



F E D E R A L  
S T U D E N T A I D

*We Help Put America Through School*

## **Loan Consolidation Opportunities** ***Detailed Documentation***

# 1.1 Delay Completion of Consolidation Process for Forced ICR borrowers until Alternative Documentation of Income is Provided



- **Opportunity:**
  - Forced ICR consolidation loan cannot be created until alternate documentation of income is provided
  
- **Objectives:**
  - Eliminate “revolving door” between DCS, LC, and LS
  - Reduce number of hand-offs between systems
  - Encourage borrower contact with Direct Loans before Consolidation is approved
  
- **Issues/Challenges:**
  - LC contract has incentives for speed of booking
  - Alternative Documentation of Income currently solicited from Servicing. LC contract does not include performance of this function
  
- **Potential Savings:**
  - Cost of Forced ICR borrowers being transferred to DCS and then back again to LC
  - Cost of income requests and demands sent to forced ICR borrowers (savings for LS)

# 1.2 Re-Start Express Refinance for Direct Loan Borrowers



- **Opportunity:**
  - Consolidate DL only borrowers within 24 hours of request via Web or phone
  
- **Objectives:**
  - Remove need for data transfer from LS to LC and back to LS since data already exists in Servicing
  - Significantly reduce cost to consolidate a loan
  
- **Proposed Solutions:**
  - 1) LS Express Refinance product
  - 2) Give LC access to LS database
  
- **Issues/Challenges:**
  - Servicing code has not been exercised in 3 years
  - Web functionality does not currently exist
  - Prior Express Refinancing was done with variable rate Consolidation Loans
  - Conflict with current LC contract
  - Contractual and telecommunications issues in granting access to LS database
  
- **Potential Savings:**
  - Savings range of \$500K - \$3M per year

## 1.3 CSB Portal



- **Opportunity:**
  - Create one Web entry point for CSB
  
- **Objectives:**
  - Begin to create “One Face of Direct Loans”
  - First step in creating an integrated web solution for LS, LC, and DMCS
  - Eliminate feeling that borrowers are navigating two completely different websites, unsure if they are both related to the Department of Education
  
- **Issues/Challenges:**
  - Ease of reaching essential on-line repayment functionality from student portal
  
- **Potential Savings:**
  - N/A



## 1.4 Single CSB Web Solution

- **Opportunity:**
  - Fully integrate LS, LS, and DMCS web sites into a single web solution
  
- **Objectives:**
  - Create “One Face of Direct Loans”
  - Reduce hosting, maintenance, and development costs
  
- **Issues/Challenges:**
  - Coordination and Integration with Student Portal
  
- **Potential Savings:**
  - Web hosting/development savings

# 1.5 Make EFT and EVC a Common Web Based Process and Expand Both Programs



- **Opportunity:**
  - Allow common process for lenders to receive and return verification certificates and receive EFT payments
  
- **Objectives:**
  - Lenders choose between direct updates and receiving electronic file in requested format
  - Reduce mailings and associated costs
  - Reduce lender errors, payment delays, and over/under payments
  
- **Issues/Challenges:**
  - Lender cooperation
  
- **Potential Savings:**
  - Savings through moving to EVC process
  - Savings through increasing EFT lenders
  - 40% of underlying loans consolidated are non-EFT, non-DL, and non-DCS

# 1.6 Counsel Borrowers Who Attempt to Re-Consolidate When There Will Be No Benefit



- **Opportunity:**
  - Counsel DL-only borrowers when consolidation would give no reduction in interest rate and no incentive (consolidating all fixed rate loans)
  - Allow borrowers to still process consolidation once counseled
  
- **Objectives:**
  - Eliminate unnecessary consolidations
  
- **Proposed Solutions:**
  - 1) Phone counseling
  - 2) Web counseling
  
- **Issues/Challenges:**
  - Some borrowers may be attempting to consolidate for personal credit purposes
  
- **Potential Savings:**
  - Approximately \$68.75 for each consolidation not processed

# 1.7 Modify Consolidation Application Process to Allow Enrollment in Electronic Repayment Services



- **Opportunity:**
  - Show borrower all billing and correspondence options and encourage them to make a selection and enroll in electronic servicing programs (EBPP, EC, EDA)
  - Enrollment could be processed in “real-time” for Web applications
  
- **Objectives:**
  - Improve customer service
  - Increase enrollment in electronic servicing options
  
- **Issues/Challenges:**
  - Need OMB approval for any form changes
  
- **Potential Savings:**
  - Savings through increased EDA enrollment
  - Savings through increased EBPP/EC enrollment

# 1.8 Scheduled calls, callback requests, and e-mails



- **Opportunity:**
  - Schedule calls through e-mail or Web site
  
- **Objectives:**
  - Allow borrowers greater flexibility and convenience in getting issues resolved
  - Increase electronic customer service presence
  
- **Issues/Challenges:**
  - Sufficient staffing of CSRs to ensure appropriate response time
  - CSR training
  
- **Potential Savings:**
  - N/A



## 1.9 Online Chats/Collaboration with Borrowers

- **Opportunity:**
  - Allow “conversation” between borrower and CSR for detailed and/or follow-up questions
  
- **Objectives:**
  - Allow borrowers a quick and convenient method for resolving issues
  - Improve customer service
  
