

# Session #9

## Additional Loan Servicers

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David Rhodes



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# Agenda

- Where Are We Today?
- Why Additional Servicers?
- What's the New Structure Look Like?
- Where Are The Loans Going?
- What's Next?

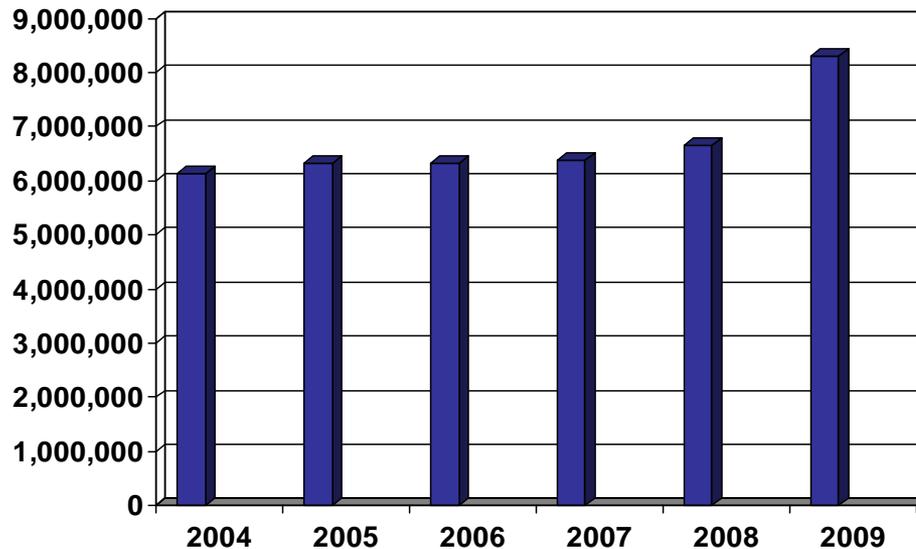
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- Where Are We Today?
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# Portfolio Statistics

## William D. Ford Direct Loan Program (Direct Loans)

### Total Direct Loan Borrowers



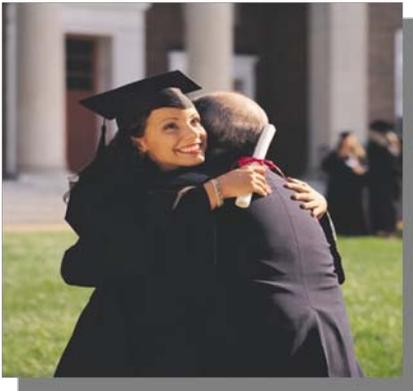
### 8.4 Million Active Borrowers

Status	Population
In School	2,072,844
In Grace	451,706
* In Repayment	4,057,910
In Deferment	968,478
In Forbearance	560,242

\* Number Includes delinquent borrowers

Statistics as of September 2009 month end.

# Direct Loan Servicing Web Sites



## For Borrowers - [www.dl.ed.gov](http://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 with e-Signatures
- Online payments
- Electronic Mail Services
- EDA Enrollment
- Online Calculators
- Online Surveys

## For Schools - [www.dl.ed.gov/schools](http://www.dl.ed.gov/schools)

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

# Homepage – dl.ed.gov/schools



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## Financial Aid Professionals

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[Student Account Lookup](#) | [School Reports](#) | [Web Site Help](#) | [General Information](#) | [Contact Us](#) | [Versión en español](#)

## Direct Loan Servicing Online School Site



### News & Updates

No News available

This Web site provides you with resources and reports designed to help you effectively manage your Direct Loan Program and with the ability to lookup borrower account information

To access this site, you must first log into the Common Origination and Disbursement (COD) Web Site using your User Name and Password. Once you have logged into the COD system, a second window will open displaying the Direct Loan Servicing Online School site.

To access this site, please click here [Login](#)

Last updated/reviewed 12/18/2006

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File Edit View » | Address: https://cod.ed.gov/cod/LoginPage



U.S. DEPARTMENT OF EDUCATION  
**COMMON ORIGINATION & DISBURSEMENT**



[School Search](#) | [Batch Search](#)

## Login

to the **Common Origination & Disbursement Web Site**

User name:  Password:  [Login](#)

 **BOOKMARK** this page

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# Direct Loans Delinquency & Default Prevention

- Pre-Repayment Counseling
  - Calls made two months prior to entering repayment
  - Emails sent to assist with repayment options
- Delinquency Counseling
  - 31 days we begin a series of calls (22 calls)
  - Letters begin at 7 days delinquent (12)
- 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.

