

Servicing Federally-Owned Loans: Loan Transfer Situations

Federal Student Aid sometimes needs to transfer a borrower's federally-owned loans between members of its federal loan servicer team and, in effect, change the servicing assignment for those loans. Because there is only one member of our federal loan servicer team that services Federal Perkins Loan (Perkins Loan) Program loans assigned to the U.S. Department of Education (the Department), loan transfer situations occur only with William D. Ford Federal Direct Loan (Direct Loan) Program loans and/or Federal Family Education Loan (FFEL) Program loans purchased by the Department.

We conduct loan transfers for specific reasons that relate to the management of an ever-growing federally-owned loan portfolio. One reason for transferring a borrower's Direct Loans and/or FFEL purchased loans is to achieve our goal of having one entity responsible for servicing all of these loans for the borrower. Another reason for transferring loans is to ensure balanced and efficient servicing for all borrowers. And, finally, it becomes necessary to transfer loans when the contractual agreement between a servicer and the Department terminates.

While loan transfer has the potential to be disruptive, we work diligently with the members of our federal loan servicer team to minimize that disruption and execute a streamlined process that is as easy on the borrower as possible. However, despite all efforts, loan transfer does result in tangible changes to which the borrower must adjust. Our servicers are expected to communicate with borrowers about those changes and guide them through the process from one end of the transfer to the other.

Loan Transfer Questions and Answers

Regardless of the reason for loan transfer, the same basic process occurs. Given this, we have developed a standard set of questions and answers that assist in understanding what will happen when a borrower's loans are transferred from one member of our federal loan servicer team to another.

Q1: How will a borrower know when his or her federally-owned loans have been transferred from one federal loan servicer to another federal loan servicer?

A1: When we transfer a student or parent borrower's federally-owned loans from one federal loan servicer to another federal loan servicer, the borrower will receive notification by email and/or letter. These communications will include preliminary notice of the transfer and the new servicer's name and contact information.

In addition to the pre-transfer communications, the new federal loan servicer will correspond with the borrower after the transferred loans have been fully loaded to its system. In this correspondence to the borrower, the new servicer will explain that the borrower's federally-owned loans have been transferred and that the new servicer will service the loans on our behalf going forward. The correspondence will include both toll-free phone number and website information for the new servicer.

Q2: How will a school know when the new federal loan servicer is servicing a borrower's federally-owned loans?

A2: In addition to the student or parent borrower receiving correspondence from the new federal loan servicer, the new servicer will be identified as the servicer of the borrower's federally-owned loans in the National Student Loan Data System (NSLDS). The new servicer reports this information to NSLDS after the transferred loans have been fully loaded to the new servicer's system. Both the borrower and the school will be able to view the federal loan servicer code and name associated with each loan via the [StudentAid.gov website](https://studentaid.gov) and the [NSLDS Professional Access website](https://nsldsprofessionalaccess.com), respectively.

While individual web lookups is one way to gather information, the School Portfolio Report (SCHPR1) is available to schools by request under the Report Tab on the [NSLDS Professional Access website](https://nsldsprofessionalaccess.com). This report provides a school with information about all Direct Loan and/or FFEL program loans associated with its school code. It includes loans that are serviced by all servicers, including our federal loan servicers, and provides identifying information about the servicer for each loan. The report is delivered to the school's Student Aid Internet Gateway (SAIG) mailbox. For the most current information about this report, refer to [NSLDS Newsletter 46](#) on the IFAP website.

Q3: How long will it take for the new federal loan servicer's information to be reflected in NSLDS?

A3: Our federal loan servicers report loan information to NSLDS on a weekly basis. As a general rule, when we transfer a student or parent borrower's federally-owned loans from one federal loan servicer to another federal loan servicer, the new servicer's information should be available in the NSLDS within seven to ten business days after the transferred loans have been fully loaded to the new servicer's system and that servicer corresponds with the borrower.

The majority of servicer-to-servicer transfers are completed on schedule. However, in some cases, issues can occur with the data transfer and delay availability of the information in NSLDS. If a school is concerned about a new federal loan servicer's information not being available in NSLDS, it should contact the NSLDS Customer Support Center at 1-800-999-8219 or for assistance.

Q4: Will it be necessary for a borrower to reinitiate actions related to the current status of his or her account (for example, reapply for a deferment or forbearance)?

A4: Loan status information will be included when we transfer a student or parent borrower's federally-owned loans from one federal loan servicer to another federal loan servicer. The borrower should experience no break or gap in any current status (such as deferment or forbearance) that applies to his or her federally-owned loans as a result of the transfer. If a borrower is concerned about a break or gap in current status, he or she should contact the new servicer for assistance.

Q5: Will it be necessary for a borrower to reinitiate services related to his or her account (for example, account access via the web, electronic correspondence, and automatic debit or web payments)?

A5: When we transfer a student or parent borrower's federally-owned loans from one federal loan servicer to another federal loan servicer, it will be necessary for the borrower to contact the new servicer to reinitiate some services related to the borrower's account. After the transferred loans have been fully loaded to the new servicer's system, the new servicer will provide correspondence to the borrower that explains how the borrower establishes account access via the web and signs up for other services (such as web payments, electronic correspondence, and, if necessary, automatic debit). If a borrower has questions about reinitiating account services, he or she should contact the new servicer for assistance.