Today’s Focus

Session Description: As the federal student loan system moves entirely to direct lending, five loan servicers will be providing customer service to student/parent borrowers for Federally-owned loans and the Servicer of your school’s new loans will be selected by the U.S. Department of Education/Federal Student Aid. Today’s discussion will focus on the role of the new federal loan servicers and an institutional perspective from a DL school of many years.

1. The changing servicing landscape and need for multiple servicers
2. Servicing requirements and how the US Dept of Education’s contract promotes and rewards performance by the 4 new federal servicers
3. Resources available to schools to better service their student/parent customers and how servicing changes may change your institutional processes
I. Changing Servicing Landscape

ED/FSA “Owned” FFEL & DL Portfolio 9/30/2010

<table>
<thead>
<tr>
<th>Borrowers</th>
<th>20,218,309</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>57,618,396</td>
</tr>
<tr>
<td>Dollars</td>
<td>$277,831,807,535</td>
</tr>
</tbody>
</table>

Federal Loan Servicers by $ Volume Serviced (Est)

- DLSC/ACS: 52%
- Sallie Mae: 12%
- Great Lakes: 12%
- FedLoan (PHEAA): 12%
- NelNet: 12%
## I. Changing Landscape – General Questions

<table>
<thead>
<tr>
<th>Frequent School Questions</th>
<th>FSA Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do schools need to work with multiple servicers?</td>
<td>Yes</td>
</tr>
<tr>
<td>Can schools choose the servicer?</td>
<td>No</td>
</tr>
<tr>
<td>Can borrowers choose the servicer?</td>
<td>No</td>
</tr>
<tr>
<td>Where do schools find the servicer that has been assigned the loan by the COD?</td>
<td>NSLDS</td>
</tr>
<tr>
<td>Can schools provide feedback on servicer performance?</td>
<td>Yes – via the quarterly FSA satisfaction survey process</td>
</tr>
</tbody>
</table>
I. Servicing Requirements

• Competitive RFP & Award (6/17/2009)
• Performance-based contract
• 5 year initial term with one 5 yr renewal
• Authorized to service all Title IV loans

• Significant investment made by servicers to meet unique ED requirements such as: Security, Reporting & complex interfaces

• Services/tools that mirror those “Best in class” services available in the commercial servicing sector
• Meets/exceeds all regs for FFEL & DL
• Volume incentives for servicers to do more and get better satisfaction scores
• Self-Service tools: borrowers/schools
• Default Prevention

We Provide
II. Servicing Requirements

ED’s Servicing contracts requires Servicers to comply with legislative regulatory requirements plus permits them to provide unique value-added services as part of implementing “best practices” and to ensure customer/school satisfaction.

All Servicers must:

- Educate and inform borrowers as to the tools and options available to assist them in the management of their student loans.
- Offer all required repayment plans and payment options.
- Direct borrowers to make payments to a Dept of Education designed lockbox and therefore cannot be commingled or combined billed with other non-federal debt.
- 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.
Servicers must comply with all legislative and regulatory requirements and will provide unique best in business services

- On-Boarding new Direct and PUT Loans
- Servicing
- Payment Processing
- Resolving Split Borrowers
- Delinquency & Default Aversion
II. Servicing Requirements – Examples of Consistent Tools and Activities at Servicers

- Borrower Self Service Tools
- Offer and Counsel Borrowers on a Variety of Repayment Plans
- Offer Payment Options
- Financial Literacy Materials
II. Servicing Requirements – Examples of Consistent Activities at Servicers

Repayment Activities and Counseling By Trained Staff will Help Avoid Default

- Repayment options tailored to individual needs
- Contact attempts made prior to entering repayment to targeted populations
- E-mail forms and resources links
- Specialized delinquency counselors at late stage delinquency
- Series of letters and calls that meet minimum requirements
- Endorser collection efforts
- Targeted collection activity beyond minimum requests that include calls, letters, and e-mails
- Skip tracing activities to locate borrowers
- Telephone attempts made beyond minimum requirements between 31 and 360 days delinquent
- Results-based telephone strategy with the objective of successfully reaching borrowers
II. Servicing Requirements – Examples of Consistent Activities at Servicers

Toll Free Telephone Number

- Answer inquiries from students and parents with proper authorization
- Assist customers with hearing or speech difficulties
- Bi-lingual assistance offered
- Dedicated telephone number for students and parents outside the United States
Consistency vs. **Competition**

- **Competition Between Servicers**
  - Customer Service
  - Tools & Services
  - Delinquency

**Drives Improvements and Increases Satisfaction**
II. Differentiators Between Federal Servicers

- Execution and proficiency of services offered
- School services offered
- Early outreach (financial literacy) to customers
- Access to data and reporting
- Default Prevention measures
- Self service options offered
- Improvement in technology
II. Differentiators Between Federal Servicers

- **Customer Service**
  - Quality of correspondence and the overall customer service experience
  - In-school financial literacy outreach efforts to borrowers

- **Tools and Services:**
  - Continually improving website functionality with more self-service options and on-line tools
  - 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
## Campaign Schedule

