

Massachusetts

Student Loan Servicer Licenses- FAQs

- **When can my company apply for either the Automatic Federal Student Loan Servicer License or Student Loan Servicer License?**

Applicants may begin applying for the Automatic Student Loan Servicer License and the Student Loan Servicer License through the Nationwide Multistate Licensing System & Registry (NMLS) beginning June 1, 2021. Licenses will not be issued until on or after July 1, 2021, which is the date that the student loan servicer law (M.G.L. c. 93L) goes into effect.

- **What are the requirements for the Automatic Federal Student Loan Servicer License and the Student Loan Servicer License?**

Please refer to the applicable Massachusetts – New Company License Checklist available on the [Massachusetts State Licensing Requirements](#) page in the [NMLS Resource Center](#).

- **What is the difference between the Automatic Federal Student Loan Servicer License and the Student Loan Servicer License?**

The *Automatic Federal Student Loan Servicer License* is designated for any company that solely acts or intends to act as a student loan servicer pursuant to a contract with the United States Secretary of Education under 20 U.S.C. 1087f. The Automatic Federal Student Loan Servicer License is an irrevocable perpetual license that shall not expire for such time as the licensee is servicing loans pursuant to a contract with the United States Secretary of Education as described above.

The *Student Loan Servicer License* is designated for any company that is responsible for servicing a student loan to a student loan borrower (who is a resident of Massachusetts) for private student loans OR both private and federal student loans. This license must be renewed annually.

- **My company services federal student loans only. Does my company need to apply for a student loan servicer license?**

YES – Companies that solely service federal student loans pursuant to a contract with the United States Secretary of Education should apply for the Massachusetts Automatic Federal Student Loan Servicer License.

- **My company services private and federal student loans. Will I need to obtain both the Automatic Federal Student Loan Servicer License and the Student Loan Servicer License?**

NO – Companies that engage in private and federal student loan servicing must obtain the Student Loan Servicer License. The Automatic Federal Student Loan Servicer License is designated for companies that **solely** engage in federal student loan servicing.

- **My company is currently a Third Party Loan Servicer Registrant or licensed Debt Collector that engages in student loan servicing. Will my company need to obtain the Student Loan Servicer License?**

YES – Depending on the type of student loans serviced (e.g. private vs. federal student loans), your company may be required to obtain either the Massachusetts Student Loan Servicer License or the Massachusetts Automatic Federal Student Loan Servicer License. If engaged **solely** in student loan servicing, your company's Third Party Loan Servicer Registration or Debt Collector License may be surrendered after the company obtains the appropriate student loan servicer license. If debt collection activity or non-student loan servicing activity is taking place, you must continue to maintain your Debt Collector License or Third Party Loan Servicer Registration.

- **My company functions as a subservicer on behalf of a master servicer. Does my company need to obtain licensure?**

YES – Any company or person that is engaged in student loan servicing activities as defined in M.G.L. c. 93L must obtain licensure. This includes subservicers that are contractually bound by the master servicer to perform such servicing pursuant to the terms of the subservicing agreement.

- **My company is a master servicer that does not directly engage in student loan servicing activities. Does my company need a student loan servicer license?**

YES – Pursuant to M.G.L. c. 93L, a license is required if your company is “responsible” for servicing a student loan.

- **My company is licensed as a debt collector that collects on defaulted student loans (among other types of debt). Does my company need to apply for the Student Loan Servicer License?**

NO – Licensed debt collectors collecting on defaulted student loans from Massachusetts student loan borrowers do not need to apply for the Student Loan Servicer License. Debt collection and student loan servicing are two distinct activities; “debt” refers to delinquent/nonperforming loans, whereas “servicing” reflects compliant/performing loans at the time of acquisition of the servicing rights. Should you have any questions regarding whether you are required to obtain a student loan servicer license, please contact the Division’s Licensing Unit at nmls@mass.gov.

- **It appears that the Automatic Federal Student Loan Servicer License is continuous. My company intends to apply for this license. However, what happens if our contract with the United States Secretary of Education expires?**

The Massachusetts Automatic Federal Student Loan Servicer License is perpetual. However, the license will immediately expire as of the date that you are no longer servicing federal loans pursuant to a contract with the U.S. Secretary of Education. You must notify the Division of Banks no more than seven (7) business days after receiving notification of the expiration, revocation or termination of a contract awarded by the United States Secretary of Education under 20 U.S.C 1087f.

My company has branch office locations. Are the branches required to be licensed too?

NO – branch office locations are not required to be licensed. However, M.G.L. c. 93L and the Division of Banks Regulation 209 CMR 18.00 require a licensed Student Loan Servicer that intends to operate at any location in addition to its main address must file notice with the

Commissioner, not less than thirty (30) days before commencing operations. Companies must apply for the student loan servicer branch office location through the NMLS. NOTE: Licensed Automatic Federal Student Loan Servicers are NOT required to notify the Division of branch locations.

- **My company is currently operating as either a licensed debt collector or registered as a third party loan servicer. Does my company need to cease servicing student loans on July 1, 2021 until we obtain the student loan servicer license?**

NO – In order to prevent potential harm and eliminate interruption to consumers, the Division will not require that companies cease student loan servicing activity on July 1, 2021. However, you are advised to submit the appropriate student loan servicing license application prior to July 1, 2021.

- **I ultimately intend to service both federal and private student loans and I understand I need to obtain the Student Loan Servicer license to cover both activities. While the license application is pending, may I begin servicing federal student loans immediately?**

NO - If you want to begin servicing the federal student loans before you obtain the Student Loan Servicer license, you must submit an application for an Automatic Federal Student Loan Servicer License and obtain the required Automatic Federal Student Loan Servicer surety bond. When the Student Loan Servicer license is issued, you may then surrender the Automatic Federal Student Loan Servicer License and cancel the surety bond.

Should you have any questions regarding these FAQs, please contact the Division's Licensing Unit at nmls@mass.gov.