



WASHINGTON STUDENT ACHIEVEMENT COUNCIL

STUDENT LOAN REFINANCING PROGRAM

REQUEST FOR INFORMATION (RFI)

November 1, 2019

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1. PURPOSE OF REQUEST FOR INFORMATION (RFI)

The Washington Student Achievement Council (WSAC) is formally seeking information about various approaches to implement a new Washington Student Loan Refinancing Program created by the 2019 Legislature. ([Chapter 28B.94 Revised Code of Washington](#)).

This document is neither an offer nor a request for proposals or bids. A response, or a failure to respond to this Request for Information (RFI), will not affect any future contracting opportunities. However, we anticipate using information gathered through this process to develop a document for a subsequent competitive procurement. No solicitation for proposals is available at this time. All Respondents to this RFI will be provided with the procurement document when and if released. This RFI may not be construed as a commitment by WSAC to enter into a contract, nor will WSAC pay for the information solicited or any costs for preparing a response.

This RFI seeks to understand from financial institutions or other entities with knowledge and expertise in student loans:

- 1. What methods or approaches would a financial institution employ to refinance student loan debt?**
- 2. What terms would a financial institution offer to eligible borrowers to refinance qualified loans?**
- 3. What conditions and requirements should WSAC include in a contract with a financial institution selected to participate in the student loan refinancing program?**
- 4. What would be the business case for a financial institution to participate in the student loan refinancing program under such a contract?**

Please respond to this RFI if:

- You have insights, expertise, or suggestions that can inform the design of this program;
- You are interested in receiving any subsequent solicitation for formal proposals; or
- You know of others who may be interested in receiving such a solicitation.

2. OVERVIEW AND BACKGROUND

The Washington Student Achievement Council (WSAC) is a nine-member council supported by a cabinet-level state agency. By statute, the Council provides strategic planning, oversight, advocacy, and program administration to support increased student success and higher levels of educational attainment in Washington. For more information, please visit www.wsac.wa.gov.

WSAC administers a variety of state programs to increase affordability and college access, including need-based student financial aid and targeted workforce assistance programs.

In 2019, the state Legislature passed an extensive Workforce Education Investment Act ([Chapter 406, Laws of 2019; HB 2158](#)). This legislation created a dedicated revenue source for higher education based on a three-tiered increase in the state's business-and-occupation tax paid by professions that depend on higher education. The revenue, totaling \$373.8 M for the 2019-21 biennium, may be used only for higher education operations, compensation, programs, and student aid.

The Washington Student Loan Refinancing Program was created within this same legislation to give the state's residents new tools to address the burden of student loan debt. Student loan borrowers can face daunting amounts of debt, and they often aren't aware of all repayment options available to them. In Washington State alone, over 750,000 people have a combined total of more than \$24.6 billion in student debt. For more information about the effects of student debt on Washington's local economies, visit the [Urban Institute's Debt in America: An Interactive Map](#) (counties) and [Mapping Student Debt](#) (zip codes).

The state has dedicated one million dollars (\$1.0M) each of the next two years to contract with up to five financial institutions for the purpose of refinancing certain existing student loans. This Request for Information (RFI) seeks input to from individuals, financial institutions, or other organizations that will inform program design and any subsequent solicitation for formal, competitive proposals to participate as a contracted financial institution.

3. EXPERTISE REQUIRED

Respondents should be experienced in loan portfolio management and financial institution business operations. Specific experience and knowledge of the student loan market in Washington and nationally, as well as borrower rights under federal student loan programs, will be helpful but is not required to respond to the RFI.

4. HOW TO RESPOND

Responses should consist of answers to the following questions in this section.

4.1 Executive Summary

Respondents may provide an executive summary to summarize their response to the questions set out in Section 1, above.

4.2 Vendor/Respondent Profile

As applicable, briefly describe your financial institution, company, or organization. Please include a description of services, history, ownership, financial information, and other information you deem relevant. In particular, please describe any experience relevant to refinancing student loan debt or any programs in which you have been involved that are similar in concept to that described in the state law and this RFI. Is your firm a financial institution as defined in RCW 7.88.010?

