


Servicing Update

Kim Wells | October 2016
U.S. Department of Education
IASFAA Conference

Federal Student Aid | PROUD SPONSOR of THE AMERICAN MIND
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Agenda

- ❖ General Servicing Updates
 - Contract Changes
 - Oversight and Monitoring
- ❖ Key Projects and Improvements
- ❖ Strategies and Future Changes
- ❖ Questions and Answers



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General Updates - Servicers



The Department currently has 9 student loan servicers under contract

- ❑ **Four Title IV Additional Servicers (TIVAS)**
 - FedLoan Servicing (affiliate of the Pennsylvania Higher Education Assistance Authority)
 - Great Lakes Educational Loan Services
 - Navient (formerly Sallie Mae)
 - Nelnet
- ❑ **Five Not-For-Profit (NFP) Servicers**
 - Higher Education Loan Authority of Missouri (MOHELA)
 - Education Services of America (EdSouth)
 - Utah Higher Education Assistance Authority (Cornerstone)
 - New Hampshire Higher Education Loan Corporation (Granite State)
 - Oklahoma Student Loan Authority (OSLA)

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General Updates – Servicing Changes

- Booking Interface** – Effective January 2015, NFP servicers began receiving newly originated (Direct Loans) by COD
 - ✓ Implemented a “booking interface” allowing the NFP members of the servicing team to receive and service Direct Loans originated at COD
 - ✓ [Originated = disbursed amount >\$0, linked P-Note, and disbursement date]
- Team Changes**– Aspire Resources Inc. ceased operations as a vendor in the federal student loan servicing team. Direct Loan accounts assigned to Aspire were transferred to MOHELA


What is Being Overseen and Managed?



- 9 loan servicing contracts
- 9,480 employees at 35 facilities in 19 states
- Four servicing platforms
- 30 million borrowers/141 million loans

Strategies to Maximize Performance



- Competition among Servicers
- Performance-Based Compensation
- Monitoring and Oversight





Competition among Servicers

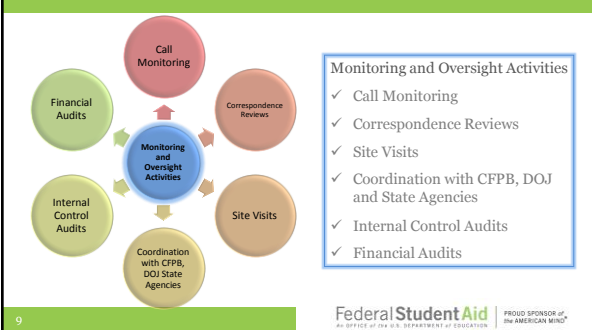
- Performance-Based Allocation of New Accounts
- Five Metrics
 - Borrower Satisfaction Survey (35%)
 - Percent of Borrowers in Current Status (30%)
 - Percent of Borrowers more than 90 days but less than 271 Delinquent (15%)
 - Percent of Borrowers in Default (over 270 days and less than 361 days delinquent) (15%)
 - Federal Employee Satisfaction Survey (5%)

Performance-Based Compensation

- Monthly payments based on loan status and volume of borrower accounts
- Highest payment for borrowers in repayment and current
- Rates decrease on sliding scale as borrowers grow more delinquent
- Recent change increased premium for current in-repayment accounts








The diagram shows a central blue circle labeled "Monitoring and Oversight Activities" with arrows pointing to five surrounding circles: "Call Monitoring" (red), "Correspondence Reviews" (orange), "Site Visits" (orange), "Coordination with CFPB, DOJ State Agencies" (yellow), and "Internal Control Audits" (green). To the right, a blue-bordered box lists these activities with checkmarks.

