



OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

Request for Information
Structure and Implementation of the
Student Investment Account Program
370-500-20-025

May 18, 2020
Responses due by 2:00 p.m. CT on June 30, 2020.

Ms. Maria Oldani
Chief Procurement Officer
400 West Monroe Street, Suite 401
Springfield, IL 62704

**Office of the Illinois State Treasurer
Request for Information
Student Investment Account Program**

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I. INTRODUCTION

The Office of the Illinois State Treasurer (“Treasurer” or “Treasurer’s Office”) is issuing this Request for Information (“RFI”) regarding the industry best-practices, structure and management, and implementation of the Illinois Student Investment Account Program (“Program”), an impact investment program. Responses will assist the Treasurer in designing, branding, and implementing the Program.

Service providers, including, but not limited to, investment consultants, regulators, consumer protection experts, student success advocates, investment banking institutions, direct student loan lenders, and higher education professionals (“Respondents”) shall submit their responses to this RFI by 2:00pm CT on June 30, 2020. The Treasurer solicits responses from individuals and organizations with expertise in the student loan industry, specifically in the following areas: state and federal regulatory provisions; due diligence and fiduciary oversight; portfolio modeling; securitized products experience; underwriting experience; origination experience; consumer protection; loan servicing; higher education financing options; income share agreements; and diversity and inclusion, amongst other factors.

The Treasurer intends to utilize the information collected through this RFI to develop the procurement process for the Program.

II. BACKGROUND

In 2019, the Illinois General Assembly passed, and the Governor signed into law, the Student Investment Account Act (110 ILCS 991 et seq.) (the “Act”), which allows the Treasurer to invest up to 5% of the state investment portfolio, approximately \$750 million, in affordable and responsible education loan products such as income-share agreements and low-interest student loans for Illinois residents with higher education expenses. The Act seeks to create an impact investment framework that supports Illinois students and borrowers in financing their education while generating acceptable returns for the State of Illinois.

Under the Program, the Treasurer will invest in student financing products that can be offered to borrowers. Under no circumstances will the Treasurer be considered a direct lender or provide any loans or other student financing products directly to borrowers.

A. Objective

The Program maintains the core mission of supporting Illinois students and borrowers in financing their education while also generating acceptable returns for the State. Beginning June 30, 2021, the Treasurer may allocate up to 5% of the investment portfolio, approximately \$750 million, on a continuing and recurring basis.

The goal of this RFI is to collect information that will help meet the following objectives:

1. Collect recommendations on structuring of the Program;

2. Identify channels to advance the Program – with multiple products and target audiences – to market;
3. Identify pricing and interest rate trends in the student loan industry;
4. Gather recommendations on suitable investment structures and options/products for the Program;
5. Gain insight within the administration and oversight of student loan products, including an outline of the steps necessary for a successful implementation; and
6. Gain insight into higher education financing repayment structures and features for student financing products.

B. Definitions

The following definitions apply to this RFI:

1. "Borrower" means an Illinois resident who has received, or plans to receive, an education loan, or an Illinois resident parent who has received or agreed to pay an education loan on behalf of a student, subject to approval by the Treasurer.
2. "Education loan" means a loan made to a Borrower in accordance with this Act to finance an Illinois resident student's attendance at an institution of higher education.
3. "Institution of higher education" means a post-secondary educational institution located in Illinois and approved by the Treasurer.
4. "Income share agreement" means an agreement between a participant and an eligible institution of higher education or an income share agreement provider approved by the Treasurer in which the participant agrees to pay a percentage of the participant's future earnings for a fixed period in exchange for funds to pay for their post-secondary education.
5. "Income share agreement provider" means an organization that allows income share agreement participants to fund their education by means of an income share agreement.
6. "Student Investment Account" means the portion of the Treasurer's State Investment Portfolio described in Section 15 of the Act.

Please see the Act for definitions of other terms applicable to the Program, which is accessible here: <http://www.ilga.gov/legislation/publicacts/101/101-0586.htm>.

III. RFI PROCESS AND SCHEDULE

This Section outlines the process and schedule associated with this RFI.

