

Federal Student Aid

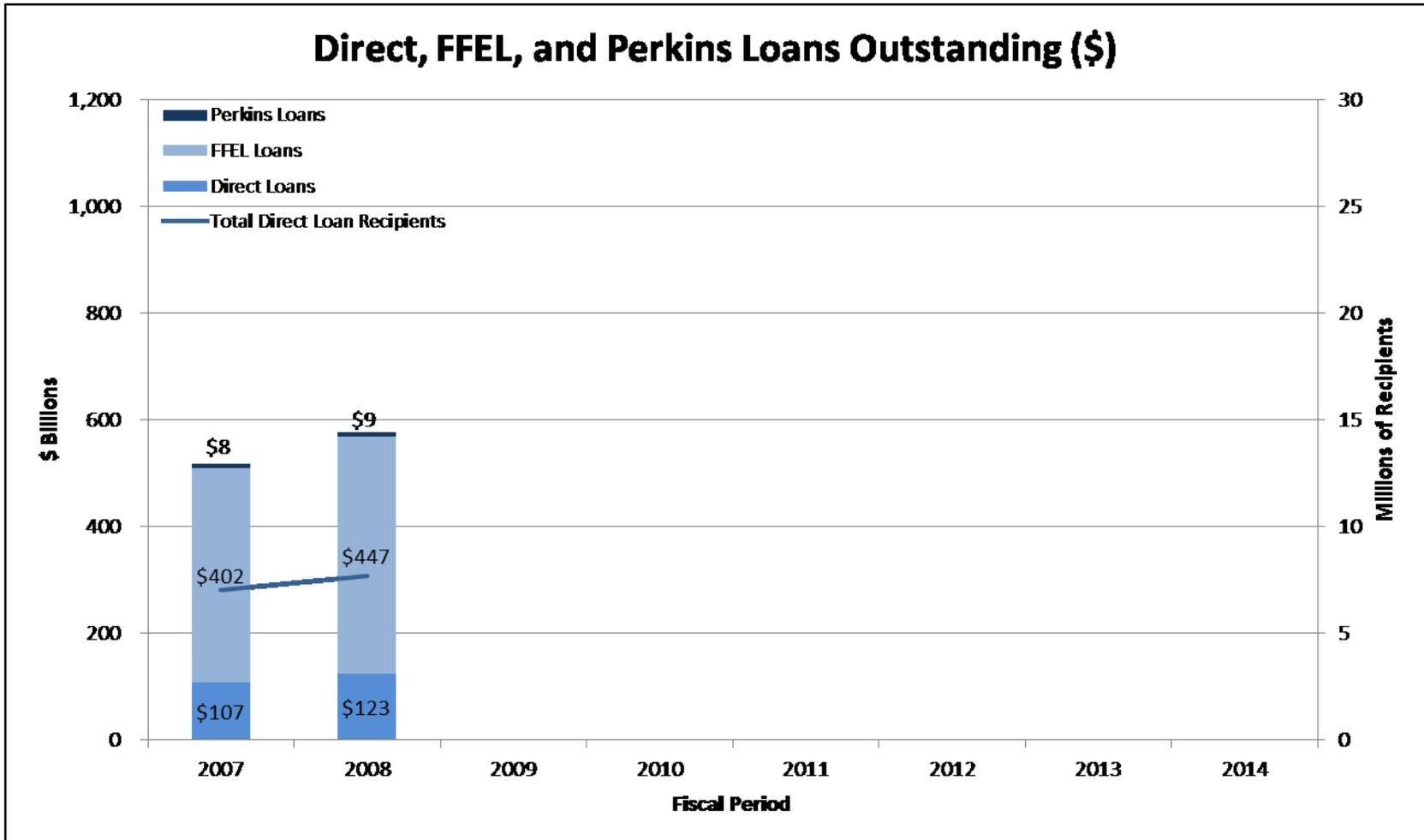
Servicer Summit Loan Portfolio Briefing Document

December 1, 2014

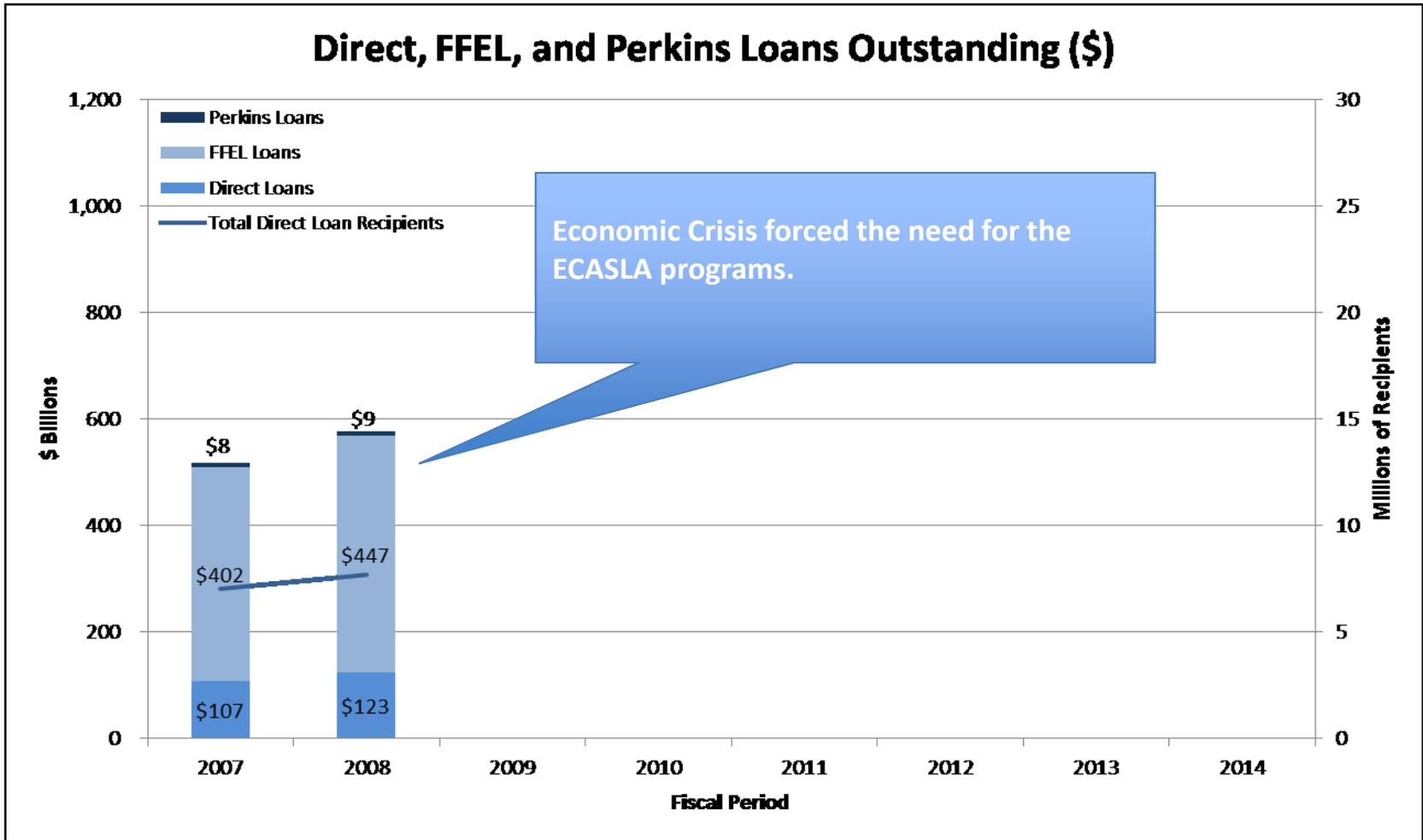
Portfolio Briefing Agenda

1. Student Loan Portfolio over Time
2. Breakdown of the Current Portfolio
 1. Student Loan Portfolio by Loan Type
 2. Student Loan Portfolio by Loan Status
 3. Student Loan Portfolio by Delinquency Status
 4. Defaulted Portfolio as Percentage of Overall Portfolio
 5. Servicer Portfolio by Loan Status
 6. Direct Loan Repayment Plan Usage – Recipients
 7. Servicer Portfolio by Repayment Plan
3. Closer Look at Income-Driven Repayment Plans
4. Targeted Improvements

