**Attachment to Dear Colleague Letter GEN-16-15**

**August 18, 2016**

Category: Third-Party Servicer Definition & Examples (D&E)

**D&E-Q1:  What is a third-party servicer?**

**D&E-A1:** A third-party servicer is an entity or individual that administers any aspect of an institution’s participation in the Title IV programs, including, but not limited to, services and functions necessary:

* For the institution to remain eligible to participate in the Title IV programs,
* To determine a student’s eligibility for Title IV funds,
* To account for Title IV funds,
* To deliver Title IV funds to students, or
* To perform any other aspect of the administration of the Title IV programs.

To protect the interest of institutions, taxpayers, and students, an institution may not contract with a third-party servicer to perform any aspect of the institution’s participation in a Title IV program if the servicer (or its subcontractors) is located outside of the United States and/or is owned or operated by an individual who is not a U.S. citizen or national, or a lawful U.S. permanent resident. This prohibition applies to both foreign and domestic institutions.

**D&E-Q2:  What are some examples of functions or services performed by third-party servicers?**

**D&E-A2:** The following table provides examples of different types of functions or services that institutions outsource to third-party providers and its characterization as a Title IV service or function subject to third-party servicer requirements. This list is not exhaustive.

|  |  |
| --- | --- |
| **Third-Party Servicer** | **Not a Third-Party Servicer** |
| **In General** | |
| Activities, functions, or services performed on behalf of a Title IV eligible institution, from a remote location or on-site at an institution, that **ARE** considered an aspect of an institution’s participation in a Title IV, HEA program and thus are subject to applicable third-party servicer requirements.  The institution and servicer are jointly and severally liable to the Department for any violation by a third-party servicer. | Activities, functions, services, or roles that **ARE NOT** considered an aspect of an institution’s participation in any Title IV, HEA program and therefore are not subject to third-party servicer requirements.  The institution will be held solely responsible for any liability incurred as a result of software deficiencies, cybercrime, incorrect consulting advice, lost or damaged records, or servicer violations. |
| **Type of Employment** | |
| An external entity or individual providing financial aid staffing and/or Title IV processing support. | An employee of an institution, if the employee is paid directly by the institution; performs all duties under institution supervision; is not employed by or associated with a third-party servicer; is not a third-party servicer for any other institution; and does not perform Title IV functions or services on behalf of another institution.  Entities or individuals hired to review and/or revise an institution’s policies and procedures to correct compliance deficiencies or to make recommendations for improvement.  Entities or individuals hired to publish an institution’s policies, procedures, handbooks, disclosures, etc. via print format, audio format, video format, and/or online.  Entities or individuals hired to perform financial and compliance auditing, including preparation of financial statements.  Entities or individuals assisting an institution in completing and/or submitting its response to a program review, audit, or investigation.  Local or federal law enforcement agencies, fire departments, and/or other public safety agencies providing campus crime awareness and/or drug and alcohol prevention services. |
| An external entity or individual providing financial aid management support, either interim or long-term, to direct, guide, provide leadership, or otherwise oversee the operations of the Title IV programs and/or financial aid staff, including development, implementation, and/or maintenance of the written policies and procedures for the Title IV services and functions performed on behalf of or in conjunction with the institution. |
| An external entity or individual accessing Department systems (NSLDS, COD, CPS, etc.) that contain personally identifiable student information, and/or accessing personally identifiable student information downloaded from a Department system to perform any Title IV function or service on behalf of an eligible institution. |
| **Student and Institutional Eligibility** | |
| Determining student eligibility and related activities, such as completing verification, performing satisfactory academic progress evaluations, determining award amounts, performing Return of Title IV aid calculations, and/or reconciling Title IV program accounts. | No exclusions. |
| Processing, certifying, originating, and/or approving Title IV award packages and/or disbursements, including requests for advanced or reimbursement funding. |
| Preparing/submitting required applications or reports, such as an institution’s [Application for Approval to Participate in the Federal Student Financial Aid Programs](http://www.eligcert.ed.gov/ows-doc/eapp.htm) (E-App), or its Fiscal Operations Report and Application for Participation (FISAP), [Integrated Postsecondary Education Data System](https://nces.ed.gov/ipeds/) (IPEDS) reports, Campus Safety and Security data reports, and/or enrollment status and/or gainful employment reporting to the National Student Loan Data System (NSLDS). |
| **General Financial Aid Counseling and Application-Related Activities** | |