A. Schedule

The following is the schedule for this RFI:

Date	Event
May 18, 2020	RFI published on the Treasurer’s Office website
June 1, 2020	Notice of intent to participate in the Optional Respondent Tele-Conference due by 2:00 p.m. CT.
June 5, 2020	Optional Respondent Tele-Conference at 2:00 pm CT.
June 10, 2020	All Respondent questions due by 2:00 p.m. CT.
June 17, 2020	Responses to all questions posted on the Treasurer’s Office website.
June 30, 2020	Responses to the RFI due at 2:00 p.m. CT.

These dates are subject to change at the Chief Procurement Officer’s (“CPO’s”) discretion.

B. Contact information

The CPO is the sole point of contact concerning this RFI.

Respondents should submit questions about the intent or content of this RFI and request clarification of any and all procedures used for this RFI prior to the submission of a response. Respondents must submit their questions in writing by e-mail to the CPO, Maria Oldani, at moldani@illinoistreasurer.gov by 2:00 p.m. CT on June 10, 2020.

C. Respondent Teleconference

Each Respondent must e-mail notice of intent to attend the Respondent Teleconference to Maria Oldani at MOldani@illinoistreasurer.gov prior to 2:00 p.m. CT on June 1, 2020. Attendance at the Respondent Teleconference is optional. The Respondent Teleconference shall be on June 5, 2020 at 2:00 p.m. CT. Teleconference details will be emailed after notice of intent to participate has been received.

D. Response Submittal

All Responses to the RFI must be submitted by either e-mail, mail, or messenger to the following Chief Procurement Officer Maria Oldani, no later than 2:00 p.m. CT on June 30, 2020:

E-mail: MOldani@illinoistreasurer.gov

Address: Ms. Maria Oldani
Chief Procurement Officer
Office of the Illinois State Treasurer
400 West Monroe Street, Suite 401

E. RFI Process

1. Questions about this RFI

Respondents must submit questions about the intent or content of this RFI and request clarification of any and all procedures used for this RFI prior to the submission of a Response. Respondents must prepare their questions in writing and send them by e-mail to the CPO.

2. Internet/E-mail Communications

The Treasurer's Office may also communicate with Respondents via e-mail. Each Respondent should provide an e-mail address with its response for ease of communication throughout this RFI process.

3. Verbal Communications

Any verbal communication from the Treasurer's Office or its contractors concerning this RFI is not binding on the Treasurer's Office and shall in no way alter the terms of this RFI.

4. Amendment

If it is necessary to amend this RFI, the Treasurer's Office will post amendments on the Treasurer's Office website:

[http://www.illinoistreasurer.gov/Office_of_the_Treasurer/Procurement/Procurement Opportunities](http://www.illinoistreasurer.gov/Office_of_the_Treasurer/Procurement/Procurement_Opportunities)

5. Respondent's Costs

The cost of developing a Response is each Respondent's responsibility and may not be charged to the Treasurer's Office.

6. Withdrawal of Response

A Respondent may withdraw its Response at any time prior to the deadline for receipt of Responses. The Respondent must submit a written withdrawal request, addressed to the CPO and signed by the Respondent's duly authorized representative.

7. Modification of Response

A Respondent may submit an amended Response before the deadline for receipt of Response. Such amended Response must be a complete replacement for the previously submitted Response and must be clearly identified as such in the transmittal letter to the CPO.

8. Response to RFI is State Property

On the response due date, all responses and related material submitted in response to this RFI become the property of the State of Illinois.

All responses received by the Treasurer will be open to the public, though a Respondent may request that the Treasurer treat certain information as confidential in accordance with 44 Ill. Admin. Code §1400.2505. If Respondent requests confidential treatment of any information it considers to be exempt from public disclosure under the Illinois Freedom of Information Act (“FOIA”) (5 ILCS 140) or other applicable laws and rules, Respondent should submit a redacted copy, which copy shall be clearly identified as “Redacted Copy.” In a separate attachment to the Redacted Copy, Respondent shall supply a listing of the provisions of the response, identified by section number, for which it seeks confidential treatment, identify the basis of each claimed exemption, and show how that basis applies to the request for exemption in accordance with 44 Ill. Admin. Code §1400.2505(1).

