

**Finance Authority of Maine  
Request for Proposals for Collection Services  
For The Maine Loan & Maine Medical Loan**

I. Overview and Background Information

The Finance Authority of Maine (FAME) is requesting proposals from qualified organizations, firms, agencies, and other entities to provide collection services for its alternative student loan program commencing in January 2017. The Provider will be appointed to serve for an initial period of three years with up to two, two-year extension options, providing the pricing, terms, and conditions offered by the Provider are mutually acceptable.

FAME was established as Maine's business finance agency in 1983 and charged with supporting the start-up, expansion and growth plans of Maine's business community. The agency began working closely with Maine's lending community to improve access to capital as well as to help fill gaps that exist in the State's capital delivery system.

The Maine Loan and the Maine Medical Loan were formerly offered by Maine Educational Loan Authority (MELA), and are now being administered by the Finance Authority of Maine (FAME). MELA was merged with FAME as of October 15, 2015 and FAME is the successor to MELA. Like MELA, which provided private student loans, FAME's mission is to assist Maine students and their families in achieving their higher education goals. Since 1990, FAME has provided financial education and outreach, as well as grant, scholarship, loans, loan guarantee, loan forgiveness and college savings programs. In 2015, the Maine Legislature approved merging MELA into FAME so Maine students and families would have a single State resource for all of their higher education financing needs. All these alternative loans are funded with the proceeds from tax-exempt bonds or obligations, and no State monies are allocated to fund the program. FAME currently has \$107,815,000 in student loan revenue and refunding bonds outstanding under a 2009 Indenture of Trust and 2010, 2012 and 2014 supplemental indentures. All of FAME's bond issues are insured by Assured Guaranty Corporation and carry the moral obligation backing of the State of Maine.

Two student loan products are currently offered. The Maine Loan<sup>®</sup> is available to eligible undergraduate and graduate students to borrow funds up to the full cost of education less other financial aid. The Maine Medical Loan<sup>sm</sup> is available to eligible medical students to borrow funds up to the full cost of a medical degree less other financial aid. From 2006 to 2008 as well as for part of 2014 a Private Consolidation Loan<sup>sm</sup> was offered, allowing borrowers with qualifying alternative education loans to consolidate these loans. These loans are approved based on the creditworthiness of the applicants consistent with the

program rules. Borrowers must have a Maine nexus. Total loan volume in 2015 was \$7.8 million for The Maine Loan and The Maine Medical Loan.

Prior to 1996, the program offered a fixed rate loan product with an interest rate of 8.90%. The program began offering a one-year variable rate loan in June of 1996 after the first issuance of Auction Rate Securities. The current annual variable interest rate for The Maine Loans disbursed prior to August 2010 is 8.8%. Beginning in August 2010, The Maine Loan and Maine Medical Loan were offered as fixed rate loan programs with one fixed interest rate requiring interest only payments. In July 2014, The Maine Loan and Maine Medical Loan programs began to offer three fixed rate options based on the repayment plan selected. Immediate repayment of principal and interest is offered at 5.50%, borrowers selecting the interest only option during school and grace are at 6.50% and those selecting deferment of principal and interest during school and grace are at 7.50%.

FAME contracts with Firstmark Services, LLC/Nelnet Servicing, LLC (Firstmark), a wholly-owned subsidiary of Nelnet, Inc. (Nelnet) for the servicing of all program loans since 1996. Nelnet, a publicly traded corporation based in Lincoln, Nebraska, is an integrated educational finance organization offering services in student loan origination and servicing, secondary market services, and guarantor servicing support. Firstmark specializes in the servicing of alternative education loans.

Since 1996, the program has disbursed \$253,885,258 in loans, of which \$9,120,584 have defaulted and been assigned to the Authority's two collection agencies. As of June 30, 2016, there are 55 defaulted accounts on assignment with one of FAME's current collection agencies totaling \$824,573. The other collection agency has 494 defaulted accounts totaling \$7,241,980. The age of these defaulted loans range from one month to twenty (20) years. From July 2015 through June 2016, FAME assigned 80 defaulted accounts to collection with principal and interest balances of \$895,917. FAME transfers debt for collections that meets the following criteria: 1) borrower is 180 days past due; 2) borrower is not in a special payment arrangement; or 3) FAME has previously worked with the borrower in a special payment arrangement that has been unsuccessful. Pursuant to Section 523(a) (8) of the United State Bankruptcy Code, FAME believes that its educational loans are non-dischargeable in bankruptcy.

