The Next Generation of Loan Servicing

The Unified Servicing and Data Solution (USDS) is the long-term loan servicing solution designed to serve borrowers better.

The USDS is a long-term loan servicing solution that will provide federal student loan borrowers with a 21st-century customer experience, hold servicers to a high level of performance, and enable the U.S. Department of Education (ED) to focus on impactful objectives like reducing delinquency and default.

The USDS represents nearly a decade of work to overhaul federal student loan servicing. It builds on investments FSA has made in recent years under the Next Gen FSA initiative, including the Digital and Customer Care (DCC) platforms—e.g., the StudentAid.gov website and back-end functionality—the Business Process Operations (BPO) vendors, and a data platform called the Enterprise Data Management and Analytics Platform Services (EDMAPS).

The Current Loan Servicing Environment

In the current loan servicing environment, multiple loan servicers support borrowers while they are in school and in repayment. There are currently six loan servicers, all of which operate their own website, contact center, training for staff, and strategies to reach out to borrowers. Additionally, the current loan servicers use multiple proprietary processing systems to manage accounts and report data to FSA. This disjointed repayment experience can be less than ideal for borrowers. Borrowers must figure out who their servicer is and manage their account on their servicer's website, while other important information and tools that help borrowers understand their rights, responsibilities, and eligibility for various repayment benefits are accessed on StudentAid.gov.

The structure of the legacy loan servicing contracts—which largely provide servicers with operational autonomy, use commercial branding, and lack appropriate accountability metrics—results in inconsistencies across servicers, oversight challenges, operational complexity, and inefficiencies, among other costs. Borrowers have expressed frustration with servicing inconsistencies and inefficiencies, and some credit these issues with their poor repayment outcomes. Moreover, because of the fragmented servicing system and reporting shortcomings, it can be difficult to gather and implement insights about effective or innovative servicing practices, diminishing FSA's ability to meet borrower needs.

Six existing legacy loan servicing contracts will expire in December 2023. To maintain the long-term stability of the loan servicing environment, FSA must award new contracts through the USDS procurement.
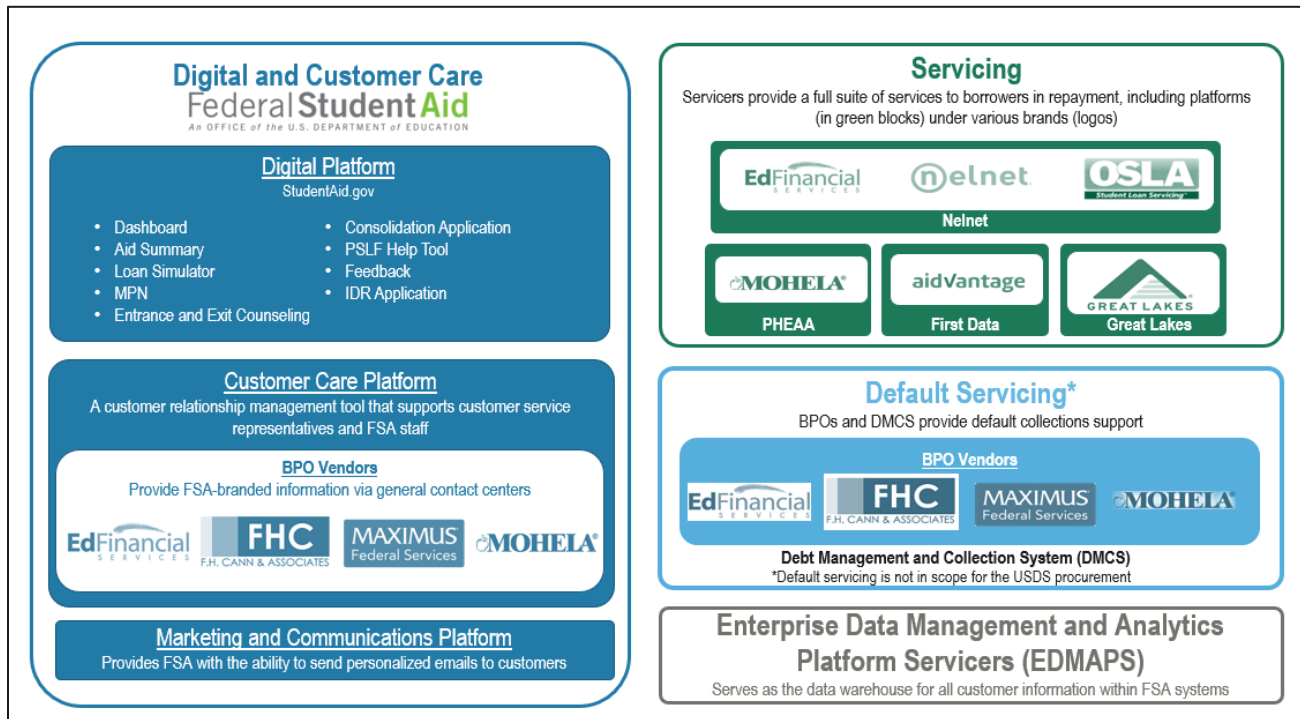
Figure 1: Current loan servicing environment in which borrowers navigate their servicers' websites as well as StudentAid.gov to manage repayment

