

Tennessee Student Assistance Corporation

Friday, April 29, 2016

DISCUSSION ITEM A: **Loan Division Update**

Staff Recommendation: For discussion only.

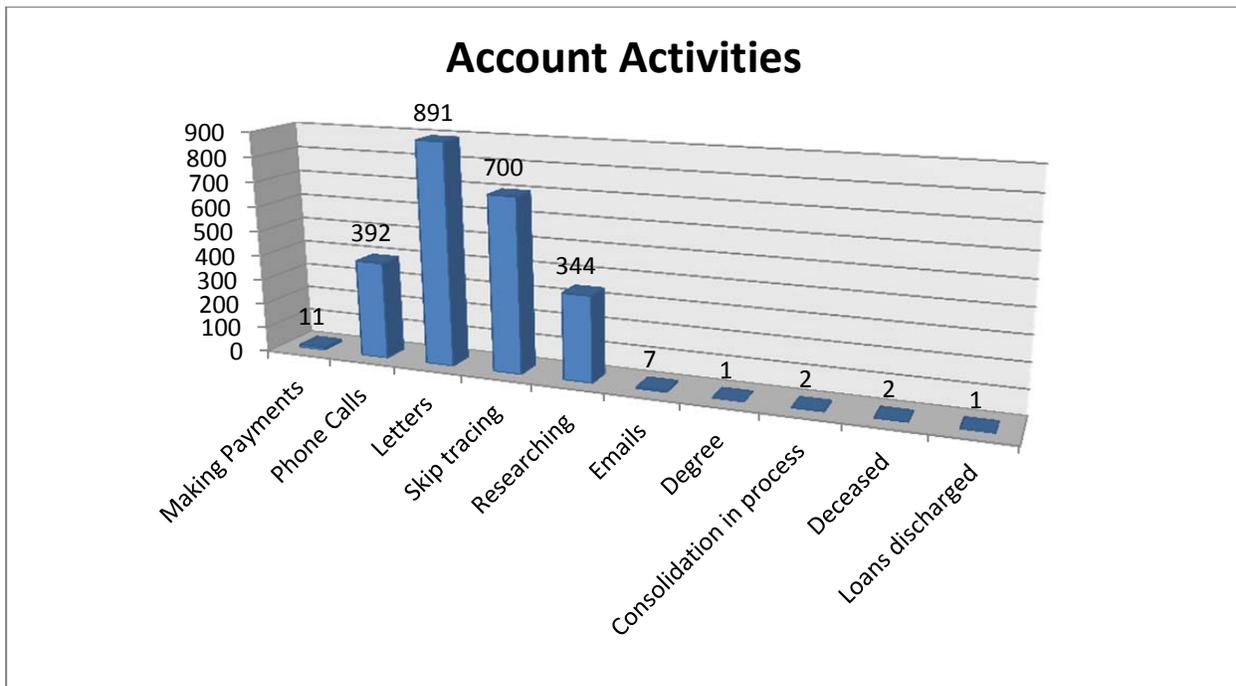
Background: An update will be provided discussing activities taking place within the TSAC Loan Division.

Supporting Document: Loan Division Update, April 2016

Tennessee Reconnect Project

The Loan Division started working with schools in the Reconnect program late in 2015, with contracts signed this year. The Loan Division identifies potential Reconnect students who are currently in default on their federal student loans. Defaulted borrowers cannot obtain additional Title IV aid or Tennessee grants or scholarships, including the Reconnect Grant, until the defaulted status is resolved. Title IV aid includes the Federal Pell Grant, work-study, and additional loans. Using its resources and knowledge of the loan industry, the Loan Division is helping borrowers into repayment and resolving defaults.

To aid in this endeavor, TSAC has built a data base system that matches school files with the THEC Reconnect file and identifies defaulted borrowers. Currently, more than 3,000 records have been added to the Reconnect database. More than 2,300 of these students have been contacted, or their accounts are actively being researched. The chart below depicts some of the actions taken to date. These numbers do not represent the unique number of borrowers.