This program has historically had a low cumulative default rate as a percentage of loans in repayment. As of June 30, 2016, FAME's cumulative gross default rate is 2.74%.

For additional information, the programs quarterly reports are available at [www.Maineloan.com](http://www.Maineloan.com) under Investor Relations.

## II. Scope of Services

The collection services to be provided to the Finance Authority of Maine (FAME) are for the collection of defaulted alternative (non-federal) education loan debt. These collection services will supplement the due diligence performed by the Authority's third party

provider. Firstmark Services, LLC (Firstmark), as FAME's loan servicer, is required to perform due diligence in accordance with an agreed upon schedule and standards at various stages of the delinquent accounts. FAME corresponds with delinquent borrowers to pursue payment of their debt following the efforts by Firstmark and prior to assigning the defaulted loans to the Authority's current collection agencies. The specific collection services to be provided to FAME include the following major categories:

#### Collection Services

- Receive and accept all accounts for collection services referred by FAME. This includes all accounts, regardless of the debt amount. FAME reserves the right to submit accounts which have been previously placed with another collection agency, which will be identified as second placements for the borrower and first placements for the Provider. FAME will provide all data and documentation necessary to collect the debts.
- Process formal collection letters upon placement, on behalf of FAME, to inform borrowers that their accounts have been referred to the Provider for payment. Borrowers must be provided with the Provider's telephone number and other contact information in all forms of communication.
- Perform a wide-range of collection services necessary to maximize the recovery of all accounts for collection referred by FAME. This includes, but is not limited to, telephone calls, mail efforts, skip tracing, use of national credit bureaus, filing of lawsuits, and asset location. All collection services must be performed in accordance with all applicable Federal and State regulations.
- Document all efforts taken in the collections process for all accounts as prescribed by Federal regulations. These records must be made available to FAME upon request for a period of seven (7) years after the account is paid in full or returned to FAME due to unsuccessful collection efforts or other reasons.
- Implement collection strategies sufficient to generate collection activity on all accounts within twelve (12) months. FAME, at its discretion, may discontinue the placement of inactive accounts with the Provider following this twelve (12) month period.
- Secure signed repayment agreements from defaulted borrowers and monitor compliance with the agreements, as appropriate.
- Present all settlement offers to FAME for approval or rejection. The Provider may not accept a settlement for any account referred for collection without prior written consent of FAME. Failure to follow this process may result in the Provider being financially responsible for any remaining balance on the borrower's account following the settlement.

- Prepare collection and litigation correspondence sent to borrowers in accordance with all Federal and State regulations.
- Submit copies of judgments to FAME within fifteen (15) days of filing the judgments.
- Secure written consent from FAME prior to initiating legal proceedings against a borrower. Initiate and serve lawsuit documents once authorized by FAME to move forward with litigation. Litigation of borrower accounts will be pursued only after all other collection efforts are unsuccessful.
- Provide FAME with copies of any correspondence or other communications received from borrowers or their representatives alleging complaints against the Provider in the course of the collections process. Copies of such correspondence or other communication is required to be submitted to FAME as soon possible, but no later than five (5) business days of receipt of such correspondence or communication.
- Other reasonably related duties required in connection with the collection of FAME's defaulted alternative education loans.

#### Reporting Requirements

- FAME requires the Provider to submit monthly reports within ten (10) business days of the close of each month. The primary reports include a Monthly Remittance Statement, a Monthly Status Report, and a Monthly Performance Analysis Report. Listed below is the information to be provided in these reports.

