

Session #3

The Essentials of Federal Student Loan Servicing

Cynthia Battle
U.S. Department of Education



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Agenda



- **Servicing Landscape**
 - **Size and Scope**
- Consistency vs. Competition
- Servicer Performance
- Surveys
- Hot Topics



Portfolio Statistics

Federal Loan Portfolio

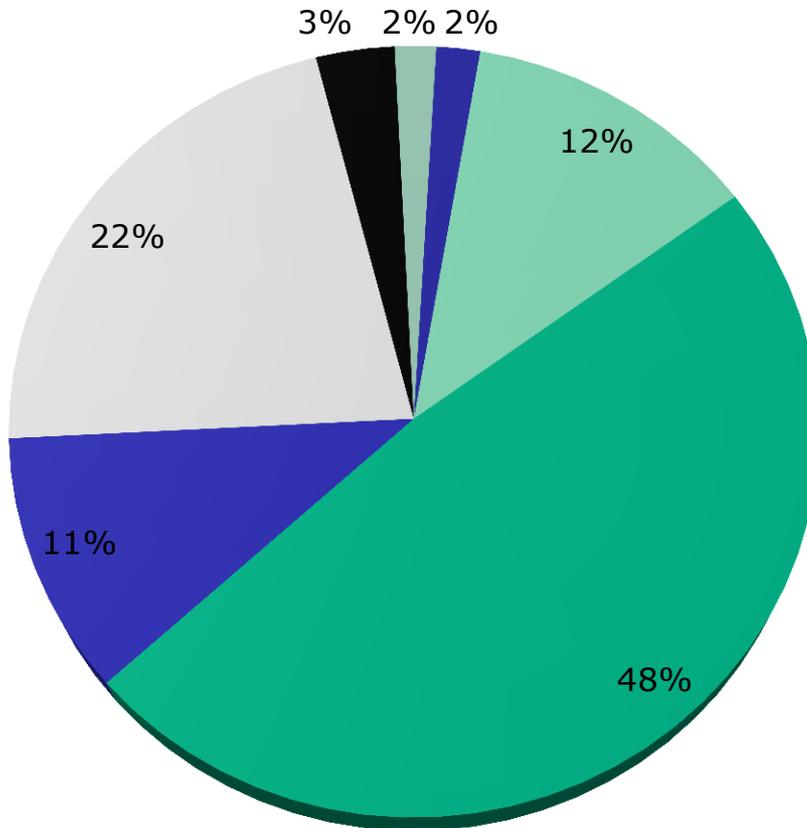


Totals as of month end September 2010



Portfolio Statistics

Federal Loan Portfolio



- In School
- Deferment/Forbearance
- Grace/In Repayment, Current
- In Repayment, 31-90 Days Delinquent
- In Repayment, 91-150 Days Delinquent
- In Repayment, 151-270 Days Delinquent
- Default, 271-360 Days Delinquent



Federal Loan Servicers

The Department has five federal loan servicers.

Our federal loan servicers are:

- ❖ Direct Loan Servicing Center (ACS)
- ❖ FedLoan Servicing (PHEAA)
- ❖ Great Lakes Educational Loan Services, Inc.
- ❖ Nelnet
- ❖ Sallie Mae



What does this mean for schools?

Do schools need to work with multiple servicers?

→ Yes

Can a school choose a servicer?

→ No

Where do schools find servicer assignment?

→ NSLDS

Can schools provide feedback on servicer performance?

→ Yes – Quarterly customer satisfaction surveys



We are listening!

We have heard your
servicing issues and
concerns over the past
year...