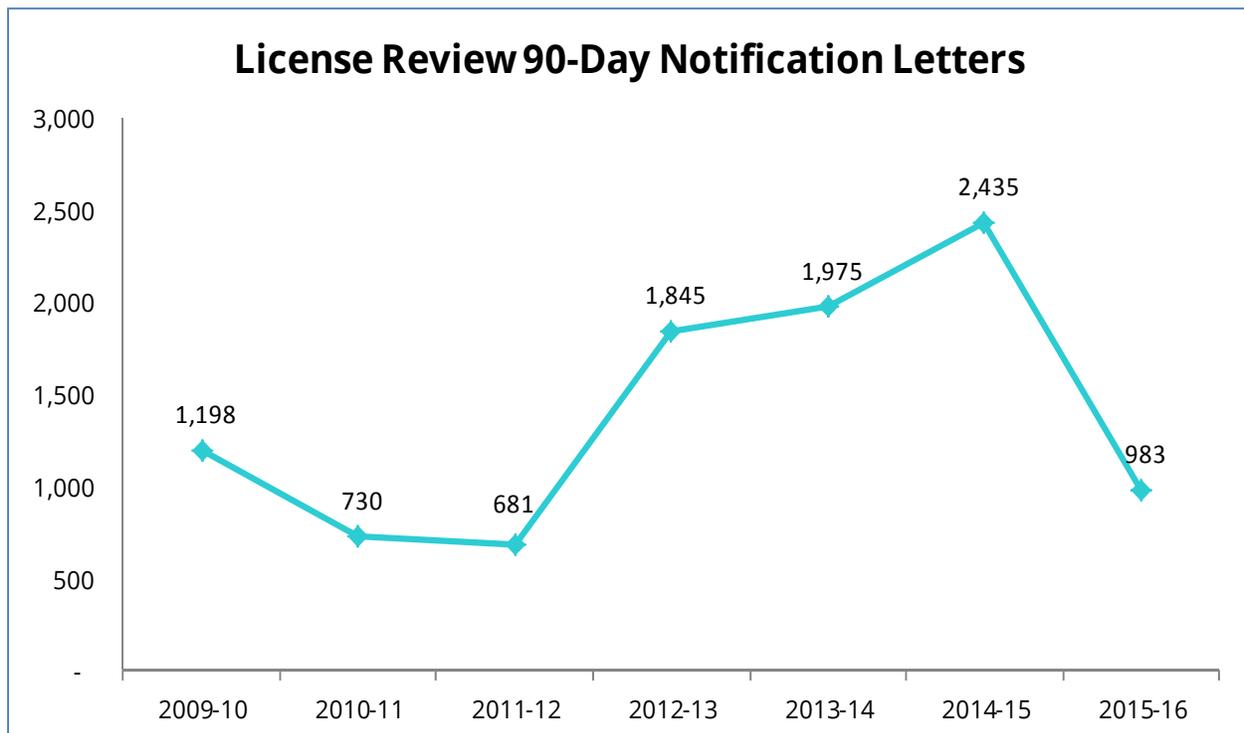


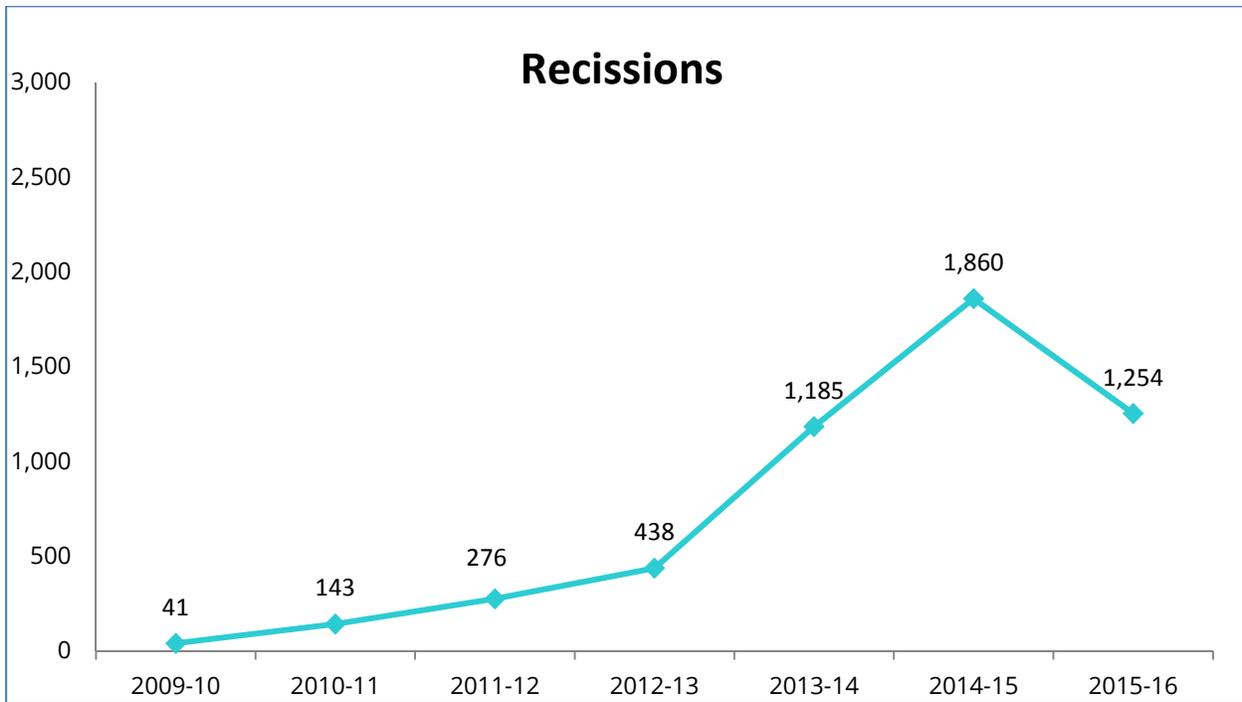