4.3 Methods and Approaches

Please answer the question, "*What methods or approaches would a financial institution employ to refinance student loan debt?*" More specifically, please address whether provisions of the law or definitions of terms used in [Chapter 28B.94 RCW](#) create any practical or operational concerns:

- Financial institutions may leverage the interest rate buy down incentive or loan loss reserve coverage, or some combination thereof, to refinance existing student loans.
- "Interest rate buy down incentive" means the use of state funds to enable qualified borrowers to receive below market rate interest rates.
- "Loan loss reserve coverage" means partial risk coverage to financial institutions to cover losses on qualified loans according to the terms set forth in the contract between the agency and the financial institution.
- "Qualified borrower" means an individual meeting all of the following requirements:
 - Resident of the state of Washington;
 - Is enrolled in, or has completed, a certificate, associate's, bachelor's, graduate, or professional degree program; and
 - Other criteria as deemed appropriate by the council. What additional qualifying criteria should WSAC consider?
- "Qualified loan" means a loan or a portion of a loan made by a financial institution to a qualified borrower to refinance an existing student loan under the program. Only a federal direct PLUS loan or a private student loan determined by the financial institution to be an educational loan that is nondischargeable in bankruptcy as set forth in [11 U.S.C. Sec. 523](#) as it existed on January 14, 2019, shall be a qualified loan eligible for refinancing. A qualified loan made under the program shall:

- Carry a contractual interest rate at least one-quarter of one percentage point lower than the loan being refinanced, and may be made with the interest rates, fees, and other terms and conditions agreed upon by the financial institution and the qualified borrower; and
- Specify that a qualified borrower's obligation under a qualified loan must be discharged if the qualified borrower dies.
- What ways do you recommend to mitigate any concerns caused by these provisions and definitions?
- Would other methods or approaches, not specified in the law, be effective in assisting borrowers with refinancing qualified loans?

4.4 Loan Terms and Program Scale

Please answer the question, “*What terms would a financial institution offer to eligible borrowers to refinance qualified loans?*” And more specifically:

- If a borrower owes \$20,000 in loans eligible for refinancing, what terms could be offered to refinance with an interest rate reduction of at least one-quarter of one percent? Consider various original rates between 6.31% and 7.9% for [PLUS loan interest rates](#) in recent years.
- A total of \$1.0 million is available per year for contracts with up to five financial institutions. What scale can the program reasonably expect to reach in terms of the number and amount of loans refinanced? Does an interest rate buy down incentive or loan loss reserve coverage result in broader scale? Would scale increase with fewer financial institutions under contracts?
- Should a minimum loan amount be required to be eligible to refinance?
- Do you have any insights on borrower motivation to refinance? How much lower does a monthly payment need to be to motivate a person to refinance? Is an interest rate differential alone sufficient motivation? Does total cost over the life of the loan matter?
- Would loan origination or other fees be required in order to refinance an eligible loan?
- What other considerations will affect the costs and terms offered to qualified borrowers?

4.5 Contract Conditions and Requirements

Please answer the question, “*What conditions and requirements should WSAC include in a contract with a financial institution selected to participate in the student loan refinancing program?*” And more specifically:

- How should WSAC structure a solicitation document and contract to address any of the issues and concerns raised by the questions in Section 4 of this RFI or in your response?
- What other laws or regulations governing financial institutions in Washington must be considered for participation in the Student Loan Refinancing Program?
- Should the contract require a financial institution make other than the minimum disclosures to borrowers required in the law? Required disclosures include notice

of any loss of borrower protections including income contingent repayment and public service loan forgiveness options if the qualified borrower is refinancing a federal direct PLUS student loan and the estimated total cost of the qualified loan, including accrued interest. What other disclosures should be required?