# Literacy Materials:

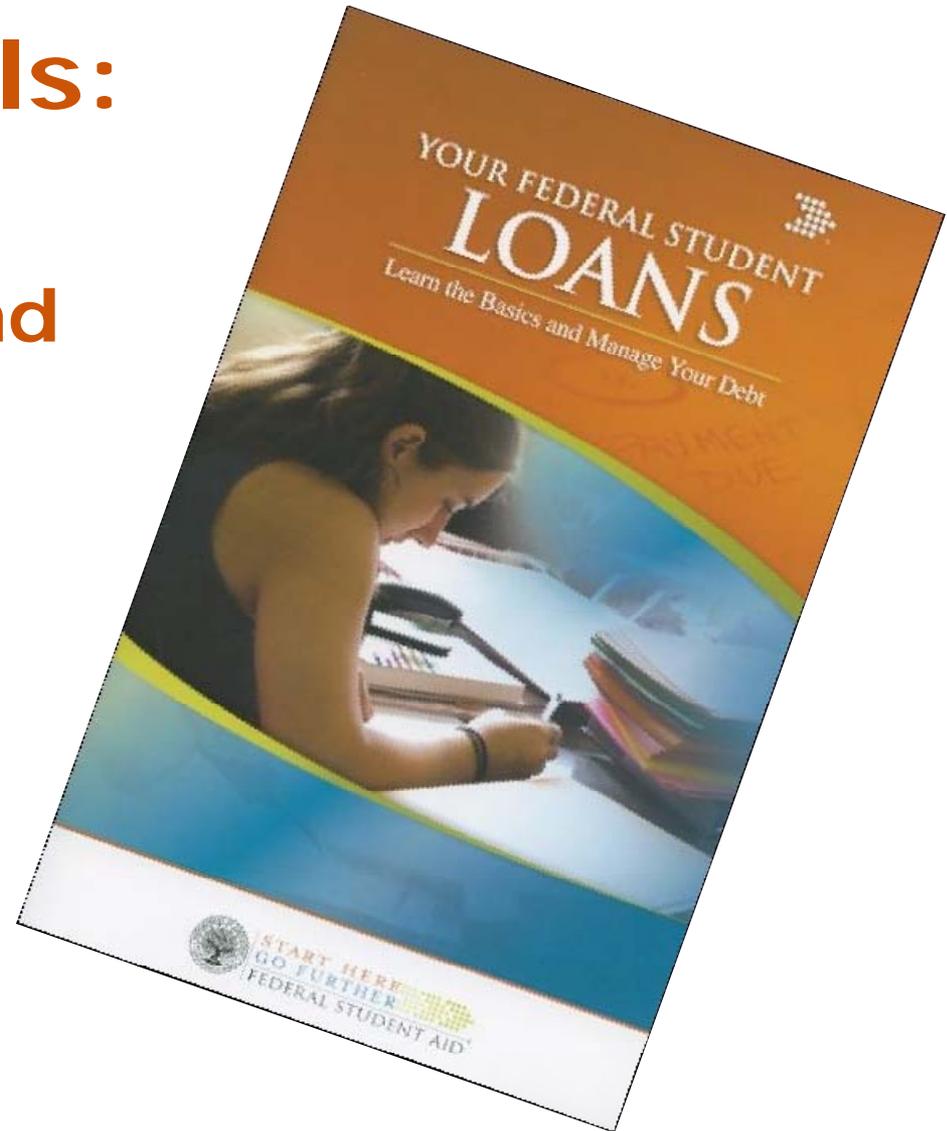
## Learn the Basics and Manage Your Debt

On-line ordering at:

<http://edpubs.ed.gov>

Order by phone at:

**1-877-4ED-PUBS**



# Direct Loan School Services

1-888-877-7658 (School Services)

[www.dl.ed.gov/schools](http://www.dl.ed.gov/schools)

- 30-day Demand Letters
- Cohort Default Assistance
- Delinquency Management Assistance
- Exit Counseling Interview Materials
- NSLDS/Clearinghouse
- SSCR/Student Enrollment
- Account Status
- Web Assistance



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# Agenda

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# 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

Current Volumes: (as of 10/26/09)

- \$49.5 Billion (purchase)

Approx. 3.1 Million Borrowers  
(purchase)

