loan holder site (where available) to facilitate communication
- Available in both English and Spanish

Student Access: www.nslds.ed.gov

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Financial Aid Review **Exit Counseling** Glossary of Terms Browser Information/Setup FAQs Contact Us

Hurricane Assistance

NSLDS STUDENT ACCESS
National Student Loan Data System

Retrieve Your Loan Information

The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (ED's) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.

Financial Aid Review
Exit Counseling

FOIA | Privacy | Security | Notices WhiteHouse.gov | USA.gov | ED.gov

Student Logs on with Current Student Identifiers



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National Student Loan Data System (NSLDS) for Students

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NSLDS is a repository of information from many sources. Changes to the data are made by those sources. Collecting the data into one central location such as NSLDS gives you convenience and saves you time. If for any reason you disagree with the information reported to NSLDS, please contact one or more of the sources of your data listed on the detail pages on this site. The Department is also available as a resource at 1-800-4FEDAID if you need additional assistance. Your comments and corrections will help improve the services NSLDS provides.

What is your social security number?
Please enter this number without the dashes. For example, 123456789.

What are the first two (2) letters of your last name?

What is your date of birth?
Please enter this date in "mmddyyyy" format. For example, 08171975 for August 17, 1975.

What is your PIN?
Please enter the PIN you received from Department of Education.

Since your PIN can be used to retrieve personal information about you and to sign documents, including a promissory note, you must not share or disclose the PIN to others. By using your PIN, you agree that it has not been compromised -- no one besides you knows it. If you think your PIN has been compromised, you should change it at the Department of Education PIN Registration Web site using the option "Change PIN".

You will be prompted to re-enter the information on this page after 15 minutes of inactivity.

Information contained on these pages reflects the most current data in the NSLDS database. The data contained on this site is for general information purposes and should not be used to determine eligibility, loan payoffs, overpayment status, or tax reporting. Please consult the Financial Aid Officer at your school or the specific holder of your debts for further information.



Benefits of FSA Exit Counseling

- Introduces students to the NSLDS Web Site
- Uses student's actual data
- Student completion will be tracked via NSLDS
- School Reports will be available
 - To review who has completed
 - To use for audits

Benefits of FSA Exit Counseling

- Evidence of completion will be sent to Federal Loan Servicers, Direct Loan Servicer, and GAs
- NSLDS will be able to upload/store completion records when school uses another product
- Allows comprehensive tracking to be included in reports
- FSA Exit Counseling product will change with any compliance or regulatory requirements

Contact Information

Thank You!

We appreciate your feedback and comments

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