What is the Unified Servicing and Data Solution?

The USDS will replace the legacy servicing contracts for Direct Loans and federally managed Federal Family Education Loan (FFEL) Program loans, as these legacy loan servicing contracts will soon expire. The USDS shares the goals of prior loan servicing efforts, including

- providing all federally managed borrowers with complete account management capabilities on StudentAid.gov;
- reducing the disruption of account transfers; and
- increasing accountability for servicers via clear, measurable service-level agreements.

USDS servicers will manage the platforms, contact centers, and manual processing activities for all nonspecialty loan servicing tasks. The customer interface and processing work currently associated with the specialty programs—TEACH Grants, Public Service Loan Forgiveness (PSLF) and Temporary Expanded PSLF (TEPSLF), and total and permanent disability (TPD) discharges—will shift to StudentAid.gov and the BPO vendors. At go-live, USDS servicers will be required to modify borrower-facing communications to co-brand with FSA and provide account authentication through the FSA ID. This approach will provide a single sign-on experience for customers as they navigate between their servicers' website and StudentAid.gov and will make the eventual transition to full account management functionality more seamless. The final goal of this effort is to improve the process for borrowers by moving full account management, branding, and repayment from the USDS servicers' websites to StudentAid.gov.

The USDS servicing environment will also allow FSA to hold USDS servicers accountable for their

portfolio performance and incentivize more support for borrowers at risk of delinquency and default. The USDS contracts empower FSA to reward servicers who serve borrowers, especially at-risk borrowers, well, also allow FSA to act on poor outcomes through corrective actions and, possibly, financial penalty. Compliance is also a crucial element of accountability and system integrity. At go-live, FSA will ensure that USDS servicers are up to date with cybersecurity standards and compliant with applicable consumer protection rules, including federal and state law.

	Total and Permanent Disability Discharges	TEACH Grants	Public Service Loan Forgiveness
Use form wizards and electronic signature and submission for most forms	✔	✔	✔
Track eligibility and progress	n/a	✔	✔
Track the status of applications and forms	✔	✔	✔
Get recertification reminders	n/a	✔	✔
Digitally upload forms and supporting information	✔	✔	✔
Apply for reconsideration	✔	n/a	✔
Request forbearances while forms are processed	✔	n/a	✔
Get program information	✔	✔	✔

Figure 2: Functions that will be available on StudentAid.gov for borrowers under USDS

Timeline

Learning from similar development efforts in the past, FSA is taking a phased approach to the USDS with a focused set of high-return enhancements scheduled for implementation when the new servicers go live, then building upon those improvements. This approach will allow FSA to provide high-return improvements to borrowers quickly while also taking the necessary time and care to build functionality that is stable and borrower-friendly.

Go-live is scheduled for spring 2024, and within the first five years of the base contract period, FSA will expand functionality on StudentAid.gov, with the goal of eventually transitioning full account management, branding and repayment away from USDS servicers' websites. In the interim, FSA will implement single sign-on capability across StudentAid.gov and USDS servicers' websites and transition the management and borrower experience for specialty loan servicing programs to StudentAid.gov and associated FSA systems.