Monitoring and Oversight Activities

- ✓ Call Monitoring
- ✓ Correspondence Reviews
- ✓ Site Visits
- ✓ Coordination with CFPB, DOJ and State Agencies
- ✓ Internal Control Audits
- ✓ Financial Audits

Call Monitoring

- Moving towards review of “live call” monitoring
- Increase number of calls reviewed
- Increase in staffing to accommodate review scope
- Review of all inbound lines
- Review of selected outbound calls
- More comprehensive review being conducted

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Monitoring and Oversight

Ongoing enhancements include

- Increase monitoring staff
- Move from quarterly to monthly monitoring
- Expand scope from broad view of due diligence to more explicit focus on areas such as IDR, service member benefits, and loan consolidation
- Expand sampling of borrower-level account transactions

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KC Servicing Monitoring Team

- Established in February 2015 to enhance FSA’s loan servicer monitoring
- Team consists of 10 monitors and one supervisor
- Review individual borrower accounts at FSA’s 9 servicers for compliance with
 - Federal Regulations
 - FSA’s Servicing Requirements
 - Change Requests that modify existing requirements or add new ones

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KC Servicing Monitoring Team

Review topics include

<ul style="list-style-type: none"> ▪ Conversion to Repayment ▪ Service members Civil Relief Act (SCRA) ▪ Payment Processing ▪ Credit Reporting ▪ Refunds ▪ Forbearance Processing ▪ Due Diligence 	<ul style="list-style-type: none"> ▪ IDR and Alternative Repayment Plans ▪ Fraud Review ▪ LVC – Consolidation ▪ Emergency Forbearance Processing ▪ Bankruptcy ▪ Deferment Processing
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Opportunities for Future Improvement

- Consolidated complaint submission, tracking, and analysis
- Increased consistency in branding and communications
- New loan servicing acquisition planned to begin not later than early 2016

Opportunity to consider

- Simplified contract structure
- Single system, including common borrower interface

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Monitoring and Oversight

Private Collection Agency (PCA)


The department contracts with PCAs to provide collections services

- Two types of PCA awards
 - Small Business and Unrestricted
- FSA working with PCAs at becoming more resolution focused rather than on collection dollars
- FSA ensures PCAs will accurately counsel borrowers and determine the best course of action based on each customer's unique situation ensuring:
 - compliance
 - customer service
 - account resolution

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Improvements - Service Member Support

- Increased efforts to promote awareness of service member benefits such as SCRA Interest rate cap and Military Service Deferment
- Updated Resources (servicer website, brochure) for service members to help them understand all their benefits
- Servicers enhanced web content and proactively outreached to service members



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Improvements - Service Member Support

- Expanded use of Department of Defense (DoD) Database to proactively identify all active duty service members
- Servicers no longer require written request from borrower
- SCRA interest benefit is granted based on information contained in DoD database
 - Borrowers can verbally request servicer to check DoD database for eligibility or submit military documents, if orders are more current than database
- Servicers will review monthly all borrowers against the DoD database and apply the interest benefit based on that match

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Improvements – IDR Repayment Options

- Increased Customer Awareness of IDR Plans
- Electronic Income-Driven Application at StudentLoans.gov
 - Can be used by borrowers with ED-held loans (Direct Loans or FFEL)
 - Can be used by borrowers with commercially held FFEL loans serviced by an entity that also services ED-held loans
 - Retrieves the most recent tax information from two most recently completed tax years
 - Application & income information sent to servicer for processing

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Improvements – IDR Repayment Options

- Servicers have improved the counseling to push the different repayment options before deferment and forbearance options
- More financial literacy materials and support for borrowers and schools

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Third-Party Debt Relief Organizations

- **Problems we increasingly see**
 - Large fees for free services
 - Failure to provide promised services
 - Lawsuits filed by CFPB and state Attorneys General
 - We do not have general enforcement authority
 - Providing false or misleading information
 - Asserting or implying a relationship with ED
 - Obtaining FSA ID information to sign documents as borrowers
 - Claiming to be borrower when calling loan servicer
 - Changing borrower's permanent address with servicer



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Third-Party Debt Relief Organizations

Options for Students and Institutions if you've been scammed

- Contact your state government Office of Consumer Affairs or Consumer Protection either within or affiliated with, the Office of the State's Attorney General
- At federal level, contact Federal Trade Commission (FTC) and Consumer Financial Protection Bureau (CFPB)
 - have authority to act against companies that engage in deceptive or unfair practices



