PSC-ED-FSA-TISD

Moderator: Angie Beatty
April 24, 2012
2:00 pm CT

Coordinator: Welcome and thank you for standing by. All lines are currently on listen-only mode for the duration of today's conference. Today's call is being recorded. If anyone has any objections, you may disconnect at this time. And now I'll turn the meeting over to Ms. Rosa Wright. You may begin.

Rosa Wright: Thank you, (Lee). Hello, everyone, and thank you for participating in our Delinquency and Default Management Webinar. My name is Rosa Wright and I will be moderating this afternoon's session. I am with FSA Default Prevention Team and our presenter, Cynthia Battle, will lead this afternoon's session entitled Default Management-Working with the Federal Loan Servicers.

We are pleased to offer you two days of training related to the key aspects of managing student loan delinquency and default. Many schools have provided feedback and requests for help with managing their delinquency and default aversion activities, so we created these Webinars with a focus on building the framework for effective default prevention strategies.

We started this morning with a session that emphasizes the importance of default management as a (responsibility) of the entire campus. It was entitled Default Prevention-Everybody's Business. We just concluded Identifying Default Risks and Developing a Plan that discussed the steps needed to identify default risks at your school and how to make effective use of the information as part of your default prevention plan.

If you missed these sessions, all of the sessions will be recorded and made available at the conclusion of the Webinars. We will notify you through a posted electronic announcement.

We are now ending the day with Working with the Federal Loan Servicers that will help schools understand the role of the servicers in delinquency and default prevention.

On tomorrow we will focus on reports. This is your opportunity to understand in great detail how NSLDS reports work. There will be three sessions, NSLDS School Portfolio, 10:30 am to 12 noon. From 1:00 to 2:30 pm, we will have Reports-NSLDS Delinquent Borrower Report. And to end the day, we will conclude with Manipulating NSLDS Reports from 3:00 pm to 4:30.

We know that this is a very busy time for schools and thank you for making the time to participate in our Webinar. For your convenience, all of (this) will be recorded for you to review at a later time.

Now just to go over some of the logistics for this Webinar, today's Webinar will be conducted in listen-only mode. If you have questions during the Webinar, click on the Q&A button at the top menu on the top of your screen. Once you click on the Q&A section, a new window will open. Click in the top blank field to type in your question and then click on the word Ask. Please remember to include the slide number with your questions. Your questions will be answered privately during the session. If additional research is needed, we will respond directly to you before the end of the week.

If you have any technical problems during this session, moving to the top right-hand corner of the screen you will see a blue circle with a question mark and then immediately to the left of that is a green square box. With technical problems during this session, please click on the down arrow next to that green square box and change the color to red and we will open a chat window with you to address any of the problems. Remember this red box is for technical questions or problems only.

You may download a copy of the slides by clicking on the handouts icon near the top right corner. It is the three sheets of paper icon. Or by clicking on the download slides icon, the printer, on the bottom portion of the screen.

If there is a need for closed captioning, please select more at the top menu bar. A window will appear with the words streaming across the screen. You can click and drag that box to the left or the bottom of your screen.

Lastly, if you would like to see a larger version of the slide, enlarge the screen by clicking on the monitor icon with the four arrows pointing away from the corners or select the F5 key on your keyboard.

We also have a survey at the end of the - our Webinar sessions. We hope you'll stay throughout the end of the Webinar and then participate in the survey, which you'll hear about as we move along.

Now I will turn the session over to Cindy and I hope you enjoyed the day.

Cynthia Battle: Thank you, Rosa, and good afternoon. The last session of today will discuss the borrower tools and, more importantly, understanding the role of the servicers in the delinquency and default prevention activities.

So our goal for today's session is to, one, understand the servicing landscape. We'll start by explaining the commonly used terms that we have in servicing, describe the small distinctions and how our federal serv- loan servicers operate, then we will discuss the servicing processes that remain consistent with all of our federal servicers, and then I want to spend the most of our time talking about the servicer role in delinquency and default prevention, understanding some of the borrower resources and tools, and then how the schools play a role and should partner with our servicer for more effective solutions.

So first, we want to talk through some of the commonly used terms just to kind of set the landscape. So as everyone knows there is a - the term we refer to as federal loan servicers. Those are our Title IV servicers that ha- that are here with the Department of Education. These loans that the servicers support are limited to the Direct Loan Program and the FFEL Program loans that were PUT to the department and those we refer to as federally-owned loans.

TIVAS is an acronym that FSA used that stands for Title IV Additional Servicers, however, in communications to the schools and borrowers we always use the term federal loan servicers. But again, we'll talk about the distinctions in how we use the federal loan servicer term.

Not-for-profits or NFPs are loan servicing contracts under the HCERA or SAFRA servicing program solicitations. And we'll go through those.

Federally-owned loans again are Direct Loans or FFEL loans that have been PUT to the department and PUT Loans are loans that we have - we purchased a couple of years back.

Split Loans are borrowers that have more than one servicer in the federal loans - in the federally owned umbrella. So Split conditions existed because of the PUT process and when we transitioned new schools from the FFEL Program. Our goal is always to get all of the borrowers federally held loans maintained by a single servicer, so we have ongoing processes to resolve situations where borrowers federally-owned loans are assigned to two or more federally serv- two or more federal servicers.

Again, commercial loans are FFEL loans that are not held by the department. So when we have the term referred to as commercial, we're talking about loans that are FFEL but the department does not own.

