BROKEN PROMISES

The Untold Failures of ACS Servicing

October 2020

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Executive Summary

- Between 1992 and 2009, Affiliated Computer Services (ACS) was the exclusive servicer of the federal Direct Loan program. The company continued to service Direct Loans alongside other Department of Education (ED) contractors until its loan portfolio was transferred to other servicers in 2013. At its peak Direct Loan servicing volume, ACS managed as many as seven million borrowers' loans each year on behalf of ED.

- ACS's role as a Direct Loan servicer coincided with the creation and rollout of the Public Service Loan Forgiveness (PSLF) program in 2007. For many years, nurses, teachers, servicemembers, and other public servants with student loans relied on the representations made by ACS about borrowers' progress toward loan forgiveness as they continued to serve their communities.

- ACS's tenure as a student loan servicer was marked by failure and borrower harm. As a result, ED eventually declined to renew its contract with ACS. By 2013, all 35 million outstanding Direct Loans ever serviced by ACS were transferred to other companies. In 2014, the companies that received these loans detailed to Congress the vast errors that plagued borrowers' accounts due to ACS's shoddy servicing practices. These servicing failures impacted nearly every aspect of borrowers' loans, from the first payment to the last payment.

- In December 2018, the American Federation of Teachers (AFT) and the Student Borrower Protection Center (SBPC) launched an exhaustive investigation of Public Service Loan Forgiveness, issuing dozens of requests under federal and state open records laws for documents and records related to the widespread government mismanagement and industry abuses that prevent borrowers from accessing the critical protections offered by PSLF. As part of this investigation, AFT and SBPC found and scrutinized the communications between student loan servicers and Congress documenting the "servicing anomalies" in ACS-serviced accounts. This correspondence has not previously been available to the public.

- While lawsuits and journalistic efforts have documented ACS's loan servicing failures under the older Federal Family Education Loan program, there has never been a full accounting of ACS's poor servicing of Direct Loans, including loans owed by public service workers pursuing PSLF. Now, the SBPC and AFT's discovery and examination of the newly revealed correspondence between ED, Congress, and the companies that received ACS's loan portfolio reveal more than five million servicing errors affecting at least 1.36 million borrowers. This correspondence offers a critical step toward a full accounting of ACS's mismanagement of the Direct Loan portfolio, an historic failure that continues to prevent public service workers from earning promised loan forgiveness.

- ACS's servicing errors were so egregious that both the Department of Education and Congress took targeted action to address certain discrete harms caused by ACS. In 2010, for example, after ACS failed to enroll hundreds of borrowers pursuing PSLF into an eligible repayment plan, the Department of Education authorized a one-time waiver to allow certain borrowers who had been enrolled in the wrong repayment plan to request credit toward PSLF. Unfortunately, the uptake rate on this option was quite low. In 2018, Congress broadened ED's past effort by establishing a temporary expansion of the Public Service Loan Forgiveness program, allowing borrowers another opportunity to receive credit toward PSLF after being misled by ACS. However, these efforts were similarly difficult to access, with only 1.6 percent of borrowers earning loan forgiveness through this expansion.

- Policymakers must take immediate action to address the harms inflicted by ACS on student loan borrowers. A comprehensive, independent audit of all loans ever serviced by ACS is an urgently needed first step. Where account records, including balances and payment histories, cannot be verified, the Secretary of Education should use her authority to cancel these debts. Additionally, Congress should take action to broaden the scope of borrowers eligible for relief by expanding Temporary Expanded Public Service Loan Forgiveness to include borrowers affected by other common harms imposed by ACS. Finally, Congress and the Department of Education should establish formal record retention requirements for student loan servicers—a glaring oversight in current federal law that has inevitably left millions of borrowers with nowhere to turn as they seek the rebuild the missing pieces in their loan history.

About this Report

The Public Service Loan Forgiveness program was created in 2007 as part of the bipartisan College Cost Reduction and Access Act (CCRAA) to support America's public service workers facing financial struggles stemming from student loan debt.[1] The PSLF program is premised on the notion that public service workers with student debt should be entitled to student loan forgiveness in exchange for a decade of public service work. This loan forgiveness is necessary because, while public service is a vital public good, workers are not compensated commensurately to their private sector counterparts.[2] Loan forgiveness can help ensure the economic pressures of student debt do not deter or delay these borrowers from achieving other life milestones, such as purchasing a home, buying a car, retiring, or starting a family.[3] PSLF was designed to support people working in a wide range of high-demand public service careers, from servicemembers and teachers to social workers and nurses.[4]

This report is informed by a joint investigation conducted by the American Federation of Teachers and the Student Borrower Protection Center.[5] This report is the latest in a series of publications examining the administration of the PSLF program by the government and its contractors since the program's inception, in an effort to expose the widespread mismanagement and abuse that has denied or delayed millions of public service workers' access to this critical protection.

Introduction

This report—*Broken Promises: The Untold Failures of ACS Servicing*—serves as the latest installment of an ongoing investigation by the Student Borrower Protection Center (SBPC) and the American Federation of Teachers (AFT) into the Department of Education (ED) and the student loan industry's mismanagement of the Public Service Loan Forgiveness (PSLF) program.[6] This report focuses on the widespread failures of the original Direct Loan servicer, Affiliated Computer Services (ACS), and the impact these failings continue to have on student loan borrowers pursuing PSLF.

As detailed below, ACS was the sole servicer of the federal Direct Loan program until 2009 and remained involved in Direct Loan servicing alongside other contractors until 2013.[7] While there have been considerable concerns raised by regulators, litigants, and individual borrowers about ACS's handling of its Federal Family Education Loan Program (FFELP) portfolio, this report focuses on the millions of borrowers harmed by ACS's handling of the Direct Loan program.[8]

ACS managed as many as seven million borrowers' loans each year under its exclusive Direct Loan servicing contract with ED and continued to service accounts for millions of additional borrowers even after that exclusivity ended.[9] Importantly, ACS's role in Direct Loan servicing overlapped with Congress's creation of the PSLF program in 2007. Therefore, between 2007 and 2013, borrowers with loans that ACS serviced relied on the company to ensure they were on track for loan forgiveness, including meeting the four main requirements of the PSLF program.[10]

Borrowers must satisfy four requirements to earn loan forgiveness through the PSLF program. To qualify, they must have:

1) The right type of loan

2) The right type of payment plan

3) The right number of qualifying payments

4) The right type of employer

Direct Loan borrowers pursuing PSLF are uniquely vulnerable to ACS's servicing failures. These borrowers can earn loan forgiveness under the PSLF program only after ten years of qualifying payments. In October 2017, the first cohort of borrowers became eligible for loan forgiveness under PSLF. Over the next two years, only 1,100 borrowers successfully had their loans forgiven, but a substantially larger numbers of borrowers believed they were eligible for loan forgiveness, yet were denied.[11] Notably, all of these borrowers at some point had their loans serviced by ACS.[12]

Beginning in 2009, more companies contracted with ED to service the Direct Loan portfolio. However, ACS continued to service loans, including for millions of public servants beginning their pursuit of PSLF. Eventually, in 2012, ED terminated its relationship with ACS due in part to the company's systemic failures as a Direct Loan servicer[13] (notably, in 2015, federal investigators would begin probing similar failures across ACS's FFELP loan servicing portfolio).[14] Despite near universal acknowledgement that ACS bungled accounts for millions of student loan borrowers, there has been no comprehensive public accounting of the harm ACS caused to millions of Direct Loans borrowers, including countless teachers, nurses, and other public servants pursuing PSLF.

This report is a first step toward such an accounting.

As part of their investigation into the mismanagement of the PSLF program, the SBPC and AFT reviewed previously non-public communications between the servicing companies that inherited ACS's loan portfolio, ED, and Congress. These documents reveal that Direct Loans serviced by ACS and transferred to other servicers contained more than five million undisclosed errors.[15] Referred to as "anomalies," these servicing failures collectively affected nearly every term and feature of these federal student loans. Identified errors include incorrect processing and maintenance of income-driven repayment (IDR) plans, mishandling of monthly payments, and inappropriate and likely unlawful use of forbearance.[16] ACS's shoddy servicing practices affected at least 1.36 million Direct Loan borrowers.[17] Further, given that qualification for PSLF requires that borrowers make 120 full, on-time payments while enrolled in the correct payment plan, the communications revealed in this report highlight how ACS's servicing practices were likely especially harmful to public servants.

ACS's shoddy servicing practices affected at least 1.36 million Direct Loan borrowers.

Acknowledging ACS's egregious mistakes, both ED and Congress took limited action to rectify certain servicing failures committed by the company. Specifically, after ACS drove several borrowers pursuing PSLF into an ineligible repayment plan, ED authorized a "one-time override" to give these borrowers qualified payment credit toward PSLF.[18] Unfortunately, very few affected borrowers were remediated through this effort.[19] More recently, in 2018, Congress expanded this "one-time override" by creating Temporary Expanded Public Service Loan Forgiveness. Again, very few borrowers have been remediated through this effort.[20]

While well-intentioned, these efforts barely scratch the surface of the vast failures committed by ACS. The lack of transparency by both ED and its contracted servicer have left borrowers with little remedy or recourse for ACS's harmful practices. Millions of public service workers and other borrowers affected by ACS's servicing practices have been denied relief. This report includes targeted recommendations to both ED and Congress on the steps needed to adequately address the harm ACS caused borrowers and prevent similar breakdowns in the future.

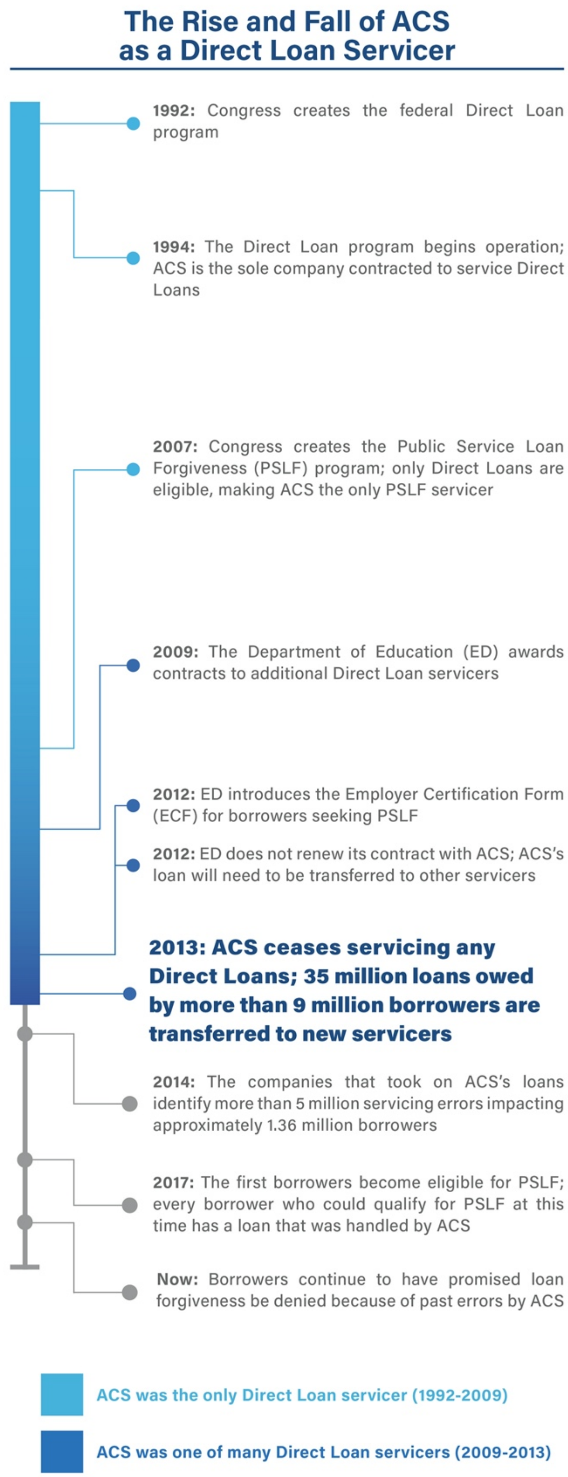
These borrowers deserve justice.

History of ACS and the PSLF Program

In 1994, the Department of Education contracted with Affiliated Computer Services (ACS), doing business as "the Direct Loan Servicing Center," to become the first and only servicer for the newly created Direct Loan program.[21] Before direct lending, federal student loans were made under the Federal Family Education Loan (FFEL) program, in which third parties such as private sector banks offered student loans with help from an assortment of government-offered subsidies and loan guarantees.[22] Under the new direct lending program, ED offered loans directly to students and ACS serviced students' accounts on ED's behalf. Between 1994 and 2009, ED renewed its multi-billion-dollar contracts with ACS multiple times.[23] In 2009, Xerox Corporation acquired ACS.[24]

Throughout its time servicing federal Direct Loans, ACS repeatedly committed a range of servicing failures, including inaccurately processing payments, mishandling repayment plan enrollment, and misleading borrowers about the requirements for critical federal protections such as Public Service Loan Forgiveness.[25] Despite these problems, ED continued to award ACS an exclusive servicing contract for management of the Direct Loan portfolio. This investigation reveals what public records have long suggested—ACS spent more than two decades mishandling borrower accounts, often costing them tens of thousands of unnecessary costs and many additional years in repayment.[26]

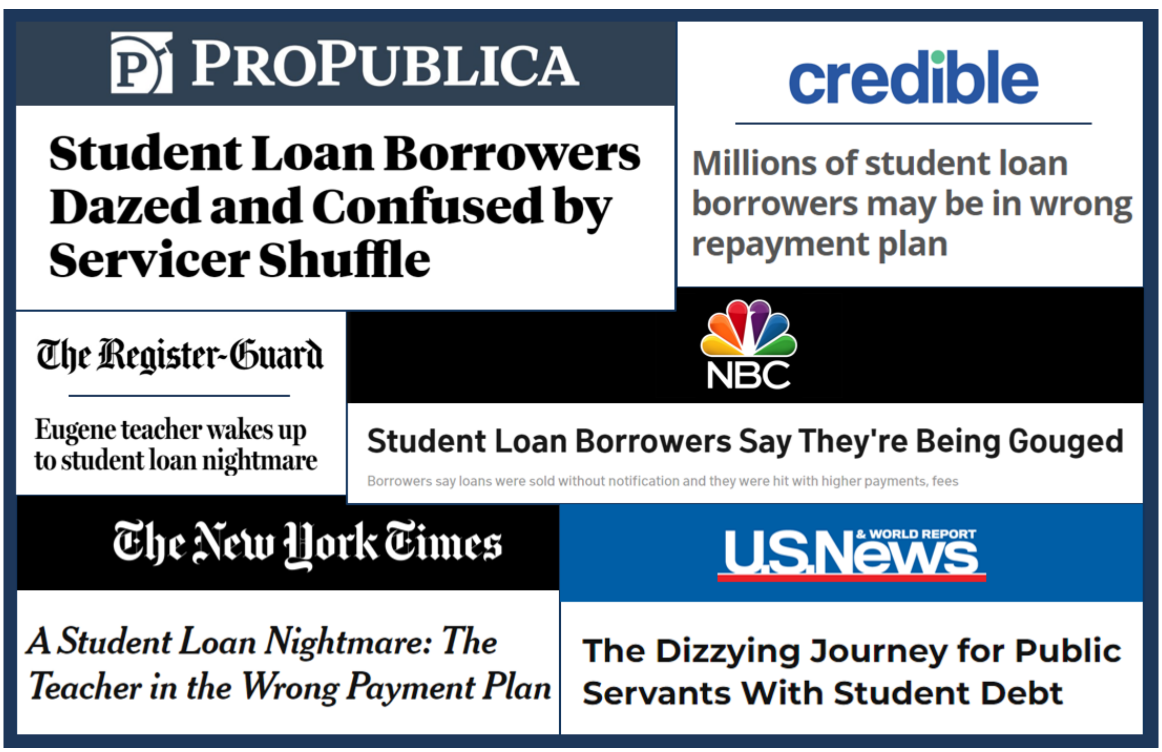
In 2009, Congress authorized ED to solicit bids for additional contractors to service the Direct Loan portfolio.[27] By the end of that year, four additional servicers joined ACS in servicing Direct



Loans. Finally, in 2012, ED elected not to renew its contract with ACS, and by October 2013, ACS was completely removed from the Direct Loan servicing system.[28] As the documents uncovered in this report reveal, ACS serviced roughly 35 million Direct Loans owed by over nine million student loan borrowers immediately prior to the conclusion of its contract with ED.

Unfortunately for student loan borrowers, despite its exit from Direct Loan servicing, ACS's legacy persists.

Between 2012 and 2013, millions of loans needed to be transferred from ACS to ED's other contracted servicers. Public reports contemporaneous to the transition indicate not only that ACS executed the handover process poorly, but the transferred loans were also plagued with missing or inaccurate information, among a host of other servicing errors.[29] In 2012, one journalist described Direct Loan borrowers as "Dazed and Confused by [the] Servicer Shuffle,"[30] while a large, unnamed student loan servicer[31] reported to the CFPB that at least half a million transferred accounts had problems.[32] The CFPB would go on to document ACS's servicing failures in more detail,[33] highlighting how the company inaccurately recorded borrowers' balance information, incorrectly calculated monthly payment amounts, applied multiple consecutive forbearances beyond the amount permitted under the Direct Loan program (some for five years or more), and made frequent mistakes in processing borrowers' payments.[34]



Almost seven years have passed since ACS fully ceased servicing Direct Loans, but its many servicing failures continue to reverberate. Across the country, borrowers still grapple with the financial fallout stemming from ACS's shoddy servicing practices, including owing additional interest accrued through inappropriate forbearances and missing opportunities to access protections guaranteed under the law (such as PSLF), simply because they had student loans that were serviced by ACS.

The damage is especially acute for borrowers pursuing loan forgiveness through programs such as PSLF, where servicing failures can cost borrowers tens of thousands of dollars or more and delay loan forgiveness by several years.[35] Until 2009, ACS was the *only* servicer handling accounts for borrowers pursuing PSLF. Further, prior to the creation of the Employer Certification Form in 2012, borrowers were forced to rely exclusively on verbal representations made by their servicers about their eligibility and progress toward earning loan forgiveness under the PSLF program.[36] As a result, ACS was the only place borrowers could turn to ensure they were on track to earn loan forgiveness—a role in which, as this report shows, the company failed. The harms of that failure have remained almost universally unaddressed and continue to cause harm for millions of borrowers even today.

Investigation

Methodology

The following analysis and commentary are informed by dozens of documents and records produced by the U.S. Department of Education. These documents and records were produced in response to numerous requests made by AFT and the SBPC under the Freedom of Information Act.[37] This report was also informed by court filings, government reports, and government data. Taken together, these sources of information reveal a deeply dysfunctional system created by the federal government's failure to execute on the promise of PSLF and, as this report will demonstrate, ACS's failure to conduct even the most basic account servicing processes, resulting in widespread, costly harm to borrowers.

During the course of this investigation, the SBPC gained access to a series of previously unpublished letters between the various student loan servicers that took over ACS's portfolio and United States Senator Lamar Alexander, former Ranking Member and current Chair of the Senate Health, Education, Labor and Pensions (HELP) Committee. In May 2014, Senator Alexander asked ten of the Department's contracted servicers for information on the number of loans it had received from ACS, the proportion that came with "servicing anomalies," and the nature of those anomalies.[38] The ten servicers answered with extensive detail and data related to ACS's loans, providing an unprecedented level of insight into the nature and extent of the failures at ACS.

The SBPC analyzed these letters for patterns and key insights. The servicers' responses were not written in a uniform style and did not always use the same units of measurement to express the prevalence of servicing anomalies, the same groupings and descriptions of the nature of ACS's mistakes, or the same level of detail regarding the substances of those errors. The SBPC developed broad categories to reflect the patterns most readily visible in the servicers' responses, such as noting whether a reported error was related to billing, loan consolidation practices, or the transfer of loans away from ACS. The SBPC then narrowed these categories using increasingly restrictive criteria specific to the nature of each error, such as whether a PSLF-related error involved the accuracy of a borrower's count of payments toward PSLF or whether it involved ACS failing to set the correct terms of the borrower's next loan payment. As new ways to distinguish previously grouped errors were identified, existing groups were accordingly subdivided. This process was repeated until the remaining categories of errors pointed to the most specific failures possible given the servicers' responses. Referring back to the servicers' responses, the SBPC then calculated the number of loans and borrowers, as available, that were impacted by each failure. Aggregated results are available in the Appendix.

Findings

The SBPC identified the following issues after an exhaustive review of these newly released records. Notably, ACS's failures were far more widespread than previous efforts to unearth the scope of this issue had suggested.[39] By the end of 2013, the entirety of the ACS Direct Loan portfolio was transferred to new servicers. The correspondence from the ten servicers revealed that more than five million loans owed by at least 1.36 million borrowers had some form of servicing error committed by ACS.[40] These anomalies impacted borrowers at every stage of repayment. For borrowers pursuing PSLF, the consequences of these mistakes are particularly acute, as they directly impact three of the four requirements of the PSLF program: enrolling in the right type of repayment plan, making the right number of payments, and having the right type of loan.

More than five million loans owed by at least 1.36 million borrowers had some form of servicing error committed by ACS.

Pushing borrowers into ineligible repayment plans

One of the key requirements of PSLF is enrolling in an eligible repayment plan—namely, an income-driven repayment plan (IDR).[41] While enrolled in an IDR plan, borrowers can make affordable monthly payments while working in public service as they earn credit toward loan forgiveness. However, an analysis of servicer correspondence showed that ACS routinely placed borrowers in non-eligible repayment options, including forbearance.

- **Failing to enroll borrowers into IDR.** Servicers reported that ACS blatantly failed to enroll borrowers in the correct repayment plan to make progress toward PSLF. One servicer explained that it "encountered numerous [D]irect [L]oan borrowers, serviced at ACS, who were told that payments made on certain repayment plans (that were not eligible plans) would qualify towards loan forgiveness, when eligible plans are clearly defined in statute and regulation. It is not clear that sufficient guidance was provided by ACS to its customer service representatives on this rule surrounding PSLF eligibility."[42] Another servicer provided an example of ACS's flagrant failures as a servicer, noting that one borrower had 13 loans that had been marked as delinquent since late 2011 but which should have been "current and on an IB [income-based]" plan.[43] Had the borrower remained in income-based repayment, that borrower would have been eligible for loan forgiveness. Notably, the Pennsylvania Higher Education Assistance Agency

(PHEAA)—the servicer contracted by ED in 2012 specifically to service accounts for borrowers pursuing PSLF—noted that ACS failed to mark many loans that ED had previously approved for the one-time override of the PSLF qualifying payment counter.[44]

- **Mismanaging the IDR recertification process.** Today, borrowers are required to annually recertify their income to maintain enrollment in an IDR plan. Servicers use borrowers' income information to recalculate their monthly payment amount. Prior to 2012, however, borrowers could provide multi-year consent to allow the IRS to disclose income information annually to Direct Loan program contractors—including, ACS.[45] In other words, ACS was authorized to automatically import borrowers' income information from the IRS in order to recalculate borrowers' IDR payments. In effect, borrowers could seamlessly maintain IDR enrollment for up to five years without submitting annual paperwork. At least one servicer noted that by October 2011, however, ACS had ceased its annual income data match with the IRS without telling borrowers.[46] As a result, many borrowers failed to recertify their income on time and had their payments revert back to an unaffordable amount. Other servicers also reported additional issues related to borrowers' IDR plans that were serviced by ACS.[47] For example, one servicer reported that more than 80,000 transferred loans had the wrong IDR payment amount and term.[48] When borrowers are unable to make accurate IDR payments, they risk missing out on key months towards qualifying for PSLF or IDR forgiveness.

- **Extraordinary, inappropriate, and likely illegal use of forbearance.** One of the most common errors mentioned in the servicers' letters was that ACS had applied forbearances far beyond the amount permitted under law.[49] As a result, borrowers accrued substantial interest balances rather than progressing through repayment under repayment plans that offer protections against interest accrual and capitalization, such as income-driven repayment.[50] Servicer reports show that as many as 761,000 borrowers remained in unauthorized or likely improper forbearance, often for five years or more.[51] One servicer reported that 75 percent of its ACS-serviced loans had used forbearance, compared with 40 percent of its other ED-owned loans.[52] Another servicer reported that more than seven percent of the loans it had received from ACS has been in forbearance for at least ten years.[53] In one instance, a servicer reported that ACS had placed a borrower in forbearance for 145 months, or more than 12 years.[54] In each of these instances, borrowers spent years accruing tens of thousands of dollars in interest while missing out on critical opportunities to earn loan forgiveness.

In one instance, a servicer reported that ACS had placed a borrower in forbearance for 145 months, or more than 12 years.

Example of ACS applying inappropriately numerous forbearances

to the borrowers' accounts. These out of synch TID's caused by ECP created tremendous problems for OSLA and FSA staff. The resolution of this problem required a significant amount of OSLA staff time and custom work from our servicing system provider that cost OSLA in excess of $15,000 for which we were not reimbursed.

F. ***Forbearance use exceeding guidelines*** - ACS's excessive use of Forbearances to suspend borrowers' payments created issues for borrowers now required to make timely loan payments. FSA guidelines allow up to 36 months of Forbearance time and OSLA had 3,171 borrowers with more than 48 months of Forbearance at on-boarding. The most excessive Forbearance time on loans on-boarded by OSLA was 145 months. This situation caused problems for these borrowers who were not making timely loan payments and for OSLA's Default Aversion Team working to get these borrowers to begin making timely payments.

G. *Incorrect loan balances* – To correct ACS errors, FSA has instructed their servicers on multiple occasions to adjust loan balances due to ACS errors. OSLA's efforts to make these corrections include researching, processing and posting over 100 manual adjustments provided by FSA staff. FSA also initiated a project (Change Request 2165) for all servicers to research, recalculate and correct balances on loans

"FSA guidelines allow up to 36 months of Forbearance . . . . The most excessive Forbearance time on loans on-boarded by OSLA was 145 months."

- Oklahoma Student Loan Authority (OSLA) correspondence

Preventing borrowers from making qualifying payments

Borrowers are required to make 120 qualifying payments to become eligible to apply for loan forgiveness under the PSLF program. These payments must be made on time and in full. However, ACS's servicing practices often resulted in borrowers being billed for incorrect amounts or on the wrong date, imperiling their ability to make a qualifying payment in any given month.

- **Missing qualifying payment histories.** Borrowers can earn IDR loan forgiveness after making 20-25 years of qualifying payments or by making 10 years of qualified payments under the PSLF program.[55] Borrowers rely on servicers to maintain records documenting their progress towards loan forgiveness. However, upon receiving accounts transferred from ACS, servicers reported missing or incorrect account information that jeopardized at least 29,000 borrowers' progress toward PSLF and IDR loan forgiveness.[56] Many servicers noted that payment counts for borrowers on income-driven repayment plans were entirely missing or contained errors.[57] Moreover, when the servicers attempted to correct this issue, the corrected files *also* contained payment count errors.[58] Missing data was also reported for borrowers pursuing loan forgiveness through Teacher Loan Forgiveness.[59] In effect, borrowers who had planned their financial lives around student loan forgiveness were left to piece together years of payment history to prove their progress toward loan forgiveness, which should have been preserved by ACS.

- **Inaccurately calculating monthly payment amounts.** Available records show that ACS regularly mismanaged the administration of borrowers' repayment plans. Several servicers reported that borrowers were quoted the wrong payment amounts and terms for their IDR plans, possibly disqualifying some of their payments toward loan forgiveness.[60] At least one servicer found that borrowers serviced by ACS were being billed legally impermissible payment amounts.[61] Another servicer repeatedly found that instead of assigning borrowers a fixed monthly payment amount, ACS scheduled borrowers to have inappropriately low monthly payments followed by a far larger "balloon" payment at the end of their repayment sequence.[62] In one case, a borrower was assigned a monthly student loan bill of $351.47 under a repayment schedule that would have required a $79,360.04 payment in their final month of repayment. In another instance, the first payment assigned to a borrower was "much higher than the following payments" because the first payment was on the wrong payment schedule.[63] Finally, in many instances, ACS quoted borrowers a monthly student loan bill that would not have paid off their balance over the set term of the loan.[64]

In one case, a borrower was assigned a monthly student loan bill of $351.47 under a repayment schedule that would have required a $79,360.04 payment in their final month of repayment.

Example of "balloon payments" at the end of borrowers' repyment sequences

280,371 Loans for 102,751 Borrowers - For borrowers with a scheduled balloon payment, we have redisclosed the repayment schedule, which, for some, resulted in a significant change or increase in their monthly payment amount due, though it prevented their final payment from violating the 3x rule (by more than $5.00). The most extreme balloon payment we found was passed to us in a transfer from ACS in 2010 for a borrower with an initial monthly payment of $351.47, so the maximum scheduled payment for this borrower's Graduated repayment schedule should not have exceeded $1,054.41. The final payment due for the borrower based on the assigned repayment schedule was $79,369.04 (more than $78k higher than allowed by Regulation). Additional information is provided below on how many loans fell into the below buckets (dollar amounts represent the amount by which the 3x rule was violated in each instance).

$5-$24.99 = 32,148
$25-$99.99 = 126,157
$100-499.99 = 95,644
$500+ = 4,999

"The final payment due for the borrower based on the assigned schedule was $79,369.04 (more than $78k higher than allowed by Regulation)."

- Pennsylvania Higher Education Assistance Agency (PHEAA) correspondence

- **Incorrect due dates and payment forwarding.** Servicers found that ACS assigned borrowers due dates that were in the past,[65] reported an otherwise incorrect future due date to borrowers,[66] and/or assigned so many borrowers the same due date that the company was unable to handle the influx of payments, leading to a deterioration of customer service.[67] Additionally, after borrowers' loans were transferred away from ACS, the company was required to forward any additional payments it received to the borrower's new servicer within 20 days.[68] ACS frequently failed to do this, "causing borrower complaints and delinquency."[69] One servicer reported experiencing "a delay in receipt in excess of 30 days for nearly 40,000 payments," adding that, "[a]t times, it took between 90 and 120 days to receive these payments."[70] Another servicer reported that payment forwarding sometimes took "years,"[71] while yet another servicer reported that the forwarding did not happen at all, stating that, "ACS continued to accept transactions . . . and made applicable changes to the balance of approximately 2,000 - 3,000 loans on their system but did not forward the associated transaction to us."[72] Notably, at least one servicer reported being sent payments by ACS for loans the new servicer was not managing—an error that required four months to correct.[73] Given the importance of on-time payments when pursuing PSLF, these errors could prove devastating to borrowers who planned their lives around the promise of PSLF.

