



June 2, 2017

The Honorable Betsy DeVos
U.S. Secretary of Education
400 Maryland Ave, SW
Washington, DC 20202

Dear Secretary DeVos:

On behalf of the National Association of Student Financial Aid Administrators (NASFAA), I write to offer perspectives from the financial aid community as you identify and consider candidates for the position of Chief Operating Officer (COO) at the U.S. Department of Education's Office of Federal Student Aid (FSA). NASFAA represents financial aid administrators at 3,000 public and private colleges, universities, and trade schools across our nation. Collectively, NASFAA members serve 90 percent of undergraduate students studying in the United States as well as the large majority of graduate students.

Given FSA's size and scope, college and university financial aid administrators have a vested interest in the success of this federal agency. FSA provides important guidance and training on federal regulation, operates and manages the federal financial aid application process, monitors institutional compliance, manages the allocation of federal student aid funds to institutions, works to prevent fraud in the student aid lifecycle, and collects valuable information on the utilization of the federal student aid programs for policymakers and the public, among other important functions. Given all that is at stake, it is imperative for FSA to have a strong, visionary leader with a strong commitment to students, partners, and stakeholders.

FSA's designation as the federal government's first performance-based organization (PBO) by Congress in 1998 ignited a new era in the implementation of the federal student aid programs. The PBO model included the creation of the position of chief operating officer, who is to report to the Secretary of Education and has the vested management obligation at FSA. Led by its COO, FSA, under the PBO model, exercises "independent control of its budget allocations and expenditures, personnel decisions and processes, procurements, and other administrative and management functions."¹

As you vet candidates for the next FSA COO, we encourage you to select a COO candidate with the following characteristics:

Commitment to Students and Borrowers

First and foremost, the FSA COO should have a demonstrated commitment to students. The ideal candidate should embody the philosophy that the role of student financial aid is to provide access and opportunity to students and to ensure that key FSA operations like grant disbursements, student information collection, and loan servicing, repayment, and processing, are implemented and managed in a student-centered manner. Financial aid administrators work with some of our

¹ 20 U.S.C. 1018(b)(4)

nation's neediest students and families and a COO with a demonstrated student-centered focus will go a long way in building credibility in the financial aid and higher education community.

Capability to Lead

Leading FSA is no small feat. With \$1.137 trillion in total assets in FY 2016,² FSA would rank fifth on the Federal Reserve System's list of largest U.S. holding companies by total assets, behind only JPMorgan Chase, Bank of America, Wells Fargo, and Citigroup.³ We urge you to select a COO with the vision and capability to lead an agency with a financial portfolio the size of FSA and the important information technology implications associated with the secure operation of the agency, particularly in the midst of the agency's student loan servicing procurement process.

Focus on Stakeholder Engagement

In recent years, Congress, the Government Accountability Office (GAO), the Department of Education Office of Inspector General (ED OIG), and stakeholders, including NASFAA, have expressed concerns about several of FSA's operations, one of the largest issues being the lack of partnership and interaction with stakeholders.

As noted by the GAO, the ED OIG, and NASFAA, FSA remains out of compliance with mandated strategic planning and reporting requirements, some of which focus on community engagement. Of particular importance to students and schools, FSA continues to decline engagement with stakeholders in soliciting suggestions for the improvement of the agency and in the development of the agency's strategic direction, both mandated in law.⁴

In more recent years, the partnership between FSA and institutions reached an unfortunate low. A 2016 survey of NASFAA members found widespread opportunities for improvement in the partnership between institutions of higher education and FSA.⁵ Alarming, the words most used by our institutions to describe their relationship with and sentiment toward FSA include "adversarial" and "frustrated." In fact, 90 percent of the terms used by NASFAA members to describe this relationship were negative in nature. While FSA career staff and Department of Education political appointees have continued to engage with NASFAA in recent years, the FSA COO has not. We very much look forward to working with the type of leader who will not shy away from soliciting stakeholder feedback, even when that feedback may be unpleasant. NASFAA schools are clamoring for, and truly desire, a more collaborative relationship with FSA for the sake of the students and families they serve. We urge you to select a COO with a demonstrated focus on engaging with stakeholders.

² Federal Student Aid, "Annual Report FY 2016," <http://www2.ed.gov/about/reports/annual/2016report/fsa-report.pdf>, (November 2016).

³ National Information Center, Federal Reserve System, "Holding Companies with Assets Greater Than \$10 Billion," <https://www.ffiec.gov/nicpubweb/nicweb/HCSGreaterThan10B.aspx>, (September 30, 2016).

⁴ 20 U.S.C. 1018(c)(1)(B) and 20 U.S.C. 1018(c)(3)

⁵ NASFAA, "FSA Operational Experience Survey,"

https://www.nasfaa.org/uploads/documents/NASFAA_FSA_Survey_Results.pdf, (May 10, 2016).

Respect for Transparency

Last month NASFAA outlined opportunities for increased oversight and transparency at FSA.⁶ Our recommendations called for the improvement of the federal student aid data made available to the public. A transparent FSA with robust data availability will aid policymakers and stakeholders in the improvement of law and regulation surrounding the federal student aid programs. We urge you to select a COO with a demonstrated respect for the value of transparency.

Commitment to Accountability

The PBO model provides personnel and procurement flexibilities in exchange for increased accountability and transparency. The COO is tasked with overseeing the performance and evaluation of senior managers and the performance and goal-setting of the agency as a whole. Strong leadership in the evaluation of the agency's strategic direction and performance ensures FSA remains innovative and results-driven. NASFAA continues to support the PBO model and many of the flexibilities that come with it, but we have put forward several recommendations that would strengthen the accountability that comes with those flexibilities. Rather than see those as oppressive, we hope that leadership at FSA would view them in the spirit they were intended and use our recommendations as a springboard to greater accountability to Congress and taxpayers and engagement with our community. We urge you to select a COO with demonstrated management skills and a strong commitment to accountability, as originally intended in the PBO.

A competent and collaborative COO with a commitment to students, stakeholder engagement, accountability, and transparency will move this vital organization in an important new direction. We stand ready to assist your selection for FSA COO, and we look forward to working toward our shared vision of an effective, student-centered, results-driven FSA.

Regards,



Justin Draeger, President & CEO

cc: Mr. James Manning, Senior Advisor to the Under Secretary and Acting Under Secretary

⁶ NASFAA, "Improving Oversight and Transparency at the U.S. Department of Education's Office of Federal Student Aid: NASFAA Recommendations," https://www.nasfaa.org/uploads/documents/NASFAA_FSA_Report.pdf, (May 2017).