

## Guarantors as Borrower Advocates and Program Support Agencies

### The Role Beyond

The hallmark of Federal Family Education Loan Program has always been the added-value services of the guarantor. As students and families take on increasing debt loads to fulfill aspirations of higher education, it is increasingly important that they receive unbiased, practical and knowledgeable advice concerning higher education opportunities and financial aid options and alternatives to afford those opportunities. Schools require augmented assistance in program administration and compliance, as programs increase in number and complexity. As more and more of the economic undertaking for providing funds for post-secondary educational opportunities falls to the federal government, it increasingly needs experienced, competent and altruistic entities to help effectively administer its programs and ensure integrity. Guaranty agencies propose to continue to administer existing portfolios under Part B Title IV of the *Higher Education Act*. Additionally, and effective immediately, upon the adoption of appropriate legislation, each non-profit entity or state agency which currently serves as a guaranty agency would serve a functionally equivalent borrower advocacy, school training and program support role for the other federal student loan programs. All program-related parties, including prospective borrowers and families, actual borrowers, schools, and the federal government itself, would have an existing guaranty agency infrastructure to turn to as a point of contact for prompt, reliable borrower counseling, school training and program administrative support.

In hard economic times, it is an essential component of expanded federal Title IV lending that enhanced services, lower costs, better results and trusted public service above profit and personal interest become an entitlement of all Title IV borrowers, irrespective of funding source or program.

**A Proposal from the National Association of Student Loan Administrators (NASLA)  
August 6, 2009**

Title IV (20 U.S.C. 1071 et seq.) is amended by adding at the end the following:

**PART J—PROGRAM SUPPORT SERVICES**

**SEC. 499A. Program Support Services.**

- (a) **Purpose.** The federal government recognizes that students are fundamentally entitled to high quality, independent, and unbiased student loan program support services to help assure a successful higher education experience and promote fiscal responsibility within student loan programs established pursuant to this Title, regardless of the source of funds for the loan. The Secretary shall contract with Eligible Entities, as defined in subsection (b) of this Section, pursuant to 20 U.S.C. 1078(a)(1)(A), to provide a single point of contact for borrowers, prospective borrowers, families, schools, and related third parties to assist in the proper administration and support of these programs.
- (b) **Eligible Entities.** An “Eligible Entity” shall mean (i) any entity with agreements with the Secretary under section 428(b) and (c); and (ii) any not-for-profit entity exempt from federal income taxation under Section 501, Internal Revenue Code, 26 U.S.C. § 501, which is approved by the Secretary, and which has both the demonstrated ability and requisite experience to perform Program Support Services as provided for in this Title and in accordance with regulations issued by the Secretary, in a neutral manner, without conflicts of interest.
- (c) “PROGRAM SUPPORT SERVICES” include but shall not be limited to the following services:
- (1) Assisting students and families with information and advice on financial aid and student loans;
  - (2) Providing in-person training and assistance to schools and financial aid officers;
  - (3) Offering quality student and family outreach, financial literacy, publications, and internet assistance;
  - (4) Providing or advising on persistence and completion programs;
  - (5) Providing or assisting with entrance and exit student loan counseling to borrowers;
  - (6) Providing phone, internet, and in-person counseling, financial literacy, and assistance to student loan borrowers;

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- (7) Assisting borrowers in selecting a loan repayment plan and in applying for any loan cancellation, forgiveness, deferment, forbearance, or repayment benefits to which they are entitled.
  - (8) Averting delinquency and defaults of student loans;
  - (9) Providing counseling to defaulted borrowers regarding appropriate account resolution options, including, without limitation the availability of loan rehabilitation; and
  - (10) Partnering with the United States Department of Education, including program reviews of participating institutions of higher education in accordance with regulatory guidance or directives of the Department.
- (d) **Scope of Services.** Eligible Entities shall provide Program Support Services for all student loans made under this Title. Eligible Entities shall continue to provide comprehensive information, advice, tools, program services, support, and issue resolution to:
- (1) Students, families, and education stakeholders regarding the importance of completing high school, the value of a higher education, and financial considerations and options available to students and families in planning and paying for college, including federal grants and federal student loans;
  - (2) Students, families, and college financial aid offices in connection with grant and student loan programs established pursuant to this Title, including but not limited to entrance counseling, exit counseling, regulatory compliance, training, persistence and completion, program review, and administration;
  - (3) Student loan borrowers after degree or certificate completion or upon withdrawal, including but not limited to describing available repayment options and administering solutions to avert delinquency, prevent default, and rehabilitate the borrower post-default.
- (e) **Freedom of Choice.** Every institution of higher education that receives federal aid pursuant to this Title shall select, at no cost to the institution or its students, an Eligible Entity or Eligible Entities from which it shall receive Program Support Services. Each borrower may select the Eligible Entity from which he or she shall receive Program Support Services, irrespective of state designation or selection by an institution of higher education.

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- (f) Performance Measures. Eligible Entities and the Secretary shall jointly develop benchmarks and performance criteria to gauge the effectiveness of the Program Support Services provided by each Eligible Entity.
- (g) Borrower Advocacy Fee. Each Eligible Entity providing Program Support Services under this Section for any loan originated pursuant to Title IV, excluding loans originated under Part B, for which it performs Program Support Services, shall be paid a monthly fee by the Secretary of three dollars per borrower, provided that the loan(s) of such borrower is not in default and referred for collections, determined as of the last day of each month. Borrowers whose loans are cured of default or rehabilitated shall be subject to this fee. However, in any event, no more than one Borrower Advocacy fee (or compensation paid to any guaranty agency for a loan originated under Part B, as the case may be) shall be paid by the Secretary with respect to each borrower.
- (h) The Secretary shall not expend more than \$3,000,000,000 in providing Program Support Services under this Part for fiscal years 2010-2015.
- (i) Portfolios Associated With Existing or Former Federal Student Loan Programs. To the extent that an Eligible Entity performs or performed a role within the Federal Family Education Loan Program as a guaranty agency, the Eligible Entity shall continue to perform and be compensated for such services as provided in Part B of this Title and its regulations on its existing portfolios until all such loans originated under that program are paid in full or subrogated to the Department of Education. Eligible entities which are also guaranty agencies are obligated to continue to provide insurance and reinsurance, claims administration, lender program reviews, collection services and/or lender-of-last resort functions for loans made pursuant to Part B of this Title.
- (j) Regulations. The Secretary is authorized to adopt regulations to fulfill the intent of this Part.
- (k) Effective date. This Part shall be effective immediately upon adoption.