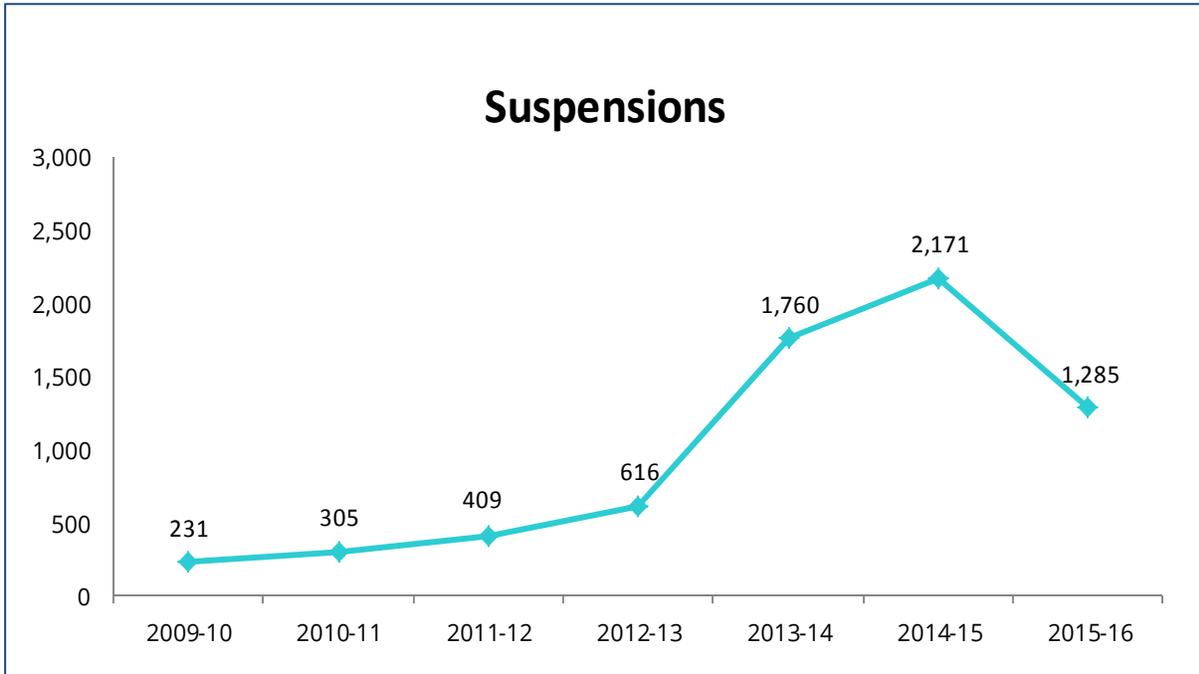
License Review

