Loan Conversion Process Requirements
(Loan Purchase Program)

The loan conversion process occurs when a seller requests ED to purchase loans, and ED validates the seller's approval to participate, checks the eligibility of the loans, provides payment to the seller, and takes ownership of the loans as federally held assets.

Below are the requirements a servicer must complete in addition to the existing requirements to service an FFEL loan:

1. Create & maintain a Loan Purchases Tracking Log - to include: Checklist of loan purchase activities, status of activities, and loan counts/amounts. SEE ATTACHMENT A – Sample of Loan Purchases Tracking Log.
2. Provide Loan Purchases Tracking Log to FSA, CFO, and OCFO on a periodic basis.
3. Accept 45-day notices submitted by sellers via email. SEE ATTACHMENT B – Sample of 45 Day Notice.
4. Inform FSA when a 45-day notice has been received.
5. Validate, with FSA contact, the status of the seller's Master Loan Sales Agreement (MLSA).
6. Notify seller if any additional MSLA approvals or documentation are needed for the sale and schedule the sale date with the seller's Servicer.
7. Notify FSA of the status of the MLSA package, if necessary.
8. Perform testing of the loan conversion transfer file process with sellers. SEE ATTACHMENT C – sample of a loan conversion transfer file layout.
9. Receive loan conversion transfer file from the seller via FTP.
10. Review the loan conversion transfer file and notify FSA, CFO, OCFO of differences between the 45-day notice and loan conversion file.
11. Perform edits on the loan conversion transfer file.
12. Prepare report identifying any errors with the loan conversion file and/or any loans not eligible for sale.
13. Provide results of edit errors to the seller, and work with seller to resolve errors.
14. Calculate pre-sale totals and final purchase price after errors have been resolved. [Final purchase price = Principal + Interest + 1% loan fee + $75.00 per loan fee.]
15. Create a pre-sale detail loan report including loan details for all loans included in the sale. SEE ATTACHMENT D – Sample of pre-sale detail loan report.
16. Transmit pre-sale detail loan schedule to seller for validation by seller.
17. Create invoice total file and submit to SAIG mailbox to be 'swept' by FSA CFO. SEE ATTACHMENT E – invoice total file layout.
18. Receive Bill of Sale and related documents. SEE Electronic Announcement # 26 (http://federalstudentaid.ed.gov/ffelp/library/EA26.doc); Exhibit B of Master Loan Sale Agreement – Sample of Bill of Sale.
19. Validate Bill of Sale package is authorized and complete.

20. Validate Schedule and Security Release Certificate (SRC) has been received if loans are subject to a security lien. SEE Electronic Announcement # 26 (http://federalstudentaid.ed.gov/ffelp/library/EA26.doc); Exhibit E of Master Loan Sale Agreement – Sample of Schedule and SRC.
21. Flag loans subject to a security lien in Tracking Log.
22. Accept Notice of Assignments from seller and notify FSA that payment will be sent to designee if a Notice of Assignment is received. SEE ATTACHMENT F – Sample of Notice of Assignment.
23. Compare FSA Servicer pre-sale totals to seller's pre-sale detailed listing of loans sold - identify and resolve differences.
24. Request seller to provide updated Bill of Sale documents as needed.
25. Validate FSA approves/disapproves invoice of payment.
26. Process the loan sale transaction on servicing system when notified payment has been made. Loans now reside on FSA Servicer's system.
27. Reconcile the Servicing System balance and activity to FMS for each purchase deal. Resolve and differences and provide the reconciliation to FSA.
28. Reconcile the Servicing System balance and activity to FMS on a monthly basis. Resolve and differences and provide the reconciliation to FSA.
29. Receive collateral documentation and review for completeness.
30. Identify and notify seller of missing collateral documentation, work with seller to obtain required documentation.
31. Notify FSA of receipt of collateral and completeness of documentation.
32. Provide storage for, and access to, collateral documentation.
33. Accept, edit and process loan adjustment files from Servicer after close of sale.