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Income-Driven Repayment Plans - REPAYE

- Revised Pay As You Earn (REPAYE) – 2015
 - Negotiations February – April, 2015
 - Consensus reached
 - NPRM published July 9, 2015
 - Final Rule published October 30, 2015
 - Implementation December 2015

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Improvements – IDR Repayment Options

- Most recent tax information retrieved from IRS if borrower filed and no significant change to income occurred
- Application data & income information electronically sent to servicer for processing
- Servicers have improved counseling to promote different repayment options before deferment and forbearance options
- More financial literacy materials and support for borrowers and schools

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Borrower Bill of Rights

Outlines series of actions that make paying for higher education easier and fairer experience for borrowers

FSA is working to develop

- A process for borrowers to file complaints involving their federal student aid
- Higher standards and provide better information to borrowers
 - raising the bar for debt collection to ensure that fees charged to borrowers are reasonable and that collectors are fair, transparent, and help borrowers get back on track
- Innovative strategies to improve borrowers' experience and improve customer service

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Opportunity for Feedback

- Students, parents and schools are able to provide feedback about Title IV aid (including loan servicers)
 - <http://feedback.studentaid.ed.gov>
- Opportunity to file complaint, report suspicious activity or submit positive feedback

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Federal Aid Servicing Solution

- Goal = build new state-of-the-art loan servicing system
 - More user-friendly single online loan management platform with high-quality, one-on-one customer service
- Vision
 - Easier for borrowers to navigate loan repayment
 - Clear enough to show how system is performing/where improvements are needed

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Federal Aid Servicing Solution

- In new model, borrowers and taxpayers can expect
 - Department of Education-branded communication that is standard
 - eliminating differences that now exist among multiple servicers that co-brand borrower communications
- Streamlined borrower experience via single web portal through which all borrowers can
 - find latest information about their loans
 - make payments
 - apply for benefits

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Federal Aid Servicing Solution

- In new model, borrowers and taxpayers can expect
 - Better customer service practices that will be common for all borrowers
 - Will meet high standards to ensure borrowers' needs are met consistently
- Reduced loan transfers/borrower disruptions
 - To extent practical, will make efforts to eliminate transfers and disruptions
- Enhanced oversight and accountability
 - Helps ensure borrowers are treated fairly and given clear, actionable information
- A single platform for all Federal student loans
 - Allows for more seamless connection for future customer service centers

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Federal Aid Servicing Solution

- Five entities submitted proposals
 - Collection Solutions Software, Inc (CSS) & Account Control Technology, Inc (ACT)
 - Equifax Information Services LLC
 - GreatNet Solutions, LLC
 - Navient - Proposed Subcontractor: Deloitte
 - Pennsylvania Higher Education Assistance Agency (PHEAA) - Proposed Subcontractor: IBM
- GreatNet, Navient & PHEAA selected to Phase II
- Anticipate awarding contract by end of 2016

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Federal Student Loan Servicers

Federal Loan Servicers	Borrower Contact #
CornerStone	1-800-663-1662
ESA/Edfinancial	1-855-337-6884
FedLoan Servicing (PHEAA)	1-800-699-2908
Granite State - GSMR	1-888-556-0022
Great Lakes Educational Loan Services, Inc.	1-800-236-4300
MOHELA	1-888-866-4352
Nelnet	1-888-486-4722
OSLA Servicing	1-866-264-9762
Navient	1-800-722-1300

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QUESTIONS?



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Thank You!

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ED Contacts

Research and Customer Care Center
 800.433.7327
 fsa.customer.support@ed.gov

Reach FSA

Campus-Based Call Center	eZ-Audit
COD	School Eligibility Services Group
CPS/SAIG	Foreign Schools Participation Division
NSLDS	Research and Customer Care Center
G5	Nelnet Total & Permanent Disability

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- Additional feedback about training can be directed to joann.borel@ed.gov

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