

February 25, 2020

The Honorable Richard Shelby
Chairman
Senate Appropriations Committee
S- 128, The Capitol
Washington, DC 20510

The Honorable Patrick Leahy
Ranking Member
Senate Appropriations Committee
S-128, The Capitol
Washington, DC 20510

The Honorable Roy Blunt
Chairman
Senate Labor, Health and Human Services,
Education Appropriations Subcommittee
116 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Patty Murray
Ranking Member
Senate Labor, Health and Human Services,
Education Appropriations Subcommittee
116 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Shelby, Ranking Member Leahy, Chairman Blunt, and Ranking Member Murray:

As the committee begins its work on the Fiscal Year (FY) 2021 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act, the National Council of Higher Education Resources (NCHER) urges you to include a one-year extension of Account Maintenance Fees (AMF) paid to state and nonprofit guaranty agencies so they can continue to provide important college access and success activities to students and their families. NCHER appreciates the committee's recognition of the vital role that guaranty agencies play in promoting student success and commends you for extending AMF authority for an additional year in the Further Consolidated Appropriations Act, 2020 (Public Law 116-94) as well as in prior appropriations bills.

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 and help manage the federal legacy student loan program at the local level. Many of the state and nonprofit agencies operate and provide student support services in more than one state. These agencies receive AMF payments to carry out the mandate to:

- Support 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.

- Assist 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 7.2 million student and parent borrowers still have more than \$169.3 billion in federal guaranteed loans and these borrowers need access to important delinquency and default prevention services, just like Direct Loan borrowers.
- Provide 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. **Failure to extend 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.**

The fees are paid quarterly and based on the original principal balance of an agency's outstanding non-defaulted Federal Family Education Loan Program portfolio. **According to the Congressional Budget Office, the annual extension of AMF authority is budget neutral.** If AMF is not extended, 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.

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

According to a recent survey based on responding NCHER members on the impact of AMF funding:

- More than 18.8 million students and families received college access and success and student loan repayment assistance in 2019;
- More than 1.2 million struggling borrowers received delinquency and default aversion assistance;
- More than 84,540 students received financial literacy help at 1,500 events across the country;
- More than 49,000 high school counselors and teachers received college access and success information at 6,020 events;
- More than 367,630 students and their families attended 9,350 financial aid events;
- More than 15,745 financial aid administrators received important information about the federal student loan program at 1,020 events;
- 43.3 million phone calls and emails were answered from students and borrowers;
- 28.3 million visitors accessed important college access and success information on various websites; and
- 4.6 million materials were distributed to students and families at various college access and success touchpoints.

The President's budget request for FY 2021 included the elimination of Account Maintenance Fees. The budget office mistakenly believes that, because there are no new originations under the federal guaranteed loan program, the fees are no longer necessary. However, there is still nearly \$200 billion in

outstanding loans held by private loan holders and guaranty agencies. The agencies provide - and must continue to provide – services and accountability for this sizeable federal asset. The FY 2016, FY 2017, FY 2018, FY 2019, and FY 2020 appropriations bills included a one-year extension of AMF because it is essential for guaranty agencies to provide important services on behalf of the federal government, and we urge the committee to provide an additional one-year extension in the FY 2021 appropriations bill as Congress continues its work to reauthorize the Higher Education Act.

Once again, NCHER thanks the committee for its past support and extension of AMF authority. If you have any questions, please feel free to contact me at jbergeron@ncher.us or (202) 822-2106.

Sincerely,

A handwritten signature in black ink, appearing to read "J P Bergeron". The signature is fluid and cursive, with a long horizontal stroke at the end.

James P. Bergeron
President