Addendum #1 to RFP for Services for 3rd Party Collection of Past Due Student Loans and Receivables

Responses to Questions

October 9, 2019

1. How many accounts do you anticipate placing on an annual basis for primary collections?

Response: For loans, in fiscal year (FY) 2018 we placed 1,053 accounts and in FY19 we placed 970 accounts. I do not have any amount for receivables as those are referred by the individual colleges and universities.

2. What is the average dollar value of those accounts?

Response: The average dollar value of accounts can change over time. For loans placed in FY18 the loan average was $3,048 and in FY19 the loan average was $3,172.

3. Can you please provide us with the current liquidation rates you are receiving from your current Primary and Secondary agencies?

Response: For loans, the combined rate was 12.4% in FY18 and 13.7% in FY19.

4. What is the reason for the RFP?


5. It is unclear which areas of the RFP should be addressed in our proposal, several items prompt for a response but do not align with the Mandatory Requirements or Evaluation Factors on page 10 and are not covered by Attachments A-N. Please confirm if proposals must include responses to:
   • General Selection Criteria and subsequent bullet points (page 3)
   • Section III. Vendor Requirements, Items 1-17 (pages 6-9)

Response: Yes, see attachments F, G & H.

6. Attachments B, C and D: Please clarify if the Affirmative Action Certification, Disabled Individual Clause, and Equal Pay Certificate Application (plus $150 application fee) must be submitted directly to the MDHR. If yes, are copies of these forms to be included in our proposal response?

Response: Applications are submitted directly to MDHR, including any payment required. Attachments B, C and D must be included in the proposal response. Minnesota State is under no obligation to delay the award or the execution of a contract until a vendor has completed the Human Rights certification process. It is the sole responsibility of the Contractor to apply for and obtain a Human Rights certificate prior to contract execution.
7. Attachment E: May we omit the Veteran-Owned Preference Form from our response if we are NOT claiming the preference?

Response: Yes

8. Attachment O: Given the page limit, is it acceptable to include only our acceptance of the contract or exceptions (if any)?

Response: Yes

9. Page 6, Section III, #4 – Contractor reports. “Reports or the equivalence thereof must be available to Minnesota State for download on the Contractor’s secure website.” Is there any alternative to provide reporting via email or secure FTP site until the portal (currently rebuilding) is fully functional or will this be a requirement prior to contract execution?

Response: Yes but all reports must be available to Minnesota State and a secure website must be functional for the contract.

10. Attachment O – Contract – If we do not have any exceptions to the contract, should we include a copy of the contract in our response with the proposed fee and signature?

Response: No, not necessary. See answer #8.

11. What companies are the current incumbents?

Response: ConServe
National Credit Management
Todd, Bremer, & Lawson
Williams & Fudge

12. Attachment D-Equal Pay Certification: Do we need to mail a check now to the Department of Human Rights, or is this done if you when a contract is awarded?

Response: If a vendor’s proposal exceeds $500K it is the vendor’s responsibility to submit the application and payment, and complete the process. Minnesota State is under no obligation to delay the award or execution of a contract until the vendor has completed the process.

13. Attachment O: It indicates in the RFP that it is a sample contract. Should this be filled in and signed now as an acknowledgment of a willingness to comply with the terms and conditions?

Response: No, not necessary. Please see the answer to question #8 and #10.

14. What is the approximate number of accounts placed with your agencies for the last fiscal year?
Response: 970 loan accounts placed with four private agencies, 277 loan accounts with Minnesota Department of Revenue (MDOR)

15. Page 20, Attachment D-Equal Pay Certificate Application asking for $150 application fee - Is this a requirement for RFP and contract?

Response: If a vendor’s proposal exceeds $500K it is the vendor’s responsibility to submit the application and payment, and complete the process. Minnesota State is under no obligation to delay the award or execution of a contract until the vendor has completed the process.

16. Page 4, Contractors may provide additional information about their company; however, must provide response and documents in Attachments A-N order, limiting the total number of pages to 80. Does the page limit include any supplemental attachments we may reference, ie: Reports, Sample Collection Letters, etc.

Response: Yes

17. Please reconfirm the due date for this procurement by providing it in response to answers to questions.

Response: See page 4 of the RFP.

18. Please describe your level of satisfaction with your current or recent vendor(s) for the same purchasing activity, if applicable.

