Sue: The way we're gonna do this panel is a little bit different than what we've done in the past. I'm going to give you some – show you some slides and give you some information, just general servicing background. We're then going to look into what we're calling the loan life cycle, which is going to include a number of phases, which we'll get into much greater detail. And then through each of those phases, our servicers will be going through more detail of what they do in those phases as well as the kinds of questions that we hear from schools.

And when we first started defining how we were going to do this panel session, we spent a fair amount of time going through the questions that call centers receive from schools so that we could pick out questions that we hope that will be of most interest and help to you. And then after that, we'll have open questions and answers. And just a reminder about it, we've had this before, and I think it's a little bit helpful for you to know that if you have a specific student issue, we have representatives from all of our servicers up at the resource center on the next floor up, and where they could probably give you particular help on an individual type of situation that you may have concern about.

So we will get started. You've probably heard us say the word TIVAS, and this actually stands for Title IV Additional Services, but they're really our federal loan servicers, and I'm sure you have seen that in our publications or heard us talk about it. We refer to our servicers as the federal loan servicers. On my panel, we have four representatives from the Title IV servicers. Representing Fed Loan Fia, Dan Weigel, Great Lakes, Brett Lindquist, from Nel Net, Jim Harris, and from Sally May, Bob Leary.

I'm also going to ask there's a bunch of great folks in the front row who represent our non-for profit servicers, if you could stand up and do a wave. Thank you. Thanks. Basically, all of our federal loan servicers are responsible to comply with the legislative regulatory requirements for the loan programs and the servicing of those programs, but they also provide unique services to their customers or student customers, borrower customers, and their school customers as well. All of the servicers are committed to educating and informing borrowers about their tools and the options available to them to help manage their debt.

They offer multiple repayment options to help students find the right timeframe and format for paying their bills, such as online payments or ACH or checks. They provide self-service tools and options about billing and the timing of billing, and they also, as you know, offer dedicated services to schools so that you can help with your cohort default rate and in assisting your students. This is a busy chart, but it kind of gives you the lay of the land with our servicers who are here today. You'll see over in the left hand corner where it says COD LDE. That's our Common Origination Disbursement Loan Distribution Engine. And basically, what that does is as your school puts records through COD and those loans are booked, it goes through this little distribution center.

And there's a determination made as to what servicer does that loan go to. But we'll talk more about that. And just to be sure that we're all on the same page, booked loans are loans when COD has an actual origination record, an actual disbursement record, and the promissory note linked to those records. We have a booked loan, so it's an important term in the process because that's at the point that we send it through this loan distribution engine. And once it's there, it's going to go do a lookup, and it's going to say, "Oh, is this borrower have a loan before, and if so, who has that loan?"

And based on that answer, it goes into that servicer's queue. If it's a brand new loan, then that loan is being sent to the servicers on a base of basically customer service, and we're going to get into that allocation process in just a moment. So from a TIVAS perspective, most of you at schools are dealing with our federal loan servicers who are receiving new loans from COD. We also have as part of our federal loan servicer family the non-for-profit servicers, and you've probably seen a good number of IFAP announcements as we have brought on new non-for-profit servicers.

As a reminder, the non-for-profit servicer addition to our servicers was part of HCERA and the Saphra provisions for servicer program solicitation. And the way this works is that we will be continuing to expand our servicers as our portfolio grows and as more non-for-profit servicers come into the picture. And just as a basis for understanding the non-for-profit community, we have many of them who come in as a separate unique entity, some that come in as kind of like teams as well.

This is a list of the non-for-profit servicers that have currently implemented. Aspire Resources, Cornerstone, Ed Manage, ESA, Ed Financial, Granite State, KSA Servicing, Mohila, Osla, and VSAF are the ones that are in already. We are also expecting another seven to go live during 2013. On the solicitation where my people can apply or entities can apply to be a non-for-profit servicer is open until 12/2013. There is another session, by the way, that will go into all of that environment with a bit more detail.

And that's Session 15. A several servicing update. But as you can imagine, with multiple servicers, that has its challenges and its benefits. Certainly, we are very committed as the servicers are to collaborate on solutions for borrowers and for schools, and certainly as new regulatory and operational issues arise, so there's a lot of conversations, a lot of meetings, a lot of making sure we're working together.

And although we have this multi-servicer environment, we are working towards and are really committed to much more of a borrower centric view from the borrower's experience. They have one servicer. That's the goal to have one servicer. So at the school level, you're seeing multiple servicers come on board and working with multiple servicers from a borrower level.

Again, the goal is to have a single servicer. And we've mentioned at previous meetings before with you about the structure of our contracts are in a way that they are a bit more competitive than our contracts have been in the past with the interest and desire to have more innovation and creativity come from that kind of environment.

But I would also say that amongst all of our servicers that there are many more similarities than differences. The look and feel of things might be different, but indeed, the functions that are performed are very, very similar. And speaking of performing, we do have a method to measure the performance of our servicers. We look at a number of items. Borrower satisfaction, school satisfaction, federal student aid, and our partner satisfaction as well, and also default prevention measurement as well.

That is all put together in a score, a performance score for each of the servicers. And based on that, there's a ranking. And when we talked a few minutes ago about the loan distribution engine, it looks to see if there's an existing loan with the servicer, and if so, that new loan goes to that servicer. But if it's a brand new borrower and there's not an existing loan, we fall back on the rankings in this allocation process as to which of the Title IV servicers receive that loan.

Okay. So with this session, I mentioned earlier about the life cycle, the loan life cycle. We just kind of sat down and I don't want to say made it up, but tried to find out what – we made it up.

Tried to find out kind of like you know that real technical term of chunks. What are the chunks of activities that are similar within the life cycle for a borrower? And with that, we came up with an on-boarding approach where borrowers are learning of their servicer. We'll look at that in a moment.