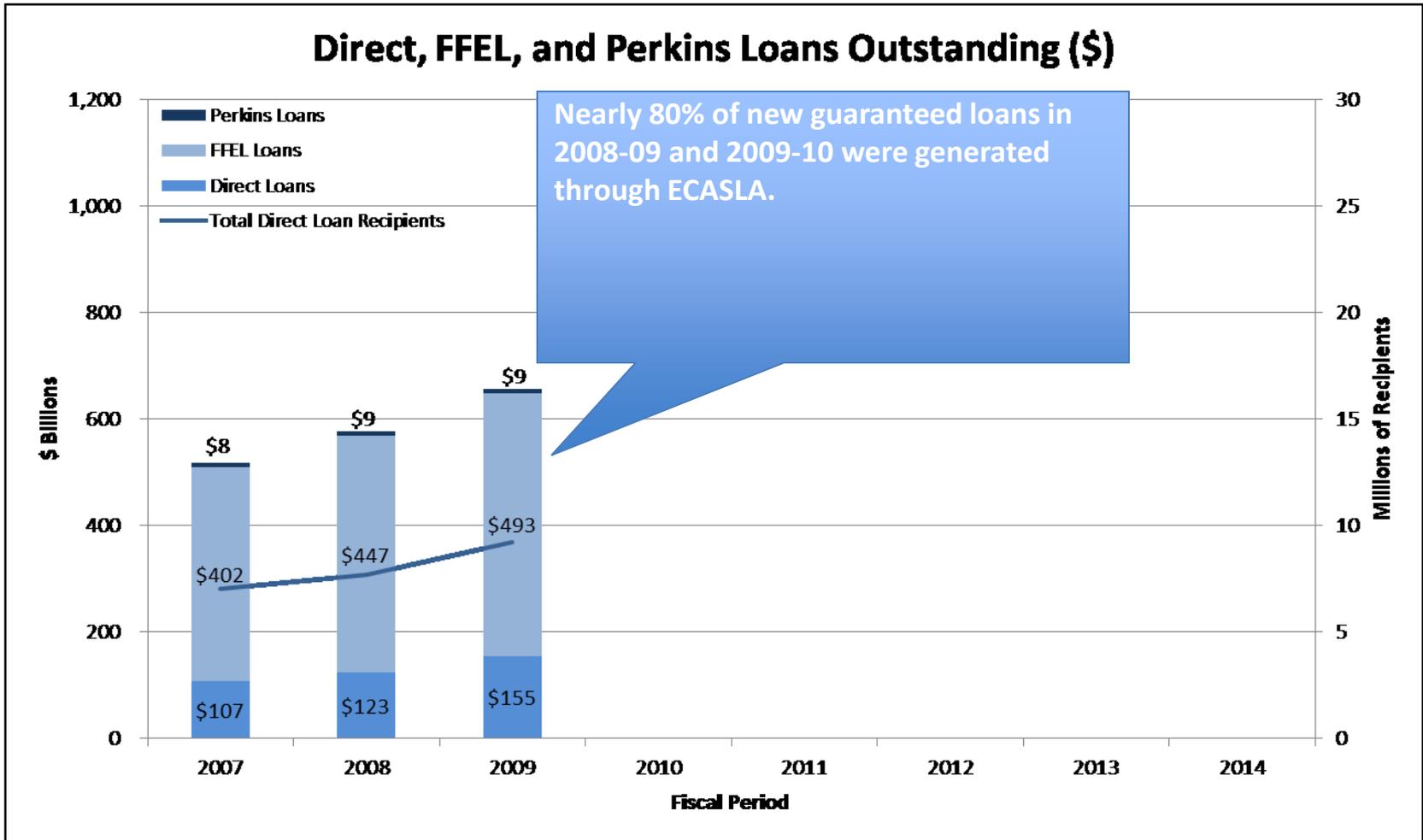
Federal Student Loan Portfolio



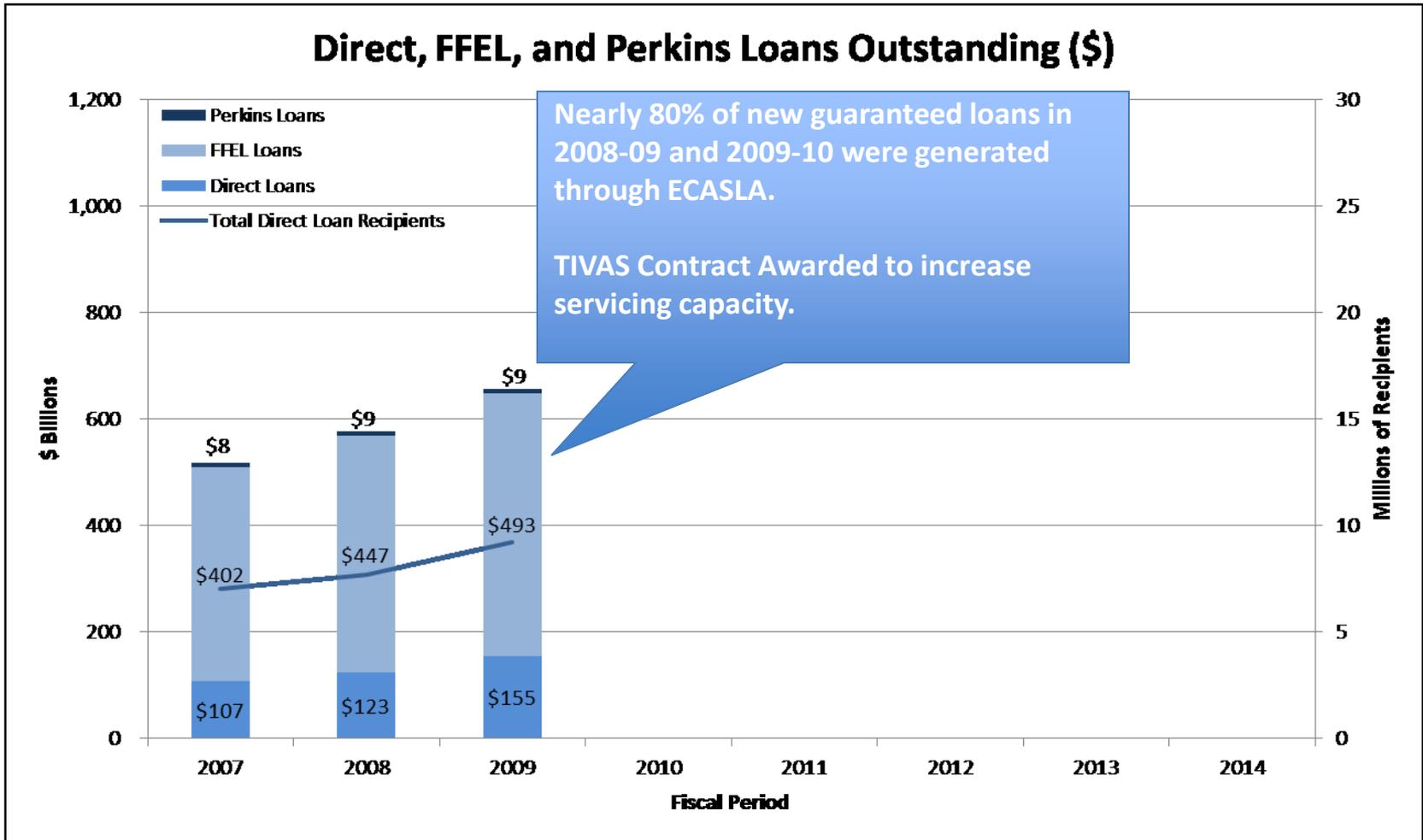
Federal Student Loan Portfolio



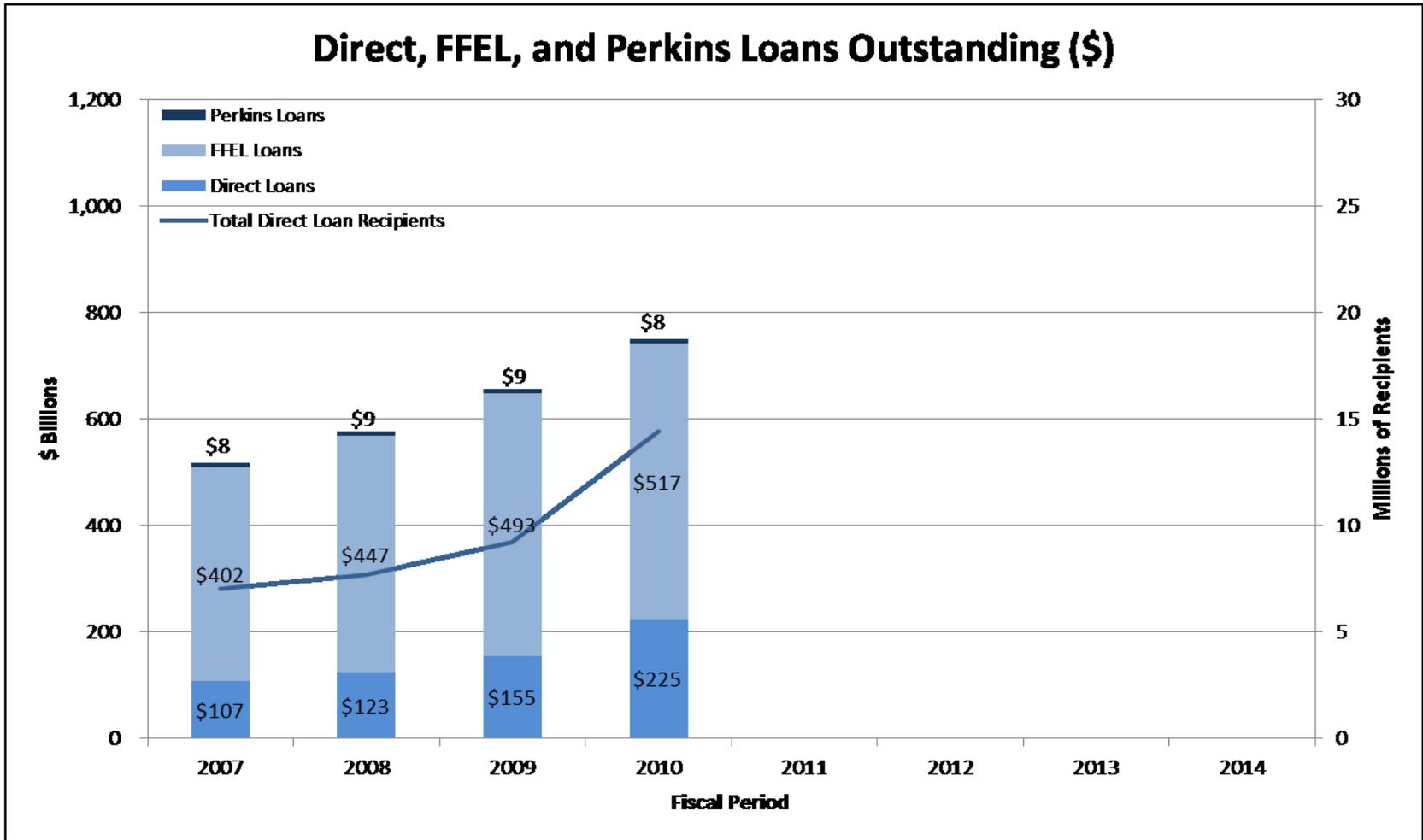
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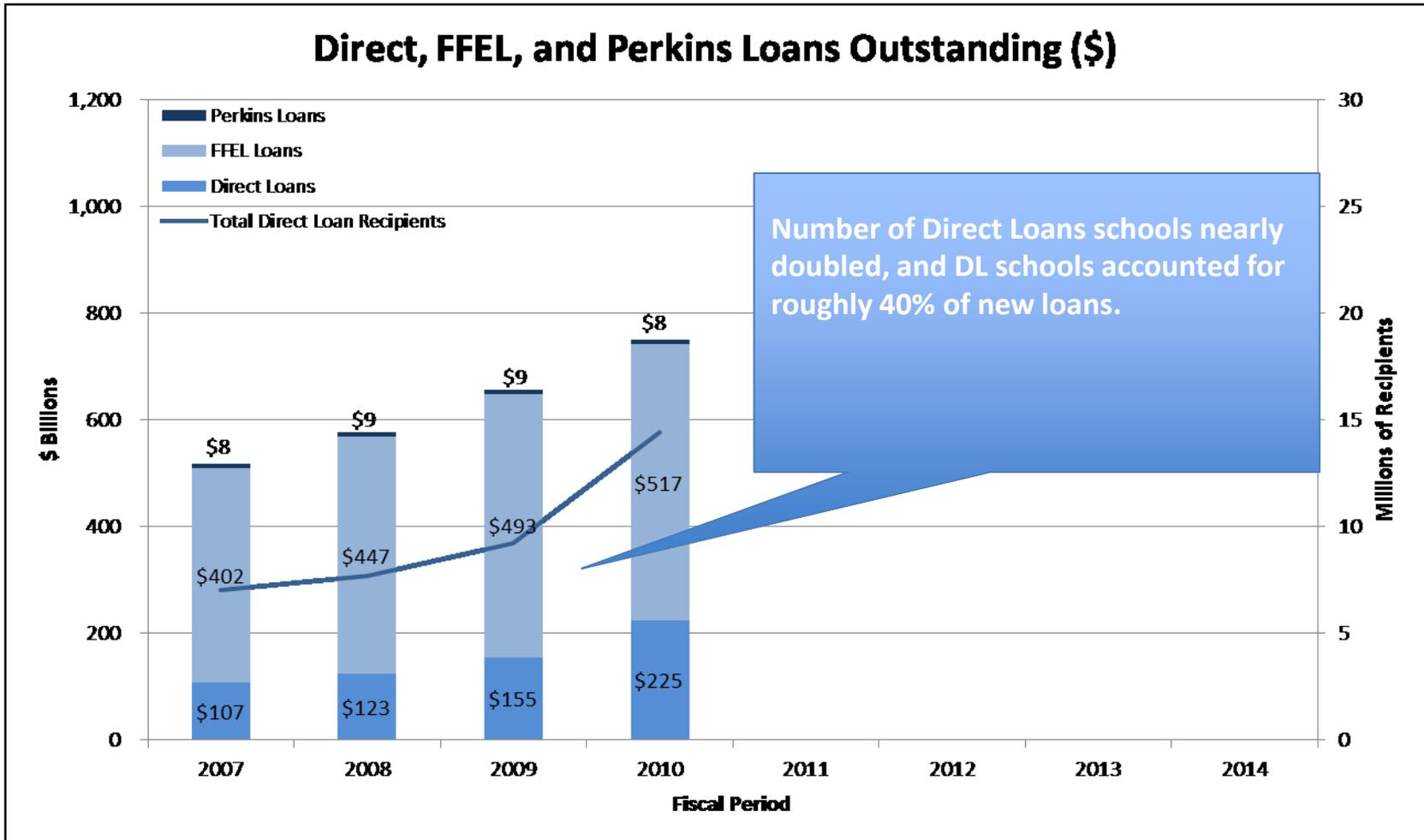
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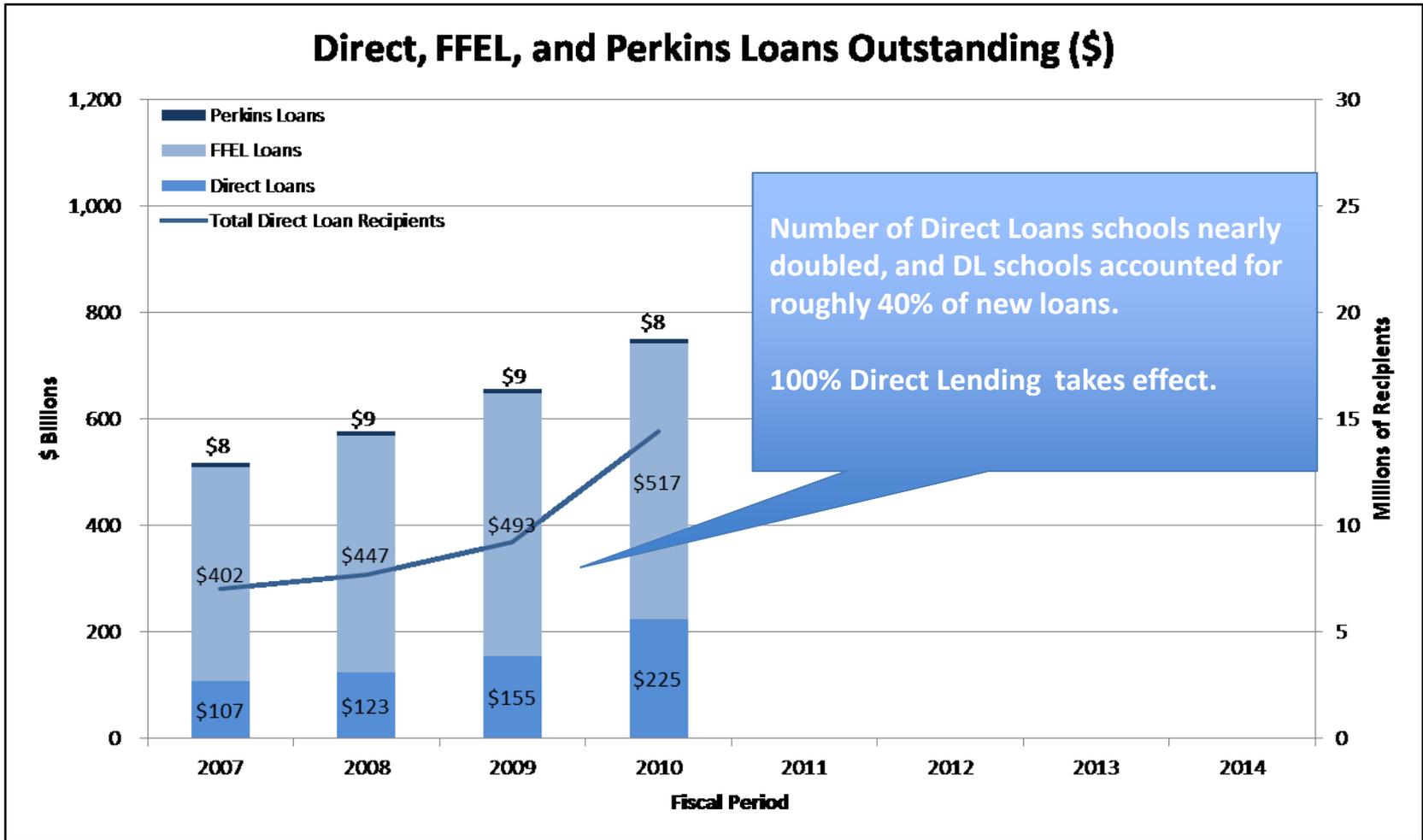
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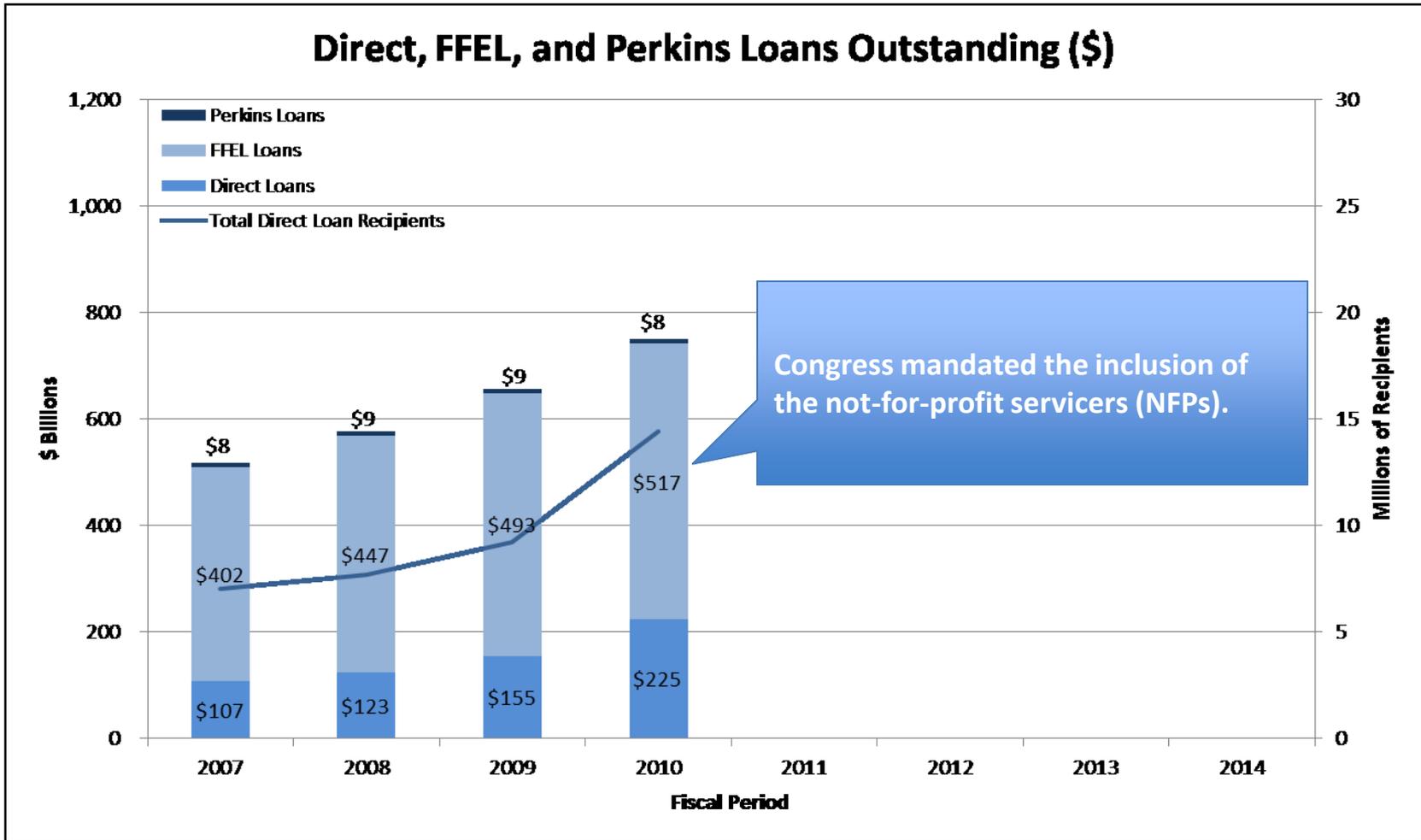
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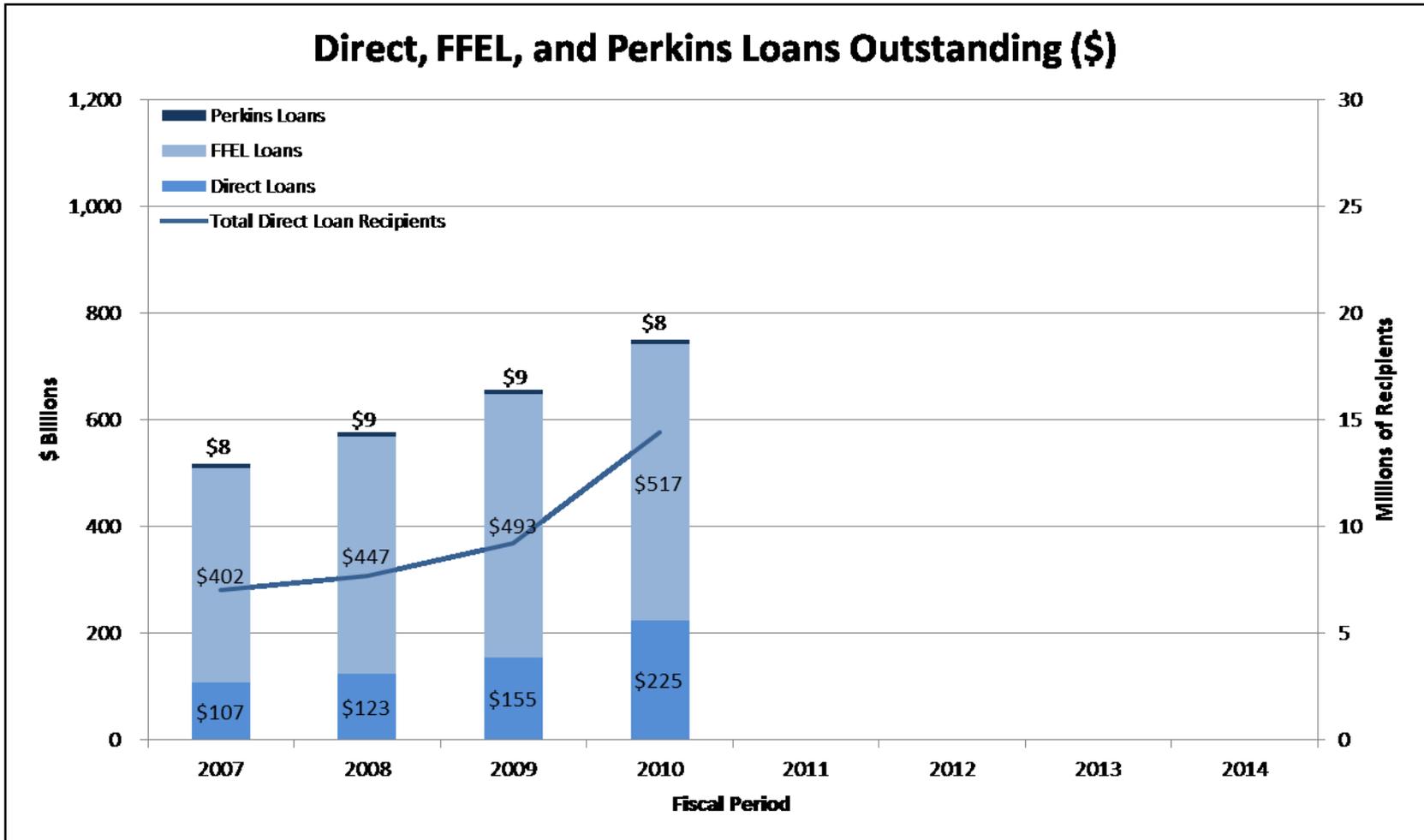
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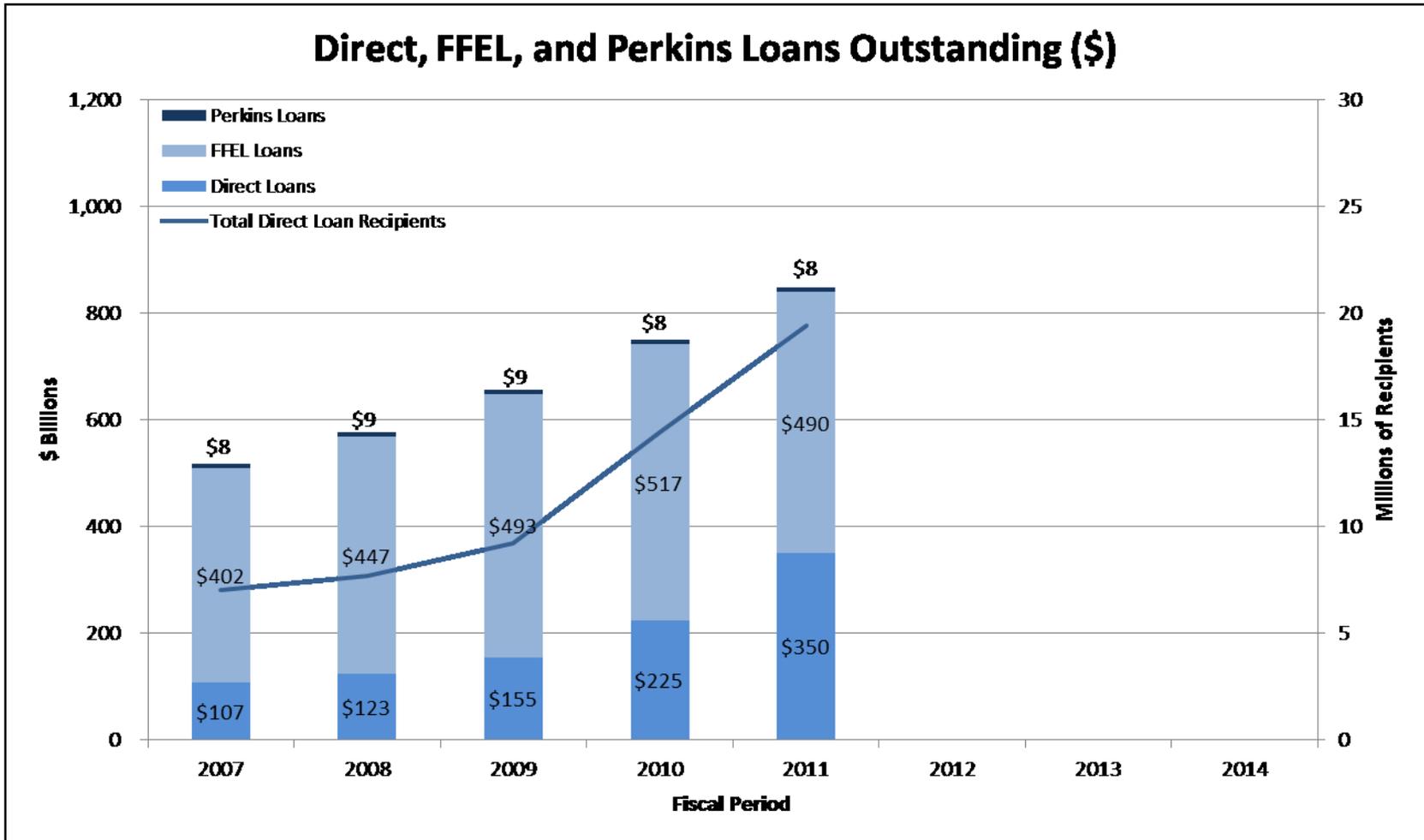
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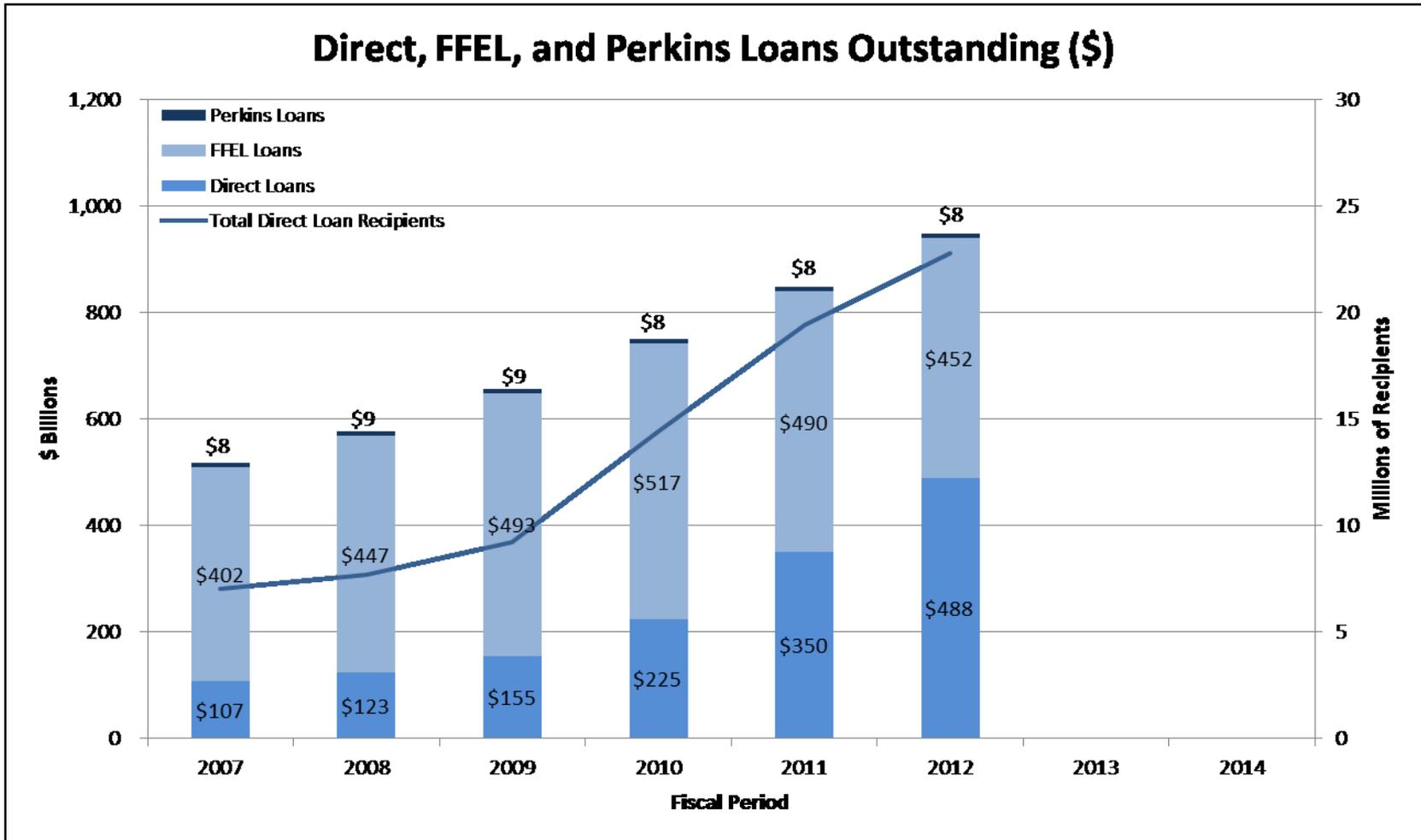