# Additional Servicers

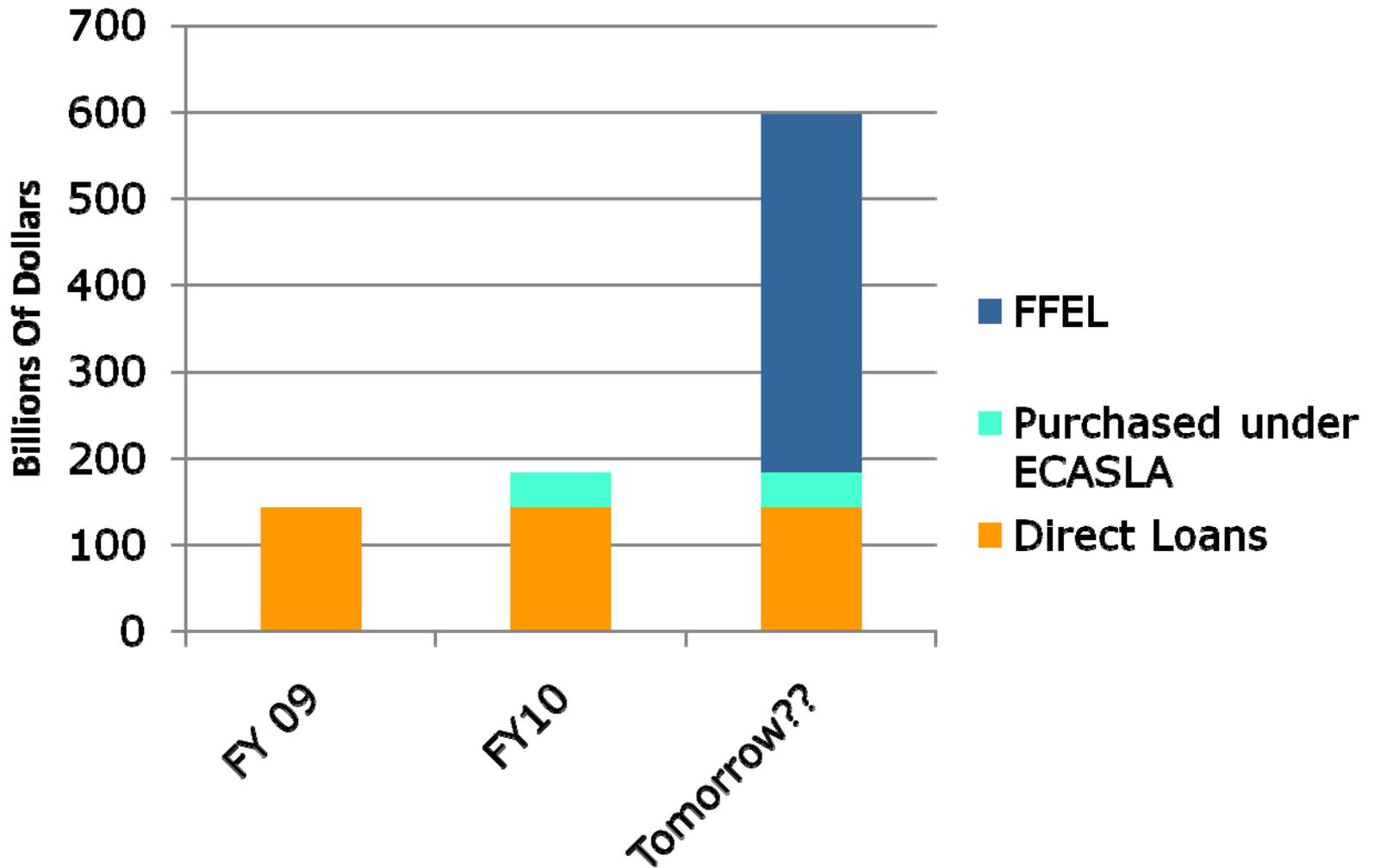
- To ensure that the Department of Education could handle volumes of loans sold to the government and any additional Direct Loan volumes, the Department has entered into agreements with four additional servicers.
- These agreements are for servicing only. Origination and disbursement of all Direct Loans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

# A Changing Landscape

What is being proposed?

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

# Portfolio Size and Growth



# Agenda

- Where Are We Today?
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# Planning for 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)

## Approach:

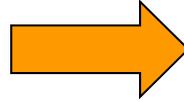
- All of a borrower's federally held loans will be maintained by a single servicer
- Servicers must comply with all legislative and regulatory requirements and will provide **unique** best in business services
- Schools will be working with multiple servicers

## Examples of Services:

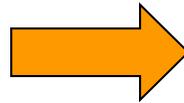
- Single Point of Contact for Schools per Servicer
- Financial literacy materials and web tools
- Predictive call modeling (for delinquency)
- Robust skip tracing tools (for delinquency)
- Web Chat

# What does all this mean for schools?

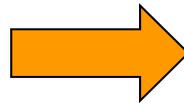
- Will schools have to work with multiple servicers?
- Can a school designate which servicer they want to service their loan portfolio?
- Will a school know which servicer has their borrowers loans?
- Will schools have a venue for providing feedback on the performance of the servicers?



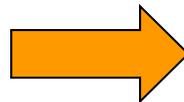
Yes - Schools will work with more than one loan servicer and will likely interface with all loan servicers.



No - Schools cannot designate which servicer to service their borrowers.



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



Yes - Schools will have input regarding a servicers performance via customer satisfaction surveys.

# Measuring Performance

## Performance Measurements:

- ❑ Service Levels
  - Borrowers
  - Schools
  - Department of Education
  - Borrower Defaults
  
- ❑ On –going program compliance reviews

# How will the servicers appear in NSLDS?

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National Student Loan Data System (NSLDS)

NSLDS Menu Aid Enroll Org Report Tran Support

Org Contact List | Org Search | Custodian/Sponsor/Conduit | Data Provider Schedule | Unmatched Loan List | Cohort Default Rate Ed | Org Relationship List | Cohort Default Rate | Loan Unlock Maintenance | School Profile | Unlinked Loan List

Type:  Code:  Name:  Retrieve

Logged on as: SAM GLASER from [Department of Education](#)

**DEPT of ED/ ACS**

Name: DEPT OF ED/ACS  
 Code: 577 Type: Guaranty Agency  
 Status: OPEN  
 Address: P. O. BOX 5609  
 GREENVILLE, TX 754035609

**DEPT of ED/ Sallie Mae**

**Organization Contact List**

Function	First Name / Last Name	Phone / Ext.	Email
1 PERKINS ISSUES	PERKINS SERVICING (BORROWERS)	(800)826-4470	
2 FFEL ISSUES	FFEL SERVICING (BORROWERS)	(800)508-1378	

Name: DEPT OF ED/SALLIE MAE  
 Code: 578 Type: Guaranty Agency  
 Status: OPEN  
 Address: 12061 BLUEMONT WAY  
 RESTON, VA 20190

**Organization Contact List**

Function	First Name / Last Name	Phone / Ext.
PRIMARY CONTACT	KURT CONDON	(317)806-4909

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# How will the servicers appear in NSLDS?