Response: Satisfaction with current vendor(s) is not relevant to this RFP.

19. What estimated or actual dollars were paid last year, last month, or last quarter to any incumbent(s)?

Response: Loan collection fees paid to private agencies was $103,375 in FY18 and $99,229 in FY19.

20. What is the total dollar value of accounts available for placement now by category, including any backlog?

Response: Not available

21. What is the total number of accounts available for placement now by category, including any backlog?

Response: Not available

22. What is the average balance of accounts by category?
23. **What is the average age of accounts at placement (at time of award and/or on a going-forward basis), by category?**

Response: Varies but Minnesota Statute mandates all first referrals of past due loans and accounts receivable debts be referred to the Minnesota Department of Revenue Collection Division.

24. **What is the monthly or quarterly number of accounts expected to be placed with the vendor(s) by category?**

Response: Minnesota State cannot determine at this time how many referrals will be made and is not committing to any specific amount.

25. **What is the monthly or quarterly dollar value of accounts expected to be placed with the vendor(s) by category?**

Response: Minnesota State cannot determine at this time how many referrals will be made and is not committing to any specific amount.

26. **What billing servicer do you utilize?**

Response: ECSI for loans.

27. **If applicable, will accounts held by any incumbent(s) or any backlog be moved to any new vendor(s) as a one-time placement at contract start up?**

Response: Not applicable

28. **What is your case management/accounting software system of record?**

Response: Our ERP is a home grown system.

29. **Who is your electronic payment/credit card processing vendor?**

Response: Not applicable.

30. **What process should a vendor follow, or which individual(s) should a vendor contact, to discuss budget-neutral services outside of the scope of this procurement, but related to it, designed to recover more debt prior to outside placement and lower collection costs?**

Response: Not relevant to this RFP.
31. How do your current processes and/or vendor relationship(s) systematically determine if the death of a responsible party has occurred?

Response: Vendor(s) scrub accounts.

32. How do your current processes and/or vendor relationship(s) handle the death of a responsible party?

Response: Accounts are returned to us from the vendor when notice of death is received.

33. Do you have a designated process or policies around deceased accounts today, and what is envisioned in the future?

Response: Yes but not relevant to this RFP.

34. Do you currently search and file probated estate claims? Have you considered an automated tool to identify and file probated estate claims?

Response: Services outside the scope of this RFP are not being considered.

35. Does Minnesota State add collection costs to non-federal debt? If yes, how does the University communicate the collection costs to its vendors?

Response: Yes based on contract.

36. Can Minnesota State provide details on its current portfolio, separated by debt type? Details such as the average balance and number of placements per month for tuition, federal loans, institutional loans, and miscellaneous receivables would be most helpful.

Response: Not available. The use of contract is optional for accounts receivable as each college or university handles their own.

37. Can Minnesota State and its partner institutions provide a copy of its student financial agreement?

Response: There are promissory notes for federal loans. For other debt types, the student agrees to fees when they register/pay via the web.

38. How long are vendors permitted to retain an account that has been placed for collection?

Response: Please see ‘Vendor Requirements’ on page 6 of the RFP.

39. How does Minnesota State communicate the date of default to ensure vendors aren’t collecting accounts outside the statute of limitations?
Response: The date of default is provided at the time of referral.

40. **Page 21, Attachment D: Is the Equal Pay Certificate application mandatory for vendors whose operations are located outside of Minnesota? Given the $150 application fee, would vendors be permitted to submit this application upon award of contract?**

   Response: It applies to all vendors with more than 40 full-time employees on any single work day in one state during previous 12 months for a bid exceeding $500K. Minnesota State is under no obligation to delay the award or execution of a contract until the vendor has completed the process.

41. **In regards to Section I, with how many agencies is Minnesota State planning to award a contract?**

   Response: We are not committing to a specific number. However, we have had 4 in the past and that has served us well.

42. **In regards to Section I, do exhibits count towards the 80 page limit?**

   Response: Yes.

43. **In regards to Section II, does Minnesota State add collection costs to non-federal accounts placed with an agency?**

   Response: Yes.

44. **In regards to Section II, will Minnesota State provide a copy of the agreement that includes verbiage to permit passing collection agency fees to the borrower or provide the verbiage from that section of the agreement(s)?**

   Response: There are promissory notes for federal loans. Students agree to fees when they register/pay via the web.

