

March 31, 2017

The Honorable Thad Cochran
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
156 Dirksen Senate Office Building
Washington, DC 20510

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

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

The National Council of Higher Education Resources (NCHER) urges you to include legislative language leveraging the expertise of state and nonprofit organizations in assisting student and parent borrowers repay their student loans in the Fiscal Year 2018 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act. Our members appreciate the subcommittee's past support of the important and successful work of state and nonprofit organizations that assist students and families access, manage, and pay for the costs of postsecondary education. We urge you to maintain the report language included in the FY 2017 House appropriations bill and strengthen the language during the upcoming appropriations process.

College affordability and student loan debt burden are important issues on the minds of our nation's students and families. According to the U.S. Department of Education, more than 42 million Americans collectively owe nearly \$1.3 trillion in federal student loan debt. Of that amount, nearly \$133 billion, owed by 7.7 million borrowers, is in default. While a relatively small number of borrowers (less than 1 percent) have student loans over \$100,000, the average debt for those receiving a bachelor's degree is approximately \$30,000, an amount that has risen at more than twice the rate of inflation over the last decade. With college costs and student loan debt on the rise and high youth unemployment and underemployment, more borrowers are struggling to get a good job and repay their federal student loans on time. It is clear that these students and their families need access to more specialized support services to help them understand their postsecondary education options.

While the average loan amount of \$30,000 represents a significant burden for a number of student and parent borrowers, a higher education degree or credential remains an incredible value for students, families, and society. The overall challenge is to ensure that students exhaust grant and scholarship aid, and do not over-borrow; graduate from college; and have options for adequately repaying their student loans. For more than 50 years, state-based, nonprofit higher education service agencies have been highly successful in providing important services to student and parent borrowers across the country. These agencies 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 over-borrowing and the importance of managing student loan debt, as well as budgeting and personal finance management skills. In many instances, these services are proactively provided to student and parent borrowers at risk of delinquency or 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. However, these important services are largely going away, and some have already been eliminated, because of a lack of sustained resources.

NCHER believes the best solution to addressing the current challenge of borrowers struggling to repay their student loan debt is to leverage the expertise of these state-based, nonprofit higher education service agencies, most of whom are small businesses and employ less than 500 employees. The subcommittee can easily support such a policy by encouraging the Department of Education'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. Unfortunately, the Small Business Act (SBA) defines a 'small business' as a for-profit entity under federal contracting regulations, preventing state and nonprofit organizations from providing these important services. This is particularly troublesome since state and nonprofit organizations have built a service delivery infrastructure that enables them, collectively, to reach every family in every state. Our membership is not requesting an amendment to the SBA, but rather a very narrow change to the underlying criteria for the pending servicing contract for the Federal Direct Loan Program. Specifically, we believe that student loan servicers should be provided credit for subcontracting for services with state and nonprofit organizations and that the definition of 'small business' in the student loan servicing context clearly include these entities.

The suggested legislative language is as follows:

"Provided, That the Secretary shall, in the student loan servicing procurement, give credit to proposals that include subcontracting for services with small businesses, including state-based nonprofit organizations with expertise in assisting borrowers in the repayment of their student loans, that do not meet the formal definition of a small business because they are state or nonprofit entities."

The suggested report language is as follows (from the House Labor, HHS, ED Appropriations Act, 2017):

"With respect to the upcoming procurement for servicing of student loans owned by the Department, the Committee directs the Department to develop and submit to the Committees on Appropriations of the House of Representatives and the Senate, the Senate Committee on Health, Education, Labor, and Pensions, and the House Committee on Education and the Workforce a plan under which it will give credit for subcontracting with small businesses, including state-based nonprofit organizations with expertise in assisting borrowers in the repayment of their student loans, that provide value-added services but do not meet the formal definition of a "small business" because they are state or nonprofit entities."

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