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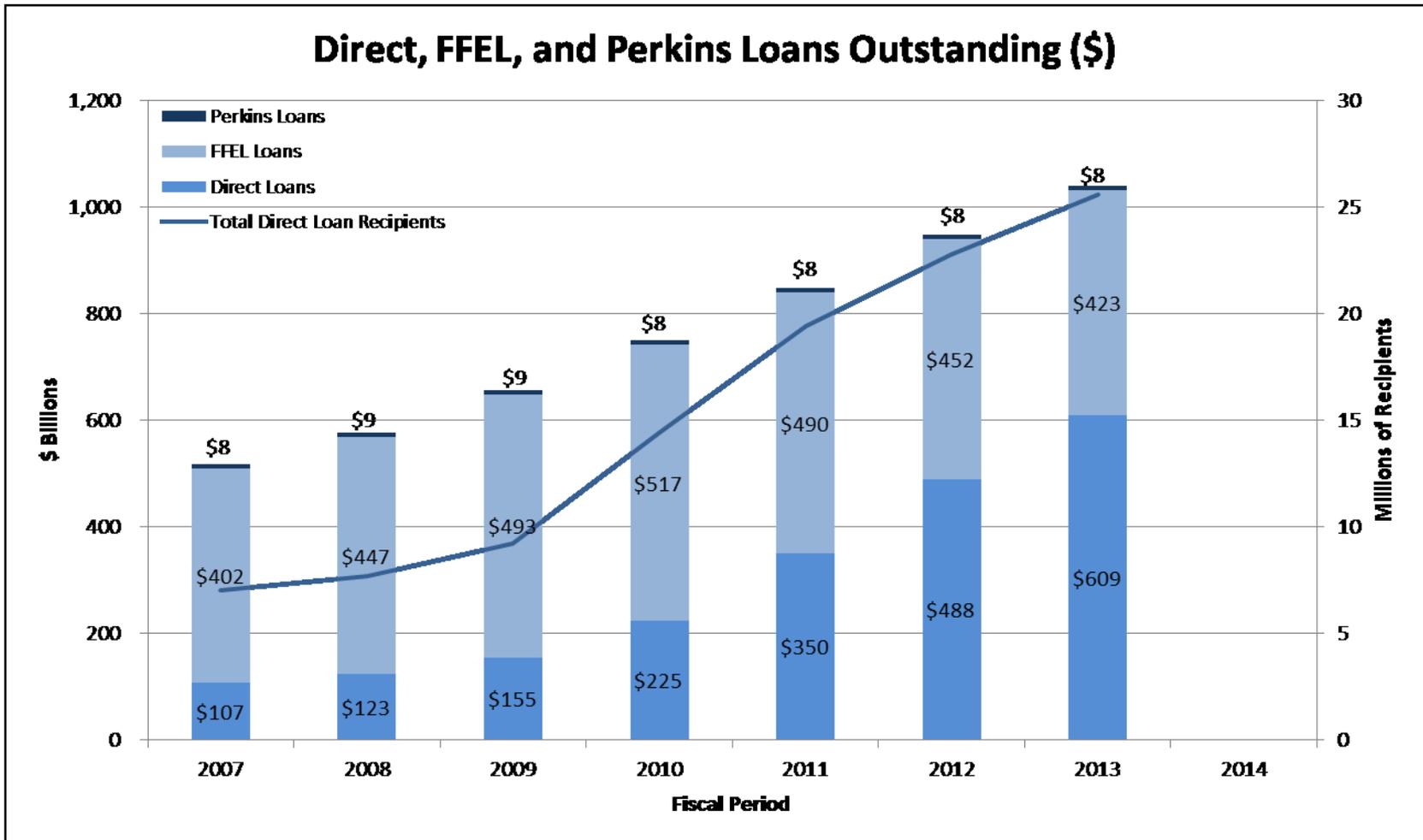
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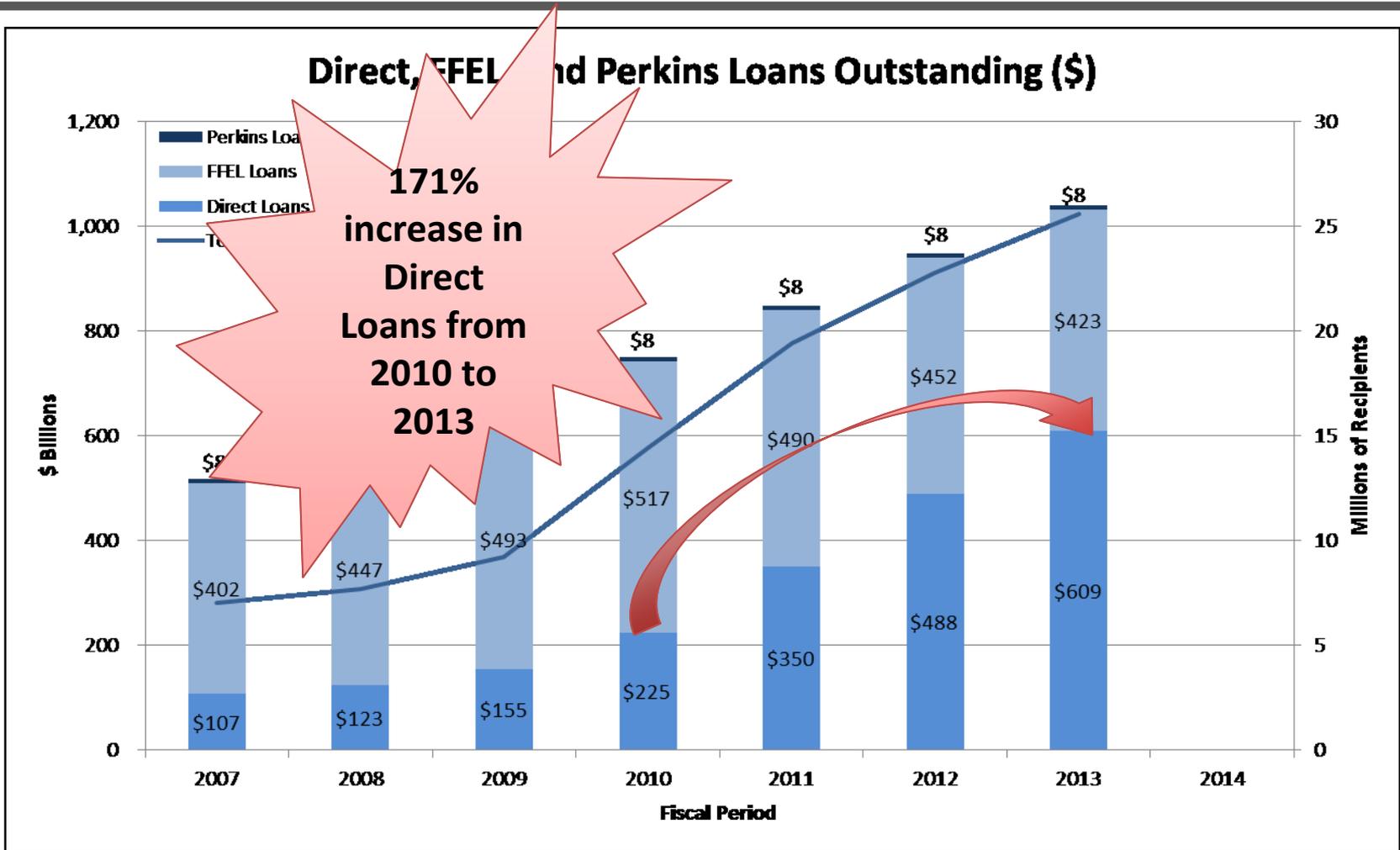
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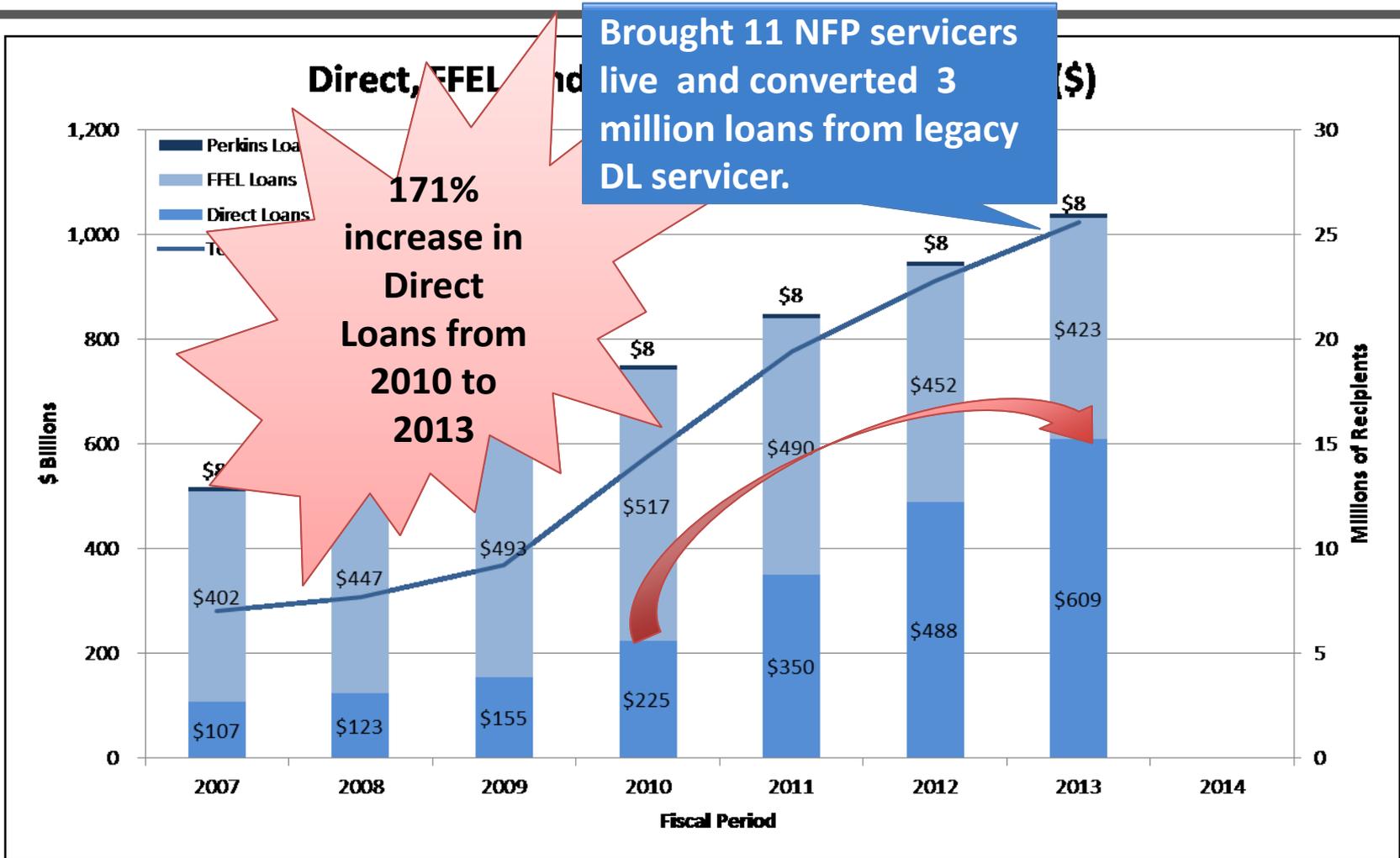
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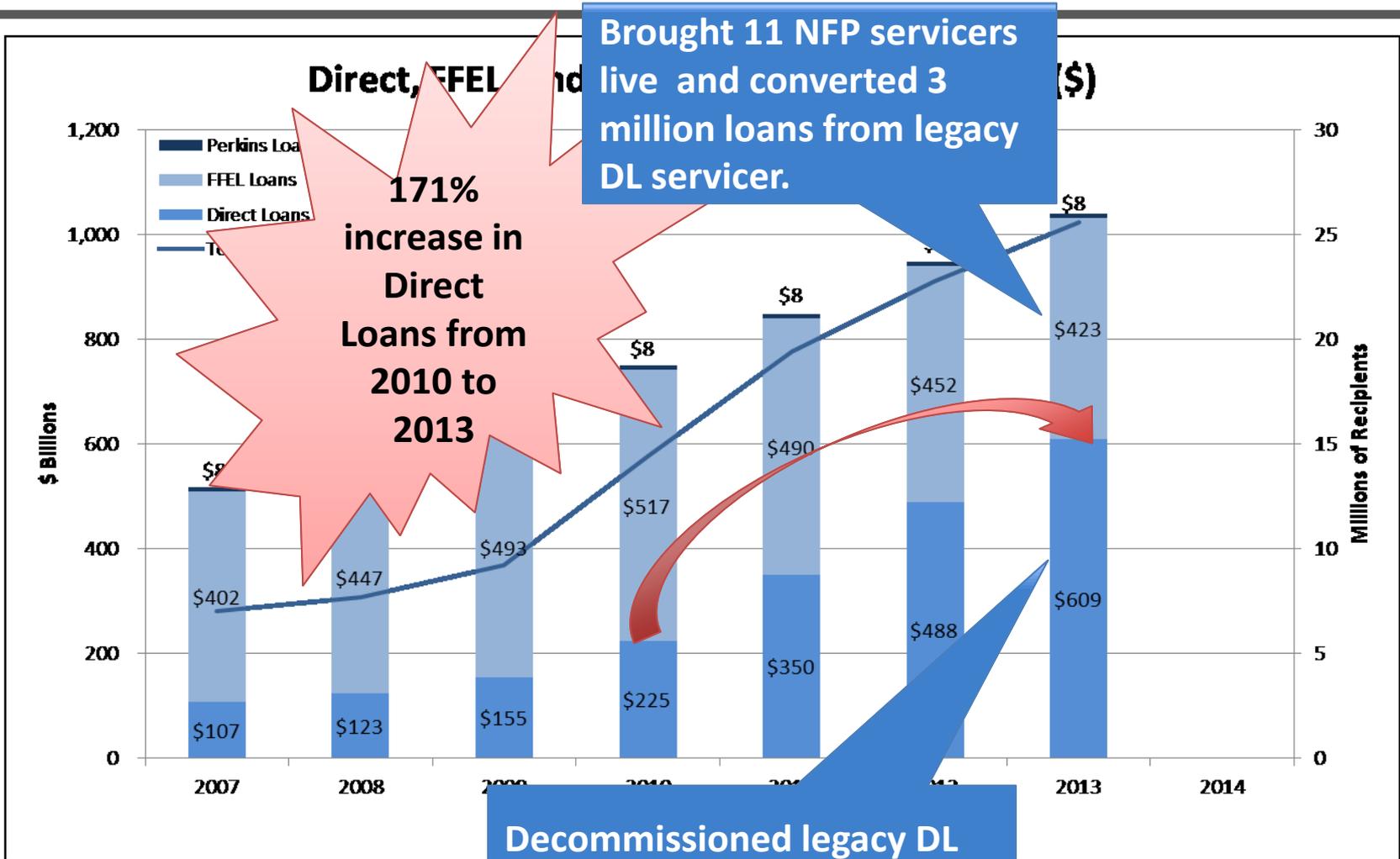
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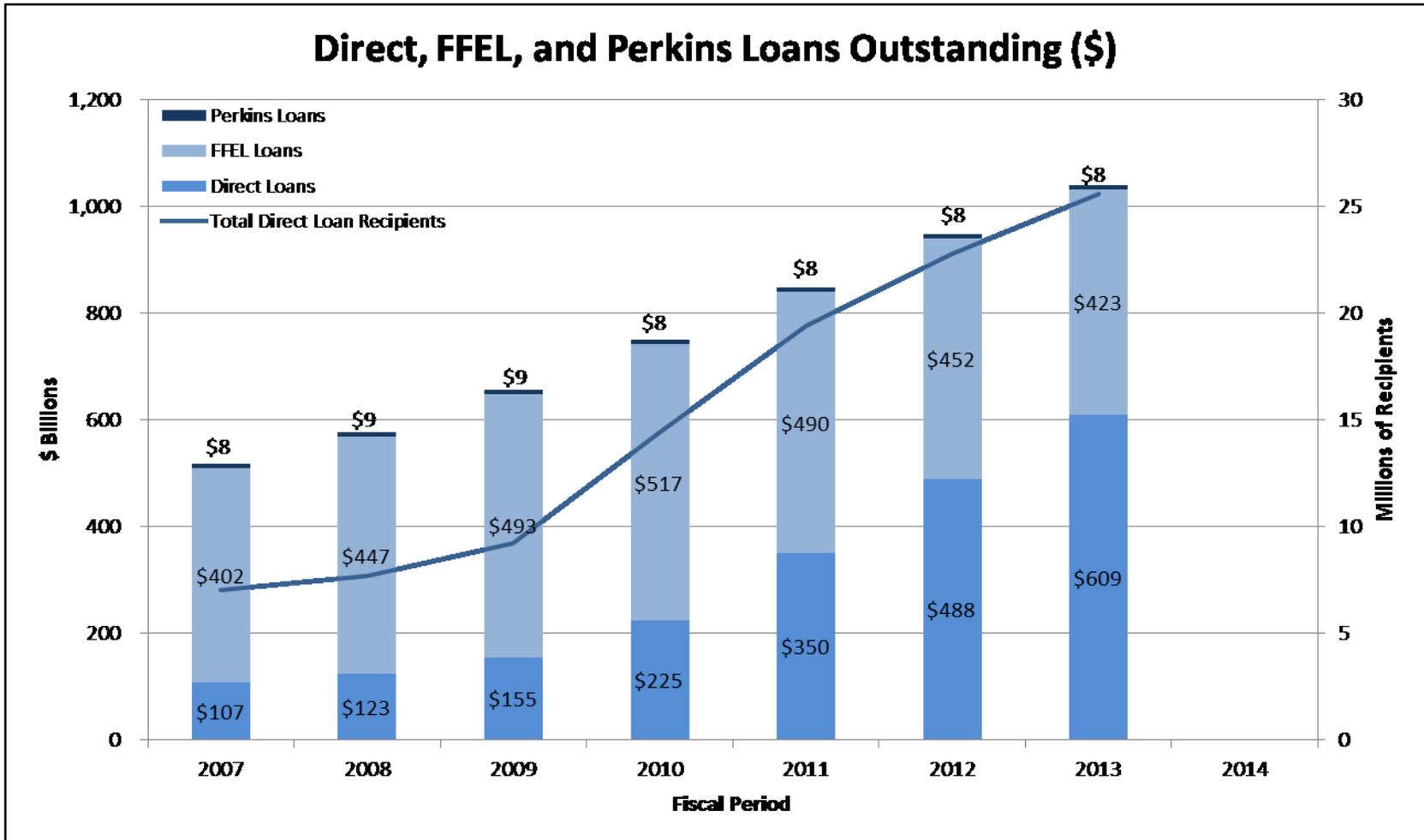
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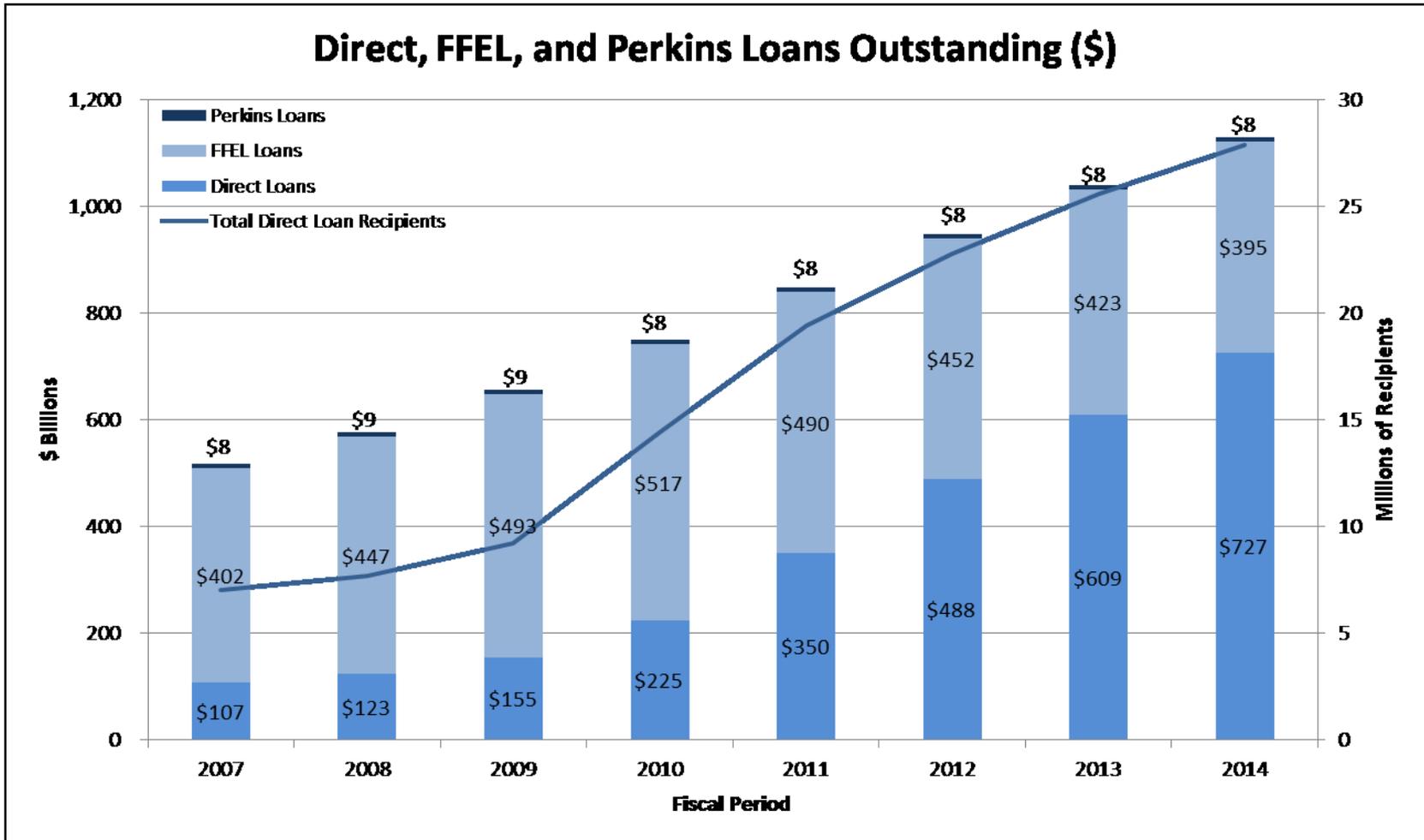
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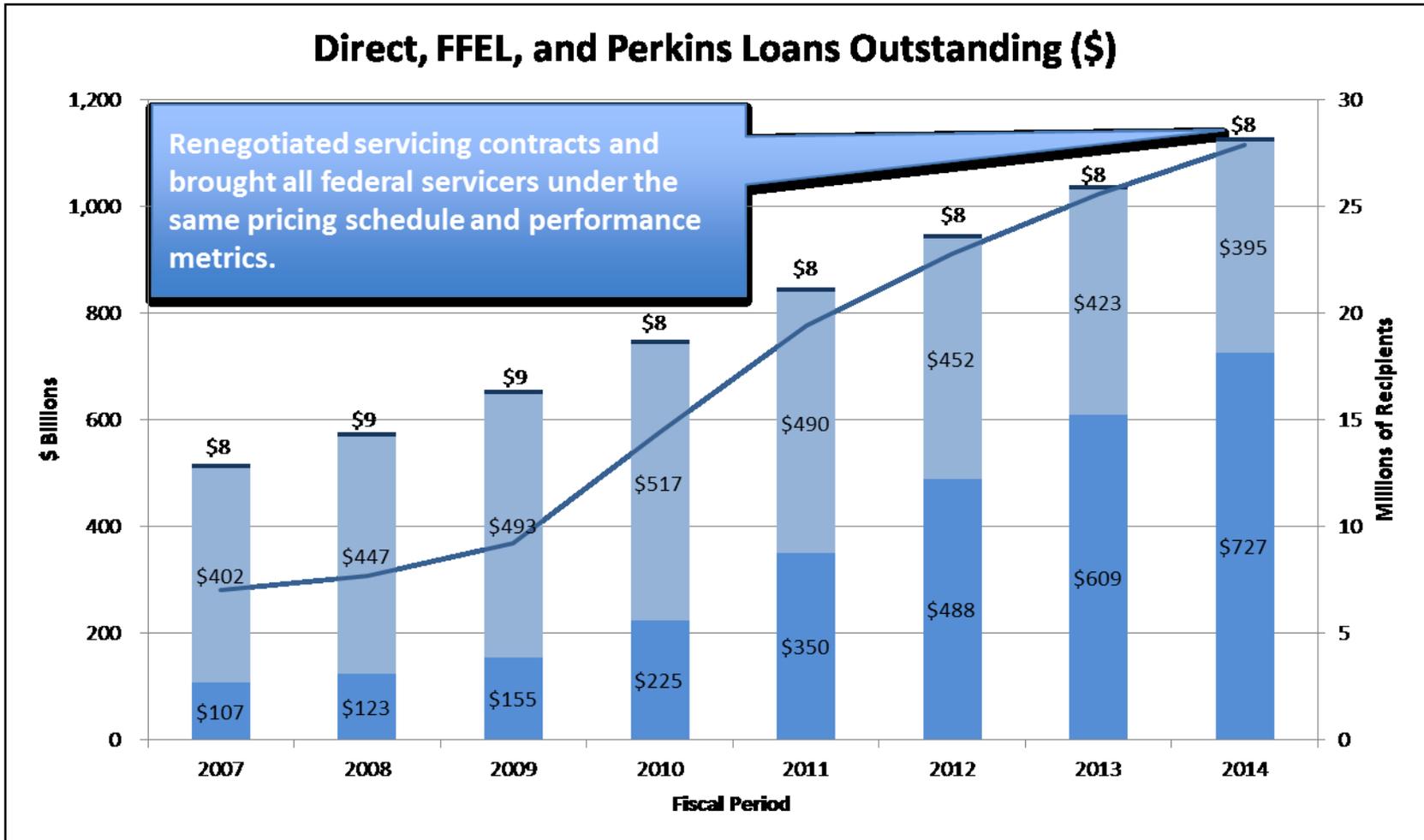
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Federal Student Loan Portfolio



