

## **Explanation of Customer Service Performance Measure Methodology**

**Quarter Ending September 30, 2014**

### **Attachment to March 2015 Electronic Announcement**

This document discusses customer service performance measure methodology for each of the Department of Education's (the Department's) federal loan servicers. The federal loan servicers with quarter customer performance results are as follows:

- FedLoan Servicing (PHEAA)
- Great Lakes Educational Loan Services, Inc.
- Navient
- Nelnet

#### Not-For-Profit (NFP) Members of the Federal Loan Servicer Team

- Aspire Resources Inc.
- CornerStone
- ESA/Edfinancial
- Granite State – GSMR
- MOHELA
- OSLA
- VSAC Federal Loans

#### **Allocation Methodology**

The Department has provided its federal loan servicers broad latitude to determine how best to service their assigned loans in order to yield high performing portfolios and high levels of customer satisfaction. We use metrics to measure the performance of each federal loan servicer.

There are two sets of performance metrics that we use to allocate new loan volume. One set of performance metrics applies to FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Navient, and Nelnet. The other set of metrics applies to the NFP Members of the federal loan servicer team.

#### ***FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Navient, and Nelnet***

The five performance metrics the Department uses to allocate new loan volume among FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Navient, and Nelnet are as follows:

- Two metrics measure the satisfaction among separate customer groups, including borrowers and Federal Student Aid and other federal agency personnel who work with the servicers.
- Three metrics measure the success of default prevention efforts as reflected by the percentage of borrowers that are not more than 5 days delinquent, percentage of borrowers that are more than 90 days but less than 271 days delinquent, and percentage of borrowers for whom a delinquency is more than 270 days and less than 361 days.
- The metrics are weighted as follows: percentage of borrowers that are not more than 5 days delinquent – 30% of the overall performance score; percentage of borrowers that are more than 90 but less than 271 days delinquent – 15% of the overall performance score; percentage of borrowers for whom a delinquency is more than 270 days and less than 361 days delinquent – 15% of the overall performance score; borrower survey results – 35% of the overall performance score; and federal personnel survey results – 5% of the overall performance score.

The Department compiles quarterly customer satisfaction survey scores and default prevention statistics for FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Navient, and Nelnet into measures every six months to determine each servicer's allocation of loan volume. Allocations are determined twice per year as described in each servicer's contract under Attachment A-4, Ongoing Allocation Methodology.

- The Department factors the servicers' scores on all five of the performance measures into the allocation formula in the same way. The servicer with the best score (highest American Customer Satisfaction Index (ACSI) score or lowest default statistic) is awarded four points on that dimension. The servicer with the next best score is given three points. Third and fourth place are allocated two points and one point, respectively. Thus, ten points ( $4 + 3 + 2 + 1 = 10$ ) are allocated among the servicers for each of the five performance measures.
- To determine an individual servicer's allocation of new loans, the Department first sums the points that servicer earns across the five performance measures. The Department then divides this total by 50. The result of this division is the servicer's proportion of new work. The Department divides the servicer's total by 50 because that is the total number of points allocated to all servicers across the five performance measures (10 total points per measure x 5 performance measures = 50).

#### ***NFP Members of the Federal Loan Servicer Team***

The five performance metrics the Department uses for the NFP members of the federal loan servicer team are as follows:

- Two metrics measure the satisfaction among separate customer groups, including borrowers and Federal Student Aid and other federal agency personnel who work with the servicers.
- Three metrics measure the success of default prevention efforts as reflected by the percentage of borrowers that are 30 or fewer days delinquent, percentage of borrowers that are more than 90 days delinquent, and percentage of borrowers for whom a delinquency of more than 180 days was resolved.

Beginning early 2015, all NFPs began to receive allocations of 25 percent of the total new borrowers. The Department compiles quarterly customer satisfaction scores and default prevention statistics for NFP servicers' into measures twice per year to determine each servicer's allocation of loan volume. Because

NFP allocations did not begin until January 1, 2015, we will not begin resetting their allocation percentage to twice a year until the allocation period beginning on September 1, 2015.