This solution will eventually provide a single, FSA-branded repayment interface for borrowers, hold servicers more accountable to good service and outcomes, and modify servicers' systems to become better connected and cybersecurity-compliant.
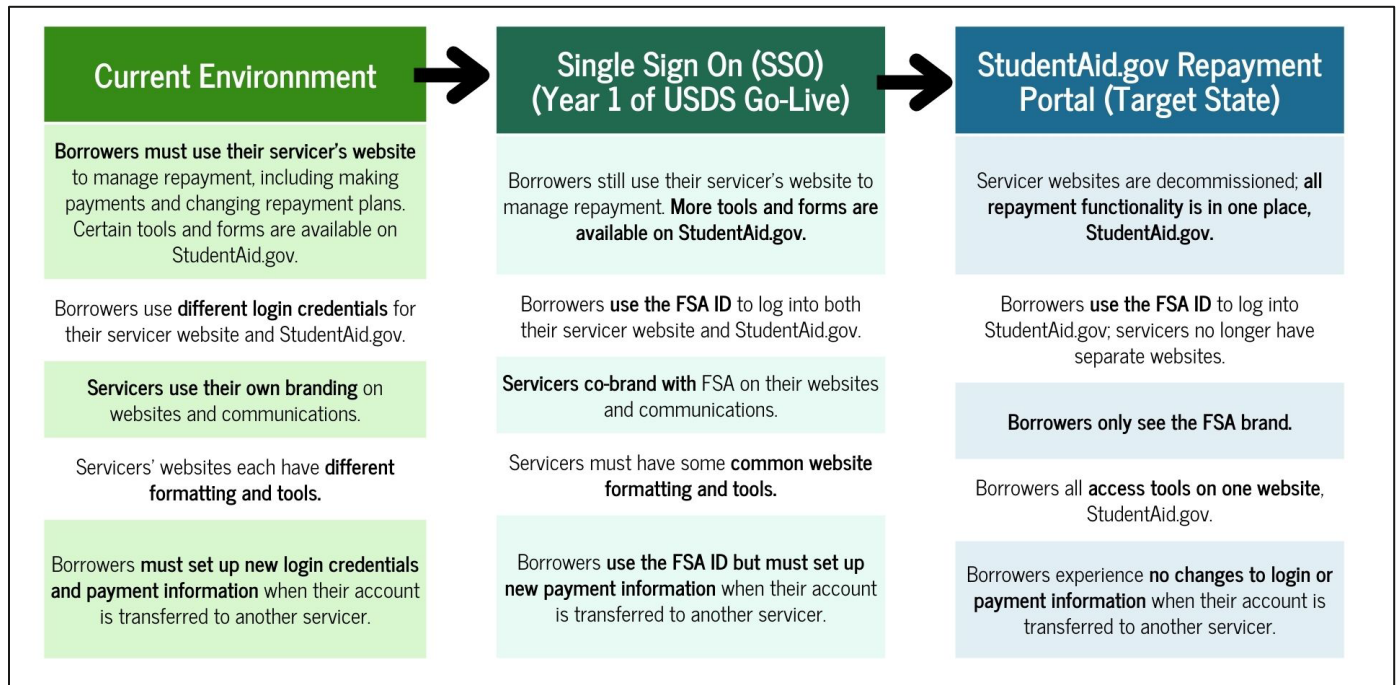
Figure 2: How borrowers manage repayment under the current environment compared to how they will manage repayment under USDS.

Why USDS?

The USDS enables FSA to transition from the current loan servicing contracts into a more stable, long-term servicing environment that will ensure borrowers can continue to manage repayment. The scope of that transition means that these efforts cannot be accomplished immediately, but this strategic, phased approach greatly enhances the likelihood of successful implementation while mitigating the risks of failure.

In addition, the current legacy servicing contracts do not include the security, accountability, and transparency provisions needed to meet the needs of FSA or its customers. USDS will address these problems and create a loan servicing environment that better serves customers and allows for appropriate oversight of the program for the more than 37 million borrowers with federally managed student loans.

Ultimately, FSA's goal is for customers to manage their entire student aid experience—from completing the FAFSA® form to successfully repaying their loans—on StudentAid.gov, with the support of high-quality contact centers and multiple digital self-service tools that streamline and demystify the student aid programs.