DEPARTMENT OF EDUCATION

Notice Inviting Guaranty Agencies To Submit Requests To Participate in a Voluntary Flexible Agreement

AGENCY: Office of the Under Secretary, U.S. Department of Education.

ACTION: Notice.

SUMMARY: The Secretary invites guaranty agencies with agreements to participate in the Federal Family Education Loan (FFEL) Program to submit interest in entering into a Voluntary Flexible Agreement (VFA) with the Secretary, as authorized by the Higher Education Act of 1965, as amended (HEA). Guaranty agencies who ultimately agree to the VFA through a separate process will operate under the requirements of the VFA in lieu of the guaranty agency agreements established under the HEA. The Secretary intends to enter into VFAs with guaranty agencies to support vulnerable borrowers in resolving their delinquent or defaulted loans quickly, maximize long-term repayment success of borrowers exiting default with immediate enrollment in Income-Driven Repayment (IDR) plans available under the Direct Loan program, and ensure stability in the FFEL Program as the number of outstanding loans continues to decline over the coming years.

DATES: Deadline for submission of interest in a VFA: August 20, 2024.

ADDRESSES: An indication of interest in a VFA must be submitted via email to *VFATeam@ed.gov.*

FOR FURTHER INFORMATION CONTACT: Jerry Wallace, U.S. Department of Education. Telephone: (202) 453–6605. Email: *jerry.wallace@ed.gov.*

If you are deaf, hard of hearing, or have a speech disability and wish to access telecommunications relay services, please dial 7–1–1.

SUPPLEMENTARY INFORMATION:

Background

Under section 428(b) and (c) of the HEA, guaranty agencies perform certain roles in the FFEL Program pursuant to agreements with the Secretary. Section 428A of the HEA authorizes the Secretary to enter into VFAs with guaranty agencies in lieu of the agreements entered into under section 428(b) and (c) of the HEA. This authority allows the Secretary to work with guaranty agencies to develop, utilize, and evaluate alternate ways of ensuring that the responsibilities of the guaranty agencies are fulfilled in the most cost-effective and efficient manner possible. A VFA may provide that the guaranty agency will earn revenues and fees in a manner different than that provided under the regular guaranty agency agreements under section 428(b) and (c) of the HEA.

As part of a VFA with a guaranty agency, the Secretary may waive or modify statutory and regulatory requirements as necessary, except that the Secretary may not waive any statutory requirements related to the terms and conditions attached to student loans or to default claim amounts paid to FFEL Program lenders.

A VFA will also specify the circumstances under which it may be terminated by the Secretary in advance of any established termination date and any other provisions the Secretary believes are necessary to protect the United States from unreasonable risk of loss.

Reasons for This Expression of Interest

It has been 14 years since the last new FFEL Program loan was made. As the number of outstanding FFEL loans continues to steadily decline, the revenues available to guaranty agencies to fund operational budgets are also decreasing. The Secretary expects that over the next several years many guaranty agencies may struggle to continue providing stable services for borrowers, lenders, and the Department under the existing compensation structure. The continued decline of the number of outstanding FFEL loans and the loss of associated revenue means it will likely be harder for guaranty agencies to maintain the systems and staff needed to provide quality services for vulnerable borrowers, which creates an unacceptable risk of loss to the Department and Federal taxpayers.

The Secretary believes that a structured and predictable compensation model for guaranty agencies will help protect the integrity of the outstanding FFEL Program loan portfolio as the number of loans and guaranty agencies continues to decline. This model presents an opportunity for the Department and guaranty agencies to better serve borrowers by aligning financial incentives with helping borrowers avoid or exit student loan default. The model will also leverage operational procedures established during the Fresh Start period that provide borrowers efficient and direct access to more affordable IDR plans, which feature enhanced borrower benefits and will best support their long-term repayment success. Additionally, transferring more defaulted FFEL loans to the Department that are not otherwise resolved will assist borrowers and provide long-term benefits to the Department by improving the opportunities for resolution of the loan.

Scope of the VFAs

The Department expects that VFAs entered into will address the compensation structures, outreach activities, loan transfer schedules, and future planning for guaranty agencies.

Compensation

A VFA may provide that a guaranty agency will earn revenues and fees differently than it would under agreements pursuant to section 428(b) and (c) of the HEA. The Department expects that the revised schedule of revenues and fees will be common to all VFA-participating guaranty agencies.

The Department expects that the VFAs will include a replacement for all compensation paid to guaranty agencies, with the exception of the account maintenance fee and reimbursement into the Federal fund for claims paid to lenders. The replaced compensation includes the default aversion fee, refunds of the default aversion fee, and revenues from collections on defaulted loans usually charged to borrowers in the form of fees. Instead of this revenue, guaranty agencies would receive two forms of compensation:

(1) A special account maintenance fee (SAMF). The SAMF would be calculated based on the guaranty agency's outstanding net guarantees using the same formula as the Account Maintenance Fee (AMF) as defined in section 428(h) of the HEA and 34 CFR 682.404(h). It would be paid in equal quarterly installments.

(2) A successful resolution fee (SRF). This fee would be paid when a borrower with at least one loan in default at a guaranty agency successfully consolidates all their defaulted loans at that guaranty agency into the Direct Loan program. This fee would be the lesser of a set dollar amount or a percentage of the amount of the outstanding loans being resolved. This fee would be paid quarterly.

The Secretary expects that increasing the number of defaulted loans that are quickly returned to good standing or otherwise transferred to the Department will result in financial savings for the Department and better long-term performance for borrowers. Guaranty agencies will have guarantees of minimum quarterly income through the SAMF to ensure stability in the program and strong incentives to assist defaulted borrowers quickly to earn an SRF payment.

