

May 3, 2017

Mr. James Manning
Acting Under Secretary
U.S. Department of Education
400 Maryland Ave, SW
Washington, DC 20202

Dear Under Secretary Manning:

The National Council of Higher Education Resources (NCHER) urges you to find a prompt resolution to the mounting problems and challenges impacting the current debt collection procurement involving the U.S. Department of Education. NCHER is a national trade association that represents state, nonprofit, and private lenders, holders, servicers, guaranty agencies, private collection agencies, schools, and others that make and administer grant and loan programs to students and parents to pay for the costs of postsecondary education. A number of our members are private collection agencies (PCA) under contract to recover loans made under the William D. Ford Federal Direct Loan Program on behalf of the Department.

Federal Student Aid (FSA) is nearing its fourth year in attempting to successfully complete a contract procurement for student loan debt collection services. Due to a series of missteps by the Department and FSA, including a number put forth by the previous Administration, one multi-year procurement was abandoned and a second, issued in December of 2015, faces dozens of protests with the Government Accountability Office (GAO), which issued a decision on March 27, 2017 upholding the majority of the protests and offering several recommendations to salvage the current procurement. The procurement is also the subject of multiple complaints currently pending before the U.S. Court of Federal Claims.

NCHER remains concerned that, according to Department data, tens of thousands of borrowers a month may be stuck in limbo because their defaulted accounts cannot be placed with a Department PCA due to the ongoing challenges before GAO and the U.S. Court of Federal Claims. These borrowers are essentially “frozen” in default status, with no opportunity to make repayment arrangements or otherwise resolve their defaulted accounts. Tens of thousands of additional borrowers are being harmed by an ill-advised recall of paying accounts still held by PCAs under the 2009 debt collection contract. These borrowers face the risk of “falling out of the loan rehabilitation pipeline” because the PCAs are being forced by the FSA contracting officer to cease all servicing and debt collection efforts, including processing auto-debit payments that keep borrowers current on their loan rehabilitation agreements.

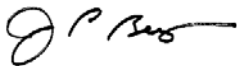
While we appreciate that all contracts have end dates, and accounts eventually must be recalled, there are common-sense steps that can be taken - and have been taken in the past - to minimize the negative impact on borrowers. We estimate that a minimum of 16,000 borrowers will be harmed in the next 60 days when, through no fault of their own, they fail to make a monthly payment needed to maintain eligibility for loan rehabilitation. As we understand it, the collection agencies assigned these accounts cannot remind the borrowers when their payments are due and are even required to turn off any existing auto-debit

arrangements. Unaware of the new guidelines, the borrowers likely will fail to make the required payments and, down the road, will need to restart the nearly year-long loan rehabilitation process.

NCHER appreciates the difficult situation that current Departmental officials are in, having had little to no role in previous decisions impacting the procurement, and understands that the complaints filed with the U.S. Court of Federal Claims must play out before you have full authority to take the necessary corrective actions. However, on behalf of the borrowers being harmed today by the ongoing procurement difficulties, we urge you to review and address the recommendations of GAO and resolve the complaints filed with the U.S. Court of Federal Claims. In the meantime, we encourage you to allow collection agencies to continue to service those borrower accounts previously assigned to them where the borrower has begun the loan rehabilitation process. Struggling borrowers are not at fault for the current predicament and should not be harmed by it.

On a more positive note, congratulations on your recent appointment. Our organization looks forward to working with you and the Department in a collegial way for the betterment of the higher education programs and the students, parents, and borrowers they serve. If you have questions or need additional information, please contact me at jbergeron@ncher.us or (202) 822-2106.

Sincerely,

A handwritten signature in black ink, appearing to read "J P Bergeron", with a stylized flourish at the end.

James P. Bergeron
President