Session #3

The Essentials of Federal Student Loan Servicing

Cynthia Battle
U.S. Department of Education
Agenda

- Servicing Landscape
- Size and Scope

- Consistency vs. Competition
- Servicer Performance
- Surveys
- Hot Topics
Portfolio Statistics
Federal Loan Portfolio

- **Borrowers**: 20,218,309
- **Loans**: 57,618,396
- **Dollars**: $277,831,807,535

*Totals as of month end September 2010*
Portfolio Statistics
Federal Loan Portfolio

Status totals as of month end September 2010

- **48%** in In School
- **11%** in Deferment/Forbearance
- **12%** in Grace/In Repayment, Current
- **3%** in In Repayment, 31-90 Days Delinquent
- **22%** in In Repayment, 91-150 Days Delinquent
- **2%** in In Repayment, 151-270 Days Delinquent
- **2%** in Default, 271-360 Days Delinquent

*Status totals as of month end September 2010*
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

Servicer Reports

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

- Servicing Landscape
- **Consistency vs. Competition**
- Servicer Performance
- Surveys
- Hot Topics
Direct Loan Processing Cycle

Originate → Promissory Note → Disburse → Servicing
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

- On-Boarding
- Servicing
- Payments & Processing
- Delinquency and Default Aversion

Consistency
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

- Customer Service
- Tools & Services
- Delinquency
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
Agenda

- Servicing Landscape
- Consistency vs. Competition
- **Servicer Performance**
- Surveys
- Hot Topics
Measuring Performance

Performance Measurements:

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

- On-going program compliance reviews
Volume Allocation Based on Performance

- Borrower Satisfaction
- Schools Satisfaction
- FSA and Partner Satisfaction
- Default Rates

Servicer Performance Score
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

Servicer Performance Score = Percentage of Portfolio Allocated = Volume of Business Received
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
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
Agenda

- Servicing Landscape
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- Surveys

- Hot Topics
HOT Topics and Questions
**Servicer Information Session 56:**
Tuesday, Nov. 30, 4:45 p.m. – 6:00 p.m.

<table>
<thead>
<tr>
<th>Direct Loan Servicing Center (ACS)</th>
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<tbody>
<tr>
<td>NSLDS Servicer Code: 00100</td>
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| Borrower Phone: 800-848-0979       |
| Web: [www.dl.ed.gov](http://www.dl.ed.gov) |

| School Phone: 888-877-7658         |
| Web: [www.dl.ed.gov/schools](http://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
**Servicer Information Session 58:**
Wednesday, Dec. 1, 4:45 p.m. – 6:00 p.m.

<table>
<thead>
<tr>
<th>Great Lakes Educational Loan Services, Inc.</th>
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<tr>
<td>NSLDS Servicer Code: 700581</td>
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<tr>
<td><strong>Borrower Phone:</strong> 800-236-4300</td>
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<tr>
<td><strong>Web:</strong> <a href="http://www.mygreatlakes.org">www.mygreatlakes.org</a></td>
</tr>
<tr>
<td><strong>School Phone:</strong> 888-686-6919</td>
</tr>
<tr>
<td><strong>Web:</strong> <a href="http://www.mygreatlakes.org">www.mygreatlakes.org</a></td>
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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
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

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

Delinquency and Default Management
- Electronic Announcement – Delinquency Prevention Activities
Contact Information

I appreciate your feedback and comments.

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