Third-party servicer definition is an individual or a state or a private, profit or nonprofit organization that enters into a contract with an eligible school to administer, through manual or automated processing, any aspect of the schools participation in any Title IV program.

34 CFR 668.2

Schools are permitted to contract with consultants for assistance in administering the FSA programs. However, the school ultimately is responsible for the use of FSA funds and will be held accountable if the consultant mismanages the programs or program funds.

Examples of functions that third-party servers perform are:
- Processing student financial aid applications, performing need analysis, and determining student eligibility or related activities.
- Certifying loans, servicing loans, or collecting loans;
- Processing output documents for payments to students, and receiving, disbursing, or delivering FSA funds;
- Conducting required student consumer information services;
- Preparing and certifying request for cash monitoring or reimbursement funding;
- Preparing and submitting notices and applications required of eligible and participating schools, or preparing the Fiscal Operations Report and Application to Participate (FISAP); and
- Processing enrollment verification for deferment forms or NSLDS enrollment reporting;
- Providing FAFSA or pre-FAFSA completion services;
- Collecting, reviewing, and/or maintaining supporting documentation required to process Title IV funds;
- Performing financial aid counseling, including operations of call centers;
- Performing default prevention/management functions, entrance and exit loan counseling, or developing a default management plan;
- Financial aid consulting, including financial aid staffing, interim management, processing support, and/or development and maintenance of written policies and procedures;
- Preparing and/or submitting required reports including IPEDS and Campus Crime and Security data.

Schools are required to notify the Department of Education of all third-party servicer contracts. The school must also promptly notify the DOE of any of the following changes to the servicer arrangements:
- The school enters into a contract with a new third-party servicer;
- The school significantly modifies a contract with an existing third party servicer,
- The school or one of its third party servicers terminates a contract, or
- A third party ceases to provide contracted services, goes out of business, or files for bankruptcy.

A school notifies DOE by updating Section J of the E-App within 10 days of the date of the change or action.

To best comply with the above requirements set forth by the Department of Education all external contracts providing student services must be reviewed by the Director of Financial Aid and Scholarships to determine if the contract is considered a third-party servicer and should update the E-App within 10 days if it meets the criteria of a third-party servicer.