Example of ACS failing to correctly process, track, and manage borrowers' payments

GREAT LAKES

2) After loans were transferred to Great Lakes, ACS continued to accept transactions (payments, forms and adjustments) and made applicable changes to the balance of approximately 2,000 - 3,000 loans on their system but did not forward the associated transaction to us.

3) After loans were transferred to Great Lakes and when exchanging adjustment transactions with the Common Origination & Disbursement system (COD), it became apparent that the data provided in the transfer for approximately 76,000 disbursements did not match the data on COD. This mismatch caused transactions with COD to error and corrections to the data were required to get the adjustment process flowing again.

"After loans were transferred . . . ACS continued to accept transactions . . . and made applicable changes to the balance of approximately 2,000 to 3,000 loans on their systems but did not forward the associated transactions to us."

- Great Lakes correspondence

- **Failures in payment processing and record keeping.** Multiple servicers reported that borrowers' payment histories were missing and that ACS debited future scheduled payments for borrowers after their loans had already been transferred, causing borrowers to make duplicate payments for the same month.[74] When borrowers did make payments directly to ACS, the company failed to timely post these payments to borrower accounts or posted them with the wrong borrower information.[75] This meant that borrowers' payments went unrecorded, were mis-recorded, or were applied in the wrong amount or to the wrong borrower account. Many loans were transferred from ACS to other servicers with repayment schedules and terms that were simply missing. As one servicer described it, "[s]ome loans are incorrectly sent with zeros in the repayment terms data elements incorrectly."[76] Such errors create particular concern for borrowers with loans that were subsequently transferred to another servicer, including borrowers transferred to the designated PSLF servicer (PHEAA) after filling out an Employer Certification Form (ECF). With respect to those public service workers who were subject to multiple loan transfers, PHEAA was responsible for verifying their eligibility for PSLF even though the necessary records were missing or incomplete. This practice leaves these public service workers, and any other borrowers in this situation, vulnerable to improper PSLF delays and denials driven by these past errors by ACS.[77]

Blocking borrowers from securing the right type of loan

Only Direct Loans are eligible for PSLF, and borrowers may consolidate ineligible FFELP or Perkins loans into a Direct Loan order to become eligible for the program. Additionally, borrowers with multiple Direct Loans may choose to consolidate them into a Direct Consolidation Loan when pursuing PSLF so that all of their loans may be forgiven at the same time. However, our investigation revealed rampant errors when ACS managed the loan consolidation process.

- **Pervasive failures in managing loan consolidations.** One servicer reported that ACS did not make adjustments to interest rates that should have been applied after loans were consolidated, while others noted that Direct Consolidation loans arrived with an application date earlier than the date of the loans' earliest disbursement.[78] Another servicer reported that ACS "inadvertently" allowed partially disbursed loans to be consolidated, leaving "the second and any subsequent disbursements to be serviced as a loan separate from the first disbursement."[79] Finally, at least one servicer found that ACS sent in Joint/Spousal consolidation loans with incorrect or missing co-maker/spouse information.[80]

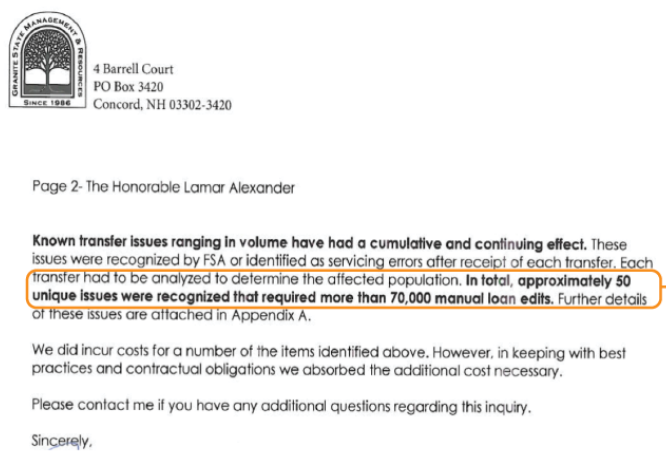
Other servicing failures

While the problems ACS inflicted on borrowers were particularly harmful to those pursuing PSLF, the company's breakdowns were widespread and affected all types of borrowers that it serviced. Even for borrowers not pursuing PSLF, the accounting anomalies uncovered in our investigation likely led these individuals to pay thousands of dollars in unnecessary costs. These other servicing failures include:

- **Misstating loan balances.** Many servicers reported that ACS failed to accurately report borrowers' outstanding loan balances.[81] Following the servicing transfer, borrowers submitted numerous disputes regarding inaccurate posted balances.[82] In at least one instance, ACS seemingly fabricated a balance amount—posting an origination amount that was greater than the sum of the disbursements recorded in the borrower's file.[83] In another instance, ACS misreported the principal balance even before the borrower's first payment had become due.[84]

- **Transferring incorrect or incomplete data.** Servicers reported several data errors beyond those related to loans terms or repayment history. For example, servicers reported that loans arrived from ACS without important data related to bankruptcy settlements, causing the new servicer to solicit payments from borrowers whose loans had been discharged or renegotiated by a bankruptcy judge. As a result, the new servicers "violat[ed] the terms of the bankruptcy settlement."[85] One servicer noted that ACS sent the same loan with four separate sets of records, creating paperwork confusion and concerns about accuracy.[86] Servicers additionally noted that ACS transferred rehabilitated loans without including their identification numbers and transferred files without appropriately marking them "work in progress," meaning that some borrowers had outstanding applications for changes to their loan that the new servicer was not aware of.[87] Given that borrowers who recently completed a rehabilitation have disproportionately high default rates and are uniquely susceptible to redefault,[88] ACS's errors put the borrowers already most likely to default at immediate risk of financial disaster.

Example of a servicer resorting to extensive manual corrections for ACS's errors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Known transfer issues ranging in volume have had a cumulative and continuing effect. These issues were recognized by FSA or identified as servicing errors after receipt of each transfer. Each transfer had to be analyzed to determine the affected population. **In total, approximately 50 unique issues were recognized that required more than 70,000 manual loan edits.** Further details of these issues are attached in Appendix A.

We did incur costs for a number of the items identified above. However, in keeping with best practices and contractual obligations we absorbed the additional cost necessary.

Please contact me if you have any additional questions regarding this inquiry.

Sincerely,

"In total, approximately 50 unique issues were recognized that required more than 70,000 manual edits."

- Granite State correspondence

- **Failing to communicate with borrowers before the servicer transition.** Servicers noted that ACS "did not communicate to a majority of borrowers in advance of the transfer."[89] One servicer noted that many borrowers were consequently "confused," causing "252% higher call volume" to its call center.[90] As the Oklahoma Student Loan Authority (OSLA) explained, "the only notice ACS gave to the borrowers whose loans were transferred to OSLA for servicing was via email. While OSLA does not have the exact counts, our estimate is that approximately 27,000 of the borrowers transferred to OSLA did not have email addresses on file and, consequently, would not have received notice their loan was transferred."[91]

Recommendations

More than one million borrowers have been harmed by ACS's shoddy and likely illegal servicing practices. As our investigation reveals, these servicing failures continue to affect borrowers pursuing critical protections like Public Service Loan Forgiveness. As a result, borrowers are left paying the price for years of ACS's unscrupulous servicing practices. Congress and ED must take action to fully remediate these errors and ensure that borrowers receive the vital protections they are promised under federal law. Congress and ED should take immediate action to:

Conduct a comprehensive, independent audit of each loan ever serviced by ACS.

As the documents from these ten student loan servicers reveal, the accounts serviced by ACS are littered with errors affecting every aspect of borrowers' loans. And yet, these documents only reveal issues identified at the time of Congress's request in 2014. Multiple servicers emphasized that extensive manual review was required to address ACS's failures because they "were not correctable using standard automated processes"[92] and that continued communication with ACS did not successfully resolve the errors. In fact, ED has issued at least three contract addenda to require servicers to implement corrections to the ACS-serviced accounts,[93] but servicers noted that many of the errors identified fell beyond the scope of these addenda.

Unfortunately, it is likely that additional anomalies were identified as borrowers progressed through repayment, and it remains unclear whether servicers intended to correct these errors without direct instructions from ED. An independent and comprehensive audit is critical in order to fully remediate borrowers with loans serviced by ACS. Rather than having ten different servicers review only the loans they now service, the independent auditor should review the entirety of loans ever serviced by ACS to ensure all amounts owed and payments made by borrowers are accurately accounted for and borrowers' access to their repayment rights under the Higher Education Act are not forfeited or delayed due to ACS's servicing failures.

Where a loan cannot be validated by an independent audit, take immediate administrative action to cancel student debt.

During the initial series of loan transfers from ACS, servicers repeatedly reported working with ACS to resolve certain account errors and identify missing loan data. An independent audit is likely to reveal additional errors and discrepancies, but ACS is no longer available to help resolve identified issues. In fact, given the lack of record retention requirements in the federal loan system, it is likely that there are no records available to reconcile these accounts. As such, the Secretary of Education should use her authority under the Higher Education Act to cancel in full any loan for which a complete payment history and an accurate accounting of principal and interest cannot be verified by the independent auditor.

Expand the scope of Temporary Expanded Public Service Loan Forgiveness.

As discussed, in response to numerous borrowers who were placed in the wrong repayment plan while pursuing PSLF, Congress authorized a temporary expansion of the PSLF program that would allow these borrowers to receive credit for payments made under the wrong plan. However, as government audits have shown, poor communication and implementation by the Department of Education have resulted in staggering denial rates for this expansion.[94]

Congress should again authorize an expansion of the PSLF program to remediate borrowers who have been harmed by servicing failures, including those harmed by the full scope of breakdowns committed by ACS. This broad expansion should ensure that borrowers who lost out on qualifying months of payments towards PSLF as a result of any servicing failure, including the full range of errors identified on ACS-serviced loans, receive credit toward PSLF. Importantly, borrowers should benefit from this expansion of the PSLF program automatically without needing to submit an application or prove their account was impacted in order to access this critical relief.

Establish record retention requirements for all federal student loan servicers.

In 2016, then Under Secretary of Education Ted Mitchell released a new vision for federal student loan servicing.[95] This policy memorandum informed the development of the Department's proposed *NextGen* servicing platform.[96] While this new servicing platform is indefinitely paused, ED should still move forward in implementing the critical servicing standards identified in Mitchell's memorandum. In particular, Mitchell noted:

> *Borrowers can expect their old company to fully transfer all records relating to their loans, including any computer records, to the new company and expect their new company to actively monitor their accounts for any errors that may have occurred during transfer, to ensure borrowers' payments are on track, and to ensure that borrowers continue receiving any benefits or protections applied to their loans by their old servicer. If there is a servicer error during transfer, borrowers should not be harmed.*[97]

Currently, there are no student loan record retention requirements under federal law. If the Department restarts its efforts to implement a new student loan servicing platform, there will be as many as 40 million loan transfers in a short period.[98] The missing records that plagued ACS's servicing transfer should serve as a warning—

servicers must be required to maintain comprehensive account records so that borrowers are not penalized for inappropriate accounting errors.

Conclusion

For years, ACS operated a shoddy student loan servicing business that left millions of borrowers, including nurses, teachers, and other public servants, on the hook for blatant and likely illegal servicing errors, often costing borrowers tens of thousands of dollars. For more than a half-decade, student loan borrowers have demanded remediation for the deeply entrenched mismanagement by both ED and ACS of the PSLF program. This investigation by the SBPC and AFT opens the doors for that accountability.

While federal and state law enforcement have taken initial steps to expose ACS's harmful practices in recent years, a complete accounting for decades-old abuses by ACS may prove beyond reach for law enforcement officials without significant cooperation by ED, particularly with respect to the Direct Loan program. Evidence uncovered through this investigation makes a public case that the need for such cooperation is urgent. Documents revealed during the course of the investigation show the ACS's Direct Loan servicing failures affected millions, leaving teachers, nurses, and servicemembers without recourse as they are denied the promises made by the Public Service Loan Forgiveness program.

This does not have to be the case. To truly fix the lingering faults in the PSLF program's implementation, policymakers must go beyond helping the next cohort of student loan borrowers. Specifically, Congress and ED need to help the borrowers who placed their trust in a government contractor. Congress and ED must protect the borrowers who relied on ED's chosen agent as they sacrificed to serve their communities. Through comprehensive, independent auditing, expansive remodeling of program requirements, and robust record retention requirements, Congress and ED can provide desperately needed relief to the borrowers harmed by ACS.

Appendix: Accounting for ACS's Failures

Error	Minimum # loans affected
Incorrect or missing counts of the number of payments borrowers had made toward PSLF	18,726
Applying forbearances inappropriately, often beyond the amount legally allowed, when borrowers could have been in IDR	2,822,802
Inaccurate payment amounts or terms for borrowers in income-driven repayment, possibly jeopardizing payments toward PSLF	81,187
Other IDR-related errors including putting borrowers with many loans in different payment plans (including plans ineligible for PSLF)	6,492
Problems related to setting due dates for loan payments, including assigning borrowers due dates in the past	103,244
Mistakes in calculating, tracking, or reporting borrowers' balances, possibly leading to errors in monthly payment calculations	36,970
Errors calculating borrowers' monthly payments, often leading to "balloon" payments at the end of the loan term	368,934
Faulty processing and recording of borrowers' payments, including ones that needed to be forwarded to borrowers' new servicers	6,627
Issues related to loan consolidation, including consolidating only some of a borrower's loans, possibly impacting PSLF eligibility	99
Using incorrect repayment schedules for borrowers' loans or simply not having one	1,097,789
Failing to transfer borrowers in forbearance or deferment to new servicers in the correct status	67,811
Applying the wrong interest rate or incorrectly applying an interest rate to borrowers' loans	14,581
Other billing errors, including making inaccurate disclosures in bills to borrowers	232,123
Transferring loans that should not have been transferred, including those owed by deceased borrowers	1,740
Transferring data with incorrect information or with borrower information missing, including data related to past bankruptcy settlements	114,589
Other errors cited without additional detail	66,765
Total	**5,040,479**

*The following documents are provided as produced by the Department of Education. As such, some documents are included multiple times.

From: Hernandes, Jana
Sent: 27 May 2014 13:36:30 -0500
To: Oknich, Mary;Tessitore, Lisa;Johnson, Debbe;Dragoo, Janet;Walsh, Mark
Subject: FW: Letter from Senator Alexander Requesting Information

fyi

From: Kang, Soo
Sent: Tuesday, May 27, 2014 2:20 PM
To: Hernandes, Jana; Oknich, Mary
Cc: Smith, Angie; Gibson, Karen
Subject: FW: Letter from Senator Alexander Requesting Information

FYI..

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer
U.S. Department of Education
Federal Student Aid
202-377-3798

From: Marilyn Cargill [mailto:CARGILL@vsac.org]
Sent: Tuesday, May 27, 2014 2:18 PM
To: Kang, Soo; Patrick Leduc
Subject: RE: Letter from Senator Alexander Requesting Information

Soo,

We have not yet sent the response to Senator Alexander. His office is aware that we are working on it.

Thanks,
Marilyn

From: Kang, Soo [mailto:Soo.Kang@ed.gov]
Sent: Tuesday, May 27, 2014 1:46 PM
To: Patrick Leduc
Cc: Marilyn Cargill
Subject: FW: Letter from Senator Alexander Requesting Information
Importance: High

Patrick,

Did you provide me with a copy of your response to Senator Alexander per my request below? I don't seem to be able to locate it.

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer
U.S. Department of Education
Federal Student Aid
202-377-3798

From: Kang, Soo
Sent: Tuesday, May 06, 2014 4:24 PM
To: 'caron.peterson@nelnet.net'; 'Cynthia McGeary (cmcgeary@aessuccess.org)'; 'Grassi, Judith (judith.grassi@salliemae.com)'; 'Jeff Crosby (jcrosby@glhec.org)'; 'Jim Harris (Jim.Harris@nelnet.net)'; 'Kevin Woods (Kevin.Woods@salliemae.com)'; 'Leary, Robert (Robert.K.Leary@salliemae.com)'; 'Leitl, Jill (JLeitl@glhec.org)'; 'Matt Sessa (msessa@pheaa.org)'; 'Robert Boisen'; 'Stover, Matt'; 'Andy Rogers'; bcox@utahsbr.edu; cwilliams@gsmr.org; Debbie Phillips (dphillips@utahsbr.edu); 'Elena Lubimtsev'; Farmer, Jennifer - x3484 (FarmerJ@mohela.com); Fred Crump (fcrump@osla.org); Jeremy Morrison (jmorrison@mycornerstoneloan.org); 'Jim Farha'; kbowen@gsmr.org; Mary Kay DeBolt

(mdebolt@studentloan.org); Patrick Leduc (Leduc@vsac.org); Rosanne Nelson (nelson@vsac.org); Sasha VanOrman (svanorman@mycornerstoneloan.org); Slattery, Colleen - x3929 (ColleenS@mohela.com); Suzanne Kidwell - Aspire (SKidwell@aspireresourcesinc.com); Wanda Hall (WHall@edfinancial.com)
Cc: Smith, Angie; Gibson, Karen; Hill, Katharine; Jones, Amber K. (Amber.Jones@ed.gov); Kane, John
Subject: Letter from Senator Alexander Requesting Information
Importance: High

Dear Servicers,

I am writing today regarding a letter that you may have recently received from Senator Alexander, Ranking Member of the U.S. Senate Committee on Health, Education, Labor, and Pensions concerning the quality of loans that were transferred to you from the Direct Loan Servicer, ACS Education Solutions. Specifically, the letter requests 1) information on the number of loans transferred to you from ACS; 2) the total number of those loans with servicing anomalies; 3) a summary of the types of anomalies received, 4) a breakdown, if available, of the percent of loans categorized by each type of anomaly, 5) the amount, if any, you received in compensation for unanticipated work, and 6) copies of documentation to support the level of compensation received.

The Department often receives this type of correspondence from the Committee. Because some of you have called FSA regarding this request, we want to provide you with some information based on our experiences. As part of the Congressional oversight process, the Committee often requests specific information from us in letters similar to the one you received. We are committed to fully and accurately responding to the Committee's letters. In that spirit we encourage you to work directly with the Committee to respond to their request for information. We ask that you provide the Department with a copy of your response when it becomes available. Also, if you believe your efforts to respond in a timely matter will impact your ability to fulfill the requirements of your contract, you should contact the Committee to inform them that you will need additional time to respond. If you prefer, we will be happy to work with you, our Office of Legislation and Congressional Affairs, and the committee staff to work toward a mutually agreeable schedule.

Thank you and please feel free to contact us if you have any questions.

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer
U.S. Department of Education
Federal Student Aid
202-377-3798

From: Hernandes, Jana
Sent: 27 May 2014 13:04:22 -0500
To: Oknich, Mary;Tessitore, Lisa;Dragoo, Janet;Johnson, Debbe;Walsh, Mark
Subject: FW: Letter from Senator Alexander Requesting Information
Attachments: 140515 SenatorAlexanderLetter.pdf

From: Kang, Soo
Sent: Tuesday, May 27, 2014 2:00 PM
To: Kane, John; Hernandes, Jana; Leith, William; Bumgarner, Bradley; Bradfield, Patrick; O'Flaherty, Sue
Cc: Smith, Angie; Gibson, Karen
Subject: FW: Letter from Senator Alexander Requesting Information

Nelnet's response to Senator Alexander.

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer
U.S. Department of Education
Federal Student Aid
202-377-3798

From: Stover, Matt [mailto:Matt.Stover@nelnet.net]
Sent: Tuesday, May 27, 2014 1:51 PM
To: Kang, Soo
Cc: Harris, James
Subject: RE: Letter from Senator Alexander Requesting Information

Soo –

The letter is attached for your reference, let me know if you have any questions.

Thanks

Matt

From: Kang, Soo [mailto:Soo.Kang@ed.gov]
Sent: Tuesday, May 27, 2014 1:47 PM
To: Stover, Matt
Cc: Harris, James
Subject: FW: Letter from Senator Alexander Requesting Information
Importance: High

Hi Matt,

Did you provide me with a copy of your response to Senator Alexander per my request below? I don't seem to be able to locate it.

Thanks!

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer
U.S. Department of Education
Federal Student Aid
202-377-3798

From: Kang, Soo
Sent: Tuesday, May 06, 2014 4:24 PM
To: 'caron.peterson@nelnet.net'; 'Cynthia McGeary (cmcgeary@aessuccess.org)'; 'Grassi, Judith (judith.grassi@salliemae.com)'; 'Jeff Crosby (jcrosby@glhec.org)'; 'Jim Harris (Jim.Harris@nelnet.net)'; 'Kevin Woods (Kevin.Woods@salliemae.com)'; 'Leary, Robert (Robert.K.Leary@salliemae.com)'; 'Leitl, Jill (JLeitl@glhec.org)'; 'Matt Sessa (msessa@pheaa.org)'; 'Robert Boisen'; 'Stover, Matt'; 'Andy Rogers';

bcox@utahsbr.edu; cwilliams@gsmr.org; Debbie Phillips (dphillips@utahsbr.edu); 'Elena Lubimtsev'; Farmer, Jennifer - x3484 (FarmerJ@mohela.com); Fred Crump (fcrump@osla.org); Jeremy Morrison (jmorrison@mycornerstoneloan.org); 'Jim Farha'; kbowen@gsmr.org; Mary Kay DeBolt (mdebolt@studentloan.org); Patrick Leduc (Leduc@vsac.org); Rosanne Nelson (nelson@vsac.org); Sasha VanOrman (svanorman@mycornerstoneloan.org); Slattery, Colleen - x3929 (ColleenS@mohela.com); Suzanne Kidwell - Aspire (SKidwell@aspireresourcesinc.com); Wanda Hall (WHall@edfinancial.com)
Cc: Smith, Angie; Gibson, Karen; Hill, Katharine; Jones, Amber K. (Amber.Jones@ed.gov); Kane, John
Subject: Letter from Senator Alexander Requesting Information
Importance: High

Dear Servicers,

I am writing today regarding a letter that you may have recently received from Senator Alexander, Ranking Member of the U.S. Senate Committee on Health, Education, Labor, and Pensions concerning the quality of loans that were transferred to you from the Direct Loan Servicer, ACS Education Solutions. Specifically, the letter requests 1) information on the number of loans transferred to you from ACS; 2) the total number of those loans with servicing anomalies; 3) a summary of the types of anomalies received, 4) a breakdown, if available, of the percent of loans categorized by each type of anomaly, 5) the amount, if any, you received in compensation for unanticipated work, and 6) copies of documentation to support the level of compensation received.

The Department often receives this type of correspondence from the Committee. Because some of you have called FSA regarding this request, we want to provide you with some information based on our experiences. As part of the Congressional oversight process, the Committee often requests specific information from us in letters similar to the one you received. We are committed to fully and accurately responding to the Committee's letters. In that spirit we encourage you to work directly with the Committee to respond to their request for information. We ask that you provide the Department with a copy of your response when it becomes available. Also, if you believe your efforts to respond in a timely matter will impact your ability to fulfill the requirements of your contract, you should contact the Committee to inform them that you will need additional time to respond. If you prefer, we will be happy to work with you, our Office of Legislation and Congressional Affairs, and the committee staff to work toward a mutually agreeable schedule.

Thank you and please feel free to contact us if you have any questions.

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer
U.S. Department of Education
Federal Student Aid
202-377-3798

nelnet
EDUCATION PLANNING
& FINANCING

May 15, 2014

The Honorable Lamar Alexander
Ranking Member, Committee on Health, Education, Labor, and Pensions
United States Senate

Dear Senator Alexander:

Thank you for your letter dated May 1, 2014 regarding student loans that were transferred from ACS Education Solutions (ACS) to Nelnet. We appreciate the opportunity to answer your questions and provide information about these loans.

We take our responsibility as a student loan servicer seriously. We work hard to provide our more than seven million loan customers with the best student loan experience possible and ensure American tax dollars are protected. While we can always improve, we're proud of the support we provide to borrowers—helping them find affordable repayment options, establish healthy repayment habits, and avoid default whenever possible.

Over the last 17 months, Nelnet has received 11 transfers of student loans from ACS. A transfer typically is made up of thousands of individual loans. We've attempted to answer each of your specific questions about these loans.

1. **The total number of loans that were transferred to you from ACS;**

   Since December 2012, 3,688,675 loans for 750,410 borrowers have been transferred to Nelnet from ACS.

2. **The total number of those loans with servicing anomalies;**

   Loan transfers are a regular part of servicing loans. In fact, loans are transferred to and from Nelnet routinely. Most transfers face a few data anomalies, but are quickly worked through and have a minimal impact to the borrower's experience.

   All of the 11 transfers we received from ACS included certain data anomalies. In most cases, these anomalies were quickly corrected working with ACS. For example, some of the transfers were missing endorser information, missing some Income-Based Repayment (IBR) information for loans in an IBR plan, and/or incorrect payment due dates.

   In addition to these data anomalies, there are differences in the characteristics of loans received from ACS, compared with the other loans we provide servicing for on behalf of ED. These differences require significantly more customer service attention and resources.

   Also, please know in June 2013, Nelnet identified an issue with our servicing platform that prevented interest from capitalizing at the appropriate time on certain loans. Subsequently, these loans were transferred from ACS to other servicers before the error was found. Nelnet has provided the corrected loan information to ED, who is working with servicers on how to address the issue.

121 South 13th Street | Lincoln, NE 68508 | p 402.458.2370 | f 402.458.2399 | www.nelnet.com

3. **A summary of the types of anomalies in loans received, including whether an anomaly required work that was not anticipated by your contract with ED and whether each respective anomaly raised problems for borrowers and/or customer service; and**

   Generally, the loans from ACS are more likely to require skip activity to find necessary contact information, to be in forbearance, or to default. Overall, loans with these characteristics require additional resources to service and personal attention to minimize the number of borrowers who default.

4. **A breakdown, if available, of the percent of loans categorized by each type of anomaly;**

   Skip activity: 1.81% of our ACS loans require skip tracing, compared with 1.26% of our other ED loans.

   Forbearance usage: 75% of our ACS loans have used forbearance, compared with 40% of our other ED loans.

   Default metrics: During the most recent quarter, 0.87% of our ACS borrowers defaulted, compared with 0.56% of our other ED borrowers.

5. **The amount, if any, you received in compensation for unanticipated work; and**

   Occasionally, ED will issue a Change Request (CR) to all servicers, for which servicers are compensated to make the required changes. In August 2013, ED issued a CR that required servicers to recalculate the balances on a set of loans transferred from ACS. Nelnet was paid $89,250 for this work.

6. **Copies of documentation to support the level of compensation received.**

   The documentation for the CR is enclosed.

Thank you for the opportunity to share information regarding the ACS loans we received. The ACS transfers weren't unlike those we receive from or send to other servicers, and the data included a few anomalies that are often diagnosed and resolved without impacting the customer experience we provide to borrowers. However, the ACS portfolio overall includes unique characteristics that make it challenging for all servicers who have received their loans.

As always, we are happy to answer any further questions you might have about our ACS loans. I can be reached at (b)(6) [redacted]

Sincerely,

(b)(6) [redacted]

Jeff Noordhoek
Chief Executive Officer

Enclosure

121 South 13th Street | Lincoln, NE 68508 | p 402.458.2370 | f 402.458.2399 | www.nelnet.com

From: Hernandes, Jana
Sent: 27 May 2014 12:01:18 -0500
To: Oknich, Mary;Walsh, Mark;Johnson, Debbe;Tessitore, Lisa;Dragoo, Janet
Subject: FW: Letter from Senator Alexander Requesting Information
Attachments: 051914 Preston to Sen. Alexander.pdf, Attachment to 051914 letter Sen. Alexander -- ACS Anomalies Spreadsheet.pdf, Attachment to 051914 letter to Sen. Alexander -- TEACH and PSLF.pdf

From: Matthew Sessa [mailto:msessa@aessuccess.org]
Sent: Tuesday, May 20, 2014 10:52 AM
To: Kang, Soo
Cc: Smith, Angie; Gibson, Karen; Hill, Katharine; Jones, Amber K.; Kane, John
Subject: Re: Letter from Senator Alexander Requesting Information
Soo,

Attached you will find a copy of PHEAA's response to Senator Alexander's request for information on the loans transferred to PHEAA from ACS Education Solutions. If you have any questions, let me know.

Thanks, Matt

Matthew Sessa
Vice President and Program Director, FedLoan Servicing
PHEAA
717.720.2248

From: "Kang, Soo" <Soo.Kang@ed.gov>
To: "caron.peterson@nelnet.net" <caron.peterson@nelnet.net>, "Cynthia McGeary (cmcgeary@aessuccess.org)" <cmcgeary@aessuccess.org>, "Grassi, Judith (judith.grassi@salliemae.com)" <judith.grassi@salliemae.com>, "Jeff Crosby (jcrosby@glhec.org)" <jcrosby@glhec.org>, "Jim Harris (Jim.Harris@nelnet.net)" <Jim.Harris@nelnet.net>, "Kevin Woods (Kevin.Woods@salliemae.com)" <Kevin.Woods@salliemae.com>, "Leary, Robert (Robert.K.Leary@salliemae.com)" <Robert.K.Leary@salliemae.com>, "Leitl, Jill (JLeitl@glhec.org)" <JLeitl@glhec.org>, "Matt Sessa (msessa@pheaa.org)" <msessa@pheaa.org>, "Robert Boisen" <rboisen@glhec.org>, "Stover, Matt" <Matt.Stover@nelnet.net>, "'Andy Rogers'" <ARogers@osla.org>, "bcox@utahsbr.edu" <bcox@utahsbr.edu>, "cwilliams@gsmr.org" <cwilliams@gsmr.org>, "Debbie Phillips (dphillips@utahsbr.edu)" <dphillips@utahsbr.edu>, "'Elena Lubimtsev'" <ELubimtsev@edfinancial.com>, "Farmer, Jennifer - x3484 (FarmerJ@mohela.com)" <FarmerJ@mohela.com>, "Fred Crump (fcrump@osla.org)" <fcrump@osla.org>, "Jeremy Morrison (jmorrison@mycornerstoneloan.org)" <jmorrison@mycornerstoneloan.org>, "'Jim Farha'" <JFarha@osla.org>, "kbowen@gsmr.org" <kbowen@gsmr.org>, "Mary Kay DeBolt (mdebolt@studentloan.org)" <mdebolt@studentloan.org>, "Patrick Leduc (Leduc@vsac.org)" <Leduc@vsac.org>, "Rosanne Nelson (nelson@vsac.org)" <nelson@vsac.org>, "Sasha VanOrman (svanorman@mycornerstoneloan.org)" <svanorman@mycornerstoneloan.org>, "Slattery, Colleen - x3929 (ColleenS@mohela.com)" <ColleenS@mohela.com>, "Suzanne Kidwell - Aspire (SKidwell@aspireresourcesinc.com)" <SKidwell@aspireresourcesinc.com>, "Wanda Hall (WHall@edfinancial.com)" <WHall@edfinancial.com>
Cc: "Smith, Angie" <Angie.Smith@ed.gov>, "Gibson, Karen" <Karen.Gibson@ed.gov>, "Hill, Katharine" <Katharine.Hill@ed.gov>, "Jones, Amber K." <Amber.Jones@ed.gov>, "Kane, John" <John.Kane@ed.gov>
Date: 05/06/2014 04:24 PM
Subject: Letter from Senator Alexander Requesting Information

---

Dear Servicers,

I am writing today regarding a letter that you may have recently received from Senator Alexander, Ranking Member of the U.S. Senate Committee on Health, Education, Labor, and Pensions concerning the quality of loans that were transferred to you from the Direct Loan Servicer, ACS Education Solutions. Specifically, the letter requests 1) information on the number of loans transferred to you from ACS; 2) the total number of those loans with servicing anomalies; 3) a summary of the types of anomalies received, 4) a breakdown, if available, of the percent of loans categorized by each type of anomaly, 5) the amount, if any, you received in compensation for unanticipated work, and 6) copies of documentation to support the level of compensation received.

