

To: Guaranty Agency CEOs

From: Jeff Baker
Federal Student Aid

Re: Federal Register Notice Inviting Letters or Interest for VFA Participation

Date: August 12, 2013

On August 14, 2013, we will publish in the *Federal Register* a notice inviting FFEL Program guaranty agencies to submit letters of interest to enter into a Voluntary Flexible Agreement (VFA) with the Secretary. As fully described in the *Federal Register* notice, the Secretary intends to enter into VFAs with a small number of guaranty agencies (likely three or fewer) that will assume responsibility for all or some of the defaulted and non-defaulted FFEL Program loans transferred to it by the Secretary from a guaranty agency that chooses to terminate its agreement with the Secretary. The Secretary will have sole responsibility for determining which of the VFA participating guaranty agencies will assume any specific terminating agency's portfolios.

The VFA participating agencies will continue to operate under their existing guaranty agency agreements for their own FFEL Program Loan portfolios. Also, as noted in the *Federal Register* notice, the VFAs will include a revised schedule of revenues and fees that will apply to the loans transferred to the VFA participating guaranty agency. The revised schedule, which will be common to all VFA participating guaranty agencies, will result in lower costs to the Secretary.

Note that, as indicated in the *Federal Register* notice, the deadline for a guaranty agency to submit a letter of interest for consideration to participate under the terms of a VFA as described in the notice, must be received no later than September 13, 2013.

We believe that the information included in the *Federal Register* notice provides guaranty agencies with a comprehensive description of the contemplated VFAs as well as detailed instructions on when and how letters of interest must be submitted. However, to ensure that there is clarity around this initiative, we are inviting all interested guaranty agencies to participate in a conference call with Departmental policy and operational officials. We are in the process of scheduling this one-hour call, but expect it to be during the week of August 19, 2013. We will send an email to the CEO of each guaranty agency as soon as we have the exact date, time, and call-in numbers.

We thank you for your interest in this initiative.