

October 11, 2019

The Honorable Lamar Alexander
Chairman
Senate Committee on Health, Education,
Labor, and Pensions
428 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Patty Murray
Ranking Member
Senate Committee on Health, Education,
Labor, and Pensions
428 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Alexander and Ranking Member Murray:

The National Council of Higher Education Resources (NCHER) writes in strong opposition to the elimination of Account Maintenance Fees (AMF) paid to the nation's guaranty agencies included in H.R. 2486 / S. 1279, the Fostering Undergraduate Talent by Unlocking Resources for Education or FUTURE Act. While we object to this specific provision in the legislation, NCHER strongly supports and commends your leadership in continuing funding to Historically Black Colleges and Universities (HBCUs) and other Minority-Serving Institutions (MSIs). Our opposition to the elimination of AMF stems, in part, from the direct benefits that students and their families across the country would lose if this funding source was ultimately repealed.

Background on Account Maintenance Fees

State and nonprofit guaranty agencies are required under the Higher Education Act of 1965 to provide important services to students, borrowers, families, and the federal government in order to increase access to and success in postsecondary education. The agencies receive AMF payments to carry out this mandate. The elimination of the funding would compromise the following list of services that our agencies currently provide:

- Supporting college access and success activities in their states, such as financial literacy, financial aid awareness, FAFSA (Free Application for Federal Student Aid) completion services and events, borrower assistance, and ombudsman support. These specialized services are provided to current and future Direct Loan borrowers as well as borrowers under the federal guaranteed loan program. **In most states, these are the only services that are being offered to promote college access and success in postsecondary education.**
- Assisting struggling borrowers under the federal guaranteed loan program in avoiding default on their federal student loans, and helping defaulted borrowers rehabilitate their federal loans and repair their credit history. More than 8 million student and parent borrowers still have more than \$183 billion in federal guaranteed loans and these borrowers need access to important delinquency and default prevention services, just like Direct Loan borrowers. **Eliminating AMF would cripple the ability of the agencies to carry out their statutory responsibilities under the law, and directly and negatively impact student and parent borrowers across the country.**

- Providing schools with basic administrative support such as information on student loan defaults and loan transfers and training and technical assistance to loan holders and schools.

Guaranty agencies also use AMF for a variety of other activities that help students and families in their states such as programs to assist adult learners who have some college, but no credential return to school to obtain the necessary credits that they need to earn their degree or credential. To foster these programs, our agencies provide career, education, and loan counseling to help both Direct Loan and federal guaranteed loan borrowers avoid default on their existing loans or rehabilitate their federal loans so that they can regain financial aid eligibility. Eliminating AMF would restrict access to these important initiatives.

Impact of Account Maintenance Fees in Helping Students, Families, and Schools (Including MSIs)

According to a recent survey of a select number of guaranty agencies on the impact of AMF funding:

- More than 5.2 million students and families received college access and success and student loan repayment assistance in 2018;
- More than 1.6 million struggling borrowers received delinquency and default aversion assistance;
- More than 78,800 students received financial literacy help at 430 events across the country;
- More than 60,300 high school counselors and teachers received college access and success information at 10,400 events;
- More than 78,400 students and their families attended 4,100 financial aid events;
- More than 8,290 financial aid administrators received important information about the federal student loan program at 370 events;
- 11.6 million phone calls and emails were answered from students and borrowers;
- 11.2 million visitors accessed important college access and success information on various websites; and
- 2.58 million materials were distributed to students and families at various college access and success touchpoints.

For all guaranty agencies, the payment of AMF is a critical source of funds to carry out their college access and outreach activities, many of which benefit first-generation and low-income college students. For example, several agencies are currently participating in the U.S. Department of Education's Project Success Initiative that provides emergency aid, financial literacy, delinquency cure, capacity building, and student persistence programs at HBCUs, Hispanic Serving Institutions, Predominately Black Institutions, Tribal College and Universities, Asian American and Native American Pacific Islander Serving Institutions, and Alaska Native and Native Hawaiian Serving Institutions across the country.

Project Success supports 147 schools, serving 815,000 students, in 28 states which receive support services throughout the student-borrower lifecycle from pre-college to in-college to post-college. Under the initiative, each guaranty agency conducts an intensive institutional onboarding and consulting effort with MSI leaders to help each institution identify the best combination of services for its population, recognizing the wide diversity that exists among MSIs. The following illustrates the scope of the extensive work happening across the country:

- In the Mid-Atlantic and South, our agencies serve 8 MSIs in Alabama, 4 MSIs in Georgia, 2 MSIs in Louisiana, 12 MSIs in North Carolina, 8 MSIs in South Carolina, 2 MSIs in Tennessee, 18 MSIs in Texas, and 6 MSIs in Virginia.
- In the Mid-West and Plains, our agencies serve 7 MSIs in Illinois, 2 MSIs in Kansas, 3 MSIs in Michigan, 3 MSIs in Minnesota, 2 MSIs in Missouri, 5 MSIs in North Dakota, 2 MSIs in Oklahoma, 3 MSIs in South Dakota, and 2 MSIs in Wisconsin.

- In the West, our agencies serve 2 MSIs in Arizona, 5 MSIs in California, 4 MSIs in Colorado, 7 MSIs in Montana, 6 MSIs in New Mexico, and 1 MSI in Washington State.

Some state and nonprofit organizations, such as those in Oklahoma, use AMF to provide services to Native American-Serving Nontribal Institutions in their state while others use the funding to provide significant outreach to underserved populations in their state, including refugee families seeking to prepare and pay for college, undocumented families, including specialized financial aid and scholarship guidance, first-generation students, low-income families, American Indian and Alaska Native students, and nontraditional students. As you can see, the elimination of AMF would hurt those very students and families who benefit from important college access and success programs across the country.

Conclusion and Request to Find Alternative Offset

If AMF is eliminated, fewer families will receive important information that helps open the doors to college, fewer schools will receive basic administrative support, and guaranty agencies will be unable to perform critical functions that assist borrowers in avoiding default and protect federal taxpayers as the federal legacy program continues to wind-down its operations. While the term “Account Maintenance Fees” may sound like an accounting procedure or administrative funding, it is a critical means of providing direct services to students, borrowers, and their families. With student loan debt and delinquency and default rates continuing to increase, AMF is vital to helping student and parent borrowers across the country.

NCHER and its members oppose the elimination of AMF in H.R. 2486 / S. 1279. We urge you to find an alternative offset that will not hurt students who are currently getting a wide range of help from state and nonprofit organizations whose public mission is to expand college access and success in postsecondary education.

Sincerely,



James P. Bergeron
President

cc: Members, Senate Committee on Health, Education, Labor, and Pensions