

**U.S. Department of Education
Office of Federal Student Aid
Phase I – Solicitation
Federal Aid Servicing Solution**

1.0 GENERAL DESCRIPTION OF SCOPE/PURPOSE

The U.S. Department of Education (Department), Office of Federal Student Aid (FSA), is conducting Phase I of a two-phase solicitation to acquire a single servicing solution to be utilized by multiple customer service providers to support the management of Title IV and Title VII financial aid, post loan and grant disbursement. The scope of the potential contract includes but is not limited to: loan servicing, loan discharge, loan consolidation, financial reporting, default management, and default collections. The authority to utilize two-phase source selection procedures is found under the Performance Based Organization (PBO) Procurement Flexibility Statute (20 U.S.C. 1018a(d)).

1.1 Federal Student Aid Background/Overview

FSA plays a central and essential role in America’s postsecondary education community.

FSA’s core mission is to ensure that all eligible individuals benefit from federal financial assistance – grants, loans, and work-study programs – for education beyond high school. The programs FSA administers comprise the nation’s largest source of student aid. As of October 1, 2014, FSA’s servicing portfolio included over \$765 billion in outstanding loans and nearly 30 million student and parent borrowers. The portfolio is expected to exceed 40 million borrowers and \$1 trillion in the upcoming years, and continue to grow.

1.2 Current Need

FSA is seeking to efficiently and effectively manage a growing portfolio in a manner that will improve borrower satisfaction and outcomes; provide common borrower experiences; and allow for consolidated reporting of financial information, borrower data, and other information consistent with Federal accounting and audit requirements.

Future procurement actions to implement a multiple customer service provider environment will require the single solution provider to assist each new servicer.

Specific activities for servicing federally held assets include, but are not limited to: providing high quality customer service support, providing access to account information, providing a functional system at the time of award, which can accommodate significant growth, and provide support for the large volume of borrower account conversions, and complying with all existing federal legislation, regulations, and security standards.

1.3 Performance Objectives

The contractor shall meet the objectives and high level requirements listed in the attached Statement of Objectives (Attachment A).

1.4 Constraints

The contractor shall meet all high level requirements while performing under the constraints listed in the attached Statement of Objectives (Attachment A).

2.0 BASIS ON WHICH POTENTIAL SOURCES ARE TO BE SELECTED TO SUBMIT OFFERS IN THE SECOND PHASE

This is Phase I of a two phase source selection in accordance with 20 U.S.C. 1018a(d) and ED Acquisition Regulation (EDAR) (48 C.F.R.) 3415.302-70(b). The following are the factors on which offerors will be selected for consideration for Phase II of this selection process:

2.1 Selection Factors

- (1) The offeror's solution availability and capability to meet schedule and volumes. The offeror must demonstrate that it can provide a servicing system that is clearly capable of supporting at least 8 million student borrowers immediately upon award, at least 20 million borrowers within two years, and at least 35 million borrowers within three years. This factor will be reviewed on a Go/No Go Basis.
- (2) Past Performance. Demonstrated past performance, including, but not limited to, servicing a large number of student loan borrowers successfully and converting a large volume of borrower accounts from another student loan servicing solution onto the offeror's solution. The Government reserves the right to review any information available in reviewing past performance (e.g., PPIRS, publicly available, etc.).
- (3) Conceptual Approach. The feasibility and risks associated with the offeror's conceptual approach to enhancing/expanding the proposed solution as well as operational processes to be used, to service at least 8 million student borrowers immediately upon award, at least 20 million federally held borrower accounts within two years and at least 35 million within three years.
- (4) Estimated cost. The offeror's cost estimate should be consistent with the conceptual approach proposed.

2.2 Selection for Participating in Phase II

Offerors that do not receive a "Go" for selection factor (1) will not be further reviewed and will be excluded from further consideration from this procurement. Offers that receive a "Go" for selection factor (1) will be evaluated under factors (2) and (3), which are of equal importance. Selection factor (4) will only be reviewed to determine the degree to which the cost estimate is consistent with the conceptual approach. Offerors who submit a cost estimate that is not consistent with the conceptual approach may be excluded from participation in Phase II.