##### Monthly Remittance Statement

- a. Reporting period (month, year)
- b. Name of borrower
- c. Account identifier
- d. Date of payment
- e. Amount paid by borrower directly to Provider showing applied amounts to the account and the fees due to Provider
- f. Amount of adjustments or other fees due
- g. Remaining balance due by borrower
- h. Total fees due to Provider
- i. Other pertinent information

##### Monthly Status Report

- a. Reporting period (month, year)
- b. Name of borrower
- c. Account identifier
- d. Amount of each account assigned to Provider for collection

- e. Amount of any contingency costs added by Provider for reconciliation purposes
- f. Total amount collected for each account as of the end of the reporting period
- g. Amount of adjustments as of the end of the reporting period and reason for the adjustments
- h. Outstanding balance (principal, interest, fees and collection cost) of each account assigned to Provider as of the end of the reporting period, including additional interest and fees accrued for the reporting period
- i. Status of each borrower's account (e.g. paid in full, closed and returned to FAME, legal, other with notation, etc.)
- j. Summary totals
- k. Total number of accounts placed with Provider as of the reporting period
- l. Other pertinent information

#### Monthly Performance Analysis

- a. Reporting period (month, year)
  - b. Number of assignments
  - c. Amount of assignments
  - d. Average amount of assignment
  - e. Total amount of collections made
  - f. Percent of assignments collected
  - g. Fees paid to Provider
  - h. Percent of fees paid to assignments
  - i. Number of active accounts
  - j. Amount of active accounts
  - k. Number of paid in full accounts
  - l. Amount of paid in full accounts
  - m. Other pertinent information
- Provide any updated borrower address or name change information on a monthly basis.
  - Provide other reasonably related reports on accounts upon request by FAME on a periodic, quarterly or annual basis.

#### Accounting and Records

- Maintain books, records, documents and other evidence, accounting and management procedures and practices, and due diligence documentation of all work performed for FAME. FAME or its auditors reserve the right to inspect the Provider's books, records, and other documents pertinent to the work being performed for FAME. Such records shall be available for this purpose

at the Provider's office during normal office hours upon reasonable notice for a period of seven (7) years from final payment for services.

### III. General Information

All proposals submitted in response to the Finance Authority of Maine's (FAME) Request for Proposals (RFP) for Collection Services for The Maine Loan and Maine Medical loan must comply with submission and deadline requirements plus contain the following information, responses or confirmations.

- A. The deadline for receipt of proposals is **Friday, September 30, 2016 at 4:00 p.m. Eastern Standard Time (EST)**. All proposals must be clearly marked "FAME Collection Services Proposal" and be submitted via email to: [serickson@famemaine.com](mailto:serickson@famemaine.com) with a copy to [education@famemaine.com](mailto:education@famemaine.com). If any required items cannot be attached and need to be sent through the mail, it is the proposer's responsibility to ensure adequate time for delivery to meet the aforementioned deadline. Please send two (2) copies of any attachments via the mail to: Finance Authority of Maine, P.O. Box 949, 5 Community Drive, Augusta, ME 04332.
- B. Proposals must include a response to each item listed in the RFP under Section IV. Proposal Requirements.
- C. Proposals received after the deadline will be rejected, without exception.
- D. Proposals must be signed by a person legally authorized to bind the proposer.
- E. FAME will not accept responsibility for any costs incurred by a proposer in the preparation of their proposal or in connection with any interview or negotiation relating to this RFP.
- F. Proposers should direct inquiries regarding the RFP or requests for additional information to Dr. Shirley Erickson at: [serickson@famemaine.com](mailto:serickson@famemaine.com). Questions and answers will be emailed to prospective proposers. All inquiries must be submitted by Wednesday, September 14, 2016 at 4:00 p.m. EST. Telephone inquiries will not be accepted.
- G. The RFP process includes the following timeframe of activities.

<u>Activity</u>	<u>Deadline</u>
• RFP Notification to Prospective Proposers	August 31, 2016
• RFP Advertised	September 2, 2016
• Inquiries from Prospective Proposers	September 14, 2016
• <b>Proposals due by 4:00 p.m. EST</b>	<b>September 30, 2016</b>
• Award Decision Notification	October 21, 2016

- H. Selection will be based on the following: 1) completeness of proposal (25 points); 2) qualifications and experience of staff assigned to work with FAME (25 points); 3) general collections experience and specific collections experience with alternative education loans (25 points); and 4) proposed fees and expenses (25 points) for a total of 100 possible points.
- I. All responses to the RFP become the property of FAME and will be considered available for public viewing following the award decision notification, subject to the Freedom of Access Laws of the State of Maine. Confirm your understanding of this requirement by including the statement **“I understand that my bid will be available for public view following the bid award.”** in your proposal.
- J. Non-compliance with proposal guidelines, including failure to submit any requested information or to follow the proposal format requested in this RFP, may disqualify the proposal. The proposal must provide FAME with complete information needed for evaluation.
- K. All proposals become the property of FAME upon receipt, and will not be returned to the proposer. Selection or rejection of proposals will not affect this right.

