

NCHER Membership Meeting

June 8, 2022, 10:15 a.m. – 11:00 a.m.

AGENDA

- I. Call to Order and Certification of Quorum**
Christiana Thornton, Chair
- II. Announcement of Parliamentarian**
- III. Consideration and Approval of Minutes – February 3, 2021 Meeting**
- IV. Chair's Report**
Christiana Thornton, Chair
- V. President's Report, Including Update on NCHER's Advocacy, Communications, Research, Operations, and Financials**
James P. Bergeron, President
- VI. Old and New Business**
- VII. Adjournment**

NATIONAL COUNCIL OF HIGHER EDUCATION RESOURCES
MEMBERSHIP MEETING MINUTES
February 3, 2021

The National Council of Higher Education Resources (NCHER) held a membership meeting on February 3, 2021, via teleconference.

Mr. Scott Giles (MO) called the meeting to order at 1:15 p.m. and thanked the membership for joining the call. He said that the call was being held in lieu of an in-person membership meeting that was scheduled for the NCHER Legislative and Leadership Conference, which was being held virtually due to the spread of the coronavirus (COVID-19) pandemic. Mr. Giles said the membership was provided with the minutes from the last meeting held on June 1, 2020, and that he hoped everyone had a chance to review them. Motion by Mr. Will Shaffner to approve the June 1, 2020 meeting minutes; seconded by Mr. Ron Gambill; ADOPTED BY VOICE VOTE.

Chair's Remarks

Mr. Giles began his Chair's remarks by saying that the NCHER Board of Directors and staff have been working hard over the last year updating the membership dues structure and the strategic plan. He commended the entire team on these important efforts, saying that the end result will be a great guide for our strategic direction for the next few years. He thanked and congratulated the membership for the remarkable work they did during the pandemic to support students and families. He said that our member organizations have provided flexibility and appropriate relief to struggling borrowers with federal and private loans, including providing interest rate relief, expanding deferment and forbearance, and restructuring or reducing debt. In addition, they have increased their support of schools and students during the pandemic by supporting critical programming related to the emergency grant aid distribution, by providing funding for emergency grant aid, by supporting more FASFA [Free Application for Federal Student Aid] completion efforts, by donating to school food pantries, by supporting local community organizations that serve those impacted by the pandemic, by providing students and families critical communication, by funding key scholarship programs, by advocating for students and families in Congress and state legislatures, and by supporting technology grants to students and families in need of assistance with remote work and classes.

Mr. Giles said that, while it seems the term unprecedented is used a lot these days, NCHER and the higher education finance industry are definitely experiencing an amazing set of challenges in 2020 and 2021. He said that the industry must continue to adapt, innovate, and change the way we serve students, families, schools, and employers. He said that our members have an amazing history of service to students and families, and we must tell our story. But we must also look to the future to continue our mission to provide superior advocacy, communications, regulatory analysis, and operational support to our members so they may effectively help students and families develop, pay for, and achieve their career, training and postsecondary educational goals.

President's Remarks

Mr. James Bergeron began his President's remarks by thanking Mr. Giles for his work as Chair of the NCHER Board of Directors. He noted that, as NCHER and its membership begin 2021, there is a new political reality settling in Washington – Democrats are slowly but surely putting their stamp on the governing levels of the executive branch. He said that, as of this meeting, Dr. Miguel Cardona, the Commissioner of Education for the State of Connecticut who has been nominated to serve as the next