The in-school experience is a phase. The grace period is certainly a phase or a stage. Repayment has a lot of all the same activities for borrowers, and then delinquent repayment. And in a lot of ways, if we could stop that repayment, that would be our goal, that there'd be no more delinquency and everybody is in a happy spot. So really, the goal is to not have a delinquent repayment stage, but there are certain activities that we want to share with you that do go on in that instance.

So from a servicing perspective, that's how we kind of came up with these loan lifecycles and acknowledged that many of the questions that we saw being asked by schools fell into one of those categories. So that is really how we have set up this panel presentation today. And although they are stages or phases that a borrower goes through, we know that you at the school are with the borrower every moment of many of those stages, if not all of them in certain cases.

So we wanted to be sure that we work through all of those issues as much as we can. Basically, this is a busy page, but it kind of gives you an idea of those five life cycle components that we just spoke about, and at a very high level, what the activities are in each of those. So in the on-boarding cycle, the goal really is to establish customer relationship, and that's across all of our servicers. During the in-school period, it's maintaining that contact, looking at financial literacy, being sure borrowers are aware of NSLDS, answer questions.

During the grace period is when borrowers are prepared for repayment, and hopefully a successful transition to repayment, and the servicers have a variety of early intervention activities, work with the borrowers on payment options, modeling, what payments might look like, and helping them set up their accounts. Then in the repayment life cycle area, again, that early intervention continues. There is – this is the area where the servicers are working with the borrowers on setting up auto debit, billing reminders, repayment counseling as needed, and many other items as well.

But in delinquency repayment, the focus is on getting back to a healthy repayment, and so there's a number of activities that the servicers do throughout the delinquent repayment period of time, working very hard to get the borrower back into a successful repayment strategy. Below on the – I don't know if you can all see it up there, but there's a list of the communication channels that all of our servicers utilize. Of course, paper mail, e-mail, phone, web, social media, text.

They all have a variety of tools for financial literacy, self-service options, payment options, and of course, their call center agents. And they also offer services to you at the school, whether it be default management assistance, access to a borrower account information if you have a student with you and you're trying to resolve an issue. There's a specialized school call center, and most of our servicers also focus very heavily on school webinars with relevant information for you, and our newsletters to keep you updated on what is happening in their servicing world.

In terms of on-boarding, I'm just going to say a few items, and then we're going to get started with getting into a deeper dive of the various cycles we just talked about. But things to remember on the on-boarding is that the federal loan servicer is assigned at the booking of the loan, what we talked about a few moments ago. And so at that point, that's when the loan is official, and is booked, and that's when the servicer is assigned. I mentioned in an earlier remarks that that's also when we look to see that there's a previous – if that borrower had previous loans and assigned them to that servicer.

One thing to keep in mind is that our servicers here at the table, Great Lakes, Fed Loan, Nel Net, and Sally May, they get the new borrowers assigned to them through COD. When it is assigned, when a borrower is assigned, that is when the servicer begins correspondence with the borrower. They send a welcome letter providing the borrower with information on how to contact them, phone numbers, website, that kind of thing. And they also refer the borrower to LDS if they need to identify any other servicer or any other item that might be on NSLDS and that they might be looking for.

So that's all part of the on-boarding, the welcoming. So now the student is with the servicer. They've heard from the servicer, and at this point, we really begin the life cycle of what occurs while a borrower is in school. And I'm going to turn it over now to Brett Lindquist from Great Lakes.

Brett Lindquist: Okay, thank you, Sue, and good morning everybody. I definitely got the easiest phase in the life cycle, so the in-school stage. Essentially, it begins when the loan is assigned to us, and Sue described that process, and ends when the student drops below half time status, and then Jim is going to talk about what happens during the grace period. The goal that all the servicers undertake during the in-school phase is to establish a connection with that student. So you all work with students, and so you know that students don't really fully understand that's a loan, and they're a little skeptical about who the servicer is.

And so what we want to do in the initial communications and then the communications we send out to the student while they're in school is break through those barriers and make sure when they do need assistance, say when things start getting much more complicated in grace, they know who to call, and especially if they become delinquent, they're not afraid to call. So that's really what we're trying to accomplish with those early communications. So we're going to go through some of the commonly asked questions that we receive during these different stages of the life cycle.

The first question is how and when do borrowers receive interest notices. Borrowers are going to be sent a quarterly interest statement, and for some – with some of the servicers, that's automatically going to be sent out, and generally this is via e-mail. And with other servicers, students would have to opt in for that, and then they would be sent that statement on a quarterly basis. In the case of an e-mail, it's going to contain links then to detailed information about their loans. So their loan balance, their interest rate, and the amount of the accrued interest as well as all the different options they have to make payments on their loans, which is kind of the next question is how do borrowers make interest payments on their unsubsidized loans while they're in school.

First of all, there's no pre-payment penalties, of course. Early payment is encouraged, and payment while in school is highly encouraged. So students have lots of different options from writing a paper check. They can pay online. They can use a mobile device. They can call and talk to someone over the phone. Dan is going to talk more about the repayment options themselves or the payment options a little bit later when we're in the repayment section.

But essentially, they have all the same options that they have in repayment in school. And so they're able to make payments fairly easily. Probably a side question to this one is how do they pay toward specific amounts or towards specific loans. So perhaps they want to pay towards the unsubsidized balance of their loan. So assuming that they pay over and above the amount of interest that is already accrued, anything left over then can be directed by the student to a specific loan. So it's in their best interest to pay down say the principle of an unsubsidized loan, and through these various payment methods, they would just need to indicate that that's how they want the over amount paid, or how they want that amount applied.

And if that wasn't the case when the payment was initially processed, they can contact the servicer after the fact, and we will reapply the loan however they want it applied. The next question deals with loan cancellation, and it definitely affects all of you. When a school cancels or reduces a student loan, do they need to notify the servicer? And the answer is no. You do not need to notify the servicer. What you would want to do is just process the cancelation or refund as you normally would through the COD processes, and then those systems will relay that information to the servicer.