| Processing student financial aid applications, including FAFSA or pre-FAFSA completion services. | Community awareness/public service FAFSA completion events and/or general financial aid presentations open to the public and not limited or restricted to attendance at a specific institution or institutions (i.e. College Goal Sunday).  Publishing and/or mailing general student financial aid information, policies, procedures, or handbooks prepared by the institution via print format, audio format, video format, and/or online. |
| Performing interactive financial aid counseling in person, over the phone, and/or by electronic means. Includes operation of call centers to assist students through the financial aid processes necessary to award and disburse Title IV funds. |
| **Consumer Information Preparation** | |
| Preparing required consumer information disclosures, such as:   * A Security Report (including crime statistics, timely warnings and emergency notification, crime log, and emergency response and evacuation procedures) * A biennial review of drug and alcohol abuse prevention programs * Graduation and transfer rates * Job placement rates, and/or gainful employment disclosures * Entrance/Exit Loan counseling * A preferred lender list | Campus crime awareness and/or drug and alcohol Prevention informational meetings, instructional curriculum or programming, and/or public awareness campaigns/events that are open to the public and not limited to or restricted to attendance at a specific institution or institutions.  This exclusion does not apply if an institution requires attendance at an event or completion of training to comply with any Title IV requirement (Campus Crime and Security Act, Violence Against Women Act, Drug and Alcohol policy requirements, etc.) |
| Local or federal law enforcement agencies, fire departments, and/or other public safety agencies providing campus crime awareness and/or drug and alcohol prevention services. |
| Publishing and/or distributing an institution’s consumer information disclosures via print format, audio format, video format, and or/online. |
| **Default Aversion** | |
| Performing default prevention/aversion activities, such as contacting student loan borrowers to discuss repayment options or borrower account history, assisting with completion and/or collection of borrower deferment or forbearance forms, performing entrance/exit loan counseling, implementation and oversight of a written default management plan, and /or accessing borrower information contained in Department systems. | Financial literacy curriculum or programming, workshops, and/or public awareness campaigns/events open to Title IV and non-Title IV recipients.  This exclusion does not apply if an institution requires its students to attend a financial literacy event or complete financial literacy training or counseling to satisfy the institution’s exit loan counseling or other Title IV requirements. |
| **Delivery of Title IV Funds** | |
| Cash management functions, including, but not limited to: collecting student credit balance disbursement preferences; providing terms and conditions and/or disclosure statements relative to the disbursement preference options available to a student or parent; collecting the financial account information necessary to initiate an electronic funds transfer (EFT) or ACH of Title IV funds to a financial account designated by the student or parent for the receipt of those funds; notifying students of the disbursement of Title IV funds and/or the delivery of credit balance refunds; receiving and processing of electronic files (disbursement file, payment instructions, fund wire) to print and mail credit balance refund checks and/or deliver Title IV credit balance refunds to students or parents via ACH, debit card, or other electronic means. Also includes monitoring of undeliverable and/or un-negotiated checks or rejected ACH or EFT transactions. | Tier 2 arrangements as described in 34 CFR 668.164(f).  Direct ACH transactions between an institution’s treasury account and an account designated by a student for receipt of Title IV funds.  Mailing of checks produced by the institution. |
| **Providing Computer Services/Software and/or Maintenance of Records** | |
| Collecting, reviewing, and/or maintaining supporting documentation necessary in person, by mail, or by electronic means to determine or support student eligibility determinations and/or to disburse or deliver Title IV funds to a student or borrower. This includes information necessary to validate information reported on a student’s FAFSA and/or to resolve conflicting information, as well as collecting student disbursement preference information for the delivery of Title IV credit balance refunds. | Warehousing of records.  Providing computer services or software, as long as the provider is not responsible for using the software for the institution’s student aid purposes.  The exclusion for “providing computer services or software” does not apply if the provider performs any Title IV activity on behalf of the institution within the system through remote or automated processing and/or if the provider uses or has view or update access to any student-level information needed for the determination of Title IV eligibility maintained in the system (i.e. enrollment, registration, academic records, attendance, financial aid, etc.)  Similarly, the exclusion for the “warehousing of records” is restricted to the storage of Title IV-related records and does not apply if the entity performs any Title IV activity on behalf of the institution within the data storage or hosted environment, such as remote or automated processing, and/or the entity has view or update access to any student level information (i.e. enrollment, registration, academic, attendance, financial aid, etc.) within the hosted environment. |
| **Other** | |
| Perkins loan servicing or collection. | None |