- Should the contract prohibit or limit the use of state funds for marketing on qualified loan products by financial institutions?
- Should the contract include performance measures for student loan refinancing and what would those be?
- Reporting requirements to be included in the contract include the number of student loans refinanced, demographic information for borrowers, and estimated total savings by qualified borrowers. What other data points should be collected and reported under the contract?
- What other materials, suggestions, ideas or discussion do you believe we should consider in determining contract conditions and requirements?

4.6 Financial Institution Business Case

Please answer the question, “*What would be the business case for a financial institution to participate in the student loan refinancing program under such a contract?*” And more specifically:

- Other than state funds provided for interest rate buy down incentive or loan loss reserve coverage, no direct compensation for financial institution costs are anticipated for this program. What factors must a financial institution assess to determine whether the costs of participation result in any positive return on investment? What are typical costs associated with managing a student loan portfolio? Please be specific and provide examples.
- What length of time and what volume of loans might be required in order to create a profitable student loan refinancing portfolio? Would a “break even” scenario for participation be of any business value in terms of customer product offerings, goodwill, or corporate citizenship?

4.7 Additional Materials and Other Information We Should Consider

Please provide any other materials, suggestions, and discussion you deem appropriate.

5. TIMELINE

Responses to this RFI must be received no later than 4:00 PM PST on Wednesday, December 4, 2019. Responses should be submitted to:

Don Bennett, Deputy Director
Washington Student Achievement Council
917 Lakeridge Way SW
PO Box 43430
Olympia, WA 98504-3430

Electronic submissions in formats compatible with Microsoft Word are encouraged. Email directly to: donb@wsac.wa.gov

Questions should be directed to Don Bennett at (360) 753-7831 or donb@wsac.wa.gov

WSAC reserves the right to revise the RFI Timeline or other portions of this RFI at any time, and to cancel or reissue this RFI at any time without obligation or liability.

6. IMPORTANT INFORMATION

This RFI does not obligate the Washington Student Achievement Council (WSAC) or the State of Washington to contract for any services described in response to this RFI, nor does response guarantee any advantage to the Respondent. All materials submitted in response to this RFI become the property of WSAC. WSAC reserves the right to use any ideas or information presented in any materials submitted to develop a competitive solicitation for the Washington Student Loan Refinancing Program, or to inform rules or guidance for the program. Although no solicitation is available at this time, WSAC will send a copy of the procurement document when and if one is released to all vendors/respondents who respond to this RFI.

The period of performance of any contract resulting from a competitive procurement for the Washington Student Loan Refinancing Program is tentatively scheduled to begin on or about March 1, 2020 and to end on June 30, 2021. Amendments extending the period of performance, if any, will be at the sole discretion of WSAC. If we release a procurement document, the following is a possible schedule of activity:

Issue Request for Proposals	January 6, 2020
Question and answer period ends	January 17, 2020
Proposals due	January 31, 2020
Evaluate proposals	February 1-7, 2020
Conduct oral interviews with finalists, if required	February 10-12, 2020
Announce "Apparent Successful Contractor(s)" and notify unsuccessful proposers	February 14, 2020
Hold debriefing conferences (if requested)	February 18-19, 2020
Finalize contract	To be determined
File contract with OFM	To be determined
Begin contract work	March 1, 2020

7. PROPRIETARY OR CONFIDENTIAL INFORMATION

Any information contained in your Response that is proprietary or confidential must be clearly designated. The page and the particular exceptions(s) from disclosure must be identified. Each page claimed to be exempt from disclosure must be clearly identified by the word "confidential" printed on the lower right hand corner of the page. Marking the entire response as confidential will be neither accepted nor honored and may result in disclosure of the entire response. The Respondent must be reasonable in designating

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information as confidential. To the extent consistent with Chapter 42.56 RCW, the Public Records Act, WSAC will maintain the confidentiality of vendor's information marked "confidential" or "proprietary". If a request is made to view vendor's proprietary information, WSAC will notify vendor of the request and of the date that the records will be released to the requester unless vendor obtains a court order enjoining that disclosure. If vendor fails to obtain a court order enjoining disclosure, WSAC will release the requested information on the date specified.