So when you process cancelation through COD, and the funds are refunded, that information in fairly short order is going to work its way over to the servicer, and then we will update our system accordingly. So we have seen that in our school relations area where schools are contacting us and telling us about a refund. You don't need to do that. You'd just process it as you normally would, knowing that that information is going to make its way over to the servicer, and their accounts will be updated.

So now, during the in-school phase, what types of servicer communications and contact occur while they're in school? While Sue had referred to the welcome letter process and each of the servicers has a welcome packet of materials that's sent out to students, basically, sort of that handshake. "We're your servicer. How do you do," kind of thing, and then we follow it up with a series of communications. The focus again is to establish that connection, as I said earlier, but really what we're doing is we're preparing them for repayment.

We had actually surveyed a sample group of in-school borrowers to ask them, well, you know, what type of information are you looking for and how frequent are you looking for this information. And we were a little surprised by the response. They want to know about repayment. They want to know about their balance. They want to know about all their different options, and they want to hear on a monthly basis. It was a little bit surprising how frequently that they wanted to hear from it. So not everybody, and of course, they would have the option of opting out of those communications.

But what all the servicers are doing are we're getting that information out to them and preparing them so that when they enter repayment, they know what their payment – what the different payment options are, they understand what IBR is. If public service loan forgiveness is an option for them, they can go down that path, and so on and so forth. So financial literacy, good loan management practices are all encouraged. Another thing that we're doing with these communications is at certain times of year, we're trying to prompt action, which will benefit the student and benefit the servicers.

So for instance, in the spring, servicers will send out information encouraging students to update their address if they're going to be moving or letting us know if they're going to be leaving school or there's some other status change like that. So again, it's a steady stream of communications, financial literacy, good loan management, and just preparing them for the next step.

This next question, what happens to the borrower if the school is unaware that the borrower has left school? This is a really common scenario, and I'll lay it out like this. So the student is attending through May at your institution, and based on your records, they're planning to go back in the fall. You see that every day. And then they don't come back. So you'll figure that out through your processes sometime in September. You're going to report that to the clearing house, and then that's going to come over to the servicers through NSLDS.

So we now know that they are less than half time. But the thing is they were less than half time as of May, and so we're going to start all of our processes and communication to get them successfully transitioned into repayment, but we have a much shorter amount of time. And so in the communications that we're sending out, virtually everything that we send out during in school mentions the fact that we want them to let us know if there's a change in status or if they're dropping below half time status because that truncated amount of time that they have for grace – now they still get a full six months of grace period.

It's just all of it's going to happen in a shorter amount of time as far as the communications that we send out. So I'm going to stop there because I think I'm starting to steal some of Jim's thunder here. Okay, I'll just keep on. I'm going to turn things over to Jim for the next section in the life cycle. Actually, the next chunk of the life cycle.

Jim Harris: Hello. Again, my name is Jim Harris, and I'm with Nel Net, and I can personally attest to everything that Brett just said as I 18 and 20 years ago, we had two children, and at that time, it sounded like a good idea to have them close in age until now that they're both in college and both paying tuition fees and room and board at the same time. So I'm now a customer of two of these servicers up here. Of course, none of their loans went to Nel Net. So I can say with confidence that we have been getting everything that Brett just outlined.

My son, it was interesting. He was getting lots of e-mails and contacts from his servicer to make sure he checked out the website, make sure he went on and signed up, and he started – my son of course will do this. He's already making payments, a little bit here and there to keep interest off. It's on my daughter's to-do list, so she continues to get more e-mails at a much more frequent pace. But now that my son has signed up, he's getting more things that are financial literacy based. So they've kind of checked that box for them, and now I see the communications have changed, and you know, how to budget his money, how to take out loans wisely in the future.

I'm looking through that, and of course, I have my own plus loans, which I'm looking forward to paying. Although I did buy a lotto ticket this week, so I might not have to worry about that come Wednesday night. So some of the questions that we get in grace is hopefully all the things that Brett just outlined that we do for them while they're in school has resonated with them, and they're already signed up, and they're all plugged in. But at that point, we really need to ramp it up with the student and make sure that they're ready for them to be successfully repaying their loan at the end of their grace period.

And as Brett had just said, that grace period begins when they have graduated, stopped enrolling, or are less than half time. So what are some of the questions that we get there? The first one, what types of servicer communications and contacts occur while the borrower – oh, sorry. I can answer that again if you want. How often – at key times, this is kind of the same question, do they get during grace period. So at this point, it really is a lot driven by the student themselves and what they have done so far. So we're going to really at this point ramp it up and make sure they know they're upcoming – you know, their first payment date, what those payments are going to look like. We encourage them – still encouraging them to tell – let us know how they prefer to be contacted, and all those sorts of things are really ramped up in getting them ready to start during that first time.

So it could be, you know, from e-mails to letters, all means of media that we can think of to get them prepared. You know, we really want them at this period to know who we are, when their grace period is going to end, and most importantly that if they have a question or a concern that they know that they can reach out and contact us. And that is the biggest hurdle that we all have is when they are in trouble of some kind is that they feel comfortable and they want to give us a call because we can help them.

And that's one of the biggest messages we try to give them during the grace period. The next question is what is the servicer process if the student hasn't selected a repayment plan? So if they have not selected a payment plan, they will go automatically into the standard payment plan. Again, though, that's where we encourage them. We have calculators available. All the servicers do different tools to see what's going to best fit with them.

We encourage them if they're having any difficulties to call them, and we can put them in a program that works for them, but that standard payment plan is the default if they don't make any other preference. The next one is when is interest capitalized, and this has been a question we've been really working on and making sure that we are all doing it consistently, and FSA has really come in and really helped define that all of us are doing it the same time, the same way for all borrowers from undergrad to graduate professional students.

You'll see more and more details of this coming up, but we are all doing that in a consistent way now, and so I want to – we want to thank the schools who from the beginning pointed out to us that there were things, there were nuances that were being done differently, and those have been all streamlined, and we are all consistently applying those capitalizations. So if you have questions or you have any kinds of specific examples that you want us to look at, again, all of us will be in the servicer area to answer any kind of questions or things that you have that pertain to that.