The Department factors the NFP servicers' scores on all five of the performance measures into the allocation formula in the same way. The NFP servicer with the best score (highest ACSI score or highest/lowest default statistic, as appropriate) is awarded seven points on that dimension. The NFP servicer with the next best score is given six points. Third, fourth, fifth, sixth, and seventh place are allocated five points, four points, three points, two points, and one point, respectively. Thus, twenty-eight points ( $7 + 6 + 5 + 4 + 3 + 2 + 1 = 28$ ) are allocated among the NFP servicers for each of the five performance measures.

To determine the NFP servicer's allocation of new loans for the current allocation period, which runs from January 1, 2015, through August 30, 2015, the Department first assigned a base score to each NFP by summing the points each NFP servicer earned across the five performance measures. An extended score was then calculated by multiplying the base score by the number of eligible and qualified NFP entities participating on each team of servicers. (A total of 34 NFP entities participate in a variety of teaming arrangements across the seven NFP servicing contracts. For example, MOHELA has 14 eligible and qualified NFP entities participating in their team; as a result, their extended score was calculated by multiplying their base score by 14.) The Department then divided the NFP servicers' extended scores by 790, the total number of points allocated across all servicers. The result of this division is the servicer's proportion of new work. The application of this allocation methodology yielded a high of 50 percent and a low of 2 percent of the new volume of loans being awarded to the NFP servicers.

For allocation periods beginning on or after September 1, 2015, base scores will be used to calculate NFP allocations and extended scores will no longer be calculated.

## **Performance Measure Methodology**

### ***Customer Satisfaction***

As applicable, the Department has segmented performance scores to ensure comparability across the federal loan servicers regardless of differences in the types of borrowers serviced. We calculate separate borrower customer satisfaction scores for each loan status (borrowers in repayment, in grace, and/or in school). We calculate default prevention statistics by type of school (private, proprietary, and public). We use the average of the segment scores in our allocation methodology.

The analytical methodology used by our independent vendor, [CFI Group](#), to evaluate customer satisfaction is consistent with that used in the ACSI. The [ACSI](#), established in 1994, is a uniform, cross-industry measure of satisfaction with goods and services available to U.S. consumers, including both the private and public sectors. The ACSI summarizes the responses to three uniform survey items that measure customer satisfaction with a score that has a minimum score of zero and a maximum score of 100. The CFI Group encourages companies that measure customer satisfaction using the ACSI to strive to achieve and maintain overall customer satisfaction scores in the low 80s. The highest ACSI score ever recorded is a 91, and the national average across all economic sectors is 76.

CFI Group specializes in the application of the ACSI methodology to individual organizations. As our independent vendor, CFI Group develops the surveys and conducts the analysis.

### ***Default Prevention***

The Department generates default prevention measures with simple arithmetic and rounds all results to the hundredths place.

*FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Navient, and Nelnet*

The Department divides the number of borrowers in current repayment status who are not more than 5 days delinquent at the end of the quarter by the number of all borrowers in both current and delinquent repayment status at the end of each quarter to generate the percent of “borrowers in current repayment status” statistic.

The Department divides the number of borrowers who are greater than 90 days delinquent and less than 271 days delinquent at the end of the quarter by the number of borrowers in both current and delinquent repayment status at the end of each quarter to generate the percent of “borrowers greater than 90 days but less than 271 days delinquent” statistic.

The Department divides the number of borrowers who are greater than 270 days delinquent and less than 361 days delinquent at the end of the quarter by the number of borrowers in both current and delinquent repayment status at the end of each quarter to generate the percent of “borrowers greater than 270 days and less than 361 days delinquent” statistic.

*NFP Members of the Federal Loan Servicer Team*

The Department divides the number of borrowers in current repayment status who are less than or equal to 30 days delinquent at the end of the quarter by the number of all borrowers in both current and delinquent repayment status at the end of the quarter to generate the percent of “borrowers in current repayment status” statistic.

The Department divides the number of borrowers who are greater than 90 days delinquent during the quarter by the number of borrowers in both current and delinquent repayment status at the end of each quarter to generate the percent of “borrowers greater than 90 days delinquent” statistic.

The Department divides the number of borrowers who are less than or equal to 30 days delinquent at the end of the quarter and who had a delinquency of 180 days or greater at the end of the prior quarter by the number of borrowers who are 180 days or more delinquent at the end of the quarter to generate the “delinquency resolution of borrowers greater than 180 days delinquent” statistic.