**D&E-Q3:  How does the Department determine whether or not an entity or individual that is performing work on behalf of an institution is a third-party servicer?**

**D&E-A3:** In making a determination as to whether or not an entity or individual is considered a third-party servicer, the Department looks at each case individually and focuses on the specific service(s) or function(s) being performed at that institution, as opposed to a title that the entity may be using or a generic description of the types of services provided. Servicers often offer multiple versions of a product or service and frequently customize a product or service based on an institution’s unique needs. It is possible for an entity to be considered a third-party servicer at one institution and not at another depending on the specific services or functions that the entity performs at each institution.

For example, one institution may hire an entity or individual to perform a Title IV function, such as disbursing Title IV funds or delivering Title IV credit balances, making the entity or individual a third-party servicer for that institution. Another institution may hire the same entity or individual to perform a non-Title IV function, such as marketing the institution’s academic programs, which does not make that entity or individual a third-party servicer for the second institution.

Regardless of whether an individual or entity meets the definition of a Title IV third-party servicer, the institution must ensure that its contracts contain procedures governing the use and maintenance of any education records shared with the individual or entity, including specific procedures for governing the use and re-disclosure of personally identifiable information (PII) from education records. The institution must be able to access all records needed to comply with applicable record retention requirements. If the third-party servicer or the institution terminates a contract, the institution must be able to take possession of all records in the servicer’s possession pertaining to the institution’s participation in the Title IV programs.

**D&E-Q4:  If an institution does not compensate or reimburse an entity or individual for the Title IV functions or services that are performed on behalf of the institution, is the entity or individual still considered a third-party servicer?**

**D&E-A4:** Yes. A third-party servicer is an entity or individual that administers any aspect of an institution’s participation in the Title IV programs on behalf of an eligible institution, regardless of remuneration.

**D&E-Q5:  If a State agency performs Title IV functions or services on behalf of an eligible institution, is the State agency considered a third-party servicer?**

**D&E-A5:** Yes. If a State agency performs Title IV functions or services on behalf of an eligible institution, the State agency is considered a third-party servicer and subject to the applicable third-party servicer regulations.

**D&E-Q6:  Does the Department approve third-party servicers or recommend third-party servicers to perform Title IV functions on behalf of institutions?**

**D&E-A6:** While the Department has oversight authority over third-party servicers that perform Title IV functions on behalf of an institution, the Department does NOT list, endorse, or approve third-party servicers.

An institution must exercise caution in selecting third-party servicers, financial aid consulting services, financial aid management systems (software), and/or the electronic data storage systems it utilizes to assist in the administration of the Title IV programs. Regardless of whether an entity is considered a third-party servicer for Title IV purposes, the institution has a fiduciary responsibility to ensure the policies, procedures, products, and systems that the servicer utilizes are compliant with applicable laws and regulations. This includes the requirement that an institution be able to access all records (paper or electronic) created or maintained by a third-party servicer and make those records readily available to the Department for review. The institution must also implement appropriate safeguards to protect student records and ensure any information shared from education records is only used for the purpose(s) for which the information was disclosed. The institution will be held responsible for any liability incurred as a result of software deficiencies, incorrect consulting advice, lost or damaged records, and/or third-party servicer violations.

**D&E-Q7:  Are third-party servicers subject to the ban on incentive compensation?**

**D&E-A7:** Yes. Third-party servicers are subject to the same incentive compensation prohibitions as institutions. Neither persons nor entities may receive direct or indirect payments of incentive compensation for securing enrollment (recruitment) or securing financial aid for students.