U.S. Secretary of Education, is waiting for his confirmation hearing before the Senate Health, Education, Labor, and Pensions Committee. Dr. Cardona is expected to be easily confirmed once the chamber gets to the second tier of Cabinet Secretaries. But the Secretary of Education is not – and has never been – the point person on higher education. Carmel Martin from the Center of American Progress (formerly with Sen. Ted Kennedy) and Kathy Valle from the House Education and Labor Committee will run higher education policy at the White House Domestic Policy Council while Rich Williams from Pew Charitable Trusts (and formerly with the Consumer Financial Protection Bureau (CFPB)) will keep a close eye as the new Chief of Staff for the Office of Postsecondary Education at the U.S. Department of Education. The industry is still waiting to see who will be named as the Under Secretary. Those four positions will largely set the direction of the new administration for the first 100 days and potentially over the next four years. Outside of the Department of Education, it looks likely that Rohit Chopra will return to the CFPB after a four-year hiatus and Jessica Rosenworcel is likely to Chair the Federal Communications Commission. Mr. Bergeron said that, if history is any guide, the first 100 days of the new administration will largely revolve getting the Cabinet and sub-Cabinet confirmed as soon as possible, releasing the President's budget request, reversing as many of the previous administration's executive actions as they can through executive orders, and laying out a legislative and regulatory plan for Congress to act on throughout the year. Since January 20th, the new administration has been pretty predictable, hueing closely to the policies and approaches developed by the President over the last few decades in Washington and heavily influenced by his time in the Obama Administration. He said that it remains to be seen whether current events, which continue to be dominated by the economic fallout associated with the COVID-19 pandemic, will continue to impact federal policy; how the simmering disputes between the progressive and moderate wings of the Democratic party will play out; and whether Republicans can unite and develop a coherent and competing political and policy narrative as the country heads into November 2022.

Mr. Bergeron said that, during the campaign, President Joe Biden talked about providing \$10,000 in student loan forgiveness to help those struggling borrowers impacted by COVID-19, instituting a new federal-state partnership/free college program, doubling the Pell Grant program, cracking down on proprietary colleges by reinstating the borrower defense to repayment and gainful employment rules, significantly increasing funding to Historically Black Colleges and Universities and Minority-Serving Institutions, allowing federal and private student loans to be refinancing, and allowing student loans to be discharged in bankruptcy. All of these proposals bear significant costs – forgiving \$10,000 in federally held student loans alone costs roughly \$250 billion over 10 years – and are controversial. Outside of these major issues, he said that NCHER is interested to see where the new administration comes down on the Next Generation Financial Services Environment, both from the servicing and collections side. In recent discussions with federal officials, they are aware of the current procurement but have not determined what direction they want to take Federal Student Aid to date.

Mr. Bergeron concluded by saying that he is proud of the work of the NCHER staff, membership, and Board to adapt to the difficult challenges over the last year. While balancing the new normal of working from home and quarantining life, the members have been able to provide important services to struggling student and parent borrowers and connect virtually to high school students who are still interested in pursuing their postsecondary education and building a better life. The NCHER staff has been able to maintain existing services provided to the membership while experimenting with new approaches such as virtual conferences and new webinars such as the recent Year-In-Review. The Board has continued its important work to put in place a new Strategic Plan and new membership dues structure. He said that NCHER is here to help the membership navigate the uncertainty and complexity of the current policy and political landscape.

Discussion of New Membership Dues Structure and Changes to NCHER's Bylaws

Mr. Gene Hutchins provided an update on the new dues structure that was approved by the NCHER Board of Directors in December 2020. He noted that NCHER's current dues structure was last revised in 2011 and, after being phased in over the three succeeding years, has been in effect since 2014. The current structure for voting members is based on the overall size of the FFELP portfolio that an organization had in 2011, which is no longer a viable model, and the affiliate rate is based on a flat rate. The current structure does not take into consideration the ongoing changes in the higher education finance industry and is insufficient to cover ongoing cost increases on items like office rent, healthcare, technology, and staff needs. The NCHER Membership Committee put together a new structure that is fair, equitable, and transparent for the entire membership. It is centered on the concept of moving toward a new dues structure that is "stackable" or based on the number of product lines and services that the membership seeks assistance from NCHER and provides to students and families within their own state, region, or nationwide. The new structure is slated to go into effect on July 1, 2021.

