NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

3/9/2022

Contracting Officer Jackson McClam

Subject: USDS RFI Response

Thank you for the opportunity to provide comment on the upcoming procurement by the U.S. Department of Education's Office of Federal Student Aid on behalf of the National Association of Student Financial Aid Administrators (NASFAA) and our nearly 3,000 member postsecondary institutions.

NASFAA represents nearly 32,000 financial aid professionals who serve 16 million students each year at colleges and universities in all sectors throughout the country. NASFAA member institutions serve nine out of every 10 undergraduates in the U.S.

BPO Scope, Responsibilities, and Pricing

We are glad to see more specificity about the roles of Business Process Operations (BPOs) and servicers. Prior to this procurement, it has been unclear to us how these two organizations would work together. However, despite this additional specificity, we still have questions about the roles and responsibilities outlined in the RFI.

For example, the proposed procurement does not clearly outline the plan for defaulted borrowers. The procurement assigns outreach and manual processing as a responsibility for the BPOs but does not make clear which entity is actually responsible for borrowers' accounts. Will these borrowers still belong with their original servicer, or will the BPOs be fully responsible for them?

Additionally, while we agree that moving the processing of the special programs to BPOs may make strategic sense in light of existing borrower delays stemming from the creation of the Temporary Public Service Loan Forgiveness (PSLF) waiver and expected future processing delays that will come from onboarding millions of borrowers into repayment simultaneously, it is unclear at what point BPOs are taking over accounts. In the case of PSLF, will the BPOs be expected to only process applications for forgiveness, or will they also process Employment Certification Forms, handle customer service, and count payments, along with the other functions necessary to properly handle the special loan programs, or is the plan to have one servicer be responsible for borrowers enrolled in the PSLF program, or multiple servicers and BPOs?

One other area of concern is the viability of contracts. NASFAA is not in a position to know or measure whether the scope of loan servicer and BPO contracts outlined in the procurement will be viable for the companies who must bid on them. In the past, FSA has attempted to craft contracts that have attracted nearly no viable bids because the pricing and scope have been so severely limited. It is not clear to us how this procurement redefines the expected scope of work for servicers or BPOs that makes them financially viable.

Opening Doors of Educational Opportunity

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As we have stipulated for many years, student loan servicing is difficult work, especially given the complexity of the student loan programs. Federal student loan borrowers deserve best-in-class customer service and loan servicing, neither of which can be provided on the cheap. This is not an excuse to line the pockets of executives or investors, but due consideration should be given to balancing taxpayer savings against quality loan servicing.

Lastly, and a recommendation that NASFAA has made for many years, if FSA's plan is to continue to have multiple systems, multiple servicers, and BPOs, the need for a common manual is even more necessary. Implementation of a common manual for servicing would bring needed order to the disorderly process of providing guidance on loan operations and provide borrowers, policymakers, and other stakeholders with a clear window into the standards that FSA establishes for loan servicing.

Single Platform & Co-Branding

While we are interested in the new initiative to build a common servicing data catalog on EDMAPS, allowing servicers to maintain separate processing platforms, we are disappointed about the apparent loss of the single portal initiative. In the RFI, ED mentions that FSA's plan is to "eventually, provide borrowers with complete account management on StudentAid.gov." Once borrowers are using studentaid.gov as their only point of contact with the federal loan accounts, does ED expect to move from what the RFI refers to as "co-branding" to only Department of Education branding? If this is the plan, we question why FSA has decided to include this "middle step," instead of branding all the loans as Department of Education at the start of the December 2023 new contracts, to help reduce confusion with respect to account transfers and changes.

Over the past few months NASFAA, along with 21 other higher education associations, organizations, and think-tanks, has been working on drafting recommendations aimed at improving student loan servicing and the repayment and default processes. We were encouraged to see some of our recommendations reflected in this RFI and we hope that FSA will continue to strive toward excellence in all aspects of the student loan experience, focusing on clarity, consistency, quality, and equity.

Thank you for your time and consideration of our comments, and we look forward to working with you on these important improvements to the student loan servicing system. If you have any questions regarding these comments, please contact me or NASFAA Policy Analyst Megan Walter at walterm@nasfaa.org.

Regards,

Justin Draeger, President & CEO