The License Review (LR) program originated in 2009, and has been a very effective means of assisting defaulted borrowers who hold a Tennessee professional license to repay their loans. Under the LR program, TSAC identifies professional licensees and notifies them of their default status. If the licensee fails to enter into a payment plan, TSAC is required by statute to notify the relevant Tennessee licensing board of the default. The licensing board then suspends the license. The suspension status remains on the license until the licensee enters into a payment plan. Currently, approximately 9,000 borrowers are in various stages of the LR program, representing about 25% of TSAC's default portfolio.

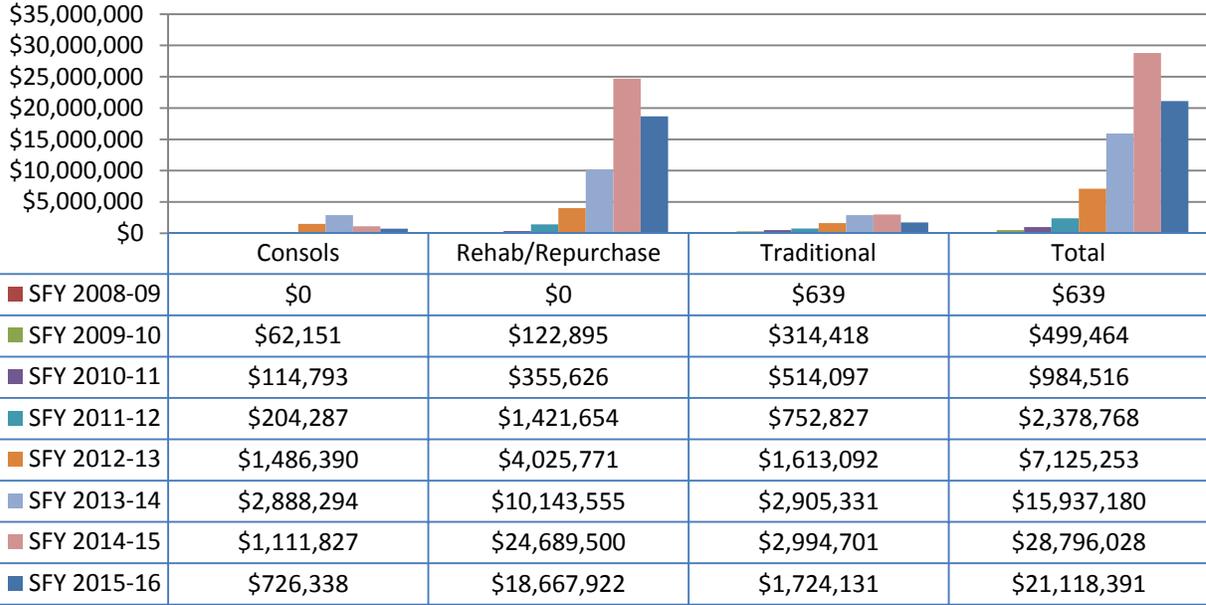
Through LR, \$77 million has been recovered from the defaulted loans, with over 1,000 defaulted borrowers now having paid their loan balance in full. In addition, 3,281 borrowers have completed the rehabilitation process, restoring their credit to good standing.

The following graphs indicate various LR activities since the inception of the program through March 2016.

