

Direct Lending From The Servicing and Institutional Perspective

New England Regional Forum

Joe Eng, SallieMae

Tracie McGinity, Sallie Mae

Wynette Richardson, Brown University

February 4, 2011


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*

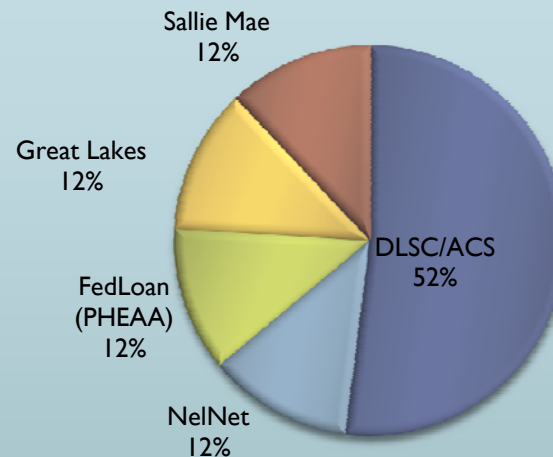
I. Changing Servicing Landscape

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



Borrowers	• 20,218,309
Loans	• 57,618,396
Dollars	• \$277,831,807,535

Federal Loan Servicers by \$ Volume Serviced (Est)



I. Changing Landscape – General Questions

Frequent School Questions	FSA Answer
Do schools need to work with multiple servicers?	Yes
Can schools choose the servicer?	No
Can borrowers choose the servicer?	No
Where do schools find the servicer that has been assigned the loan by the COD?	NSLDS
Can schools provide feedback on servicer performance?	Yes – via the quarterly FSA satisfaction survey process

I. Servicing Requirements



Federal Contract



- 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
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Significant Investment



- Significant investment made by servicers to meet unique ED requirements such as: Security, Reporting & complex interfaces
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Services We Provide



- 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
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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

II. SERVICING REQUIREMENTS -- CONSISTENCY

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

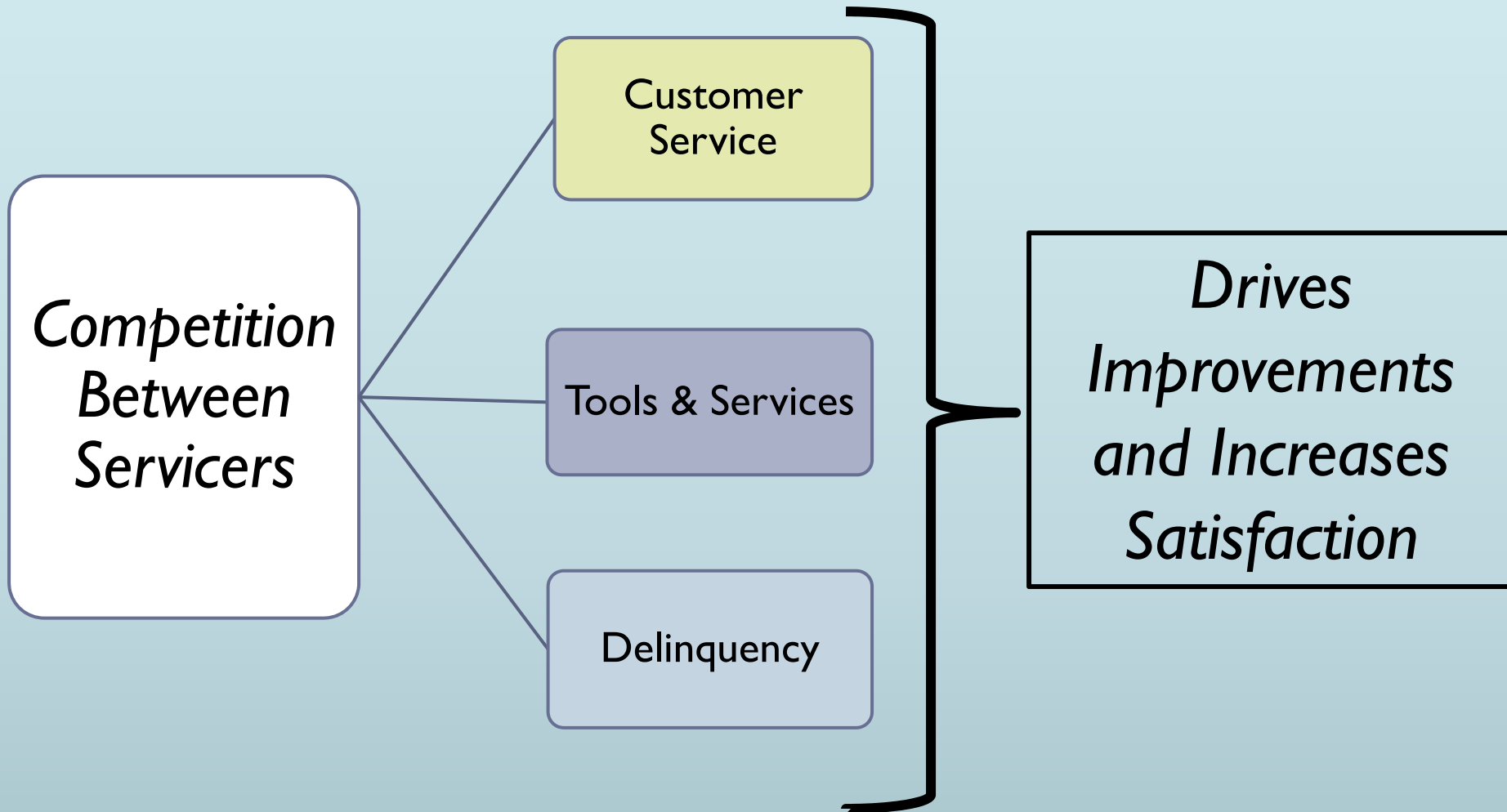
- ☐ Repayment options tailored to individual needs
- ☐ Contact attempts made prior to entering repayment to targeted populations
- ☐ E-mail forms and resources links
- ☐ Specialized delinquency counselors at late stage delinquency
- ☐ Series of letters and calls that meet minimum requirements
- ☐ Endorser 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



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

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

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

School Phone: 888-877-7658

Web: www.dl.ed.gov/schools

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

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



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
- ▶ 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

Electronic Bulletins	COD School Relations	Other Helpful FSA Resources
<p>Information for Financial Aid Professionals http://ifap.ed.gov</p>	<p>Website: http://cod.ed.gov</p> <p><u>COD Customer Service</u> Grants 1-800-474-7268 Loans 1-800-848-0978 E-mail Address: codsupport@acs-inc.com</p> <p><u>COD by mail</u> Common Origination and Disbursement Center P O Box 9003 Niagara Falls, NY 14302</p> <p><u>Self-help, training portal</u> http://federalstudentaid.ed.gov/schools.html</p>	<p>NDSLS https://www.nslds.ed.gov/nslds_FAP/se_cure/logon.jsp (800) 999-8219</p> <p>Direct Loans: http://direct.ed.gov</p> <p>FSA Download http://fsadownload.ed.gov</p> <p>School Services – DL Servicing Center http://www.dl.ed.gov/schools (888) 877-7658</p> <p>Direct Loan Consolidation Center http://www.loanconsolidation.ed.gov (800) 557-7392</p> <p>FSA Default Prevention http://ifap.ed.gov/DefaultManagement/DefaultManagement.html John Pierson (404) 974-9315</p>

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