We want to thank all of you for helping us through that, and we are now on the right track there in doing that the same way. The next question, and IBR is such a great program, but we get a lot of questions about how early can a borrower apply for the IBR. Well, the IBR technically, they cannot be in the IBR program until they're in repayment. So during the grace period though, if we do happen to get any of the servicers, to get students that are applying for the IBR, if it is close to that date of when they're going to convert over to repayment, we let them submit their application and the materials, and we hold that for them, and then when they go into repayment, we will process that.

The thing to remember, though, is if they're still in school and they're nine months away from going into repayment, we're going to send them a letter and say, "You need to apply closer to the time that you actually going into repayment." We know things can change, hopefully they have a great job, all these kinds of things that will happen to them. If it's really close to that window of converting, we're going to hold it for them and process them and make it as easy as we can for them.

What happens to the borrower if the school is unaware that the borrower has left school? And I think Brett already touched on this, but really, that is the thing that is really a thing that we can offer good service to students is when we know as soon as possible, when the school knows as soon as possible to get that updated so we can start communicating, and like I said, ramp up that communication to them just as soon as possible so you give them the full advantage of their grace period. So that is that window of time that we work with students during the grace period, and all the communications that we offer to students at that time. And I'm going to turn it over to Dan to talk about repayment.

Dan Weigel: Hi, everyone. Hi, everyone. Thank you. My name is Dan Weigel, and I work for Fed Loan Servicing, or Fia, and I just want to talk a little bit about the – in repayment stage, and I won't sell anybody here, but everyone understands that repayment starts when that grace period ends. It's where the rubber meets the road. All of us in this room have in some way or some form have tried to reach out to that student or alumni and tried to talk to them about what their obligation is, what their responsibility is, and this is where we find out how successful our efforts were, if they trusted us, if they listened to us, and if they understood us about all their options that they have with their repayment obligations.

So a couple questions that we commonly get when they hit the repayment stage, first one being what ways can they make a payment. And it's – all of us are very consistent here. Very flexible with different ways to make payments. We have the always support the paper check option. When they get the bills, they'll see the payment address that they can make their payments to, how they make out – who they make their checks out to, and they can process through a paper check. They also have the ability to go onto our websites.

Create an account online, it's one of the things we always talk to schools about encouraging your students to do. Create an account online. Everybody moves. A lot of the students, you start out in one place right after school, you move because of your job, because of your family. Create an account online. You always have a way to update your contact information with us immediately. Easy access to all your information, and easy access to make a payment directly through our websites that we process just like a paper check.

And of course, the other option from these devices. Your alumni are probably never separated from these throughout the day. All of us have created either mobile enabled websites to make it easier and more efficient for them to make payments through a device through their phones. Some of us, we all have the ability for them to at least create a bookmark on their phone so they can easily access it, make their payments through their mobile device at any point in time. 24/7, they can make their payments through their devices.

And of course, all of our favorites because – favorite payment method because we all benefit from it is if the borrower goes and chooses to authorizes us to withdraw payments from their account. They get the quarter percent interest rate reduction, benefits them. It guarantees that their payments will be on time. They'll pay their amounts in full based upon what they've authorized us to withdraw, and again, the benefit of that quarter percent interest rate reduction.

So of course, once we start talking about the quarter percent interest rate reduction, it's how do I get that, what do I got to do to get it. And basically, once they complete the form to authorize us to debit the money from their account that they choose, that quarter percent interest rate reduction is going to happen immediately as soon as that form is processed and they're set up for us to withdraw payments from their account. That quarter percent interest rate reduction is going to be applied. Nothing is going to change from the student's perspective. They'll still get their normal bills from us on whatever method they chose to receive those bills.

But their interest rate will be a quarter percent less than what it was before they were on auto debit. And then of course, what happens if they don't have the ability to take advantage of one of those payment options? We can probably all raise our hand if you've been asked the question of do you somebody that's been – gone through some challenging financial times. They're unemployed, they're under employed, or they have some unexpected medical expenses. We certainly understand that as servicers, and one of our jobs is to talk to them about different options if they can't make their current payments.

So what do we talk to them about? If they're very proactive, and again, we've established that trust and relationship with them, they realize that they have some unexpected consequences that they can't make their payments now, they reach out to us, or they become delinquent and we reach out to them. We talk to them about can they make any type of payment at all. If you're currently set up for $300.00 a month, can you make that payment? If not, can you make a lesser payment amount?

And we'll start to talk to them about the plans that Jim mentioned. Income based repayment, income contingent, and when available, the pay as you earn option as well. Those repayment plans are very flexible and help borrowers manage those payments. Again, unexpected costs or expenses that you just don't prepare for and can't prepare for. Not everybody has the ability to even make a $50.00 payment or $100.00 payment.

So then we would start to talk to them about options to suspend their payments through a deferment of forbearance based upon their situation. We get an understanding of what they're currently going through and talk to them about the different forbearance options they may be eligible for. That would be the planned approach. Talk to them. Can you make any type of payment at all to try to keep them in that good repayment habit? And if that option is not available for them and they can't afford any payment at all, then we would talk to them about suspending their payments through a deferment of forbearance.

We get this question quite often also. Sue mentioned about the process of the federal servicers getting loans through COD, borrowers being assigned once the loan is booked. So we do get quite a few questions from schools about borrowers that have been in repayment for a while. Then they've been repaying their loans to one of the federal servicers. What happens when they go back to school? Are they assigned a new servicer? A couple situations there.

As Sue mentioned, once the loan is booked, COD is going to take the information, they're going to use the loan distribution engine to look to see what servicer currently has that student's loans. If it's from with one of the federal servicers that can accept the exchange of data from COD, then that borrower's loans would stay with that servicer to keep the borrower whole. If there is a situation where the borrower is with one of the not-for-profit servicers, they're currently not set up to receive loans from COD that would get sent to one of the federal servicers that set up their exchange data with COD, and then the department on a continuous basis is looking to identify those borrowers that have loans with different federal servicers, and they set up a schedule for us to transfer those loans to one servicer.