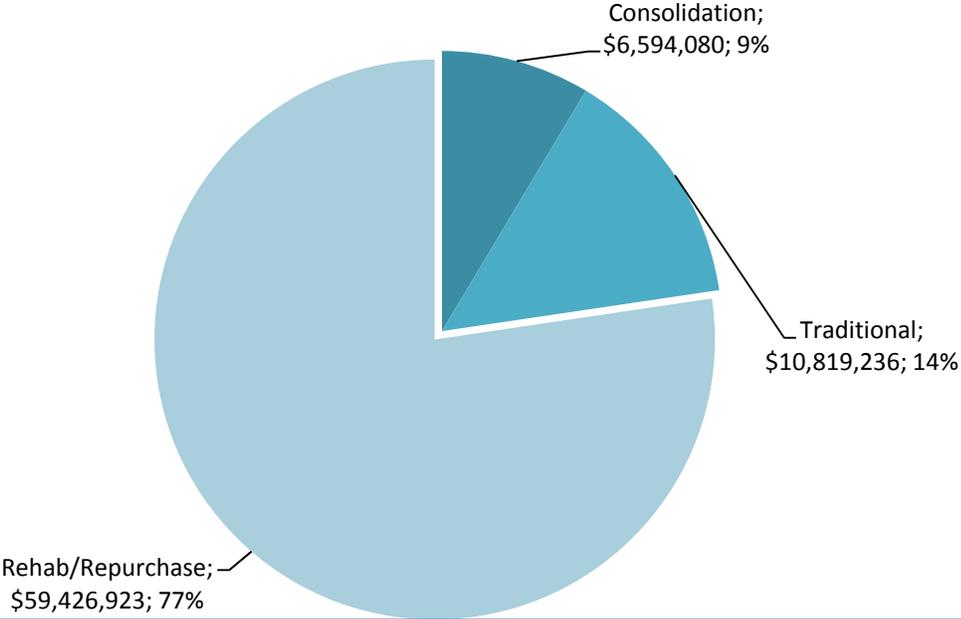




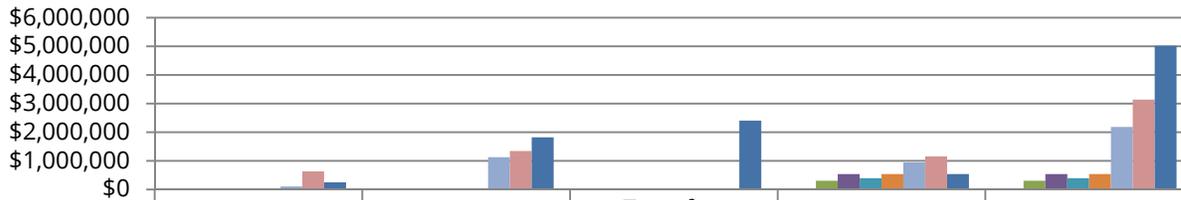
Recoveries



Recoveries



Non-Recoveries



	Discharge	Subrogation	Transfer-Bankruptcy	Treasury Offset	Total
■ SFY 2008-09	\$0	\$0	\$0	\$12,742	\$12,742
■ SFY 2009-10	\$0	\$0	\$0	\$309,919	\$309,919
■ SFY 2010-11	\$0	\$0	\$0	\$538,582	\$538,582
■ SFY 2011-12	\$0	\$0	\$0	\$393,928	\$393,928
■ SFY 2012-13	\$0	\$0	\$0	\$540,315	\$540,315
■ SFY 2013-14	\$106,948	\$1,131,032	\$0	\$946,624	\$2,184,604
■ SFY 2014-15	\$635,272	\$1,347,239	\$0	\$1,158,462	\$3,140,973
■ SFY 2015-16	\$250,904	\$1,825,577	\$2,405,462	\$539,076	\$5,021,019