**START HERE GO FURTHER FEDERAL STUDENT AID** National Student Loan Data System (NSLDS)

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Type:  Code:  Name:  Retrieve

Logged on as: SAM GLASER from [Department of Education Region](#)

**DEPT of ED/ FEDLoan Servicing (PHEAA)**

Name: DEPT OF ED/ FEDLOAN SERVICING(PHEAA)  
Code: 579 Type: Guaranty Agency  
Status: OPEN  
Address: P.O. BOX 69184  
HARRISBURG, PA 171069184

**DEPT of ED/ NELNET**

Name: DEPT OF ED/NELNET  
Code: 580 Type: Guaranty Agency  
Status: OPEN  
Address: 121 S. 13TH ST SUITE 202  
LINCOLN, NE 685081904

There are no contacts currently listed in the system for the organization.

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# How will the servicers appear in NSLDS?

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National Student Loan Data System (NSLDS)

Menu Aid Enroll Org Report Tran Support

Org Contact List | Org Search | Custodian/Sponsor/Conduit | Data Provider Schedule | Unmatched Loan List | Cohort Default Rate Ed | Org Relationship List | Cohort Default Rate | Loan Unlock Maintenance | School Profile | Unlinked Loan List

Type:  Code:  Name:  Retrieve

Logged on as: SAM GLASER from [Department of Education Region 0](#)

Name: DEPT OF ED/GREAT LAKES  
Code: 581 Type: Guaranty Agency  
Status: OPEN  
Address: 2401 INTERNATIONAL LANE  
MADISON, WI 53704

There are no contacts currently listed in the system for the organization.