Category:  Third-Party Servicer Contracts (CNT)

**CNT-Q1:**  **Is an institution required to enter into a written contract with a third-party servicer?**

**CNT-A1:** Yes. An institution must enter into a contract with a third-party servicer that clearly and thoroughly describes the services and functions the servicer is responsible for providing or performing on behalf of the institution.

**CNT-Q2:  Are institutions required to notify the Department when it enters into a contract with a third-party servicer?**

**CNT-A2:** Yes, institutions are required to notify the Department within 10 days of the date it enters into, modifies, or terminates a contract with a servicer to administer any aspect of its participation in the Title IV programs.

The institution’s notification must include the name and address of the servicer as well as a description of the functions or services that the servicer is performing on behalf of the institution. Institutions report third-party servicer notifications via the [Application for Approval to Participate in the Federal Student Financial Aid Programs](http://www.eligcert.ed.gov/ows-doc/eapp.htm) (E-App) website at http://[www.eligcert.ed.gov](http://www.eligcert.ed.gov).

The institution must provide a copy of its third-party servicer contract (and any modifications) to the Department, if requested.

**CNT-Q3:  What must be included in a third-party servicer contract?**

**CNT-A3:** Institutions must ensure that their third-party servicer contracts contain language that requires the servicer to agree to:

* Be jointly and severally liable with the institution for any violation of Title IV requirements resulting from the functions performed by the servicer;
* Comply with all applicable statutory, regulatory, and other Title IV requirements;
* Refer any suspicion of fraudulent or criminal conduct in relation to the institution’s Title IV program administration to the Department’s Office of the Inspector General;
* Confirm student eligibility and return Title IV funds (if required) when a student withdraws if the servicer disburses funds; and
* Return all records related to the servicer’s administration of the institution’s participation in the Title IV programs to the institution, and if the servicer disburses or releases Title IV funds, return all unexpended Title IV funds to the institution, if the contract with an institution is terminated, or the servicer ceases to perform any functions prescribed under the contract.

Institutions must ensure that its contracts accurately and specifically detail the functions that the servicer (or its subcontractor(s), if applicable) performs on behalf of the institution, and those functions that are required to be completed by the institution. The contract must identify the third-party servicer by its legal name and include any other name the servicer does business as (d/b/a). The contract must provide the physical address and primary phone number of the servicer’s primary location, as well as the name, title, phone number, and e-mail address of the president or chief executive officer of the entity. If a third-party servicer subcontracts any of its contractual responsibilities, the contract must identify the subcontractor and clearly describe the functions performed on behalf of the servicer and institution by the subcontractor.

In addition, institutions are subject to the information security requirements established by the Federal Trade Commission (FTC) for financial institutions. Institutions must take reasonable steps to select and retain service providers that are capable of maintaining appropriate safeguards to protect customer information and require service providers by contract to implement and maintain such safeguards.

Finally, the institution must require the third-party servicer to agree to comply with all aspects of the Family Educational Rights and Privacy Act (FERPA) with regard to the third-party servicer’s receipt and use of any education records provided by the institution.

Institutions are strongly encouraged to include provisions in its contract with a third-party servicer to terminate the contract immediately, without penalty, if the institution is notified that the Department has imposed an emergency, limitation, suspension, or termination action with regard to a servicer’s ability to contract with the institution to administer any aspect of its participation in the Title IV, HEA programs or the servicer has been debarred, suspended, or voluntarily excluded government-wide from participation in covered transactions.

**CNT-Q4:  Are there any restrictions or prohibitions that prevent an institution from contracting with an individual or entity to perform Title IV functions on its behalf?**

**CNT-A4:** Yes.An institution may not contract with or otherwise engage a third-party servicer that:

* Has been limited, suspended, or terminated by the Department within the preceding five years;
* Has had, during the servicer’s two most recent audits, a finding that resulted in the servicer being required to repay an amount greater than five percent of the funds that the servicer administered under the Title IV programs for any year; or
* Has been cited during the preceding five years for failure to submit audit reports required under Title IV in a timely fashion.

As mentioned previously, an institution may not contract with a third-party servicer to perform any aspect of the institution’s participation in a Title IV program if the servicer is located outside of the United States and/or owned or operated by an individual that is not a U.S. citizen or national, or a lawful U.S. permanent resident.