#### IV. Proposal Requirements

The Finance Authority of Maine (FAME) has identified several proposal requirements to assist the Authority in determining which organization will best serve the needs for collection services for the Maine Loan and Maine Medical Loan.

Please provide a thorough but concise response to the items listed below. Appendices may be used for additional general information. Failure to provide a response to each item may deem a proposal invalid.

- A. Provide an overview of your organization including, but not limited to, the following:
- A description of your organization and its primary business or services.
  - Type of organization (e.g. franchise, wholly-owned, independently affiliated, corporation, partnership, etc.).
  - Year organization was established.
  - Location of main office and any other offices.
  - Qualifications and experience of your organization with general collections and with collections of alternative education loans.
  - Number of collection clients, total collection assignments, total dollar amount assigned, and recovery percentage for the past three (3) fiscal

years. Please break out this information specific to clients with alternative education loan debt.

- B. Identify the qualifications and experience of the individuals from your organization to be assigned to FAME. Please include the names and titles, a brief description of professional background, each individual's proposed area of responsibility plus percentage of their time available to FAME, and management reporting structure.
- C. Provide an overview of your organization's approach to collections, including methods, procedures, and strategies. In your response, please address the specific items listed below:
- The steps to be utilized in collecting FAME's defaulted loans.
  - The approach to collections based on the dollar value of the account (e.g. letters, telephone contact, litigation, etc.).
  - Procedures used in order to reduce potential liability to FAME in the process of collecting on accounts referred by the Authority.
  - Method of documenting collection attempts and management's accountability that such attempts have been made.
  - Procedures and services used for skip-tracing. Please indicate varying levels of procedures used based on dollar thresholds of the accounts, if applicable.
  - Procedures of reporting to national credit bureaus.
  - Different strategies employed for first and second placements.
  - Stratification of portfolio to maximize collection efforts (e.g. FICO score, size of balance, age of account, etc.).
  - Description of the procedures for litigation and any parameters for these accounts (e.g. minimum balance, age of account, etc.).
  - Procedures and services used for asset location.
- D. Provide evidence of your organization's capability to provide required collection services and litigation within the United States. Please describe if internal or external counsel will be used. Proposer will need to certify that their organization possesses the necessary permits and licenses to perform such services in all 50 states.
- E. Describe your organization's ability to produce and provide the monthly reports described in the RFP under Section II. Scope of Services. The reporting requirements listed in Section II., are intended to serve as minimum reporting requirements. The proposer should include additional reports available, if deemed warranted. The proposer should have the ability to modify the sample reports and/or create additional reports upon FAME's request and notification. In your response, please also address the specific items listed below:



- Provide a sample of your standard monthly reports used for existing collection clients.
- Explain the various options available for receiving monthly reports (e.g. electronic, proposer's secure website, United States mail, etc.), and in what file format options are available.
- Provide the estimated turn-around time for customized reports and how additional costs are calculated for these reports.
- Explain the ability to customize your organization's system to track borrower accounts in accordance with requests from FAME, such as defaulted loans by bond indenture.

F. Describe the automation capabilities of your organization including, but not limited to, the following:

- Ability to receive account placement data via transmission from FAME to the proposer's computer system through a secure server.
- Ability for FAME to have internet access to the proposer's computer system, by authorized FAME representatives, to inquire about the status of a borrower's account, history of collection activity, reports, etc.
- Explain your organization's plan for backing up files and data and ensuring confidentiality and security of borrower information. Provide a copy your Disaster Recovery Plan.
- Describe your company's software used to monitor accounts.
- Ability for borrowers to view their accounts and pay their debt via the proposer's website. Please include which automated forms of payment options are available to borrowers.