Mr. Hutchins also reviewed the proposed changes to NCHER's Bylaws that were approved by the Board in December 2020. In Article III, NCHER's mission was changed to "provide superior advocacy, communications, regulatory analysis and engagement, and operational support to its members so they may effectively help students and families develop, pay for, and achieve their career, training, and postsecondary educational goals," so that it was consistent with the NCHER Strategic Plan for 2021-2023. In Article IV, the three membership classes were amended to reflect the terminology used in the new mission, adopt the term "financial wellness" as a replacement for "financial education," and include additional examples of affiliate members consistent with the NCHER Membership Plan for 2021-2023. In Article IV, the requirement for approval of annual dues was amended so that it could be carried out through a virtual meeting or by presenting such dues modification by mail or electronic mail ballot to the Voting Membership. In Article V, the requirement that the Board conduct an annual evaluation of the President was codified and the number of Directors at-Large elected from the Voting Membership was reduced from twelve to ten. In Article VIII, the Audit Committee was renamed as the NCHER Audit and Finance Committee to reflect the broad nature of the committee's responsibilities; the Treasurer was designated to serve as the Vice Chair; the requirement that the committee must meet at least once a year was removed to provide additional flexibility in how the committee carries out its functions; and the oversight responsibilities of the committee were expanded to include the integrity of the financial statements, accounting, auditing, financial review, and financial reporting processes, financial policies, financial condition, and primary financial risks, internal controls, compliance with legal and regulatory requirements, and the conflict of interest policy of the Council. The committee's mission was also amended to specify that it is responsible for the appointment, compensation, independence, and oversight of the external auditors though the committee is required to notify the Board of any selection of new external auditors. Finally, the restriction that a member of the Government Relations Committee cannot also serve on the Executive Committee was removed and a Membership Committee was created to advise the Executive Committee and the Board in the development, coordination, and implementation of the Council's membership strategy.

Old and New Business

Mr. Giles asked if there was any old and new business. There was no new old or new business.

Adjournment

Mr. Giles thanked everyone for attending the meeting. He moved to adjourn the call at 2:15 p.m.

NCHER Board of Directors Meeting – June 6, 2022
Chair’s Report – Christiana Thornton

I just want to welcome everyone – Board members and the larger membership – to the NCHER Annual Conference. This is our first in-person conference since February 2020, and I want to thank everyone for joining us today in Savannah. I also want to thank the Board for their support of my tenure over the last six months and look forward to working with everyone over the next 12 months.

Each of us as individuals, our families, our organizations, and our industry have been through a lot of challenges over the last two years since we met in Washington, DC. To state the obvious, it’s a different world out there.

In the midst of an unprecedented shutdown of the country, all of our members quickly adapted to assisting students and their families impacted by the pandemic by offering targeted assistance programs to those struggling to pay their bills. As postsecondary education enrollment dropped, our members continued their college access and success outreach in an effort to increase FAFSA [Free Application for Federal Student Aid] completion rates and encourage former students to reenroll to finish out their higher education. Our members have adjusted to the postsecondary education marketplace and are meeting students and parents where they want to be served, either remotely or in person. While there is still work to be done, we should be proud of our record over the last year. Consider the following based on a survey of NCHER members:

- More than 16 million students and families were served across all programs all across the United States.
- More than 6.1 million calls, text messages, and emails were answered from student and parent borrowers.
- Approximately 7.4 million brochures and other materials were distributed via various access and success touchpoints.
- About 3.8 million borrowers received alternative loan financing to begin or continue their postsecondary education.
- There were more than 49.9 million visits to our member websites in order to access important information on higher education.
- Approximately 192,700 students and families attended financial aid events across the country.
- And 25,600 high school counselors and teachers attended college access and success events in order to receive vital knowledge about postsecondary education in their local area or state.

But the political and policy environment continues to dramatically impact many of our members. Student and parent borrowers have not had to make federal student loan payments for almost 27 months and it will likely be almost three years when all is said and done. NCHER is

on record that struggling borrowers need additional support and that current strategies and flexibilities included in the Higher Education Act will provide these borrowers with the help that they need to restart federal payments. With every other pandemic-related provision having already expired, there is no policy basis for further extending the payment pause. The payment and collections pause, as we know, is directly linked to the Department of Education's efforts on special mandatory assignment, Fresh Start, and anticipated federal student loan forgiveness. Each of these initiatives will have major short-term and potentially long-term impacts on our members' portfolios and the services that they are able to provide in their states.

