To: **COHEAO Members**
Fr: **Wes Huffman, COHEAO Strategic Advisor**
Date: **April 28, 2026**
Re: **Treasury RFI on Defaulted Student Loan Collections: What It Signals and What Comes Next**

Following recent announcements on the transfer of defaulted accounts, the U.S. Department of Treasury has taken a meaningful step toward reconstituting a federal approach to collecting defaulted student loans that relies on private-sector support.

Through the Bureau of the Fiscal Service (BFS), Treasury recently issued a Request for Information (RFI) and draft solicitation for "Default Resolution Agent Services – Education Debt."

The document is framed as market research, but it provides a clear window into how Treasury is thinking about operationalizing collections on behalf of the Department of Education (ED). At the center of this effort is a large and consequential portfolio—approximately 9.2 million borrowers and $217 billion in defaulted student loan debt.

For COHEAO's commercial members—particularly collection agencies and related service providers—this is not just another procurement. It is a potential reopening of a major federal servicing channel, but under a different structure, different assumptions, and a different lead agency than in the past.

Treasury is not building something entirely new. Instead, it is attempting to extend its existing Cross-Servicing program, which is used to collect delinquent federal non-tax debt, to handle defaulted student loans at scale.

Under federal law, agencies are generally required to refer non-tax debts that are more than 120 days delinquent to Treasury. Student loans in default—typically 270+ days delinquent—fit within that framework. What is new here is the scale and borrower-facing complexity of the portfolio being contemplated.

The RFI outlines a model in which Treasury would:

- Receive defaulted student loan accounts from ED/FSA
- Service some accounts internally
- Refer a significant share to private contractors ("default resolution agents")
- Manage performance, compliance, and account allocation centrally

In effect, Treasury is positioning itself as the operational hub, with private agencies functioning as distributed collection and resolution capacity.

How the Draft Model Would Work

The draft solicitation contemplates awarding multiple task orders to collection agencies through the GSA Multiple Award Schedule (SIN 561440). Contracts would run for a base year with four option years and operate on a fee-for-service, performance-based model.

Once accounts are referred, contractors would be responsible for the full range of borrower-facing activity: outreach, payment negotiation, repayment plans, rehabilitation

pathways, consolidation support, dispute handling, and administrative wage garnishment processes. Treasury would retain the ability to intervene, recall accounts, or reassign them at any time.

The structure of account flow is particularly important. Initial allocations would be relatively even across contractors, but over time, account volume would shift based on performance—specifically, how effectively agencies convert inventory into collections.

In practical terms, this creates a competitive environment where volume follows results. Contractors would generally have about 270 days to work an account, although that period can extend in cases where borrowers are in active repayment arrangements or wage garnishment is underway.

A Different Compensation Philosophy

One of the most consequential aspects of the draft is Treasury's proposed compensation structure.

Rather than differentiating between types of borrower outcomes, Treasury is exploring a single commission rate based on net collections, applied uniformly across all activities—whether the borrower makes a voluntary payment, enters a repayment plan, completes rehabilitation steps, or consolidates out of default.

Notably, the draft does not contemplate:

- Separate payments for rehabilitation
- Additional compensation for consolidation-related activity
- Payment for administrative resolutions that do not produce collections

This represents a meaningful departure from past approaches and raises a straightforward question: how will labor-intensive, borrower-resolution work be valued if it is not directly tied to immediate collections?

That question is likely to sit at the center of industry feedback and future procurement design.

Operational and Compliance Expectations

If Treasury proceeds along the lines described in the draft, contractors should expect a highly controlled operating environment.

The requirements are extensive and reflect both the sensitivity of borrower data and the visibility of the program. This is not unusual for federal work, but the combination of scale + borrower sensitivity + political visibility makes this a particularly demanding environment.

What Makes This Different from Prior Models

For members familiar with the prior ED private collection agency (PCA) program, several differences stand out.

First, this is Treasury-led, not ED-led. That brings a different institutional culture, different systems, and a different baseline set of expectations.

Second, the model is more tightly integrated into a centralized federal debt collection framework. Treasury's Cross-Servicing system sits at the center, with contractors operating as extensions of that system rather than as parallel actors.

