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BILL HASLAM
Governor

DATE: November 13, 2015

TO: TSAC Higher Education institutions and Lender/Service partners

FROM: 
Jane Pennington
Associate Executive Director for Loan Programs

RE: TSAC Loan Division Transition

Many of you may be already aware that during the September 2015 TSAC Board of Directors' meeting the decision was made to begin the process of withdrawing from the Federal Family Education Loan (FFEL) program during 2016.

As you may also know, due to changes in Federal law all guaranty agencies will face a similar choice of whether to wait until FFEL program portfolios, and their associated assets in agency operating funds, dwindle to zero over the next few years, or to accelerate the inevitable transition on the agency's terms. Recommending the decision to the Board, with all of its personnel, financial, and programmatic ramifications, was a complex and difficult one that we deliberated over several years, but one that we believe is in the best long term interests of Tennessee students, state government and TSAC.

Specifically, the decision is part of a broader strategy, discussed at the TSAC board meeting, of transitioning TSAC towards an agency that focuses heavily on default management activities, while preserving agency financial aid assets that have built up over decades of good stewardship. During the transition, it is vital to us that students are fully informed about and well served by the transition to a new servicer. We have already expressed this to officials at the U.S. Department of Education, and we will continue to assertively advocate for students during this process. Toward that goal, TSAC has begun to make plans for our own communication efforts before, during and after the transition that are in the best interests of all Tennessee students.

As we transfer the portfolio and wind down loan activities over the next several months, we will also begin transitioning to our new role by, developing and implementing formal default management services that will be available to institutions. Within the next several months, we hope to establish formal arrangements with institutions throughout Tennessee's higher education community by which TSAC can serve students and institutions in an array of default management services that

minimize student debt and help keep default rates down. Transitioning away from daily management of the FFEL program portfolio will allow us to shift our resources and focus fully to this effort.

- TSAC has already started the formation of a TSAC team to assist schools and students in the Default Prevention overall process.
- TSAC will continue to work with all Tennessee students and schools and their lender/holder to assist in resolving any issue they may have. We have been doing that for several years including Tennessee students who did not borrow through TSAC, but had an issue with their student loans. We have established contacts with the U.S. Department of Education, the Ombudsman's office, various Federal and State congressional offices, the DL TIVAs, other guarantors and servicers and lenders at the national level.
- While the U.S. Department of Education has indicated that TSAC has no choice in the selection of the succeeding agency which will take over the TSAC portfolio, TSAC is reaching out to our representatives in Washington to attempt to be proactive in the transition. We will keep you updated as that process moves forward.
- The TSAC Team is currently partnering with THEC on Governor Haslam's Reconnect initiative to work with schools in the Reconnect program to identify former students who may be prevented from reenrollment because of a loan default or delinquency issue. This is being offered to Tennessee schools free of charge.

Since 1965, TSAC has been committed to assisting Tennessee students and schools. We plan to continue doing that by preventing student default, and ask for your patience and continued partnership through this transition.