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**DEPT of ED/ Great Lakes**

# 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

#### **January 15, 2010:**

- Performance evaluation conducted

#### **March 15, 2010:**

- First Compliance review performed

#### **March 31, 2010: (Phase 2)**

#### **July 15, 2010:**

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

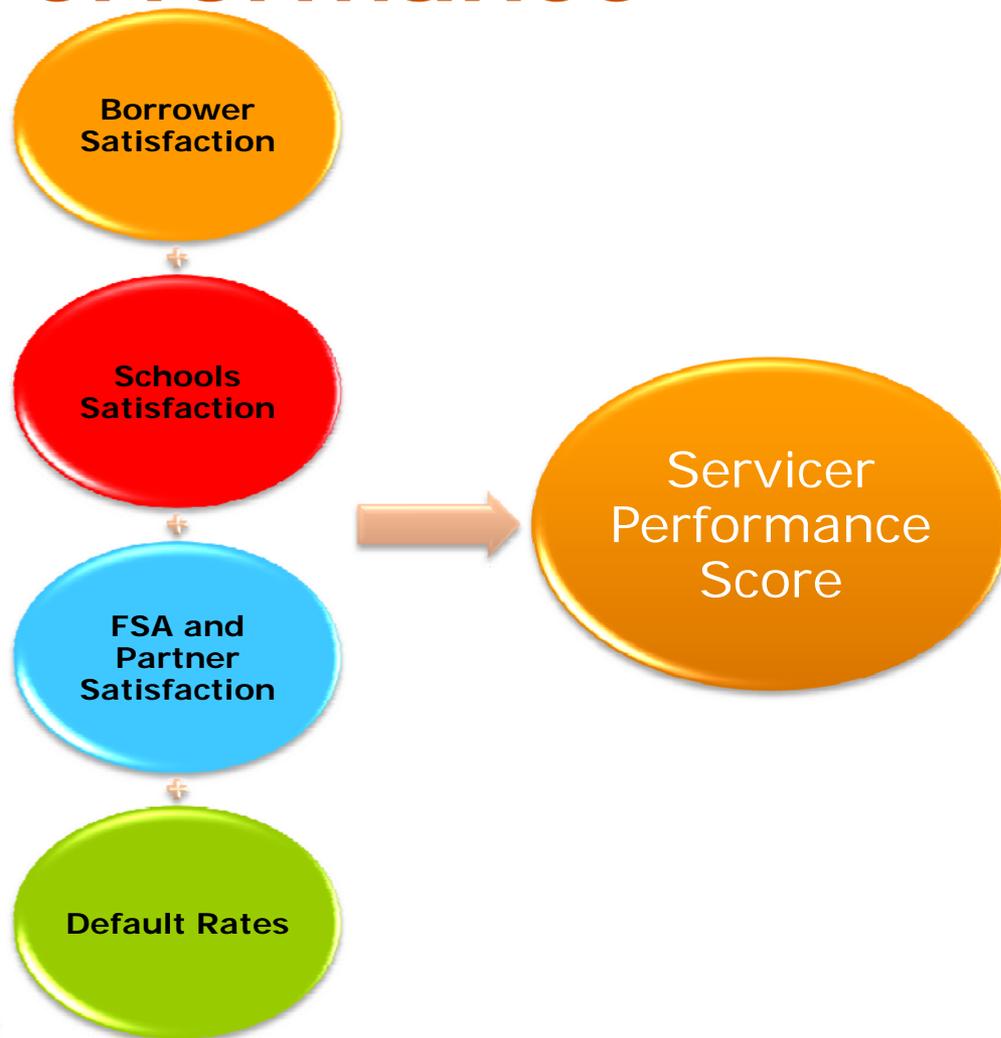
#### **August 31, 2010: (Phase 3)**

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

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# Volume Allocation is based on Performance



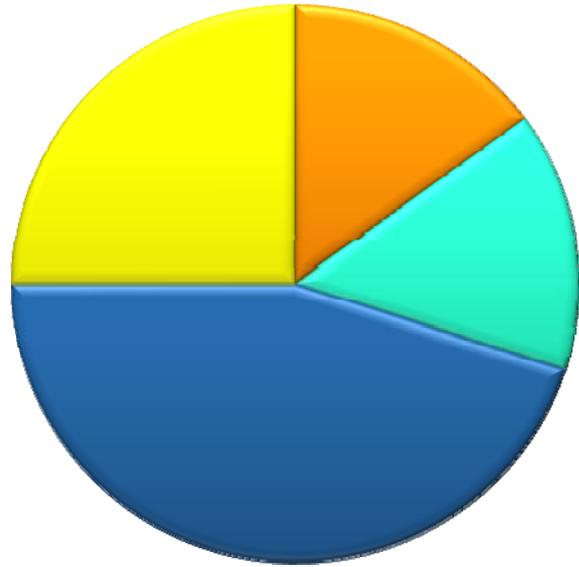
# Allocation Methodology

- 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 is based on performance

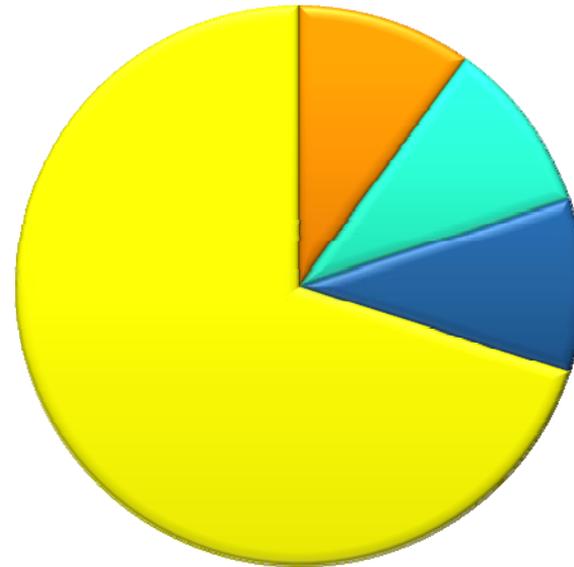


### PUT Loan Portfolio



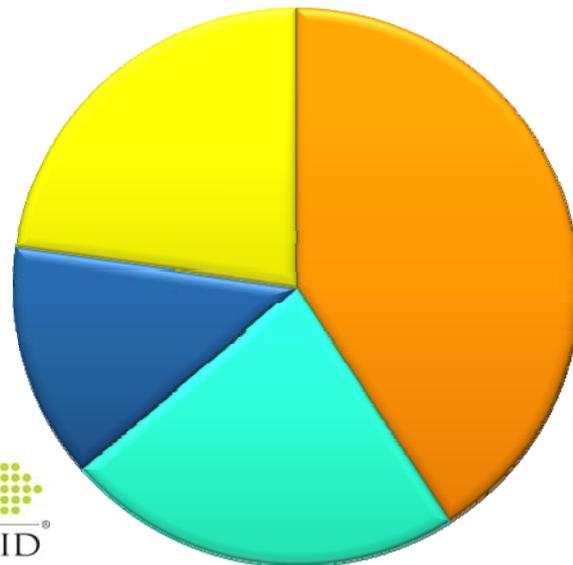
- Servicer 1
- Servicer 2
- Servicer 3
- Servicer 4

### PUT Loan Portfolio



- Servicer 1
- Servicer 2
- Servicer 3
- Servicer 4

### PUT Loan Portfolio



- Servicer 1
- Servicer 2
- Servicer 3
- Servicer 4

# Default Statistics

- Percentage of “in repayment” dollars that go into default
- Percentage of unique “in repayment” borrowers that go into default

# The American Customer Satisfaction Index (ACSI)



- Uniform measure of customer satisfaction
- Allows for comparison across agencies
- Uses multiple-item indicators to assess drivers of satisfaction
- Places customer satisfaction in a system of cause and effect relationships

# Quarterly Customer Satisfaction Surveys of Three Groups

- Borrowers
- School personnel
- Federal personnel

# Borrowers

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

# School Personnel

- Phone interviews of random samples of 300 each quarter – 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 1 servicer