Third, the draft leans more heavily on performance-based volume allocation, which could create sharper competitive dynamics among contractors.

Finally—and most importantly—the compensation model is more streamlined and potentially less tailored to the nuances of student loan resolution work.

Implementation Questions That Will Shape Outcomes
While the RFI lays out a coherent structure, the success of this effort will depend less on the framework itself and more on how it is implemented.

Several issues are likely to shape that outcome:

- **Scale and sequencing:** Restarting large-scale borrower-facing collection activity on millions of defaulted student loan accounts is not simply a procurement exercise. There has not been active ED-contracted private collection activity in this space for several years, so Treasury is not merely transitioning live work from one contractor ecosystem to another. Agencies may need time to rebuild or expand staffing, training, systems integration, borrower communications, payment workflows, complaint handling, and quality assurance capacity. A measured rollout may be necessary to balance performance with stability.

- **Depth of student loan expertise:** Defaulted student loans involve specific processes—rehabilitation, consolidation, borrower defenses, disability and discharge pathways—that differ from other federal receivables. Contractors will need both technical knowledge and trained staff to navigate these pathways effectively.

- **Subcontracting and capacity-building:** The draft solicitation appears to contemplate a demanding operational environment in which prime contractors may need specialized partners for staffing, systems, skip tracing, compliance, call center support, or other functions. Subcontracting could help Treasury expand capacity and support participation by smaller or more specialized firms. At the same time, borrower-facing work in defaulted student loans requires clear accountability, consistent training, data security, call recording, and compliance oversight. Treasury's final approach to subcontracting will matter not only for vendor participation, but also for borrower experience and program integrity.

- **Vendor capacity and market structure:** The use of GSA MAS as the entry point raises practical questions about how many vendors are both eligible and capable of operating at scale in this space.

- **Alignment of incentives:** The proposed single commission structure simplifies administration but may not fully reflect the range of activities required to resolve accounts responsibly. How Treasury calibrates that model will influence contractor behavior and borrower outcomes.

- **Upfront investment requirements:** Agencies will likely face meaningful startup costs—staffing, training, systems integration, compliance infrastructure—before collections ramp. The structure of the procurement will determine how manageable those costs are.

- **Policy stability:** Federal student loan policy has been unusually dynamic in recent years. Contractors may weigh the risk of future policy changes when considering participation and pricing.

What This Means for COHEAO Commercial Members
This RFI signals a real opportunity, but not a simple one.

For collection agencies and related vendors, the potential volume is significant, and the federal government appears committed to leveraging private-sector capacity. At the same time, the structure being contemplated is more centralized, more compliance-intensive, and potentially more performance-driven than prior models.

This is clearly strategic re-entry point for collections in the massive and continually growing defaulted Direct Loan portfolio. However, collection firms must recognize this is a different operating environment than the historical PCA program; and a procurement where terms—particularly compensation and implementation—will matter as much as access.

Firms interested in becoming active participants in this potentially resuscitated market should monitor whether Treasury proceeds to a formal solicitation and how the final procurement defines eligible vendors. Members should also watch whether the compensation model is adjusted, how account volume is phased, and whether Treasury provides additional clarity on rehabilitation, consolidation, borrower disputes, and administrative wage garnishment processes. These details will determine whether the opportunity is commercially workable and operationally sound.

Bottom Line
Treasury is moving toward a new model for addressing the large and complex defaulted student loan portfolio. Treasury's activities will be informed by ED's previous efforts on collections, but this is a different agency and a different model than PCA Defaulted Loan contracts of the past.

The framework is viable in concept. Whether it succeeds in practice will depend on how well it accounts for the realities of scale, borrower engagement, operational complexity, and market incentives.

For COHEAO's commercial members, the coming stages of this process—particularly any formal solicitation—will be critical in determining how those factors are balanced.

Questions/Comments
If you have any questions or comments you'd like to share on this document or generally regarding the shift of student loan responsibilities from ED to Treasury, please feel free to contact Wes Huffman at wes@campusaccesspartners.com or 202-423-9480.