- **Issues/Challenges:**
  - Privacy, security, and policy
  - CSR training and coordination
  
- **Potential Savings:**
  - TBD (Consistent Answers/CRM for FSA may encompass online chats)



## 1.10 Work with IRS to allow eSigned waivers

- **Opportunity:**
  - Allow income request to be made to IRS after a borrower eSigns an ICR waiver
  
- **Objectives:**
  - Reduce amount of time to consolidate loans onto ICR
  - Reduce cumbersome and manual process at LC and LS
  - Reduce mailing costs
  
- **Issues/Challenges:**
  - IRS approval and cooperation
  
- **Potential Savings:**
  - Cost to send and receive ICR waivers through the mail
  - Imaging costs

# 1.11 Detailed review of consolidation process for Treasury compliance



- **Opportunity:**
  - Complete detailed review of draw downs, payoffs, overpayments, and underpayments
  
- **Objectives:**
  - Ensure that all financial processes in LC adhere to Treasury requirements
  
- **Issues/Challenges:**
  - Automatic and/or manual process changes may be required
  - Similar work currently in process
  
- **Potential Savings:**
  - N/A



## 1.12 Improve timeliness of PIN request process

- **Opportunity:**
  - Encourage PIN site be enhanced to issue PIN immediately upon request
  - Move eSign and PIN log-in to beginning of Web application to increase percentage of Web applications that are eSigned
  
- **Objectives:**
  - Borrowers receive PIN within minutes of request
  - Increase in usage of electronic services
  
- **Issues/Challenges:**
  - Required enhancement to PIN site for request process
  
- **Potential Savings:**
  - Savings through increased usage of electronic services

# 1.13 Expand Express Refinance for borrowers with Direct and non-Direct loans



- **Opportunity:**
  - Consolidate Direct portion of underlying loans through Express Refinance process
  - Treat non-Direct underlying loans as supplemental loans to the new Express loan
  
- **Objectives:**
  - Fully eliminate need to transfer underlying Direct Loan data between LS and LC (no DCN or FCA transactions necessary)
  - Significantly reduce cost to consolidate
  
- **Issues/Challenges:**
  - Loan Servicing code modifications required
  - Prior Express Refinancing was done with variable rate Consolidation Loans
  - LC contract incentive structure
  - Bill amount will change with each supplemental loan
  
- **Potential Savings:**
  - Eliminate need to process DCN and FCA transactions

# 1.14 Pre-populate online consolidation form based on information from NSLDS



- **Opportunity:**
  - Link application process to NSLDS so that underlying loan information is immediately available to the borrower
  
- **Objectives:**
  - Increase accuracy of borrower application
  - Ensure verification certificates are given to the correct lender
  
- **Proposed Solutions:**
  - 1) Pre-populate application
  - 2) Provide data for applicant as a reference so they can select the appropriate loans
  
- **Issues/Challenges:**
  - Out-of-date or missing data in NSLDS
  - Borrower must apply with PIN
  
- **Potential Savings:**
  - Reduction in number of errors found with lender information on applications
  - Reduction in time to process application



## 1.15 Data Archive Strategy

- **Opportunity:**
  - Create a shared data archiving methodology
  
- **Objectives:**
  - Allow access to information in data archive from different systems
  - Improve system processing
  
- **Proposed Solutions:**
  - 1) Utilize CMDM
  - 2) Research other products to archive data
  
- **Issues/Challenges:**
  - Data privacy and security
  - Ability to retrieve/restore data
  - Agreement upon what data to archive
  - Capacity planning
  
- **Potential Savings:**
  - Faster system processing
  - Storage costs including hardware purchases and disk space



## 1.16 Enterprise Imaging Strategy

- **Opportunity:**
  - Create a central repository for all Direct Loan documents
  - Provide less expensive Web-based access for multiple systems
  
- **Objectives:**
  - Reduce document storage costs
  - Eliminate costs of transferring images between systems
  
- **Issues/Challenges:**
  - Coordination with other Direct Loan systems
  - Privacy and security
  - Compatibility of file and document types; conversions may be required
  
- **Potential Savings:**
  - Development and maintenance costs of multiple systems – LC cost is approximately \$360,000 per year
  - Eliminate image transfers between systems

# 1.17 Early determination of Dischargeable Loans



- **Opportunity:**
  - Identify and refuse dischargeable loans from consolidating into Direct Loans
  
- **Objectives:**
  - Attempt to detect dischargeable loans early in the consolidation process
  - Eliminate processing costs for discharging loans that borrowers knew were dischargeable at the time of consolidation
  
- **Proposed Solutions:**
  - 1) Search for closed school
  - 2) Ask borrower on application
  
- **Issues/Challenges:**
  - Difficult to detect all dischargeable loans
  
- **Potential Savings:**
  - Processing costs for discharging loans (Savings to LS)

# 1.18 Utilize standard status codes across systems



- **Opportunity:**
  - Ensure all lenders and NSLDS have common codes
  
- **Objectives:**
  - Create an industry standard that Direct Loans and FFEL use consistent status codes
  - Reduce verification errors
  - Consistent Data initiative
  
- **Issues/Challenges:**
  - FFEL Cooperation
  
- **Potential Savings:**
  - Research and processing costs for verification errors