Split Servicing

- All of a borrower's federally-owned loans will be maintained by a single servicer
- Federally-owned and commercial loans may still be split among servicers
- Consolidation sometimes viable option, but not in all circumstances

Source of Centralized Loan Information

- NSLDS
 - Includes Commercial, PUT, DL loans and servicer assignments
 - Updates information if federally-owned loans reassigned to make borrower “whole” or if commercial loans change ownership/servicing
 - Offers an **Exit Counseling** session that covers the FFEL and Direct Loan Program
 - Provides a **centralized delinquency report**



NSLDS Delinquency Report

- ❖ Provides delinquency information by school for the four additional servicers
- ❖ Includes PUT and Direct Loans held by the four additional servicers
- ❖ Provides various data filters
- ❖ Available on NSLDS Professional Access website

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

Servicer Reports

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



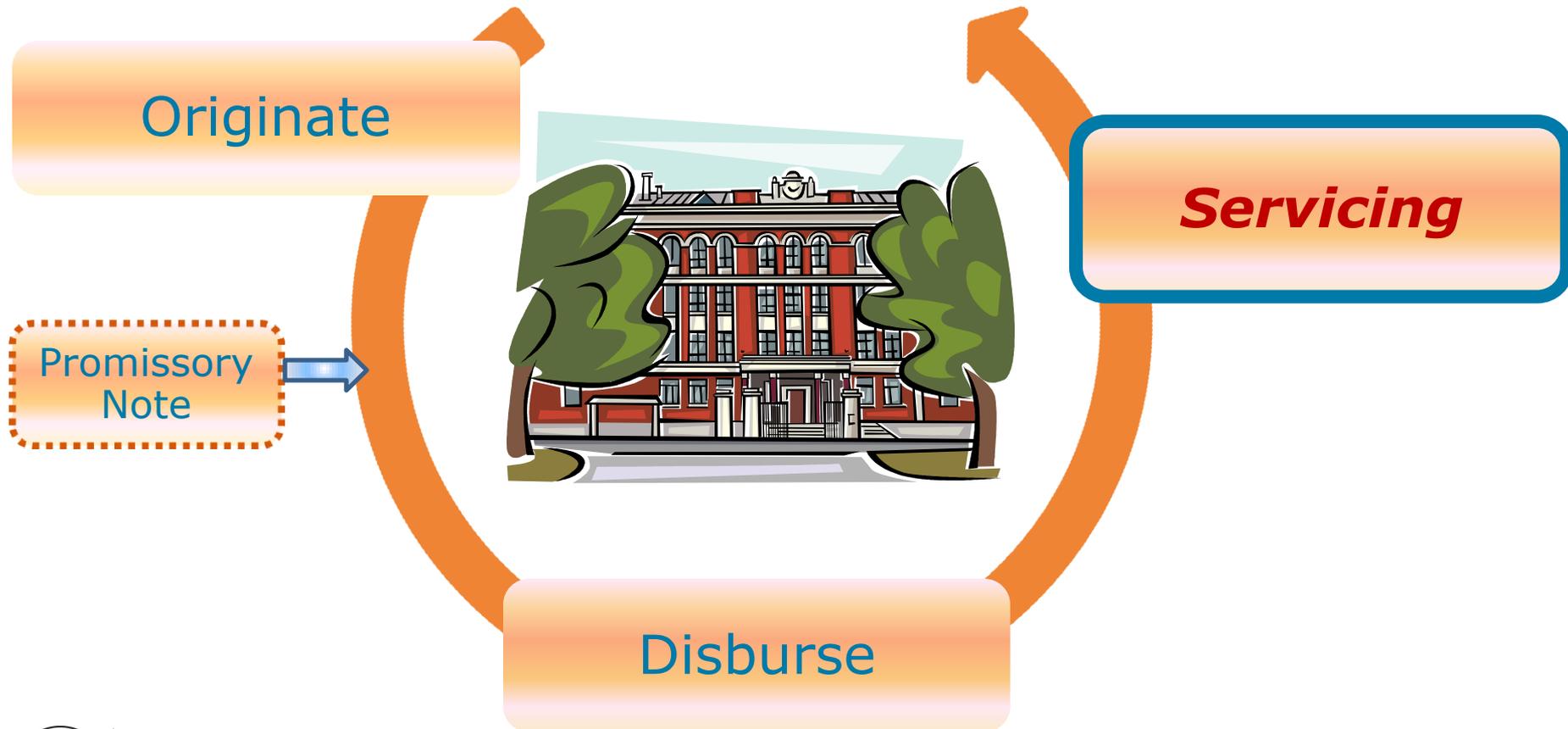
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Direct Loan Processing Cycle