LDE is what we refer to as our Loan Distribution Engine that is available through our Common Origination and Disbursement Process. When we ter- we use the term booked loan, we are talking about when the loan comes from the COD system or the Common Origination and Disbursement system and goes to the servicers. And it - when a loan is booked that means that there is an origination record, it links to a Pnote and there's an actual disbursement that is assigned to that loan. And so the federal servicer is assigned upon the booking of that loan.

All right. So as I mentioned previously, in all communications you will see the term federal loan servicers, but, again, there are - the word TIVAS has slipped out in the process of trying to distinguish or differentiate the small nuances in our federal servicing contracts. There are really only a small number of distinctions or differentiations between our federal servicers.

So currently there are five TIVAS that we would term TIVAS and that would be our Direct Loan contractor ACS, FedLoan Servicing or PHEAA, Great Lakes, Nelnet, and Sallie Mae. Our not-for-profits are - we currently have five on board, Aspire, CornerStone, ESA/Edfinancial, Granite State, and MOHELA.

Now how the - the differentiations is, one, how we allocate volume to each of the servicers. The TIVAS interface directly with the (Common and Origination Disbursement) system, but the not-for-profits receive volume directly from one of our servicers and we will talk about that.

And then the second distinction is surveys. Currently schools will not be surveyed by - the schools will not be surveyed on the NFS - NFPs, but the borrowers will all be surveyed on all of the servicers.

So let's break that down. So in general, all our federal loan servicers must comply with legislative and regulatory requirements and they all provide pretty much unique services. So all of them are bound by the statutory laws. They all educate and inform borrowers regarding the tools and options available to assist them in the management of their student loans. They all will offer repayment options tailored specifically to the borrowers' needs. They all have some kind of self-service tool, Web sites, or options to receive bills and correspondence electronically. And then all of the servicers offer dedicated services to schools to help them - help schools manage their cohort default rates.

So let's break that down. So again, our TIVAS or Title IV servicers interface directly with the (Common and Origination Disbursement) system. And that means that newly booked loans, so loans that are in an in grace - in an in school status will directly come from the school through the (Common and Origination) system and then be booked into the servicing. And that would be any one of our TIVAS contracts, so that's one distinction that you'll see between the TIVAS and the not-for-profits.

So when we talk about not-for-profits, again, these are servicing contracts awarded through the SAFRA Act and as we expand our federal servicing team, we will expand our servicing team as our loan portfolio grows. So not-for-profits can be individual or they can be team awards and whether it's an individual or a team award, the customer will still know the face of one servicer.

So the first question we get in Ask is, "Which Direct Loan accounts are being transferred to the not-for-profits?" Currently we are transferring existing Direct Loan borrower accounts currently assigned to the Direct Loan Servicing Center and those are borrowers that have no loans in an in-school or an in grace status.

The next question is schools want to know, "How will the borrower know if his or her Direct Loans were transferred to a not-for-profit servicer?" So when we transfer a student or a parent borrower from ACS to a not-for-profit servicer, the new servicer will always correspond with the borrower after the transferred loans have been fully loaded onto the system.

Now in previous conversations schools have raised the issue that some of the borrowers are confused and could we send a pre-email to let borrowers know that they will be transferring, so not long ago we began sending emails, if the borrower has an email on record, providing the information that says that that borrower would be transferred to a new servicer. So prior to being transferred we would send the borrower a communication to let them know that they were one of the borrowers that were being transferred. But regardless of whether the borrower receives an email notification from ACS or the new servicer, again, that new servicer will be responsible for communicating with the borrower to explain the new services, how to access the online tools, and to introduce them as their current servicer of record.

So this is a just a pictorial. So loan status information is included when there is a servicer to servicer transfer. So in this picture I'm showing that the loans are transferred from the core Direct Loan Servicing Center and can go to any one the five not-for-profits.

So the borrower in this situation should not experience any break or gap in their current status, meaning if they are in a deferment, if they're in a forbearance, if they were already set up on electronic debit and they're receiving - and they're being - and they have a payment set up where they are automatically debiting a borrower's savings or checking account, then that - there would not be a break in their status. So if the borrower has questions or concerns about the break or gap in their current status, the borrower should always reach out to their servicer.

Once the borrower arrives at the new servicer, again, the servicer will provide correspondence that explains how the borrower establishes an account and set up any electronic access.

The next question, "How would a school know which federal loan servicer is servicing a borrower's loans?" And this would be for everyone. So in addition to the student or the parent borrower receiving correspondence from their servicer, then a school or a borrower can always access NSLDS. NSLDS would be the record if the borrower or the parent borrower is unsure as to whom is servicing their loans.

Generally, how long does it take for the information to be reflected in NSLDS? Generally, it takes about 7 to 10 business days after a transferred loan is loaded on the system before it actually displays in NSLDS. But the federal servicers report to NSLDS on a weekly basis.

So challenges and benefits of a multi-servicer environment. So know that there are challenges and there's some benefits as well. So our federal servicers and FSA collaborate on solutions for the borrower, for the school, and any - and for any regulatory or operational issues. Ongoing we have collaboration with our servicers, we have weekly calls, we have daily touch point meetings depending on the issue or the problem that we are trying to solve for.

In addition, we provide a lot of feedback and outreach to the community for conference planning. So there is a lot of pre and post conference discussions to make sure that the rules and the processes are communicated widely.

And then one of the other things that we have done regularly is try to meet with industry groups. We, on a regular basis, meet with the coalition and (NAEP) on occasion to talk through some of the issues that schools experience and so we want to make sure that we continue to keep those collaboration channels and those avenues to receive feedback open.

