

14 April 2011

William Taggart, Chief Operating Officer  
Federal Student Aid  
United States Department of Education  
830 First Street, N.E.  
Washington, D.C. 20202

Dear Mr. Taggart,

Thank you for your efforts on behalf of students, graduates, and financial aid professionals. In particular, thank you for your recent and continued efforts to help borrowers with "Split Portfolios". Your work and that of your staff in this regard do not go unnoticed and are very much appreciated.

I am writing with regard to the capitalization policies of the various TIVAS and ACS, specifically as regards their capitalization policies for Graduate PLUS Loans (Grad PLUS Loans). I am concerned that some Grad PLUS Loan borrowers are subject to more frequent capitalization of accrued and unpaid interest on these loans based solely on who the Department of Education (ED) assigns as their loan servicer. In this regard, I have documentation confirming that at least two of the TIVAS have different capitalization policies for the Grad PLUS Loans they currently service, be they a) original FFELP loans not sold to ED, b) FFELP loans sold to ED as PUT Loans, or c) Direct Grad PLUS Loans to which they are assigned as the loan servicer.

It is my understanding that Federal Student Aid (FSA) is working with the TIVAS (and I assume ACS as well) regarding capitalization policies on all affected loans for which ED has the paper (as I understand it, both PUT and DL Loans). It is also my understanding that your objective is to establish a consistent capitalization policy across all servicers with whom ED has contracts so that borrowers (in this case, Grad PLUS borrowers) are not subject to more frequent capitalization based solely on who ED happens to assign as the loan servicer.

Should such be the case, I would encourage FSA to take these additional steps after a consistent capitalization policy has been established and implemented by your loan servicers:

- First, request that the TIVAS, as well as ACS, "scrub" their records and identify any borrowers that may have been adversely impacted by more frequent capitalization policies in effect a) at the time the PUT Program was established as well as in effect b) when ED started assigning new Direct Grad PLUS Loans to the TIVAS for servicing. I am aware the latter was a phased in approach.
- Second, once identified, issue a credit against any borrower's applicable Grad PLUS balance in an amount attributed to the more frequent capitalization policy, and clearly notify them of this action.
- Third, have ACS identify any Direct Consolidation Loans that included Grad PLUS Loans that had higher balances due to the situation described above, and have ACS issue a credit against any borrower's applicable Direct Consolidation Loan balance in an amount attributed to the more frequent capitalization policy, and clearly notify them of this action.

Bill, this would be the right thing to do for borrowers, and I thank you for your consideration of this request.

As a courtesy, please note that a copy of this letter is being shared with a number of different higher education and discipline-specific organizations with whom I have regular correspondence.

Once again, thank you for your efforts on behalf of students, graduates, and financial aid professionals. Please do not hesitate to contact me if I can be of assistance.

Best wishes, and respectfully submitted.

Paul S. Garrard President and Founder, PGPresents, LLC

cc: Sue O'Flaherty  
Cynthia Battle