To: NCHER Board of Directors, Members, and Interested Parties

From: James P. Bergeron, President

Date: November 2, 2014

Today marks my six-month anniversary as NCHER’s President and this serves as my second written report to the Board of Directors and membership. Tempus Fugit.

Before I begin with my formal President’s report that will provide a progress report on meeting our overall, advocacy, and organizational goals, I want to talk about NCHER’s finances and to thank you for your continued support of the organization. As you know, our current fiscal year runs from July 1, 2014 to June 30, 2015. Similar to last year, membership dues and standards fees received for the fiscal year remain strong, which is great news considering that they represent approximately 82 percent of our annual income. We have already received more than 96 percent of our goal for the year and I am confident that we will exceed the budgeted number at the end of the day. While the organization lost 12 members, including two long-standing voting members because of changes in the student loan and higher education marketplace, we added 10 members, two of which are returning members, who believe that NCHER can help them identify new approaches to higher education finance. Our personnel and administrative expenses remain low, but it is imperative that we continue to search for long-term ways to lower costs that will have the least impact on membership services.

In early June at the Spring Conference, we spent a lot of time talking about our shared direction for the organization centered on shaping policies that govern federal and private student loan and finance programs on behalf of students, borrowers, and families. And we spoke and agreed on five short-term goals that can help position the organization and its membership for success: (1) ensuring that the membership has a consistent, well-targeted, and rebranded student-centered message; (2) ensuring that our membership reaches consensus on a menu of legislative options that are realistic and support a competitive environment; (3) demonstrating that the important counseling, debt management, and default prevention services provided by our membership to students, borrowers, and families add value; (4) pursuing innovative approaches and highlighting our service efforts to assist at-risk, low-income and minority students; and (5) ensuring that the membership is a trusted, active, and credible voice on higher education policy with Congress, the Administration, and the postsecondary education community. These were shared with the membership during the September call and serve as the basis for the day-to-day work of NCHER’s staff.

At the Spring Conference, all of our members also received a confidential survey on our services, ranking the importance of the Daily Briefing, conferences, committees, advocacy, and website. I want to thank the many of you that took the time to fill out the survey and gave an honest assessment of our work on your behalf. While I promised to keep the results confidential, I’d like to share some of the findings and comments. On the Daily Briefing, an overwhelming majority of the membership read it daily and rated its content a 4 or 5. For conferences, most members attend the Spring Conference and the Knowledge Symposium. A strong number, but far fewer, regularly attend the Legislative Conference, but a number of members indicated that they’d like to get more involved in advocacy. Most rated our conferences as a 4 on a scale of 1-5, wanted more of a focus on Consumer Financial Protection Bureau (CFPB)-related issues, and had great new ideas for future conference locations.
On our committees, most believed that their strengths include legislative and regulatory analysis and access to major players, and gave its work a strong 4 out of 5. A few members noted that our committees don’t seem to be as active as in the past. Our advocacy efforts were mixed – about half of the membership has strong relations with their Congressional delegations and about half have little to no interaction. This was reflected in the overall scores of NCHER’s government relations work – half gave us a 3 while the other half gave us a 5. A number of members commented that it would be great to have common talking points to use during their Capitol Hill visits. Most of the membership use our website weekly, and gave it a score of 4 overall.

While the survey will help me and the staff determine where to make improvements, there were additional comments and themes as well. A few members noted that NCHER needed a defined message that represented the organization’s membership – so that we could present a more unified front, if you will – and that conflicting messages from organizations confused legislative and committee staff and undermined the industry. There were questions about NCHER’s real purpose and mission, and whether there was a favored segment of the industry. A few asked for more candid discussions on relevant issues facing the industry. Some asked for best practices on how to be a federal contractor. Others asked for a more school-based focus through content in the Daily Briefing and at conferences to help them look for future opportunities, both at the K-12 and postsecondary education level.

With my recent conversations and these results in mind, it quickly became clear that the organization needed to refresh its strategic plan so that it could be better positioned for success over the next three years. NCHER’s Bylaws had last been revised in 2011 and its vision, goals, and objectives were largely outdated and not appropriately linked to budgetary or performance decisions. To help with this task, the Board created a Strategic Planning Working Group that includes representatives of all sectors of the organization’s diverse membership. The working group has spent the better part of the last three months revising the mission and vision statement, developing realistic and measurable goals and objectives, and discussing how to link them to the organization’s operational plans. We’ve also discussed potential changes to membership categories, including creating a school membership category. On Wednesday, NCHER’s leadership will host a general session at the Knowledge Symposium where we’ll go through some of the specifics of the drafts; I hope that you can attend. If current work and deadlines hold, it looks likely that the revised strategic plan will go to the Board in the next month and any corresponding changes to the Bylaws will be adopted during the open membership meeting at the Legislative Conference in early February.

NCHER is primarily a federal advocacy organization, and a huge part of our work involves pushing legislative priorities and strategies in Washington, DC that will benefit our membership. Even though Congress has spent very little time in session since April, choosing to maximize time in their districts for Tuesday’s mid-term election, our membership has been busy. In the short-term, we sent a myriad of letters and had conversations with House and Senate leadership and committee staff on the importance and need for intensive and personalized financial literacy, debt management, and default prevention services for students. We weighed-in in support of the narrowly-tailored entrance/exit counseling and student transparency bills that overwhelmingly passed the U.S. House, and expressed strong concerns with the Senate’s comprehensive rewrite of the Higher Education Act (HEA). The Guaranty Agency CEO Caucus has taken a leadership role in pushing the House and Senate on the need to mitigate the impact of the rehabilitation fee cuts on borrowers, families, and guaranty and collection agencies. We
worked to pair our narrowly-tailored proposal with another higher education-related bill and hope that Congress can pass a combined piece of legislation in the upcoming lame-duck session after the elections. Led by the Regs Committee, we provided legislative guidance and expertise to House staff drafting legislation to streamline student loan repayment options.