# 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
- Survey designed to take 10 minutes or less

# 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

# Combining the 5 Rankings

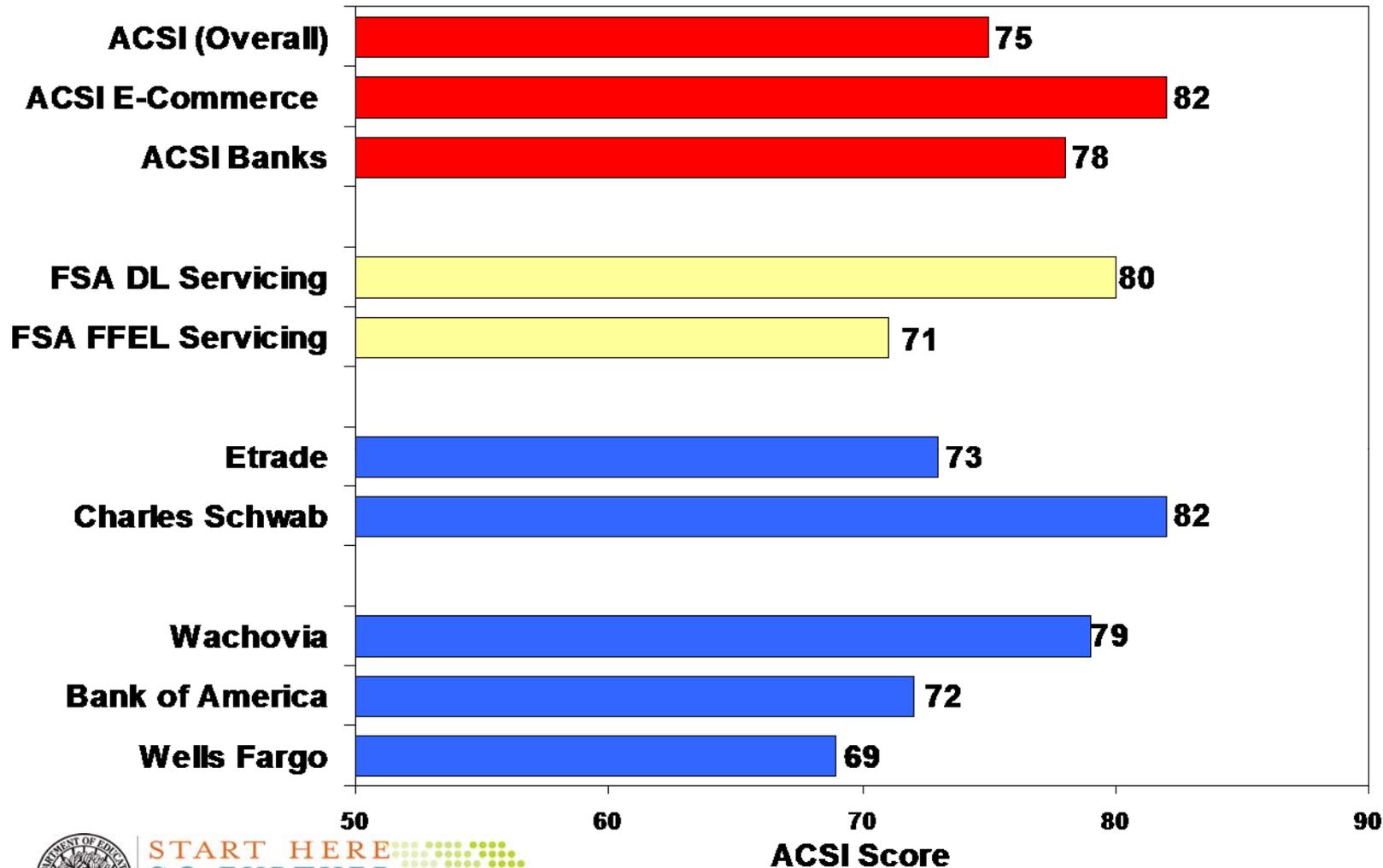
- The top score on each list receives points equal to the number of additional servicers
- The percentage of all points earned by each servicer is the percentage of future volume that servicer will receive