The Department often receives this type of correspondence from the Committee. Because some of you have called FSA regarding this request, we want to provide you with some information based on our experiences. As part of the Congressional oversight process, the Committee often requests specific information from us in letters similar to the one you received. We are committed to fully and accurately responding to the Committee's letters. In that spirit we encourage you to work directly with the Committee to respond to their request for information. We ask that you provide the Department with a copy of your response when it becomes available. Also, if you believe your efforts to respond in a timely matter will impact your ability to fulfill the requirements of your contract, you should contact the Committee to inform them that you will need additional time to respond. If you prefer, we will be happy to work with you, our Office of Legislation and Congressional Affairs, and the committee staff to work toward a mutually agreeable schedule.

Thank you and please feel free to contact us if you have any questions.

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer

U.S. Department of Education
Federal Student Aid
202-377-3798

Office of the President and Chief Executive Officer
1200 North Seventh Street, Harrisburg, PA 17102

May 19, 2014

The Honorable Lamar Alexander
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate
428 Senate Dirksen Office Building
Washington, D.C. 20510

Dear Senator Alexander:

In response to your letter of May 1, 2014, the Pennsylvania Higher Education Assistance Agency (PHEAA) provides the following information regarding the loans transferred to its management by the U.S. Department of Education's (ED) Office of Federal Student Assistance (FSA). The loans were transferred to PHEAA from ACS as part of PHEAA's contract with ED as a Title IV Additional Servicer (TIVAS). PHEAA conducts its operations as a TIVAS contractor under the business name "FedLoan Servicing".

PHEAA has many years of experience and success in onboarding transfers of student loans from student loan servicers. When loans are transferred to PHEAA's loan servicing system, the system performs certain edit and consistency checks to ensure that data has been transferred properly and to minimize any disruption or confusion for borrowers. PHEAA also employs a highly skilled loan conversion team to oversee loan transfers and to identify and correct errors. PHEAA used these processes during the transfer of loans from ACS to FedLoan Servicing. This enabled PHEAA to identify errors immediately upon transfer and to begin the process of correcting anomalies. Some of these corrections were necessary to ensure that the processing of the loans conformed to federal guidelines. As you are aware, many of these error corrections resulted in changes for the borrower, including, for example, increasing loan payments to ensure that loans pay off in a reasonable time, eliminating the potential for balloon payments, and the transition of borrowers from extended periods of loan forbearance to active repayment. Many of the errors identified by FedLoan Servicing were not correctable using standard automated processes and, instead, required the expenditure of significant resources to perform manual adjustments to ensure the accuracy of borrower accounts.

Below are PHEAA's responses to the specific questions included in your May 1, 2014 letter:

1. The total number of loans that were transferred to you from ACS
Since 2009, when PHEAA began servicing loans on behalf of ED, we had 8,588,090 loans for 2,343,607 borrowers transferred to us directly from ACS. The breakdown by year follows immediately below:

Year	Loans Transferred from ACS	Borrowers Transferred from ACS
2009	321,703	164,760
2010	2,026,967	794,755
2011	221	163
2012	1,026,693	232,253
2013	5,212,497	1,151,671
2014	9	5
Total	**8,588,090**	**2,343,607**

2. The total number of those loans with servicing anomalies.
Since 2009, when PHEAA began servicing loans on behalf of ED, we have identified at least 1.4 million loans transferred directly from ACS with general servicing anomalies, as detailed in the enclosed spreadsheet entitled ACS Anomalies. In addition, there are other issues, such as missing and trailing payments, that are not captured in this total.

3. A summary of the types of anomalies in the loans received, including whether an anomaly required work that was not anticipated by your contract with ED and whether each respective anomaly raised problems for borrowers and/or customer service.
The enclosed spreadsheet summarizes and defines the issues and borrower impact associated with the recognized ACS general servicing anomalies.

In addition to the general servicing transfers we received from ACS, PHEAA works under contract with ED as the sole servicer for the Federal Teacher Education Assistance for College and Higher Education (TEACH) Grant program, and the Public Service Loan Forgiveness (PSLF) Program. A separate summary of the issues associated with loans transferred from ACS and related to these two programs is enclosed with this letter.

4. A breakdown, if available, of the percent of loans categorized by each type of anomaly.
The enclosed spreadsheet includes the percentage of the loans and borrowers transferred from ACS that included a specific anomaly. These percentages are included in the last two columns of the spreadsheet.

5. The amount, if any, you received in compensation for unanticipated work.
PHEAA has not yet received compensation for any manual work associated with these anomalies. FedLoan Servicing intends to apply for compensation for the work required to correct the errors associated with the items labeled "Misstated Balances" and "Missing Interest Rate Adjustments", as described in the first column of the enclosed spreadsheet. FSA has not provided permission for PHEAA to apply for compensation for any other anomalies.

6. Copies of documentation to support the level of compensation received.
To date, PHEAA has not received compensation for any manual work associated with these anomalies.

Thank you for the opportunity to provide this information. Please do not hesitate to contact Scott Miller, Director of Federal Relations, at (202) 955-0055; Matthew Sessa, FedLoan Servicing Program Director, at (717) 720-2248, or me at 717-720-2202 if you have any questions or if PHEAA can be of any further assistance.

Sincerely,

(b)(6)
[redacted]

James L. Preston

JLP/lag
051914 Preston to Sen. Alexander

Enclosures

Pennsylvania Higher Education Assistance Agency

ACS Anomalies

Servicing Anomaly	Overview	Unanticipated Work	Compensation	Volume & Borrower Impact	Anomaly % of ALL ACS Loans Transferred	Anomaly % of ALL ACS Borrowers Transferred
Balloon Payments	As we received transfers from ACS, we recognized an anomaly where loans/borrowers were passed to us with scheduled final payments that were so extreme as compared to the monthly payments that we commonly refer them to as 'balloon payments.' This anomaly primarily occurs for borrowers on Graduated repayment schedules where the payments begin low and gradually increase with time. The regulations require that no one payment 'tier' on a Graduated schedule exceed another tier by more than 3 times (the '3x rule'). The volume described under this scenario includes borrowers we found with final (or other tier) payments that exceeded the 3x rule by more than $5.	Yes	No	**280,371 Loans for 102,751 Borrowers** - For borrowers with a scheduled balloon payment, we have redisclosed the repayment schedule, which, for some, resulted in a significant change or increase in their monthly payment amount due, though it prevented their final payment from violating the 3x rule (by more than $5.00). The most extreme balloon payment we found was passed to us in a transfer from ACS in 2010 for a borrower with an initial monthly payment of $351.47, so the maximum scheduled payment for this borrower's Graduated repayment schedule should not have exceeded $1,054.41. The final payment due for the borrower based on the assigned repayment schedule was $79,369.04 (more than $78k higher than allowed by Regulation). Additional information is provided below on how many loans fell into the below buckets (dollar amounts represent the amount by which the 3x rule was violated in each instance). **$5-$24.99 = 32,148** **$25-$99.99 = 126,157** **$100-499.99 = 95,644** **$500+ = 4,999**	3.26%	4.38%
Due Date Cluster	During the ACS PUT transferred loans (2009 and 2010), the vast majority of borrowers came to us assigned to the due date of 14th of the month.	Yes	No	**216,275 Borrowers** were assigned to us from ACS in the 2009 and 2010 PUT Transfers - 33.11% of all PUT loans transferred to us from ACS with active due dates (653,230) had a due date of the 14th of the month. For comparison, only 2.77% of all PUT loans transferred to us from ACS with active due dates had a due date of the second, which is the next highest due date cluster we saw. This resulted in spikes in operational work, delinquencies surrounding that due date, and increased mail and email volume around the middle of each month. To a borrower, this may have meant longer hold and process times and other decreased service levels.		9.23%
Misstated Balances	As a result of borrowers transferred to us from ACS for servicing, we had a number of borrowers escalate and/or dispute their balances. Primarily, borrowers who escalated were to us with inflated balances compared to what they expected to have. As these borrower concerns were recognized, we escalated the individual cases to FSA for review. FSA later issued CR 2165, defining a population of loans (833) that they found to have misstated balances. The CR resulted in our recalculation and adjustment to the appropriate balance for these borrowers.	Yes	We expect to receive $241,150 compensation for FSA CR 2165.	**833 Loans** - Based on the balance discrepancies, we did see a number of borrowers escalate (particularly those with falsely inflated balances). After we performed the applicable recalculations and adjustments, we notified the borrowers and thoroughly documented each account to ensure that loan counselors could appropriately counsel these borrowers. Since FSA CR 2165, we believe we have identified an additional **793 loans** with inflated balances and are currently reviewing the individual accounts with FSA.	0.01%	
Missed Interest Rate Adjustments	We were notified that interest rate adjustments had been received by ACS from Loan Consolidation, but not performed on some loans prior to the transfer of those loans to us for servicing. FSA issued CR 1963, defining a population of loans (2,133) that were found to have incorrect interest rates as a result of missed adjustments. The CR resulted in our adjustment to the appropriate rate.	Yes	We expect to receive $99,540 compensation for FSA CR 1963.	**2,133 loans** - Though there were delays in these borrowers having the correct interest rate, their rates have since been adjusted for the appropriate time period. All interest accrual and payment application has also been adjusted.	0.02%	
Loans not Paying off in Term	As we worked to onboard loans transferred from ACS, our system would flag (for evaluation and redisclosure) any borrowers that were determined to be repaying under repayment terms that would not result in the payoff of their loans on time. These repayment schedules would then be systematically or manually re-established.	Yes	No	**1,063,667 Loans for 502,337 Borrowers** - We notify borrowers anytime we perform a redisclosure, including redisclosures we perform if we determine that a loan will not be paid off within term based on a repayment schedule assigned by a previous servicer. Although much of this repayment schedule monitoring is handled systematically, borrowers quickly escalate if/when their repayment schedule is adjusted, which leads to additional calls and complaints.	12.39%	21.43%

Servicing Anomaly	Overview	Unanticipated Work	Compensation	Volume & Borrower Impact	Anomaly % of ALL ACS Loans Transferred	Anomaly % of ALL ACS Borrowers Transferred
Consecutive Forbearances	As a result of research and individual account examples, we found borrowers who had been on consecutive forbearances while serviced at ACS, at times in excess of 5 consecutive years.	Yes	No	**56,296 Loans for 21,144 Borrowers** - While we can assist borrowers to certify deferments or other situations in the past on a case-by-case basis, we can do little to mitigate the interest that accrued and capitalized as a result of forbearance abuse. For some borrowers, early exhaustion of forbearance makes successful repayment more difficult by limiting the options they have to suspend payments if unexpected situations arise later in repayment.	0.66%	0.90%
Bankruptcy Settlement Info Missing	Though not in high volumes, we have discovered 20 accounts to date where bankruptcy settlements were reached, but ACS did not provide the necessary information for us to properly service the accounts.	Yes	No	**57 Loans for 20 Borrowers** The total principal balance for these loans totals $925,824.72. Based on the delays in us receiving the bankruptcy settlement information, these borrowers were assigned repayment schedules (etc.) that did not take the agreed-upon settlement information into consideration. In most cases, this meant we were billing the borrowers for more than the settlement would call for, causing the borrower undue hardship and violating the terms of the bankruptcy settlement.	0.00%	0.00%
Misrepresented Collateral Files	We discovered a collateral file issue with the November 2013 and January 2014 ACS transfers after borrowers alerted to us the concern. When we researched the individual accounts, it appears that ACS passed files to us for archiving that should have been noted as 'work in progress.' Had the files been noted as 'work in progress,' we would have had processing staff apply deferment, forbearance and repayment schedule changes to borrowers who had returned forms to ACS, so the transfer would not have disrupted the processing of their applications.	Yes	No	**At Least 794 Borrowers** - Borrowers may have experienced undue hardship as a result of our delay in processing, or been forced to reapply unnecessarily.		0.03%
PSLF Qualifying Payment Exceptions	In 2010, FSA approved a one-time override of ACS's PSLF qualifying payment counter for a limited number of borrowers who claimed they were misinformed when establishing a repayment plan on new Direct Consolidation Loans. The guidance was primarily for borrowers who were advised to go on extended repayment plans and applied to borrowers who came forward and met the following conditions: 1. Had a new Direct Consolidation Loan between October 2007 and January 2012; and 2. Were on a Consolidation Standard Repayment Plan with a term greater than 10 years. In 2012 when FedLoan Servicing became the sole servicer for PSLF, had the loans for the predetermined 'exception' list transferred to us for review. As we understand it, these borrowers were must have made contact to ACS or FSA by June 4, 2012 in order for the override to be considered. However, there have been additional borrowers identified after the June 4, 2012 date which have since been approved by FSA to fall under exception processing.	Yes	No	**301 Borrowers** - For borrowers who made payments while on the ineligible repayment plan, the borrower was required to take two actions within 90 days of receiving notice to have their payments count: (1) Submit a completed Employment Certification Form (ECF) for any periods of time in the past (from the date of the letter) during which they were employed by a qualifying employer, and (2) Change their repayment plan, if they had not done so already, to one of the eligible repayment plans. Only payments made during months of valid employment and during the following qualifying payment credit window were counted for the override: Oct 2007/consolidation date (whichever is later) to Jan 2012/date identified (whichever is sooner) After each borrower reacted, we calculated the number of PSLF qualifying payments based on the following formula: Sum of all payments made on non-eligible repayment plan during credit window divided by the monthly installment amount on the first eligible repayment plan the borrower switched to. Notification was sent to the borrower providing confirmation of the total number of qualifying payments on their Direct loans as of the date the letter was sent.		0.01%
Trailing and Missing Payments	On multiple occasions, ACS identified financial transactions that were not completed prior to the transfer or loans to us for servicing. These payments and transactions ranged from those received during the transfer period, to those that may have been received months or (in some cases) even years before the transfer. For example: - In July 2011 and March 2012 NSF adjustments were received from ACS that (in some cases) had effective dates more than one year old. - In September 2013 a large number of payments were identified by ACS that had not been applied to borrowers' accounts.	Yes	No	As a result of the trailing or missing financial transactions, borrowers often see inappropriate delinquencies, delays in posting/crediting of their payments, and generally feel wronged by their servicers. Each individual borrower claim must be researched (which sometimes requires the borrower to provide evidence of payment) just as each clean-up requires manual work and adjustments.		

Pennsylvania Higher Education Assistance Agency

Summary of Issues Related to the Transfer of TEACH Grant and Public Service Loan Forgiveness Files from ACS to FedLoan Servicing

Federal Teacher Education Assistance for College and Higher Education (TEACH) Grant Program

The TEACH Grant Program is a program that provides merit-based grants to students who agree to teach full-time for four years at a low-income school in such high-need fields as mathematics, science, foreign language, bilingual education, special education, or reading. The four years of required service must be completed within eight years of the student graduating or leaving the TEACH Grant program of study. For students who fail to fulfill this service requirement or notify the Department of Education in a timely manner of their continued employment in a qualifying field and location of teaching, grants are converted to Direct Unsubsidized Stafford Loans, with interest accrued from the date the grants were disbursed. PHEAA serves as the exclusive servicer for TEACH, under contract with the U.S. Department of Education's (ED) Office of Federal Student Assistance (FSA). PHEAA's responsibilities include managing the teaching certification process, grant-to-loan conversion process, and conversion dispute process.

Following the award of the TEACH Grant Servicing contract to PHEAA, FSA began routing newly disbursed TEACH Grant awards directly to PHEAA from the Consolidation and Origination Disbursement (COD) System in mid-July 2013. FSA also coordinated the transfer of the existing TEACH Grant servicing portfolio from ACS. To transfer the grant records, the existing file format for transferring federal loans (EA27) was leveraged. Unfortunately, the EA27 format does not account for many of the program details necessary to support TEACH Grant servicing (in particular, service obligations for TEACH Grant). As a result, PHEAA partnered with ACS and FSA to prepare and deliver supplemental files that contained many of the details that were otherwise missing. Throughout the process of evaluating proposed supplemental file formats, several sample files were identified and reviewed. The sample files obtained were small and did not cover as many situations as arose in the actual transfer. On receipt of the live transfer file, PHEAA noted a large number of anomalies, questionable data, and scenarios that had not been anticipated. This led to additional manual work and, in some cases, manipulation of data to match the requirements of the TEACH Grant program. In an attempt to minimize the impact on the transferred TEACH Grant recipients, PHEAA proposed, and was granted authority, to impose a 60-day grant-to-loan moratorium or "hold" on grant-to-loan conversions. This gave TEACH Grant recipients with active certification due dates more time to react to the transfer in servicing and identify inaccurate data. While this helped to mitigate concerns, PHEAA is still experiencing examples of borrower confusion and servicing issues as a result of the transfer.

During implementation, PHEAA asked for historical grant records for all TEACH Grants that had been converted to loans with ACS because of the anticipated need to research grants that had been converted to loans in error. Unfortunately, this data/detail could not be provided. Because this data is not available, manual work, historical file review, and data manipulation is necessary to reverse incorrect grant-to-loan conversions that were performed by ACS. PHEAA is currently working with FSA in an attempt to obtain this data in an automated fashion.

Public Service Loan Forgiveness (PSLF) Program

PHEAA serves as the exclusive servicer for PSLF under contract with ED and FSA. PHEAA's responsibilities include confirming qualifying employment, managing PSLF transfers, counting qualifying payments towards loan forgiveness, and providing counseling to interested borrowers.

Before PHEAA began to service PSLF, the program was publicly announced, but the program requirements were not well publicized to students and student loan servicers. As a result, PHEAA has encountered borrower frustration and confusion. This is especially true among borrowers who are found not to have been complying with program rules regarding qualifying payments (payments that conform to program rules and count towards eventual loan forgiveness). PHEAA has encountered numerous Direct Loan borrowers, serviced at ACS, who were told that payments made on certain repayment plans (that were not eligible plans) would qualify towards loan forgiveness, when eligible plans are clearly defined in statute and regulation. It is not clear that sufficient guidance was provided by ACS to its customer service representatives on the rules surrounding PSLF eligibility.

Servicing of PSLF is further complicated by the lack of necessary data elements in the existing file format for transferring federal loans (EA27). For example, the payment history, historical billing, and repayment plan information needed to evaluate a borrower's PSLF qualifying payment history is not available in the file format, resulting in the need to manually process supplemental files. Payment counting is, in large part, a manual process. In many cases, borrowers have had more than one servicer, which leads to multiple files, payment counting delays, and a more extensive manual workload. This can cause borrowers to experience extended delays before they learn whether their past payments count towards loan forgiveness. FSA has taken some steps to require that the most recent servicer of a borrower's loans pass this data in a more usable manner, but many of these borrowers were serviced by ACS at some point in their history and ACS was never required to provide this supplemental data.

From: Sutphin, Mike
Sent: 19 May 2014 08:00:59 -0500
To: Hough, Jana;Oknich, Mary
Cc: Tessitore, Lisa;Johnson, Debbe;Dragoo, Janet;Walsh, Mark;Bennett, Sarah;Porter, Larry;Roberts, Sherika
Subject: Aspire Reply to Letter from Senator Alexander (FYI Mary)
Attachments: Response to Senator Alexander.05.15.14.pdf

My apologies---I thought that I forwarded the attached document on Friday, but I cannot locate the email.

From: Steve McCullough [mailto:SMcCullough@Studentloan.org]
Sent: Thursday, May 15, 2014 11:00 AM
To: Kang, Soo
Cc: Sutphin, Mike; Steve McCullough
Subject: Reply to Letter from Senator Alexander

Attached is a copy of the response we plan to send to the Senate HELP Committee via email at 3:00pm CST today.

Steven W. McCullough, President & CEO
Iowa Student Loan | 515.273.7413 | www.studentloan.org | SMcCullough@Studentloan.org

Aspire Resources Inc
6775 Vista Drive
West Des Moines, IA 50266
877.855.1119
www.AspireResourcesInc.com

May 15, 2014

The Honorable Lamar Alexander
Ranking Member, Committee on Health, Education, Labor, and Pensions
United States Senate
Washington, DC 20510-6300

Dear Senator Alexander:

This letter constitutes our response to your letter request received by Aspire Resources, Inc. dated May 1, 2014. Your letter asked six questions pertaining to our role as a servicer of Federal Direct Student Loans for the U.S. Department of Education (ED), with these questions focusing on the loans we received from ACS/Xerox.

1) The total number of loans we received from ACS/Xerox was 1,285,211, made to 427,883 borrowers.[1]

2) The total number of these loans with "servicing anomalies" was 23,721, if the definition of "servicing anomaly" is a loan that required extraordinary effort to prepare for servicing on the PHEAA Compass computer system (which we utilize as our system of record). The extraordinary effort was necessary because the loan files received from ACS/Xerox contained data with flaws included missing information; incorrect information; or combinations of data which were incongruent with ED guidance.[2]

3) All the loans with "servicing anomalies", by definition, required work that was not anticipated under our contract. We incurred significant expenses to remedy these problems for which we received no reimbursements or payments from ED.

   Working with ED, we took all steps possible to shield borrowers from the impact of these situations. In the breakdown below, the types of anomalies where borrowers were impacted are specifically identified.

[1] We also received 106,918 borrower accounts, totaling 323,219 loans when we converted the allocation of KSA Servicing ("KSA" or "Kentucky"), another NFP servicer, to our servicing system. These accounts were previously converted by KSA from ACS/Xerox, but we did not include them in the calculations set forth in this letter because Aspire did not convert them directly from ACS/Xerox. Aspire has, however, incurred some additional expenses to correct such anomalies.

[2] Aspire also incurred expenses in posting certain updates and corrections to the loans it received from ACS/Xerox after they were converted to our system. One such example was correcting old Non-Sufficient Funds notifications that should have been applied by ACS/Xerox. Because these updates and corrections were not made at the time of conversion, they were not included in the listings above.

Type of Anomaly	Borrower Impact
Transferred accounts of deceased borrowers.	Family of deceased borrower
Xerox inadvertently allowed partially disbursed loans to be consolidated. This left the second and any subsequent disbursements to be serviced as a loan separate from the first disbursement.	Y
ACS sent accounts with incorrect interest rate.	Y
ACS sent consolidation loans for the same borrowers on different repayment plans.	Y
Repayment schedule sent from ACS included a large final payment as the borrower's last payment. While payment calculations correctly showed what was needed to pay off the loan - in most cases the borrower should have been re-disclosed by ACS/Xerox to avoid this situation.	Y
PLUS loans would normally have a borrower social security number ("SSN") different than student SSN (in the 01 record and reference record 10). These were sent with both the borrower and student SSN being the same. For joint consolidations the co-maker SSN was sometimes sent in the student SSN data element by mistake.	N
Incorrect payment amount sent.	Y
Bankruptcy data sent on accounts. Bankruptcies were not supposed to be transferred in NFP transfers, and the data provided was not accurate.	Y
Some loans were incorrectly sent with zeroes in the repayment terms data elements.	Y
Inconsistent handling of deceased joint/spousal consolidation co-makers. The 10 record for a spousal/joint consolidation (Z in loan type) was either not sent with co-maker information or the co-maker information was the same as the borrower information.	N
ACS sent accounts on ICR and IBR with missing/incorrect forgiveness counters in transfer (EA27) file.	Y
Accounts were sent with the wrong balance. This was tied to adjustments/payment application by ACS.	Y
Borrower was on Forbearance/Deferment - but not sent in EA27 file as such.	Y
Repayment schedule too long for repayment plan.	Y

4) Percentage of Loans Categorized by Each Anomaly

Type of Anomaly	Percent of Loans Impacted
Transferred accounts of deceased borrowers.	0.001%
Xerox inadvertently allowed partially disbursed loans to be consolidated. This left the second and any subsequent disbursements to be serviced as a loan separate from the first disbursement.	0.005%
ACS sent accounts with incorrect interest rate.	0.01%
ACS sent consolidation loans for the same borrowers on different repayment plans.	0.08%
Repayment schedule sent from ACS included a large final payment as the borrower's last payment. While payment calculations correctly showed what was needed to pay off the loan - in most cases the borrower should have been re-disclosed by ACS/Xerox to avoid this situation.	0.038%
PLUS loans would normally have a borrower social security number ("SSN") different than student SSN (in the 01 record and reference record 10). These were sent with both the borrower and student SSN being the same. For joint consolidations the co-maker SSN was sometimes sent in the student SSN data element by mistake.	0.11%
Incorrect payment amount sent.	0.06%
Bankruptcy data sent on accounts. Bankruptcies were not supposed to be transferred in NFP transfers, and the data provided was not accurate.	0.13%
Some loans were incorrectly sent with zeroes in the repayment terms data elements.	0.52%
Inconsistent handling of deceased joint/spousal consolidation co-makers. The 10 record for a spousal/joint consolidation (Z in loan type) was either not sent with co-maker information or the co-maker information was the same as the borrower information.	0.00%
ACS sent accounts on ICR and IBR with missing/incorrect forgiveness counters in transfer (EA27) file.	0.54%
Accounts were sent with the wrong balance. This was tied to adjustments/payment application by ACS.	0.01%
Borrower was on Forbearance/Deferment - but not sent in EA27 file as such.	Unknown
Repayment schedule too long for repayment plan	Unknown

For some anomalies, we were unable to determine the number of loans impacted, but we were able to discern the number of borrow accounts (containing one or more loans) that were impacted:

Type of Anomaly	**Percentage of Borrower Accounts**
Borrowers transferred with total balance less than $25	0.02%

4) Aspire received no compensation for unanticipated work.

5) Because we did not receive compensation for unanticipated work, we have no documentation of such compensation to present.

Sincerely,

(b)(6)

Steven W. McCullough
President

Pc: Senator Tom Harkin, Chairman Committee on Health, Education, Labor, and Pensions

From: Kang, Soo
Sent: 15 May 2014 07:33:20 -0500
To: Bumgarner, Bradley;Leith, William;Kane, John;Hough, Jana;O'Flaherty, Sue;Bradfield, Patrick
Subject: FW: Edfinancial response to Senator Alexander's RFI
Attachments: Edfinancial Response Sen Alexander's RFI May 15 2014.pdf

FYI..

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer

U.S. Department of Education
Federal Student Aid
202-377-3798

From: Elena Lubimtsev [mailto:ELubimtsev@edfinancial.com]
Sent: Wednesday, May 14, 2014 4:07 PM
To: Kang, Soo
Cc: Wanda Hall; Elena Lubimtsev
Subject: Edfinancial response to Senator Alexander's RFI

Soo, good afternoon!

Attached is the Edfinancial's response to Senator Alexander's request for information.
Please let me know if you have any questions.

Elena

Elena Lubimtsev
SVP, Government Relations Officer
865-342-0702 – office
865-712-8268 – cell
www.edfinancial.com

EdFinancial
SERVICES
come grow with us

Senator Lamar Alexander
Ranking Member
United States Senate
Committee on Health, Education, Labor, and Pensions
835 Hart Senate Office Building
Washington, DC 20510

May 15, 2014

RE: Edfinancial Response to Senator Alexander's Request for Information

Dear Senator Alexander:

Thank you for your letter requesting information related to the Direct Loan portfolio that Edfinancial services for a team under the NFP Servicing program. Similar to all other U.S. Department of Education (ED) servicers, we and our team care deeply about the student borrowers and work hard to make their loan repayment process as seamless as possible. Almost 100% of the portfolio we service is in repayment status. As a result, we are very focused on developing innovative strategies for providing our borrowers with the necessary tools to successfully repay their loans. Below are the responses to your questions.

As you are aware, Edfinancial started servicing Direct Loans for ED in January 2012 under the Not-For-Profit Servicing Program. The chart below shows the onboarding timeline of loans transferred from ACS Education Solutions (ACS) to Edfinancial, and also constitutes our response to Question 1.

Date of Transfer	Number of Borrowers	Number of Loans	Amount Converted
January 26, 2012	5,389	14,466	$97,956,656.92
February 16, 2012	24,937	64,730	$452,089,896.31
March 8, 2012	93,011	249,039	$1,773,386,914.28
March 15, 2012	67,058	180,091	$1,297,204,183.71
March 22, 2012	97,206	254,970	$1,801,842,134.12
April 5, 2012	110,735	293,442	$1,933,773,312.06
April 19, 2012	119,582	307,244	$2,051,890,624.32
May 3, 2012	163,033	431,348	$2,846,394,285.10
May 18, 2012	31,486	80,802	$532,972,882.36
July 12, 2012	102,337	283,671	$2,173,632,642.54
August 9, 2012	32,774	93,127	$664,721,703.98
October 11, 2012	99,690	303,888	$2,458,051,792.51
March 28, 2013	113,362	387,014	$3,229,626,899.29
Total	**1,060,600**	**2,943,832**	**$21,313,543,927.50**

298 N. Seven Oaks Drive • Knoxville, TN 37922 • (865) 342-5500 • FAX (865) 470-4809

During the onboarding of the loans, we kept a log of the borrower account issues we identified and corrected. We are not able to provide the number of borrowers affected for each of those issues, because our servicing system doesn't have the capability to retrieve such information. We are able, however, to provide the number of borrowers affected for the first issue on the list below.