So one of the challenges in a multi-servicer environment is that the schools sees many, so does FSA. And there will be differences in how the processes and procedures are administered by the servicers. And we did this because we want to ensure that the contracts allow for more innovation and creativity. So although you're seeing differences, we focused this contract or the nature of our servicing contracts to be more borrower-centric. We wanted to ensure that the borrower sees one servicer, even though we all must learn how to appropriately manage the multi-servicer environment.

So again, in theory, if everything works well, the borrower would see one servicer. Again we have put in place the processes and procedures that are necessary to make sure that we get split borrowers to one servicer. And although the schools see many servicers, we are trying to do our best to make sure that the experience for the borrower is consistent in the areas that it must be consistent. So we will continue to work with our civic servicing team and our schools to make sure that we serve borrowers as efficiently as possible.

So what I want to talk about next is kind of those processes. When we look at the various functions within the servicing world, the loan booking process, the in-school process, while the borrower is in grace, while the borrower is in repayment, and then in the event that they become delinquent, are those things consistent? Do schools have a comfort level that they understand our servicing world to understand that there are areas where we can ensure that there are things that are consistent and standard among our servicers?

So let's talk a few - about a few. So again, in the loan booking, when a loan is assigned schools commonly ask how is that servicer assigned. So again, the servicer is assigned upon the booking of the loan. Booking occurs when COD accepts an origination record, links to the Pnote, and then accepts an actual disbursement. And because these are newly disbursed loans, only new borrowers are assigned to Great Lakes, FedLoan Servicing, Nelnet, and Sallie Made and they're based upon percentages assigned by FSA. And we're going to talk about how those percentages work, but the percentages of new loans each servicer receives is based on performance scores. Performance scores are customer service and default rates and we're going to talk about that.

So one of the other questions that schools commonly ask is what kinds of borrower notices do the servicers send and how do I know which servicer is reser- servicing my loans? So when a student or parent borrower is assigned then the servicer corresponds directly with that borrower. Schools often refer to something as a welcome correspondence or it's an initial piece of correspondence that tells the borrower basic information about the servicer, who they are, how to contact, how to set up account access, toll free numbers, Web site information, anything that the borrower needs to know initially when that servicer is assigned.

And in the event that the borrower or the parent borrower is unsure of their servicer, always refer them to NSLDS. They can contact NSLDS, they can go online and determine who - and identify who their servicer is.

Okay, so now let's talk about what happens when a borrower is in school. Oftentimes schools ask whether borrowers receive an interest payment. So they want the borrowers to be in a healthy repayment. Again, this is one of your delinquency and default activities is get borrowers in the habit of making payments. And so servicer - schools have asked whether the servicers send out or can they make an interest payment on their unsubsidized loan while they're in school. And again, we will always - servicers will always accept a payment.

Now they may not receive a paper statement, or all of them don't send paper statements, but borrowers can always view and make a payment on the servicers Web site at any time. So it's important for schools to encourage borrowers to become familiar with their servicer and the tools offered and then those tools will allow them to manipulate and understand what their right and responsibilities are.

Quarterly interest statements are generated either automatically or at the request of borrowers. So some may be emailed, some may be paper mail, but these are statements that the borrower can obtain while they are in school.

Okay. So while the borrower is in grace, the first question that they ask is when must I begin repayment and do I get a grace period? So depending on the loan type, the grace period, it may vary. So for Direct or Stafford Loans all borrowers receive a six month grace that begins the day after they graduate, leave school, or drop below half-time statements - drop below half-time status and payments will be due shortly after that grace period ends.

For PLUS Loans or Graduate Professional Loans - or for PLUS Loans for Graduate Professionals, they can postpone their payments for six months after they graduate or leave school or drop below half-time.

Parent PLUS Loans must request a deferment for the period of time while the borrower - while their student borrower is in school. So they must request to res- to postpone payment, including the six months after the student is no longer enrolled.

So for Direct Stafford that is automatic, for PLUS Loans for Graduate Professionals all the servicers have a process to allow for the deferment and then the six months, but for Parent PLUS Loans it has to be requested and that is usually done on a - through the Common Origination and Disbursement process, so they're able to apply for a deferment at the time of booking.

So are there any important messages while the borrower is in grace that the servicers must deliver? So again it's going to always be check NSLDS to identify where you have federal loans. Make sure that the borrower provides servicers with updated contact information, that you encourage your borrowers to sign up for online account access, that they go ahead and apply for automatic debit so that they can receive a quarter percent interest rate deduction and ensure that they have timely payments, they call the servicer to obtain information on repayment options that meet the borrower's situation, and that they understand that the servicers are there to help.

And so often we see borrowers that are afraid to reach out to the servicers if they get in a bind, so it's important that the schools facilitate the relationship between the borrower and the servicer so that they understand that the servicer is there to assist in the event that there unable to pay. And we'll talk about repayment plans because we have so many and so it's going to be - it's hard to see now why borrowers are having trouble making some of the payments, but we're going to talk about that.

So in - while the borrower's in repayment, the question we also always get asked about deferment has to do with can I provide one deferment form for all of my loans? And the answer is in most cases yes. So if the borrower provides a FFEL Program or a Direct Program deferment for their federally-held loans, the servicer will be able to tell and will take that form and apply it to the borrower's loans regardless of whether they're Direct Loan or FFEL.