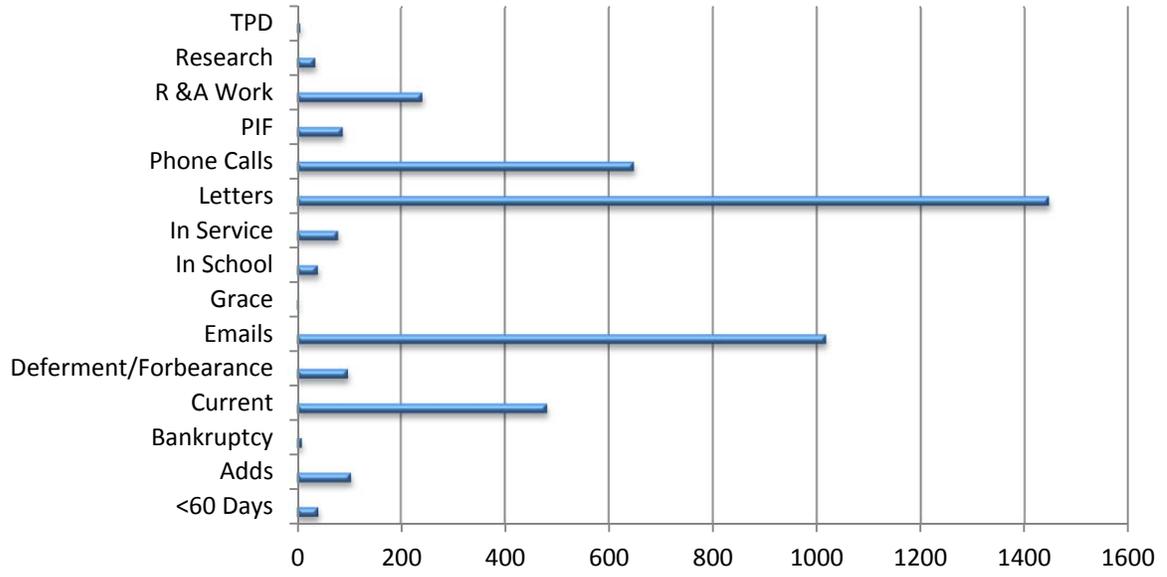
Scholarship to Loan (S2L) Collections

Two years ago the Loan Division began helping the Grants and Scholarships Division in collecting on the state-funded loan-scholarship programs (Minority Teaching Fellows, Tennessee Teaching Scholars, Graduate Nursing Loan Forgiveness, and Math and Science Teacher Loan Forgiveness). Each of these programs provides scholarship aid to students in the respective academic field conditional upon the student completing a service requirement following graduation. If the service requirement is not completed, the scholarship is converted to a loan repayable to TSAC.

Each month the Loan Division reviews and analyzes a loan forgiveness status report to determine each loan's past-due status, contact the borrowers to notify them of their loan status, and assist the borrowers in setting up a payment plan. Various tools, including the Tennessee Drivers' License database, GuaranteePro, e*GRandS, Facebook, and outside collection agencies, are used to locate delinquent and defaulted borrowers. To assist the borrowers, options such as reduced payments and hardship deferment, are discussed.

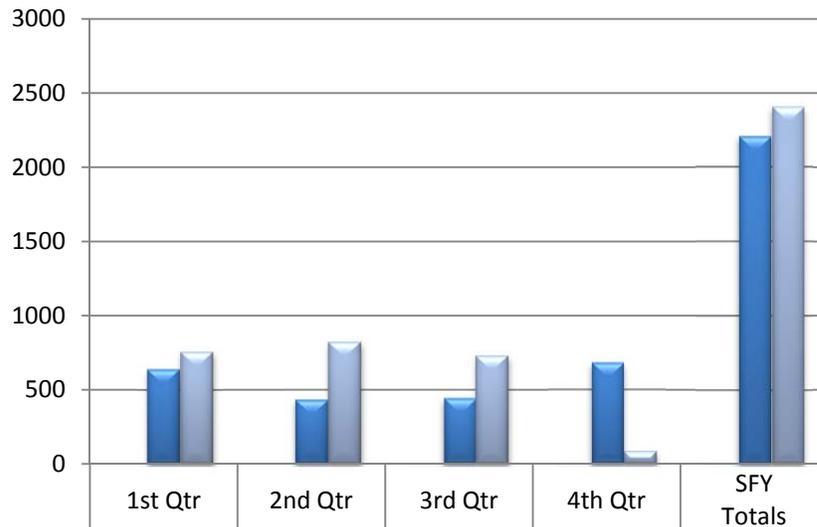
The following graph represents the total number of collection activities taken to date and does not represent the unique number of borrowers.

Condensed Account Activity and Results



Collection activities are taken to help bring each defaulted borrower into repayment. Below is a break-down of total activities taken each quarter per fiscal year. The numbers represent total transactions, and do not represent unique borrowers.