Borrowers with excessive forbearance time

Please see Attachment A for the supporting data. For the affected borrowers, once the transferred forbearance expired, any additional periods of forbearance would be denied. Generally during these extended periods of forbearance borrowers were not making payments and interest was accruing. In these instances this resulted in adding (capitalizing) a considerable amount of accrued interest to borrowers' principal balance.

Annual IDR Recertification - Ceased match with IRS

Prior servicer ceased annual match with IRS in October 2011. The match was used to evaluate IDR borrowers for annual recertification. Previously borrowers provided a 5-year authorization to have income data pulled from the IRS. Borrowers were not made aware that this process had ceased; therefore, when the new servicer sent requests to borrowers to submit updated income information, such borrowers were unhappy and/or ignored the request since they thought their 5-year authorization was still in effect.

Current Repay Schedule Date and/or Next Payment Due Date Incorrect

Accounts transferred reflecting current Repay Schedule dates that exceeded 30 days in the future.

Borrower on Deferment or Forbearance and not transferred in status

Accounts transferred that were supposed to be on a deferment or forbearance however not transferred in that status.

Borrower payments were not forwarded within 20 days of transfer

Payments were not forwarded to new servicer in a timely manner, thus causing borrower complaints and delinquency.

Incorrect next payment due and/or payment amount on account in IBR and ICR having a $0 payment

Accounts on IBR or ICR (Income Contingent Repayment) with scheduled payment of $0 transferred with the anticipated future monthly payment amount (instead of zero) in the monthly payment field and a future next payment due of when they anticipate the borrower will no longer be on a zero payment.

Edfinancial did not receive any additional compensation beyond the regular per-account servicing fee according to the contract with ED.

Please let me know if you have any additional questions after reviewing our response. As always, we appreciate your dedication to students who are on their way to the post-secondary degree. We share this commitment and look forward to continuing our contribution in the higher education sector.

(b)(6) [redacted]

Tony Hollin
Chairman and CEO

CC: Soo Kang, Contracting Officer, FSA

EdFinancial SERVICES

Borrowers Converted with Excessive Forbearance

- Total Borrowers Converted = 1,060,592
- Borrowers Converted on Deferment or Forbearance = 132,246

  - Borrowers Converted with Exhausted Forbearance Time = 8,330
    (Represents 6.30% of all borrowers with deferment or forbearance status)

From: Kang, Soo
Sent: 13 May 2014 15:11:30 -0500
To: Leith, William;Kane, John;Bumgarner, Bradley;Hough, Jana;O'Flaherty, Sue;Bradfield, Patrick
Subject: FW: Great Lakes response to ACS Senate Letter Request
Attachments: Great Lakes response re ACS Transfer Anomalies 5-12-2014.pdf

FYI...

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer

U.S. Department of Education
Federal Student Aid
202-377-3798

From: Boisen, Robert [mailto:RBoisen@glhec.org]
Sent: Tuesday, May 13, 2014 3:56 PM
To: Kang, Soo
Cc: Smith, Angie; Gibson, Karen; Jones, Amber K.; Hill, Katharine; Crosby, Jeff
Subject: FW: Great Lakes response to ACS Senate Letter Request

This message was encrypted before its transmission to your domain from GLHEC.ORG via TLS (Transport Layer Security). If the message contains sensitive personal information, it has been sent securely in accordance with corporate policy.

Soo,

Attached please find a copy of the letter submitted by Great Lakes in response to the Senate inquiry regarding ACS Data anomalies.

Thanks,
Rob

From: Boisen, Robert
Sent: Tuesday, May 13, 2014 2:54 PM
To: 'Kristin_Nelson@help.senate.gov'; 'Bill_Keller@help.senate.gov'; 'Robert_Moran@help.senate.gov'; 'Beth_Stein@Harkin.senate.gov'
Cc: George, Richard
Subject: Great Lakes response to ACS Senate Letter Request

To all concerned:

Great Lakes Educational Loan Services, Inc. (Great Lakes) submits the attached letter in response to the May 1, 2014 inquiry by Senator Lamar Alexander regarding the quality of loans that were transferred to Great Lakes from the Direct Loan Servicer, ACS Education Solutions.

Submitted on behalf of
Richard D. George, Chairman
Great Lakes Educational Loan Services, Inc.
RGeorge @glhec.org
Phone: (608) 246-1408
Fax: (608) 246-1481

GREAT LAKES

May 12, 2014

Via email

The Honorable Lamar Alexander
Ranking Member United States Senate
Committee on Health, Education, Labor, and Pensions
Washington, DC 20510-6300

Re: ACS Transfer Anomalies:

Dear Senator Alexander:

Thank you for the interest and opportunity to provide feedback on an important borrower related transaction.

During Great Lakes' 40+ year history as a service provider in the student loan industry, we have been involved in numerous student loan borrower conversions. This experience has exposed a wide variety of conversion issues to which we have developed robust and sophisticated processes to effectively deal with anomalies and data inconsistencies.

The ACS Education Solutions (ACS) loan-borrower transfer to Great Lakes included 6,264,166 loans and did not present any issues that Great Lakes did not anticipate or that we could not deal with in the ordinary course. As such, Great Lakes did not receive any special compensation outside of normal change request procedures for unanticipated work effort. The only related change request to Recalculate Account Balances for Misstated Balance Transfer Accounts was initiated by FSA in August 2013 to appropriately adjust loan balances for 687 ACS transferred loans.

In response to your information request and based on information readily available, a summary of the types of anomalies encountered is outlined below.

Summary of Anomalies:

1) Fewer than 1,000 transactions held at ACS prior to the transfer of loans to Great Lakes were unprocessed and at rest. While working with transferred borrowers and becoming aware of these transactions, Great Lakes would work with ACS to have the transactions (payments, forms and adjustments) forwarded to be processed against the borrowers account.

GREAT LAKES EDUCATIONAL LOAN SERVICES, INC.
2401 INTERNATIONAL LANE | MADISON, WI 53704-3192
PHONE: 608.246.1800 | WEB: MYGREATLAKES.ORG

GREAT LAKES

2) After loans were transferred to Great Lakes, ACS continued to accept transactions (payments, forms and adjustments) and made applicable changes to the balance of approximately 2,000 - 3,000 loans on their system but did not forward the associated transaction to us.

3) After loans were transferred to Great Lakes and when exchanging adjustment transactions with the Common Origination & Disbursement system (COD), it became apparent that the data provided in the transfer for approximately 76,000 disbursements did not match the data on COD. This mismatch caused transactions with COD to error and corrections to the data were required to get the adjustment process flowing again.

In conclusion, we appreciate the opportunity to provide relevant information and re-iterate that our experience has proven there is generally some degree of data inconsistencies which a strong conversion process effectively manages.

Sincerely,

(b)(6)

Richard D. George, Chairman
Great Lakes Educational Loan Services, Inc.

GREAT LAKES EDUCATIONAL LOAN SERVICES, INC.
2401 INTERNATIONAL LANE | MADISON, WI 53704-3192
PHONE: 608.246.1800 | WEB: MYGREATLAKES.ORG

From: Kang, Soo
Sent: 23 May 2014 11:56:56 -0500
To: Kane, John;Leith, William;Bradfield, Patrick;Bumgarner, Bradley;O'Flaherty, Sue;Hough, Jana
Cc: Smith, Angie;Mahon, Karen
Subject: FW: Letter from Sen. Durbin
Attachments: Letter to Oklahoma Student Loan Authority re Servicemember and Veteral Liaison.pdf, Letter from OSLA.pdf

FYI..

From: Heather Heikes [mailto:HHeikes@osla.org]
Sent: Friday, May 23, 2014 12:08 PM
To: 'Corey_Tellez@durbin.senate.gov'
Cc: Kang, Soo; Oldre, Lisa; Oknich, Mary; Andy Rogers; Jim Farha; Larry Hollingsworth
Subject: RE: Letter from Sen. Durbin

OSLA received the request from Senator Durbin to establish a liaison for servicemembers and veterans to assist with their student loan accounts we service. I am attaching OSLA's response to the request.

If you have any questions, please feel free to contact me.

Heather Heikes
Executive/Human Resources Assistant
Oklahoma Student Loan Authority
525 Central Park Dr., Ste. 600
Oklahoma City, OK 73105
Phone: (405) 556-9216
Fax: (405) 415-4416
www.osla.org

From: Tellez, Corey (Durbin) [mailto:Corey_Tellez@durbin.senate.gov]
Sent: Wednesday, May 14, 2014 5:08 PM
To: Custserv-DL-Email
Subject: Letter from Sen. Durbin

To whom it may concern--

Attached is a letter from Senator Durbin.

Please don't hesitate to reach out if you have any questions.

Thanks,

Corey Tellez
Legislative Assistant
Assistant Majority Leader

U.S. Senator Richard J. Durbin
711 Hart Senate Office Building
Washington, DC 20510
202.224.2152

RICHARD J. DURBIN

ILLINOIS

ASSISTANT MAJORITY LEADER

United States Senate

Washington, DC 20510–1304

COMMITTEE ON APPROPRIATIONS

COMMITTEE ON FOREIGN RELATIONS

COMMITTEE ON THE JUDICIARY

COMMITTEE ON RULES
AND ADMINISTRATION

May 14, 2014

Jim Farha
President
Oklahoma Student Loan Authority
525 Central Park Dr., Suite 600
Oklahoma City, OK 73105

Dear Mr. Farha:

I urge you to voluntarily establish a liaison for servicemembers and veterans with student loan accounts serviced by your company to help these borrowers navigate the rights and protections afforded to them under the Servicemembers Civil Relief Act (SCRA) and other Federal laws. The Servicemember and Veteran Liaison should be specifically trained so they can help our armed forces access the student loan benefits they are owed under the law and make sure they fully understand their repayment options.

A growing number of servicemembers are joining the military with existing student loan debt, and Congress has enacted a number of protections for these servicemembers. For example, SCRA applies a six-percent interest rate cap on pre-service loans held by members of the military, including federal and private student loans. Eligible servicemembers with federal student loans also may take advantage of Income-Based Repayment, Public Service Loan Forgiveness, Annual Principal Reduction for Perkins Loans, and Military Deferment.

Recent federal enforcement actions show these benefits have been denied to servicemembers despite servicers' legal requirement to provide them. A 2012 report by the Consumer Financial Protection Bureau finds that servicers may be uninformed about the available benefits for our armed forces and may be providing inaccurate information about whether a servicemember is eligible. In effect, the servicer denies a military borrower's rightful benefits. I am troubled that those who have served our country are being denied the benefits they have earned through their service to this country simply because they have not been advised of them.

Student loan servicers can and should do more to ensure our armed forces are provided the information they need to make educated decisions about repayment options. I introduced the Student Loan Borrower Bill of Rights (S. 1803) last year that would require student loan servicers to establish a Servicemember and Veterans Liaison trained on the benefits available to servicemembers and veterans and to provide a toll-free number where the liaison can be reached to answer questions from members of the military and veterans.

711 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510–1304
(202) 224–2152
TTY (202) 224–8180

230 SOUTH DEARBORN, 38TH FLOOR
CHICAGO, IL 60604
(312) 353–4952

525 SOUTH EIGHTH STREET
SPRINGFIELD, IL 62703
(217) 492–4062

1504 THIRD AVENUE
SUITE 227
ROCK ISLAND, IL 61201
(309) 786–5173

PAUL SIMON FEDERAL BUILDING
250 W. CHERRY STREET
SUITE 115–D
CARBONDALE, IL 62901
(618) 351–1122

durbin.senate.gov

By voluntarily establishing a Servicemember and Veteran Liaison position, you can set a strong example of your dedication to looking out for the financial well-being of the men and women who have served our country.

Thank you for your consideration of this request. Please respond and let me know of your plans.

Sincerely,

Dick Durbin

Richard J. Durbin

The Student Loan Authority

525 Central Park Drive, Suite 600
Oklahoma City, OK 73105-1706
P.O. Box 18145
Oklahoma City, OK 73154-0145
405-556-9210
Fax 405-556-9255
www.osla.org

May 23, 2014

Via Electronic Delivery

The Honorable Senator Richard J. Durbin
United States Senate, Assistant Majority Leader
Washington, DC 20510-1304

Dear Senator Durbin,

Thank you for your letter and interest in servicing the needs of our service members. Oklahoma Student Loan Authority (OSLA) takes pride in providing exceptional service to all of our student loan borrowers. You are right on target regarding the need for special assistance for our armed forces members seeking assistance with Servicemembers Civil Relief Act (SCRA) benefits. We are indebted to all of our armed forces for their service to this country and it is a privilege to serve them in this way in return.

You will be pleased to know that OSLA has always given members of our armed forces priority service. We are already providing the services which you noted in your letter. Borrowers can receive assistance by calling our toll-free number, 866-264-9762, or they can send an email to us at militarybenefits@osla.org if they are deployed overseas and prefer emailing us. Either way, we are prepared to assist them.

OSLA has dedicated one of our most experienced and knowledgeable customer service supervisors as our service member liaison who can personally assist anyone who needs her help. Further, OSLA has also taken extra strides to train our front line customer service agents to provide assistance whether it be in the form of a deferment, loan forgiveness program, interest rates changes or an income driven repayment plan. We have always considered it to be a top priority to serve military personnel as quickly, easily and efficiently as possible.

OSLA looks forward to continuing our partnership with FSA in providing the kind of customer service our military personnel deserve and expect.

Please feel free to call or contact me direct by phone at 405-556-9278, or by email at jfarha@osla.org if there is anything else we can do to assist you.

Sincerely,

(b)(6)

James T. Farha, President

Cc: Soo Kang, Executive Business Advisor/Contracting Officer
U.S. Department of Education, Federal Student Aid

Lisa Oldre, Management and Program Analyst
U.S. Department of Education, Federal Student Aid

Mary Oknich, Business Operations
U.S. Department of Education, Federal Student Aid

From: Kang, Soo
Sent: 20 May 2014 06:41:58 -0500
To: Leith, William;Hough, Jana;O'Flaherty, Sue;Bumgarner, Bradley;Bradfield, Patrick
Subject: FW: Letter from Senator Alexander Requesting Information
Attachments: Honorable Lamar Alexander Letter.pdf, Appendix A Transfer Issues.docx

FYI, Granite State's (New Hampshire) response.

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer

U.S. Department of Education
Federal Student Aid
202-377-3798

From: Christine Williams [mailto:Cwilliams@gsmr.org]
Sent: Monday, May 19, 2014 4:13 PM
To: Kang, Soo
Cc: Smith, Angie; Gibson, Karen; Hill, Katharine; Jones, Amber K.; Kane, John; Kenneth A. Bowen
Subject: RE: Letter from Senator Alexander Requesting Information

Hi Soo,

Granite State Management and Resources received the inquiry from Senator Alexander. Pursuant to your request, attached is the response provided to his office today.

If you have any questions please let me know.

Thanks!

Chris

Christine B. Williams
Senior Vice President, Servicing Operations
Granite State Management & Resources
The NHHEAF Network Organizations
4 Barrell Court, P.O. Box 2087
Concord, NH 03301
T. 603-227-5311
T.1-800-525-2577 ext. 105

cwilliams@gsmr.org
www.nhheaf.org
www.iamcollegebound.org

From: Kang, Soo [mailto:Soo.Kang@ed.gov]
Sent: Tuesday, May 06, 2014 4:24 PM
To: caron.peterson@nelnet.net; Cynthia McGeary (cmcgeary@aessuccess.org); Grassi, Judith (judith.grassi@salliemae.com); Jeff Crosby (jcrosby@glhec.org); Jim Harris (Jim.Harris@nelnet.net); Kevin Woods (Kevin.Woods@salliemae.com); Leary, Robert (Robert.K.Leary@salliemae.com); Leitl, Jill (JLeitl@glhec.org); Matt Sessa (msessa@pheaa.org); Robert Boisen; Stover, Matt; 'Andy Rogers'; bcox@utahsbr.edu; Christine Williams; Debbie Phillips (dphillips@utahsbr.edu); 'Elena Lubimtsev'; Farmer, Jennifer - x3484 (FarmerJ@mohela.com); Fred Crump (fcrump@osla.org); Jeremy Morrison (jmorrison@mycornerstoneloan.org); 'Jim Farha'; Kenneth A. Bowen; Mary Kay DeBolt (mdebolt@studentloan.org); Patrick Leduc (Leduc@vsac.org); Rosanne Nelson (nelson@vsac.org); Sasha VanOrman (svanorman@mycornerstoneloan.org); Slattery, Colleen - x3929 (ColleenS@mohela.com); Suzanne Kidwell - Aspire (SKidwell@aspireresourcesinc.com); Wanda Hall (WHall@edfinancial.com)
Cc: DOE - Angie Smith; Gibson, Karen; Hill, Katharine; Jones, Amber K.; Kane, John
Subject: Letter from Senator Alexander Requesting Information
Importance: High

Dear Servicers,

I am writing today regarding a letter that you may have recently received from Senator Alexander, Ranking Member of the U.S. Senate Committee on Health, Education, Labor, and Pensions concerning the quality of loans that were transferred to you from the Direct Loan Servicer, ACS Education Solutions. Specifically, the letter requests 1) information on the number of loans transferred to you from ACS; 2) the total number of those loans with servicing anomalies; 3) a summary of the types of anomalies received, 4) a breakdown, if available, of the percent of loans categorized by each type of anomaly, 5) the amount, if any, you received in compensation for unanticipated work, and 6) copies of documentation to support the level of compensation received.

The Department often receives this type of correspondence from the Committee. Because some of you have called FSA regarding this request, we want to provide you with some information based on our experiences. As part of the Congressional oversight process, the Committee often requests specific information from us in letters similar to the one you received. We are committed to fully and accurately responding to the Committee's letters. In that spirit we encourage you to work directly with the Committee to respond to their request for information. We ask that you provide the Department with a copy of your response when it becomes available. Also, if you believe your efforts to respond in a timely matter will impact your ability to fulfill the requirements of your contract, you should contact the Committee to inform them that you will need additional time to respond. If you prefer, we will be happy to work with you, our Office of Legislation and Congressional Affairs, and the committee staff to work toward a mutually agreeable schedule.

Thank you and please feel free to contact us if you have any questions.

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer

U.S. Department of Education
Federal Student Aid
202-377-3798

4 Barrell Court
PO Box 3420
Concord, NH 03302-3420

May 19, 2014

The Honorable Lamar Alexander
United States Senate
Ranking Member, U.S. Senate Committee on Health, Education, Labor & Pensions
835 Hart Senate Office Building
Washington, DC 20510

Re: Direct Loan Servicing

Dear Senator Alexander,

In response to your inquiry dated May 1, 2014, please find the information you requested below.

Granite State Management & Resources has serviced 680,476 loans which represent 218,931 borrowers under our federal contract. A large majority of borrowers were impacted in some way with servicing anomalies. These anomalies can be classified into the following main categories:

- delayed transfer of payments,
- excessive forbearance time,
- no re-amortization,
- lack of communication,
- misstated balances; and
- known transfer issues.

For transferred borrowers, we experienced a delay in receipt in excess of 30 days for nearly 40,000 payments. At times, it took between 90 and 120 days to receive these payments. Due to this delay, FSA provided servicers with an additional forbearance option.

At transfer, over 14,000 borrowers had already used in excess of 36 months of discretionary forbearance time. Just over 7% had exceeded 10 years of forbearance time. GSM&R adheres to its contractual obligation limiting discretionary forbearance time to 36 months which resulted in a population of borrowers who were being expected, often for the first time, to make payment on their loan. Despite due diligence efforts, almost 18% of this population went on to the fast path to default.

Annually, we complete a review of borrower accounts to ensure compliance with maximum repayment periods. **It doesn't appear that ACS evaluated this portfolio of loans to confirm they would properly payout within term.** Significant time and effort was spent last summer to analyze and disclose borrowers as appropriate. Addressing borrower concerns and changes in monthly payment amount contributed to 135% higher-than-normal call volume.

ACS did not communicate to a majority of borrowers in advance of the transfer. A large number were confused and/or reluctant to work with us. In the months following transfer, we experienced 252% higher call volume into our call center.

A small population of borrowers was transferred in with incorrect balances. However, the manual effort required to recalculate, update and communicate the change in balance consumed 410 hours of effort, excluding meeting and preparation time.

4 Barrell Court | PO Box 3420 | Concord, NH 03302-3420 | 1.888.556.0022 | 603.227.5321 | www.gsmr.org

R 03/12 O 10/12

4 Barrell Court
PO Box 3420
Concord, NH 03302-3420

Known transfer issues ranging in volume have had a cumulative and continuing effect. These issues were recognized by FSA or identified as servicing errors after receipt of each transfer. Each transfer had to be analyzed to determine the affected population. **In total, approximately 50 unique issues were recognized that required more than 70,000 manual loan edits.** Further details of these issues are attached in Appendix A.

We did incur costs for a number of the items identified above. However, in keeping with best practices and contractual obligations we absorbed the additional cost necessary.

Please contact me if you have any additional questions regarding this inquiry.

Sincerely,

(b)(6)

René A. Drouin
President & CEO
Granite State Management & Resources
The NHHEAF Network Organizations

Appendix A

Transfer Issues
<u>Balloon Payment at End of Repayment Schedule</u> For many accounts, the repayment schedule sent from ACS included a large final payment from the borrower as the last payment. While payment calculations are correctly showing what is needed to pay off the loan - in most cases the borrower should have been re-disclosed previously to avoid this situation.
<u>Repayment Schedule Too Long for Plan</u> Borrowers sent on repayment plans which allow less total months than shown on the repayment schedule.
<u>Borrower was on Forbearance/Deferment – But Not Indicated as Such in Transfer File</u> Borrowers were supposed to be on a forbearance or deferment, but were not represented as such.
<u>Incorrect Interest Rate</u> ACS sent accounts with incorrect interest rate.
<u>Borrowers Transferred with Total Balance <$25.00</u> ACS transferred some borrowers with balances less than $25.00, which were not supposed to be transferred.
<u>Missing Income Contingent Repayment Forgiveness Counters</u> ACS sent accounts on income-contingent repayment (ICR) with missing/incorrect ICR forgiveness counters. Subsequent counter data provided by ACS was determined inaccurate as well.
<u>Missing Income Based Repayment Forgiveness Counters</u> ACS sent accounts on income-based repayment (IBR) with missing/incorrect IBR forgiveness counters. Subsequent counter data provided by ACS was determined inaccurate as well.
<u>Incorrect Next Payment Due and/or Payment Amount on IBR/ICR Accounts With Payment of Zero.</u> ACS sent accounts with current payment schedules that were incorrect and not identified.
<u>Principal & Interest on File Didn't Match Servicing History</u> ACES history did not match the information transferred in the file.
<u>Note Amount < Sum of Disbursements</u> Note amounts were less than the sum of the disbursements.
<u>Application Date > Date of Earliest Disbursement</u> For Consolidation Loans only, the application date sent was greater than the date of first disbursement.
<u>Low /Reduced Payment Forbearance Received with $0 Payment Amount</u> ACS sent some reduced pay forbearances with a $0 payment amount.
<u>Some Consolidation and Non-Consolidation Borrowers Sent With Loans on Different Repayment Plans</u> ACS sent some consolidation loans for the same borrowers on different repayment plans. Some were improperly serviced, others were sent with incorrect data.
<u>Repayment Terms Missing/Invalid</u> Some loans are incorrectly sent with zeros for repayment terms data.
<u>ACS Sent the Same Loan in 2 Sets of Loan Records</u> In some cases ACS sent the same loan in 2 separate sets of loan records. These were the same loan and were incorrectly being sent as 2 separate loans.
<u>Reference Address information Missing</u> ACS sent incorrect/missing date in reference addresses.
<u>Bankruptcy Data Sent Incorrectly</u> Incomplete bankruptcy data was sent on accounts and wasn't supposed to be transferred in NFP transfers.

Appendix A

State Information Not Provided	ACS did not include the state data in the transfer file.
Income Date Not Provided, or Invalid	Servicers advised to consider ICR/IBR borrowers to be valid for a period of up to 12 months from the sale date of the transfer.
Incorrect Payment Amount/Servicing History	The amount the borrower is expected to pay monthly on the servicing history wasn't equal to the amount sent in the transfer file.
Joint/Spousal Consolidation Sent with the 'Co-maker' Missing or the Same as the Borrower	Receiving servicer identified population and corrected from ACS data provided.
Specialty Claim Status Type Indicated - No Status Date Included	Specialty claim status type included but no notification date provided.
Previously Applied Forgiveness File Data Sent Blank	ACS provided conflicting forgiveness data.
DEFERMENT FLAG Not Provided/Invalid	Deferment flag record sent as blanks OR with invalid type
Interest Rates not Matching Expected Rates	Some interest rates sent didn't appear valid based on the disbursement dates and loan type.
Deferment Type invalid	ACS sent loans with an invalid deferment type.
Loans on IBR with No Payment Amount	Payment amount data was missing for loans on IBR.
PLUS Loans Sent with Student SSN Equal to Borrower/Co-maker SSN	ACS provided incorrect SSN data.
Missing Cosigner/Co-maker/Dependent Student Date of Birth	Date of birth showed as all zeros for references. This is required information.
Sum of all Disbursements Sent Doesn't Equal Principal Balance Plus Principal Paid	ACS sent some cases where it appeared that the disbursement amounts sent were inaccurate, when there were refund and/or cancellations on the loan.
Partial and/or Current Due Amount Incorrect	Some borrowers sent with incorrect payment due amounts and delinquency levels.
Incorrect Payment Amounts	ACS provided incorrect payment amounts that appeared to be the result of a cleanup effort in progress at ACS at that time.
Interest Capitalization Date Incorrect	ACS records reflected a date that no capitalization occurred (usually matching a separation date or grace end date).
Truncation of Capitalized Interest	Capitalized interest >$100,000 truncated the first digit (making $125,000 seem like $25,000).
Disclosure Not Sent Prior to Transfer	ACS sent some consolidation loans booked after the borrower was selected for transfer - but before the transfer occurred resulting in loans transferred that had not yet been disclosed.

Appendix A

Missing Debt IDs for Recalled or Rehabilitated Loans The Debt ID data was not always provided (but is required) for loans sent as previously recalled or rehabilitated.
Incorrect Capitalized Interest Incorrect amounts were sent in the capitalized interest record.
Unreported Capitalized Interest Higher than Total Capitalized Interest Receiving servicer identified population and corrected.
Summary Unreported Loan Origination Fee Higher than Total Origination Fees The amount provided in unreported origination fee field was more than the combined origination fees.
Consolidation Loans Sent in Incorrect Deal File Some consolidation loans were listed incorrectly as DLO loan program.
In-School Borrowers Sent with Incorrect Interest Rate "In repayment" rate appeared to be sent even though the borrower was in school or in deferment (older, variable rate loans).
Invalid School Code Sent A consolidation code was sent as a school code for some in school borrowers.
Future Dated 'Anticipated' Disbursements Sent Future dated disbursements were sent on some PLUS Loans.
Non-Existent Disbursements Sent Some of the disbursements sent had never been disbursements received from COD (PLUS loans).
Incomplete Street Addresses Some street addresses were truncated.
Documents Imaged by ACS Were Not Processed Documents provided in the imaging files sent from the previous servicer that should have been processed were not.

From: Kang, Soo
Sent: 20 May 2014 10:33:32 -0500
To: Bumgarner, Bradley;Bradfield, Patrick;Hough, Jana;Leith, William;O'Flaherty, Sue
Subject: FW: Letter from Senator Alexander Requesting Information
Attachments: 051914 Preston to Sen. Alexander.pdf, Attachment to 051914 letter Sen. Alexander -- ACS Anomalies Spreadsheet.pdf, Attachment to 051914 letter to Sen. Alexander -- TEACH and PSLF.pdf

PHEAA's response..

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer

U.S. Department of Education
Federal Student Aid
202-377-3798

From: Matthew Sessa [mailto:msessa@aessuccess.org]
Sent: Tuesday, May 20, 2014 10:52 AM
To: Kang, Soo
Cc: Smith, Angie; Gibson, Karen; Hill, Katharine; Jones, Amber K.; Kane, John
Subject: Re: Letter from Senator Alexander Requesting Information

Soo,

Attached you will find a copy of PHEAA's response to Senator Alexander's request for information on the loans transferred to PHEAA from ACS Education Solutions. If you have any questions, let me know.

Thanks, Matt

Matthew Sessa
Vice President and Program Director, FedLoan Servicing
PHEAA
717.720.2248

From: "Kang, Soo" <Soo.Kang@ed.gov>
To: "caron.peterson@nelnet.net" <caron.peterson@nelnet.net>, "Cynthia McGeary (cmcgeary@aessuccess.org)" <cmcgeary@aessuccess.org>, "Grassi, Judith (judith.grassi@salliemae.com)" <judith.grassi@salliemae.com>, "Jeff Crosby (jcrosby@glhec.org)" <jcrosby@glhec.org>, "Jim Harris (Jim.Harris@nelnet.net)" <Jim.Harris@nelnet.net>, "Kevin Woods (Kevin.Woods@salliemae.com)" <Kevin.Woods@salliemae.com>, "Leary, Robert (Robert.K.Leary@salliemae.com)" <Robert.K.Leary@salliemae.com>, "Leitl, Jill (JLeitl@glhec.org)" <JLeitl@glhec.org>, "Matt Sessa (msessa@pheaa.org)" <msessa@pheaa.org>, "Robert Boisen" <rboisen@glhec.org>, "Stover, Matt" <Matt.Stover@nelnet.net>, "'Andy Rogers'" <ARogers@osla.org>, "bcox@utahsbr.edu" <bcox@utahsbr.edu>, "cwilliams@gsmr.org" <cwilliams@gsmr.org>, "Debbie Phillips (dphillips@utahsbr.edu)" <dphillips@utahsbr.edu>, "'Elena Lubimtsev'" <ELubimtsev@edfinancial.com>, "Farmer, Jennifer - x3484 (FarmerJ@mohela.com)" <FarmerJ@mohela.com>, "Fred Crump (fcrump@osla.org)" <fcrump@osla.org>, "Jeremy Morrison

(jmorrison@mycornerstoneloan.org)" <jmorrison@mycornerstoneloan.org>, "'Jim Farha'" <JFarha@osla.org>, "kbowen@gsmr.org" <kbowen@gsmr.org>, "Mary Kay DeBolt (mdebolt@studentloan.org)" <mdebolt@studentloan.org>, "Patrick Leduc (Leduc@vsac.org)" <Leduc@vsac.org>, "Rosanne Nelson (nelson@vsac.org)" <nelson@vsac.org>, "Sasha VanOrman (svanorman@mycornerstoneloan.org)" <svanorman@mycornerstoneloan.org>, "Slattery, Colleen - x3929 (ColleenS@mohela.com)" <ColleenS@mohela.com>, "Suzanne Kidwell - Aspire (SKidwell@aspireresourcesinc.com)" <SKidwell@aspireresourcesinc.com>, "Wanda Hall (WHall@edfinancial.com)" <WHall@edfinancial.com>
Cc: "Smith, Angie" <Angie.Smith@ed.gov>, "Gibson, Karen" <Karen.Gibson@ed.gov>, "Hill, Katharine" <Katharine.Hill@ed.gov>, "Jones, Amber K." <Amber.Jones@ed.gov>, "Kane, John" <John.Kane@ed.gov>
Date: 05/06/2014 04:24 PM
Subject: Letter from Senator Alexander Requesting Information

---

Dear Servicers,

I am writing today regarding a letter that you may have recently received from Senator Alexander, Ranking Member of the U.S. Senate Committee on Health, Education, Labor, and Pensions concerning the quality of loans that were transferred to you from the Direct Loan Servicer, ACS Education Solutions. Specifically, the letter requests 1) information on the number of loans transferred to you from ACS; 2) the total number of those loans with servicing anomalies; 3) a summary of the types of anomalies received, 4) a breakdown, if available, of the percent of loans categorized by each type of anomaly, 5) the amount, if any, you received in compensation for unanticipated work, and 6) copies of documentation to support the level of compensation received.