At the Executive Branch level, a number of our servicer and collection agency membership met with Federal Communications Commission (FCC) leadership and staff to support active petitions to allow creditors to use predictive dialer technology when attempting to contact delinquent and defaulted student loan borrowers. We expressed concern with the Consumer Financial Protection Bureau’s unverified online complaint system. With the support of the Collection Agency Caucus, we drafted a one-pager and myths v. facts document on the importance of private collection agencies and have taken that message to the Hill. At the urging of the NFP Lender Caucus, we sent a letter to Education Secretary Arne Duncan urging the Department to equalize terms and conditions for both the Not-for-Profit (NFP) Servicers and the Title IV Additional Services (TIVAS). We’re working on getting a meeting for Guaranty Agency CEOs and CFOs to discuss the recent Department of Education Office of Inspector General reports on reserve ratios and information security. And our professional staff are in almost-daily contact with Department of Education staff and continue to be a resource for the Administration and our members on the Servicemembers Civil Relief Act, third party servicer arrangements, and the list goes on and on and on.

Long-term, the Board created a Legislative Working Group to develop the organization’s priorities for the new 114th Congress, which starts in January 2015. The working group also includes representatives of all sectors of the organization, including guaranty agencies, secondary markets, servicers, lenders, and collection agencies. I want to thank those in the membership who submitted ideas for consideration; your input has been invaluable to this process. Over the last three months, the working group has worked tirelessly to develop themes and priorities centered mainly on proposals that help students, borrowers (including struggling borrowers), and families access and complete postsecondary education. These priorities are going to be incorporated into approximately 10 white papers covering proposals to reauthorize the Higher Education Act (HEA), changes to the Telephone Consumer Protection Act (TCPA) modifications to section 150(d) of the tax code, and other important items. These important materials will be ready in mid-January so that you can hit the ground running for your visits to Capitol Hill during the Legislative Conference currently scheduled for February 2-4, 2015 at the W Hotel in Washington, DC. You can register for the conference now by visiting our website at http://www.ncher.us.

Through my “listening tour,” I’ve heard a lot of important ideas on how to best position the organization and its membership over the next year, knowing the many changes that have occurred and will continue to take place in our industry. One of the most common ideas, which has been a main theme through many of our monthly membership calls, is the need to develop and implement a renewed communications strategy that proactively promotes the efforts of our membership and can effectively and quickly respond to the complaints raised by student and consumer advocates on how the membership services and collects on student loans.

Why has this become a common theme? Because many in Congress and the Administration believe that our guaranty agencies and secondary markets have largely gone out of business or will do so soon, jeopardizing our ability to push for new and future approaches. And because the ongoing and consistent drum beat of negative press stories will inevitably tarnish the larger
student loan/servicing/collections/college access industry, leading to additional federal regulation and fewer opportunities. In short, if the organization does not proactively and publicly advocate for, or effectively rebut external attacks against, its membership, it will not be successful in putting in place a renewed strategic and legislative approach. I’m pleased to say that we are in the last stages of hiring a seasoned Communications Director to implement a dynamic communications strategy. One that will aim to reset the narrative and reframe the national debate on student aid; enhance our visibility and properly manage potential crises; generate positive media by cultivating relationships with reporters; and generate support from the public, policymakers, and members and non-members alike. All of this must be done in coordination with, and in support of, our renewed advocacy agenda that calls for greater membership involvement for us to be successful.

I’ve also heard some thoughts on improving the committee and caucus structure. As you know, NCHER’s committee structure was created to support the organization’s standardization efforts and promote education and best practices; serve as the main tool to vet controversial issues in an effort to reach consensus; hash out policy issues with subject matter experts; and foster collaboration and networking within and across sectors. Some members have spoken to me about creating a new committee to assist in developing a research agenda so that we can provide evidence that our services add value, or a new caucus strictly of the membership’s CEOs. Others have discussed ways to revitalize some of the committees in light of recent retirements or layoffs by industry leaders. I believe that all of these individual ideas have merit and should be explored, but it must be done within the context of a complete and comprehensive review. To this end, NCHER will formally begin a three month examination of our committee/caucus structure with two important goals. First, we want to maintain a strong structure with a strong purpose to carry out the organization’s mission. We want our committees to continue to be the heart of NCHER and a strength of the organization. Second, we want to ensure our committees are geared towards the future. Our committees should be worth your time, effort, energy, and investment. It’s that simple. Similar to our past reform efforts, we’ll engage the membership for your ideas and seek your feedback before the nominating forms are released in March.

It is my sincere belief that NCHER’s efforts to update its strategic plan and Bylaws, to put forth a robust and common-sense advocacy agenda, to institute a new communications strategy, and to develop a strong operational structure will help us better support your efforts in the critical areas of college access and success, financial literacy, and delinquency and default prevention. I hope that you will be engaged in these important efforts and continue to share your thoughts and views with me and the Board.

Together, we can take advantage of and seize the renewed opportunities over the next year.

Thank you.