Collection Activities

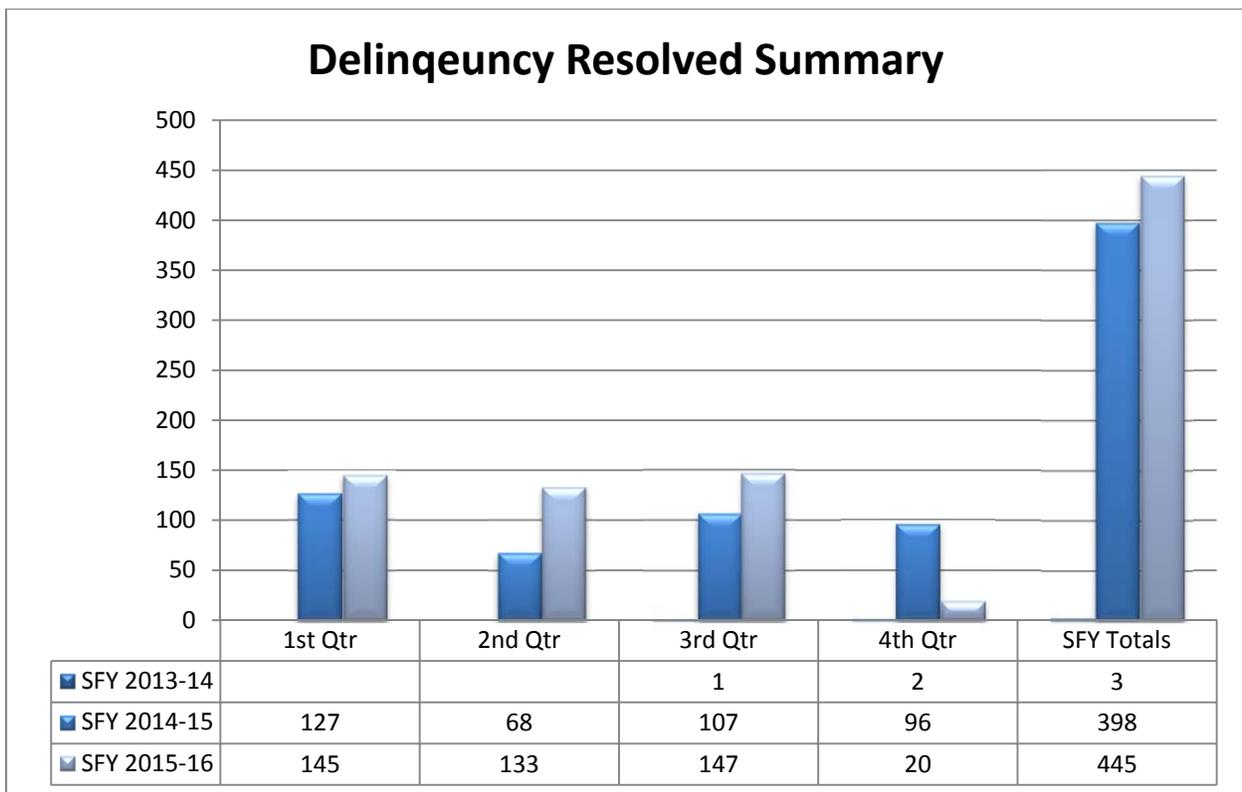


	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	SFY Totals
SFY 2013-14			2	4	6
SFY 2014-15	642	437	447	684	2210
SFY 2015-16	759	824	732	93	2408