In accordance with EDAR 3415.302-70(b)(3), the Contracting Officer will select the offerors that are eligible to participate in Phase II of this procurement. The selection will be made from among those offerors who receive a "Go" for selection factor (1), and demonstrate higher quality, relevant past performance and a more feasible and lower risk conceptual approach (selection factors (2) and (3)), with a cost estimate that is consistent with the

conceptual approach (selection factor (4)). However, not every such offeror is guaranteed to be selected for Phase II.

The Contracting Officer will limit the number of selected offerors to the number of sources that the Contracting Officer determines is appropriate and in the best interests of the Federal government. Only sources selected in Phase I will be eligible to participate in Phase II.

3.0 INFORMATION SUBMITTED BY OFFERORS

In accordance with EDAR 3415.302-70(b)(2), each offeror must submit following basic information:

1. A narrative that demonstrates the offeror’s ability to provide the Government with an unlimited right to use, via sale or license, a servicing solution that is clearly capable of supporting at least 8 million student borrowers immediately upon award, at least 20 million borrowers within two years, and at least 35 million borrowers within three years.
2. Past performance information that demonstrates the ability to service a minimum of 5 million student loan borrowers while services are consistent, accurate and actionable, accountable, and transparent.
3. Past performance information that demonstrates the ability to accurately convert large volumes of student loan borrower accounts onto the offeror’s student loan servicing solution, while minimizing any negative impact to the borrowers.
4. A narrative that describes the offeror’s conceptual approach to enhancing/expanding the proposed solution as well as operational processes to be used, to service at least 8 million student borrowers immediately upon award, at least 20 million federally held borrower accounts within two years and at least 35 million within three years.
5. An estimate of the costs to the government likely to be associated with the offeror’s proposed conceptual approach. The following costs shall be included in this estimate:
 - Estimated cost of providing a single solution and the cost to provide the Government with an unlimited right to use.
 - Average cost of servicing borrowers in the following statuses per year for one year of servicing at the volumes of 8 million, 20 million, and 35 million borrower accounts, assuming a multiple customer service provider environment. Please include additional assumptions made in identifying the estimated costs.

Status	Estimated Percent of Total Borrower Accounts	8 Million Borrower Accounts Estimated Cost Per Year	20 Million Borrower Accounts Estimated Cost Per Year	35 Million Borrower Accounts Estimated Cost Per Year
In School	27%			
In Grace	7%			
In Current Repayment	35%			
Service Member	1%			
Deferment	4%			
Forbearance	12%			
Delinquent	14%			

6. The Government is contemplating the use of various contract types, including the following:

- An Indefinite Delivery Indefinite Quantity (IDIQ) contract with a five year base ordering period and one optional ordering period of five years
- A firm fixed price contract with a two-year base period and four, two-year option periods
- A multi-year contract for five years, with a subsequent option period of five years. Estimated cost for this contract type should include an estimated cancellation ceiling for each program year. The estimated cancellation ceiling should consider nonrecurring costs and be presented in an amortization schedule (see FAR 17.106-1(c)).

Offerors are asked to describe how each different approach would affect the estimated cost for each scenario in item 5 above (8 million, 20 million and 35 million borrower accounts). Information provided in response to item 6 will not be utilized to determine which offerors will be selected to participate in Phase II.

Definitions and references to sources of additional information are set forth below:

- Conversion is defined as the successful movement of all current and prior account information for borrower student loans/grants from one servicing system to a new or different servicing system.
- Indefinite Delivery Indefinite Quantity: FAR 16.5
- Firm Fixed Price: FAR 16.2
- Options: FAR 17.2
- Multi-Year Contract: FAR 17.1

4.0 ADDITIONAL INFORMATION

4.1 Two-Phase Solicitation Process

Only offerors selected in Phase I will be provided the Phase II solicitation, and only those offerors selected in Phase I will be permitted to submit an offer in Phase II. Selection in Phase I of this solicitation does not constitute, nor guarantee, a contract award. Additional market research may be conducted after the offerors eligible to participate in Phase II have been selected.

The Contracting Officer intends to post the names of the offerors eligible for participation in Phase II, including any subcontractors or teaming arrangements, on www.fbo.gov.

4.2 Small Business Utilization

The Government expects the selected vendor to meet the Government's small business subcontracting goals to the maximum extent practicable.