**CNT-Q5:  How can an institution determine if a third-party servicer or its principals have been debarred, suspended, or voluntarily excluded government-wide from participation in covered transactions?**

**CNT-A5:** Institutions must search the General Services Administration’s System for Award Management site at http://[www.sam.gov](http://www.sam.gov) when it enters into, renews, or revises a contract with a servicer to determine if the servicer is an excluded entity. The institution should keep a copy of the search results in its records.

**CNT-Q6:  How can an institution determine if the Department has imposed an emergency limitation, suspension, or termination action with regard to a servicer’s ability to contract with the institution to administer any aspect of its participation in the Title IV, HEA programs, pursuant to the provisions of 34 CFR Part 668, Subpart G?**

**CNT-A6:** The Department will notify an institution in writing if the institution reports a servicer that has been limited, suspended, or terminated by the Department, or if the Department has imposed an emergency action on the servicer.

**CNT-Q7:  Does an institution need to require a third-party servicer to sign a Certification By Lower Tier Contractor form?**

**CNT-A7:** An institution is required to obtain a signed Certification By Lower Tier Contractor form from all of its third-party servicers, as well as any subcontractors that perform work for the institution on behalf of a third-party servicer. The Certification By Lower Tier Contractor form is included as an attachment to the institution’s PPA. The school must make copies of the form and obtain the signatures of any and all Lower Tier Contractors on copies of the certification. The signed certification(s) are to be retained in the school’s files. A Lower Tier Contractor includes any contracted individuals not considered employees of the school, who participate in the school’s administration of the Title IV programs.

**CNT-Q8:  What does jointly and severally liable mean?**

**CNT-A8:** Under joint and several liabilities, the Department may seek repayment for Title IV violations from the institution, the third-party servicer, or both.

Since the institution is jointly and severally liable for any violation committed by its third-party servicer(s), the institution should take precautions during its selection and contracting process; and implement procedures with appropriate controls to periodically assess that the functions or services performed on behalf of the institution are compliant with Title IV rules.

Category:  Third-Party Servicers – Safeguarding Student Information (SSI)

**SSI-Q1:  Does FERPA permit an institution to share personally identifiable information (PII) from students’ education records with a third-party servicer without the student’s consent?**

**SSI-A1:** Yes, under certain conditions. The Family Educational Rights and Privacy Act (FERPA) (34 CFR § 99.31(a)(4)) permits institutions to disclose PII from an education record of a student to a third-party servicer, without consent, in connection with financial aid for which the student has applied or which the student has received, if disclosure of the information is necessary for such purposes as to:

* 1. Determine eligibility for the aid;
  2. Determine the amount of the aid;
  3. Determine the conditions for the aid; or
  4. Enforce the terms and conditions of the aid.

Institutions must comply with FERPA’s recordkeeping requirements for disclosures (34 CFR § 99.32). These requirements state that an educational agency or institution: (1) shall maintain a record of each request for access to and each disclosure of PII from the education records of each student; and (2) shall maintain the record with the education records of the student as long as the records are maintained. Thus, if an institution discloses education records to a third-party servicer under this exception, it must be compliant with the recordation requirements under FERPA and, for each request or disclosure, the record maintained by the institution must: (1) include the parties who have requested or received PII from the education records, and (2) the legitimate interests the parties had in requesting or obtaining the information. If the institution discloses PII from education records with the understanding that further disclosures will be made, the educational institution’s record of disclosure must include the names and legitimate interests of the additional parties.

**SSI-Q2  Are there any limitations or restrictions on the type of PII from education records that an institution can provide, without a student’s prior written consent, to its third-party servicer?**

**SSI-A2:** Yes. The PII from education records provided to a third-party servicer is limited to the PII that is necessary for the third-party servicer to perform the Title IV function(s) or service(s) the third-party servicer has contracted to perform on behalf of the institution.

Institutions must ensure that its third-party servicers use PII only for the purpose(s) for which the PII was disclosed. For a third-party servicer, that purpose is the Title IV function the servicer contracted to perform on behalf of the institution. Servicers are prohibited from using PII for any other purpose.