The Department often receives this type of correspondence from the Committee. Because some of you have called FSA regarding this request, we want to provide you with some information based on our experiences. As part of the Congressional oversight process, the Committee often requests specific information from us in letters similar to the one you received. We are committed to fully and accurately responding to the Committee's letters. In that spirit we encourage you to work directly with the Committee to respond to their request for information. We ask that you provide the Department with a copy of your response when it becomes available. Also, if you believe your efforts to respond in a timely matter will impact your ability to fulfill the requirements of your contract, you should contact the Committee to inform them that you will need additional time to respond. If you prefer, we will be happy to work with you, our Office of Legislation and Congressional Affairs, and the committee staff to work toward a mutually agreeable schedule.

Thank you and please feel free to contact us if you have any questions.

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer

U.S. Department of Education
Federal Student Aid
202-377-3798

Office of the President and Chief Executive Officer
1200 North Seventh Street, Harrisburg, PA 17102

May 19, 2014

The Honorable Lamar Alexander
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate
428 Senate Dirksen Office Building
Washington, D.C. 20510

Dear Senator Alexander:

In response to your letter of May 1, 2014, the Pennsylvania Higher Education Assistance Agency (PHEAA) provides the following information regarding the loans transferred to its management by the U.S. Department of Education's (ED) Office of Federal Student Assistance (FSA). The loans were transferred to PHEAA from ACS as part of PHEAA's contract with ED as a Title IV Additional Servicer (TIVAS). PHEAA conducts its operations as a TIVAS contractor under the business name "FedLoan Servicing".

PHEAA has many years of experience and success in onboarding transfers of student loans from student loan servicers. When loans are transferred to PHEAA's loan servicing system, the system performs certain edit and consistency checks to ensure that data has been transferred properly and to minimize any disruption or confusion for borrowers. PHEAA also employs a highly skilled loan conversion team to oversee loan transfers and to identify and correct errors. PHEAA used these processes during the transfer of loans from ACS to FedLoan Servicing. This enabled PHEAA to identify errors immediately upon transfer and to begin the process of correcting anomalies. Some of these corrections were necessary to ensure that the processing of the loans conformed to federal guidelines. As you are aware, many of these error corrections resulted in changes for the borrower, including, for example, increasing loan payments to ensure that loans pay off in a reasonable time, eliminating the potential for balloon payments, and the transition of borrowers from extended periods of loan forbearance to active repayment. Many of the errors identified by FedLoan Servicing were not correctable using standard automated processes and, instead, required the expenditure of significant resources to perform manual adjustments to ensure the accuracy of borrower accounts.

Below are PHEAA's responses to the specific questions included in your May 1, 2014 letter:

1. The total number of loans that were transferred to you from ACS
Since 2009, when PHEAA began servicing loans on behalf of ED, we had 8,588,090 loans for 2,343,607 borrowers transferred to us directly from ACS. The breakdown by year follows immediately below:

Year	Loans Transferred from ACS	Borrowers Transferred from ACS
2009	321,703	164,760
2010	2,026,967	794,755
2011	221	163
2012	1,026,693	232,253
2013	5,212,497	1,151,671
2014	9	5
Total	**8,588,090**	**2,343,607**

2. The total number of those loans with servicing anomalies.
Since 2009, when PHEAA began servicing loans on behalf of ED, we have identified at least 1.4 million loans transferred directly from ACS with general servicing anomalies, as detailed in the enclosed spreadsheet entitled ACS Anomalies. In addition, there are other issues, such as missing and trailing payments, that are not captured in this total.

3. A summary of the types of anomalies in the loans received, including whether an anomaly required work that was not anticipated by your contract with ED and whether each respective anomaly raised problems for borrowers and/or customer service.
The enclosed spreadsheet summarizes and defines the issues and borrower impact associated with the recognized ACS general servicing anomalies.

In addition to the general servicing transfers we received from ACS, PHEAA works under contract with ED as the sole servicer for the Federal Teacher Education Assistance for College and Higher Education (TEACH) Grant program, and the Public Service Loan Forgiveness (PSLF) Program. A separate summary of the issues associated with loans transferred from ACS and related to these two programs is enclosed with this letter.

4. A breakdown, if available, of the percent of loans categorized by each type of anomaly.
The enclosed spreadsheet includes the percentage of the loans and borrowers transferred from ACS that included a specific anomaly. These percentages are included in the last two columns of the spreadsheet.

5. The amount, if any, you received in compensation for unanticipated work.
PHEAA has not yet received compensation for any manual work associated with these anomalies. FedLoan Servicing intends to apply for compensation for the work required to correct the errors associated with the items labeled "Misstated Balances" and "Missing Interest Rate Adjustments", as described in the first column of the enclosed spreadsheet. FSA has not provided permission for PHEAA to apply for compensation for any other anomalies.

6. Copies of documentation to support the level of compensation received.
To date, PHEAA has not received compensation for any manual work associated with these anomalies.

Thank you for the opportunity to provide this information. Please do not hesitate to contact Scott Miller, Director of Federal Relations, at (202) 955-0055; Matthew Sessa, FedLoan Servicing Program Director, at (717) 720-2248, or me at 717-720-2202 if you have any questions or if PHEAA can be of any further assistance.

Sincerely,

(b)(6) [redacted]

James L. Preston

JLP/lag
051914 Preston to Sen. Alexander

Enclosures

PHEAA
Pennsylvania Higher Education Assistance Agency

ACS Anomalies

Servicing Anomaly	Overview	Unanticipated Work	Compensation	Volume & Borrower Impact	Anomaly % of ALL ACS Loans Transferred	Anomaly % of ALL ACS Borrowers Transferred
Balloon Payments	As we received transfers from ACS, we recognized an anomaly where loans/borrowers were passed to us with scheduled final payments that were so extreme as compared to the monthly payments that we commonly refer them to as 'balloon payments.' This anomaly primarily occurs for borrowers on Graduated repayment schedules where the payments begin low and gradually increase with time. The regulations require that no one payment 'tier' on a Graduated schedule exceed another tier by more than 3 times (the '3x rule'). The volume described under this scenario includes borrowers we found with final (or other tier) payments that exceeded the 3x rule by more than $5.	Yes	No	**280,371 Loans for 102,751 Borrowers** - For borrowers with a scheduled balloon payment, we have redisclosed the repayment schedule, which, for some, resulted in a significant change or increase in their monthly payment amount due, though it prevented their final payment from violating the 3x rule (by more than $5.00). The most extreme balloon payment we found was passed to us in a transfer from ACS in 2010 for a borrower with an initial monthly payment of $351.47, so the maximum scheduled payment for this borrower's Graduated repayment schedule should not have exceeded $1,054.41. The final payment due for the borrower based on the assigned repayment schedule was $79,369.04 (more than $78k higher than allowed by Regulation). Additional information is provided below on how many loans fell into the below buckets (dollar amounts represent the amount by which the 3x rule was violated in each instance). **$5-$24.99 = 32,148** **$25-$99.99 = 126,157** **$100-499.99 = 95,644** **$500+ = 4,999**	3.26%	4.38%
Due Date Cluster	During the ACS PUT transferred loans (2009 and 2010), the vast majority of borrowers came to us assigned to the due date of 14th of the month.	Yes	No	**216,275 Borrowers** were assigned to us from ACS in the 2009 and 2010 PUT Transfers - 33.11% of all PUT loans transferred to us from ACS with active due dates (653,230) had a due date of the 14th of the month. For comparison, only 2.77% of all PUT loans transferred to us from ACS with active due dates had a due date of the second, which is the next highest due date cluster we saw. This resulted in spikes in operational work, delinquencies surrounding that due date, and increased mail and email volume around the middle of each month. To a borrower, this may have meant longer hold and process times and other decreased service levels.		9.23%
Misstated Balances	As a result of borrowers transferred to us from ACS for servicing, we had a number of borrowers escalate and/or dispute their balances. Primarily, borrowers who escalated were to us with inflated balances compared to what they expected to have. As these borrower concerns were recognized, we escalated the individual cases to FSA for review. FSA later issued CR 2165, defining a population of loans (833) that they found to have misstated balances. The CR resulted in our recalculation and adjustment to the appropriate balance for these borrowers.	Yes	We expect to receive $241,150 compensation for FSA CR 2165.	**833 Loans** - Based on the balance discrepancies, we did see a number of borrowers escalate (particularly those with falsely inflated balances). After we performed the applicable recalculations and adjustments, we notified the borrowers and thoroughly documented each account to ensure that loan counselors could appropriately counsel these borrowers. Since FSA CR 2165, we believe we have identified an additional **793 loans** with inflated balances and are currently reviewing the individual accounts with FSA.	0.01%	
Missed Interest Rate Adjustments	We were notified that interest rate adjustments had been received by ACS from Loan Consolidation, but not performed on some loans prior to the transfer of those loans to us for servicing. FSA issued CR 1963, defining a population of loans (2,133) that were found to have incorrect interest rates as a result of missed adjustments. The CR resulted in our adjustment to the appropriate rate.	Yes	We expect to receive $99,540 compensation for FSA CR 1963.	**2,133 loans** - Though there were delays in these borrowers having the correct interest rate, their rates have since been adjusted for the appropriate time period. All interest accrual and payment application has also been adjusted.	0.02%	
Loans not Paying off in Term	As we worked to onboard loans transferred from ACS, our system would flag (for evaluation and redisclosure) any borrowers that were determined to be repaying under repayment terms that would not result in the payoff of their loans on time. These repayment schedules would then be systematically or manually re-established.	Yes	No	**1,063,667 Loans for 502,337 Borrowers** - We notify borrowers anytime we perform a redisclosure, including redisclosures we perform if we determine that a loan will not be paid off within term based on a repayment schedule assigned by a previous servicer. Although much of this repayment schedule monitoring is handled systematically, borrowers quickly escalate if/when their repayment schedule is adjusted, which leads to additional calls and complaints.	12.39%	21.43%

Servicing Anomaly	Overview	Unanticipated Work	Compensation	Volume & Borrower Impact	Anomaly % of ALL ACS Loans Transferred	Anomaly % of ALL ACS Borrowers Transferred
Consecutive Forbearances	As a result of research and individual account examples, we found borrowers who had been on consecutive forbearances while serviced at ACS, at times in excess of 5 consecutive years.	Yes	No	**56,296 Loans for 21,144 Borrowers** - While we can assist borrowers to certify deferments or other situations in the past on a case-by-case basis, we can do little to mitigate the interest that accrued and capitalized as a result of forbearance abuse. For some borrowers, early exhaustion of forbearance makes successful repayment more difficult by limiting the options they have to suspend payments if unexpected situations arise later in repayment.	0.66%	0.90%
Bankruptcy Settlement Info Missing	Though not in high volumes, we have discovered 20 accounts to date where bankruptcy settlements were reached, but ACS did not provide the necessary information for us to properly service the accounts.	Yes	No	**57 Loans for 20 Borrowers** The total principal balance for these loans totals $925,824.72. Based on the delays in us receiving the bankruptcy settlement information, these borrowers were assigned repayment schedules (etc.) that did not take the agreed-upon settlement information into consideration. In most cases, this meant we were billing the borrowers for more than the settlement would call for, causing the borrower undue hardship and violating the terms of the bankruptcy settlement.	0.00%	0.00%
Misrepresented Collateral Files	We discovered a collateral file issue with the November 2013 and January 2014 ACS transfers after borrowers alerted to us the concern. When we researched the individual accounts, it appears that ACS passed files to us for archiving that should have been noted as 'work in progress.' Had the files been noted as 'work in progress,' we would have had processing staff apply deferment, forbearance and repayment schedule changes to borrowers who had returned forms to ACS, so the transfer would not have disrupted the processing of their applications.	Yes	No	**At Least 794 Borrowers** - Borrowers may have experienced undue hardship as a result of our delay in processing, or been forced to reapply unnecessarily.		0.03%
PSLF Qualifying Payment Exceptions	In 2010, FSA approved a one-time override of ACS's PSLF qualifying payment counter for a limited number of borrowers who claimed they were misinformed when establishing a repayment plan on new Direct Consolidation Loans. The guidance was primarily for borrowers who were advised to go on extended repayment plans and applied to borrowers who came forward and met the following conditions: 1. Had a new Direct Consolidation Loan between October 2007 and January 2012; and 2. Were on a Consolidation Standard Repayment Plan with a term greater than 10 years. In 2012 when FedLoan Servicing became the sole servicer for PSLF, had the loans for the predetermined 'exception' list transferred to us for review. As we understand it, these borrowers were must have made contact to ACS or FSA by June 4, 2012 in order for the override to be considered. However, there have been additional borrowers identified after the June 4, 2012 date which have since been approved by FSA to fall under exception processing.	Yes	No	**301 Borrowers** - For borrowers who made payments while on the ineligible repayment plan, the borrower was required to take two actions within 90 days of receiving notice to have their payments count: (1) Submit a completed Employment Certification Form (ECF) for any periods of time in the past (from the date of the letter) during which they were employed by a qualifying employer, and (2) Change their repayment plan, if they had not done so already, to one of the eligible repayment plans. Only payments made during months of valid employment and during the following qualifying payment credit window were counted for the override: Oct 2007/consolidation date (whichever is later) to Jan 2012/date identified (whichever is sooner) After each borrower reacted, we calculated the number of PSLF qualifying payments based on the following formula: Sum of all payments made on non-eligible repayment plan during credit window divided by the monthly installment amount on the first eligible repayment plan the borrower switched to. Notification was sent to the borrower providing confirmation of the total number of qualifying payments on their Direct loans as of the date the letter was sent.		0.01%
Trailing and Missing Payments	On multiple occasions, ACS identified financial transactions that were not completed prior to the transfer or loans to us for servicing. These payments and transactions ranged from those received during the transfer period, to those that may have been received months or (in some cases) even years before the transfer. For example: - In July 2011 and March 2012 NSF adjustments were received from ACS that (in some cases) had effective dates more than one year old. - In September 2013 a large number of payments were identified by ACS that had not been applied to borrowers' accounts.	Yes	No	As a result of the trailing or missing financial transactions, borrowers often see inappropriate delinquencies, delays in posting/crediting of their payments, and generally feel wronged by their servicers. Each individual borrower claim must be researched (which sometimes requires the borrower to provide evidence of payment) just as each clean-up requires manual work and adjustments.		

PHEAA
Pennsylvania Higher Education Assistance Agency

Summary of Issues Related to the Transfer of TEACH Grant and Public Service Loan Forgiveness Files from ACS to FedLoan Servicing

Federal Teacher Education Assistance for College and Higher Education (TEACH) Grant Program

The TEACH Grant Program is a program that provides merit-based grants to students who agree to teach full-time for four years at a low-income school in such high-need fields as mathematics, science, foreign language, bilingual education, special education, or reading. The four years of required service must be completed within eight years of the student graduating or leaving the TEACH Grant program of study. For students who fail to fulfill this service requirement or notify the Department of Education in a timely manner of their continued employment in a qualifying field and location of teaching, grants are converted to Direct Unsubsidized Stafford Loans, with interest accrued from the date the grants were disbursed. PHEAA serves as the exclusive servicer for TEACH, under contract with the U.S. Department of Education's (ED) Office of Federal Student Assistance (FSA). PHEAA's responsibilities include managing the teaching certification process, grant-to-loan conversion process, and conversion dispute process.

Following the award of the TEACH Grant Servicing contract to PHEAA, FSA began routing newly disbursed TEACH Grant awards directly to PHEAA from the Consolidation and Origination Disbursement (COD) System in mid-July 2013. FSA also coordinated the transfer of the existing TEACH Grant servicing portfolio from ACS. To transfer the grant records, the existing file format for transferring federal loans (EA27) was leveraged. Unfortunately, the EA27 format does not account for many of the program details necessary to support TEACH Grant servicing (in particular, service obligations for TEACH Grant). As a result, PHEAA partnered with ACS and FSA to prepare and deliver supplemental files that contained many of the details that were otherwise missing. Throughout the process of evaluating proposed supplemental file formats, several sample files were identified and reviewed. The sample files obtained were small and did not cover as many situations as arose in the actual transfer. On receipt of the live transfer file, PHEAA noted a large number of anomalies, questionable data, and scenarios that had not been anticipated. This led to additional manual work and, in some cases, manipulation of data to match the requirements of the TEACH Grant program. In an attempt to minimize the impact on the transferred TEACH Grant recipients, PHEAA proposed, and was granted authority, to impose a 60-day grant-to-loan moratorium or "hold" on grant-to-loan conversions. This gave TEACH Grant recipients with active certification due dates more time to react to the transfer in servicing and identify inaccurate data. While this helped to mitigate concerns, PHEAA is still experiencing examples of borrower confusion and servicing issues as a result of the transfer.

During implementation, PHEAA asked for historical grant records for all TEACH Grants that had been converted to loans with ACS because of the anticipated need to research grants that had been converted to loans in error. Unfortunately, this data/detail could not be provided. Because this data is not available, manual work, historical file review, and data manipulation is necessary to reverse incorrect grant-to-loan conversions that were performed by ACS. PHEAA is currently working with FSA in an attempt to obtain this data in an automated fashion.

Public Service Loan Forgiveness (PSLF) Program

PHEAA serves as the exclusive servicer for PSLF under contract with ED and FSA. PHEAA's responsibilities include confirming qualifying employment, managing PSLF transfers, counting qualifying payments towards loan forgiveness, and providing counseling to interested borrowers.

Before PHEAA began to service PSLF, the program was publicly announced, but the program requirements were not well publicized to students and student loan servicers. As a result, PHEAA has encountered borrower frustration and confusion. This is especially true among borrowers who are found not to have been complying with program rules regarding qualifying payments (payments that conform to program rules and count towards eventual loan forgiveness). PHEAA has encountered numerous Direct Loan borrowers, serviced at ACS, who were told that payments made on certain repayment plans (that were not eligible plans) would qualify towards loan forgiveness, when eligible plans are clearly defined in statute and regulation. It is not clear that sufficient guidance was provided by ACS to its customer service representatives on the rules surrounding PSLF eligibility.

Servicing of PSLF is further complicated by the lack of necessary data elements in the existing file format for transferring federal loans (EA27). For example, the payment history, historical billing, and repayment plan information needed to evaluate a borrower's PSLF qualifying payment history is not available in the file format, resulting in the need to manually process supplemental files. Payment counting is, in large part, a manual process. In many cases, borrowers have had more than one servicer, which leads to multiple files, payment counting delays, and a more extensive manual workload. This can cause borrowers to experience extended delays before they learn whether their past payments count towards loan forgiveness. FSA has taken some steps to require that the most recent servicer of a borrower's loans pass this data in a more usable manner, but many of these borrowers were serviced by ACS at some point in their history and ACS was never required to provide this supplemental data.

From: Kang, Soo
Sent: 15 May 2014 10:13:22 -0500
To: Leith, William;Kane, John;Hough, Jana;O'Flaherty, Sue;Bumgarner, Bradley;Bradfield, Patrick
Subject: FW: Reply to Letter from Senator Alexander
Attachments: Response to Senator Alexander.05.15.14.pdf

Aspire's response

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer

U.S. Department of Education
Federal Student Aid
202-377-3798

From: Steve McCullough [mailto:SMcCullough@Studentloan.org]
Sent: Thursday, May 15, 2014 11:00 AM
To: Kang, Soo
Cc: Sutphin, Mike; Steve McCullough
Subject: Reply to Letter from Senator Alexander

Attached is a copy of the response we plan to send to the Senate HELP Committee via email at 3:00pm CST today.

Steven W. McCullough, President & CEO
Iowa Student Loan | 515.273.7413 | www.studentloan.org | SMcCullough@Studentloan.org

Aspire Resources Inc
6775 Vista Drive
West Des Moines, IA 50266
877.855.1119
www.AspireResourcesInc.com

May 15, 2014

The Honorable Lamar Alexander
Ranking Member, Committee on Health, Education, Labor, and Pensions
United States Senate
Washington, DC 20510-6300

Dear Senator Alexander:

This letter constitutes our response to your letter request received by Aspire Resources, Inc. dated May 1, 2014. Your letter asked six questions pertaining to our role as a servicer of Federal Direct Student Loans for the U.S. Department of Education (ED), with these questions focusing on the loans we received from ACS/Xerox.

1) The total number of loans we received from ACS/Xerox was 1,285,211, made to 427,883 borrowers.[1]

2) The total number of these loans with "servicing anomalies" was 23,721, if the definition of "servicing anomaly" is a loan that required extraordinary effort to prepare for servicing on the PHEAA Compass computer system (which we utilize as our system of record). The extraordinary effort was necessary because the loan files received from ACS/Xerox contained data with flaws included missing information; incorrect information; or combinations of data which were incongruent with ED guidance.[2]

3) All the loans with "servicing anomalies", by definition, required work that was not anticipated under our contract. We incurred significant expenses to remedy these problems for which we received no reimbursements or payments from ED.

   Working with ED, we took all steps possible to shield borrowers from the impact of these situations. In the breakdown below, the types of anomalies where borrowers were impacted are specifically identified.

[1] We also received 106,918 borrower accounts, totaling 323,219 loans when we converted the allocation of KSA Servicing ("KSA" or "Kentucky"), another NFP servicer, to our servicing system. These accounts were previously converted by KSA from ACS/Xerox, but we did not include them in the calculations set forth in this letter because Aspire did not convert them directly from ACS/Xerox. Aspire has, however, incurred some additional expenses to correct such anomalies.

[2] Aspire also incurred expenses in posting certain updates and corrections to the loans it received from ACS/Xerox after they were converted to our system. One such example was correcting old Non-Sufficient Funds notifications that should have been applied by ACS/Xerox. Because these updates and corrections were not made at the time of conversion, they were not included in the listings above.

Type of Anomaly	Borrower Impact
Transferred accounts of deceased borrowers.	Family of deceased borrower
Xerox inadvertently allowed partially disbursed loans to be consolidated. This left the second and any subsequent disbursements to be serviced as a loan separate from the first disbursement.	Y
ACS sent accounts with incorrect interest rate.	Y
ACS sent consolidation loans for the same borrowers on different repayment plans.	Y
Repayment schedule sent from ACS included a large final payment as the borrower's last payment. While payment calculations correctly showed what was needed to pay off the loan - in most cases the borrower should have been re-disclosed by ACS/Xerox to avoid this situation.	Y
PLUS loans would normally have a borrower social security number ("SSN") different than student SSN (in the 01 record and reference record 10). These were sent with both the borrower and student SSN being the same. For joint consolidations the co-maker SSN was sometimes sent in the student SSN data element by mistake.	N
Incorrect payment amount sent.	Y
Bankruptcy data sent on accounts. Bankruptcies were not supposed to be transferred in NFP transfers, and the data provided was not accurate.	Y
Some loans were incorrectly sent with zeroes in the repayment terms data elements.	Y
Inconsistent handling of deceased joint/spousal consolidation co-makers. The 10 record for a spousal/joint consolidation (Z in loan type) was either not sent with co-maker information or the co-maker information was the same as the borrower information.	N
ACS sent accounts on ICR and IBR with missing/incorrect forgiveness counters in transfer (EA27) file.	Y
Accounts were sent with the wrong balance. This was tied to adjustments/payment application by ACS.	Y
Borrower was on Forbearance/Deferment - but not sent in EA27 file as such.	Y
Repayment schedule too long for repayment plan.	Y

4) Percentage of Loans Categorized by Each Anomaly

Type of Anomaly	Percent of Loans Impacted
Transferred accounts of deceased borrowers.	0.001%
Xerox inadvertently allowed partially disbursed loans to be consolidated. This left the second and any subsequent disbursements to be serviced as a loan separate from the first disbursement.	0.005%
ACS sent accounts with incorrect interest rate.	0.01%
ACS sent consolidation loans for the same borrowers on different repayment plans.	0.08%
Repayment schedule sent from ACS included a large final payment as the borrower's last payment. While payment calculations correctly showed what was needed to pay off the loan - in most cases the borrower should have been re-disclosed by ACS/Xerox to avoid this situation.	0.038%
PLUS loans would normally have a borrower social security number ("SSN") different than student SSN (in the 01 record and reference record 10). These were sent with both the borrower and student SSN being the same. For joint consolidations the co-maker SSN was sometimes sent in the student SSN data element by mistake.	0.11%
Incorrect payment amount sent.	0.06%
Bankruptcy data sent on accounts. Bankruptcies were not supposed to be transferred in NFP transfers, and the data provided was not accurate.	0.13%
Some loans were incorrectly sent with zeroes in the repayment terms data elements.	0.52%
Inconsistent handling of deceased joint/spousal consolidation co-makers. The 10 record for a spousal/joint consolidation (Z in loan type) was either not sent with co-maker information or the co-maker information was the same as the borrower information.	0.00%
ACS sent accounts on ICR and IBR with missing/incorrect forgiveness counters in transfer (EA27) file.	0.54%
Accounts were sent with the wrong balance. This was tied to adjustments/payment application by ACS.	0.01%
Borrower was on Forbearance/Deferment - but not sent in EA27 file as such.	Unknown
Repayment schedule too long for repayment plan	Unknown

For some anomalies, we were unable to determine the number of loans impacted, but we were able to discern the number of borrow accounts (containing one or more loans) that were impacted:

Type of Anomaly	**Percentage of Borrower Accounts**
Borrowers transferred with total balance less than $25	0.02%

4) Aspire received no compensation for unanticipated work.

5) Because we did not receive compensation for unanticipated work, we have no documentation of such compensation to present.

Sincerely,

(b)(6)

Steven W. McCullough
President

Pc: Senator Tom Harkin, Chairman Committee on Health, Education, Labor, and Pensions

From: Kang, Soo
Sent: 16 May 2014 07:04:20 -0500
To: Kane, John;Bumgarner, Bradley;Hough, Jana;O'Flaherty, Sue;Bradfield, Patrick
Subject: FW: Request for information from Senator Alexander
Attachments: Exhibit A- Transfers Issues List.pdf, Letter Response to Lama Alexander.pdf

FYI..

From: Farmer, Jennifer - x3484 [mailto:FarmerJ@mohela.com]
Sent: Thursday, May 15, 2014 6:49 PM
To: Kang, Soo
Cc: Smith, Angie; Slattery, Colleen - x3929
Subject: FW: Request for information from Senator Alexander

Soo,
Attached is the response and documentation that we provided to Senator Alexander. We also received a request from Harkin to receive a copy as well (this has been delivered). Please let us know if you have any questions. Thanks!

Jennifer Farmer
Director of Federal Contracts
MOHELA
866.333.7860 x3484
farmerj@mohela.com

From: Farmer, Jennifer - x3484
Sent: Thursday, May 15, 2014 5:42 PM
To: 'bill_keller@help.senate.gov'
Cc: Shaffner, Will - x3430; Bayer Jr., Raymond - x3323
Subject: Request for information from Senator Alexander

Mr. Keller,
Please find the attached response on behalf of Mr. Raymond H. Bayer Jr. Please let Mr. Bayer know if you have any additional questions and have a great weekend!

Jennifer Farmer
Director of Federal Contracts
MOHELA
866.333.7860 x3484
farmerj@mohela.com

From: Keller, Bill (HELP Committee) [mailto:Bill_Keller@help.senate.gov]
Sent: Thursday, May 01, 2014 11:32 AM
To: Shaffner, Will - x3430; Bayer Jr., Raymond - x3323
Cc: Nelson, Kristin (HELP Committee); Moran, Robert (HELP Committee)
Subject: Request for information from Senator Alexander

Mr. Bayer and Mr. Shaffner: Today, Senator Alexander is sending the attached letter to MOHELA asking for information to assist us in our oversight of the Federal Direct Loan program. A similar letter is being sent to all contracted servicers. If you have any questions please do not hesitate to contact Kristin Nelson or myself. We look forward to your prompt response and working with you.