On behalf of our guarantors, the NCHER staff is working in collaboration with NASLA [National Association of Student Loan Administrators] to secure federal funding to offset the loss of collections revenue resulting from the special assignment process and Fresh Start, which will hopefully mitigate the negative effects of these well-intended but poorly implemented policies. NCHER is also monitoring internal discussions between the White House, the Department of Education, the Department of Justice, House Education and Labor Committee Democrats, and Senate Health, Education, Labor, and Pensions Committee Democrats on how to properly implement any cancellation scheme without requiring a lengthy application process. For our FFELP [Federal Family Education Loan Program] members, we should advocate for any forgiveness to be implemented through our servicers without requiring borrowers to consolidate into the Direct Loan Program. This ensures that forgiveness is provided to borrowers in an equitable manner and ensures borrowers do not have to consolidate all of their FFELP loans in order to receive this benefit. For our federal student loan servicers, FSA [Federal Student Aid] is in the midst of its procurement for a new Unified Servicing and Data Solution in an effort to restructure the federal student loan servicing system. While FSA has abandoned its efforts to procure a new platform, it seems likely to continue its contracts with a smaller number of large federal student loan servicers who will handle the bulk of call center support and a small number of Business Process Operations vendors handling specialty servicing and defaulted accounts. For our private loan members, we need to closely monitor any action that will increase federal regulation either through new legislation pending in Congress or from new policies coming out of the CFPB [Consumer Financial Protection Bureau].

I'm not sure where the White House, Department of Education, FSA, the CFPB, or Congress will come out on each of these major initiatives at this time. It's still pretty murky. But we need to get and stay engaged and make our voices heard up on Capitol Hill, with the Biden Administration, in the think-tank/research community, and the press. If we work together, including with our trade association partners, we should be able to influence the final product so that it benefits, not disadvantages, borrowers and our members.

Thank you again for attending today's meeting and the NCHER Annual Conference. I look forward to having robust discussions over the next few days on those issues that impact you to make sure that NCHER is effectively representing your interests at the federal level.

NCHER Board of Directors Meeting – June 6, 2022
Treasurer’s Report – Wendy McAlister

The Treasurer’s Report includes the NCHER Profit and Loss Statement as of April 30, 2022 and the proposed budget for the fiscal year ending June 30, 2023.

NCHER Profit and Loss Statement as of April 30, 2022

As of April 30th, NCHER had recorded \$1,072,000 in total revenue, including membership dues, committee and meeting income, conference income, interest and dividends and other miscellaneous income. Membership dues are approximately \$42,000 over budget due to the fact that we didn’t lose as many members as anticipated and ultimately added two new affiliate members. Total committee and meeting revenue is under budget as a result of having held only one Legal Affairs meeting during the year rather than the two that were originally budgeted. Conference income is also under budget. The number of attendees for the Annual Conference is below the forecast primarily as a result of the pandemic and member travel restrictions. While revenue for the Legislative Conference is under budget for the year due to moving to a virtual setting, the conference netted a little over \$37,000 (after deducting a \$2,000 venue cancellation fee) which is more than double the amount that we had anticipated for an in-person meeting. As mentioned previously, the profit and loss statement also reflects a new line item, legal services income, which includes amounts contributed through April 30th to cover legal expenses associated with possible litigation involving the Department’s special assignment process net of amounts paid to the Norton Rose law firm.

NCHER has recorded approximately \$899,000 in operating expenses through the first ten months of the fiscal year. Most of the accounts are at budget or below budget and expected to stay that way through the end of the fiscal year. However, some accounts are over budget. Insurance and retirement administration expenses are front loaded but should be at budget by year end. Postage, courier and delivery expense and computer consulting are all over budget currently and will likely be over budget at year end due to the delay in moving to a new office. The office supplies line item is over budget due to NCHER’s purchase of new signage to replace the signs that were inadvertently thrown out by a previous tenant. Finally, the email/listserve and telephone/internet line items are also over budget due to increased usage of the listserves and an underestimation of telephony charges in the original budget.