It is the Government's expectation that there may be a procurement for small businesses to support some servicing activities in the future. The selected servicing solution provider will

be expected to make a significant contribution to ensure the success of any small business(es) selected.

4.3 Offer Submission Methods

Offers shall be submitted using the following method only:

Electronic mail (Email). Offers must be sent to MPDSETeam@ed.gov. All offers should be included as attachments formatted using PDF Format with a duplicate copy compatible with Microsoft Word 2010 and/or Microsoft Excel 2010.

The subject line of the email shall read *"Phase I Submission – Federal Aid Servicing Solution"*

4.4 Page Limitations

An offeror's submission for Phase I of this solicitation process shall not exceed 10 pages total. Cost information (including the information described in items 5 and 6 of Section 3.0 above) will not count toward the 10-page limitation and shall not exceed an additional 5 pages. Any page size up to 8 ½" x 11" (or metric equivalent) will be considered a single page. Offerors may include pages larger than 8 ½" x 11"; however, such pages will count as two or more pages, rounding up to the next increment of 8 ½" x 11". Font sizes for text portions of the technical narratives and past performance shall not be smaller than Times New Roman, 12 point or approximate equivalent. The font size restriction does not apply to text in charts or similar presentations. Margins should be kept at 1" on all four sides of the page.

In the event that the page limitation stated herein is exceeded, the Government reserves the right to review only the first 10 pages of the submission, or what the Government deems to be the equivalent of the first number of pages up to the page limit.

4.5 Submission Deadline

All questions regarding this solicitation must be received no later than 3:00PM Eastern on April 11, 2016.

Offers must be received no later than 3:00PM Eastern on May 9, 2016. The time of receipt is considered to be the time in which the email is received at the initial point of entry to the Department infrastructure.

ATTACHMENTS

Attachment A – Statement of Objectives

Attachment A: Statement of Objectives

Federal Aid Servicing Solution

Background/Overview

Consistent with President's Student Aid Bill of Rights, <https://federalregister.gov/a/2015-05933>, and leveraging the Joint Statement of Principals, <https://federalregister.gov/a/2015-27775>, the U.S. Department of Education intends to implement enhanced servicing oversight and enforcement capabilities, including a new enterprise complaint system, to ensure accuracy and excellence in federal student loan borrower customer service, and a servicing solution that is consistent, accurate and actionable, accountable and transparent.

Federal Student Aid (FSA), an office of the U.S. Department of Education, plays a central and essential role in America's postsecondary education community. FSA's core mission is to ensure that all eligible individuals benefit from federal financial assistance—grants, loans and work-study programs—for education beyond high school. The programs that FSA administers comprise the nation's largest source of student aid. Each year, FSA provides more than \$100 billion in new aid to nearly 14 million postsecondary students and their families.

The Title IV student aid loan portfolio, for which FSA is responsible, primarily includes Direct Loans, Federal Family Education Loans, and Teacher Education Assistance for College and Higher Education (TEACH) Grants/Loans. Currently, FSA's portfolio of Federal student loans is serviced by ten loan servicers under contracts awarded through the Title IV Additional Servicer and Not-for-Profit Loan Servicer solicitations.

Scope

The Department of Education (ED), Office of Federal Student Aid (FSA), is issuing a solicitation to acquire a single servicing solution to be utilized by multiple customer service providers to support the management of Title IV and Title VII financial aid, post loan and grant disbursement. The scope of the potential contract includes but is not limited to: loan servicing, loan discharge, loan consolidation, financial reporting, default management, and default collections.

Objectives

- **Create a Common Borrower Experience & Branding** – The Department currently has a number of vendors supporting the management of all Title IV support, post loan and grant disbursement. These vendors sponsor their own web sites and correspondence that is co-branded with their corporate logo and information. While individual borrowers typically deal with only one servicer, the lack of a single interface and common branding may lead to confusion among borrowers, schools, and consumer advocates. Under the planned contract, FSA will create a single web portal clearly labeled as representing the Department of Education through which all borrowers can access information, make payments, apply for benefits, and manage their accounts. Borrower correspondence, call center contacts, and other outreach materials will also be consistent and clearly labeled as coming from the Department of Education.