Bill Keller
Oversight and Education Fellow
Senator Lamar Alexander (R-Tenn.)
Ranking Member, Committee on Health, Education, Labor and Pensions (HELP)
835 Hart Senate Office Building
Washington, DC 20510
(202) 224-6770

Follow Ranking Member Alexander on Facebook, Twitter, YouTube, and on the web (committee and Senate office)

ACS to MOHELA Transfer Issues

Num	Issue	# of Loans	Percentage of Total Loans Received	Borrower Impact Y/N	High Level Overview of Borrower Impact
1	Incorrect interest rate	509	0.01558%	Y	Recalculation of borrower's repayment schedule post release
2	Missing repayment schedules or repayment terms missing/invalid Some loans are incorrectly sent with zeros in the repayment terms data elements incorrectly	3,967	0.12144%	N	n/a
3	Borrower on non-income plan but $0 payment amount	835	0.02556%	N	n/a
4	Missing ICR counters	6,934	0.21226%	N	n/a
5	Missing IBR counters	4,852	0.14853%	N	n/a
6	No PAYE Borrowers identified in this transfer, however some borrowers were later identified on PAYE	18	0.00055%	N	n/a
7	Future Payments - ACS pulled future scheduled payments for borrowers after transfer	10	0.00031%	Y	Duplicate payments, refunds processed
8	Outstanding borrower interest issues	12	0.00037%	N	n/a
9	Missing debt IDs for any recalled/rehabbed loans	2,998	0.09177%	N	n/a
10	Invalid aard ID sent	1	0.00003%	N	n/a
11	Borrower has 1 loan that shows as 270 days delinquent - but others are much more current	1	0.00003%	Y	Multiple stages of due diligence being performed
12	Borrower has 13 loans all sent as if delinquent since 10/7/2011 however loans should be current and on an IB not IL plan.	13	0.00040%	N	n/a
13	Capitalization date populated incorrectly	1	0.00003%	N	n/a
14	Total balance less than $25.00	56	0.00171%	Y	Write off performed
15	Repayment term/schedule issues	9,519	0.29140%	N	n/a
16	Final Payment is much larger than the current payment and in some instances 3 times greater than the current payment amount.	72,923	2.23232%	Y	Recalculation of borrower's repayment schedule post release
17	Joint/Spousal consolidation sent with incorrect or missing co-maker/spouse information	35	0.00107%	N	n/a
18	Interest/Cap interest incorrect - Separation Date Issue	1	0.00003%	N	n/a
19	Interest outstanding on a zero principle balance loan	5	0.00015%	Y	Write off if tolerance was met or borrower is due for the interest
20	Incorrect current due/partial due/next payment due/last installment	18	0.00055%	Y	Delinquent or paid ahead
21	Borrowers with one loan on IBR/ICR and other loans on diff repay plans	6,423	0.19662%	Y	Updating of repayment plan type
22	Incorrect payment amounts & terms for IBR/ICR and IL	81,187	2.48529%	Y	Updated IDR renewal date
23	Same loan award ID sent in multiple sets of loan records 2 loans were sent with multiple sets of loan records --- one had 4 separate loan records and one had 3 separate loan records (both look to be spousal/joint consolidations).	2	0.00006%	N	n/a

24	Last extraction date in the past or in the future; incorrect next scheduled extraction date	59,011	1.80644%	Y	Extraction may have been delayed
25	First payment term is for one payment with much higher than the following payments - 1st level of schedule transferred was from previous schedule then subsequent levels were the new schedule	14,011	0.42890%	N	n/a
26	ACS sent the same loan in 2 sets of loan records - Loans with duplicate award ids were transferred	316	0.00967%	Y	Each disbursement was treated as separate loans. Loans were combined
27	Next payment due is in the past	7,949	0.24333%	N	n/a
28	Reduced payment forbearance with $0 payment amount	423	0.01295%	Y	Updated forbearance type
29	Loans with specialty claim of bankruptcy being sent without data elements	126	0.00386%	N	n/a
30	Next payment due date was incorrect	8	0.00024%	N	n/a
31	Specialty claim of Teacher Loan Forgiveness being sent without data elements	10	0.00031%	N	n/a
32	Loans on ICR - Missing data elements	51	0.00156%	N	n/a
33	Total payments made - Payment totals sent on history record doesn't match sum of payments sent in the transfer file	3,629	0.11109%	Y	Recalculation of borrower's repayment schedule post release
34	Incorrect principal balance at repayment begin date - amount provided is incorrect	3,790	0.11602%	Y	May effect borrower repayment terms
35	Payment Amounts Wrong - Payment total sent on history record doesn't match sum of payments sent on loans in EA27.	5	0.00015%	Y	Borrowers had a payment applied after the transfer file was created (which caused the history to appear as if it is applied). The payment was reversed and put back into unapplied and sent to
36	Note amount > sum of disbursement	34,526	1.05691%	N	n/a
37	Application date > date of earliest disbursement	75,142	2.30024%	N	n/a
	TOTAL	**389,317**	**11.91775%**		

Note: Loans may be included in multiple issues

MOHELA

May 15, 2014

The Honorable Lamar Alexander
United States Senate
Committee on Health, Education, Labor and Pensions
Washington, DC 20510-6300

Dear Senator Alexander,

On behalf of MOHELA, I am writing in response to your letter dated May 1, 2014, requesting information that will aid in the HELP Committee's oversight of the U.S. Department of Education's (ED) Office of Federal Student Aid (FSA).

You requested specific information to assist the Committee in understanding how FSA manages its contracts with Direct Loan servicers, including the quality of loans that were transferred from the Direct Loan Servicer, ACS Education Solutions (ACS), the challenges servicers faced when loading some loans onto their platforms, and if additional compensation was received for unanticipated work due to the quality of the loans transferred. MOHELA appreciates your inquiry and is happy to provide the information below.

You requested MOHELA to respond in writing with the following information:

1. The total number of loans that were transferred to you from ACS
    - 3,266,698 loans transferred to MOHELA from ACS between October 2011 and March 2013.
2. The total number of ACS loans transferred to MOHELA with servicing anomalies
    - MOHELA defines servicing anomalies as transfer issues identified during the loading of the loans based on the data provided by ACS. During the transfer process between October 2011 and March 2013, 389,317 loans were identified as having servicing anomalies that resulted in transfer issues requiring resolution among MOHELA, FSA and ACS.
3. A summary of the types of anomalies in the loans MOHELA received from ACS, including whether an anomaly required work that was not anticipated by MOHELA's contract with ED and whether each respective anomaly raised problems for borrowers and/or customer service
    - Please refer to Exhibit A for the summary of anomalies, which we define as transfer issues identified during the loading of the loans based on the data provided by ACS and if these raised any problems for borrowers and/or customer service.

4. A breakdown, if available, of the percent of loans categorized by each type of anomaly

    - Please refer to Exhibit A for this information.

5. The amount, if any, MOHELA received in compensation for unanticipated work

    - MOHELA did not receive any compensation over and above the conversion fee of $10.00 per borrower account transferred to us for servicing, which was part of the pricing schedule in our contract with FSA (Contract No. ED-FSA-11-D-0012).

6. Copies of documentation to support the level of compensation received

    - Not applicable

Serving as a contractor for ED and FSA, and as a steward of borrower services, we believe the information provided herein represents an accurate and complete response to your request. Should you have any questions, please contact me.

Sincerely,

(b)(6)

Raymond H. Bayer, Jr
MOHELA Executive Director & CEO
1-866-333-7860 x3323
Rayb@mohela.com

Enclosure

From: Kang, Soo
Sent: 23 May 2014 11:58:51 -0500
To: Kane, John;Leith, William;Bradfield, Patrick;Bumgarner, Bradley;O'Flaherty, Sue;Hough, Jana
Subject: FW: Sallie Mae Response to Letter from Senator Alexander Requesting Information
Attachments: Remondi Response to Senator Alexander_5.20.2014.pdf

FYI..

From: Leary, Robert [mailto:Robert.K.Leary@salliemae.com]
Sent: Friday, May 23, 2014 12:17 PM
To: Kang, Soo
Cc: Smith, Angie; Gibson, Karen; Hill, Katharine; Jones, Amber K.; Grassi, Judith
Subject: Sallie Mae Response to Letter from Senator Alexander Requesting Information

Soo: As requested, attached is Navient/Sallie Mae's response to Senator Alexander. If you have any questions, please contact myself or Judy. Best Regards, Bob

Bob Leary | VP, Title IV Servicing | Sallie Mae Department of Education Loan Services
phone: 703.984.6837 | email: Robert.K.Leary@salliemae.com | web: SallieMae.com

From: Kang, Soo [mailto:Soo.Kang@ed.gov]
Sent: Tuesday, May 06, 2014 4:24 PM
To: caron.peterson@nelnet.net; Cynthia McGeary (cmcgeary@aessuccess.org); Grassi, Judith; Jeff Crosby (jcrosby@glhec.org); Jim Harris (Jim.Harris@nelnet.net); Woods, Kevin; Leary, Robert; Leitl, Jill (JLeitl@glhec.org); Matt Sessa (msessa@pheaa.org); Robert Boisen; Stover, Matt; 'Andy Rogers'; bcox@utahsbr.edu; cwilliams@gsmr.org; Debbie Phillips (dphillips@utahsbr.edu); 'Elena Lubimtsev'; Farmer, Jennifer - x3484 (FarmerJ@mohela.com); Fred Crump (fcrump@osla.org); Jeremy Morrison (jmorrison@mycornerstoneloan.org); 'Jim Farha'; kbowen@gsmr.org; Mary Kay DeBolt (mdebolt@studentloan.org); Patrick Leduc (Leduc@vsac.org); Rosanne Nelson (nelson@vsac.org); Sasha VanOrman (svanorman@mycornerstoneloan.org); Slattery, Colleen - x3929 (ColleenS@mohela.com); Suzanne Kidwell - Aspire (SKidwell@aspireresourcesinc.com); Wanda Hall (WHall@edfinancial.com)
Cc: Smith, Angie; Gibson, Karen; Hill, Katharine; Jones, Amber K.; Kane, John
Subject: Letter from Senator Alexander Requesting Information
Importance: High

Dear Servicers,

I am writing today regarding a letter that you may have recently received from Senator Alexander, Ranking Member of the U.S. Senate Committee on Health, Education, Labor, and Pensions concerning the quality of loans that were transferred to you from the Direct Loan Servicer, ACS Education Solutions. Specifically, the letter requests 1) information on the number of loans transferred to you from ACS; 2) the total number of those loans with servicing anomalies; 3) a summary of the types of anomalies received, 4) a breakdown, if available, of the percent of loans categorized by each type of anomaly, 5) the amount, if any, you received in compensation for unanticipated work, and 6) copies of documentation to support the level of compensation received.

The Department often receives this type of correspondence from the Committee. Because some of you have called FSA regarding this request, we want to provide you with some information based on our experiences. As part of the Congressional oversight process, the Committee often requests specific information from us in letters similar to the one you received. We are committed to fully and accurately responding to the Committee's letters. In that spirit we encourage you to work directly with the Committee to respond to their request for information. We ask that you provide the Department with a copy of your response when it becomes available. Also, if you believe your efforts to respond in a timely matter will impact your ability to fulfill the requirements of your contract, you should contact the Committee to inform them that you will need additional time to respond. If you prefer, we will be happy to work with you, our Office of Legislation and Congressional Affairs, and the committee staff to work toward a mutually agreeable schedule.

Thank you and please feel free to contact us if you have any questions.

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer

U.S. Department of Education
Federal Student Aid
202-377-3798

NAVIENT

Jack Remondi
President and Chief Executive Officer
300 Continental Drive
Newark, Delaware 19713
Telephone: 302-283-8460
E-mail: Jack.Remondi@navient.com

May 20, 2014

The Honorable Lamar Alexander
United States Senate
455 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Alexander:

I am pleased to respond to your request from May 1, 2014, to provide information and data on the transfer of Department of Education-owned federal student loans from the Direct Loan Servicer, ACS Education Services (ACS) to our platform. These transfers were undertaken as part of our servicing contract with the Department of Education's Office of Federal Student Aid (FSA). As with the transfer of any loan accounts from one servicing platform to another, there were challenges in transferring ACS-serviced loans to Navient's servicing platform. However, we are pleased to report that we were able to address these challenges and minimize disruption to borrowers.

I have attached the answers to your specific questions to this letter. In summary, from 2010 to 2013, 7.5 million loans, representing $47.2 billion in Direct Loans and Department-owned FFELP loans were transferred from ACS to Navient's servicing system. During the transfer process, we identified and remedied data anomalies—missing data, inconsistent data or data suspected of not being mapped correctly—on 131,905 (1.8 percent) of the loans. In addition to issues identified prior to conversion, we had to address issues on another 243,070 loans (representing 3.2% of the loans) after the loans were transferred to Navient's servicing system.

In addition, Navient had to commit a significant amount of unexpected resources to address the high level of delinquency that we found on the loans that we received. Of the one million borrower accounts we received during final wind-down of ACS servicing in 2012-13, 14 percent of borrowers were 90 days or more delinquent. This is significantly elevated from the levels that we see on the other Direct Loan and FFELP loans that we service. Servicing demands on delinquent accounts are considerably higher than on other accounts, requiring significant outreach through several channels.

- Our outreach involves multiple attempts through calls, letters, e-mails, and texts with the goal of helping borrowers get back on track by identifying the right payment plan for their financial circumstances.
- We discovered that Navient's outreach efforts for severely delinquent accounts are 10 times that of the outreach performed by ACS.
- This outreach is critical. If we can reach a delinquent borrower, we can help them avoid default over 90 percent of the time. (In fact, we find that of those who do default, nine out of 10 have not responded to our outreach.)

Because of this extensive outreach, we were able to cut the 90-day plus delinquency rate on these transferred loans by more than half, from 14 percent to 6.9 percent.

I hope that you find our answers to your specific questions helpful. I speak on behalf of our over 6,000 employees when I say that it is our privilege to serve as one of federal student loan servicers. We have brought our 40-years of servicing experience to deliver the best default prevention performance of all federal servicers. Our success in this area is based on our guiding objective: helping borrowers navigate their way to financial success. It is the most important work that we do.

Sincerely,

(b)(6) [redacted]

John (Jack) F. Remondi

Enclosures
cc: Kristin Nelson (HELP Committee Staff)
Bill Keller (HELP Committee Staff)

Attachment
Letter to the Honorable Lamar Alexander

Responses to Question on Loan Transfers

Navient is pleased to provide the requested information on the transfer from the Direct Loan Servicer, ACS Education Solutions (ACS) under the servicing contract with U.S. Department of Education's Office of Federal Student Aid (FSA).

1. *The total number of loans that were transferred to you [Navient – Department of Education Loan Servicing] from ACS.*

   The following chart illustrates the number of Department of Education-owned loans (Direct Loans and ED-owned FFEL) Navient received from ACS under the TIVAS Contract. Such transfers were executed in a highly automated manner using the FSA defined standard file layout. Based on our experience, these FSA-initiated transfers were properly planned, executed and continuously monitored by FSA to ensure a timely and accurate on-boarding process.

   The transfers started with addressing borrowers who had "split-serviced" loans between ACS and Navient so that borrowers would have all their federally owned loans at a single servicer and receive a single monthly billing statement. The transfers included all loan status categories (i.e., in-school, grace, current repayment, delinquent, forbearance, deferment, bankruptcy and default). The final loan transfer Navient received was on August 23, 2013.

Year of Transfer	Number of Loans^	Amount (Principal & Interest)
2010	1,299,298	$5,808,616,537
2011	9	$44,034
2012	1,989,780	$11,279,697,995
2013	4,226,026	$30,150,225,507
Total	7,515,113	$47,238,584,074

^ Represents approximately 1.8 million borrowers who had an individual loan or loans transferred to Navient from ACS

2. *The total number of loans with servicing anomalies, and*

3. *Summary of Anomalies in the loans received, including whether an anomaly required work that was not anticipated by your contract with ED and whether each respective anomaly raised problems for borrowers and/or customer service, and*

4. *A breakdown, if available, of the percent of loans categorized by each type of anomaly.*

   In processing the transfer of ACS-serviced loans to Navient, there were three categories of anomalies: on-boarding data anomalies, post-transfer data anomalies, and post-transfer delinquency issues.

   <u>On-boarding data anomalies:</u> The following chart illustrates the anomalies arising during the on-boarding or conversion process on the former ACS-serviced loans Navient received. We have interpreted the term "anomaly" as meaning either missing data, inconsistent data or as data suspected as not being mapped correctly. If left unresolved, the data anomaly would

result in a loan being on-boarded with a status, balance, payment amount, or other errors that could result in a borrower question or in a misstated loan. Such anomaly items each required and did receive either automated or manual correction efforts; consequently all such data anomalies were corrected or validated prior to a loan going live on our system. Our TIVAS contract clearly contemplates we will convert loans correctly and provide expertise and services to yield high-performing portfolios and high levels of customer satisfaction. For the purposes of this chart, an anomaly does not include any servicing errors that may have occurred at ACS that required remediation. The conversion of ACS loans was contemplated as part of our original response to the TIVAS solicitation; the common pricing FSA established was inclusive to pay the TIVAS Servicers for conversion efforts.

The data anomaly rate was relatively high on the loans transferred in 2010 and 2012: 2.8 percent and 2.9 percent respectively. However, because of the focused efforts by FSA management, we were able to reduce the data anomaly rate to 0.9 percent in 2013.

Data Anomaly Category Totals

	Year				Anomaly % of Loan Volume
Category	**2010**	**2012**	**2013**	**Total**	
Disclosure & monthly payment amount inconsistencies	25,650	16,103	20,117	61,870	0.82%
Date error conditions	5,499	23,085	7,692	36,276	0.48%
Loan status anomalies	1,082	16,776	8,463	26,321	0.35%
Interest rate inconsistencies	5,870	226	696	6,792	0.09%
Loan balance issues	146	27	473	646	0.01%
Total	**38,247**	**56,217**	**37,441**	**131,905**	
Loans Converted:	**1,299,298**	**1,989,780**	**4,226,026**	**7,515,104**	
Annual Anomaly Rate	**2.9%**	**2.8%**	**0.9%**	**1.8%**	

Post-conversion data anomalies: In addition to identifying data anomalies prior to conversion, a number of data issues associated with pre-transfer ACS servicing errors were identified once the loans were loaded to the Navient servicing system. These issues were identified as a result of being notified by FSA Transfer Coordinators, customer complaints, and additional system interrogations performed by Navient. The post-conversion anomalies are categorized in the table below.

Attachment
Letter to the Honorable Lamar Alexander

Responses to Question on Loan Transfers

Post-Conversion Remediation of ACS Servicing Errors			
Category of Remediation	**Typical Remediation Reasons**	**Loans Impacted**	**% Loan Volume**
Disclosure/Payment Amounts	Payment amount incorrect, loan undisclosed/underdisclosed. IDR payment data missing, excessive forbearance time used	170,253	2.27%
Loan Status	Inaccurate deferment types needed manual research	67,165	0.89%
Interest Rate	Interest rate provided was incorrect	5,006	0.07%
Loan Balance	Loan balance provided at time of conversion was inaccurate	646	0.01%
	Total	**243,070**	**3.23%**
	Total Loans Converted	**7,515,104**	

Post-conversion delinquency remediation: As part of the most recent transfer associated with winding down the ACS servicing operation, Navient received a $36 billion portfolio of 1 million customers with 5.3 million loans that had a 90-day or greater delinquency rate of 14%. This rate of serious delinquency was higher than what we have seen in our other servicing portfolios and required a significant commitment of resources to reach out to borrowers and help them access income-based repayment or other repayment plans to bring their loans current. Under Navient's performance-based contract, we provided far more frequent and strategic outreach efforts than had been undertaken by ACS. Navient's outreach efforts, in combination with repayment counseling by customer service staff, resulted in a reduction of the 90-day or greater delinquency rate to 6.9%, a reduction by more than half.

5. *The amount, if any, you (Navient) received in compensation for unanticipated work.*

FSA has identified loans or root causes that may require remediation by the new servicer on any former ACS-serviced loans to correct servicing error conditions. The primary way that this is captured is by formal Contract Change Requests where FSA issues remediation requirements and requests all Federal Servicers to respond with an Impact Analysis (how the problem will be fixed) and a fixed price cost proposal should any cost be involved. To-date there have been three Contract Change Requests issued for a total of $256,486 in compensation for approved work Navient performed. The Change Requests include:

CR1963	Correcting interest rates, outstanding principal balances and outstanding interest balances on loans transferred off ACS.
CR1979	Correcting first disbursement date provided by ACS in the EA27 file (not billed)
CR2165	Recalculate account balances for ACS misstated balance accounts transferred to new servicer.

Attachment
Letter to the Honorable Lamar Alexander

Responses to Question on Loan Transfers

6. *Copies of documentation to support the level of compensation received.*

   Enclosed with this letter is a copy of two invoices Navient (formerly Sallie Mae) submitted for payment to FSA.

SALLIE MAE INC.

INVOICE

PLEASE REMIT TO:
SLM CORPORATION
C/O WELLS FARGO BANK, NA
ABA ROUTING # 121000248
ACCOUNT # 4122180946
ATTN JAMES GILLUM

Contract Number ED-FSA-09-D-0015

Task Order #0001

Invoice # DE-000068

Invoice Date May 13, 2014

CUSTOMER:
E-MAIL INVOICEADMIN@ED GOV
US DEPARTMENT OF EDUCATION
UNION CENTER PLAZA
FEDERAL STUDENT AID ADMINISTRATION
830 FIRST STREET, NE, SUITE 54B1
WASHINGTON, DC 20202-0001

Customer ID: EDFSA09D0015

SLM Corporation TIN 522013874

Payment Terms Net 30 Days

Amount Remitted $__________

For Billing Inquiries and Questions Contact Robert Leary Vice President Title IV Servicing (703) 984-6837, Robert Leary@salliemae com

Monthly Servicing Fees for March 2014

Change Requests: The following Change Requests were successfully implemented

Change Requests Successfully Implemented	Date Implemented	Amount
CR#2165 Recalculate ACES Misstated Balance	3/21/2014	$197,480.00
CR#2165R Additional ACES Misstated Balance ACS	3/21/2014	$18,855.00

CC Karen Gibson (FSA) Veer Sain (FSA) Patrice Washington (FSA)
Soo Kang (FSA) Angie Smith (FSA) Tammy Connelly (FSA)
John Brooks (FSA)

SALLIE MAE INC.

INVOICE

PLEASE REMIT TO:

SLM CORPORATION
C/O WELLS FARGO BANK NA
ABA ROUTING # 121000248
ACCOUNT # 4122180946
ATTN JAMES GILLUM

Contract Number ED-FSA-09 D-0015

Task Order #0001

Invoice # DE-000048A

Invoice Date May 22 2013

CUSTOMER:

E MAIL INVOICEADMIN@ED GOV
US DEPARTMENT OF EDUCATION
UNION CENTER PLAZA
FEDERAL STUDENT AID ADMINISTRATION
830 FIRST STREET NE SUITE 54B1
WASHINGTON DC 20202 0001

Customer ID EDFSA09D0015

SLM Corporation TIN 522013874

Payment Terms Net 30 Days

Amount Remitted $_____________

For Billing Inquiries and Questions Contact Robert Leary Vice President Title IV Servicing (703) 984-6837 Robert.Leary@salliemae.com

Line	Description	Quantity	Unit of Measure Price	Price
B	Monthly Servicing Fees for April 2013			

Change Requests: The following Change Requests were successfully implemented

Change Requests Successfully Implemented	Date Implemented	Amount
CR#1963 Correcting Interest Rates on LC loans (Apr 2013)	4/30/2013	$40 150 00

Subtotal _____________

Change Requests That Remain Open (Not Yet Billable)

Adjustments (if any)

Total Due SLM Corporation

CC Michael J Murray (FSA) Veer Sa n (FSA) Patrice Washington (FSA)
Soo Kang (FSA) Angie Smith (FSA) Abdulaziz Yousuf (FSA) Tammy Connelly (FSA)

From: Kang, Soo
Sent: 23 May 2014 11:54:25 -0500
To: Kane, John;Leith, William;Bradfield, Patrick;Bumgarner, Bradley;O'Flaherty, Sue;Hough, Jana
Cc: Smith, Angie;Mahon, Karen
Subject: FW: Senator Alexander Request for Information Response Letter
Attachments: Senator Alexander Response Letter.pdf, RE: Senator Alexander Request for Information Response Letter

FYI, Utah's response.

From: Sasha VanOrman [mailto:svanorman@utahsbr.edu]
Sent: Thursday, May 22, 2014 5:41 PM
To: Kang, Soo; Sutphin, Mike
Cc: CSContracts
Subject: FW: Senator Alexander Request for Information Response Letter

Hi Soo and Mike,

Please see our recent email correspondence and the attached response that was provided to Senator Alexander's office today.

Let me know if you have any questions.

Thanks!
Sasha VanOrman
CornerStone Education Loan Services
Office: 801.366.8417
Mobile: 801.809.9008

From: Ashley Reyes
Sent: Thursday, May 22, 2014 3:21 PM

To: 'Bill_Keller@help.senate.gov'; 'beth_stein@help.senate.gov'; 'Katie_Neal@hatch.senate.gov'; 'Jana.Hernandes@ed.gov'; 'Mary.Oknich@ed.gov'; 'John.Kane@ed.gov'; 'Mark.Walsh@ed.gov'
Cc: Brenda Cox; David Feitz; Dave Schwanke; Richard Davis; Sasha VanOrman
Subject: Senator Alexander Request for Information Response Letter

Good afternoon:

I'm sending the attached response letter to the request for information from Senator Alexander on behalf of David Feitz, Executive Director of UHEAA. The original letter will be overnighted to Senator Alexander as well.

Ashley

Ashley Reyes
Assistant to the Executive Director
Utah Higher Education Assistance Authority (UHEAA)
60 South 400 West
Salt Lake City, UT 84101
Phone: (801) 321-7211
Fax: (801) 366-8470

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P O Box 145122
Salt Lake City, UT
84114-5122
800-663-1662
mycornerstoneloan.org

CornerStone
EDUCATION LOAN SERVICES
by uheaa

May 22, 2014

The Honorable Lamar Alexander
United States Senator
Ranking Member of the Senate Health, Education, Labor and Pensions (HELP) Committee
455 Dirksen Senate Office Building
Washington, DC 20510-6300

Dear Senator Alexander:

UHEAA has been serving students through various financial aid programs since 1977. CornerStone Education Loan Services (CornerStone) is a not for profit (NFP) organization within UHEAA that was created after the Federal Family Education Loan (FFELP) Program ended in an effort to continue doing what we do best, serving students. Our goal is to provide the best student loan experience anywhere for every student we serve. Recent metrics list CornerStone as one of the top Direct Loan servicers and the top-performing NFP servicer in the country.

We appreciate your unique understanding of the importance of the work we do with students on a daily basis. We are here to listen to help guide and assist students throughout the student loan repayment process. It's imperative to educate students about the array of options that are available to assist with their efforts in repaying their student loan(s) no matter what their current financial situation is. It is also vital to communicate with students about the manner in which each available option may be implemented to reduce the risk of default.

You recently wrote to our organization to ask for information to aid in your oversight of the U.S. Department of Education's (ED's) Office of Federal Student Aid (FSA). Please see our response to each of your questions as listed below:

Question 1: The total number of loans that were transferred to you from ACS.

Response 1: CornerStone has received a total of 342,862 loans (approximately 121,000 borrowers) from ACS.

Question 2: The total number of those loans with servicing anomalies.

Response 2: The total number of loans with identified ACS servicing anomalies is approximately 13,000.

Question 3: A summary of the types of anomalies in the loans received, including whether an anomaly required work that was not anticipated by your contract with ED and whether each respective anomaly raised problems for borrowers and/or customer service.

Response 3: There are various data anomalies that arise after any conversion when loans are transferred from one system platform to another. During the conversion to CornerStone, many of those errors were corrected before the loans were loaded to our system for servicing. Because we categorize those as normal issues that arise during conversion, we did not identify all the different scenarios that needed correction. The following is a list of the issues that could not be corrected before the loans were loaded to our system to be serviced where corrective action has been required since we began servicing the loan.

I. **Erroneous Repayment Terms - 12,925 loans:** These loans were received from ACS with repayment terms that would not amortize the loan within the students' current repayment schedule. To correct this issue, rather than let the system determine a new payment amount that would amortize the loan correctly and cause the borrowers' payment amounts to increase dramatically, CornerStone chose to contact the borrowers individually to identify a repayment plan that would work for the borrower and still meet regulatory requirements.

II. **Misstated Loan Balances - 45 Loans:** These loans were loaded to our system from ACS with erroneous loan balance information. FSA asked us to use all the documentation that had been received during the life of each loan to correct the misstated balance on the loan. FSA Change Request "2165 – Recalculate Account Balances for ACES Misstated Balance Accounts Transferred to New Servicer" was submitted by FSA to account for the work that that we were required to complete to resolve the misstated balance errors.

III. **Maximum Use of Forbearance Terms Exceeded – Unknown Number of Loans:** As we began servicing the loans and received calls from borrowers, we noted many instances of the maximum amount of forbearance time being exceeded before the loans were loaded to our system. These accounts were identified as borrowers called to request additional payment forbearance. We have worked with those borrowers on a case-by-case basis to move each borrower from forbearance into a manageable repayment plan. The number of these loans can only be determined by reviewing the servicing history of every loan in the portfolio which would require extensive time and effort. Rather than delay our response, we have chosen to list this issue as an anomaly without providing the number of occurrences, which could be determined in the future if an exact number would be helpful to you.

Question 4: A breakdown, if available, of the percent of loans categorized by each type of anomaly.

Response 4: Erroneous Repayment Terms = Less than 4%, Misstated Loan Balances = Less than 1%, Maximum Use of Forbearance Terms Exceeded = Unknown (see explanation above).

Question 5: The amount, if any, you received in compensation for unanticipated work.

Response 5: CornerStone has received a total of $7,087.00 as compensation for the successful implementation of FSA Change Request 2165 – Recalculate Account Balances for ACES Misstated Balance Accounts Transferred to New Servicer. We have not requested or received compensation for correcting the other anomalies.

Question 6: Copies of documentation to support the level of compensation received.

Response 6: Please see attached documentation supporting payment amount received for FSA Change Request 2165 – Recalculate Account Balances for ACES Misstated Balance Accounts Transferred to New Servicer.

We believe these responses fully answer each of the questions included in your inquiry. Please let us know if you have any questions regarding any of the responses.

Thank you for your current oversight efforts as the Ranking Member of the HELP committee as well as your continued commitment to public service by representing the citizens of the fine state of Tennessee.