Looking at the bottom line, NCHER had recorded approximately \$173,000 in net ordinary income as of April 30th. With the addition of \$78,000 of other income related to the forgiveness of the PPP Loan and \$112,000 in unrealized losses on investments due to the recent market fluctuations, NCHER’s net income as of April 30th was approximately \$139,300 of which \$114,000, currently reflected as legal services income, will ultimately be paid out to Norton Rose or refunded to the contributors. Although the Board originally projected a budgetary operating deficit of approximately \$298,500 for the year, the expectation is that we will end the year with a net ordinary loss of approximately \$198,500 (net of the amount shown as legal

services income and prior to recognition of the income related to the forgiveness of the PPP loan and unrealized losses on investments).

NCHER Budget for Fiscal Year Ending June 30, 2023 (FY 23)

A few items of note with respect to the FY 23 budget:

- **Membership Dues:** This line item includes \$806,500 for membership dues which assumes the loss of two voting member members. The NCHER staff hopes to offset additional losses in membership with new members.
- **Committee and Meeting Income:** This line item includes \$20,000 for registration fees associated with two Legal Meetings. This anticipates an in-person meeting in the summer (currently scheduled for late July in Washington, DC), a virtual meeting in the winter and a slight increase (\$100) in the registration fees for the in-person meeting.
- **Conference Income:** This line item includes \$167,000 for in-person meetings of the NCHER Legislative and Leadership Conference and Annual Conference, a slight increase (\$100) in the registration fees and a continuation of the revenue-sharing webinars with TISLA. The NCHER staff has conservatively estimated 53 attendees for the Legislative Conference and 65 attendees for the Annual Conference recognizing that it is likely that many will have budget constraints resulting in a decrease in attendees.
- **Advocacy Consultant Expenses:** This line item totals \$226,663 for advocacy consultants, anticipating a renewal of the contract with the Penn Hill Group at the current rate and a 3% increase in the consulting arrangement with NCHER's Senior Advisor.
- **Communications Expenses:** This line item remains unchanged at \$100,600. The majority of this expense is associated with the Penn Hill Group's work on the NCHER Daily Briefing and public relations. It also includes the monthly expenses for Zoom and podcast storage.
- **Office Rent:** This line item is budgeted at \$30,708. Currently, the NCHER staff is working from home but is investigating the possibility of sharing office space with SLSA and EFC. The budget anticipates two months of storage costs and ten months of rent at approximately \$3,000 per month.
- **Personnel Expenses:** To be discussed in executive session.
- **Professional Fees:** This line item includes \$30,000 for accounting and review services.
- **Telecommunications Expenses:** The budget for this category of expenses is \$18,500, including a monthly retainer payment for one computer consultant. The total reflects an

overall reduction as a result of dropping one computer consultant and moving to a new membership software.

- Committee and Conference Expenses: The budget includes expenses associated with one in-person Legal Affairs Meeting, an in-person Legislative Conference, and an in-person Annual Conference.
- Net Ordinary Income (Loss): Looking at the bottom line, the proposed budget would result in a net ordinary loss of \$246,630.

Membership Applications

Since the last Board meeting, NCHER has received an application from Purefy for an affiliate membership. Under the current policy, Purefy has been granted provisional membership pending an affirmative vote by the Board of Directors.

NCHER Board of Directors Meeting – June 6, 2022
President’s Report – James Bergeron

Good morning and welcome to Savannah!