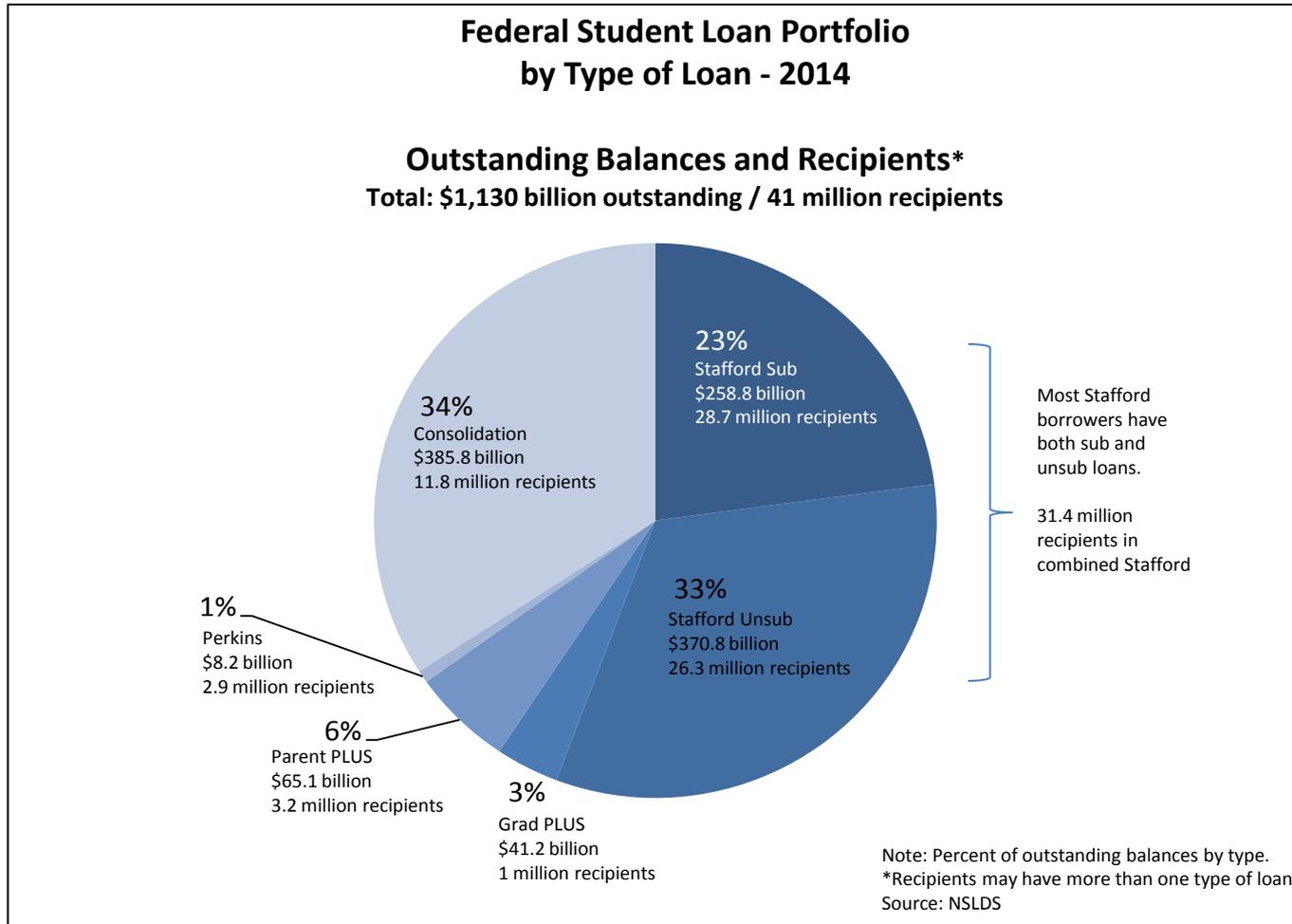
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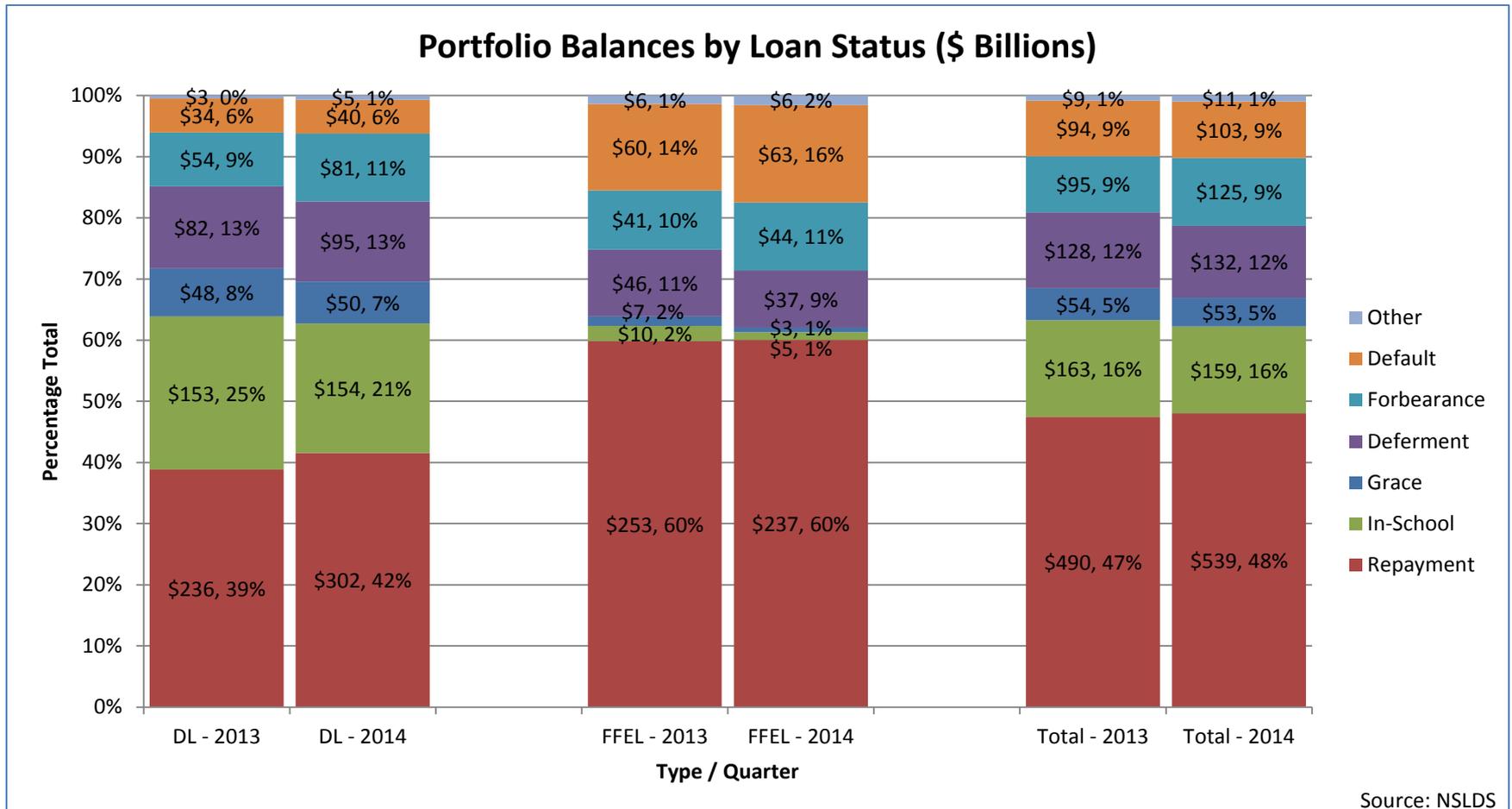
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Student Loan Portfolio by Loan Type