So in the event that the borrower uses the wrong form or intentionally has the wrong form, the servicers can use that information in order to apply a deferment and in some cases a forbearance to the - to all of the lo- borrower's loans in their portfolio and that was one of the pluses of getting borrower to one servicer.

One of the recent questions that we received from the schools had to do with payment fees. So the question was do the servicers charge fees on payments. And so the answer is no. So the borrower - if the servicer offers some online or phone options for borrowers to make payments then they are able to do that at no cost.

Okay, so let's focus on delinquency and default prevention activities specifically. So again, when we awarded the contracts for our federal loan servicers, FSA decided to take advantage of the unique strengths of the different organizations, but we tied the future allocations to the decisions around performance.

So each servicer must satisfy three types of customers. They must satisfy the borrower, the school, FSA. And then the larger area is default rates. So key to the servicer performance score is the servicer's effectiveness and success at minimizing student loan defaults. So the allocation formula for volume is directly related to performance in each of the four dimensions.

So in order to ensure successful repayment experience for the borrowers, our servicers are going to provide interactive tools, loan calculators, counseling aid, and all during the borrower's loan lifecycle. And these tools are going to enable students and parents to access data, information, calculators, as well as the customer service representatives. So it's important for you, again, for schools to facilitate the relationship between the borrower and the servicer so that they understand the tools that are available and - during the entire lifecycle.

So let's talk about the requirements that our servicers have around default prevention. So again, using that allocation model, our servicers must exceed in order to have - in order for the competition, they are exceeding the minimum regulatory due diligence requirement.

So they are looking at outbound calling campaigns to the borrower. They have a number of efforts in order to reach the borrower at various times of the day. They use electronic communication methods, such as email, to keep borrowers informed about account status. And they use any other method necessary to help keep borrowers informed. Some servicers have apps and are using social media.

They will send information to borrowers in the mode communication that they most prefer. And again, social media, texting, and chat are all being tested with the servicers and they are using - they are utilizing those as default prevention mechanisms in order to reach the borrower.

One of the key items is to recognize is that servicers are working with borrowers all the way up to day 360 before the loan is defaulted and transferred to debt collections.

So in both sessions today I think you dis- we discussed the impact to the borrower if they default. The consequences of default include, of course, the damage to the credit rate, the garnishment of wages, legal action, collections act- charges, loss of aid, so even though the borrowers lose the ability to receive additional aid at day 270, the servicers still continue to work the account until day 360.

A borrower even from 270 to 360 is still eligible to change repayment plans and apply for deferment and forbearance. Once that loan is transferred from the servicer to collections at day 361, those entitlements no longer apply. So it's important that the servicers, in collaboration with the school, get to the borrower before they actually go over to collections. So there are a number of efforts that the servicers are doing between day 270 and 360 to ensure that the borrower does not default.

So during the grace period, the loan servicers are establishing that relationship with the borrower, they are helping them to understand the repayment status, they are discussing the appropriate repayment plans, they are promoting the self-service through the Web and they are providing - they are making sure that we have updated contact information, as well as discuss consolidation options.

It's important to note that schools play a critical role in helping borrowers understand, one, the relationship to the servicer, but, two, how the repayment pieces works because borrowers, if they don't choose a repayment plan, they are defaulted to the standard repayment plan. So it's important for schools to make sure that borrowers are making an active choice in repayment so that they have a repayment plan that really fits their needs.

So the Web sites that the servicers have are designed to assist the borrower. They are to understand the various repayment plans, understand all of the entitlements that are offered to them, and in some cases loan may - loan consolidation may be an option for borrowers. Not always, but sometimes loan consolidation is an option.

So let's talk about repayment plans very quickly. So the standard repayment plan allows borrowers to pay a fixed amount of at least $50 for up to ten years. Consolidation borrowers have a repayment period of ten to 30 years. Again, this is the repayment plan that borrowers are going to default to if they don't actively select it either through exit counseling or while in the grace period. Now they can change repayment plans at any time, but it's important to make sure that borrowers make that active change or make that active selection before they actually go into repayment.

Graduated repayment plans is really for borrowers who think they're going to have - who ha- will start out - the payments will start out low and likely increase. So this borrower may have a low income and intends on steadily increasing and this payment plan may be for them. So if they anticipate that they have payments that could start low and then increase every two years, this payment plan may be for them.

Extended is for borrowers with debt of $30,000 or more and outstanding in the FFEL Program or more than $30,000 outstanding in Direct Loans. They can choose this plan if they did not have an outstanding balance on an FFEL or a Direct Loan as of October 7, 1998.

And then the alternative plan is used when the terms and conditions of the other plans are not adequate to accommodate the borrower's circumstances. So the servicers are going through the list of available plans that the borrower is eligible for and in the event that none of the plans - the borrower can - is eligible for or can't afford the payments, then an alternative plan is one that the servicers have at their discretion that they can use.

Now the income driven repayment plans are IBR or income-based, ICR or income contingent, and income sensitive which is available only to FFEL borrowers. And these are all driven on the borrower's income. It's going to base the plan - it's going to base the borrower's monthly payment on income and for IBR specially, the borrower must demonstrate a partial financial hardship. For both ICR and IBR, after 25 years any remaining balance on the loan will be forgiven.

So as we're seeing, a borrower that has a very low income, high debt can have a qualifying plan - a qualifying payment on an IBR or an ICR of $5 or zero, so there's really a lot of different options for the borrower to have a repayment plan and get them into healthy repayment habits in any one of the plans. So it's not necessary to place the borrower in a deferment or a forbearance in all cases if they're just unable to pay. There are conditions where maybe an IBR or an ICR payment is so low that they would be able to afford that payment, a $5 payment, a $10 payment, and that gets them into a healthy repayment habit, a healthy behavior - repayment behavior and that's ultimately our goal.

