EFC | Education Finance Council™

Helping Families Plan & Pay for College℠

Date: March 8, 2022

To: Jackson McClam
Contracting Officer
Jackson.McClam@ed.gov

RE: USDS RFI Response

Dear Mr. McClam:

Thank you for the opportunity to provide feedback on the U.S. Department of Education's Office of Federal Student Aid (FSA) request for information (RFI) on the Unified Servicing and Data Solution (USDS) procurement (Notice #: 91003122-RFI-USDS).

Education Finance Council (EFC) is the national trade association representing nonprofit and state-based student education finance organizations. EFC member organizations work to help students and families succeed in higher education and training by providing low-cost financing options, scholarships and grants, excellence in loan servicing, financial literacy, early awareness and outreach programs, and a variety of other comprehensive student and borrower-focused products and services. EFC members are driven by a public purpose mission to expand borrowers' financial knowledge, prevent over-borrowing, and promote positive repayment behavior.

In providing the following feedback, EFC looks forward to helping FSA create the high-quality student loan servicing environment borrowers deserve. To accomplish our mutually agreed upon objectives, EFC urges the USDS procurement to include four important components detailed here in no particular order.

Sufficient Compensation

Ensure the procurement offers a sufficient compensation package that will enable USDS servicers to have the resources to provide top-quality, high-level service to borrowers. The existing system has failed students and has not reached its potential in part because it underfunds the entities that borrowers rely on for assistance. Previous servicers terminated their federal contracts because they were unable to continue providing borrowers with the high level of care that is warranted at the price the Department was paying them. The USDS procurement can stand in stark contrast to today's servicing environment by giving contract awardees a reasonable and predictable compensation model that accurately anticipates the cost of providing high-quality servicing, the cost of compliance with federal regulations, and the resources required to comply with the growing number of state licensing requirements for student loan servicers. The USDS compensation model should include adjustments for inflation and have a mechanism to justly reimburse servicers for expenses related to high cost or unpredictable change orders from the Department. Providing borrowers with high quality expert servicing and guidance is a top priority for nonprofit servicers and is money well spent. These mission-focused nonprofit entities reinvest their dollars in student services and benefits instead of shareholders.

Longer Term Contracts
Offer USDS servicers a contract term of a minimum of five years with an option to renew for another five-year period. The terms for renewal should be set forth upfront so the renewal process is streamlined to ensure no interruption of quality servicing for borrowers. A series of shorter-term contracts and short-term extensions is not sustainable. Servicers must be able to make long term plans and investments in technology, training, staff, and other resources to ensure they have what it takes to provide the best service possible to borrowers. Unfortunately, the never-ending procurement process that has plagued the Department's Next Gen Initiative has eroded trust between the Department, servicers, and borrowers. The USDS represents the Department's best chance of mending those relationships.

Performance-Based Awards
EFC applauds the Department's intent to design USDS in such a way that the contracts reward high-quality servicers and hold poorly performing servicers accountable for their failures. EFC recommends the Department allocate future accounts to the USDS servicers on a performance basis. Competition between the USDS awardees ensures they deliver superior value to borrowers. Borrowers should always be at the center of any performance metrics built into the USDS procurement, and the accountability system must be applicable to all USDS contract recipients.

Ensure Inclusion of State-Based and Nonprofit Entities
The USDS servicing procurement should reserve a percentage of servicing volume for proven state-based and nonprofit servicers. The USDS procurement should consider the unique value nonprofit higher education finance organizations provide. These entities have a track record of providing exemplary service to borrowers and the Department. Their interests are inherently aligned with borrowers' interests. Families across the nation deserve access to the state-based and nonprofit entities' years of knowledge and expertise. EFC also urges the Department to provide all BPO awardees with the opportunity to compete for a USDS servicing contract.

On behalf of student loan borrowers and their families across the country, we thank you for your attention to this critical issue. We look forward to working with you as the process continues.

Sincerely,

Gail daMota
President
Education Finance Council