# Example: Similar FFEL Servicing Surveys (2008)

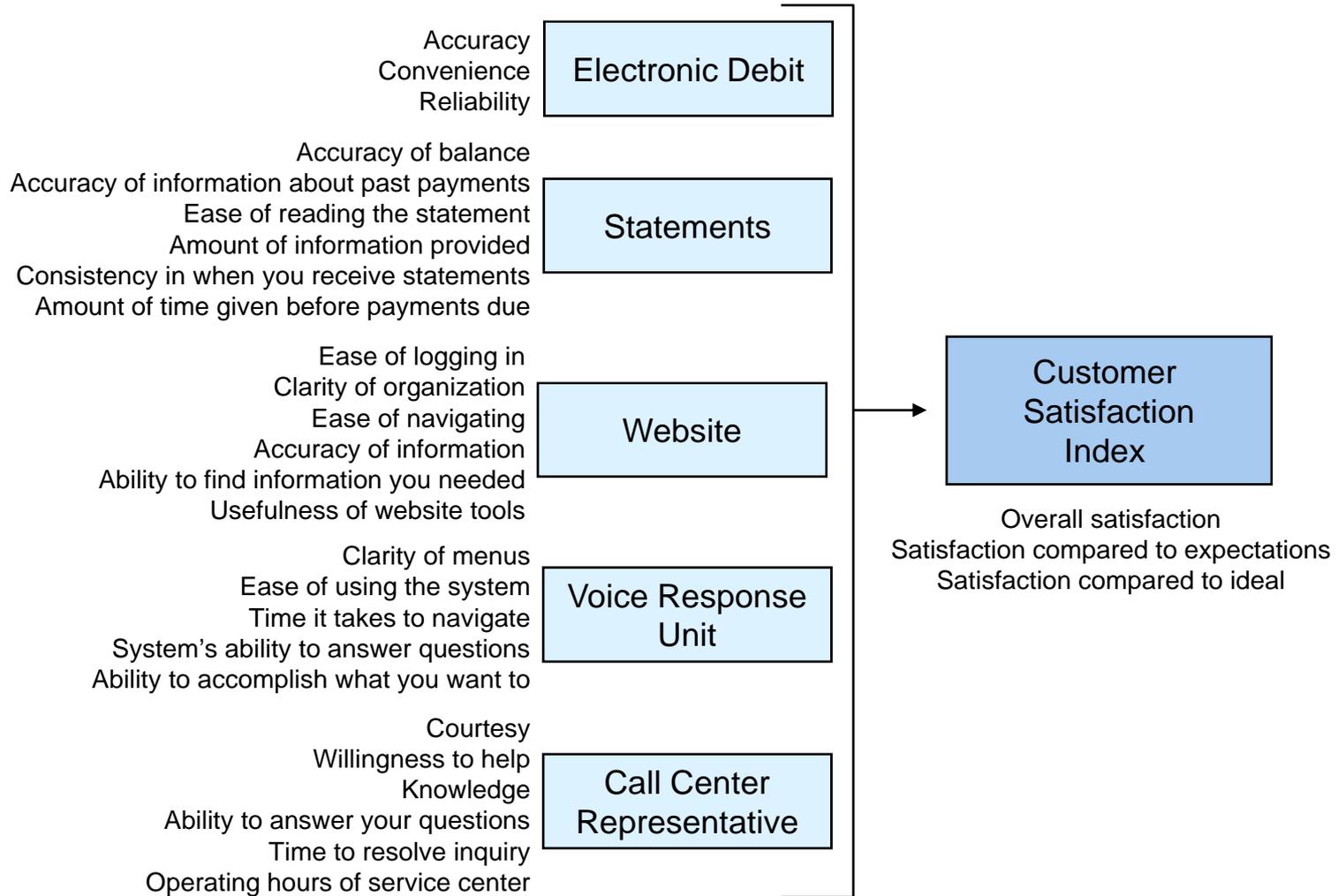
- Comparable benchmarks
- Statistical model of the drivers of customer satisfaction
- Identification of areas where investment in customer service improvement is likely to yield the highest return