So in the event that the borrower is not able to pay a deferment is used as a temporary suspension of payment for specific situations and the borrower is not responsible for the interest accrued on the subsidized loan.

So an in-school deferment can be applied for any increment for borrowers enrolled at least half time. There is a Parent PLUS deferment and a post enrollment PLUS deferment for graduate and professional students on loans disbursed on or after July 2008.

The unemployment deferment is applied in six month increments for up to three-years and it is approved based on the borrower's evidence of unemployment benefits.

The economic hardship is applied in 12 month intervals for up to three-years. So the borrower receives payment under a federal or state public assistance program and although working full-time monthly income is at or below federal minimum wage of 150% of the poverty guideline for their family size provided through HHS Poverty Guidelines or they're serving as a volunteer for Peace Corps.

There are two military deferments. There is an active duty deferment and then a post active duty deferment.

Now for forbearances, like deferment, a borrower may postpone or reduce payments with the request of a forbearance, however, for forbearances the borrower is responsible for the interest that accrues on both the subsidized and the unsubsidized loans. So forbearances may be granted for various reasons, for health, while the borrower is performing medical internship, AmeriCorps or national community service, teaching servicer - teaching service that's eligible for teacher loan forgiveness, or the loan debt burden where the monthly payment is greater than or equal to 20% of their total monthly gross income.

Forbearances can be applied for up to three-years. They are also at 12 month intervals. The servicers can place a borrower on a forbearance through a phone call, so if the borrower contacts the servicer we can place the borrower on a forbearance while the borrower is on the phone. However, they are going - the servicers are going to walk through the various repayment tools, repayment options before forbearance is applied.

(There's) loan discharges, we're not going to go through all of them, but you need to know that in the event that the borrower is not obligated to repay their student loans, there are discharges that are based on a closed school, an unpaid refund, false certification, in some cases bankruptcy, if the borrower becomes totally and permanently disabled, or in the event of death that loan is dischargeable.

And then the last area is loan forgiveness. A borrower may qualify to have all or a portion of their loans forgiven under any of the forgiveness programs, teacher loan forgiveness, public service loan forgiveness, or service under civil legal assistance attorney. And all of these options are available on the studentaid.ed.gov site, so we have information that is available on the various services sites as well as some of our tools offer information about how a borrower would qualify for loan forgiveness under any one of the forgiveness programs.

And one of the other repayment strategies deal with loan consolidation. So loan consolidation is an opportunity for the borrower to have one lender, one monthly payment, it allows flexible repayment options, usually there is a lower monthly payment because they're consolidating all their loans, it's going to be a fixed interest rate for life, and it's a free service. And so currently there are two. There is a traditional loan consolidation process and then there is a special consolidation that is also effective until July which allows borrowers to begin to consolidate their loans and that may be one of the repayment strategies as well.

Okay. So let's talk again about some of the communication channels offered by our servicers. All of the servicers have toll free numbers for borrowers to contact. They have the availability of phone, fax, and email, so all are communicating in some mechanism by phone and email, depending on the borrower's situation and how best to reach them.

They all utilize some kind of integrated voice response system that allows for self-service. Those services depend, based upon servicers, but some allow for payments to be made over the phone. Some borrowers prefer to deal with an IVR rather than an actual customer service rep, so it allows for a robust self-service for those that prefer. Borrowers, again, can make payments over the telephone. And then for those that prefer to speak to a representative then they would be able to do that.

All servicers have dedicated staff to assist borrowers and many of them offer financial literacy ca- materials that are available on each of their sites that deal with maybe budgeting or credit tips or PowerPoint presentations that either the schools or borrowers can utilize around financial literacy.

Skip tracing. So in the area of skip tracing, all of the servicers are going to have some kind of skip tracing effort on delinquent accounts. And so in the event that the servicer is unable to use their various resources in order to find the borrower, they will work with the schools to obtain current available contact information. Sometimes schools have the most current information about their students. And so the servicers can reach out to schools and ask for updated contact information or if you have that please provide that to the servicers.

But the servicers do have a variety of tools and resources in order to find the borrower in the event that we have a bad phone number or a bad address. And they will utilize the various - the variety of tools to get the most current data in order to contact the borrower. So they usually have pretty good luck at finding the borrowers, but in the event that they are unable to find them, they will reach out to the servicers.

And one of the important things is - are the servicers' partnership with the schools. All the servicers are working with the schools to gather feedback and find ways to partner with schools on default prevention. So they are very interested in the school experience and how they can better work with the school around all of the federal servicing, but specifically the delinquency and default prevention aspect. So through surveys, through your contact with servicers directly, please provide your feedback and suggestions for improvement.

The servicers have face-to-face meetings with school campuses, so that's an opportunity for you to see your servicer and understand the tools and resources available. Of course they're always available at the financial aid conference that we have in the lab. We have all of our federal servicers available to speak to schools about their tools, their resources, anything that we can do to assist schools around their delinquency and default prevention aspects. The presentations at conferences. Some of the schools are reaching out to the servicers and are being proactive in phone calls and communications to let them know the kinds of services and tools that are needed and email communications.

So I think the important message here is to make sure that you partner with your servicer, you understand the tools and services available, you reach out to your school services rep and make sure that they understand the kinds of things that are needed because the servicers do have a host of available tools and resources that can assist with delinquency and default prevention activities.