45. **In regards to Attachment J, Minnesota is a state that prohibits passing collection fees to consumers for non-federal debts. If fees are passed to consumers for non-federal debts, will Minnesota State please provide the state statute or regulation that authorize this action?**

   Response: Students agree to the fees when they register/pay via the web.

46. **In regards to Section II, if there is a statutory carve out permitting fees on non-federal accounts, will Minnesota state provide a copy of the agreement that includes verbiage to permit passing collection agency fees to the borrower or provide verbiage from the section of the agreement(s)?**

   Response: Students agree to the fees when they register/pay via the web.
47. In regards to Attachment D, is an authorized signer other than the CEO able to sign this form?

Response: No. The equal pay compliance statement must be signed by the Chief Executive Officer or Chairperson of the Board. Please contact Minnesota Department of Human Rights with questions at 651-539-1095 (metro), 1-800-657-3704 (toll free), 711 or 1-800-627-3529 (MN Relay) or at compliance.MDHR@state.mn.us.

48. In regards to Attachment G, are agencies able to provide the information to Minnesota State in their own format?

Response: Prefer in the format of Attachment G

49. In regards to Attachment H.1, would Minnesota State consider current insurance in lieu of a surety or fidelity bond?

Response: The agency must maintain a fidelity bond or comparable insurance to protect the accounts they service. 34 CFR 674.48(c)

50. In regards to Attachment H, are agencies able to provide the information to Minnesota State in their own format?

Response: No

51. In regards to Attachment I, are agencies able to provide the information to Minnesota State in their own format?

Response: Prefer in the format of Attachment I

52. In regards to Attachment K, are agencies able to provide the information to Minnesota State in their own format?

Response: Prefer in the format of Attachment K

53. In regards to Attachment L, are agencies able to provide the information to Minnesota State in their own format?

Response: Prefer in the format of Attachment L

54. In regards to Attachment N, are agencies able to provide the information to Minnesota State in their own format?

Response: Prefer in the format of Attachment N
55. In general, would Minnesota State please provide the following information for each type of loan and account related to this solicitation:
   • Estimated or historical annual volume (#) of accounts sent to collections
   • Estimated or historical annual value ($) of accounts sent to collection

Response: Please see answer to question #1 and #2.

56. In general, what is the current liquidation rate for these accounts?

Response: Please see the answer to question #3.

57. In general, who are the current incumbents?

Response: Please see the answer to question #11.

58. In general, has the current contract gone full term and have all options to extend been exercised?

Response: Our current contracts expire 2/28/2020. All options to extend have been exercised.

59. Please identify the current Contractor(s), as awarded during the last contract term.

Response: Please see the answer to question #11.

60. What is the average balance for each type of account to be placed; National Direct Student Loans (NDSL)? Federal Perkins Loan accounts? Nursing Student Loan accounts (NSL)? Institutional Loans? Student Tuition and Fees?

Response: Minnesota State cannot determine at this time how many referrals will be made and is not committing to any specific amount.

61. What are the contingency rates for Minnesota State’s current Contractor(s) for 2nd placements and 3rd placements for each debt type placed; National Direct Student Loans (NDSL)? Federal Perkins Loan accounts? Nursing Student Loan accounts (NSL)? Institutional Loans? Student Tuition and Fees?

Response:

<table>
<thead>
<tr>
<th>Loans:</th>
<th>2nd and greater</th>
<th>Legal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22%, 23% or 28%</td>
<td>28% or 28.5%</td>
</tr>
<tr>
<td>Accounts Receivable:</td>
<td>22%, 23% or 25%</td>
<td>28% or 28.5%</td>
</tr>
</tbody>
</table>

62. What are the average recoveries by your current Contractor(s) on 2nd placements for; National Direct Student Loans (NDSL)? Federal Perkins Loan accounts? Nursing Student Loan accounts (NSL)? National Direct Student Loans (NDSL)? Federal Perkins Loan accounts? Nursing Student Loan accounts (NSL)? Institutional Loans? Student Tuition and Fees?
63. What are the average recoveries by your current Contractor(s) on 3rd placements for; National Direct Student Loans (NDSL)? Federal Perkins Loan accounts? Nursing Student Loan accounts (NSL)? National Direct Student Loans (NDSL)? Federal Perkins Loan accounts? Nursing Student Loan accounts (NSL)? Institutional Loans? Student Tuition and Fees?