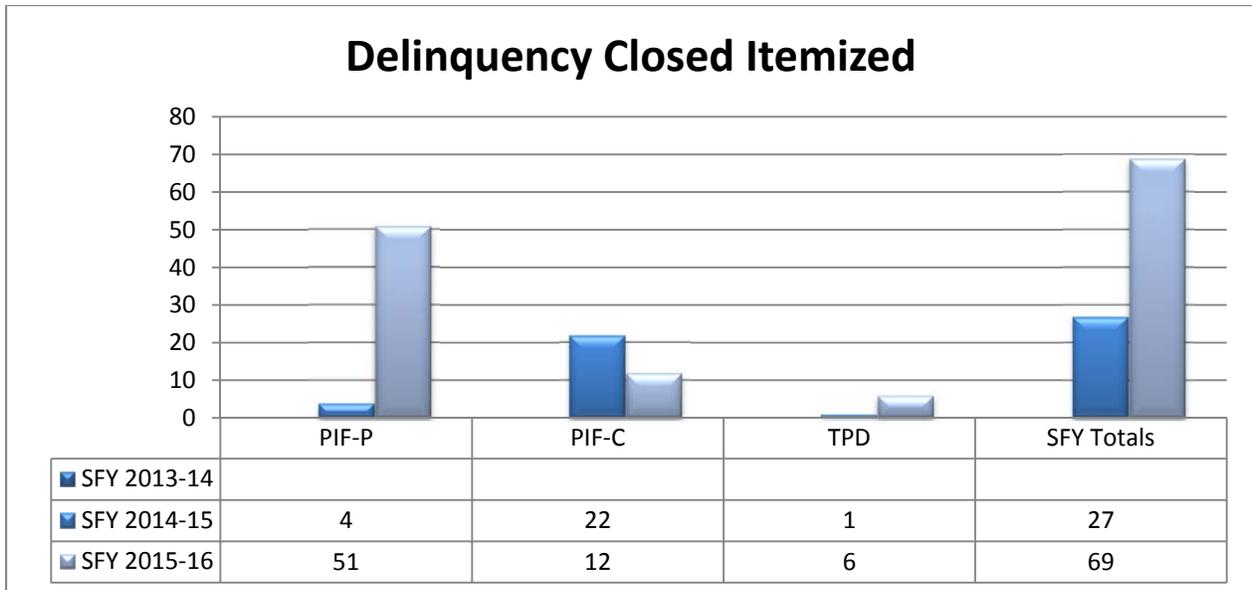
The next two charts demonstrate the accounts that were in a delinquency status and have been resolved. For this purpose, resolved is defined as accounts that are:

- Paid in full
- In service
- In school
- In bankruptcy
- In deferment
- In forbearance
- In a grace period
- Current in repayment
- Less than 60 days past due

The following chart indicates delinquent accounts that have been resolved through an on-hold status, such as deferment, in service, or in school.



The following chart indicates delinquent accounts that are paid in full through either Paid in Full – Pending (PIF-P), Paid in Full – Confirmed (PIF-C), and Total and Permanent Disability (TPD).



Default Management

As the Loan Division transitions away from the federal guaranty program, staff are preparing to expand and improve services to Tennessee schools and students. To directly assist students, staff will be engaged in default aversion efforts, financial literacy, and entrance and exit counseling. Staff will also work with schools in a variety of services, including analyzing school portfolio reports, loan record detail reports, and cohort default rates; locating delinquent borrowers through skip tracing; temporary assistance in financial aid offices; program and audit review; training; career fairs. Staff are currently in the process of reaching out to schools across Tennessee to determine how best TSAC can assist in providing a complete package of financial aid services to their students.

Loan Portfolio Transition / ECMC

As the FFEL program is in its final stages of transition, the following information, recently provided by the U.S. Department of Education (the Department), may be of interest to the TSAC Board.

The Department allows for a three percent error rate on guaranty agency reporting of student loan data to the National Student Loan Data System (NSLDS). TSAC has consistently placed a high degree of importance on correct information to our student borrowers. Over the years, TSAC has worked closely with Nelnet Guarantor Solutions (NGS) to ensure the accuracy of information, and as a result, TSAC's error rate has remained below one percent.

In May 2015, the Department reported to TSAC 12,963 remaining errors in the loan portfolio. During TSAC's most recent program review, the Department reported that the number of errors has been reduced to 3,110.

Over the life of the FFEL program, TSAC has guaranteed three million loans for more than 950,000 borrowers, representing a cumulative dollar amount of \$13.1 billion. TSAC's Loan Division has been proud to serve the students and schools of Tennessee and looks forward to continuing to serve in a different capacity.

Following federal legislation ending the Federal Family Education Loan Program (FFELP) in 2010, TSAC's loan portfolio has steadily declined. This decline, along with the unpredictability of program changes at the federal level, led the board to determine in September 2015, that a transition away from FFELP was in the best long-term interest of its borrower's and schools. Following this decision, the U.S. Department of Education selected ECMC to receive TSAC's portfolio.

TSAC and ECMC have been working through the transition plan to ensure all FFELP participants will have full and uninterrupted access to ECMC's FFELP services. To date, the plan has been effectively carried out with little disruption or delays. Currently, the transition is projected to be complete by the June 30, 2016 target date.