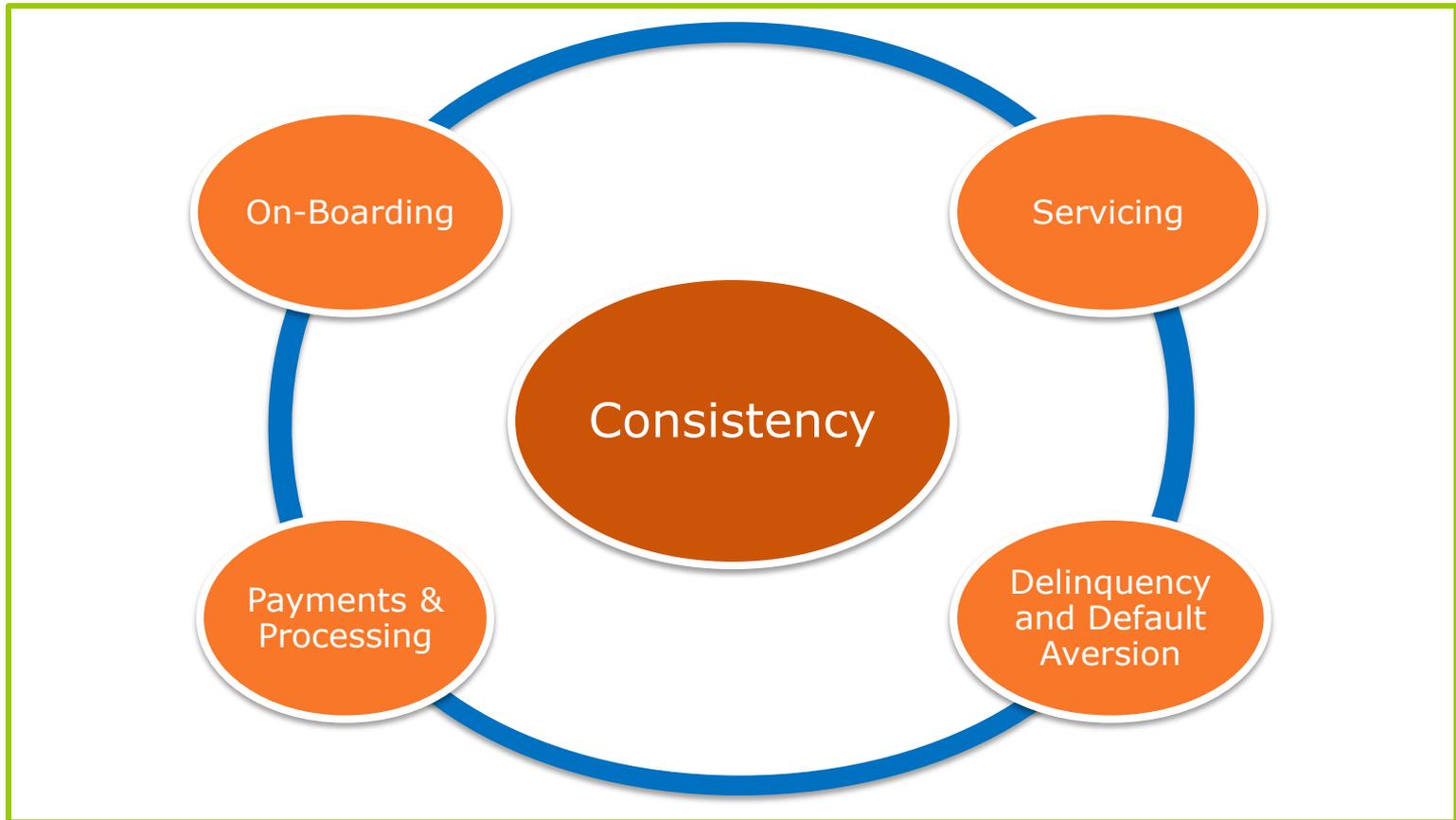


Our Servicers:

- Servicers comply with legislative regulatory requirements and provide unique services
- Educate and inform borrowers as to 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 for receiving bills and/or correspondence electronically
- Offer dedicated services to schools to help manage cohort default rates



Consistency vs. Competition



Consistency vs. Competition

Servicers must comply with all legislative and regulatory requirements and will provide unique best in business services

❖ On-Boarding new Direct and PUT Loans:

- “Welcome” letters to borrowers as loans are loaded
- Servicer new school “Welcome Packet” and set-up/training process

❖ Servicing:

- Support all repayment plans, deferment/forbearance types and counsel and refer borrowers to Direct Loan Consolidation
- Provide websites with online self-service tools for borrowers/schools
- Committed to providing “Best Practices” in loan servicing
- NSLDS updates are received and reported timely and are highly accurate



Consistency vs. Competition

❖ Payment Processing:

- Mandate to use U.S. Department of Education's lockboxes
- No late fees or NSF charges to borrowers

❖ Resolving Split Borrowers:

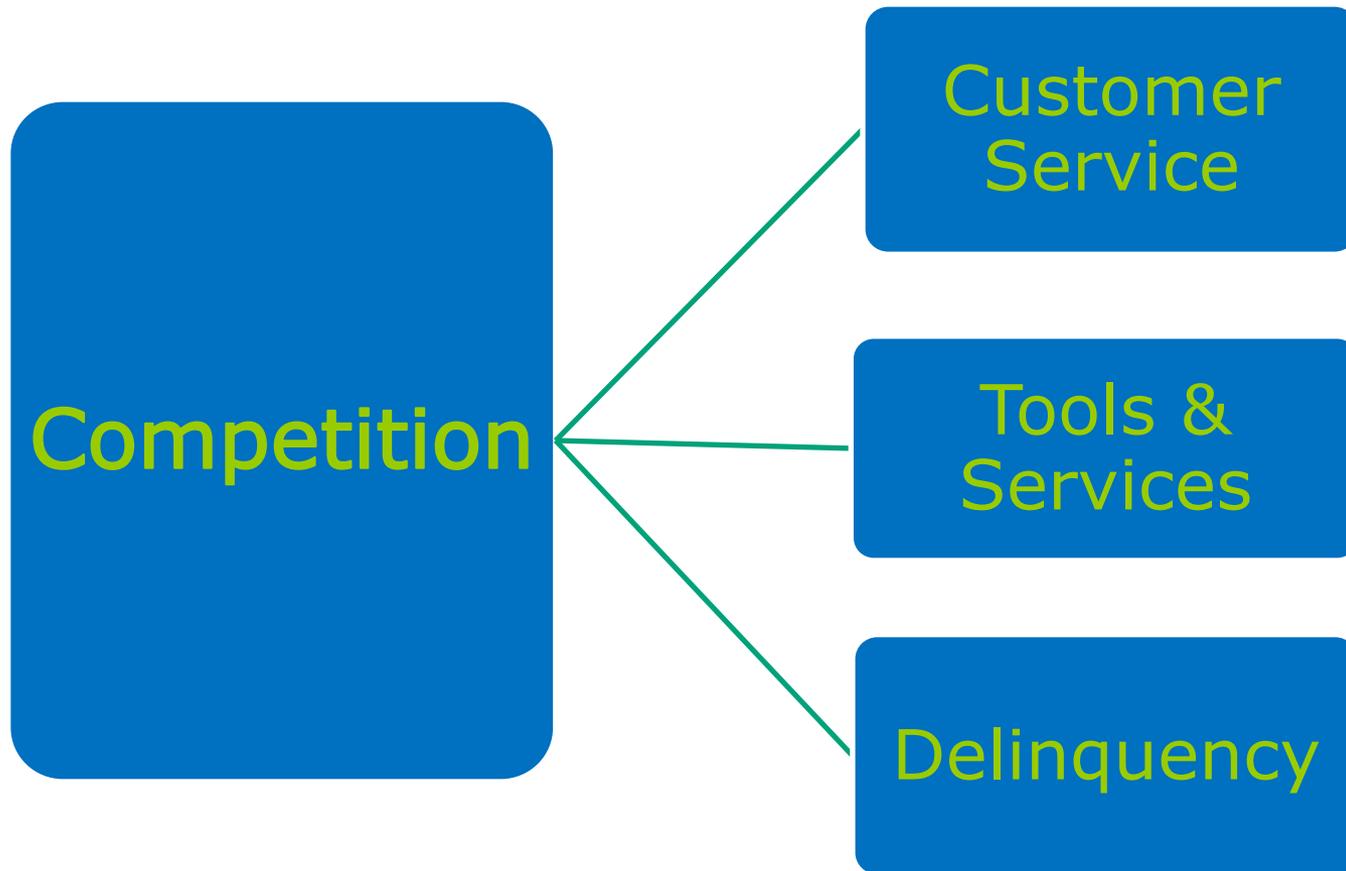
- Standardized inter-servicer transfer capabilities
- Frequent FSA mandated serial transfers that bring federally-owned loans for a borrower together at a single servicer