A request for confidential treatment will not supersede the Treasurer’s legal obligations under FOIA. In responding to a request made under FOIA, the Treasurer reserves the right to rely on Respondent’s decision whether to submit a Redacted Copy with its response, and the Treasurer is under no obligation to notify the vendor prior to providing a complete and unredacted proposal, with any unredacted attachments, if Respondent does not elect to provide a Redacted Copy with its response as described in this Section.

9. CPO May Cancel the RFI

If the CPO determines it is in the Treasurer’s Office best interest, she reserves the right to cancel or modify the RFI.

IV. QUESTIONS

The Respondent must answer the following questions:

Program Structure, Administration, and Oversight

1. What are your recommendations as to the design and structure of the Program?
2. Given that the Treasurer is considering multiple education loan investments, services, and products, what would you recommend on the number and types of investments, services, and products to offer? To what degree would you recommend these various aspects of the Program be coupled? Why?
3. Please share your recommendations for the Program on the following:
 - a. Evaluation of Prospective Service Providers
 - b. Underwriting Guidelines
 - c. Loan Servicing
 - d. Payment Terms & Features
 - e. Borrower Protections

- f. Investment Management
 - g. Investment Opportunities
 - h. Regulatory Framework
 - i. Oversight Structure
4. How could the Program encourage, incentivize, or incorporate complementary savings behaviors, such as for retirement, home ownership, emergency funds, entrepreneurship, principal paydown or goals?
 5. The 2011 Illinois DREAM Act expands access to higher education for individuals who have an ITIN number; what would be the recommended approach in providing student loan products to individuals who do not have a social security number?
 6. How should the Program interact with Illinois institutions of higher education, the Illinois Student Assistance Commission, the Illinois Board of Higher Education, and the United States Department of Education?

Industry Pricing and Interest Rate Trends

7. Given market trends and macroeconomic factors, where do you think student loan interest rates and Income Share Agreement products are headed in the near and long term? Why?
8. Given market trends, how would the investment structure of the Program impact the pricing structures stated in the question above?
9. What strategies can the Program incorporate to offer competitively priced interest rates while generating adequate returns for the Treasurer's investment portfolio?
10. What would be the recommended compensation model for the program manager, given these trends?

Investment Management

11. Provide a suggested investment framework. Would your recommendations differ between various student loan products (i.e. income share agreements and refinance products)?
12. Provide insights on investment services, and perspectives on due diligence for potential service providers, investment selection, and benchmarking, among other investment duties.
13. What factors would you consider in structuring an appropriate asset allocation for the Program?
14. Would you recommend utilizing various investment products? Please provide potential investment opportunities that are adequate for the Student Investment Account based on legislative authority and provide a detailed explanation of how the investment opportunity would compel social/economic impact.

15. What metrics or factors would you recommend when determining alternative underwriting criteria for college students with limited credit history?
16. What do you recommend for risk management governance and ongoing investment oversight of the Program?

Awareness and Outreach

17. Given the state and federal regulations on student loans, what approach would you recommend for helping Illinois students connect to the Program?
18. What would be your recommended approach for the branding of the Program?
19. Based on shifting consumer trends, what would be Respondent's approach to providing informational materials, enrollment forms, and disclosures in English as well as other languages?
20. What outreach strategies would you recommend to ensure informed participation by low-income, underserved populations?

Implementation and Program Management

21. What would be your recommendation on the implementation of the Program given that it may include various products (i.e. traditional loans and income share agreements)?
22. How would a program manager ensure investment assets are routed to an appropriate investment vehicle to account for risk appetite?
23. What would be the recommended timeline for a completed implementation? Please be as detailed as possible.
24. What would be your recommended approach for servicing of student loan products/services?
25. How would a program manager communicate effectively to potential Borrowers?
26. What Program features should a program manager develop to protect borrowers and support successful repayment?
27. What would effective financial literacy and education tools for borrowers look like in the Program when fully implemented?
28. Would Respondent be willing to submit a response if an RFP is issued for the Program?

29. Please provide any additional information not requested above which Respondent deems important and relevant to this RFI.