<table>
<thead>
<tr>
<th>Title</th>
<th>Audience</th>
<th>Frequency</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ED - Welcome</td>
<td>Primary borrowers receiving loan disbursement in last 30-days</td>
<td>Monthly</td>
<td>Provides contact information, links to online account management, and advice on managing debt.</td>
</tr>
<tr>
<td>ED - Paperless</td>
<td>Customers missing full email permissions</td>
<td>Monthly</td>
<td>Sent to customers who have not opted for paperless servicing. Explains the many benefits of using this service.</td>
</tr>
<tr>
<td>ED – Exiting School Check-up</td>
<td>Primary borrowers separating from school in next 30-days</td>
<td>Monthly</td>
<td>Designed to prepare exiting students. Provides a list of items to consider, including demographic updates, alternative methods for payment, and Sallie Mae contact information.</td>
</tr>
<tr>
<td>ED – Entering Repay Check-up</td>
<td>Primary borrowers entering repayment in next 30-days</td>
<td>Monthly</td>
<td>Provides a list of considerations for consumers regarding the repayment process, including timing, payment plans, servicing options, and Sallie Mae contact information.</td>
</tr>
<tr>
<td>ED – Paid-in-Full</td>
<td>Primary borrowers who have paid off all loans in last 30-days</td>
<td>Monthly</td>
<td>Congratulates customer for paying off their student loan and gives them the opportunity to share their success stories with others.</td>
</tr>
<tr>
<td>ED – Financial Literacy Newsletter</td>
<td>Two versions for primary borrowers: in-school and repayment</td>
<td>Quarterly</td>
<td>Includes articles and videos on understanding, achieving, and maintaining good credit; avoiding credit pitfalls; and the importance of financial literacy for future financial health. (new newsletters triggered quarterly)</td>
</tr>
<tr>
<td>ED – Annual Repayment Check-up</td>
<td>Primary borrowers in repayment</td>
<td>Annually (July)</td>
<td>Reminds customers of options regarding payment plans that are available in the event their financial situation changes and Sallie Mae contact information.</td>
</tr>
</tbody>
</table>
Measuring Performance

- Service Levels
  - Borrower Satisfaction (surveys)
  - School Satisfaction (surveys)
  - FSA & Partner Satisfaction
  - Default Rates

- On-going program compliance reviews
Allocation methodology

- Three customer satisfaction measures
- Two borrower default statistics
- Used to generate 5 ranked lists of the additional servicers
- FSA will combine the 5 rankings to determine the percentage of future volume each servicer will receive
III. SERVICER INFORMATION

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

- **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)

**FedLoan Servicing (PHEAA)**
NSLDS Servicer Code: 700579

- **Borrower Phone:** 800-699-2908
- **Web:** [www.myfedloan.org](http://www.myfedloan.org)

- **School Phone:** 800-655-3813
- **Web:** [www.myfedloan.org/schools](http://www.myfedloan.org/schools)

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

- **Borrower Phone:** 800-236-4300
- **Web:** [www.mygreatlakes.org](http://www.mygreatlakes.org)

- **School Phone:** 888-686-6919
- **Web:** [www.mygreatlakes.org](http://www.mygreatlakes.org)
III. SERVICER INFORMATION

Nelnet
NSLDS Servicer Code: 700580

Borrower Phone: 888-486-4722
Web: www.nelnet.com

School Phone: 866-463-5638
Web: www.nelnetloanservicing.com

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
IV. Sources of 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 FFEL and Direct Loan Program → Does NOT cover Perkins!
  - Provides a centralized delinquency report
    - Information by school for four add’l servicers, including PUT and DL
    - Various data filters
    - NSLDS Newsletter 27

- **Servicer Reports**
Exit Counseling on NSLDS
NSLDS Student Access

- Student Access at [www.nslds.ed.gov](http://www.nslds.ed.gov)
- Students may complete an Exit Counseling session for both Direct and FFEL loans and submit completion information
- Session integrates NSLDS data to provide borrower specific loan summary and estimated payments
- Session information is saved to provide reports for NSLDS Professional Access users
## Resources: ED/FSA Contacts & Websites

<table>
<thead>
<tr>
<th>Electronic Bulletins</th>
<th>COD School Relations</th>
<th>Other Helpful FSA Resources</th>
</tr>
</thead>
</table>
**COD Customer Service** 
Grants 1-800-474-7268  
Loans 1-800-848-0978  
E-mail Address: codsupport@acs-inc.com  
**COD by mail**  
Common Origination and Disbursement Center  
P O Box 9003  
Niagara Falls, NY 14302  
**Self-help, training portal**  
[https://www.nslds.ed.gov/nslds_FAP/secure/logon.jsp](https://www.nslds.ed.gov/nslds_FAP/secure/logon.jsp)  
(800) 999-8219  
**Direct Loans:** [http://direct.ed.gov](http://direct.ed.gov)  
**FSA Download**  
**School Services – DL Servicing Center**  
(888) 877-7658  
**Direct Loan Consolidation Center**  
(800) 557-7392  
**FSA Default Prevention**  
John Pierson (404) 974-9315 |
V. Hot Topics

- Split-serviced ED-owned Loans – What is being done?
- How is ED/FSA allocating/assigning loans to the servicers?
- NSLDS is not accurate – what’s the problem/who do they call?
- Are servicers offering/counseling on DL-consolidation? Explain
- What is going to happen to the DLSC/ACS loans?
- How/when are borrowers/schools notified of the servicer?
- Do schools or borrowers have a choice in servicers? Why not?
- Cross-selling to ED-owned borrowers. Is it allowed?
- What are the servicers required to do on delinquent borrowers between 270-360 days delinquent.
- Explain what is happening on the Non-Profit Servicer front?
Questions / Discussion