Because again, the goal always being to keep that borrower with one servicer. So it's another common question that we get, so yes, it does – if the borrower is with a non-for-profit servicer at the point of time they come back and get a new loan, there will be a short period of time where they'll have loans with different servicers. But again, the department is constantly going through, identifying those borrowers, and getting their loans to one servicer.

And then the final question that we get during this period from schools a lot to help your students is public service loan forgiveness. Brett mentioned that during the in-school period when we start to reach out to students about their options. Public service loan forgiveness, great program, but it's relatively new for us as far as the process to get started in public service loan forgiveness.

So we always – I always hear from schools, "What should I tell my students when they're leaving? How soon should they sign up?" I get some of my alumni calling me. They're entering repayment. They finally got their job. When do they complete the – what's the process for getting into this public service loan forgiveness program that you talked about?

There's a good thing about this is there's no right or wrong answers. But I always talk to schools, and when they ask the question, I always recommend that the first step the borrower is going to have to do is complete an employment certification form. That form is available on any of the servicers' websites.

If they call any of the servicers, they can access that form. The department also has a very good website about public service loan forgiveness. A lot of Q&As. The employment certification form is available there as well. I always suggest that the borrower in early stages of obtaining their employment, and the early stages can be two months, three months, six months, whatever they think is appropriate that they've gotten that job and went to what they believe is a qualified employer.

At that point in time, go ahead and complete the employment certification form. That form will be sent to us at Fed Loan Servicing. We process all the public service loan forgiveness forms, and we would determine if their employer is a qualified public service organization.

The benefits to applying early is they make sure they're working for a qualified organization. That's the first step. They can determine that upfront. We'll get their employment certification form, determine if they're eligible, and then we'll send them an approval notification saying, "Congratulations, you are working for a qualified employer."

And at that point in time, we can start talking to them about the different rules and requirements for the program, making sure they're on an appropriate repayment plan, making sure they're making their payments on time. Also, get all the – all the loans would also be transferred to us at Fed Loan Servicing, and we'd initiate that with the other federal servicers. Get all the loans transferred to us, and that way, we can start tracking their payments as well, too. So I always encourage to do it early, but there is no rule.

You could do it at Year 10 if that's what they wanted to do, and then we would go back and count all their payments that they made during that ten year period. But again, a lot of risk there. If they think they're working for a qualified organization and they're not, you know, they've spent a lot of time making payments on loans that may not qualify for this particular program. So that's our advice, and those are the most common questions that we get during the repayment period, and then Bob is going to talk to you about where we try to keep ours out of the delinquency stage.

Bob Leary: Thanks, Dan. I'm Bob Leary with Sally May, and I'm going to walk you through some of the delinquency services that we're providing on the Department of Ed loans. Right from the onset, I think there's some important things to go over. Delinquent borrowers are not the most prevalent population in the portfolio. Most students pay. They get themselves into a routine after being counseled through grace, school grace and repayment. They get themselves on an automatic debit or with their bank, and we find, you know, a smaller population that are delinquent that need these services.

But when they do, delinquency starts on day one when they miss their first payment and continues until that delinquent amount is resolved. And it's resolved either through a payment of a past due amount, a payment in full, whether it be by paying it off or by loan consolidation, or an entitlement. They've gone back to school or they've gotten a deferment or forbearance, or in the event of a death, disability, bankruptcy, collection efforts stop at that point in time.

We also suspend collection efforts at default, but that's only in the process at day 360 when that delinquent loan gets passed over to the debt management collection group, and they pick up collection after that. During delinquency, we contact the borrowers in many different ways. I think here it's important to mention that we may vary amongst the servicers and the non-profits as to what's the most effective way to contact that borrower and precipitate an action. The action would be to speak to us, make a payment, take advantage of an entitlement. So it does vary, and it does vary at various points of time during the delinquency period.

Texting may be very appropriate and most effective perhaps in a later stage where borrowers are perhaps a little embarrassed. Calling is always effective, and when you see a little later on, we're frequently calling the borrower. Now I want to go into some of the commonly asked questions and fill out the detail here with what we're doing in response to these questions we've accumulated over the years. You know, when do we start to collect on the loan?

As Jim and Brett mentioned with financial outreach in the early stages of in-school or grace, we're really preparing that borrower to make smart decisions and to avoid getting into trouble. So while that’s not the answer you’re probably waiting to hear, we’re looking at that borrower both from a risk profile point of view as well as things they should learn early on so they don’t – so that they don’t become delinquent. But having said that, I’ll answer the question. Day one when that billing statement goes out, they’re advised that they’ve missed a payment, and here is past due amounts, and here are helpful hints on resolving it.

Where to make a payment, who to call, the times that we’re open. So it starts at day one. Within the next 10 to 14 days, you’re going to see telephone activity being made on that account by the servicers, and then thereafter, straight through to default, you’re seeing telephone and a letter activity that’s focused on resolving the account. At Sally May similar to the other servicers, we’re doing it in a risk base fashion where smarter or different efforts are being leveraged against those borrowers.

If someone drops out, they may have a different profile. We’re calling them earlier. If they’re a dropout at a high cohort default rate school, we may remind them to make their first payment. So we’re starting before day one. You know, why the sliding consistency here in the collection timing, perhaps the level of effort against individual portfolios. As Sue pointed out, this is a performance based contract, and 40 percent of the measurement of our performance up here is based on default prevention.

So we’re out of all the areas, we’re leveraging a lot of expertise. We’re putting a lot of effort into the default prevention area. Let me continue on with is the bar defaulted at 270 days past due or delinquent. The borrower is in technical default at 270 days past due and is no longer eligible to receive federal aid. The borrower is not defaulted for the purposes of, you know, going to collection, the collection agency until day 360.