G. The proposer must certify that every attempt to collect debt on behalf of FAME will be conducted in strict compliance with all Federal and State regulations and laws pertaining to each case. Under no circumstances shall the proposer engage in unfair collection practices or violate guidelines established by the Federal Trade Commission in the process of collecting FAME's defaulted accounts. Please provide a copy of your organization's Identity Theft Prevention Program and the associated policies and procedures developed by your organization to ensure compliance with the Fair and Accurate Credit Transactions Act of 2003 (FACT Act).

H. Provide an explanation of how the accounts and services will be transitioned from the prior servicers or collection agency. Your response should address both first and second account placements.

I. Indicate whether or not your organization will be providing services to FAME directly or subcontracting portions of the work to other organizations. If any part of the work is to be subcontracted, please include a list of subcontractors along with the organization name and address, contact person's name and e-

mail address, complete description of the work to be subcontracted, and descriptive information concerning the subcontractor's qualifications and experience with respect to the work to be completed. No assignment of interest in the Agreement, either direct or indirect, may take place without prior written consent by FAME.

- J. The Provider agrees to indemnify, defend and save harmless the Authority, its officers, agents and employees from any and all claims, costs, expenses, injuries, liabilities, losses and damages of every kind and description (hereinafter in this paragraph referred to as "claims") resulting from or arising out of the performance of the Agreement by the Provider, its employees, agents, or subcontractors. Claims to which this indemnification applies include, but without limitation, the following: (i) claims suffered or incurred by any contractor, subcontractor, materialman, laborer and any other person, firm, corporation or other legal entity (hereinafter in this paragraph referred to as "person") providing work, services, materials, equipment or supplies in connection with the Provider's performance of the Agreement; (ii) claims arising out of a violation or infringement by the Provider of any proprietary right, copyright, trademark, right of privacy or other right arising out of publication, translation, development, reproduction, delivery, use, or disposition of any data, information or other matter furnished or used in connection with the Agreement; (iii) claims arising out of a libelous or other unlawful matter used or developed in connection with the Agreement by the Provider; (iv) claims suffered or incurred by any person who may be otherwise injured or damaged in the Provider's performance of the Agreement; and (v) all reasonable legal fees and other expenses of defense against any asserted claims to which this indemnification applies. This indemnification does not extend to a claim that results solely and directly from (i) the Authority's negligence or unlawful act, or (ii) action by the Provider taken in reasonable reliance upon instruction or direction given by an authorized person acting on behalf of the Authority in accordance with the Agreement.
- K. Confirm your understanding of the requirement to secure and maintain in force for the duration of the Collection Services Agreement, insurance as listed below against claims which may arise from or in connection with the performance of the work hereunder by the Provider, its agents, representatives, employees or subcontractors. The selected Provider will need to provide a certificate of insurance verifying the same. The certificate is to be signed by a person authorized by the insurer to bind coverage on its behalf. All certificates are to be received and approved by FAME before the Agreement commences. FAME reserves the right to require complete, certified copies of all required insurance policies at any time. Any policy having an annual aggregate limit of liability shall disclose that limit. FAME reserves the right to deem any annual aggregate limits as acceptable or not prior to awarding the Collection Services Agreement.

- Workers' Compensation and Employer's Liability insurance and insurance for any other similar employee benefit acts as required by law. A non-resident Provider shall have insurance for benefits in accordance with Maine's law for any employee fulfilling the obligations of the Collection Services Agreement in Maine.
- If applicable, Automobile Liability insurance for owned and non-owned vehicles of the Provider with limits of liability of not less than \$400,000 each occurrence.
- Commercial General Liability (CGL) insurance with limits of liability of not less than \$400,000 each occurrence.
- Sufficient Property insurance including valuable records coverage equal to or greater than the amount necessary to prevent Provider from becoming a co-insurer.
- Professional Liability insurance that includes Errors and Omissions applicable to the performance of duties inherent to the alternative student loan collection profession, subject to a limit of liability of not less than \$1,000,000 per claim.
- Bonding of employees addressing dishonesty and infidelity in the performance of duties, subject to a limit of liability of not less than \$1,000,000 each occurrence.

The insurance coverage shall be written for not less than any limits of liability herein specified or required by Maine law, whichever is greater. The Provider's insurance coverage shall be primary insurance. Any insurance or self-insurance maintained by FAME for its officers, agents, and employees shall be excess of the Provider's insurance and shall not contribute with it. Failure to maintain the insurance coverage above shall be grounds for immediate termination of the Collection Services Agreement.