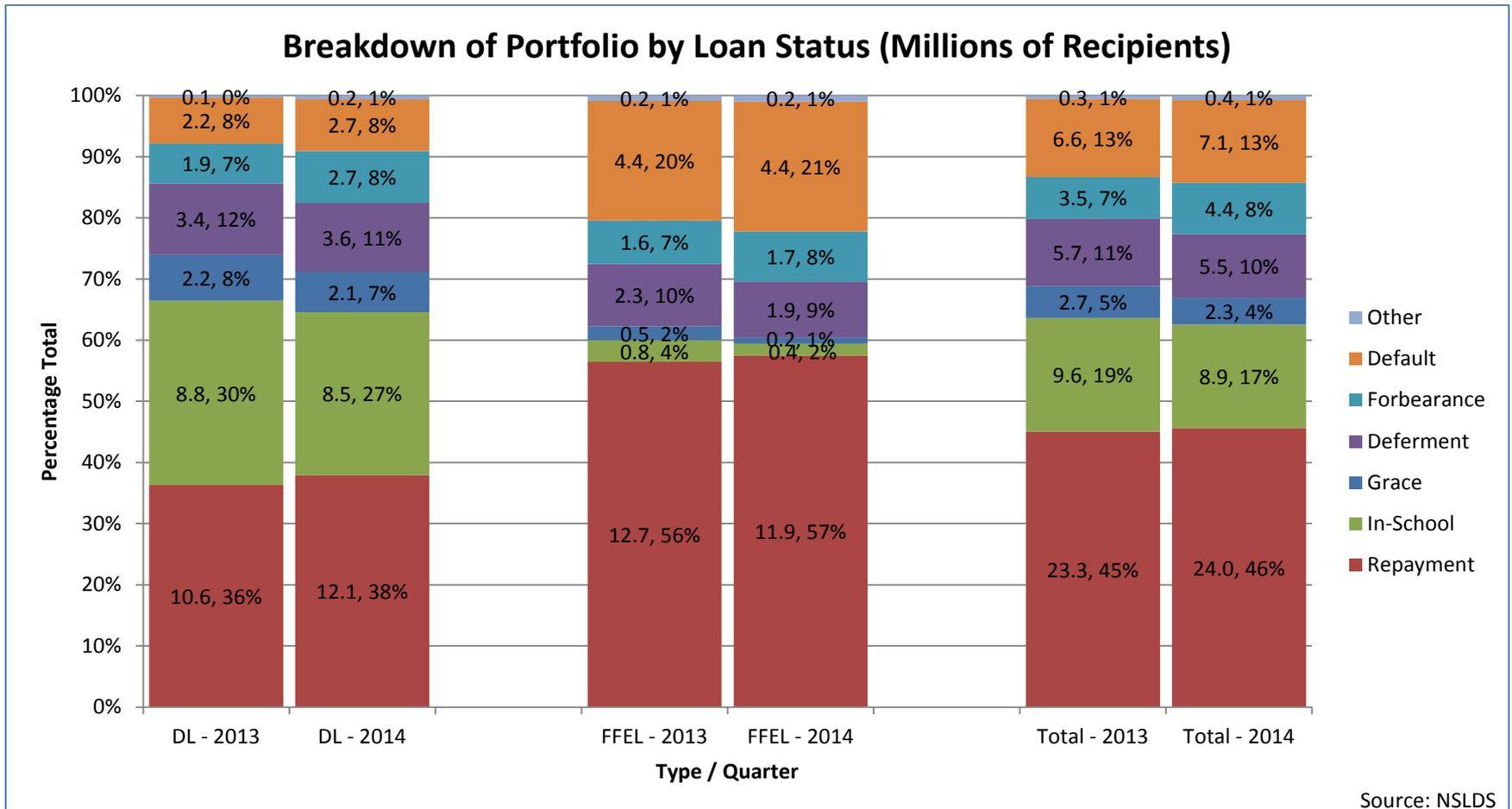
Student Loan Portfolio by Loan Status



Notes: This slide is by loan program. Federal Family Education Loans (FFEL) loans held by the Department as part of the Ensuring Continued Access to Student Loans Act (ECASLA) are reflected in the FFEL category. In-school deferments are the portion of Deferment associated with loans where the borrower has returned to school after having been in repayment. In-school loan status generally has loans while students are still in the program for which he or she has obtained the loan.

The Q3 2014 FFELP portfolio consists of \$83 billion in ED servicing, \$24 billion in ED DMCS, <\$1 billion in ED TPD, \$252 billion in lender-held, and \$42 billion GA-held.

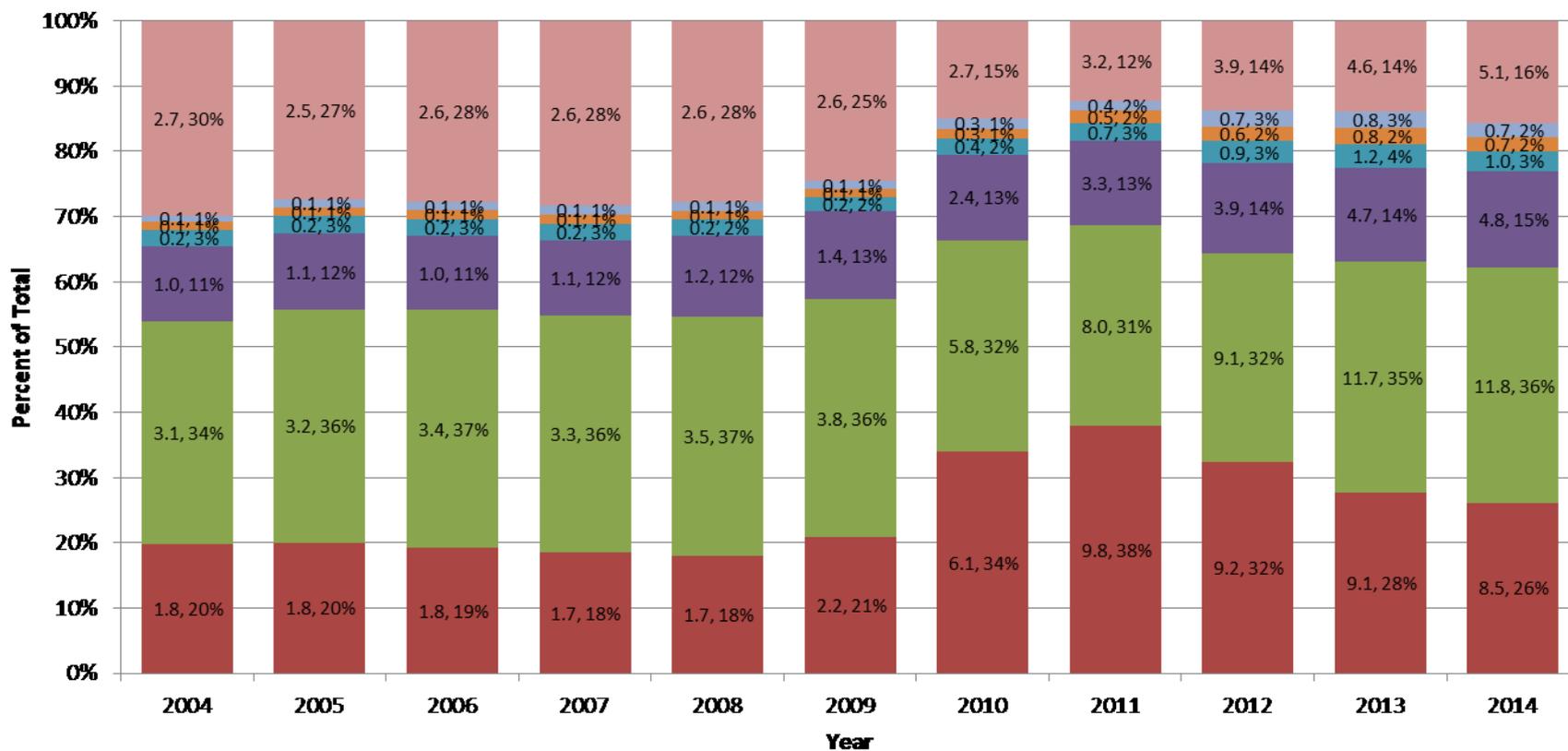
Student Loan Portfolio by Loan Status



Notes: This slide is by loan program. Federal Family Education Loans (FFEL) loans held by the Department as part of the Ensuring Continued Access to Student Loans Act (ECASLA) are reflected in the FFEL category. In-school deferments are the portion of Deferment associated with loans where the borrower has returned to school after having been in repayment. In-school loan status generally has loans while students are still in the program for which he or she has obtained the loan. Recipients are duplicated to calculate percentages within types and quarters. Total recipient values are unduplicated.