Sincerely,

(b)(6) [redacted]

David A. Feitz
Utah Higher Education Assistance Authority (UHEAA)
Executive Director and Associate Commissioner for
Student Financial Aid
Board of Regents Building, The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284
Telephone: 801.321.7210
dfeitz@utahsbr.edu

cc: Senator Tom Harkin
Bill Keller, Senate HELP Committee
Beth Stein, Senate HELP Committee
Katie Neal, Senator Hatch's Office
Jana Hernandez, FSA
Mary Oknich, FSA
John Kane, FSA
Mark Walsh, FSA

Attachments: Cornerstone Invoice FSA038 – December 1-16 2013 – Redacted,
CornerStone Invoice – FSA 038 Payment_Redacted

CornerStone
60 South 400 West
Salt Lake City, UT 84101
Phone (801) 321-7200 Fax (801) 321-7174

Invoice

Date: January 21, 2014
Invoice #: FSA038

TO:
US Department of Education
Union Center Plaza
Federal Student Aid Administration
830 First Street, NE - Suite 54B1
Washington, DC 20202-0001
InvoiceAdmin@ed.gov
Fax: 202.275.3477

FOR:
Servicing Fees
Contract Number: ED-FSA-12-D-0003
Contract Line Item: 0002, 0005

Order Number: n/a
Task Order Number: 0002

INVOICE PERIOD: 12/1/2013 - 12/16/2013	Terms: Net 30 days

Description	Rate/Borrower	Borrower Count	Amount
Servicing Fees Borrowers 1-100,000			
Borrowers in In-School	$1.15	1	$1.15
Borrowers in Grace	$2.32	1	$2.32
Borrowers in Repayment, current	$2.32	83,264	$193,172.48
Borrowers in Deferment	$2.28	5,727	$13,057.56
Borrowers in Forbearance	$2.28	3,830	$8,732.40
Borrowers 31-90 Days Delinquent	$1.78	2,746	$4,887.88
Borrowers 91-150 Days Delinquent	$1.65	977	$1,612.05
Borrowers 151-180 Days Delinquent	$1.51	390	$588.90
Borrowers 181-270 Days Delinquent	$1.51	875	$1,321.25
Borrowers 270+ Days Delinquent	$0.55	2,189	$1,203.95
Borrowers On-System Conversion	$10.00	0	$0.00
Sub Total (1-100,000)		**100,000**	**$224,579.94**
Servicing Fees Borrowers 100,001+			
Borrowers in In-School	$1.05	1	$1.05
Borrowers in Grace	$2.11	0	$0.00
Borrowers in Repayment, current	$2.11	1059	$2,234.49
Borrowers in Deferment	$2.07	126	$260.82
Borrowers in Forbearance	$2.07	59	$122.13
Borrowers 31-90 Days Delinquent	$1.62	34	$55.08
Borrowers 91-150 Days Delinquent	$1.50	8	$12.00
Borrowers 151-180 Days Delinquent	$1.37	1	$1.37
Borrowers 181-270 Days Delinquent	$1.37	14	$19.18
Borrowers 270+ Days Delinquent	$0.50	14	$7.00
PIF During the Month	$0.00	728	$0.00
Transferred Out	$0.00	42	$0.00
Sub Total (100,001+)		**2,086**	**$2,713.12**

Change Request Title (CR Successfully Completed)	CR #	Date Implemented	Amount
Recalculate Account Balances for ACES Misstated Balances Accounts Transferred to New Servicer	2165	December 2, 2013	$7,087.00
Sub Total - Change Request Fees Billed This Month			**$7,087.00**

Future Development

Change Request (CR) Remaining Open (Not Yet Completed)

CR#	CR Title	Planned Date of Implementation		Anticipated Cost
1827	Income Driven Repayment Plans	September 30, 2013		$21,560.00
1891	Income Driven Repayment Data Collection - Phase 1	July 1, 2013	Interim -	$27,805.00
1891	Income Driven Repayment Data Collection - Phase 2	December 19, 2013	Permanent -	$1,395.00
2173	Delinquency Date and End of the Month Reporting to NSLDS	December 30, 2013		$5,900.00

Invoice Summary

Total Servicing Fees (Borrowers 1 - 100,000)	$224,579.94	51.60%	**$115,883.25**
Total Servicing Fees (Borrowers 100,001 +)	$2,713.12	51.60%	**$1,399.97**
Total Change Request Fees Billed This Month			**$7,087.00**
Invoice Grand Total for Billing Period			**$124,370.22**

Please make all checks payable to Utah State Board of Regents

Remit to: Utah State Board of Regents
PO Box 145112
Salt Lake City, UT 84114-5112

ACH/Wire Instructions:

To: Zions Bank
ABA:
Account:

f you have any questions concerning this invoice, please contact:

Sasha VanOrman
Contract Administrator
(801) 366-8417
svanorman@mycornerstoneloan.org

AnytimeGateway TREASURY MANAGEMENT

ZIONS BANK®

INFORMATION REPORTING PAYMENTS CHECK SERVICES TRAINING

Balances Transaction Search Reports Export

Timeout: 0:14:43

View Transaction

Use this screen to view a cleared transaction.

Transaction Information

Account:	[redacted] - LPP Lend Serv Center
Transaction:	ACH Credit Received 142 9641465
Customer Reference ID:	9641465
Transaction Date:	02/13/2014
Amount:	$124,370.22
Bank Reference ID:	1109055826
Description:	EPGA TREAS 310 9101036151 MISC PAYCCD876000545910200UTAH HIGHER EDUCATIONREF # 014043009641465 RMR*IV*FSA038EDFSA12D0003/0002 **124370.22\
Value Date:	

Back

INFORMATION REPORTING | PAYMENTS | CHECK SERVICES | TRAINING

From: Keller, Bill (HELP Committee)
Sent: 22 May 2014 21:23:24 +0000
To: Ashley Reyes
Cc: Brenda Cox;David Feitz;Dave Schwanke;Richard Davis;Sasha VanOrman;Moran, Robert (HELP Committee);Nelson, Kristin (HELP Committee)
Subject: RE: Senator Alexander Request for Information Response Letter

Thank you

From: Ashley Reyes [mailto:areyes@utahsbr.edu]
Sent: Thursday, May 22, 2014 5:21 PM
To: Keller, Bill (HELP Committee); Stein, Beth (HELP Committee); Neal, Katie (Hatch); 'Jana.Hernandes@ed.gov'; 'Mary.Oknich@ed.gov'; 'John.Kane@ed.gov'; 'Mark.Walsh@ed.gov'
Cc: Brenda Cox; David Feitz; Dave Schwanke; Richard Davis; Sasha VanOrman
Subject: Senator Alexander Request for Information Response Letter

Good afternoon:

I'm sending the attached response letter to the request for information from Senator Alexander on behalf of David Feitz, Executive Director of UHEAA. The original letter will be overnighted to Senator Alexander as well.

Ashley

Ashley Reyes
Assistant to the Executive Director
Utah Higher Education Assistance Authority (UHEAA)
60 South 400 West
Salt Lake City, UT 84101
Phone: (801) 321-7211
Fax: (801) 366-8470

--

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From: Ashley Reyes
Sent: 22 May 2014 21:21:21 +0000
To:
'Bill_Keller@help.senate.gov';'beth_stein@help.senate.gov';'Katie_Neal@hatch.senate.gov';Hough, Jana;Oknich, Mary;Kane, John;Walsh, Mark
Cc: Brenda Cox;David Feitz;Dave Schwanke;Richard Davis;Sasha VanOrman
Subject: Senator Alexander Request for Information Response Letter
Attachments: Senator Alexander Response Letter.pdf

Good afternoon:

I'm sending the attached response letter to the request for information from Senator Alexander on behalf of David Feitz, Executive Director of UHEAA. The original letter will be overnighted to Senator Alexander as well.

Ashley

Ashley Reyes
Assistant to the Executive Director
Utah Higher Education Assistance Authority (UHEAA)
60 South 400 West
Salt Lake City, UT 84101
Phone: (801) 321-7211
Fax: (801) 366-8470

--

P O Box 145122
Salt Lake City, UT
84114-5122
800-663-1662
mycornerstoneloan.org

CornerStone
EDUCATION LOAN SERVICES
by uheaa

May 22, 2014

The Honorable Lamar Alexander
United States Senator
Ranking Member of the Senate Health, Education, Labor and Pensions (HELP) Committee
455 Dirksen Senate Office Building
Washington, DC 20510-6300

Dear Senator Alexander:

UHEAA has been serving students through various financial aid programs since 1977. CornerStone Education Loan Services (CornerStone) is a not for profit (NFP) organization within UHEAA that was created after the Federal Family Education Loan (FFELP) Program ended in an effort to continue doing what we do best, serving students. Our goal is to provide the best student loan experience anywhere for every student we serve. Recent metrics list CornerStone as one of the top Direct Loan servicers and the top-performing NFP servicer in the country.

We appreciate your unique understanding of the importance of the work we do with students on a daily basis. We are here to listen to help guide and assist students throughout the student loan repayment process. It's imperative to educate students about the array of options that are available to assist with their efforts in repaying their student loan(s) no matter what their current financial situation is. It is also vital to communicate with students about the manner in which each available option may be implemented to reduce the risk of default.

You recently wrote to our organization to ask for information to aid in your oversight of the U.S. Department of Education's (ED's) Office of Federal Student Aid (FSA). Please see our response to each of your questions as listed below:

Question 1: The total number of loans that were transferred to you from ACS.

Response 1: CornerStone has received a total of 342,862 loans (approximately 121,000 borrowers) from ACS.

Question 2: The total number of those loans with servicing anomalies.

Response 2: The total number of loans with identified ACS servicing anomalies is approximately 13,000.

Question 3: A summary of the types of anomalies in the loans received, including whether an anomaly required work that was not anticipated by your contract with ED and whether each respective anomaly raised problems for borrowers and/or customer service.

Response 3: There are various data anomalies that arise after any conversion when loans are transferred from one system platform to another. During the conversion to CornerStone, many of those errors were corrected before the loans were loaded to our system for servicing. Because we categorize those as normal issues that arise during conversion, we did not identify all the different scenarios that needed correction. The following is a list of the issues that could not be corrected before the loans were loaded to our system to be serviced where corrective action has been required since we began servicing the loan.

I. **Erroneous Repayment Terms - 12,925 loans:** These loans were received from ACS with repayment terms that would not amortize the loan within the students' current repayment schedule. To correct this issue, rather than let the system determine a new payment amount that would amortize the loan correctly and cause the borrowers' payment amounts to increase dramatically, CornerStone chose to contact the borrowers individually to identify a repayment plan that would work for the borrower and still meet regulatory requirements.

II. **Misstated Loan Balances - 45 Loans:** These loans were loaded to our system from ACS with erroneous loan balance information. FSA asked us to use all the documentation that had been received during the life of each loan to correct the misstated balance on the loan. FSA Change Request "2165 – Recalculate Account Balances for ACES Misstated Balance Accounts Transferred to New Servicer" was submitted by FSA to account for the work that that we were required to complete to resolve the misstated balance errors.

III. **Maximum Use of Forbearance Terms Exceeded – Unknown Number of Loans:** As we began servicing the loans and received calls from borrowers, we noted many instances of the maximum amount of forbearance time being exceeded before the loans were loaded to our system. These accounts were identified as borrowers called to request additional payment forbearance. We have worked with those borrowers on a case-by-case basis to move each borrower from forbearance into a manageable repayment plan. The number of these loans can only be determined by reviewing the servicing history of every loan in the portfolio which would require extensive time and effort. Rather than delay our response, we have chosen to list this issue as an anomaly without providing the number of occurrences, which could be determined in the future if an exact number would be helpful to you.

Question 4: A breakdown, if available, of the percent of loans categorized by each type of anomaly.

Response 4: Erroneous Repayment Terms = Less than 4%, Misstated Loan Balances = Less than 1%, Maximum Use of Forbearance Terms Exceeded = Unknown (see explanation above).

Question 5: The amount, if any, you received in compensation for unanticipated work.

Response 5: CornerStone has received a total of $7,087.00 as compensation for the successful implementation of FSA Change Request 2165 – Recalculate Account Balances for ACES Misstated Balance Accounts Transferred to New Servicer. We have not requested or received compensation for correcting the other anomalies.

Question 6: Copies of documentation to support the level of compensation received.

Response 6: Please see attached documentation supporting payment amount received for FSA Change Request 2165 – Recalculate Account Balances for ACES Misstated Balance Accounts Transferred to New Servicer.

We believe these responses fully answer each of the questions included in your inquiry. Please let us know if you have any questions regarding any of the responses.

Thank you for your current oversight efforts as the Ranking Member of the HELP committee as well as your continued commitment to public service by representing the citizens of the fine state of Tennessee.

Sincerely,

(b)(6) [redacted]

David A. Feitz
Utah Higher Education Assistance Authority (UHEAA)
Executive Director and Associate Commissioner for
Student Financial Aid
Board of Regents Building, The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284
Telephone: 801.321.7210
dfeitz@utahsbr.edu

cc: Senator Tom Harkin
Bill Keller, Senate HELP Committee
Beth Stein, Senate HELP Committee
Katie Neal, Senator Hatch's Office
Jana Hernandez, FSA
Mary Oknich, FSA
John Kane, FSA
Mark Walsh, FSA

Attachments: Cornerstone Invoice FSA038 – December 1-16 2013 – Redacted,
CornerStone Invoice – FSA 038 Payment_Redacted

CornerStone
EDUCATION LOAN SERVICES

Invoice

60 South 400 West
Salt Lake City, UT 84101
Phone (801) 321-7200 Fax (801) 321-7174

Date: January 21, 2014
Invoice #: FSA038

TO:
US Department of Education
Union Center Plaza
Federal Student Aid Administration
830 First Street, NE - Suite 54B1
Washington, DC 20202-0001
InvoiceAdmin@ed.gov
Fax: 202.275.3477

FOR:
Servicing Fees
Contract Number: ED-FSA-12-D-0003
Contract Line Item: 0002, 0005

Order Number: n/a
Task Order Number: 0002

INVOICE PERIOD: 12/1/2013 - 12/16/2013	Terms: Net 30 days

Description	Rate/Borrower	Borrower Count	Amount
Servicing Fees Borrowers 1-100,000			
Borrowers in In-School	$1.15	1	$1.15
Borrowers in Grace	$2.32	1	$2.32
Borrowers in Repayment, current	$2.32	83,264	$193,172.48
Borrowers in Deferment	$2.28	5,727	$13,057.56
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Borrowers 151-180 Days Delinquent	$1.51	390	$588.90
Borrowers 181-270 Days Delinquent	$1.51	875	$1,321.25
Borrowers 270+ Days Delinquent	$0.55	2,189	$1,203.95
Borrowers On-System Conversion	$10.00	0	$0.00
Sub Total (1-100,000)		**100,000**	**$224,579.94**
Servicing Fees Borrowers 100,001+			
Borrowers in In-School	$1.05	1	$1.05
Borrowers in Grace	$2.11	0	$0.00
Borrowers in Repayment, current	$2.11	1059	$2,234.49
Borrowers in Deferment	$2.07	126	$260.82
Borrowers in Forbearance	$2.07	59	$122.13
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Borrowers 181-270 Days Delinquent	$1.37	14	$19.18
Borrowers 270+ Days Delinquent	$0.50	14	$7.00
PIF During the Month	$0.00	728	$0.00
Transferred Out	$0.00	42	$0.00
Sub Total (100,001+)		**2,086**	**$2,713.12**

Change Request Title (CR Successfully Completed)	CR #	Date Implemented	Amount
Recalculate Account Balances for ACES Misstated Balances Accounts Transferred to New Servicer	2165	December 2, 2013	$7,087.00
Sub Total - Change Request Fees Billed This Month			**$7,087.00**

Future Development

Change Request (CR) Remaining Open (Not Yet Completed)

CR#	CR Title	Planned Date of Implementation		Anticipated Cost
1827	Income Driven Repayment Plans	September 30, 2013		$21,560.00
1891	Income Driven Repayment Data Collection - Phase 1	July 1, 2013	Interim -	$27,805.00
1891	Income Driven Repayment Data Collection - Phase 2	December 19, 2013	Permanent -	$1,395.00
2173	Delinquency Date and End of the Month Reporting to NSLDS	December 30, 2013		$5,900.00

Invoice Summary

Total Servicing Fees (Borrowers 1 - 100,000)	$224,579.94	51.60%	**$115,883.25**
Total Servicing Fees (Borrowers 100,001 +)	$2,713.12	51.60%	**$1,399.97**
Total Change Request Fees Billed This Month			**$7,087.00**
Invoice Grand Total for Billing Period			**$124,370.22**

Please make all checks payable to Utah State Board of Regents

Remit to: Utah State Board of Regents
PO Box 145112
Salt Lake City, UT 84114-5112

ACH/Wire Instructions:

To: Zions Bank
ABA:
Account:

f you have any questions concerning this invoice, please contact:

Sasha VanOrman
Contract Administrator
(801) 366-8417
svanorman@mycornerstoneloan.org

AnytimeGateway TREASURY MANAGEMENT

ZIONS BANK®

INFORMATION REPORTING PAYMENTS CHECK SERVICES TRAINING

Balances Transaction Search Reports Export

Timeout: 0:14:43

View Transaction

Use this screen to view a cleared transaction.

Transaction Information

Account:	[redacted] - LPP Lend Serv Center
Transaction:	ACH Credit Received 142 9641465
Customer Reference ID:	9641465
Transaction Date:	02/13/2014
Amount:	$124,370.22
Bank Reference ID:	1109055826
Description:	EPGA TREAS 310 9101036151 MISC PAYCCD876000545910200UTAH HIGHER EDUCATIONREF # 014043009641465 RMR*IV*FSA038EDFSA12D0003/0002 **124370.22\
Value Date:	

Back

INFORMATION REPORTING | PAYMENTS | CHECK SERVICES | TRAINING

United States Senate

COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS

WASHINGTON, DC 20510-6300

May 1, 2014

James Farha, President
Oklahoma Student Loan Authority
P.O. Box 18145
Oklahoma City, OK 03154-0145

Dear Mr. Farha:

As Ranking Member of the Senate Health, Education, Labor and Pensions (HELP) Committee, I write to request information that will aid us in our oversight of the U.S. Department of Education's (ED) Office of Federal Student Aid (FSA).

FSA manages the federal student loan programs—a vital source of funds for students to pursue a post-secondary education. The New York Federal Reserve indicates that student loan debt related to federal loan programs exceeds $1 trillion. While the vast majority of students pay back their loans, the risk to the taxpayers is significant. Student loan servicers, such as your organization, play a vital role in reducing the risk of default and collecting payments from borrowers.

To help me understand how FSA manages its contracts with Direct Loan servicers, my staff is gathering information from all the servicers about the quality of loans that were transferred from the Direct Loan Servicer, ACS Education Solutions (ACS). Specifically, I understand that a number of servicers faced challenges loading some loans onto their platforms and that many of these challenges were the result of anomalies with the ACS serviced loans. In addition, I understand that a number of servicers received additional compensation under their contracts for unanticipated work to address the aforementioned anomalies.

Therefore, I ask that you please respond in writing with the following information:

1. The total number of loans that were transferred to you from ACS;

2. The total number of those loans with servicing anomalies;

3. A summary of the types of anomalies in the loans received, including whether an anomaly required work that was not anticipated by your contract with ED and whether each respective anomaly raised problems for borrowers and/or customer service; and

4. A breakdown, if available, of the percent of loans categorized by each type of anomaly;

5. The amount, if any, you received in compensation for unanticipated work; and

6. Copies of documentation to support the level of compensation received.

I would appreciate it if you could provide my staff with the requested information by May 15, 2014.

Thank you for your prompt attention to this request. Information provided to the Committee will be handled in accordance with Senate Rules. Should you have any questions, please contact Kristin Nelson or Bill Keller on my HELP Committee staff by phone (202-224-6770).

Sincerely,

Lamar Alexander

Lamar Alexander
Ranking Member

The Student Loan Authority™

525 Central Park Drive, Suite 600
Oklahoma City, OK 73105-1706
P.O. Box 18145
Oklahoma City, OK 73154-0145
405-556-9210
Fax 405-556-9255
www.osla.org

May 12, 2014

Via Electronic Delivery

The Honorable Senator Lamar Alexander
United States Senate Committee on Health, Education, Labor and Pensions
Washington, DC 20510-6300

Dear Senator Alexander:

The Oklahoma Student Loan Authority (OSLA) acknowledges receipt of your May 1, 2014 letter regarding our experiences as a loan servicer for the U.S. Department of Education's Office of Federal Student Aid (FSA). OSLA was awarded a contract to service student loans for FSA in July 2012. In our role as a servicer for FSA, we have experienced anomalies related to work with the prior federal servicer, ACS Education Solutions (ACS), and other contractors working with FSA. We appreciate this opportunity to share OSLA's experiences that resulted in a wide range of unanticipated work and out of pocket cost due to these anomalies.

OSLA is providing the following information in response to letter:

#1. The total number of loans that were transferred to you from ACS –

From July 2012 through September 2012, OSLA on-boarded 293,017 loans from 107,527 borrowers previously serviced by and transferred to OSLA from ACS.

#2. The total number of those loans with servicing anomalies –

OSLA estimates that approximately 27,000 FSA borrowers have been impacted by one or more of the following anomalies from ACS or other FSA contractors.

#3 and #4. A summary of the types of anomalies in the loans received, including whether an anomaly required work that was not anticipated by your contract with ED and whether each respective anomaly raised problems for borrowers and/or customer service and breakdown, if available, of the percent of loans categorized by each type of anomaly –

A. ***Inadequate borrower notice*** - ACS did not provide adequate notice to the borrowers whose loans were transferred to OSLA for servicing. Based on updates OSLA received from FSA after completion of our on-boarding, the only notice ACS gave to the borrowers whose loans were transferred to OSLA for servicing was via email. While OSLA does not have exact counts, our estimate is that approximately 27,000 of the borrowers transferred to OSLA did not have email addresses on file and, consequently, would not have received notice their loan was transferred. This confused borrowers and caused credibility issues for OSLA Customer Service and Default Aversion Teams as these borrowers were not aware that OSLA was their new federal student loan servicer.

B. ***Delinquent payment posting*** - ACS was not current on posting payments to borrower accounts prior to the loans being transferred to OSLA. This situation impacted these borrowers, OSLA Customer Service, Default Aversion and Payment Processing Teams. OSLA posted over 500 payments made prior to the date when loans were transferred, a manual and time consuming process that cannot follow the automated payment posting routine.

C. ***Forwarded payment delays and errors*** - ACS did not promptly forward borrower payments received subsequent to loans transferred to OSLA. OSLA received nearly 4,000 payments where the time between payment date and the date forwarded to OSLA exceeded three months. Over 2,000 of those delayed payments were received in December 2012. Compounding the delays were a significant number of duplicate payments where ACS erroneously reported a second borrower payment that required research to resolve and yet more manual processing to correct. Additionally, ACS forwarded nearly 400 groups of borrower payments to OSLA that had been transferred to another servicer, not to OSLA, requiring OSLA to research, then forward these misdirected payments to the proper servicer. These situations impacted these borrowers, OSLA Customer Service and Default Aversion Teams and other federal loan servicers. The missing payments created delinquent accounts which triggered collection activities that prompted borrowers to call in asking why their payments had not been timely applied.

D. ***Incorrect payment posting information*** - ACS provided incorrect data required for payment posting when forwarding payments received subsequent to loans transferred to OSLA. For approximately 1,000 payments, ACS gave OSLA the borrower's ACS specific account number instead of the borrower's social security number, causing manual payment reprocessing. This impacted the borrowers, OSLA Customer Service, Default Aversion and Payment Processing Teams. The delay in receiving accurate payment information created a delay in posting the payments which again created delinquent accounts which triggered collection activities that prompted borrowers to call in asking why their payments had not been timely applied.

E. ***Payment identification errors*** - When OSLA began receiving borrower payments through a FSA contractor product Electronic Check Processing (ECP), the Treasury Identification numbers (TID's) reported to OSLA's servicing system were not the same as those TID's reported to the Treasury Department. This resulted in 85 separate deposits representing approximately 30,000 borrower payments appearing on the Treasury's Suspense Report. These payments were timely and properly posted to the borrowers' accounts on OSLA's servicing system but the Treasury Suspense Report gave a false reading that these payments were not properly posted to the borrowers' accounts. These out of synch TID's caused by ECP created tremendous problems for OSLA and FSA staff. The resolution of this problem required a significant amount of OSLA staff time and custom work from our servicing system provider that cost OSLA in excess of $15,000 for which we were not reimbursed.

F. ***Forbearance use exceeding guidelines*** - ACS's excessive use of Forbearances to suspend borrowers' payments created issues for borrowers now required to make timely loan payments. FSA guidelines allow up to 36 months of Forbearance time and OSLA had 3,171 borrowers with more than 48 months of Forbearance at on-boarding. The most excessive Forbearance time on loans on-boarded by OSLA was 145 months. This situation caused problems for these borrowers who were not making timely loan payments and for OSLA's Default Aversion Team working to get these borrowers to begin making timely payments.

G. ***Incorrect loan balances*** – To correct ACS errors, FSA has instructed their servicers on multiple occasions to adjust loan balances due to ACS errors. OSLA's efforts to make these corrections include researching, processing and posting over 100 manual adjustments provided by FSA staff. FSA also initiated a project (Change Request 2165) for all servicers to research, recalculate and correct balances on loans received from ACS that were suspected to have misstated balances. OSLA had 77 loans from this group with misstated balances for which FSA approved a budget of 308 hours for the work to research, recalculate and correct these balances. As detailed below, this was the only situation where OSLA received compensation for unanticipated work.

H. ***Non-borrower payments received*** - OSLA's lockbox account for payments on FSA loans was erroneously credited with 2,197 deposits totaling approximately $544,000 that were not related to any federal student loans serviced by OSLA. A bill pay service made a software coding error that directed merchant bill payments to OSLA through FSA's lockbox contractor – Bank of America. This unexpected work required dedication of a significant amount of OSLA management staff time over a four month period to clear the effects of these erroneous payments from account reconciliation reports. While this anomaly did not directly impact any student loan borrowers or OSLA's Customer Service Team, it did require valuable accounting resources to resolve this problem instead of planning and executing the financial reporting functions required by our FSA contract.

<u>#5. The amount, if any, you received in compensation for unanticipated work –</u>

To date, OSLA has been reimbursed $11,594.76 related to FSA's project to correct misstated balances from Change Request 2165 noted in "G" above.

<u>#6. Copies of documentation to support the level of compensation received –</u>

Attached to this letter is the following documentation related to the $11,594.76 reimbursement OSLA received on Change Request 2165:

A. FSA's Business Operations Change Request Form

B. FSA's email dated 2013-09-09 with Approval to Commence Work with a cost of $11,594.76

C. OSLA's Invoice # FSA_0026 dated 2014-04-09 billing FSA for $11,594.76 on Change Request 2165. OSLA received FSA's payment on this invoice on 2014-04-18.

Thank you for your interest in the work of FSA's loan servicers. We share your thoughts that servicers play a vital role in managing these federal assets and in reducing the taxpayers' risk of defaults on these loans. OSLA has successfully worked with borrowers to dramatically reduce the number of delinquencies in our portfolio and developed effective default aversion strategies.

Please feel free to call or contact me direct by phone at 405-556-9278, or if by email at jfarha@osla.org if you have any questions or need any additional information on this matter.

Sincerely,

(b)(6) [redacted]

James T. Farha, President

Cc: Soo Kang, Executive Business Advisor/Contracting Officer
U.S. Department of Education, Federal Student Aid

Business Operations Change Request Form

Send all Change Request Forms to POCChangeRequest@ed.gov

Administrative Information

Service Area Validation for Submission Completed: ☒ **Defer:** ☐
Requestor: Denise Leifeste
CR Title: Recalculate Account Balances for ACES Misstated Balances Accounts transferred to New Servicer
BA: Jose Gonzalez

ID: 2165
Date Drafted: Revised 8/7/2013; 2nd revision on 8/26/13 to provide additional loan accounts
Date Received:
Anticipated Implementation Date: Servicer Schedule provided below.

FSA Service/System/Area Impacted

☐ ACES Nelnet Platform	☐ NSLDS	☐ EAI
☒ Not-for-Profits (NFPs)	☐ FPDM	☐ PEPS/IPM
☒ Title IV Servicers (TIVAS)	☐ CPS	☐ FMS
☒ TPD	☐ Participation Management	☐ Security Architecture
☐ DMCS/DMCS2	☐ EDExpress	☐ SAIG
☒ DLCS	☐ eCampus-Based	☐ AIMS
☒ COD	☐ Ancillary Services	☐ **Other:** ____________

☐ **Notification Only:**

Reason for Change (Business Need):
This Change Request is for Servicers to calculate accurate borrower account balances as of the current date for accounts that may have been impacted by ACES incomplete processing.

The population of impacted accounts was reduced to only include those accounts FSA suspect may have a total dollar variance over $25 (based on some previous calculations provided by Xerox). The list provides an estimated number of loans that will require recalculation by each servicer (may increase/decrease as we continue to research).

Description of Change Requested (Requirements):

This Change Request requires an impact analysis of the following:

Federal Servicer/TPD:

1. The federal servicer will receive a list of loan accounts that were transferred to the Servicer and possibly included an incorrect balance. The list will include the borrower's Social Security number, loan number, Xerox's 'questionable' calculated adjustments as of the past date of transfer to be made to principal, adjustment made to interest, the LNC Loan Award ID, Reason for adjustment, the PBO transferred to the Servicer, and the IRB transferred to the Servicer. NOTE: The 'adjustments' amounts provided in the list may or may not be accurate, so:
   a. The federal servicer shall recalculate the loan account utilizing PUT History (that should include DLSS history, BHAR (to include monetary history and borrower correspondence), and where applicable Deferment and Forbearance Histories.
   b. The federal servicer shall provide DLCS a list of impacted borrowers who have consolidation loans to request disbursement and adjustment histories to determine the accuracy of the PBO and IRB. The servicer shall submit request to Jarvis.robinson@hp.com.
   c. The federal servicer shall request disbursement and adjustment histories from COD to calculate account PBO and IRB.
   d. The federal servicer shall provide COD a list of impacted borrowers with loans that originated prior to January 01, 2010 to request disbursement and adjustment histories to calculate the account PBO and IRB.
2. The federal servicer shall make appropriate adjustments to borrower account to reflect the correct PBO and/or IRB as of the effective date of the transfer with subsequent Servicer system reapplication of Servicer transactions to make the balance current.
3. The federal servicer shall use ADJPRI and INTACC when reporting adjustments in FMS.
4. If the borrower account has transferred to another servicer, the servicer, upon completion of the correct

calculation of the PBO and IRB at the time of transfer, will pass the calculation information and the work papers to the subsequent servicers so the account can be reapplied at the servicer.