Third-party servicers. Schools have asked the requirements around a third-party servicer. So many schools, as we understand, use a third-party to handle their default prevention activities and that is fine. We do allow that a third party to access reporting or tools that the servicers have, but all are going to require an agreement with that third party so that we can establish and understand the relationship between that third party and the school. So if you have a third party, all of the servicers will allow access to the information for that third party, you're just going to have to have an agreement in place so that we can establish the relationship between the third party and the school.

Now when we get into reporting, if you were able to participate in the sessions this morning, so both in the Default, Everybody's Business and in the session previous to this one that talks about identifying risk, we talked a little bit - or they talked a little bit about the reporting that's available in NSLDS and as well as the servicers.

So tomorrow, we didn't take the time today to go through the NSLDS reports, but tomorrow NSLDS is going to spend the day to walk through all of the various reporting available for delinquency and default prevention. So they're going to talk about the school portfolio report, the delinquency report, and then, more importantly, how you manipulate those reports and pull them into your own school databases.

So it's important for you to recognize that, one, you do have reporting tools that are available through NSLDS to help you with your delinquency and default prevention activities. If you're not able to participate in the session, it will be available for download that you can leverage.

And then specific to the servicers, so in the event that the NSLDS reports lacks the detail needed to manage your school portfolio, the servicer reports may provide a greater level of detail, customization, and it allows schools to drill down to specific attributes.

Now again, the reporting that the servicers offer are just going to be specific to those loans that the servicer holds, but each servicer has a customized reports that are also available for delinquency and default prevention activities. So they have - the reports offer flexibility in reporting formats and this - just to provide a different layer of activity and portfolio level data. So reach out to your servicers, find out the reporting available, especially after the session tomorrow on NSLDS, to so if there's other things that the servicer can provide in this area.

So a couple of reminders. There are several important messages that the schools can remind borrowers. Again, we're going to keep emphasizing the need to check NSLDS to identify who their servicers are. Make sure that they provide servicers with updated contact information. Stay in tune, stay in touch with their servicer.

Sign up for online access immediately. So there's no limit as to when they - a student can sign up for online access. Once that loan is assigned to a servicer, the student can easily go in and set up their online access and they should be monitoring their account while in school.

Sign up for automatic debit to ensure timely payments. Now they wouldn't necessarily be able to set up for - sign up for automatic debit while they're in school, but as soon as they are about to enter repayment they should sign up for automatic debit to ensure timely repayment.

And call the servicer to obtain information about repayment options that meets the borrower's financial situation. Again, we have a number of repayment options that are available to borrowers. So in the event that they are only able to pay a small amount, there's likely a repayment option that will fit that. So it's important to remind borrowers that they should reach out to their servicer to determine a payment that meets their needs. And make sure that they understand that the servicers are there to help.

So when we talk about the grace period, one of the reminders is we determined that of the borrowers who defaulted, most did not receive their full six month grace period so it's important that schools report timely the enrollment changes to the servicer. So that can make a difference in whether the servicer is able to get to the borrower quickly, so late or inaccurate enrollment reporting affects the students.

So the quicker you are able to learn when the borrower has left the campus and promptly report that to NSLDS, the quicker that the servicer can act on that and make sure that we get in contact with that borrower. So it's important that we have timely enrollment reporting so that we can actually get to the borrower quickly.

So in summary, take every opportunity to deliver information to your (students' loan), not just at the time of interest and exit. So it's - interest and exit are key times, but make sure that the messaging about loan information and contacting their servicer is all a part of the communication to your borrowers. Make sure that the borrower clearly understands the types of loans that they have, the servicer, and where the borrower can find servicer information.

Make sure the borrower understands their responsibility. Stay involved especially with students that have withdrawn and are delinquent. And then stay informed to what the servicers are doing. Servicers are providing Webinars, they provide - they have blogs, they have a number of - a host of information that is available for the schools around this function as well as others.

And then finally, (John) mentioned in the previous that we have a default management team here in FSA and the goals of our team is to assist schools with establishing their default prevention goals, assessing the resources that the schools have available to them in order to establish their team, understanding default risks, the use of available reports and tools, and developing or refining your default prevention ta- plan. And again, we can facilitate the partnership with the servicer as well, so that's one of the things that we can do.

So if schools need assistance with developing or reviewing the default prevention plan or have questions about how to work in tandem with the servicers, you're free to contact us. Our email is available, it's defaultprevetnionassistance@ed.gov, and we would be happy to work with you on your default prevention goals.

Just a reminder, again, that tomorrow is the NSLDS Webinars and we're going to talk through the school portfolio, the delinquency borrower report, and the NSLDS, manipulating the NSLDS report. So if you're able to participate, please do.

The last couple of sess- the last couple of slides here are just the resources, so I'm going to continue through here, stop and see where the questions are so we can address any questions that have come in.

Okay. So the first question that we have from a school is, "Does the sch- student have to request the interest payment notification from the servicers?" In some cases yes. They are not all automatic. So if the student contacts their servicer and explain that they're looking for either a quarterly or a regular interest statement and asks how to request that, then they would be able to receive that from their servicer. So it's important that they go out to - because the servicers may have - they may administer the quarterly statement or the interest statement differently. So please have your student go out and request the quarterly statement.

Okay, so the next question we received is, "The borrower can only check on NSLDS - at NSLDS if they are still in school." I think what we're asking here is can they check when the borrower is still in school? Yes, right. Okay, so the

- I - the question was really whether the borrower can go into NSLDS at any time during the lifecycle and check their information and the answer is yes.