- **Establish Common Servicing Practices** – Department servicers currently each have their own processes, call scripts, and other unique procedures. In addition, borrowers have to adjust to new systems and a different experience when accounts are transferred. Under the planned contract, all borrowers will have access to a single set of consistent processes and practices.
- **Improve Borrower Experience Through Fewer Account Transfers** – The Department seeks to limit and, to the maximum extent practical, eliminate loan transfers and related disruption for borrowers.
- **Improved Servicer Oversight** – The Department seeks to create a limited set of streamlined, consistent systems and processes that will allow Department staff to more effectively manage and oversee vendors’ performance, leading to better outcomes for borrowers.
- **Increase Cost Efficiency** – The Department seeks to ensure vendor oversight and program changes are delivered in the most efficient and expedited manner possible. Once the implementation is completed, FSA expects to see reductions in the cost for managing improvements to servicers’ performance or to implement new laws, regulations, or policies.
- **Improved Data Collection/Analysis** – The Department seeks to create a consolidated portfolio that will make it easier to analyze and track borrower behavior and outcomes, and servicers’ performance. The results of these analyses will be used to more quickly identify trends and make process or policy improvements.

High-level Requirements

1. The single servicing solution shall be able to successfully meet all Government requirements in a multiple customer service provider environment.

The single servicing solution shall:

2. Meet all security, storage, transaction processing, reporting, operational, and interface needs to support the servicing of the federal portfolio.
3. Be sufficient to support the entire FSA portfolio within two years of award and shall allow for future enhancements to support the changing federal loan/grant landscape.
4. Provide services to receive and respond to inquiries from borrowers, recipients, Federal Student Aid, schools, supporting vendors, and others as needed to support servicing the federal portfolio. Inquiries may come via phone calls, emails, web submission, and/or paper correspondence.
5. Provide account information to federal account holders via websites, phone services, and mobile applications. Self-service opportunities shall be made available, in addition to support for incoming calls, emails, and web requests.
6. Provide loan counseling activities for borrowers to assist borrowers in successfully managing their federal accounts and meeting the obligations required for their loans/grants.
7. Provide services for intake, review, and response to requests for all activity related to student loan/grant processing, such as deferments, forbearances, repayment plan changes, discharges, forgiveness, and bankruptcy.
8. Provide due diligence, skip trace, credit reporting and collections activity required for all federal student loans/grants.
9. Provide services to accept incoming account transfers/conversions that would increase the size of the overall federal portfolio and centralize the federal student loan/grant portfolio onto a single servicing solution.

10. Provide fulfillment services to provide notifications, forms and correspondence to account holders as needed.
11. Provide support for FSA operational monitoring, compliance reviews, operational and technical audits including access to all needed data, information, and personnel.
12. Provide financial & non-financial reporting and reconciliation of all servicing activities including supporting and maintaining a separate sub-ledger.
13. Operate and maintain interfaces with other systems to support loan/grant servicing including, but not limited to:
 - a. Common Origination & Disbursement (COD/TIVOD) – System originates loans/grants and passes the loans/grants and various borrower related information to the servicing system via an electronic interface.
 - b. Financial Management System (FMS) – Provide financial updates to FMS on all servicing financial activity.
 - c. National Student Loan Database System (NSLDS) – Exchange data with NSLDS to provide information about loans/grants/enrollment and accept information resulting in updates to loans/grants/enrollment.
 - d. Treasury – Support various Treasury interfaces that exchange data and allow for payments to be processed.
 - e. Debt Collection Management System (DMCS) – Support the exchange of loan data to assign loans to the DMCS and accept loans from the DMCS.
14. Provide Direct Loan consolidation services to accept applications for consolidation, complete certification and payoff of underlying loans, and execute origination/booking of the consolidation loan.
15. Provide services for ongoing tracking & monitoring of income repayment plan forgiveness, Public Service Loan Forgiveness (PSLF), Total and Permanent Disability discharges (TPD), and TEACH grant obligations.
16. Meet all applicable federal legislation and regulations (both Title IV and, as applicable, non-Title IV) including meeting strict personnel, system and physical security standards.
17. Provide support for additional customer service providers to support loan/grant servicing. Support for additional customer service providers shall include activities such as:
 - a. Provide access to the servicing solution & portfolio,
 - b. Creation of common operational practices and procedures,
 - c. Training other vendors on solution use and operational processes,
 - d. Contact distributions.
18. Comply with any and all requests for reports, data and information.
19. Correct all security and audit related findings and deficiencies within six months of discovery from any source and track, maintain and report on the status of each finding or deficiency.
20. Track, maintain and report on the FSA systems each contractor staff member has access to as well as the status of their background investigations.
21. Test system controls and review system documentation using an independent source which meets FIPS and NIST standards. If adequate security is in place, FSA will provide a formal security authorization to operate (ATO). The contractor must be able to begin the ATO process within 2 months after contract award, and complete the process successfully with a signed ATO within 11 months of contract award.