5. The federal servicer shall document in the borrower's account history reason for account adjustment. FSA will provide generic account comment, however the federal servicer shall provide specifics of account adjustment.
6. The federal servicer shall provide FSA with a list of impacted loan accounts reviewed to include the borrowers' Social Security number, LNC Loan Award ID, the adjustment made to principal, adjustment made to interest, the misstated PBO, misstated IRB, the recalculated PBO and the recalculated IRB. If no adjustments were made to borrowers' account, the federal servicer will indicate "no adjustment required".
7. Servicers shall recall accounts from default for borrowers/loans that the servicer calculates to have had an inflated balance. The servicer shall recommence servicing these accounts as if the borrower had been in proper repayment after reapplying its own transactions and any payments made at DMCS to the account. FSA will provide requested DMCS payment history at the servicer's request through Helena.Myers-Wright@ed.gov.
8. Federal servicers shall stop and withdraw all credit reporting on all accounts until we have corrected balance.
9. Adjustments to borrower account greater than $5,000 shall require FSA preapproval before application. Approval is to be obtained by submission of the account details and federal servicer calculations to FSA at Helena-Myers-Wright@ed.gov. FSA will notify federal servicer of approval or request additional information within two business days.
10. The federal servicers shall communicate account adjustments greater than $500 to all affected borrowers/students using template provided by FSA.
11. The federal servicer shall provide estimated date of completion for the number of misstated balances they are required to calculate account balances.

DLCS:

12. DLCS shall, upon receipt of list of impacted borrowers, provide the federal servicer with, disbursement and adjustment histories for borrowers listed within 10 business days of receipt.

COD:

13. COD shall, upon receipt of list of impacted borrowers, provide the federal servicer with disbursement and adjustment histories for loans originated prior to January 1, 2011 within 10 business days of receipt.
14. COD shall provide a point of contact where all request for disbursement and adjustments histories should be sent.

Additional Information (ALL OPERATIONAL IMPACTS MUST BE ASSESSED):

Servicer	Total loans w/Changes over $25.00	Consolidated Loans	Non Consolidated Loans	Non Consol loans older than 2011 award year (can't be seen on COD web)	Non Consol loans newer than 2011 award year (can be seen on COD web)
Aspire Resources Inc	116	62	54	54	0
CornerStone	35	7	28	28	0
ESA/Edfinancial	244	110	134	134	0
FedLoan Servicing (PHEAA)	579	246	333	92	241
Granite State - GSMR	52	21	31	31	0
Great Lakes Educational Loan Services Inc	445	212	233	55	178
MOHELA	282	138	144	144	0
NELNET TPD	4	3	1	1	0
Nelnet	323	138	185	70	115
OSLA	69	28	41	41	0

Revised: 4/26/2012

Sallie Mae	1,291	[redacted]	171	1,120	120	1,000
VSAC Federal Loans	41	[redacted]	20	21	21	0
TOTAL	**3,481**	[redacted]	**1,156**	**2,325**	**791**	**1,534**

Servicer	Root Cause 8 Total loans w/variance over $25.00
Aspire Resources Inc	21
CornerStone	4
ESA/Edfinancial	18
FedLoan Servicing (PHEAA)	170
Granite State - GSMR	11
Great Lakes	206
MOHELA	52
Nelnet	118
OSLA	0
Sallie Mae	184
VSAC Federal Loans	4

Servicer Schedule

No later than 9/1/13 - Servicer shall provide FSA a written plan detailing their proposed approach.

No later than 9/30/13 - Servicer shall provide FSA a progress report, using the same format specified for the final report.

No later than 12/15/13 - Servicer shall provide FSA the final report.

Does this change require a new network connection (Secure File Transfer Protocol is mandatory for all new connections)? **N/A**
☒ ***No*** ☐ ***Yes***

IST Anticipation/Post-Implementation Validation: N/A
☒ **No** ☐ **Yes; anticipated dates**

Revised: 4/26/2012

Validation (Required for Services): N/A

Requirement ID	Requirement	Validation Artifact(s)	Due Date
	1-5 & 7-10	Commitment Statement	At ATO
	6	List of all impacted loan accounts reviewed.	As soon as the borrower's account balances are recalculate
	11	Estimated date of completion	

Revised: 4/26/2012

Fred Crump

From:	Yousuf, Abdulaziz <Abdulaziz.Yousuf@ed.gov>
Sent:	Monday, September 09, 2013 7:55 PM
To:	Fred Crump; Andy Rogers
Cc:	Kang, Soo; Connelly, Tammy; Washington, Patrice; Murray, Michael J; Smith, Lynn; Smith, Angie; Samuels, Shaun; Dixon, Louis; Hill, Katharine; Buendia, Mario
Subject:	OSLA CR 2165 Approval to commence work
Attachments:	CR 2165 Request for Proposal 9-3-13.doc

Thank you for your reply to CR 2165, with a cost of $ 11,594.76 .

The proposed approach is sufficient and in line with FSA's requirement outlined in the original change request. The technical approach has been sufficiently reviewed and determined to be acceptable and demonstrative of a thorough understanding of the requirement. Furthermore, the proposed level of effort, including proposed labor categories and hours, meets FSA's requirements, as validated by the Business Owners. Therefore, in consideration of these factors, the Contracting Officer has determined that OSLA's proposed solution is sufficient and considered fair and reasonable to the government.

Please commence work and let me know if you have any questions.

Thank you,
Aziz Yousuf
Contract Specialist

Office: (202) 377-4098
Abdulaziz.Yousuf@ed.gov
StudentAid.gov

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION | PROUD SPONSOR of the AMERICAN MIND®

Attachment C

OSLA
Student Loan Servicing™
PO Box 18145
Oklahoma City, OK 73154-0145

INVOICE

INVOICE # FSA_0026
DATE: 4-09-2014
Invoice Period Begin:
8-07-2013
Invoice Period End
12-15-2013

TO:
US Department of Education
Union Center Plaza
Federal Student Aid Administration
830 First Street, NE – Suite 54B1
Washington, DC 20202-0001
InvoiceAdmin@ed.gov
Fax: 202.275.3477

FOR:
Servicing Fees
Contract Number ED-FSA-12-D-0012
Contract Line Item:
Order Number
Task Order Number 0001

START-UP COSTS (DOCUMENTATION ATTACHED)**	**RECEIPT ID**	**COST**	**AMOUNT**
		$0	$0
Sub Total –Start up costs			***$0***
DESCRIPTION	**RATE**	**BORROWER COUNT**	**AMOUNT**
Servicing Fees Borrowers 1-100,000			
Borrowers in In-School (CLIN 0001)	$1.15/Borrower	0	$0
Borrowers in Grace (CLIN 0002)	$2.32/Borrower	0	$0
Borrowers in Repayment, current (CLIN 0002)	$2.32/Borrower	0	$0
Borrowers in Deferment (CLIN 0003)	$2.28/Borrower	0	$0
Borrowers in Forbearance (CLIN 0003)	$2.28/Borrower	0	$0
Borrowers 31-90 Days Delinquent (CLIN 0004)	$1.78/Borrower	0	$0
Borrowers 91-150 Days Delinquent (CLIN 0005)	$1.65/Borrower	0	$0
Borrowers 151-180 Days Delinquent (CLIN 0006)	$1.51/Borrower	0	$0
Borrowers 181-270 Days Delinquent (CLIN 0006)	$1.51/Borrower	0	$0
Borrowers 270+ Days Delinquent (CLIN 0007)	$0.55/Borrower	0	$0
Borrowers On-System Conversion (CLIN 0008)	$10.00/Borrower	0	$0
Sub Total (1 – 100,000)			***$0***
Servicing Fees Borrowers 100,001+			
Borrowers in In-School (CLIN 0010)	$1.05/Borrower	0	$0
Borrowers in Grace (CLIN 0011)	$2.11/Borrower	0	$0
Borrowers in Repayment, current (CLIN 0011)	$2.11/Borrower	0	$0
Borrowers in Deferment (CLIN 0013)	$2.07/Borrower	0	$0
Borrowers in Forbearance (CLIN 0013)	$2.07/Borrower	0	$0

OSLA

Student Loan Servicing™

PO Box 18145
Oklahoma City, OK 73154-0145

INVOICE

INVOICE # FSA_0026
DATE: 4-09-2014
Invoice Period Begin:
8-07-2013
Invoice Period End
12-15-2013

Borrowers 31-90 Days Delinquent (CLIN 0015)	$1.62/Borrower	0	$0
Borrowers 91-150 Days Delinquent (CLIN 0016)	$1.50/Borrower	0	$0
Borrowers 151-180 Days Delinquent (CLIN 0017)	$1.37/Borrower	0	$0
Borrowers 181-270 Days Delinquent (CLIN 0017)	$1.37/Borrower	0	$0
Borrowers 270+ Days Delinquent (CLIN 0018)	$0.50/Borrower	0	$ 0
Sub Total (100,001+)			***$0***
Change Request Title(CR Successfully Completed)	**CR #**	**DATE IMPLEMENTED**	**AMOUNT**
Recalculate Account Balances for ACES Misstated Accounts	2165	12/15/2013	$11,594.76
Sub Total- Change Request Fees Billed This Month			***$11,594.76***
Invoice High Level Summary			
Total Start up costs			**$0**
Total Servicing Fees (Borrowers 1 – 100,000)			**$0**
Total Servicing Fees (Borrowers 100,001 +)			**$0**
Total Change Request Fees Billed This Month			**$11,594.76**
INVOICE GRAND TOTAL FOR MONTH			**$11,594.76**
Funding – Task Order 0001	**$11,594.76**		
Funding –	**$0**		
Total Funding	**$11,594.76**		

Please make all checks payable to **OSLA**.
To pay electronically, please use the account information provided below:

ACH—Bank of Oklahoma	Wire—Bank of Oklahoma
ABA 103 900 036	ABA 103 900 036
Account Number 814055252	Account Number 814055252

If you have any questions concerning this invoice, contact:
OSLA
Andy Rogers, Vice President
405.556.9211
arogers@osla.org

From:	Kang, Soo
To:	Leith, William; Kane, John; Hough, Jana; O"Flaherty, Sue; Bumgarner, Bradley; Bradfield, Patrick
Cc:	Smith, Angie; Mahon, Karen
Subject:	FW: Oklahoma Student Loan Authority
Date:	Wednesday, May 14, 2014 7:51:15 AM
Attachments:	Request for Information from Senator Alexander 5.1.14.pdf OK Student Loan Authority.pdf OSLA 5.13.14.pdf

FYI.

Soo Kang, CFCM
Executive Business Advisor
Contracting Officer

U.S. Department of Education
Federal Student Aid
202-377-3798

From: Heather Heikes [mailto:HHeikes@osla.org]
Sent: Tuesday, May 13, 2014 5:16 PM
To: 'bill_keller@help.senate.gov'
Cc: Kang, Soo; Jim Farha; Andy Rogers; 'kristin_nelson@help.senate.gov'; 'robert_moran@help.senate.gov'
Subject: Oklahoma Student Loan Authority

We received the request for information from Senator Alexander (attached) regarding the quality of loans that were transferred from the Direct Loan Servicer, ACS. As part of our response, we have included the attached letter as well as supporting documents.

If you have any questions, please feel free to contact me.

Heather Heikes
Executive/Human Resources Assistant
Oklahoma Student Loan Authority
525 Central Park Dr., Ste. 600
Oklahoma City, OK 73105
Phone: (405) 556-9216
Fax: (405) 415-4416
www.osla.org

Endnotes

[1] *See* College Cost Reduction and Access Act, Pub. L. No. 110-84 (2007); *see also* 20 U.S.C. § 1087e(m).

[2] *See, e.g.*, Keith A. Bender & John S. Heywood, *Out of Balance? Comparing Public and Private Sector Compensation Over 20 Years*, Nat'l Inst. On Ret. Sec. (Apr. 2010), *available at* www.slge.org/wpcontent/uploads/2011/12/Out-of-Balance_FINAL-REPORT_10-183.pdf (finding that on average, public sector jobs require much more education than those in the private sector, and wages and salaries of state and local employees are lower than those for private sector workers with comparable earnings determinants); Memorandum on Level of Comparability Payments for January 2018 and Other Matters Pertaining to the Locality Pay Program, Fed. Salary Council (Dec. 14, 2016), *available at* https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/general-schedule/federal-salary-council/recommendation16.pdf.

[3] *See* Public Service and Student Debt, Consumer Fin. Prot. Bureau (Aug. 2013), https://files.consumerfinance.gov/f/201308_cfpb_public-service-and-student-debt.pdf; *Staying on track while giving back: The cost of student loan servicing breakdowns for people serving their communities*, Consumer Fin. Prot. Bureau (June 2017), https://files.consumerfinance.gov/f/documents/201706_cfpb_PSLF-midyear-report.pdf.

[4] *See* 153 Cong. Rec. S9536 (daily ed. July 19, 2007), *available at* https://www.congress.gov/crec/2007/07/19/CREC-2007-07-19-pt1-PgS9534.pdf ("Mr. Kennedy: . . . So we have made this as wide as we could in terms of trying to respond to that sense that is out there in our schools and colleges, in all parts of our country, urban areas and rural areas, to say: Look, if you want to give something back, we are going to make it possible. We are going to give you a greater opportunity for you to go to college, particularly if you are from working families and low-income. We are going to give you a better opportunity to do that."); *see also*, Dep't of Def. Info. Paper, HR4508, the Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER Act), U.S. Dep't of Def. (Jan. 2018), *available at* https://www.insidehighered.com/sites/default/server_files/media/Department-of-Defense-on-PROSPER-Act.pdf.

[5] *See Keeping the Promise of Public Service Loan Forgiveness*, Student Borrower Prot. Ctr. (Dec. 2018), https://protectborrowers.org/wp-content/uploads/2018/12/SBPC-AFT-PSLF-Investigation.pdf.

[6] *See id.*

[7] Though ACS was spun off from Xerox in 2017 and rebranded as Conduent, it will be referred to within this report as "ACS." The Limey, *Xerox Copies HP, Completes Spinoff of BPO Business Conduent*, Stock Spinoffs (Jan. 11, 2017), https://www.stockspinoffs.com/2017/01/11/xerox-copies-hp-completes-spinoff-bpo-business-conduent/.

[8] *See, e.g.*, https://www.sec.gov/Archives/edgar/data/2135/000095012309052412/d69533e10vq.htm ("At September 30, 2009, we serviced a FFEL portfolio of approximately 6.3 million loans with an outstanding principal balance of approximately $64.6 billion."); *see also infra* note 26.

[9] *Decision in the matter of ACS Education Solutions, LLC*, Gov't Accountability Off. (Oct. 5, 2009), https://www.gao.gov/assets/390/387268.pdf#page=2 (referencing "the 6.5 to 7 million borrowers serviced by ACS in June 2008 under its Common Services for Borrowers (CSB) contract. . .").

[10] *See Keeping the Promise*, *supra* note 5.

[11] *Loan Forgiveness Reports*, U.S. Dep't of Educ., Fed. Student Aid, https://studentaid.gov/data-center/student/loan-forgiveness/ (last accessed Aug. 24, 2020).

[12] Given that ACS was the exclusive servicer of Direct Loans until 2009, any borrower who earned Public Service Loan Forgiveness prior to 2019 had loans at some point serviced by ACS.

[13] *See* Mike Livio, *NASFAA Conference Review*, N.J. Assoc. of Student Fin. Aid Admin. (Aug. 6, 2014), https://web.archive.org/web/20190810134635/https://njasfaa.org/b/general/nasfaa-conference-review/ (describing a discussion forum involving "senior Department of Education staff" who "confirmed that ACS, the federal loan servicers contracted was terminated for improperly handling loan servicing.").

[14] *See, e.g.*, Molly Hensley-Clancy, *Xerox Under Federal Investigation Over Student Loan Business*, BuzzFeed News (Nov. 2, 2015), https://www.buzzfeednews.com/article/mollyhensleyclancy/xerox-under-federal-investigation-over-student-loan-business.

[15] *See* Appendix: Accounting for ACS's Servicing Failures, *supra* page 24.

[16] Documents analyzed in SBPC's investigation reveal that ACS routinely applied a specific type of forbearance to borrowers' accounts apparently in violation of the Higher Education Act's implementing regulations, which limit the use of this forbearance to a maximum of three years (36 months) over the lifetime of a loan. See 34 C.F.R. § 685.205. ("The Secretary grants forbearance if the borrower or endorser intends to repay the loan but requests forbearance and provides sufficient documentation to support this request . . . **for not more than three years**

during which the borrower or endorser (i) Is currently obligated to make payments on loans under title IV of the Act; and (ii) The sum of these payments each month (or a proportional share if the payments are due less frequently than monthly) is equal to or greater than 20 percent of the borrower's or endorser's total monthly gross income." *emphasis added*). This likely unlawful use of forbearance also violates the terms of borrowers' loan contracts with the U.S. Department of Education and, according to two student loan servicers, violates the terms of servicers' contracts with the government as well. *See, e.g.*, Appendix: Accounting for ACS's Servicing Failures, *supra* page 63 ("At transfer, over 14,000 borrowers had already used in excess of 36 months of discretionary forbearance time. Just over 7% had exceeded 10 years of forbearance time. GSM&R adheres to its contractual obligation limiting discretionary forbearance time to 36 months which resulted in a population of borrowers who were being expected, often for the first time. to make payment on their loan.") and Appendix: Accounting for ACS's Servicing Failures, *supra* page 118 ("FSA guidelines allow up to 36 months of Forbearance time and OSLA had 3,171 borrowers with more than 48 months of Forbearance at onboarding. The most excessive Forbearance time on loans on-boarded by OSLA was 145 months.").

[17] SBPC calculation based on servicer responses. See Methodology section. Given the limited number of instances where servicers provided the number of borrowers impacted by a given servicing error, the number of borrowers impacted is calculated using the ratio of borrowers per loan based on the overall number of borrowers and loans transferred from ACS—as reported by the servicers who responded to Senator Alexander—and the number of loans identified by the servicers as containing anomalies.

[18] *See* Appendix: Accounting for ACS's Servicing Failures, *supra* page 74.

[19] *See id*.

[20] *See* Cory Turner, *Congress Promised Student Borrowers A Break. Education Dept. Rejected 99% Of Them*, NPR (Sept. 5, 2019), https://www.npr.org/2019/09/05/754656294/congress-promised-student-borrowers-a-break-then-ed-dept-rejected-99-of-them.

[21] The William D. Ford Federal Direct Loan Program was created as part of the Higher Education Amendments of 1992. Higher Education Amendments of 1992, Pub. L. No. 102-325 (1992), https://www.congress.gov/bill/102nd-congress/senate-bill/1150. However, the Federal Direct Loan Program was not operational until 1994. *Student Loans Overview*, Dep't of Educ. (2009), https://www2.ed.gov/about/overview/budget/budget09/justifications/q-loansoverview.pdf#page=25 ("Direct Loan volume data is included beginning with program inception in FY 1994.").

[22] Cong. Research Serv., R44845, Administration of the William D. Ford Federal Direct Loan Program (May 11, 2017), *available at* https://www.everycrsreport.com/reports/R44845.html.

[23] Diane Frank, *ACS wins $1 billion education deal*, Fed. Computer Week (Nov. 19, 2003), https://fcw.com/articles/2003/11/19/acs-wins-1-billion-education-deal.aspx?admgarea=TC_Policy.

[24] Larry Dignan, *Xerox buys ACS for $6.4 billion*, CNet (Sept. 28, 2009), https://www.cnet.com/news/xerox-buys-acs-for-6-4-billion/.

[25] *See, e.g.*, *Student loan servicing*, Consumer Fin. Prot. Bureau (Sept. 2015), https://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf; Danielle Douglas-Gabriel, *The Dizzying Journey for Public Servants With Student Debt*, U.S. News & World Rep. (Aug. 17, 2019), https://www.usnews.com/news/best-states/washington-dc/articles/2019-08-17/the-dizzying-journey-for-public-servants-with-student-debt.

[26] *See* Danielle Douglas-Gabriel, *ACS's $9 Million Settlement in New York Places a Spotlight on Problems in Student Loan Servicing*, Wash. Post (Jan. 4, 2019), https://www.washingtonpost.com/education/2019/01/05/acss-million-settlement-new-york-places-spotlight-problems-student-loan-servicing/; Danielle Douglas-Gabriel, *ACS's $2.4 Million Settlement in Massachusetts Highlights Problems in Student Loan Servicing*, Wash. Post (Nov. 22, 2016), https://www.washingtonpost.com/news/grade-point/wp/2016/11/22/acss-2-4-million-settlement-in-massachusetts-highlights-problems-in-student-loan-servicing/; *Consumer Financial Protection Bureau Settles with Conduent Education Services*, Consumer Fin. Prot. Bureau (May 1, 2019), https://www.consumerfinance.gov/about-us/newsroom/bureau-settles-conduent-education-services/.

[27] Ensuring Continued Access to Student Loans Act, H.R. 5715, 110th Cong. (2008), https://www.congress.gov/bill/110th-congress/house-bill/5715; ED also awarded contracts to four new student loan servicers known as Title IV Additional Servicers (TIVAS) and not to ACS when it began buying privately owned, federally guaranteed student loans in 2009. Cong. Res. Serv., R44845, Administration of the William D. Ford Federal Direct Loan Program (May 11, 2017), *available at* https://www.everycrsreport.com/reports/R44845.html. Because these federal student loans are not part of the Direct Loan program, they are not discussed in this report.

[28] *Student Loan Servicing*, Consumer Fin. Prot. Bureau, *supra* note 25 at 49 n. 162.

[29] Lisa Parker, *Student Loan Borrowers Say They're Being Gouged*, NBC 5 Chi. (July 23, 2013) https://www.nbcchicago.com/news/local/target-5-student-loans-mohela/1955834/.

[30] Marian Wang, *Student Loan Borrowers Dazed and Confused by Servicer Shuffle*, ProPublica (Apr. 23, 2012) https://www.propublica.org/article/student-loan-borrowers-dazed-and-confused-by-servicer-shuffle.

[31] It has since been revealed that this servicer was PHEAA. *See Staying on Track*, *supra* note 3 at 33 n. 79.

[32] *Student Loan Servicing*, Consumer Fin. Prot. Bureau, *supra* note 25.

[33] *Id.*

[34] *Id.*

[35] *See Staying on Track*, *supra* note 3.

[36] *See* U.S. Dep't of Educ., *Employer Certification for Public Service Loan Forgiveness Form*, DCL ID: GEN-12-02 (Jan. 31, 2012), https://ifap.ed.gov/dear-colleague-letters/01-31-2012-gen-12-02-subject-employment-certification-public-service-loan (announcing the approval of the Employer Certification Form for use); *see generally* Public Service Loan Forgiveness (PSLF): Employer Certification Form, OMB No. 1845-0110, https://studentaid.gov/sites/default/files/public-service-employment-certification-form.pdf (last access Aug. 31, 2020).

[37] *See Keeping the Promise*, *supra* note 5.

[38] Appendix: Accounting for ACS's Servicing Failures, *supra* page 114.

[39] *Student Loan Servicing*, Consumer Fin. Prot. Bureau, *supra* note 25.

[40] SBPC calculation based on servicer responses. See Methodology section. Given the limited number of instances where servicers provided the number of borrowers impacted by a given servicing error, the number of borrowers impacted is calculated using the ratio of borrowers per loan based on the overall number of borrowers and loans transferred from ACS—as reported by the servicers who responded to Senator Alexander—and the number of loans identified by the servicers as containing anomalies.

[41] *See Keeping the Promise*, *supra* note 5.

[42] Appendix: Accounting for ACS's Servicing Failures, *supra* page 39.

[43] Appendix: Accounting for ACS's Servicing Failures, *supra* page 84.

[44] Appendix: Accounting for ACS's Servicing Failures, *supra* page 37.

[45] *See* William D. Ford Federal Direct Loan Program Income Contingent Repayment Plan & Income-Based Repayment Plan Consent to Disclosure of Tax Information, OMB No. 1845-0017, https://ticas.org/wp-

content/uploads/legacy-files/u159/dl_income_disclosure_consent_form_for_ibricr.pdf (last accessed Aug. 31, 2020).

[46] Appendix: Accounting for ACS's Servicing Failures, *supra* page 47.

[47] Appendix: Accounting for ACS's Servicing Failures, *supra* page 66.

[48] Appendix: Accounting for ACS's Servicing Failures, *supra* page 84.

[49] Appendix: Accounting for ACS's Servicing Failures, *supra* pages 30, 37, 47, 63, 101, 118.

[50] *Income-Driven Repayment Plans*, U.S. Dep't of Educ., https://studentaid.gov/manage-loans/repayment/plans/income-driven (last accessed Aug. 31, 2020).

[51] SBPC calculation based on the number of loans reported by servicers as having utilized excessive forbearance and the ratio of borrowers per loan derived from the xc x cx cxxxxxxxxoverall number of loans transferred from ACS as reported by the servicers who responded to Senator Alexander. *See supra* note 17; *see also* Appendix: Accounting for ACS's Servicing Failures, *supra* page 24.

[52] Appendix: Accounting for ACS's Servicing Failures, *supra* page 30.

[53] Appendix: Accounting for ACS's Servicing Failures, *supra* page 63.

[54] Appendix: Accounting for ACS's Servicing Failures, *supra* page 118.

[55] *See Income-Driven Repayment Plans*, *supra* note 50; *Public Service Loan Forgiveness*, U.S. Dep't of Educ., https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service (last accessed Aug. 31, 2020).

[56] SBPC calculation based on the number of loans reported by servicers as having incorrect or missing counts of the number of payments borrowers made toward PSLF, inaccurate payment amounts or terms for borrowers in IDR, or other IDR-related errors including putting borrowers with many loans in different payment plans (including plans ineligible for PSLF). Calculation utilizes the ratio of borrowers per loan derived from the overall number of borrowers transferred from ACS and the overall number of loans transferred from ACS as reported by the servicers who responded to Senator Alexander. *See supra* note 17; *see also* Accounting for ACS's Servicing Failures, *supra* page 24.

[57]Appendix: Accounting for ACS's Servicing Failures, *supra* pages 29 (missing counters and wrong repayment plan), 43 (missing counters), 65 (missing counters), 84 (missing counters and wrong repayment plan).

[58] Appendix: Accounting for ACS's Servicing Failures, *supra* page 65.

[59] Appendix: Accounting for ACS's Servicing Failures, *supra* page 85.

[60] Appendix: Accounting for ACS's Servicing Failures, *supra* page 47, 65, 66, 84.

[61] Appendix: Accounting for ACS's Servicing Failures, *supra* page 84.

[62] Appendix: Accounting for ACS's Servicing Failures, *supra* pages 36, 65; *see also* Appendix: Accounting for ACS's Servicing Failures, *supra* pages 43, 84.

[63] Appendix: Accounting for ACS's Servicing Failures, *supra* page 85.

[64] Appendix: Accounting for ACS's Servicing Failures, *supra* pages 36, 65, 101.

[65] Appendix: Accounting for ACS's Servicing Failures, *supra* page 85.

[66] *Id*.

[67] Appendix: Accounting for ACS's Servicing Failures, *supra* page 36.

[68] Appendix: Accounting for ACS's Servicing Failures, *supra* page 47.

[69] Appendix: Accounting for ACS's Servicing Failures, *supra* page 47.

[70] Appendix: Accounting for ACS's Servicing Failures, *supra* page 63.

[71] Appendix: Accounting for ACS's Servicing Failures, *supra* page 37.

[72] Appendix: Accounting for ACS's Servicing Failures, *supra* page 53.

[73] Appendix: Accounting for ACS's Servicing Failures, *supra* page 118.

[74] Appendix: Accounting for ACS's Servicing Failures, *supra* page 84.

[75] Appendix: Accounting for ACS's Servicing Failures, *supra* pages 85, 117.

[76] Appendix: Accounting for ACS's Servicing Failures, *supra* page 84; *see also* Appendix: Accounting for ACS's Servicing Failures, *supra* page 42.

[77] *See Staying on* track, *supra* note 3 at 39.

[78] Appendix: Accounting for ACS's Servicing Failures, *supra* pages 36 (rates), 65 (application date), 85 (application date).

[79] Appendix: Accounting for ACS's Servicing Failures, *supra* page 42.

[80] Appendix: Accounting for ACS's Servicing Failures, *supra* pages 42, 66.

[81] Appendix: Accounting for ACS's Servicing Failures, *supra* pages 36, 42, 63.

[82] Appendix: Accounting for ACS's Servicing Failures, *supra* page 36.

[83] Appendix: Accounting for ACS's Servicing Failures, *supra* page 85.

[84] Appendix: Accounting for ACS's Servicing Failures, *supra* page 85.

[85] Appendix: Accounting for ACS's Servicing Failures, *supra* pages 65, 74, 79.

[86] Appendix: Accounting for ACS's Servicing Failures, *supra* page 84.

[87] Appendix: Accounting for ACS's Servicing Failures, *supra* page 67, 84.

[88] *Annual Report of the CFPB Student Loan Ombudsman: Transitioning from Default to an Income-Driven Repayment Plan*, Consumer Fin. Prot. Bureau at 33 (Oct. 2016) https://files.consumerfinance.gov/f/documents/102016_cfpb_Transmittal_DFA_1035_Student_Loan_Ombudsman_Report.pdf.

[89] Appendix: Accounting for ACS's Servicing Failures, *supra* pages 63, 90, 116.

[90] Appendix: Accounting for ACS's Servicing Failures, *supra* page 63.

[91] Appendix: Accounting for ACS's Servicing Failures, *supra* page 116.

[92] Appendix: Accounting for ACS's Servicing Failures, *supra* page 33; *see also* Appendix: Accounting for ACS's Servicing Failures, *supra* pages 63, 117.

[93] Appendix: Accounting for ACS's Servicing Failures, *supra* page 94 (documenting Change Requests 1963, 1979, and 2165).

[94] *See, e.g.*, Gov't Accountability Office, *Public Service Loan Forgiveness: Improving the Temporary Expanded Process Could Help Reduce Borrower Confusion*, GAO-19-595 (Sept. 2019), https://www.gao.gov/assets/710/701157.pdf.

[95] Memorandum from Ted Mitchell, Under Sec., U.S. Dep't of Educ. To James Runcie, Chief Operating Officer Fed. Student Aid, Police Direction on Federal Student Loan Servicing (July 20, 2016), https://www2.ed.gov/documents/press-releases/loan-servicing-policy-memo.pdf.

[96] *See* Colleen Campbell, *The Long Path to a New Repayment System*, Ctr. for Am. Progress (Sep. 10, 2019), https://www.americanprogress.org/issues/education-postsecondary/news/2019/09/10/474254/long-path-new-student-loan-repayment-system/ ("This policy memo arose as part of a sequence that led to the development of the Department's proposed *NextGen* servicing platform.").

[97] Memorandum, *supra* note 95.

[98] *See* U.S. Dep't of Educ., *Federal Student Aid Portfolio Summary*, https://studentaid.gov/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls (last accessed Aug. 31, 2020).

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