Direct Loan Portfolio by Delinquency Status

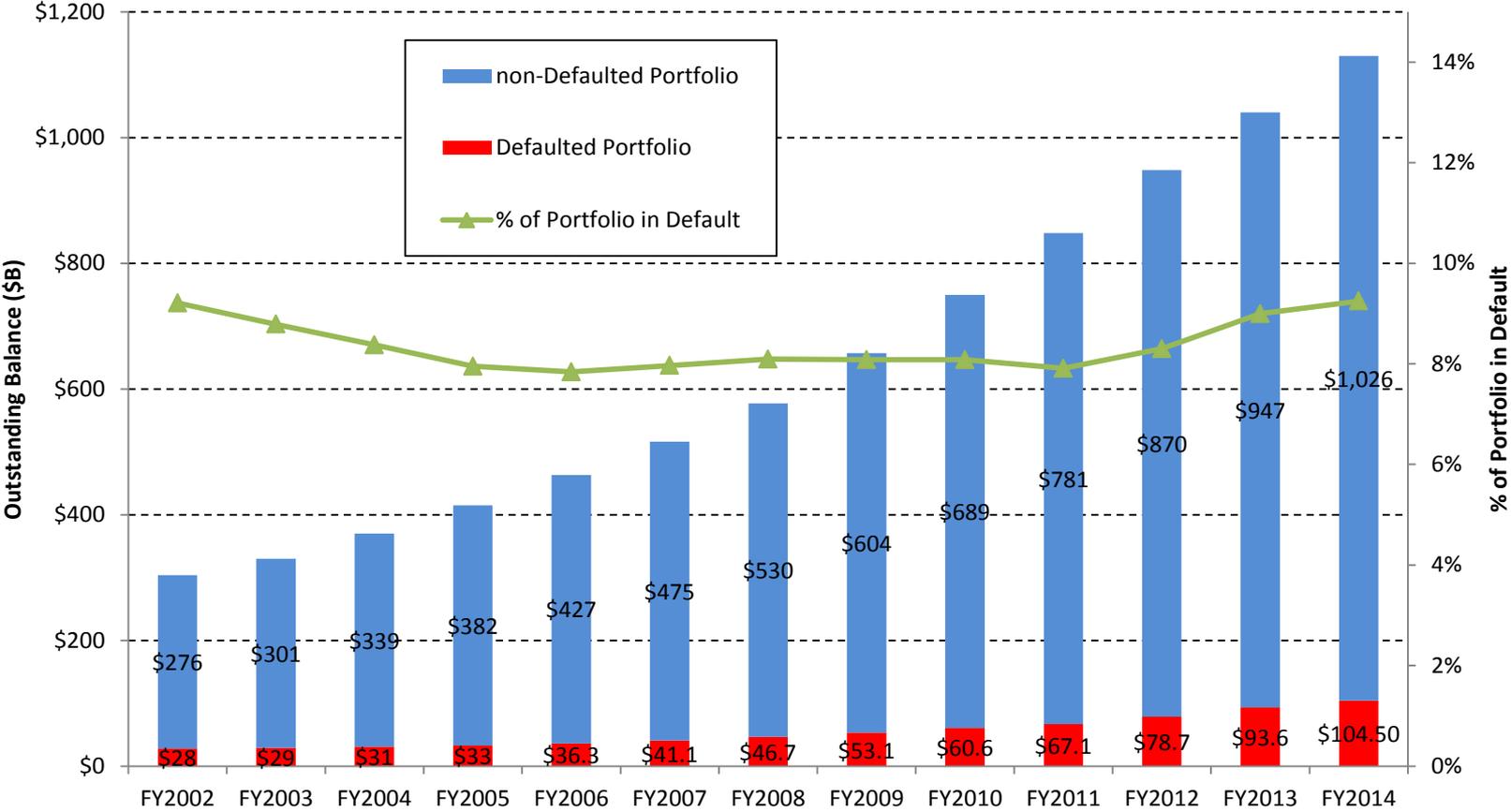
Loans by Repayment Status



■ In School
 ■ Grace or Current Repayment
 ■ Deferment or Forbearance
 ■ Delinquent 31-90 days
■ Delinquent 91-150 days
 ■ Delinquent 151-270 days
 ■ Borrowers in Default

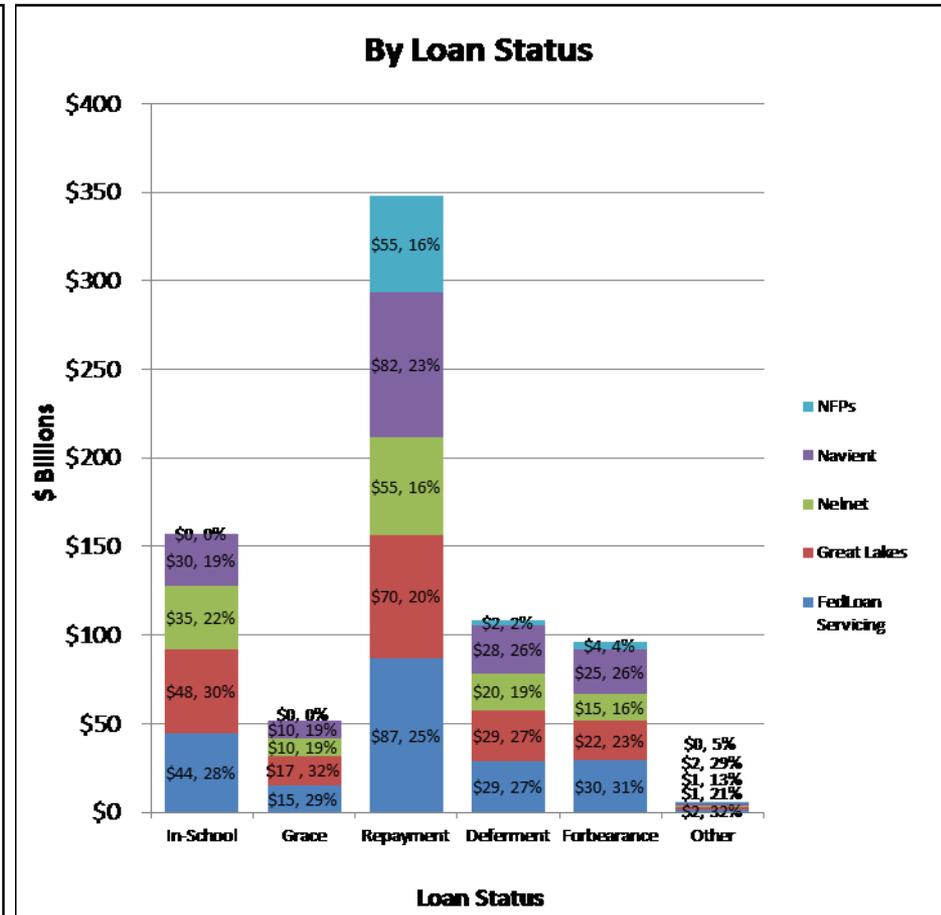
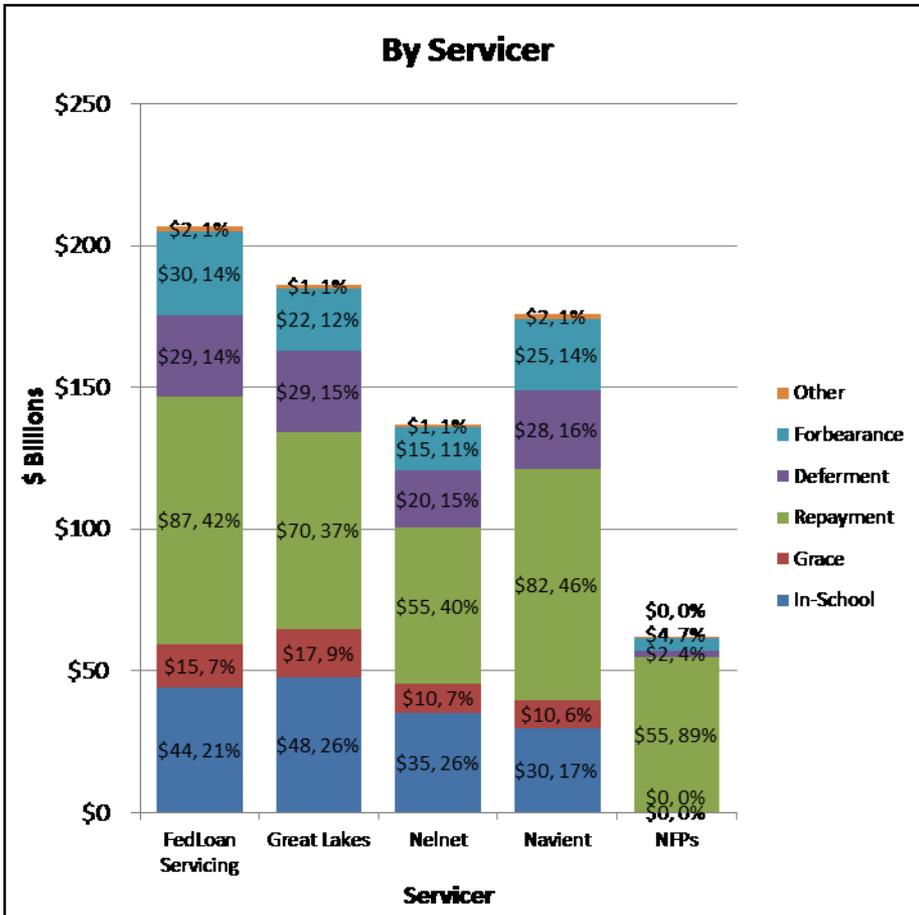
Source: Invoice Submissions

Defaulted Portfolio as Percentage of Overall Portfolio



Source: NSLDS

Servicer Portfolio by Loan Status

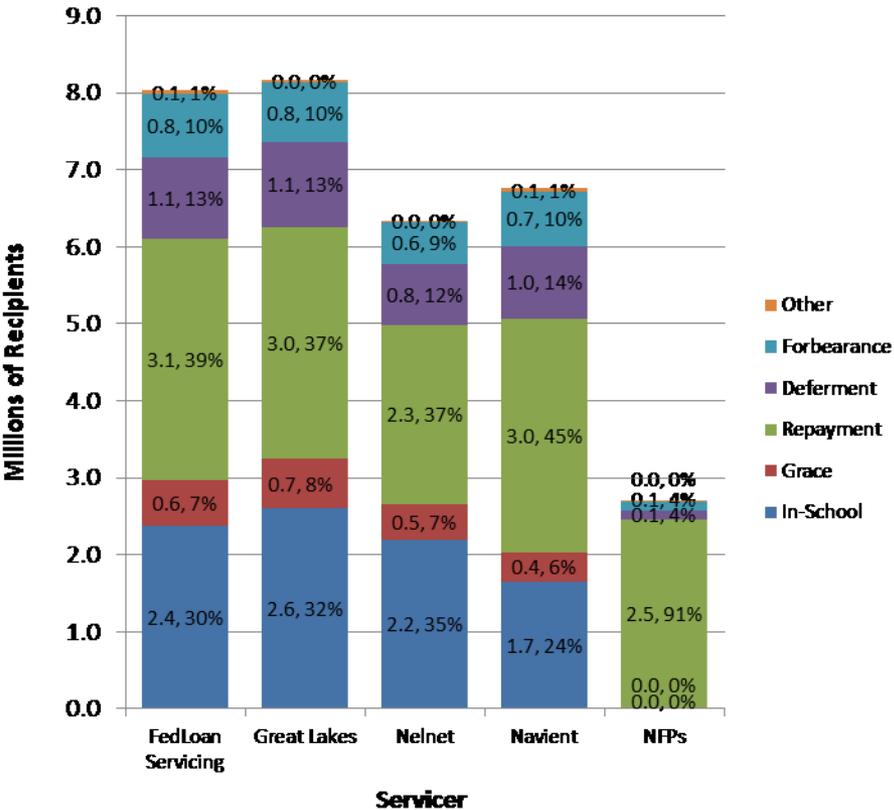


Notes: The parameters include DLs and FFEL loans serviced by Federal servicers.

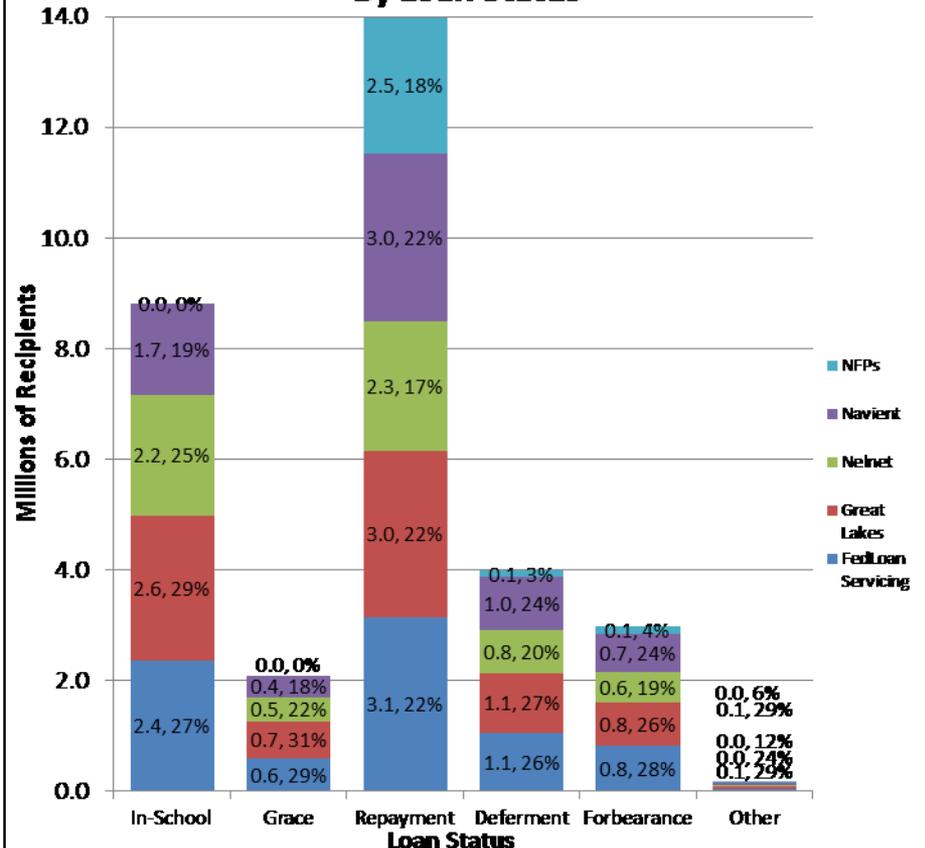
Federal Student Aid has seven not-for-profit servicers (NFP): Aspire Resources Inc., Cornerstone, ESA/EDSouth, Granite State – GSMR, MOHELA, OSLA Servicing, VSAC Federal Loans. NFP portfolios have a different make up compared to the Title IV Additional Servicers (TIVAS). As part of the on-boarding for the NFP, NFPs received mainly loans in current repayment. The NFPs have not and are not currently receiving newly-made loans. The TIVAS service ECASLA FFEL and Direct Loans (received originally in all statuses) in addition to receiving newly made loans.

Servicer Portfolio by Loan Status

By Servicer



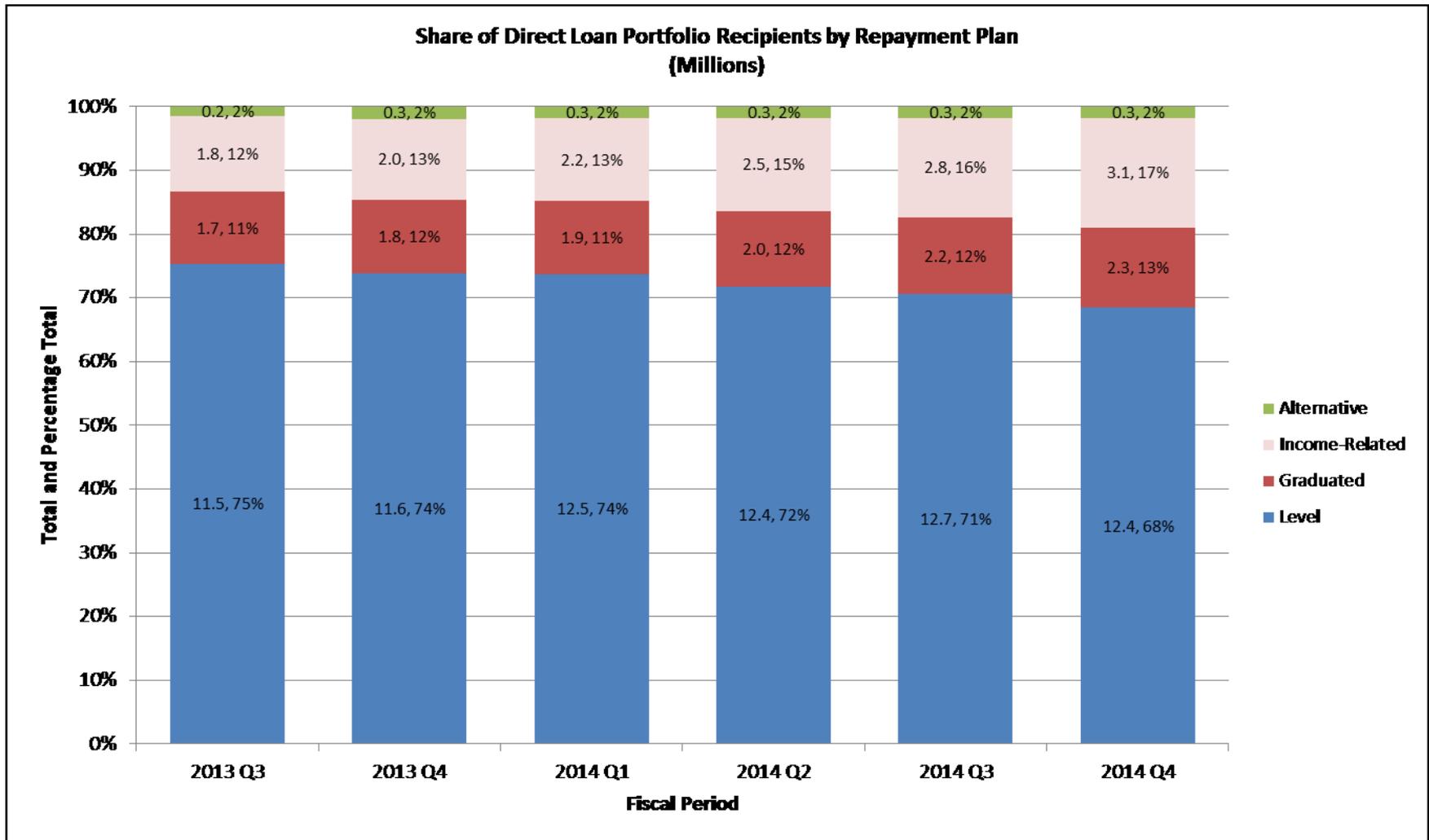
By Loan Status



Notes: The parameters include DLs and FFEL loans serviced by Federal servicers. Recipient counts are duplicated.

