

April 4, 2019

The Honorable Richard Shelby
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
116 Dirksen Senate Office Building
Washington, DC 20510

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

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

The National Council of Higher Education Resources (NCHER) urges you to build upon past report language included in the Fiscal Year 2017 and 2019 appropriations bills, and include legislative language in the FY 2020 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act providing small business credit for subcontracts with state and nonprofit higher education agencies providing services to struggling student loan borrowers. Our members appreciate the subcommittee's past support of the important and successful work of state and nonprofit organizations that assist students and families.

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 \$1.5 trillion, an amount that policymakers 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 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. They also 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 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.

The Consolidated Appropriations Act, 2017 included report language directing the Department of Education 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 Department of Defense and Labor, Health and Human Services, and Education 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.

To date, the Department has failed to implement the past directives. 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 the procurement rules need to be revised to utilize their talents, and it can be done by simply encouraging the Department'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. NCHER believes that bill language is necessary and will help address the current challenge of borrowers struggling to repay their student loan debt.

The suggested legislative language is as follows:

"Provided, That the Secretary shall, for the duration of the contracts currently in effect for servicing of student loans and any subsequent contract, coordinate with the Small Business Administration to provide subcontracting small business credit where the prime contractors' award subcontracts to small businesses as well as to qualified State or nonprofit entities with expertise in assisting students and borrowers in support of Title IV programs; provided further, That subcontracts awarded to such entities may be counted toward the prime contractor's small business subcontracting goals as established through subcontracting plans required by 15 U.S.C. 637(d); provided further, That such State or nonprofit entities must meet the size standard for the North American Industry Classification System determined by the Contracting Officer to be appropriate for the contract; provided further, That the Secretary shall coordinate the identification of all prime and subcontracts awarded to State and nonprofit entities under Title IV program contracts to the Small Business Administration so that subcontract reporting may be appropriately monitored; and provided further That, five years after publication of this report, the Secretary, in coordination with the Small Business Administration, shall examine the impact of this provision to small businesses in Title IV programs."

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