

NCHER's Advocacy Priorities for the 116th Congress – Fiscal Year 2020 Appropriations

The National Council of Higher Education Resources (NCHER) and its members assist students and families develop, pay for, and attain their educational goals so they can pursue meaningful and rewarding work and become contributing members of society. The following are NCHER's advocacy priorities for the 116th Congress:

Extending Account Maintenance Fees (AMF) to support college access and success initiatives

State and nonprofit guaranty agencies are authorized under the Higher Education Act of 1965 to provide important services to students, borrowers, families, and the federal government. The agencies receive Account Maintenance Fees, which are crucial to ensuring that they are able to perform critical functions that assist borrowers and protect federal taxpayers. This important funding is used to support college access and success activities, such as financial aid awareness, consumer education, Free Application for Federal Student Aid completion services and events, borrower assistance, and ombudsman support in states around the country. They are also used to assist borrowers in avoiding default, help defaulted borrowers rehabilitate their loans and repair their credit history, provide schools with information on student loan defaults and loan transfers, provide training and technical assistance to loan holders and schools, maintain loan records for student and parent borrowers, and conduct comprehensive compliance reviews of loan holders and servicers. Many guaranty agencies operate and provide student support services in more than one state.

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, federal taxpayers will receive fewer protections, and guaranty agencies will be unable to perform their administrative functions mandated under current law. The President's Fiscal Year (FY) 2019 budget request 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 lenders and guaranty agencies. The agencies provide - and must continue to provide - services and accountability for this sizeable federal asset. The FY 2016, 2017, 2018, and 2019 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. The Congressional Budget Office scores the extension of AMF as budget neutral since it is current federal policy. **Ask: Extend the payment of Account Maintenance Fees for an additional year, similar to past appropriations bills.**

Leveraging the expertise of state and nonprofit organizations to help struggling borrowers

College affordability and student loan debt are important issues on the minds of our nation's students and families. Federal student loan debt totals nearly \$1.5 trillion, an amount that policymakers and 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 and Federal Reserve Bank of New York, almost 11 percent of borrowers who took out a federal student loan defaulted on that loan within three years, and over 10 percent of all student loans are either in delinquency more than 90 days or in default. Clearly, student and parent borrowers need access to more specialized support services throughout their postsecondary education to help them understand their financial decisions. 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. The 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.

In order to leverage the expertise of state and nonprofit organizations to help current borrowers, the Consolidated Appropriations Act, 2017 included report language directing the Department to put together a plan under which it would give credit to its federal student loan servicers for subcontracting with small businesses, including state and nonprofit organizations with expertise in assisting borrowers in the repayment of their student loans. In the budget justifications for FY 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. Consistent with the budget justification, the Consolidated Appropriations Act, 2019 included report language directing the Department to coordinate the identification of all state and nonprofit entities under Title IV program contracts with the Small Business Administration (SBA) to appropriately monitor subcontract reporting, and directed the SBA to provide subcontracting credit to small businesses as well as to qualified state or nonprofit entities with expertise in assisting students and borrowers through the Department's upcoming federal student loan procurements. 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. The procurement rules should be revised to utilize their talents. **Ask: Include legislative language providing Department of Education primes with credit for working with small business subcontractors, including state and nonprofit organizations, in order to help struggling borrowers, similar to the report language included in past appropriations bills.**

If you have any questions or need more information, please contact James Bergeron, President of NCHER, at jbergeron@ncher.us or (202) 822-2106.