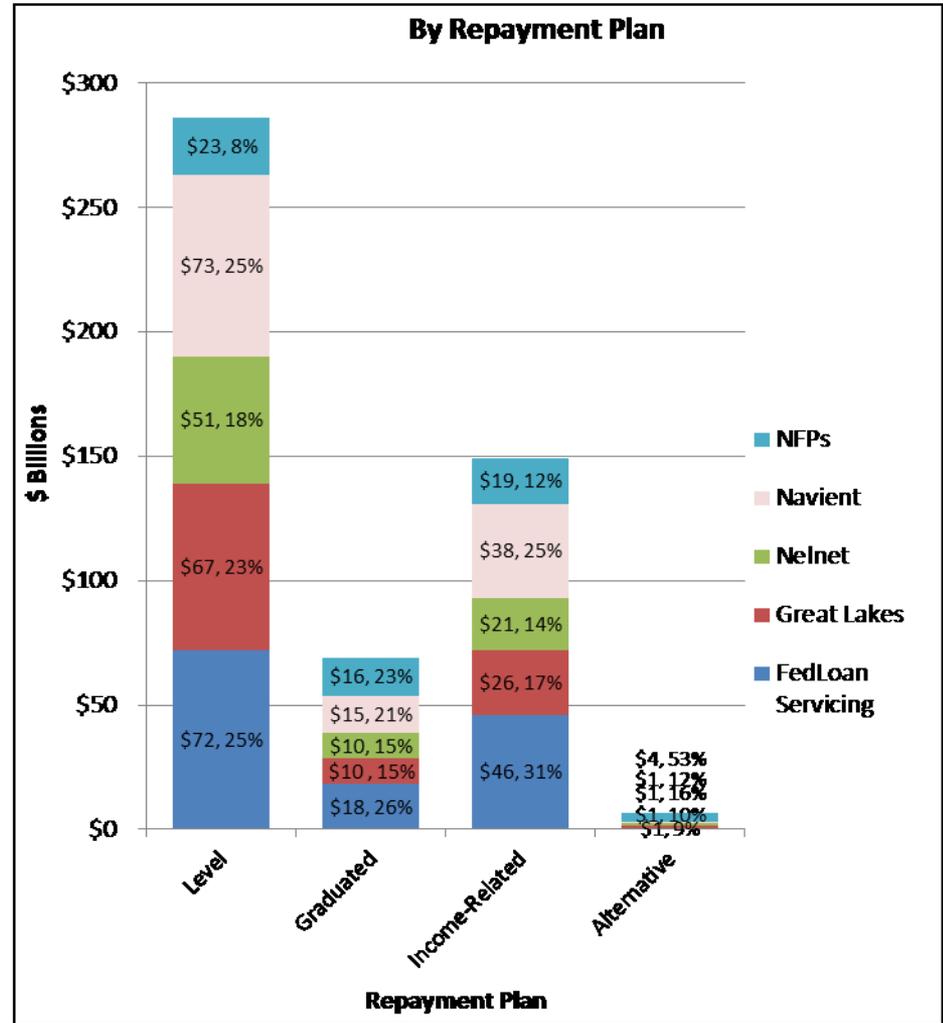
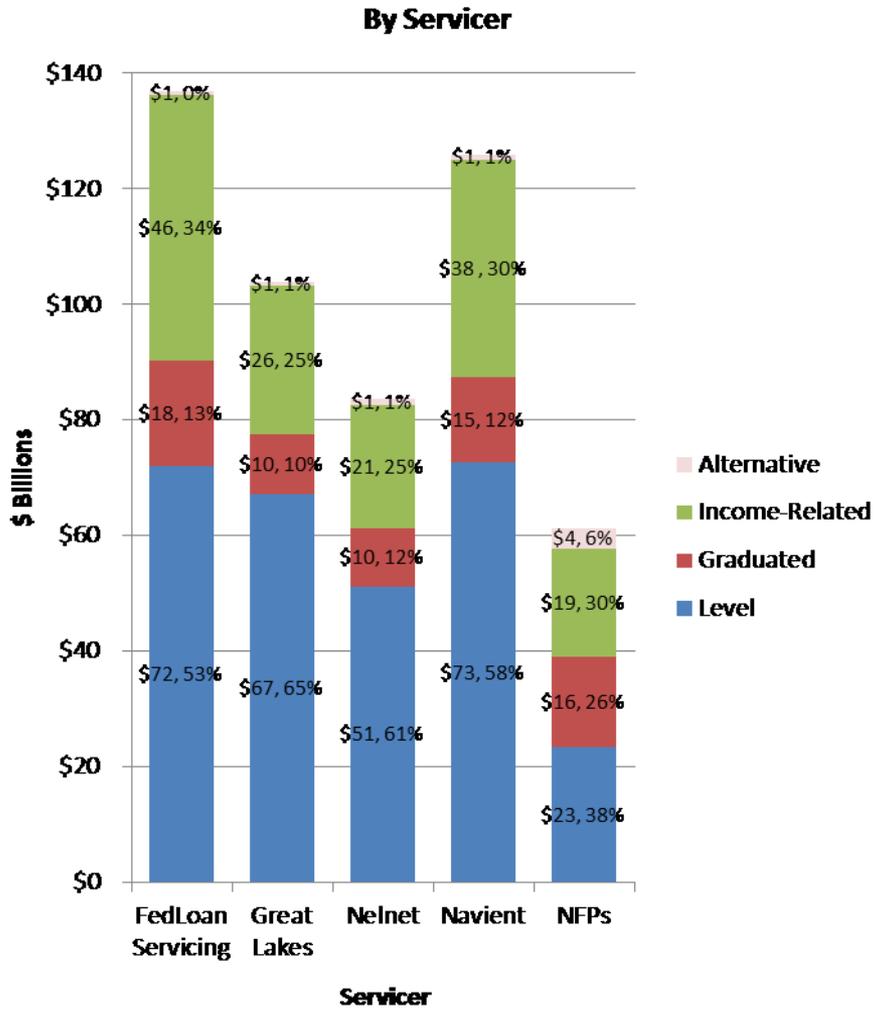
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Direct Loan: Repayment Plan Usage - Recipients



Note: This graph include only loans in one of the standard repayment plan categories.

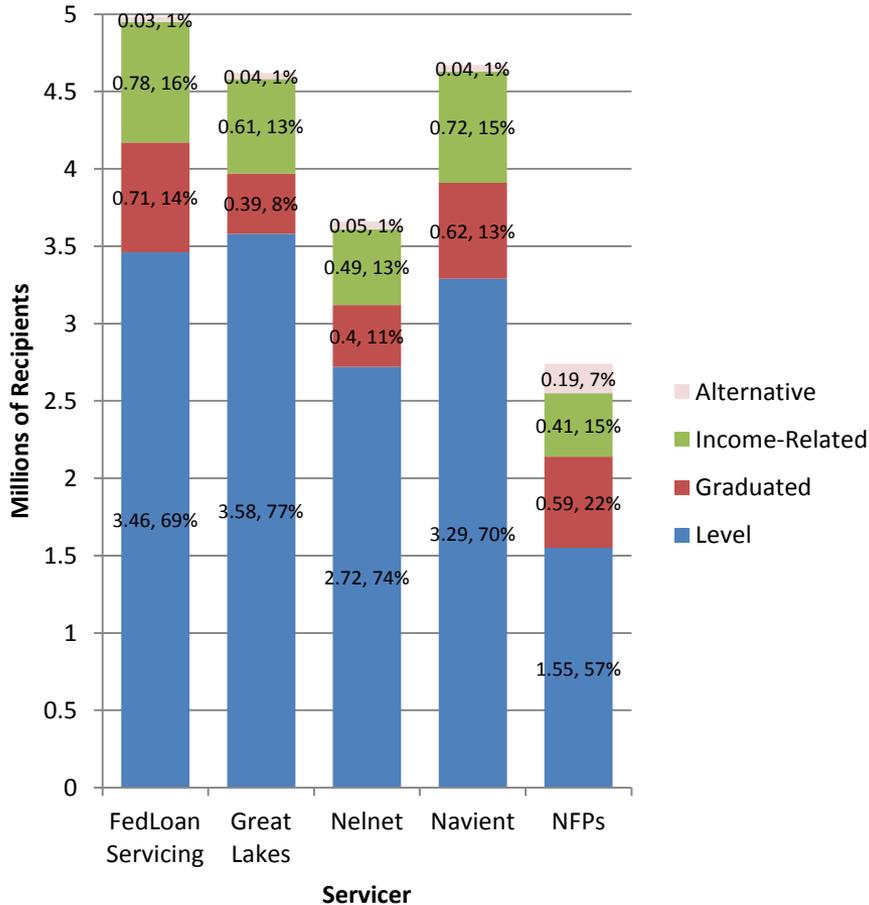
Servicer Portfolio by Repayment Plan



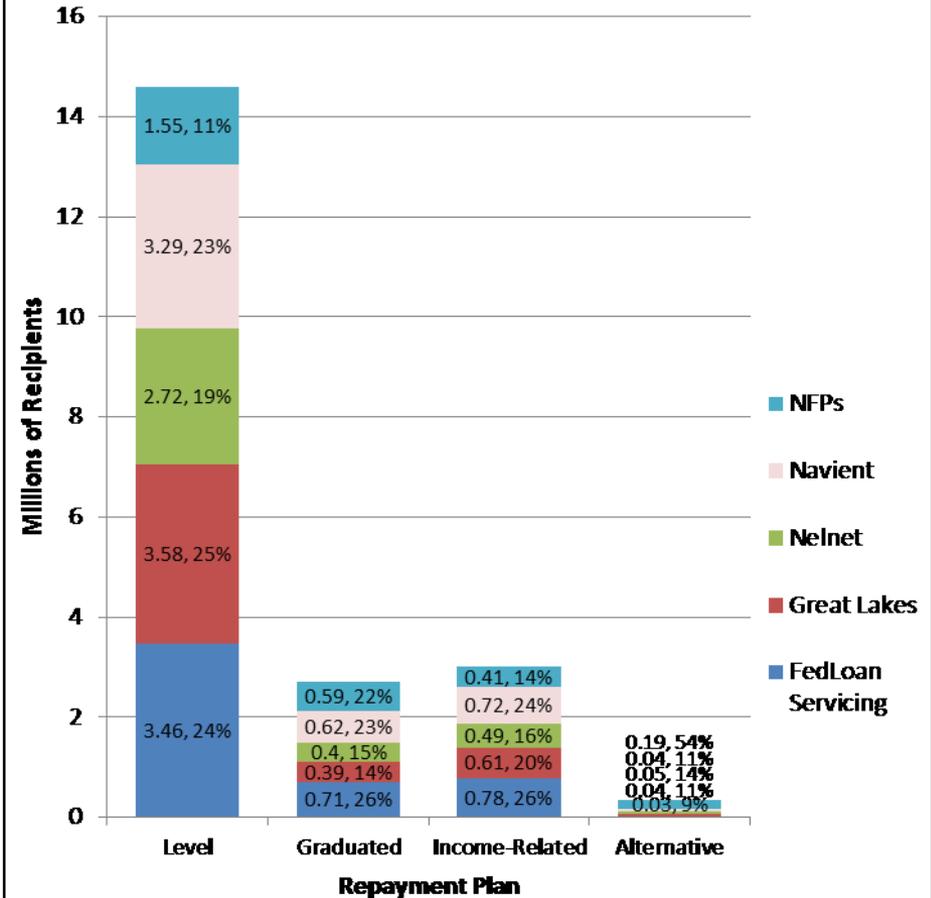
Note: The parameters include DLs and FFEL loans serviced by Federal servicers. Additionally, these graphs include only loans in one of the standard repayment plan categories.

Servicer Portfolio by Repayment Plan

By Servicer



By Repayment Plan



Note: The parameters include DLs and FFEL loans serviced by Federal servicers. Additionally, these graphs include only loans in one of the standard repayment plan categories. Recipient counts are duplicated.

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Overview of IDR Plans

Income-Driven Repayment (IDR) Plans



Each plan has different eligibility criteria. All three consider the following:

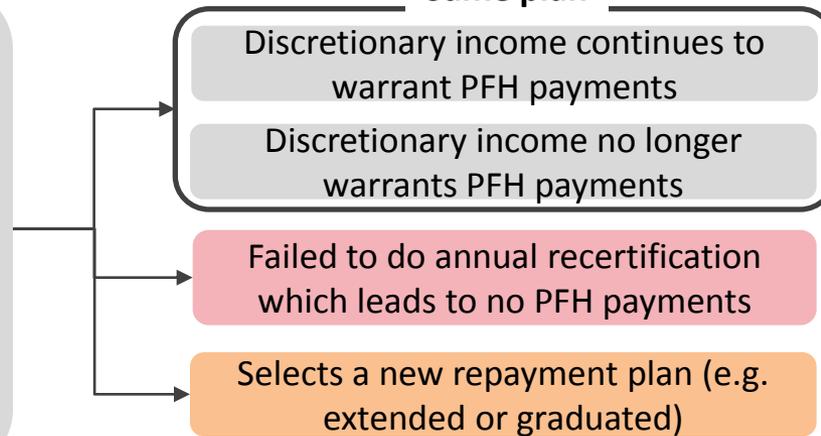
- Income
- Poverty line
- Family size
- Loan debt

For a full overview of repayment plan eligibility, please refer to

<https://studentaid.ed.gov/repay-loans/understand/plans>.

Same plan

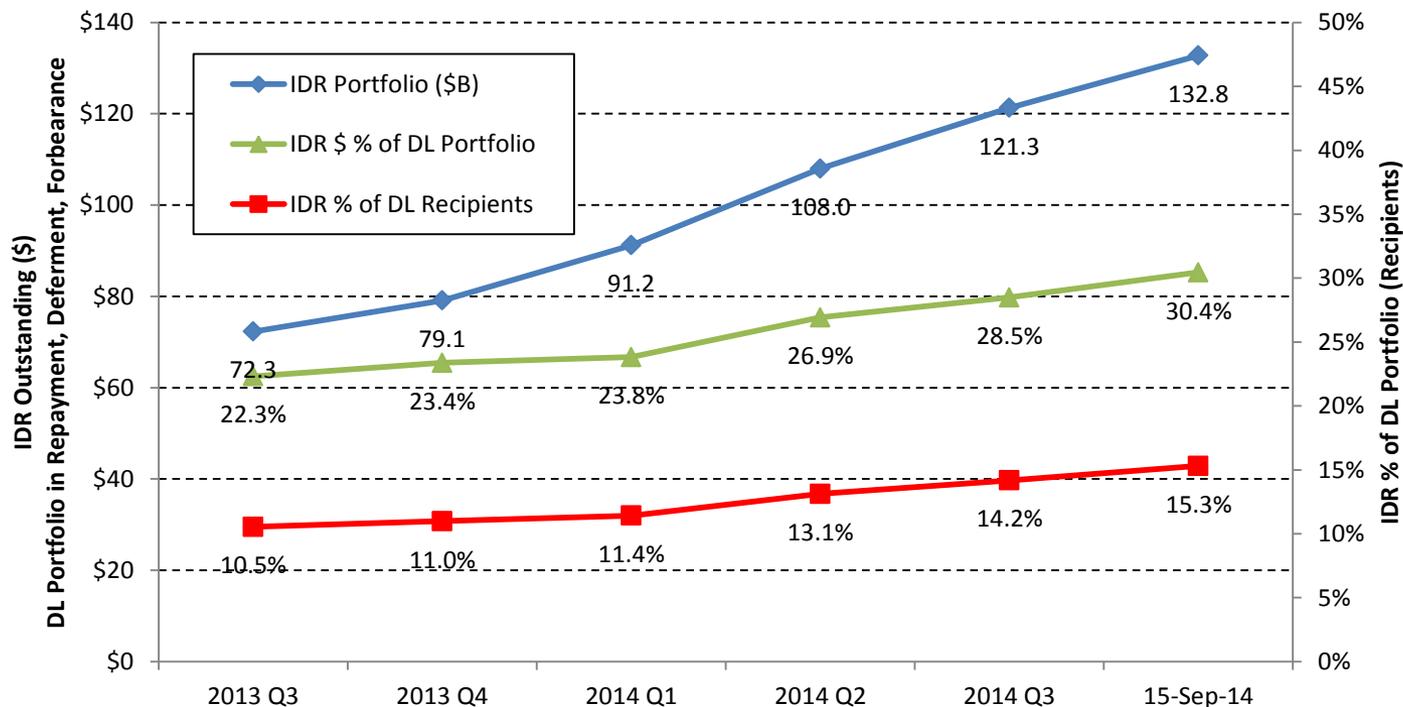
Borrowers are required to have partial financial hardship (PFH) to enter IBR and PAYE. IBR and PAYE borrower therefore enters the plan making PFH payments.