- L. Describe your company's training and development programs for staff assigned to work with FAME borrowers.
- M. Provide a list of the names of any professional organizations for which your organization or individuals assigned to FAME are members.
- N. Describe your organization's process and timeframe for responding to debtor complaints.
- O. Provide an overview of your organization's financial situation. The proposer is required to provide the two (2) most recent audited financial statements or other representation of financial solvency that demonstrates the proposer has adequate financial resources for performance or has the stability to obtain such resources as required during performance under this proposed engagement. If available, provide a copy of your most recent compliance attestation audit.

- P. Describe any investigation, review, litigation or arbitration in the last three (3) years in which your organization was involved, either as a plaintiff or as a defendant, as it relates to any services which you propose to provide to FAME, including the current status of such litigation, management's opinion as to the likely outcome of such litigation and whether such litigation or outcome could potentially have an adverse impact on your organization's operations so as to affect its ability to effectively serve FAME.
- Q. Describe any existing professional relationship of your organization or any of its proposed subcontractors, which may create a conflict of interest together with a statement explaining why such relationship does not constitute a conflict of interest relative to performing the proposed collection services.
- R. Provide a list of three (3) references including the contact names, titles, addresses (mail and e-mail), and telephone numbers for which work similar to that being proposed by FAME has been performed. Also, please include the length of time your organization has provided services to each reference.
- S. Provide a detailed description of all proposed fees and expenses for a three (3) year Agreement. Please include the hourly rate or range of hourly rates for staff and the costs associated with other services routinely billed. In your response, please address the specific items listed below:
- Identify the amount and any variation in the fees charged for collection services in Maine and outside of Maine.
  - Describe the fees charged for first and second placements.
  - Fees for internal and external counsel and prepaid court costs in cases of litigation.
  - Existence of discounted rates for quasi-governmental agencies and the process for consideration.
  - Breakdown of hourly rate or range of hourly rates for paralegal assistants, word processing, report customization, computer system programming, copying, and other services.
  - Describe if any deconversion fees would apply for accounts that may be removed from the Provider after the initial Agreement is executed.

FAME may award a contract based on the initial proposals received from proposers. Proposals should be submitted with best prices to allow for the evaluation of each proposal in relation to other competitive offers.

- T. Include a sample Agreement for Collection Services and a sample invoice to report and bill for work performed. Please note that although the Monthly Remittance Statement will include the amount due to the Provider, the Provider is required to submit a formal invoice to FAME.

- U. Describe any additional services that your organization could provide that may be of interest and value to FAME. For example, does your organization image documents? If so, please explain the process.

V. Selection Process

The Finance Authority of Maine's (FAME) selection will be based on the following criteria for a total of 100 possible points:

- A. Completeness of Proposal (25 points)
- Response provided to each item under Section IV. Proposal Requirements
  - Quality and comprehensiveness of proposal
- B. Qualifications and Experience of Staff Assigned to FAME (25 points)
- Proposed staff assigned to FAME
  - Level and number of years of collections experience
- C. General Collections Experience and Specific Collections Experience with Alternative Education Loans (25 points)
- Background and experience in providing general collection services to public and private sector organizations
  - Background and experience in providing specific collection services for alternative education loans
  - Depth of service capabilities
- D. Proposed Fees and Expenses (25 points)
- Competiveness of fees
  - Cost of additional expenses routinely billed

VI. Rights of the Finance Authority of Maine

The Finance Authority of Maine (FAME) reserves the right to request and receive additional information from proposers, as it may reasonably require.

The issuance of this Request for Proposals (RFP) for Collection Services for The Maine Loan and Maine Medical Loan in no way constitutes a commitment by FAME to award a contract. FAME further reserves the right to reject any or all proposals, waive minor irregularities in proposals submitted and to select the organization which demonstrates to the satisfaction of FAME (in its sole discretion) that its proposal will best serve the needs of FAME. FAME may not necessarily select the organization with the lowest cost proposal.

FAME reserves the right to make an award without further discussion with the proposers about the proposals received. Therefore, it is important that responses to the RFP are as thorough and competitive as possible at the time of submission.