At day 360, he or she is defaulted, and the account is forwarded onto the debt management collection group of the Department of Education, where in they begin servicing it and farming it out to private collection agencies. It’s at that point in time the account is listed as defaulted. Kind of what’s the latest outreach to a borrower who is in delinquent status? We’re required under the contract to work the account up to day 360. So you see in that later bucket, day 270, 300 to 360, the servicers are leveraging additional collection efforts against the portfolio.

Why? It’s required. Point two, we are under the performance based contract, so we’re trying to save as many of the borrowers as we can. Philosophically, you know, Sally May looks at that late stage delinquent account, and we assign it to a specific collector. That collector works with the account, does any additional skip tracing that might be required to re-skip the account. So to try and collect on the thing.

One of the questions, and I was just asked this a little earlier today, can schools stay on the phone with the borrower and talk about servicing? Absolutely. All of us except what you might call a three-way call. You can call our school lines or our borrower lines. We generally prefer that you come in through the school channels so we can kind of monitor the call activity from your institution and make sure that we've satisfied you. So stay on the phone with a borrower. We also support if your institution uses cohort agencies to help you manage your cohort firm. We'll also honor that three-way conversation as well.

We ask if you do use a cohort management firm that you do reach out to our school services number in advance so that we can make sure they're authorized by you and we can track them. How do we work with schools around other delinquency efforts? I guess we do a variety of things. One, there are quite a few standard and customized delinquency reports that we prepare and distribute. One of the most important and powerful reports come in kind of a general flavor, and then a really detailed file.

Each one of us support a portfolio summary report where on a monthly or quarterly basis, your institution can either receive or pick up from a website mailbox the characteristics of your portfolio at our servicing institutions. You know, the number of loans in school, grace, and in a delinquent status. Many of us are putting cohort rate information on there. Just a high level information that you might need or the president or the chief financial officer of your institution might like to see.

Other ways we're supporting it through school websites where each of us lists all of the correspondence that we send to a delinquent borrower as a matter of all key correspondence, including delinquency letters so you can see what the borrower is told, when they're told at default – default management and delinquency management and training videos and webinars are out on our websites.

Before I go to other resources, I just want to briefly mention some of the questions that weren't on here but can quickly be added. A borrower can change their repayment plan in whatever status they are in. So if they're in a delinquent status, they can move from whether it's level to IBR, ICR, graduated repayment, extended repayment. It's not a once and done. It's a continual thing. The one I'd like to reinforce here, we're seeing a lot of activity with IBR at day 60 of delinquency.

Here, we're ratcheting up the collection efforts, the notices are getting a bit stronger, and what we've seen in the last year is a marked increase in those borrowers who are coming under IBR. Specifically, I stood up here last year and said one percent of our repayment borrowers were in an active IBR status. I can tell you today almost 4.4 percent of the repayment borrower is in IBR.

IBR in and of itself is a great tool, but let me tell you the benefit that those borrowers are getting, or at least the majority of those borrowers. We're finding in the Sally May portfolio that 50 percent of those borrowers on an active IBR qualify for a zero monthly payment amount. So we are addressing those borrowers who are hardest hit by the economy or are in the most need. Another 25 percent, so now we're up to 75 percent of all active IBR payers have a payment amount equivalent to about 25 percent of what their level payment would have been.

So yes, this is a benefit. It does take, you know, the pressure off the student from a payment point of view, and they would – they're making more and more of them are finding that it's useful. Credit bureau reporting, we do – we report to the credit bureau agencies the existence of the data shortly after we onboard it. We report negative credit bureau or negative activity once the borrower has become 60 days past due.

Kind of going to other resources that schools would use to take a look at their delinquent portfolios, I think what we see is NSLDS is your one-stop shop. This is where all the loans are pulled together from all of the servicers based upon our weekly reporting to NSLDS, and they're generating a variety of reports that you can use not only to monitor your in-school portfolio, your borrowers that are getting ready to go into repayment as well as your delinquent borrowers, whether it's to manage your two or three-year cohort default rate.

We on the servicing side mirror those reports. The only other issue or benefit I might add there is we are providing across the board portfolio detail reports. So these are reports that contain up to about 80 different data elements that you with the school might avail yourself of, such as e-mail address, whether there is skip, home, and work numbers. So if you're really – if you're really serious and looking at the portfolio, you can use a combination of both NSLDS reports and those from the servicer. Having said that, I'd like to turn it back over to Sue for question session.

Sue: Thank you, Bob. Thank you all of you for your fine information. I hope you have found that helpful. We really did, like I said, earlier spend a fair amount of time weeding through lots of questions that schools were asking on the phones. At this point, we'd like to open it up to your questions. There are mics in the center row here or column area. Please indicate your name and your institution or your entity.

Audience: Yes, good morning. I'm Elaine Varis from University of Medicine and Dentistry of New Jersey. This is on, yes. I just have a few questions, and at the risk of hogging up the mic, I will ask one or two and sit down. My first question is starting with the comments from the gentlemen from Sally May. Yes, I do receive a lot of those reports for servicing and delinquency, and I find it's very important for us to continue as financial aid administrators to monitor those students are who in delinquent status. My first question is for the rest of the servicers. What other types of online access and reports do you provide in addition to reporting to NSLDS, which I know that you're all required to, do you also have online reports accessible on your websites?

Do you also have your contact folks that are available to us as financial aid administrators provide reports, and is that per request, or do you do that automatically?

Jim Harris: I can – is this on? I can speak for Nel Net. We do have a website that is for schools, and it's a portal into our system where you can do a variety of things. You can see exactly what the student sees when they log onto their account, so you're seeing what they're seeing. You can get a whole host of reports that are pushed to you at whatever frequency that you want them sent to you from students and borrowers in different buckets. If you have any questions or concerns, you can always call our school service center and each have your own rep that is available to help you through any of that if there's something special or something you need to find.

But I think probably for all of us, we offer that kind of real time online access. Anyone else?