It has been more than two years since the NCHER membership has had an in-person conference. I’m pleased that we are here today for the NCHER Annual Conference, which will allow us to get back to what we do best – providing an opportunity for our members to learn about trends, best practices, and those important issues that will help them do their jobs better. That’s what sets NCHER apart from any other trade association in the higher education finance space – yes, we have strong contacts on Capitol Hill and the Biden Administration; yes, we put in hours and hours developing the *NCHER Daily Briefing* so our members are up to date on breaking news and federal developments; and yes, we put together high-quality programming for our members. But no one else provides the operational, legal, and compliance support that we do across the industry – from FFELP [Federal Family Education Loan Program] holders, servicers, and guarantors to federal student loan servicers to private loan programs. Even with the immediate challenges facing our legacy members, we’ll spend a lot of time over the next two days hearing about what other members are doing and learning what’s working and what’s not working - moving forward. Simply put, it’s about embracing the future – together.

Four months ago, I discussed the current political and policy environment and how, as the President’s legislative agenda stalled in Congress, there was growing calls from inside and outside the White House for executive action on federal student loans, especially around broad-based forgiveness. Unfortunately, there’s been nothing that has occurred during that time to change the current trajectory and the calls from the progressive community, House and Senate Democrats, and the media have only gotten louder. As we sit here today, the White House, the U.S. Department of Education, Federal Student Aid (FSA), the U.S. Department of Justice, and Congressional Democrats have decided to move forward with a plan to provide \$10,000 in forgiveness for borrowers with federally held loans. For commercially held FFELP borrowers, they will be encouraged to consolidate their loans into the Federal Direct Loan program to qualify for the benefit. As you may have read from our past coverage, the main outstanding item is how to limit the benefit to those individual borrowers with less than \$150,000 and married couples with less than \$300,000 in annual income. Since the Department of Education does not have access to annual tax data, the current approach has the potential to be overly complicated to implement. Observers expect any announcement to be delayed until this issue is resolved. As can be imagined, once an announcement is made, our loan servicers are sure to get swamped with calls from borrowers asking whether they are going to qualify for the benefit and when it will be implemented; many borrowers are sure to stop making their monthly payments, believing that they will qualify for forgiveness; and lawsuits are sure to be filed from borrowers who have paid off their student loans either to obtain some type of restitution or delay.

Then the real questions begin. To name just a few off the top of my head:

- Is there going to be a cut-off date to ensure that borrowers can't take out loans one day to have them forgiven on the second day? What do our federal student loan servicers tell those borrowers who decide to take out loans that will not be forgiven going forward?
- What impact will the forgiven amount have on both aggregate and annual limits – for those students still in school or returning to school, could they take out more federal student loans as opposed to going to the private marketplace?
- In order to qualify, will FFELP borrowers have to consolidate all of their loans into the Direct Loan program as opposed to \$10,000?
- What process will the Department lay out for borrowers to provide their prior annual income? Will there be a formal application process or an attestation of income, and how do you prevent widespread fraud?

This is a major initiative that has the potential to blow-up in the face of the White House if not done correctly and clearly - from borrowers who will believe that they are entitled to the new relief and from former borrowers who sacrificed and worked to pay off their student loans. For our industry, the best approach seems to be encouraging the White House to provide such a benefit through the FFELP servicer so that borrowers do not have to consolidate all of their loans into the Direct Loan Program. I'm not entirely confident that this approach will be adopted by the Department of Education considering their overarching desire to assume control over all FFELP loans, but it's a good idea to make our request clear to the administration.

Related, most Congressional observers, including House Education and Labor Committee and Senate Health, Education, Labor, and Pensions Committee Democrats and Republicans, expect the White House to further extend the federal student loan payment and collections pause past the August 31st deadline. Similar to the past, the current thinking is that there is little to no way that the federal government can begin requiring student and parent borrowers to begin to repay their loans when they will not be able to fully implement the forgiveness scheme, when it is still processing applications under the limited-waiver for Public Service Loan Forgiveness, when it is still making adjustments to Income-Driven Repayment plan counts under the recently announced waiver, and when Members of Congress are still in the midst of their primary campaigns for election. The only question is whether the administration will provide another short-term extension or whether it will extend it until the end of the year. This issue continues to be incredibly important for our federal student loan servicers who have invested significant time and resources in hiring and training call center staff and are prepared to help struggling borrowers, our guaranty agencies who will be forced to assign more of their defaulted portfolio to the Department of Education since the payment pause is aligned to the requirements governing the special mandatory assignment (SMA) process, and our private lenders who are looking for an opportunity to help student and parent borrowers by refinancing their loans.