The Department will initiate an administrative action against the institution and/or its third-party servicer if a servicer violates this prohibition*.*

**SSI-Q3:  Are there any limitations or restrictions on granting a third-party servicer access to Department systems?**

**SSI-A3:** Yes. For both institutions and third-party servicers, access to information in Department systems may only be used for the Title IV function or service that is being performed. The data contained in Department systems such as the National Student Loan Data System (NSLDS), the Common Origination and Disbursement (COD) System, or the Central Processing System (CPS) are confidential and are protected by the Privacy Act of 1974, as amended, and other applicable statues and regulations.

Failure to comply with Department access and user requirements may result in the organization or individual losing access to Department systems and/or being subject to sanctions, including, but not limited to, the initiation of a limitation, suspension, or termination action or a debarment proceeding against the individual, the institution, and/or third-party servicer. Each user of a Department system must use his or her own User-ID. That person is responsible for safeguarding the User-ID and password and must not allow any other person to use them. Further, sharing or providing data retrieved by an authorized person from Department systems with persons or organizations that are not expressly authorized to receive that information is prohibited.

An eligible institution or third-party servicer that allows unauthorized access to Department systems will be considered to have violated its responsibilities and places itself at risk of losing access to Department systems and data, and to possible loss of eligibility to participate in the Title IV aid programs.

Category:  Third-Party Servicer Data Form (DF)

**DF-Q1:  What is a Third-Party Servicer Data form and who is required to complete the form?**

**DF-A1:** The Third-Party Servicer Data form is anOMB-approved data collection tool utilized to obtain information needed to validate third-party servicer information reported to the Department by institutions, as well as to collect additional information from third-party servicers needed for effective oversight.

Entities or individuals that meet the definition of a third-party servicer are required to submit the Third-Party Servicer Data Form to the Department. Third-party servicers are required to update information provided on the Third-Party Servicer Data form within 10 days of the date that:

* The servicer changes its name;
* The servicer changes the address or contact information for its primary location or additional location;
* The servicer adds or terminates a contract with an eligible Title IV institution; or
* The servicer buys, sells, or merges with another third-party servicer.

**DF-Q2:  Where can a third-party servicer obtain a copy of the Third-party Servicer Data Form and how is the form submitted to the Department?**

**DF-A2:** [Third-Party Servicer Data forms](http://www.ifap.ed.gov/eannouncements/021215ThirdPartyServDataFmRptReq.html) can be downloaded from this site. Completed forms should be submitted electronically to:

[fsapc3rdpartyserviceroversight@ed.gov](mailto:fsapc3rdpartyserviceroversight@ed.gov)

or mailed to:

Third-Party Servicer Oversight Group – Data Form

Federal Student Aid

United States Department of Education

1010 Walnut Street Suite 336

Kansas City, MO 64106-2147

Category:  Third-Party Servicer Audits (ADT)

**ADT-Q1:  Are third-party servicers required to submit an annual compliance audit?**

**ADT-A1:** Yes.A third-party servicer that performs any aspect of an institution’s administration of the Title IV programs must have an independent auditor conduct a compliance audit of its administration of the functions or services that it performs on behalf of eligible institutions, unless (1) the servicer contracts with only one participating institution, and (2) the attestation engagement of that institution’s participation involves every aspect of the servicer’s administration of the Title IV programs.  A third-party servicer must follow the procedures contained in the audit guides (<http://www2.ed.gov/about/offices/list/oig/nonfed/sfa.html>) developed by and available from the Department of Education's Office of the Inspector General (OIG), provided that the Federal student aid functions performed by the entity are covered in the submission.

Third-party servicer audits must be submitted to:

Third-Party Servicer Oversight Group – Audits

U. S. Department of Education - FSA

1010 Walnut Street Suite 336

Kansas City, MO 64106-2147

Or as an encrypted e-mail attachment submitted to:

[fsapc3rdpartyserviceroversight@ed.gov](mailto:fsapc3rdpartyserviceroversight@ed.gov)

In cases where the Title IV services or functions performed by a third-party servicer are not covered in the OIG’s audit guide, the third-party servicer must submit a letter to the Third-Party Servicer Oversight Group that asserts that the entity is (or was) an eligible third-party servicer (as outlined in 34 CFR § 668 subpart G) regardless of whether the third-party servicer submits an audit for services or functions performed that are covered in the OIG’s audit guide. The letter must provide management’s assertion that it complied with all applicable requirements in regards to the services and functions that it performed on behalf of eligible institutions.