Response: Not available

64. Will 2nd and 2nd placement referrals be placed with agencies under this RFP?

Response: For loans, yes. For accounts receivable, it is optional as each college or university handles their own.

65. How frequently does Minnesota State anticipate placing accounts with the awarded Contractor(s) (daily, weekly, monthly)?

Response: For loans, accounts are typically placed weekly.

66. What areas, processes and or results is Minnesota State looking to improve or enhance under this new contract award?

Response: This will not be addressed at this time.

67. Does Minnesota State have a “signed” Student Financial Responsibility Agreement (SFA), Promissory Note, or Institutional Agreement to allow for the assessment of collection fees on tuition, accounts receivable and institutional accounts when these accounts are placed for collections?

Response: There are promissory notes for federal loans. For other debt types, the student agrees to fees when they register/pay via the web.

68. What collection efforts and dunning cycles are performed internally by Minnesota State prior to placement with the Contractor(s)?

Response: For loans, there is collection staff that send emails, letters and make phone calls prior to 1st placement to Minnesota Department of Revenue. Our servicer ECSI sends monthly billing statements. If returned, our collection staff may also make other attempts before referring out to 2nd placement. For accounts receivable, college or university sends out notices. Once a debt is returned from Minnesota Department of Revenue, the college or university can refer out to 2nd placement. The collection efforts can vary by college or university.
69. After the initial placement, will Contractor(s) receive further placements based on their competitive performance on the contract or is the decision based on non-performance criteria?

Response: For loans, placements will be divided equally between vendors chosen. For accounts receivable, may vary by college or university.

70. What is Minnesota State’s current Cohort Default Rate (CDR) for Perkins?

Response: Not relevant to this RFP.

71. Does Minnesota State have the student sign a Telephone Consumer Protection Act (TCPA) agreement, allowing the School and Contractor(s) contact or text the student via cell phone?

Response: There is no separate agreement. Verbiage in promissory notes for federal loans and students agree to contact when they register.

72. Does Minnesota State provide the mandatory data reporting requirements for Credit Bureau Reporting for Student Tuition and other fees? The following information is needed: Name, SSN, 1st Date of Delinquency, Date of Birth, Type of Debt, Amount of Debt, and Proof of Debt (Contract/Agreement).

Response: Our servicer reports on our student loans. As for accounts receivable, that would have to be decided upon with the individual college or university.

73. What is Minnesota State’s management platform or accounting software system of record?

Response: Our ERP is a home grown system.

74. The proposal states that a fidelity bond equal to at least two months of expected collections will be required. 1) Would excess umbrella coverage or excess crime coverage be an acceptable substitution? 2) If not, what does Minnesota State anticipate two months of collections to be?

Response: Please note it states, “If selected, your agency must agree to” so stating you acknowledge that you have the proper bonding and if selected will provide the proof will be fine. Based on FY19 collections, the monthly average was $35,111 combined for all agencies.

75. Attachment G (p. 24) – For what time frame would Minnesota State like to see recovery data for in questions 2-6?

Response: Current time frame – 2018 and/or 2019 year

76. Why is the contract out to bid at this time?

Response: Please see answer to question #4.
77. Has the current contract gone full terms?

Response: Please see answer to question #58.

78. Who are the current incumbents on the contract?

Response: Please see answer to question #11.

79. How long have the incumbents been providing the requested services?

Response: Since 3/1/2015

80. Are there any portions of this RFP that vary from the prior contract?

Response: The overall purpose of the RFP remains the same in selecting multiple private collection agencies that may be used by Minnesota State in the placement of primarily second and third referrals of debts.

81. What are the current recovery rates of the incumbents?

Response: Please see answer to question #3.

82. If there are no incumbents, what would you expect your placements to liquidate at after the end of 12 months? What are your current rates of liquidation?

Response: Please see answer to question #3.

83. What are the contracted contingency fees and/or actual dollar amounts of monies paid last year to any incumbent(s), if applicable by category?

Response: Please see answer to question #19.

84. Will there be a backlog or recall from the incumbents?

Response: There would be a recall from the incumbents.

85. How many contracts do you anticipate awarding?

Response: Please see answer to question #41.