# Satisfaction Benchmarks

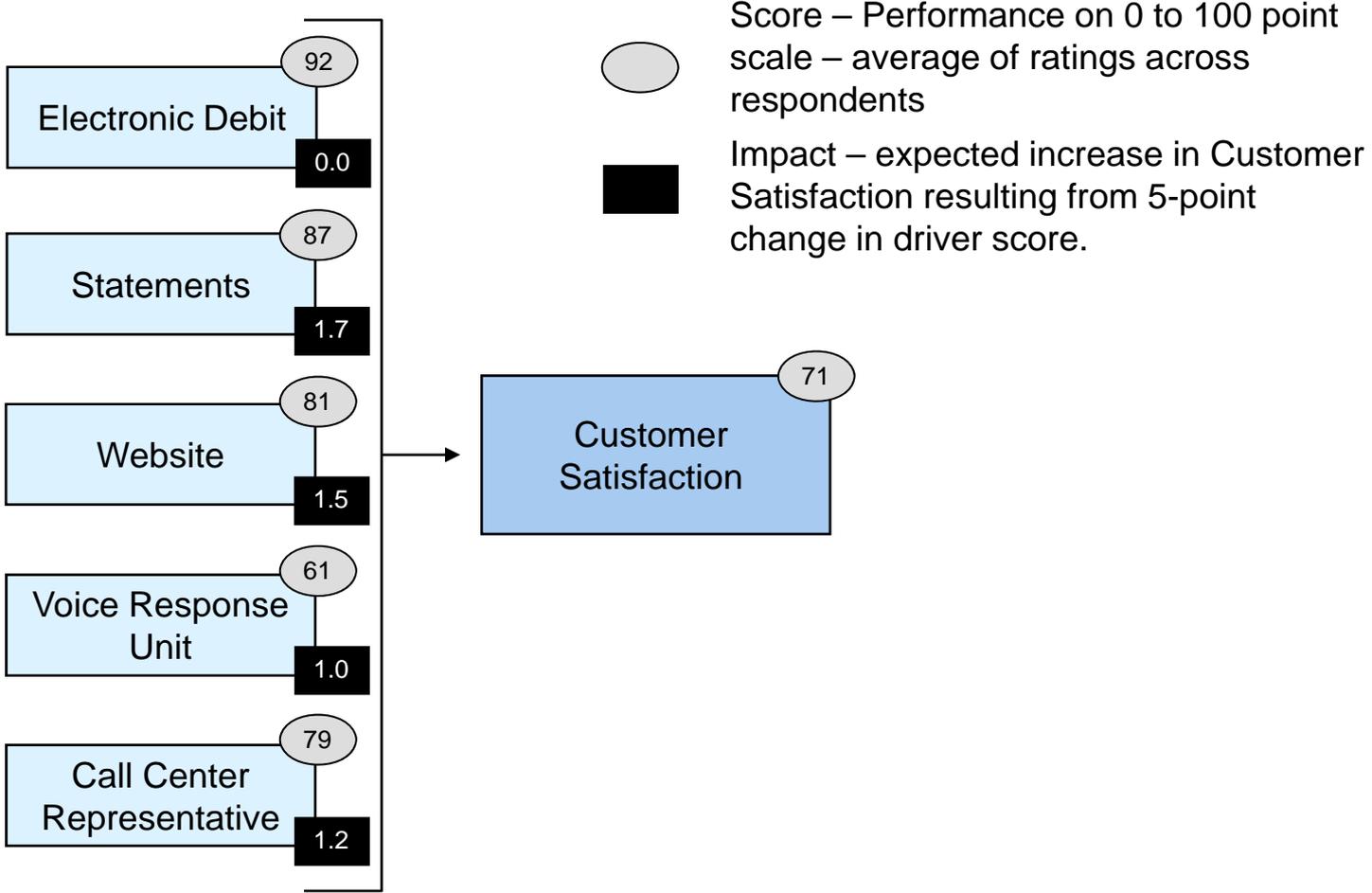
## *Private Sector*



# FFEL Servicing Model – (2008)



# FFEL Servicing - Results



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# A Changing Landscape

What is being proposed?

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

# Where Are We Now...

- COD System capacity enhancements for 100% FFELP volume in progress, on time and on target
- FSA Customer Service Centers
  - Increased and trained staff
  - Monitor incoming volume
  - COD has dedicated OnBoarding Team to assist setup completion requests and “starts”



# Where Are We Now...

- FSA Direct Loan Transition Team
  - Focused OnBoarding/Point of Contact Team
  - Focused School Assist Team
    - Grad/Professional Schools
    - Career Colleges
    - Small Schools
    - Foreign Schools/Colleges



# FSA Support for Schools – Direct Loan Transition

- FSA has developed structure to:
  - Respond quickly to community needs
  - Ensure smooth transition
- DL Transition Team
  - Multiple sub teams

# FSA Support for Schools – Direct Loan Transition

- DL Transition team and sub teams will manage:
  - Planning of communications
  - Training plans
  - System Capacity development
  - Publication updates
  - Targeted Outreach
  - School Set up requirements and options



# How to Complete Setup

- Email to COD

  - ❖ [CODSupport@acs-inc.com](mailto:CODSupport@acs-inc.com)

- Direct Loan Website

  - ❖ <http://www.direct.ed.gov/participating.html>

- For more information

  - ❖ Email to [DLEnrollment\\_FSA@ed.gov](mailto:DLEnrollment_FSA@ed.gov)

  - ❖ Email to [wood.mason@ed.gov](mailto:wood.mason@ed.gov)

# Direct Loan Training

- Suite of Direct Loan webinars began in October
- Repeated Spring of 2010
  - ❖ COD Systems Primer
  - ❖ Direct Loan Program Primer
  - ❖ COD & Direct Loan Program
  - ❖ Reconciliation



# Direct Loan Training

- Suite of Direct Loan webinars began this Fall and again Spring of 2010
  - ❖ Reports
  - ❖ D/L Tools
  - ❖ Direct Loan Servicing
  - ❖ EdExpress for Direct Loans



# Direct Loan Training

- "EDEXpress 101"
  - ❖ Web based training module via IFAP
- COD Computer Based Training
  - ❖ Download via IFAP
  - ❖ Updated version this Fall



# Direct Loan Resources

- Written Materials (IFAP)
- Direct Loan Website
  - ❖ [www.direct.ed.gov](http://www.direct.ed.gov)
- National Direct Student Loan Coalition
  - ❖ [www.directstudentloancoalition.org](http://www.directstudentloancoalition.org)



# COD Call Center for Schools

COD School Relations Center

[www.cod.ed.gov](http://www.cod.ed.gov)

(800) 848-0978



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# Contact Information

We appreciate your feedback and comments. We can be reached at:

James McMahon

- Phone: 202-377-3124
- Email: [james.mcmahon@ed.gov](mailto:james.mcmahon@ed.gov)

David Rhodes

- Phone: 202-377-3066
- Email: [david.rhodes@ed.gov](mailto:david.rhodes@ed.gov)