Outreach Activities

The Department expects that, in addition to continuing their current default aversion assistance work, under a VFA, guaranty agencies will focus their efforts on borrower outreach and counseling, with a focus on options that will help borrowers return to good standing and access repayment programs and benefits that will promote successful long-term repayment on their loans. This will also include targeted outreach campaigns mutually agreed upon with the Department.

Loan Transfers

To ensure that the guaranty agency can focus its efforts on loan counseling and consolidation, under the VFA guaranty agencies will adopt a schedule for transferring defaulted loans to the Department. The oldest loans will be transferred to the Department immediately after the effective date of the VFA, while newer defaults will be transferred after a set period if they are not otherwise successfully resolved, such as through consolidation, discharge, or pay off.

Future Planning

To ensure long-term success and stability for the FFEL Program, all guaranty agencies that enter into a VFA with the Department will map their loan data and systems to at least one other guaranty agency acceptable to the Department. The goal is to ensure that a successor agency is ready to perform the agency's functions if the agency participating in the VFA becomes unable to meet its responsibilities. Each guaranty agency will also agree to keep the Department apprised of any significant changes in personnel or finances so that if a guaranty agency chooses to exit the program there is minimal disruption for borrowers and long-term loan servicing activities.

The terms of any VFA will be subject to applicable Federal, State, Local, and U.S. Territory laws and regulations, including any changes in the HEA (or other applicable laws) and the Department's regulations, unless waived or modified by the Secretary, and to any applicable administrative actions of the Secretary.

Duration of the VFA

The Secretary expects that the VFAs will have a term of two years, subject to year-to-year renewals if the parties agree. The VFA will also provide that either party may terminate the agreement at any time by providing written notice to the other party, with provisions for sufficient notice before the effective date of termination.

Agency Demonstrated Performance

The Secretary will select the agencies with which to enter into a VFA by identifying agencies that d have the managerial and operational capacity to assume the responsibilities of the VFA. The Department expects to enter into VFAs with all or the vast majority of guaranty agencies.

A guaranty agency that ultimately enters into a VFA with the Secretary must have the capability to:

- Conduct meaningful high-touch borrower outreach.
- Successfully transfer defaulted loans to the Secretary within set periods.
- Map systems to a potential successor guaranty agency.

Secretary's Oversight

The Secretary will conduct oversight and monitoring of the activities of guaranty agencies participating in the FFEL Program under a VFA to assess each agency's continuing financial viability and operational capacity to properly perform all FFEL Program guaranty agency responsibilities in accordance with the VFA. The Secretary will also conduct oversight and monitoring of the borrower outreach work and the transfer of defaulted loans. This oversight will include, at a minimum, requirements that the guaranty agency submit operational status reports, financial reports, and performance metrics on its loan portfolio.

Letters of Request for a VFA

Guaranty agencies with agreements with the Secretary under section 428(b) and (c) of the HEA that wish to enter into a VFA under the terms outlined in this notice must submit an email indicating interest to *VFATeam@ed.gov* by the deadline in the DATES section of this notice.

The expression of interest notice must be submitted by the chief executive officer of the guaranty agency. The Secretary may request that the agency provide supporting or other documentation to assist the Secretary in making a decision regarding the agency's possible participation in a VFA.

Accessible Format: On request to the program contact person listed under FOR FURTHER INFORMATION CONTACT, individuals with disabilities can obtain this document in an accessible format. The Department will provide the requestor with an accessible format that may include Rich Text Format (RTF) or text format (txt), a thumb drive, an MP3 file, braille, large print, audiotape, compact disc, or other accessible format.

Electronic Access to This Document: The official version of this document is the document published in the **Federal Register**. You may access the official edition of the **Federal Register** and the Code of Federal Regulations at *www.govinfo.gov.* At this site you can view this document, as well as all other Department documents published in the **Federal Register**, in text or Adobe Portable Document Format (PDF). To use PDF, you must have Adobe Acrobat Reader, which is available free at the site.

You also may access Department documents published in the **Federal Register** by using the article search feature at *www.federalregister.gov.* Specifically, through the advanced search feature at this site, you can limit your search to documents published by the Department.

Program Authority: 20 U.S.C. 1078–1.

James Kvaal,

Under Secretary, Office of the Under Secretary.

[FR Doc. 2024–16760 Filed 7–29–24; 8:45 am]

BILLING CODE 4000–01–P

DEPARTMENT OF EDUCATION

[Docket No.: ED–2024–SCC–0096]

Agency Information Collection Activities; Comment Request; Federal Student Aid (FSA) Partner Connect System and User Access Management

AGENCY: Federal Student Aid (FSA), Department of Education (ED).

ACTION: Notice.

SUMMARY: In accordance with the Paperwork Reduction Act (PRA) of 1995, the Department is proposing a new information collection request (ICR).

DATES: Interested persons are invited to submit comments on or before September 30, 2024.

ADDRESSES: To access and review all the documents related to the information collection listed in this notice, please use *http://www.regulations.gov* by searching the Docket ID number ED–2024–SCC–0096. Comments submitted in response to this notice should be submitted electronically through the Federal eRulemaking Portal at *http://www.regulations.gov* by selecting the Docket ID number or via postal mail, commercial delivery, or hand delivery. If the regulations.gov site is not available to the public for any reason, the Department will temporarily accept comments at *ICDocketMgr@ed.gov.* Please include the docket ID number and the title of the information