In addition, the letter must include the following:

1. Legal Name and d/b/a name of the Servicer

Servicer Address

Telephone Number

Fax Number

Web-site URL

President/CEO Name

Telephone Number

E-mail Address

Other Contact Person, Title

Telephone Number

E-mail Address

1. A detailed description of the functions and services the servicer performs on behalf of the institutions it contracted with.  For example,

* Deliver Title IV credit balance refund activities such as collecting student disbursement preferences, assisting with the establishment of accounts for the receipt of Title IV credit balance refunds, receiving Title IV funds and payment rosters necessary to deliver Title IV credit balance refunds to students via cash, check, ACH, debit card, or other electronic means, etc.; or,
* Perform Default Management/Aversion activities such as obtaining student borrower information contained in Department systems, contacting borrowers regarding loan indebtedness, repayment options or loan obligations, assisting with completion and/or collection of deferments, forbearances, and/or other loan documents, etc.

1. A listing of the Title IV institutions the servicer performed work on behalf of, during the servicer’s most recently ended fiscal year. This list must include each institution’s name and OPE ID.
2. Assertions that:
   1. The servicer’s contract includes all items cited in 34 CFR § 668.25(c);
   2. The servicer has established a system of internal controls to assure compliance with those services or functions for which it provides,
   3. The servicer maintains comprehensive written procedures describing the functions or services it performs on behalf of institutions.  These procedures must clearly outline the servicer’s responsibilities versus the institutions’ responsibilities.
   4. The servicer complies with all requirements of the Family Educational Rights and Privacy Act (FERPA), as well as the information security requirements established by the Federal Trade Commission (FTC) for maintaining appropriate safeguards in respect to the education records and student information it has access to.
   5. The servicer is adhering to all Department requirements for accessing and/or granting access to Department systems.

The third-party servicer must submit its audit supplement letter to the:

Third-Party Servicer Oversight Group – Audits

U. S. Department of Education - FSA

1010 Walnut Street Suite 336

Kansas City, MO 64106-2147

Or as an encrypted e-mail attachment to:

[fsapc3rdpartyserviceroversight@ed.gov](mailto:fsapc3rdpartyserviceroversight@ed.gov)

**ADT-Q2:  What is the deadline for a third-party servicer to submit its annual compliance audit?**

**ADT-A2**: A third-party servicer must submit its compliance audit or audit letter annually no later than six months after the last day of the servicer’s fiscal year.

**ADT-Q3: What is the deadline for a third-party servicer that has not submitted its annual compliance audit(s) for one or more years due to an incorrect assessment of whether the entity meets the regulatory definition of a third-party servicer and/or based on the omission of specific audit procedures in the OIG Audit Guide?**

**ADT –A3:** For third-party servicers that provide services or functions that are included in the Department of Education's Office of the Inspector General’s (OIG’s) current audit guide, the third-party servicer must submit its missing compliance audit(s) no later than December 31, 2016. The audit(s) submitted must include all unaudited periods for the three most recently completed fiscal years (except for close-out audits). Subsequent audits must be submitted annually no later than six months after the last day of the servicer’s fiscal year.

Third-party servicers that provide services or functions that are not included in the OIG’s audit guide must submit an audit letter containing all of the items outlined in [ADT–A1](#ADTA1Answer) above, no later than six months after the last day of the servicer’s fiscal year, that begins on or after December 31, 2016.

For example, if a third-party servicer’s fiscal year end is December 31, 2016, its audit letter must be submitted on or before June 30, 2018. Subsequent audit submissions must be submitted no later than six months after the last day of the servicer’s fiscal year end.

**ADT-Q4:  Who should a servicer or auditor contact if it has questions regarding institution or servicer audit requirements?**

**ADT-A4:** Audit questions should be submitted to the Department of Education's Office of the Inspector General’s (OIG’s) Non-Federal Audit Team by e-mail at [oignon-federalaudit@ed.gov](mailto:oignon-federalaudit@ed.gov).