Brett Lindquist: Hi, this is Brett from Great Lakes. Very similar to what Jim described, we have a school portal, and through that portal, you have access to real time information through a tool that we call borrower status tool, or BST, so you can get the most up to date information on a student. So if you're making delinquency calls, for instance, you might want to have BST up and running so you can look to see exactly where that student is at at that moment in time, and we have a number of delinquency reports from delinquency letters and labels.

So if you're conducting outreach efforts, you can use that. We also have a data file, which is called our school servicing portfolio, which gives the – basically, every data element on every single student that we're servicing, and we also do support three-way calls, and if you have an active delinquency prevention program and you're making a lot of phone calls and initiating a lot of three-way calls, I'd encourage you to reach out to us. We do have a dedicated toll-free number for that for schools to use so you can quickly connect to one of our representatives who are specialists with handling three-way calls with the borrower and the school.

Jim Harris: I just want to add, Elaine, that it's such a good question, and if any of you in here are saying, "Oh, I want to learn more about that," we are all – the –

Audience: The resource room up in the Bay Hill.

Jim Harris: The resource room, so feel like, "Oh, I need to learn more about that," please come by because I think that's one of our biggest challenges is we want to make sure you know how to access all those tools.

Dan Weigel: This is Dan from Fed Loan Servicing, and same comments that Jim and Brett and Bob have made. We give standard reports that we put out there for our schools. You log into our portal, you'll see your entire portfolio broken down by loan status that you can export or just pull up the details of this – pull up the specific borrower or details from that list, and then you can also pull up a specific borrower just by putting in their SSN and bring up their specific loan.

I think one of the things that we've seen some success with is you do – to get that level of detail, you need to get access to our system and log in and pull down that information. Two of the things we've seen from schools, one is the portfolio reports that we put out there now for you, if you have a system that you want to import that information into that has a specific format or has specific data elements that you need, you can absolutely contact us and we'll create a report for you in that format with the data elements that you need, and then the other piece of it is we've been pushing a lot of information to schools through e-mail about specific topics, and since we've talked about IBR so much today, we've pushed information to schools to say this is how many of your alumni that we're servicing, and here's the number of borrowers on each of the repayment plans.

We get a lot of feedback from schools on that saying, "Who are those borrowers? Can you send me their names and e-mail addresses," that type of information. We support that as well, too.

Audience: Great, thank you all very much. Sorry, did you want to make some comments?

Bob Leary: I'd just like to put a plug in for NSLDS here. NSLDS should be the one-stop shop, and it is a very useful tool. Useful and current because we at the federal servicers and the non-profits are updating NSLDS on a weekly basis. They are the Department of FSA is rigorous, relentless about cleaning up any data discrepancies on that. So that might be a general tool. I'd be very interested in talking with you after the session to see if we're missing – if NSLDS is missing something, if there's a need for you to go out to four, five, six websites on a monthly basis to find the answer that we really should kind of see how it might be able to be built into NSLDS.

Or maybe it's so specific to graduate programs and medical schools that there should be some customized reporting. So good question.

Audience: Thank you for that particular comment because it's because of that that I'm asking the question. First, is it requirement that the servicers report once a week to NSLDS? Okay, I can tell you from my experience that NSLDS is not current, and that I do have to go to the individual servicer ultimately, so you're right. I'm having to go to as many servicers as necessary. At the risk of having my colleagues here waiting in a line, I'll just ask one more question. Do you have any data, any of you, in regards to the percentage of borrowers who are going into ICRA versus IBR at this point?

Bob Leary: I don't. Our portfolios are fairly new, and ICRA is new, but we just don't have the stats right now in my group. The stats are 4.4

percent on IBR. _____ are cumulative of IBR and ICR, and that represents since the inception of those programs.

Sue: Any other comments from Dan? Okay, sorry, we don't have the data, but generally, we are really pushing the income driven repayment programs, and we are seeing more and more borrowers apply, but again, until we can get down to some stats, just know that we need to keep pushing it.

Audience: Thank you.

Audience: Hello. My name is Mary Fenton. I'm at the University of New Mexico Health Sciences Center, and I only had two questions. Now I have four. You talked about NSLDS as the one-stop shop, and if there's missing something. I have just one example, and it's a medical resident who is missing $100,000.00. They have 50. I've been working on this for about seven months trying to find the other 100,000. She's trying to consolidate, and the latest e-mail of help was should I just start paying on those, and you know, until we can find the rest.

Now they're all on her credit report. I can't get any response from clearing house. I can't get any response from her undergraduate school or her med school. So you know, I've gone into COD and I've started to slowly reconstruct some things. I think I'm up to about 50,000, but there's still 100,000 out there missing. So clearly, that needs some help.

Sue: And Mary, we can talk about that one, and we know that's kind of an oddball. We just got that information I think late last week on that particular situation.

Audience: I just wanted to put it out there that it's not the end all because it clearly doesn't – it's missing some things. And the reports that you all were talking about that we can go in for our schools and run, I'm at health sciences center, and we share the same OE code with our main campus. So if I go in to run a report, am I going to see all 40,000 students, or – and I'm going to – I'm talking with our main campus director to see if we can get a branch code assigned. But is there any way I can muscle it down to the health sciences center students without the branch code?

Dan Weigel: I think I'm probably speaking for all of us. You process under the main campus code, you are going to see everything under the main campus. I don't believe we get any indication to say that this is from the health science center. We don't get any of that level of detail to break it down by program. The only thing that I can even offer to you is we can create some type of custom report and run it by grade level and get all your graduate students, but your main campus probably has some undergraduate programs that are not at the health science center. They would be included in there as well, but it would narrow down your number a little bit and target it a little bit better. But we can create that type of report for you.

Audience: If we can get a branch code, then it would make it easier to run.

Dan Weigel: Yeah, branch code would be great. Then that would be passed to us by COD. We would just give your reports for that code.

