

IN THE UNITED STATES COURT OF FEDERAL CLAIMS
BID PROTEST

CONTINENTAL SERVICE GROUP, INC.,)
)
 Plaintiff,)
)
 and)
)
 PIONEER CREDIT RECOVERY, INC.,)
)
 Plaintiff,)
)
 v.)
)
 THE UNITED STATES,)
)
 Defendant,)
)
 and)
)
 THE CBE GROUP, INC.,)
)
 FINANCIAL MANAGEMENT)
 SYSTEMS, INC.,)
)
 GC SERVICES LIMITED)
 PARTNERSHIP)
)
 PREMIERE CREDIT of NORTH)
 AMERICA, LLC,)
)
 VALUE RECOVERY HOLDINGS, LLC)
)
 WINDHAM PROFESSIONALS, INC.,)
)
 Intervenors.)

No. 17-499C
 (Consolidated)
 Chief Judge Braden

DECLARATION OF JAMES W. RUNCIE,
CHIEF OPERATING OFFICER, FEDERAL STUDENT AID,
UNITED STATES DEPARTMENT OF EDUCATION

1. I, James W. Runcie, am the Chief Operating Officer of Federal Student Aid (FSA), a part of the United States Department of Education.
2. As FSA's highest official, I oversee all FSA programs and offices, including Business Operations and FSA Acquisitions.
3. I am providing this Declaration in support of the Government's request for relief from the Preliminary Injunction issued by the Court on May 2, 2017 in this case, as well as related cases *Progressive Financial Services, Inc. v. United States* (Fed. Cl. No. 17-558C), *Collection Technology, Inc. v. United States* (Fed. Cl. No. 17-578C), and *Van Ru Credit Corp. v. United States* (Fed. Cl. No. 17-633C).
4. Most critically, FSA requests that the Court lift that portion of the Preliminary Injunction which prohibits FSA from assigning accounts needing private collection agency (PCA) services to a group of small business contractors who have been performing such services since 2014.
5. The validity of those small business contracts is not subject to any legal challenge.
6. The Court's May 2, 2017 Preliminary Injunction states that the Department may not transfer "work to be performed under the contract at issue in this case to other contracting vehicles to circumvent or moot this bid protest." Similar language was included in temporary restraining orders first issued by the Court on March 29, 2017.
7. The Court's orders have been interpreted to prohibit FSA's assignment of accounts to the small businesses. As a direct result, the Government has been seriously harmed and tens of thousands of students across the country have been denied critical services and significant benefits.

8. Due to the Court's order, FSA did not assign accounts to the small businesses in April 2017. FSA estimates that approximately 91,000 borrower accounts, most of them newly-defaulted, would have been assigned to the small businesses at that time. The total dollar value of those accounts is approximately \$2.1 billion.¹
9. For the current month of May 2017, FSA would normally assign the new batch of accounts on or about May 27, 2017. The Department estimates that approximately 143,000 additional borrowers accounts, most of them newly defaulted, will be available for assignment at that time. The total dollar value of those accounts is approximately \$2.5 billion.
10. This means that by the end of this month (May 2017) a total of 234,000 borrowers (91,000 plus 143,000), holding accounts valued at \$4.6 billion (2.1 billion plus 2.5 billion), will have been denied PCA services if the Court's injunction is not lifted.
11. The delay in providing PCA services to borrowers has significant negative impacts on both the Government and on borrowers and their families.
12. When PCAs are able to service defaulted accounts, collection on the accounts increase significantly. Also, many borrowers enroll in rehabilitation programs, under which they gain access to income-based repayment options and other significant benefits. If rehabilitation is successful, the borrower is no longer in default and the Department removes the record of default from the borrower's credit reports. The loan returns to regular (non-default) servicing, at which time the borrower is eligible for all benefits associated with the loan prior to default, including deferments, and is no longer subject to additional collection costs.
13. FSA estimates that if the Preliminary Injunction is not lifted, the Government will have failed to collect approximately \$2.4 million by the end of June 2017.

¹ An earlier declaration filed by the Contracting Officer in these cases incorrectly stated this figure as \$21 million. This was an inadvertent mathematical error. FSA regrets the error.

14. There are certainly additional significant costs to the Department arising from the disruption of services due to the Court's orders, but which are more difficult to ascertain at this time.
15. I understand that April 2017 was the first time in at least four years that the Department was prevented, for reasons other than operational considerations, from allocating accounts needing PCA services. Essentially, the Plaintiffs have succeeded in seriously disrupting the Government's Federal student loan collection system, including work under eleven contracts awarded to small businesses years ago under an entirely separate solicitation.
16. A second way in which the Court's Preliminary Injunction is harming borrowers is by preventing FSA from recalling accounts held by six PCAs whose contracts expired on April 21, 2017.³
17. Due to the Court's order, FSA cannot recall the accounts nor transfer them to the small business contractors. Accordingly, those borrowers are unable to obtain certain critical services (e.g., establishing a new repayment agreement). FSA's Default Resolution Group can provide only limited services to those borrowers as the accounts are still assigned to the PCA but the PCA's contract has expired.
18. As many of the borrowers whose accounts have not been recalled are enrolled in rehabilitation programs, they may be particularly impacted by any disruption in service and may be at risk of falling out of rehabilitation.

³ On Saturday, April 22, 2017, thirteen (13) PCA contracts that were awarded in 2009 expired. On April 29, 2017, ED recalled the accounts from seven (7) out of those 13, leaving six (6) firms for which the account recall process remains interrupted. They are defendant-intervenors The CBE Group, Inc. and Premiere Credit of North America LLC, plaintiffs in related cases Alltran Education, Inc., Progressive Financial Services, Inc., and Collection Technology, Inc. (CTi), and Transword Systems Inc., who is not a party to this litigation.

I declare under penalty of perjury that the foregoing is true and correct. Executed this
19th day of May, 2017.

A handwritten signature in black ink, appearing to read "James W. Runcie". The signature is written in a cursive style with a horizontal line drawn through the middle of the letters.

James W. Runcie
Chief Operating Officer
Federal Student Aid
United States Department of Education