On the SMA process and Fresh Start, the Department of Education and FSA have agreed to reimburse our guaranty agencies for the loss of revenue associated with the collections pause extension from May 1st to August 31st, which is good news. But NCHER and NASLA [National Association of Student Loan Administrators] have yet to make significant progress on restarting negotiations to reimburse our members for the loss of revenue associated with assigning their defaulted accounts to the federal government. As you may recall, NCHER and NASLA provided Under Secretary James Kvaal a copy of the many services that guaranty agencies provide to students and families across the country and the amount of losses that each agency is anticipated to lose through SMA; discussions were supported to be held to determine which of the services would be reimbursed and the percentage of losses that would be covered. The Under Secretary has yet to respond to follow-up emails to date. I'm assuming that the Department is still discussing how the SMA process will work with Fresh Start or Fresh Start Plus/expedited rehabilitation and that we will not receive additional information until those details are worked out. As such, FSA has yet to release a revised schedule on when our members should begin assigning their loans under the SMA process – the suspension put in place in mid-February is still in effect. We also continue to lack real concrete answers on how FSA plans to implement Fresh Start or Fresh Start Plus, when the initiative will be implemented (we are hearing October 1st), and how FSA will implement the Voluntary Flexible Agreement process that was discussed a few months ago. The NCHER staff is hearing that FSA is nearing completion of several Dear Colleague Letters (DCL) and guidance on Fresh Start that will supposedly answer many of our questions. We shall see. Even without the lack of clarity, there is sure to be a speed-up in the wind-down of FFELP and the loss of additional federal legacy players.

Recently, FSA released its procurement for a Unified Servicing and Data Solution (USDS), which seems poised to award contracts to several large federal student loan servicers to service the Federal Direct Loan portfolio. According to a presentation made by FSA, it envisions separate servicer websites and co-branding in the short-term as the office continues to revamp studentaid.gov and its processes for transferring loans that will be used to penalize low-performing contracts. Under USDS, those vendors with Business Process Operations (BPO) contracts would take over the specialty servicing work around Public Service Loan Forgiveness, TEACH Grants, Total and Permanent Disability, and defaulted loans. In its initial response to a Request for Information, NCHER urged FSA to maintain the current competitive contracting structure that improves performance and innovation. We also urged FSA to provide more detail on how the BPO vendors will be able to service the Direct Loan portfolio outside of specialty servicing as many of the current vendors are existing federal student loan servicers and all bid on the prior procurement in good faith. The association also urged FSA to put in place a new compensation package to reflect the changing economy and shifting workforce needs, the significant increase in inflation, new federal wage requirements, and new information security requirements that servicers will need to meet. We also urged FSA to develop and maintain a Common Manual to set a single and high standard for the Federal Direct Loan Program and ensure that all borrowers receive strong and uniform consumer protections, regardless of where they reside. Finally, we urged FSA to

incentivize the USDS servicers and the existing BPO vendors to work with state and nonprofit organizations across the country to help struggling borrowers – not to duplicate or displace the work of the federal contractors but to complement their work on behalf of struggling borrowers. We will see if any of these important elements make it into the final award process later in the year.