Audience: Okay. My next question was in reference to public service loan forgiveness. Previously, ACS was the path to public service loan forgiveness. You had to consolidate through the online process or paper process, whichever. Through ACS, they had to book your loans. They held them, and then when the individual completed the public service loan forgiveness employment certification form, then Fed Loan or Fia would come in and take it. Since ACS is, unless I'm misinformed, is no longer going to be the federal direct loan conduit, or – who is going to be the servicer that students when they go online to LoanConsolidation.Ed.Gov, unless that's changed, who is going to be in the background booking that particular loan?

Sue: Do you want to take that, or do you want me to? Basically, what's going to happen with the public service loan forgiveness, Fed Loan Fia has that population of borrowers who are working through public service loan forgiveness. When a borrower consolidates, if they're already in and have submitted the public service loan forgiveness employer form, then when they consolidate, it will go to Fia when we do our split borrowers and get all that put together. But what's really – we have two of our servicers are doing consolidation loans already as we've been moving some of that off of ACS.

Audience: Okay, so what you're saying then is ACS is – so when they go online, and is it still they must go through LoanConsolidation.Ed.Gov?

Sue: Uh-huh.

Audience: Okay, when they go online, then in the background that is no longer going to be ACS booking it, it will either be Fia or Fed Loan Servicing, or Sally May. Is that it?

Sue: Sally May.

Audience: Okay, and so that's what we tell our students now. It's no longer ACS. All right. And then because one of the things that I was hearing from a lot of our graduates was that they were being told, you know, so if they had one particular servicer who was not one of the four sitting up at the table, and it wasn't ACS, that they were being told, and we'll talk more about this later, also, Sue. But the people on the front lines were telling them, "Oh, you can consolidate with us and still get public service loan forgiveness."

And they would come back to me, and I said, "No, you cannot." You had to go through LoanConsolidation.Ed.Gov, and that's the only path. So now we know that it's Fia will be behind the scenes there and Sally May, and then when they file the certification form, it'll go into Fia, and if Sally May happens to have those loans, you give it to Fia, and at Fia, it just stays there anyway.

Sue: Correct.

Audience: Okay, thank you. That's number three.

Sue: We have about three minutes left.

Audience: My last question is on this not-for-profit servicers list, is there any promise that it will not exceed 33? Because you said this is open until December 31st.

Sue: This is open until December 2013.

Audience: So we –

Sue: We know that we have seven more coming in during this time. We don't have – I mean there could still be other people, other entities soliciting to come in. We don't have any others right now.

Audience: Okay, we heard that it was going to end at, you know, initially we heard it was going to be five. Now it's up to 33. So you're saying it could exceed 33.

Sue: No. Let me put it this way. I don't know how many it will be. I honestly don't know. We have what we have right now. We have seven more coming in over the next five to six months. It's a lot – alive for solicitation until December 2013. So unless a whole many more decided to apply, we would not be exceeding the 33.

Audience: Is that a law, or could we shut that down?

Sue: It's in the law.

Audience: Clemar Pertrow, One Row College in the Bronx. Follow up on the loan consolidation. Who is going to send out the LVC to the other loan holders on the new loan consolidation applications? Who is going to send the LVC out?

Sue: Basically, the system is going to be doing that.

Audience: But that's going to be ACS, and direct loans is still going to be involved in sending the LVC what is –

Sue: Yes. System will be doing that.

Audience: So it's not going to be Sally May. It's going to be direct loans and ACS.

Sue: Yes.

Audience: Right. And then they're going to book it with the other two. Right? Okay. All right, a couple questions on consistency throughout reaffirmation. There's a lot of borrowers now because of going to direct loans that will borrow over the annual or aggregate. On reaffirmation letters, every servicer has the reaffirmation letters, but it's inconsistent. Some servicers are saying that only the borrower or the student borrower can contact the servicer for a reaffirmation letter, or some servicers say the school can request the reaffirmation letter. Are we consistent on that?

Bob Leary: Yes, we're consistent. It's done in consistency – consistently across the boards.

Audience: So is it going to be resolved, or –

Bob Leary: That is being discussed in the policy group. The four of us as well as non-profits and key members of FSA meet periodically, and reaffirmation is being discussed there. We've heard the school's desire to have a consistent process. It's being discussed. I don't have any –

Sue: Yeah, basically, the way it is designed is generally, either the student and/or the school on behalf to help the student –

Audience: That's correct.

Sue: Could make the contact. So we are looking at that amongst our servicers.

Audience: The other thing, reporting to NSLDS weekly, is every servicer doing that weekly?

Bob Leary: Yes.

Audience: Okay, we're not seeing that on the NSLDS portfolio report. Okay? We're not seeing the updates on that.

Bob Leary: Federal servicers.

Audience: We draw all the servicers' delinquency reports, NSLDS delinquency reports. It's not happening.

Sue: Yeah, and I think if you have some examples, we should probably talk because we'd like to see that. It was seven to ten days for a while. We've been whittling it down to seven. There were some bumps in the road in getting there, but I would say we are very much at one week now. So if you're seeing something other, you should let us know.

Audience: Okay, thank you.

Sue: Thank you.

Audience: In relation to adding new servicers, I'm wondering how – what safeguards you have in place. I'm Linda Hunt from Hannover College, but speaking from a parent point of view. Earlier in 2012, my son was assigned a new servicer. There was no notification to him before his file was transferred, and the automatic withdrawal information transferred, but the IBR did not. Thus, three times out of his checking account three times the amount that he was expecting. That got straightened out, but I thought it was very interesting that the IBR payment with the new servicer was a different amount based on the same taxes as the earlier servicer.

It seems like that should be the same no matter what servicer you're with.

Sue: Right, and we did go back and take a look at that, and it is now consistent across all of the servicers on how the IBR calc is done.

We did go back because we heard that from a number of schools. And early in 2012, we did have some mishaps with the transfers of loans, and very quickly put into place a process where the existing servicer is now saying or sending something to the borrower saying your loan is going to transfer. So it's not as much of a surprise when they get this new welcome letter.

Audience: Good. Thank you.

Sue: Thank you. Thank you very, very much, and we'll be around for a little bit if you have any other questions. Have a great day.

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