So once that loan is booked into servicing and then the loan is now being reported by the servicer, so by the time the loan, it books into the servicer, and then on to NSLDS in the weekly feed, it would be available for the borrower to go into NSLDS at any time and see that loan. Likewise, they would go into the - their own servicer site and see that loan information.

Okay. So the next question, "How quickly are servicers notified of a student less than half-time enrollment or withdrawal once a school has updated NSLDS?" So again, the interface between the servicers and the enrollment reporting happens on a weekly basis. So depending on the timing of when the schools notify NSLDS and then NSLDS notifies the servicer, it can be two weeks or beyond for us - for NSLDS to be updated with that information.

I'm going to the - all right. Okay, so Slide 12. "When will the schools be notified of the transfers to the NFPS?" The - okay, so let me back up. So when we're talking about transfers of borrower accounts to the not-for-profits, students are being identified and then transferred to the not-for-profits and those activities are happening on a regular basis. So the schools would only see that information either in NSLDS and they would be not- and they wouldn't necessarily be notified through a communication channel. The borrower is the one that's going to be notified once a - once he or she is moved from a particular servicer to another servicer or a not-for-profit.

Okay. So the next question says - okay. (I missed) the first question. Okay. So the next question is, "How is public service loan forgiveness tracked based on public service job for ten year? I heard from students that there is no tracking." So there is currently - yes, there is currently an application and a tracking mechanism in place. So as of the first part of February we have a application, as well as we have a servicer that will track public service loan forgiveness. So you can go to studentaid.ed.gov in order to obtain an application for - and see information about public service loan forgiveness.

And once that loan is certified, you would provide it to our servicer FedLoan Servicing. Once that application is validated then that loan is transferred from that current servicer to the public service loan forgiveness servicer. So yes, we do have a tracking mechanism and we have a servicer that will track borrowers that are in public service jobs.

"What is the difference between IBR and ICR?" The main difference is the partial financial hardship and how the payment is calculated. So both are based upon income and family size, but then there is a different calculation for IBR that allows for a partial financial hardship. If you want specific information on IBR and ICR, if you go to studnetaid.ed.gov there are - there is a Q&A and a FAQ sheet that goes into great detail as to the qualifications for IBR and that should explain the difference between the two.

Let's see, okay, so, "We are seeing," a school response, "We are seeing that sometimes loans are being transferred between servicers take weeks. During this time neither the old nor the new servicer can see the loans on their system, nor provide service to the borrower. What does the student do during this period?" It's hard to answer this question. Do we know who - which school has asked this question? Okay.

Rosa Wright: Yes.

Cynthia Battle: So for the school that I read this, if you could send some additional - if you could reach out to me, cynthia.battle@ed.gov, with some specifics, if I can look at this to determine whether this is a one-time event or this is a larger problem that we need to resolve. So we're not aware that it's taking weeks to transfer loans.

Now there could be situations where the borrower has fallen out of an exception process, but it always helps for us to see some examples to make sure that we are dealing with exceptions to the process and not the rule. So the school that has - that's seeing problems where it's taking a large amount of time to transfer, if you could send me that information that would be very helpful.

Let's see, the next question is, "I heard that they are redesigning the deferment form, when does that go into effect?" The deferment forms, what we're doing around the deferment form, I don't know whether redesigning is the word, but we are combining the form so that it is a form that's applicable to both Direct Loan and FFEL so it doesn’t matter whether the borrower had a Direct Loan and FFEL they don't have two different forms. But we are combining the forms.

We - those forms are now in clearance and should be exiting clearance within the next, I believe, 30 days. So you should - within the next six months or so, you should be able to see a combined deferment form for most of the deferments that are available.

Okay, so when I referred to if a student is seeing one servicer but the school is seeing many, which servicer should the school tell the borrower to contact for the forbearance? They would contact their servicer. So I think if the student is unsure of who services their loan, they should be referred to NSLDS, determine who their servicer is, complete the form or make contact with that servicer, and then make - and then apply for the forbearance. So it's kind of two steps. If the school is not sure because the school can see, if it's a Direct Loan, the school can see in COD as well, but if the student is unsure always refer them to NSLDS (where) the first question is have you received any communication from your servicer and that should tell them who their - who they should contact for that forbearance.

Rosa, you may have to read this for me. Borrower is - okay, so when - okay, so the question is, "When a borrower is sent to debt collections and is within school," three-year cohort rates, how many voluntary payments. That's a multi - I'm sorry. Okay, what's the question? So, "When a borrower is sent to debt collections and is still in school..."

Rosa Wright: (Unintelligible).

Cynthia Battle: Okay. If you could read that for me.

Rosa Wright: "When a borrower is sent to debt collections within the school's three-year CDR, how many voluntary payments does the borrower have to make to rehabilitate their loan? Do we move the default loans from the CDR? If a loan is rehabilitated, is the loan transferred back to the previous loan servicer?"

Cynthia Battle: Okay. So that's a multi-co- okay.

Rosa Wright: Yes.

Cynthia Battle: So the first part, if it's - the loan is rehabilitated, does it go back to the previous servicer? Not necessarily. It does not necessarily go back to the previous servicer. The part that confuses me is where they're saying the borrower is in school but yet they're...

Rosa Wright: No...

Cynthia Battle: Okay.

Rosa Wright: ...with the school's three-year CDR. Not in school.