86. What are the improvement expectations with this RFP and resulting contract?

Response: This is not being addressed at this time.
87. What is most important – liquidation rate, complaints, client services, and/or reporting?

Response: They are all important factors.

88. Can you provide the monthly placement volume, average balance, age at the time of placement and average recovery rates by debt type? For example, Federal Perkins Loans, Nursing Loans, Student Tuition, Fees, and Other Debt Types. Is there a breakdown available by school?

Response: Not available.

89. How many accounts were approved for litigation in the last 12 months?

Response: Very few, don’t have an exact number.

90. Can you provide a breakdown of these accounts including outcomes, number of out of state accounts, and any other data?

Response: Not available.

91. How many “special attorneys” were named and appointed for litigation in the prior contract? Is there a list of pre-approved “special attorneys”?

Response: No, any requests must be approved by the Attorney General’s Office.

92. Is Credit Bureau reporting required for Collection Agencies?

Response: Our servicer reports on our student loans. As for accounts receivable, that would have to be decided upon with the individual college or university.

93. What is the volume and number of accounts that have outstanding balances reduced as a result of the “tax offset (revenue recapture)” program?

Response: In 2018 there were 236 accounts that had balances reduced by a total of $115,235.

94. Are collection fees added prior to placement? If so, will documentation be provided showing proof that collection cost can be passed on to the student?

Response: Currently we refer a balance and the vendor adds the collection fee. There are promissory notes for federal loans. Students agree to fees when they register.

95. Are the colleges and universities required to utilize all the awarded collection agencies? Or are they free to select from the roster of agencies awarded as a result of this RFP?
Response: It is optional for the colleges and universities so they select.

96. Section I. General Information – Background: How long does the Minnesota Department of Revenue, Collections Division, keep the accounts that are turned over to them at 121 days past due?

Response: For loans, 12 months from last activity. For accounts receivable, can be returned after 24 months.

97. Section I. General Information – Background: What is the current liquidation rate for accounts turned over to the Minnesota Department of Revenue, Collections Division?

Response: For loans, the rate was 26.3% in FY18 and 41.6% in FY19.

98. How many vendors will be chosen for a contract award?

Response: Please see answer to question #41.

99. What estimated or actual dollars were paid last year to the incumbent?

Response: Please see answer to question #19.

100. What is the total dollar value of accounts available for placement by category?

Response: Unknown at this time.

101. What is the total number of accounts available for placement by category?

Response: Unknown at this time.

102. What is the average balance of accounts by category?

Response: Please see answer to questions #2.

103. What has been the historical rate of return or liquidation rate provided by the incumbent, and what is anticipated as a result of this procurement?

Response: Please see answer to questions #3.

104. Attachment O, Page 33, section 5 b. “Regular collection rates will not be paid on the full amount referred when efforts by Minnesota State, with the knowledge of or at the request of the Contractor, are utilized in collecting the account receivable.”
Please clarify this statement. Will the vendor receive payment if our efforts are used to prompt communication between the student and Minnesota State?

Response: Each situation would have to be reviewed.

105. Section V. Additional RFP Response and General Contract Requirements outlines that Contractors are limited to an 80 page response.

- Please confirm if additional documents, such as the requested financial statements, count toward the 80 page limitation.

Response: Yes, all additional documents count toward the 80 page limitation.

106. Section III. Vendor Requirements, 15. Bonding.
Prior to the execution of this contract, CONTRACTOR will provide proof of bonding and acknowledge that your agency meets all Federal and State regulations. Federal regulations for student loans require a fidelity bond equal to at least two months of expected collections.

- Would the State accept proof of insurance that exceeds the requirements in lieu of the fidelity bond?

Response: The agency must maintain a fidelity bond or comparable insurance to protect the accounts they service. 34 CFR 674.48(c)

107. Equal Pay Certificate Clarification

Response: If the Response to this solicitation could be in excess of $500,000, including renewal and extension options, the Responder must obtain an Equal Pay Certificate from the Minnesota Department of Human Rights (MDHR) or claim an exemption prior to contract execution. A responder is exempt if it has not employed more than 40 full-time employees on any single working day in one state during the previous 12 months. Please contact MDHR with questions at: 651-539-1095 (metro), 1-800-657-3704 (toll free), 711 or 1-800-627-3529 (MN Relay) or at compliance.MDHR@state.mn.us.