As you can see from the above, the real action on higher education in 2022 rests almost solely with the Biden Administration. In 2021, most of the action was with Congress as it struggled to move the American Families Plan. Now, the House and Senate are trying to reach agreement on the American COMPETES Act, legislation that includes a number of bipartisan proposals to increase our competitiveness with China such as expanding Pell Grant eligibility to cover short-term programs. The House and Senate Appropriations Committees are also in the process of holding hearings on what priorities to include in the Fiscal Year 2023 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act. Last month, the House Subcommittee on Labor, Health and Human Services, Education, and Related Agencies held a hearing to talk about budget priorities with Education Secretary Miguel Cardona. We expect a similar hearing to be held by the Senate Subcommittee soon. However, the budget and appropriations process is moving at a glacial pace this year, which is no real surprise since it's an election year. The House and Senate leadership have been meeting for weeks to reach a bipartisan, bicameral agreement on a top line figure that Congress would then divide up into the 12 individual appropriations bills that make up the discretionary part of the federal government. Democrats want to build on the major increases in federal education spending passed last year, though not as much as the White House wanted in the end. But Republicans really have no incentive to reach an agreement considering that they are poised to pick up the House and potentially the Senate in November and will be able to rewrite the bills to their liking then. If the leadership can reach an agreement on a top-line number, which is a big question mark, both chambers are sure to run into additional obstacles as they work to put each of the appropriations bills together – abortion, immigration, gun violence – that are sure to push any final agreement until after the mid-term election and potentially next year when a new more conservative Congress takes office. We'll use any legislative vehicle to enact a Continuing Resolution as an opportunity to secure a one-year extension of Account Maintenance Fees paid to our guaranty agencies, similar to what we've been successful in doing for the past 8 years.

Over the next few months, it is important that NCHER continues its robust advocacy efforts to influence these issues and many others that impact our membership. While Congress may not make any progress on the reauthorization of the Higher Education Act and struggle to complete the Fiscal Year 2023 budget and appropriations process, it is imperative that our members have a voice in the higher education policy debates taking place in the Halls of Congress and with the Biden Administration. I am proud of what our members have accomplished over the last year. Considering the current challenges impacting our members' FFELP portfolios and the ever-changing procurement requirements for federal loan servicers and Business Process Operations vendors, NCHER will need to continue to adjust its advocacy, communications, and operations

support to mitigate some of the most egregious proposals while taking advantage of potential future opportunities and endeavors. Starting with a NCHER Legislative Fly-In sometime in July and continuing with the NCHER Legislative Conference, we will continue to talk about our public service mission work around helping students and families access and complete postsecondary education. We'll also discuss the impact that federal policies will have on student and families.

Over the next year, NCHER will also continue to carry out the provisions of the Strategic Plan, based on the feedback received in February. This effort will focus on implementing modest improvements to the new membership dues structure to better capture the full value of services provided to its members; recruiting new members to the organization and staying in touch with existing members; holding a Congressional staff briefing to reinforce the value proposition of NCHER's members and the services offered to students and families; collecting borrower-friendly stories from the membership; developing a list of activities to improve membership engagement at the federal level (building off of the Government Relations 101 webinar held earlier this year); working with the Executive Committee to explore new and sustained efforts to increase income and reduce expenses; and continuing to rebrand NCHER and its membership as student support organizations and higher education service providers - helping students and parents, institutions of higher education, and the federal government in the pursuit of career, training, and postsecondary education. We will also create a contact list of the designated press person for every NCHER member; develop a social media campaign to highlight the services that NCHER members provide to students and families; and develop informational tools to students and families that address the return to repayment and, separately, promote the public service mission role of our members.

In order to improve the services provided to our membership, we want to continue to hold leadership-focused sessions at the NCHER Legislative Conference and NCHER Annual Conference to broaden appeal to new attendees and expand the focus to Chief Executive Officers; examine ways to encourage active participation during monthly membership calls; examine ways for NCHER to assist its members expand into workforce development at the federal and state levels; hold leadership-focused sessions on ways for the membership to share ideas on diversifying their business opportunities and other timely topics; finish setting up "NCHER University"; further leverage NCHER's committee and caucus structure to promote the sharing of best practices and ideas amongst the membership, including holding periodic calls of Chief Financial Officers, Human Resources Directors, or other professionals where they can share input and ideas; and create opportunities for new leaders to take an active role in NCHER to recruit and develop new subject matter experts in the industry.

There are many issues that NCHER continues to monitor and work on at the federal level. Because of space and time constraints, I wanted to focus the President's Report on those issues that may be of the most interest to the Board. I would be happy to answer any questions on any topic during the appropriate point in today's meeting.

In conclusion, I want to thank the Board for their support of NCHER, our mission, and our work to promote the membership.

Thank you.