

March 14, 2018

The Honorable Thad Cochran
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
156 Dirksen Senate Office Building
Washington, DC 20510

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

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

The National Council of Higher Education Resources (NCHER) urges you to include legislative language leveraging the expertise of state and nonprofit organizations to assist student and parent borrowers repay their student loans in the Fiscal Year 2019 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act. Our members appreciate the subcommittee's past support of the important and successful work of state and nonprofit organizations that assist students and families access, manage, and pay for the costs of postsecondary education, and urge you to strengthen the report language included in the FY 2017 appropriations bill.

College affordability and student loan debt burden are important issues on the minds of our nation's students and families. According to recent statistics, federal student loan debt totals nearly \$1.37 trillion, an amount that policymakers and some economists have cited is negatively impacting the ability of student borrowers to achieve postsecondary success, own a car, buy a house, or start a family. According to the U.S. Department of Education, over 11 percent of borrowers who took out a federal student loan defaulted on that loan within three years, a percentage that continues to be unnecessarily high. Clearly, student and parent borrowers need access to more specialized support services throughout their postsecondary education to help them understand their financial decisions, instead of just simple annual, exit (which will never occur for non-completers), and online counseling.

State and nonprofit higher education agencies, including loan holders, loan authorities, servicers, and guaranty agencies, have been highly successful in providing important services to struggling borrowers for decades because they provide a holistic approach to student success. These agencies counsel students and families on early awareness of the variety of educational choices available beyond high school and creating a college-going culture, the appropriate courses to take in high school to facilitate entering the college major or career program of their choosing, how to apply for college and navigate the financial aid process, how to avoid overborrowing, and the importance of managing student loan debt, as well as budgeting and personal finance management skills. These agencies also act as borrower advocates to help struggling borrowers understand

the student loan repayment process and options that may be available to them to help mitigate delinquencies and defaults. These services are proactively provided to student and parent borrowers at risk of default. Recent data compiled on the specialized delinquency and default prevention services that some NCHER members are providing to colleges and universities have shown significant reductions in institutional cohort default rates. However, these important services are largely going away, and some have already been eliminated, because of a lack of resources resulting from declining Federal Family Education Loan Program portfolios.

NCHER believes the best solution to addressing the current challenge of borrowers struggling to repay their student loan debt is to leverage the expertise of these state-based, nonprofit higher education agencies, most of whom are small businesses and employ less than 500 employees. The subcommittee can easily support such a policy by encouraging the Department of Education's nine national for-profit and not-for-profit student loan servicers to work with smaller state and nonprofit organizations as subcontractors to provide personalized financial education and debt management services to struggling borrowers. The Consolidated Appropriations Act, 2017 included language directing the Department to put together a plan under which it will give credit to its federal student loan servicers to subcontract with small businesses, including state and nonprofit organizations with expertise in assisting borrowers in the repayment of their student loan. In the budget justifications for fiscal year 2018, the Department stated that there must be a slight change to the small business designation as well to make clear that the definition of 'small business' in the student loan servicing context includes state and not-for-profit entities. Currently, Congress defines a 'small business' as one that is organized for-profit. There is precedent for an alternative approach to allow work by nonprofits to qualify for small business credit in limited circumstances. Under Subpart 19-001 of the Federal Acquisition Regulations (10 USC 2410d), for example, Congress altered the definition of a 'small business concern' where the U.S. Department of Defense prime contractors were authorized to receive small business goal credit for subcontracts awarded to qualified nonprofit agencies for the blind and other severely disabled. State and nonprofit organizations with more than 50 years of experience can help struggling borrowers address the current challenges in the federal student loan program, but their work must qualify for small business credit.

The suggested legislative language is as follows:

“Provided, That the Secretary shall, in the student loan servicing procurement, coordinate with the Small Business Administration to provide small business credit in subcontracting plans of prime contractors awarding subcontracts to small businesses as well as qualified State or nonprofit entities with expertise in assisting borrowers in the repayment of their Title IV loans for the duration of the contracts for servicing or collection of student loans; and provided further, That the Secretary shall coordinate the identification of all subcontracts awarded to State and nonprofit entities with expertise in assisting struggling borrowers with the Small Business Administration so that subcontract reporting may be appropriately monitored.

NCHER commends the subcommittee for its work to increase college access and success. We urge you to improve on the existing servicing system by leveraging the expertise of smaller state and nonprofit organizations in helping student and parent borrowers successfully manage their debts and repay their loans.

If you have any questions, please feel free to contact me at jbergeron@ncher.us or (202) 822-2106.

Sincerely,



James P. Bergeron
President