← Sometimes loosely termed as “leaving” IBR or PAYE (which is incorrect). Phrase used for this scenario should be “borrower no longer making PFH payments”.

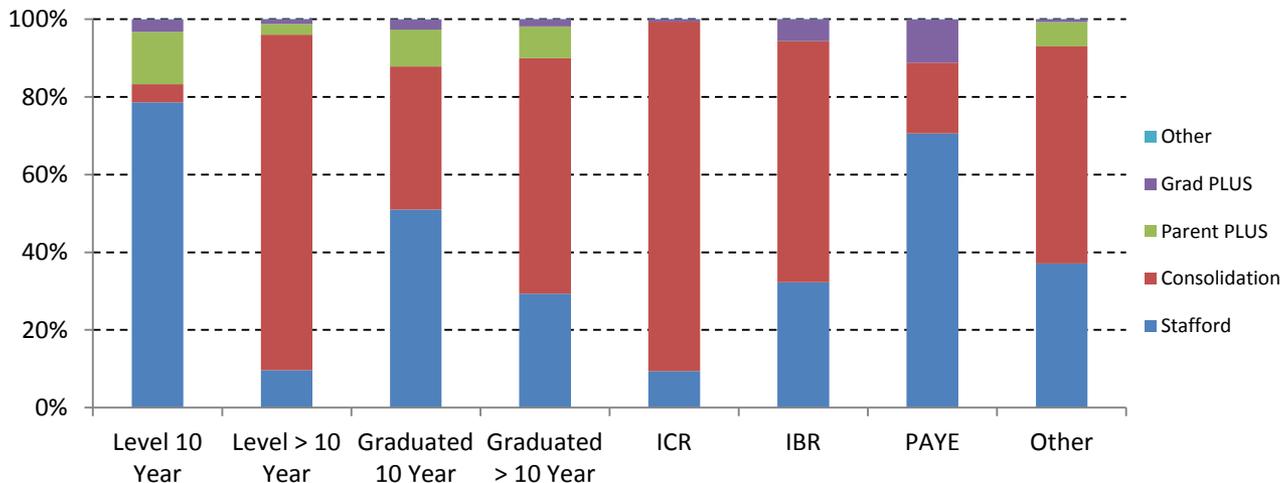
← Technical definition of leaving IBR, PAYE, or ICR.

Repayment Plan Usage

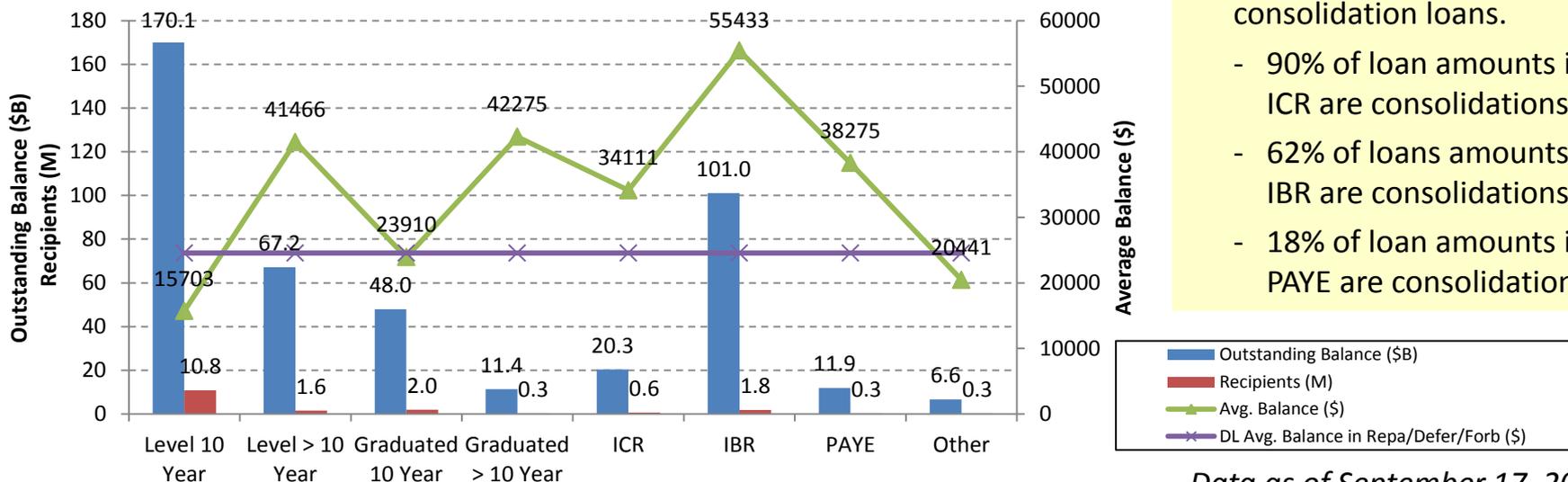


- \$133B of the \$436B Direct Loan portfolio in repayment is in an IDR plan (30.4%).
- As expected based on the relatively “better” benefits of the IBR and PAYE repayment plans, the increase in IDR usage is driven by increased participation in the IBR and PAYE repayment plans.
- IBR portfolio has increased from \$51B (2013 Q3) to \$101B (15 Sep 14).
- PAYE portfolio has increased from \$1.3B (2013 Q3) to \$11.8B (15 Sep 14).
- Level 10-year (standard) portfolio decreased for the first time this quarter.

Repayment Plan Usage (cont.)

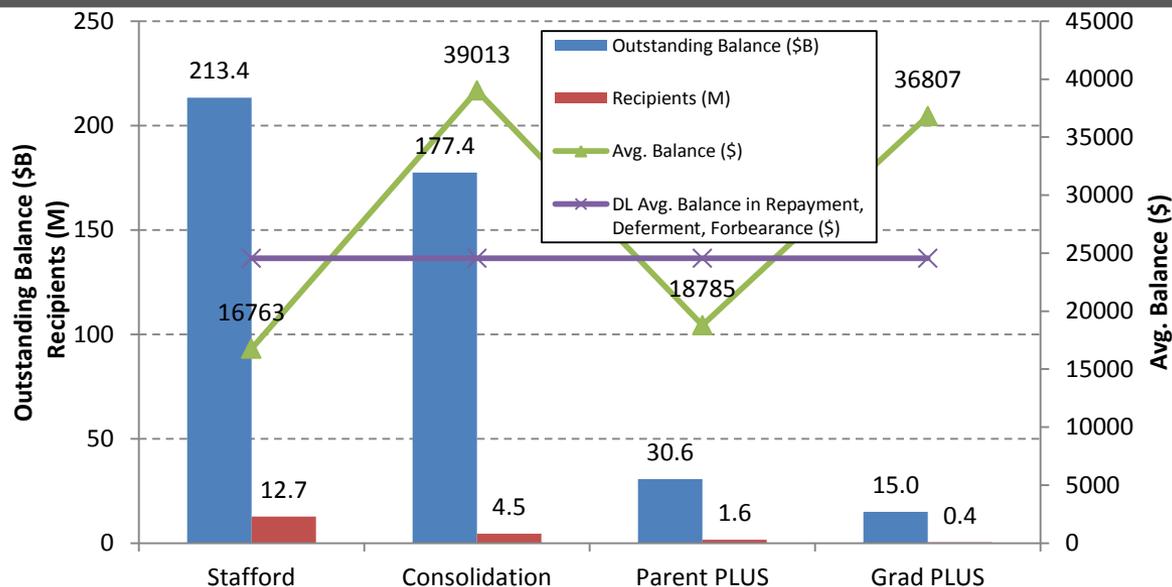


- Reference Information:
 - \$436B outstanding balance in the Direct Loan portfolio is currently in repayment, deferment, or forbearance.
 - \$133B is in an IDR plan (30.4%).
- Most loans in IDR are consolidation loans.
 - 90% of loan amounts in ICR are consolidations.
 - 62% of loans amounts in IBR are consolidations.
 - 18% of loan amounts in PAYE are consolidation.

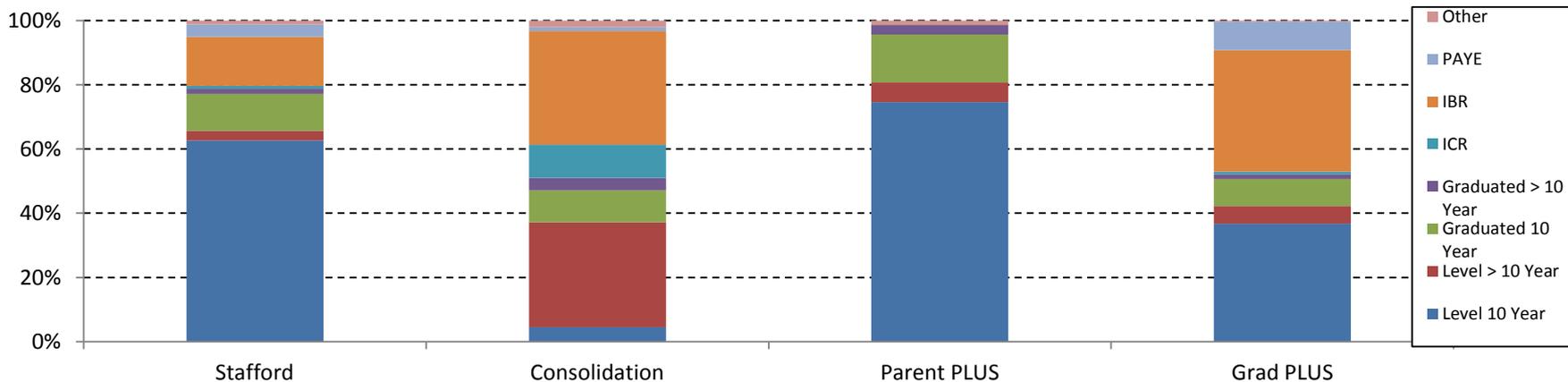


Data as of September 17, 2014

Repayment Plan Usage (cont.)



- Reference Information:
 - \$436B outstanding balance in the Direct Loan portfolio is currently in repayment, deferment, or forbearance.
 - \$133B is in an IDR plan (30.4%).
- 48% of outstanding balance for Grad PLUS are in IDR.
- 47% of outstanding balance for consolidation loans are in IDR.
- A majority of Grad PLUS recipients also have Stafford loans.



Data as of September 17, 2014

Repayment Plans and Delinquency Rates

Repayment Plan Type	Delinquency (Rate 1)*	Delinquency (Rate 2)**	Outstanding Balance (\$B)***	% of All Plan
ICR	15.4%	22.1%	\$20.5	5%
IBR	4.2%	5.1%	\$98.2	23%
PAYE	2.1%	2.3%	\$11.3	3%
Level 10 Year	14.9%	25.1%	\$172.1	40%
Level > 10 Year	9.6%	13.7%	\$67.2	16%
Graduated 10 Year	9.7%	12.7%	\$47.8	11%
Graduated > 10 Year	7.5%	9.7%	\$11.5	3%

* Rate 1: $\$ [31-270 \text{ days delinquent}] / \$ [Current \text{ Repay} + \$Delinquent + \$Deferment + \$Forbearance]$

** Rate 2: $\$ [31-270 \text{ days delinquent}] / \$ [Current \text{ Repay} + \$Delinquent]$

*** In repayment, deferment, forbearance, or open bankruptcy

The table above is for Direct Loans only based on an August 21, 2014 extract (does not include ED-held FFEL loans)

- Based on the above chart, Direct Loans with IDR plans have lower delinquency rates. These statistics are consistent with the intended outcome of the IBR and PAYE repayment plans. (Please note, although IDR plans show a lower delinquency rate, this study does not indicate a causal relationship).
- Potential reasons for IDR having lower delinquency rate:
 - Borrowers in IDR and Public Service Loan Forgiveness (PSLF) are likely to consistently make on-time payments to satisfy forgiveness requirements.
 - Borrowers are receiving a “permanent” relief not offered through any other repayment option such as deferments and forbearances which have end dates (which in turn could lead to missed payments if the economic hardship continues beyond the end of the deferment or forbearance).

Partial Financial Hardship and Change In Repayment Plan

	IBR in Repayment	IBR % of Original
Partial Financial Hardship Jul 2012	235,520	
Partial Financial Hardship Jul 2014--Same Plan	196,946	84%
Partial Financial Hardship Jul 2014--other IDR Plan	864	0%
No Partial Financial Hardship Jul 2014--Same Plan	26,417	11%
No Partial Financial Hardship Jul 2014--Other Repayment Plan	11,293	5%

The above table is based on IBR retention data from a sample of NSLDS data (borrower repayment plans Jul 2012 and Jul 2014)

- After at least 2 years in IBR repayment, 84% of original IBR borrowers were still in partial financial hardship (PFH) either in the same or a different IDR plan.
- Borrowers may move between partial financial hardship payments and non-partial financial hardship payments due to increased discretionary income or failure to certify their income annually as required. This “churn” occurs when borrowers fail to recertify their income, which in turn increases their payments to non-partial financial hardship amounts and shortly thereafter leading to a realization (and action) regarding recertification. Increase in discretionary income is reflective of borrowers making “progress” on their student loans as intended under the repayment plan.
- Based on limited data, few borrowers to-date are leaving IDR plans, and a large majority of borrowers have partial financial hardship.

IBR and PAYE Borrower Characteristics (cont.)

	IBR	PAYE	ICR	Level	Graduated
Outstanding Loan Balance (\$K)*	66	44	37	23	31
<= 23 years old	1%	9%	1%	11%	5%
24-30 years old	36%	55%	26%	42%	33%
30-40 years old	38%	22%	35%	28%	37%
40-50 years old	15%	9%	20%	12%	16%
50+ years old	9%	5%	18%	7%	9%
Dependent Student	13%	28%	20%	33%	25%
Independent Student	87%	72%	80%	67%	75%
Female	68%	66%	65%	59%	61%
Undergraduate	58%	80%	72%	80%	70%
Graduate / Professional	34%	20%	13%	15%	22%
Public	46%	46%	43%	44%	53%
Private NP	29%	25%	20%	23%	21%
Proprietary	25%	28%	37%	33%	26%

* Estimate based on discrete distribution

There is a population of 11.2 million Direct Loan borrowers in repayment who are eligible for the IBR plan based on the borrowers' loan origination dates. Statistics are based on the borrowers' most recent loan information and most recent FAFSAs as of September 10, 2014. Excludes Parent PLUS loans.

- Borrower characteristics are consistent with the previous IBR and PAYE analysis: IBR and PAYE borrowers are more likely to be older, independent, and female.

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Targeted Improvement: Income-Driven Repayment Plans

- What we've done:
 - Eliminated requirement to sign tax forms
 - Implemented Pay as you Earn
 - Created central, electronic IDR application
 - Conducted targeted awareness campaigns
- What we're working on:
 - Regular e-mail campaigns
 - Evaluating the current electronic application process

Targeted Improvement: Servicer Oversight and Management

- What we've done:
 - Renegotiated the contract terms
 - Brought all federal loan servicers under one contract vehicle
- What we're working on:
 - Collecting and aggregating servicer-level complaint data
 - Re-compete of servicing contracts

Targeted Improvement: Borrower Outreach and Communication

- What we've done:
 - Servicer introduction e-mails from the Department
- What we're working on:
 - Customized transfer notification to be sent from sending servicer
 - Department branding

Targeted Improvement: Special Programs

- What we've done:
 - Created employer certification form for PSLF
 - Awarded PSLF servicing to a single servicer
 - Awarded TEACH Grant servicing to a single servicer
 - Awarded TPD
- What we're working on:
 - Increasing awareness of PSLF and consolidation
 - Enhancing the customer experience for TEACH Grants and TPD

Targeted Improvement: Default Collections

- What we've done:
 - Awarded contract to new system vendor for operations and maintenance
- What we're working on:
 - Improved oversight of the PCAs

Breakout Sessions

10:00 – 11:15	Breakout Sessions – Round I	Moderator	Room
	Borrower Outreach and Communication	Mark Walsh	E
	Income-Driven Repayment	Sue O’Flaherty	F
	Servicer Oversight and Management	John Kane	G
11:30 – 12:30	Breakout Sessions – Round II		
	Income-Driven Repayment	Sue O’Flaherty	E
	Special Programs (TPD, TEACH, PSLF, Consolidation)	Cindy Battle	F
	Default Collection	Dwight Vigna	G
01:30 – 02:45	Breakout Sessions – Round III		
	Borrower Outreach and Communication	Mark Walsh	E
	Special Programs (TPD, TEACH, PSLF, Consolidation)	Cindy Battle	F
	Servicer Oversight and Management	John Kane	G