❖ Delinquency & Default Aversion:

- Perform all required regulatory due diligence up to 360 days delinquent
- Provide schools reports and data to support school initiated COHORT activities
- Provide COHORT default rate challenge support services to schools



Consistency vs. Competition



Consistency vs. Competition

❖ Customer Service

❖ Tools and Services:

- Continually improving website functionality with more self-service options and online tools
- Early outreach efforts to borrowers
- Quality and channels of communications (texting, e-mail, web chat, social networking)

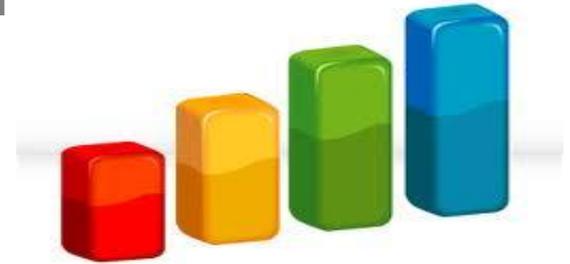
❖ Delinquency and Default Aversion:

- Strategies that exceed due diligence requirements and are effective at preventing defaults
- Improved access to data and reporting to assist schools in COHORT rate management
- Specialized staff training for improved borrower communications and call handling



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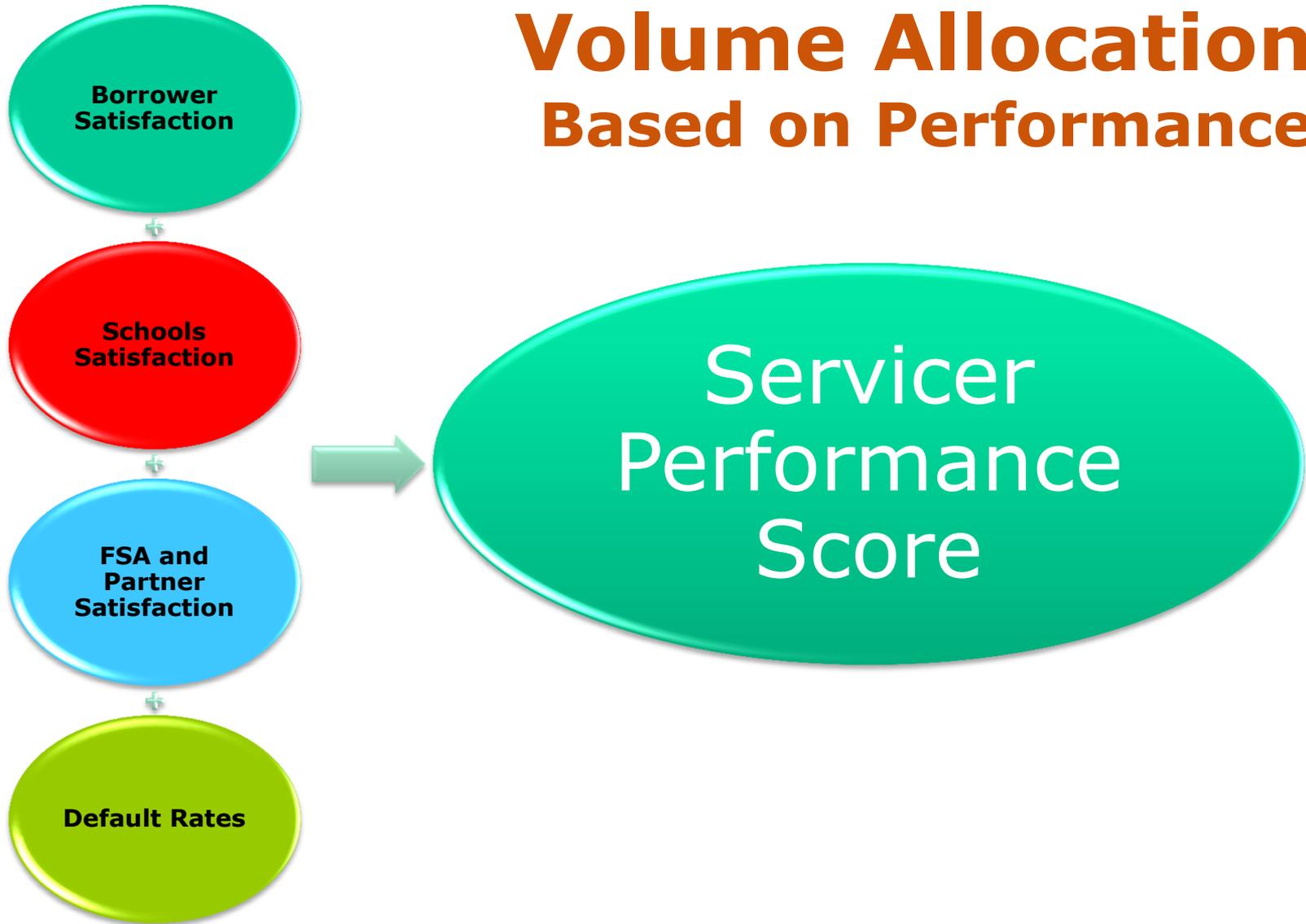
Measuring Performance

Performance Measurements:

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

- On-going program compliance reviews

Volume Allocation Based on Performance



Allocation Methodology

- ❖ Three customer satisfaction measures
- ❖ Two borrower default statistics
- ❖ Used to generate five ranked lists of the additional servicers
- ❖ FSA will combine the five rankings to determine the percentage of future volume each servicer will receive



Business Success Based on Performance



Agenda

- Servicing Landscape
- Loan Distribution
- Consistency vs. Competition
- **Surveys**
- Hot Topics



Customer Satisfaction Surveys

Conducted quarterly and designed to take ten minutes or less

❖ Survey three groups

- Borrowers
- Schools
- FSA staff



Surveys - Borrowers

- ❖ Phone surveys of 1,000 respondents per quarter – 250 per servicer
- ❖ Randomly selects by repayment status
- ❖ Same proportion of borrowers in school, grace and repayment within the samples of all the servicers



Surveys - Schools

- ❖ Phone interviews of random samples of 300
– 75 per servicer
- ❖ Sampled by servicer and institution type
- ❖ Same proportions of institution types in all four servicer's samples
- ❖ Ask school personnel about only one servicer