Cynthia Battle: With - (it isn't) - okay, they're not in school. Okay.

Rosa Wright: No. No.

Cynthia Battle: All right.

Rosa Wright: No.

Cynthia Battle: It's with the (unintelligible)...

Rosa Wright: So it's with the school's three-year CDR. So (they can all go to the) (unintelligible)...

Cynthia Battle: Okay. All right.

Rosa Wright: ...the CDR has already defaulted, but within the school...

Cynthia Battle: C- three-year CDR, how many voluntary payments must they make...

Rosa Wright: Right.

Cynthia Battle: Okay. There are nine.

Rosa Wright: Nine.

Cynthia Battle: Yes. There are nine voluntary - okay, I got it. So the question was if it's in - how many voluntary payments must the borrower make. It would be nine. And then if the loan is rehabilitated, will they go back to the previous loan servicer. Not necessarily.

Okay. All right. All right. All right. Let's see. Do I have any more that I need to ask for? Do I have any more questions?

Man: (Let me see). Yes, one more.

Cynthia Battle: One more.

Man: (Unintelligible). Okay.

Cynthia Battle: Okay, so the question is, "Do all servicers data from the clearinghouse for enrollment status for borrowers? How often do they capture enrollment information?" So currently the clearinghouse, schools - the schools that use the clearinghouse report to the clearinghouse, the clearinghouse passes that information through NSLDS and that is captured through from NSLDS to the servicers. The servicers will share information - let me get clarity on that. Let me get clarity on the clearinghouse. So we'll have to post on how all of the servicers directly with the clearinghouse and make sure that that is true, that is still true. So I'll get the answer to the clearinghouse and how that's reported.

Could you write it down?

Man: (Unintelligible).

Cynthia Battle: Okay, do we have one other one? Let's see. I think I have all the questions on that one. Did that one. Any more questions over there that are coming in?

Rosa Wright: The next question is, "Are loans ever reassigned? If a loan is with one servicer initially and the student is with them for a long time, might their loans be reassigned?"

Cynthia Battle: Okay, so the question is will the loans be reassigned? So if the stu- if the loan has been with one servicer for a long time, can it be reassigned? It depends. Again, going back to our slide that looks at the not-for-profits and the relationship, (right), and the actual movement of loans from the ACS database to the not-for-profits, it's possible that a student that is on the ACS database will be transitioned or transferred to a not-for-profit. Additionally, if that student is split among all of the servicers or they have multiple servicers, we will ensure that that borrower has one servicer. So in those conditions we will reassign or transfer that loan to another servicer.

Okay, so the question dealt with Slide 24. Let me go back to Slide 24. Slide 24 said - oh, okay. So the Slide 24 says that as - we were talking - on Slide 24 we were talking about the use of deferment and forbearance forms. And as a general rule, the federal loan servicers will accept either the FFEL Program or Direct Program deferment for all deferment requests.

In some cases a FFEL form must be used for FFEL Program loans and a Direct form for DL loans. So there are - I don't have my forms matrix with me, but there are some distinctions, and very few I must add, there are some distinctions in eligibility rules. So for example, there may be a, I think about it, there is a parental working mothers - there's some older deferment and forbearances or older defer- forbearances that have, I think, it's different eligibility rules that required a different form.

But in general, your general forbearance, your unemployment deferment, some of the ones that are - for the commonly used deferment and forbearances, those would be applicable for both programs. And I'll have to just get a list of those that may be different.

Okay. Yes, I can resp- I can get that one. Any other's that are coming in?

Rosa Wright: The next one was a school - (Teresa) saw the eligibility certification, I was aware of the PSLF. However she didn't see an application. Is the eligibility cert all that is required?

Cynthia Battle: Okay. So one of the schools commented that they were able to retrieve the disability - the - not the disability, the - you're - we're talking public service loans.

Rosa Wright: (Unintelligible).

Cynthia Battle: Okay. The eligibility for public service loans forgiveness and she's asking is there a forgiveness application?

Rosa Wright: "However I did not see an application. Is the eligibility cert all that is required?"

Cynthia Battle: Right. The eligibility cert at this point for tracking for public service loan forgiveness is the only thing that is available. Once borrowers have come close to the ten years of payments and employment under public service loan forgiveness then we would have the application for that.

Any more questions?

Rosa Wright: So - yes.

Cynthia Battle: Okay.

Rosa Wright: (Both of those) are really servicer specific.

Cynthia Battle: Okay. So...

Rosa Wright: (And this one's) (unintelligible).

Cynthia Battle: Okay, so what we'll do is we're looking at the questions trying to find some that are more applicable for a - for all to hear and then we were seeing a lot of very specific questions. For those of you that have sent in very specific servicer questions, we will make sure that we respond to those. We were trying to ensure that we had all of them - all of the larger processing questions addressed.

So what I'm going to do now is I'm going to offer the survey. And what I would like for you to do that are still on the line, if you could take a moment to complete the survey. Tell me whether we provided information that was helpful. If there was - there are additional things that you would like us to present or make available, if it's something servicer specific that we need to do, please state that. Because again, this was the first of, I hope, many sessions that we're able to present to you to explain how we do business. So if there are things that would be most helpful to you, please share that in the survey. You have my contact information.

And again, we will continue to address the questions that you have asked, if you provided your contact information, if you have specific servicer or specific processing questions that we need to address.

So thank you very much for your participation and you have a great day.

Coordinator: This concludes today's conference call. Thank you for your participation. All parties may disconnect at this time.

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