Estimated Volumes & Timeframes

1. Student loan/grant volumes on the single servicing solution:
 - a. Initial volume of 6-8 million accounts.
 - b. Increase to 8-12 million accounts within one year from award.
 - c. Increase to 20-22 million accounts within two years from award.
 - d. Continued increase to over 35 million accounts.

Constraints

- Solution shall support a multiple customer service provider environment.
- Solution shall be provided to the Government with an unlimited right to use, with no annual licensing fees, that permits the Government and its agents to utilize the solution to meet the Government's needs.
- Full system documentation shall be provided upon award and updated as changes are made and be provided to the Government annually, at a minimum, to permit independent operations and maintenance.
- The solution must be provided to allow for Government hosting with the solution vendor providing operational and maintenance support, updates, etc.
- The contractor(s) will be responsible to provide compliance activities for servicing federally held assets including, but not limited to, those listed in the objectives for servicing federally-held debt, as provided herein.
- The contractor(s) will be responsible for maintaining a full understanding of all federal and state laws and regulations and FSA requirements and ensuring that all aspects of the solution and services provided continue to remain in compliance as changes occur.
- The contractor will provide a solution and services flexible enough to handle new requirements generated by Congress and respond to legislative mandates and policy changes.
- The contractor will provide timely (as defined by FSA) responses to Office of Inspector General (OIG), General Accounting Office (GAO), budget, data, and management requests.
- It is understood and mutually agreed that the Department of Education has exclusive ownership of all information stored, retrieved, modified, and/or archived as part of this service. The contractor shall have no rights in such information and no rights to such information shall vest on the contractor by virtue of its performance of these services. No other party has the right to copy, delete, archive, or transfer such information without the prior express written consent of the Department of Education.
- The contractor shall comply with the requirements of the Federal Information Security Act (FISMA), the Privacy Act of 1974, and applicable Special Publications (SP) 800 Series documents published by the National Institute of Standards and Technology (NIST), and applicable Federal Information Processing Standards (FIPS).
- The contractor shall comply with the information security and privacy policies that support the Department's mission, goals, and objectives as defined in the Department of Education's *Administrative Communications System (ACS) Handbook for Information Assurance Security Policy (OCIO-01)* and in supporting policies, standards, and procedures.
- The contractor will be assessed according to current National Institute of Standards and Technology (NIST) standards based on the various risks encountered during the solution's life cycle, including these phases: vision, requirements, design, implementation, testing,

deployment, operations, and retirement. The risk assessment will define the overall security boundary and applicable controls.

- The contractor shall certify that the delivered solution complies or will comply with the security authorization processes as outlined in National Institute of Standards and Technology Special Publication NIST-SP-800-37, entitled Guide for Applying the Risk Management Framework to Federal Information Systems: A Security Life Cycle Approach, and supporting OCIO policies, standards, and procedures.
- The contractor shall present evidence (e.g., NIST certificate for the specific product and module) that the products it utilizes provide cryptographic protections using modules that comply with FIPS PUB 140-2 standards.
- The contractor shall ensure compliance with the Federal Information Security Management Act (FISMA) by authoring artifacts required by FISMA and responding to FISMA-related data calls.
- The contractor shall report incidents in accordance with FSA and Department security policy.
- The contractor shall evaluate functions performed by each contractor staff member in order to facilitate the appropriate background investigations.
- The contractor shall be required to complete any and all mandatory and specialized security training as necessary.

Place of Performance

The work to be performed under this contract shall be at contractor's facilities within the United States and its territories and possessions.