Surveys - Federal Personnel

- ❖ ~200 potential respondents
- ❖ Online survey
- ❖ All potential respondents surveyed every quarter
- ❖ Randomly assigned to a single servicer during the first quarter, cycling through the other servicers in subsequent quarters



Basic Plan for the Surveys

- ❖ Interview enough people to support precise measurement
- ❖ Detect real differences in the customer satisfaction levels between the additional servicers, using appropriate statistical methods to account for sampling variation
- ❖ Treat statistically insignificant differences as ties
- ❖ Generate three ranked list of servicers, one for each type of customer

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



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HOT Topics and Questions



Servicer Information Session 56: Tuesday, Nov. 30, 4:45 p.m. – 6:00 p.m.



Direct Loan Servicing Center (ACS)
NSLDS Servicer Code: 00100

Borrower Phone: 800-848-0979

Web: www.dl.ed.gov

School Phone: 888-877-7658

Web: www.dl.ed.gov/schools

Servicer Information Session 57: Wednesday, Dec. 1, 7:30 a.m. – 8:45 a.m.



FedLoan Servicing (PHEAA)

NSLDS Servicer Code: 700579

Borrower Phone: 800-699-2908

Web: www.myfedloan.org

School Phone: 800-655-3813

Web: www.myfedloan.org/schools



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Servicer Information Session 58: Wednesday, Dec. 1, 4:45 p.m. – 6:00 p.m.



Great Lakes Educational Loan Services, Inc.
NSLDS Servicer Code: 700581

Borrower Phone: 800-236-4300

Web: www.mygreatlakes.org

School Phone: 888-686-6919

Web: www.mygreatlakes.org



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Servicer Information Session 59: Thursday, Dec. 2, 7:30 a.m. – 8:45 a.m.



Nelnet

NSLDS Servicer Code: 700580

Borrower Phone: 888-486-4722

Web: www.nelnet.com

School Phone: 866-463-5638

Web: www.nelnetloanservicing.com

Servicer Information Session 60: Thursday, Dec. 2, 4:45 p.m. – 6:00 p.m.

SallieMae® | Department of Education Loan Services

Sallie Mae

NSLDS Servicer Code: 700578

Borrower Phone: 800-722-1300

Web: www.salliemae.com

School Phone: 888-272-4665

Web: www.opennet.salliemae.com



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Others Sessions of Interest

#5. Best Practices in Default & Delinquency Management

Tuesday	11:00 a.m. – 12:15 p.m.
Wednesday	11:00 a.m. – 12:15 p.m.
Thursday	11:00 a.m. – 12:15 p.m.

#10. Loan Repayment & Forgiveness Plans

Tuesday	1:45 p.m. – 3:00 p.m.
Wednesday	1:45 p.m. – 3:00 p.m.
Thursday	1:45 p.m. – 3:00 p.m.

#19. Entrance and Exit Counseling

Tuesday	1:45 p.m. – 3:00 p.m.
Wednesday	3:15 p.m. – 4:30 p.m.
Friday	11:00 a.m. – 12:15 p.m.



Resources

General Servicing Information

- ❖ Electronic Announcement – Loan Servicing Information
<http://www.ifap.ed.gov/eannouncements/032610LoanServicingInfoFedOwn.html>

Surveys

- ❖ Electronic Announcement – Service Performance Results
<http://ifap.ed.gov/eannouncements/091410LSIFirstYrCustServPerfSecondYrAllocation.html>

Delinquency and Default Management

- ❖ Electronic Announcement – Delinquency Prevention Activities
<http://www.ifap.ed.gov/eannouncements/060310LoanServicingInfoDelinqPreventAct.html>



Contact Information



I appreciate your feedback and comments.

Cynthia Battle

Phone: 202-377-3283

E-mail: Cynthia.Battle@ed.gov

