Subsec. (b)(2). Pub. L. 110–315,  $\S117(2)(B)(i)$ , in introductory provisions, substituted "the administration of Federal" for "administration of the information and financial systems that support" and "subchapter IV" for "this subchapter".

Subsec. (b)(2)(A). Pub. L. 110–315, \$117(2)(B)(ii)(I), substituted "for the Federal student financial assistance programs authorized under subchapter IV" for "of the delivery system for Federal student assistance" in introductory provisions.

Subsec. (b)(2)(A)(i), (ii). Pub. L. 110–315, \$117(2)(B)(ii)(II), added cls. (i) and (ii) and struck out former cls. (i) and (ii) which read as follows:

"(i) the collection, processing and transmission of applicant data to students, institutions and authorized third parties, as provided for in section 1090 of this title;

"(ii) design and technical specifications for software development and systems supporting the delivery of student financial assistance under subchapter IV;".

Subsec. (b)(2)(A)(iii). Pub. L. 110-315,  $\S117(2)(B)(ii)(III)$ , substituted "administration" for "delivery".

Subsec. (b)(2)(A)(iv). Pub. L. 110–315, \$117(2)(B)(ii)(IV), inserted "the Federal" after "supporting", substituted "authorized under subchapter IV" for "under this subchapter", and struck out "and" after the semicolon.

Subsec. (b)(2)(A)(v). Pub. L. 110–315, \$117(2)(B)(ii)(V), substituted "the administration of the Federal student financial assistance programs authorized under subchapter IV; and" for "systems that support those programs."

Subsec. (b)(2)(A)(vi). Pub. L. 110-315, §117(2)(B)(ii)(VI), added cl. (vi).

Subsec. (b)(2)(B). Pub. L. 110-315, \$117(2)(B)(iii), substituted "activities and functions" for "operations and services".

Subsec. (c). Pub. L. 110-315, \$117(3)(A), substituted "Performance plan, report, and briefing" for "Performance plan and report" in heading.
Subsec. (c)(1)(C)(i). Pub. L. 110-315, \$117(3)(B)(i), sub-

Subsec. (c)(1)(C)(i). Pub. L.  $1\bar{10}$ –315, §117(3)(B)(i), substituted "under subchapter IV" for "this subchapter". Subsec. (c)(1)(C)(iii). Pub. L. 110–315, §117(3)(B)(ii), struck out "information and delivery" after "integrating the".

Subsec. (c)(1)(C)(iv). Pub. L. 110–315, §117(3)(B)(i), (iii), substituted "Developing" for "Developing an", "systems" for "delivery and information system", and "under subchapter IV" for "this subchapter".

Subsec. (c)(2)(A). Pub. L. 110–315, §117(3)(C)(i), inserted "the" after "PBO and".

Subsec. (c)(2)(B). Pub. L. 110–315,  $\S117(3)(C)(ii)$ , substituted "Officers" for "Officer".

Subsec. (c)(3). Pub. L. 110-315, §117(3)(D), inserted "students," after "consult with" in introductory provisions.

Subsec. (c)(4). Pub. L. 110-315, §117(3)(E), added par. (4).

Subsec. (d)(1). Pub. L. 110-315, §117(4)(A), struck out after first sentence "The Secretary shall appoint the Chief Operating Officer within 6 months after October 7. 1998."

Subsec. (d)(4)(B). Pub. L. 110-315, \$103(b)(2), substituted "authorizing committees" for "Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate".

Subsec. (d)(5)(B). Pub. L. 110-315, \$117(4)(B)(i), substituted "paragraph (4)" for "paragraph (2)".

Subsec. (d)(5)(C). Pub. L. 110-315, §117(4)(B)(ii), struck out "this" before "subparagraph (B)".

Subsec. (f)(2). Pub. L. 110-315, §117(5)(A), substituted "to students, borrowers," for "to borrowers".

Subsec. (f)(3)(A). Pub. L. 110-315, §117(5)(B), substituted "paragraph (1);" for "paragraph (1)(A);".

Subsec. (g)(3). Pub. L. 110–315, §117(6), struck out "not more than 25" before "technical and professional employees"

Subsec. (h). Pub. L. 110-315, §117(7), substituted "effectiveness" for "organizational effectiveness".

Subsecs. (i), (j). Pub. L. 110–315, §117(8)–(10), redesignated subsec. (j) as (i), struck out ", including transition costs" before period at end, and struck out former subsec. (i). Text of former subsec. (i) read as follows: "The Secretary and the Chief Operating Officer, not later than 180 days after October 7, 1998, shall report to Congress on the proposed budget and sources of funding for the operation of the PBO."

#### Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2020 AMENDMENT

Pub. L. 116–251, §6, Dec. 22, 2020, 134 Stat. 1132, provided that: "This Act [see Short Title of 2020 Amendment note set out under section 1001 of this title], and the amendments made by this Act, shall take effect on the date that is 180 days after the date of enactment of this Act [Dec. 22, 2020]."

#### EFFECTIVE DATE OF 2009 AMENDMENT

Amendment by Pub. L. 111–39 effective as if enacted on the date of enactment of Pub. L. 110–315 (Aug. 14, 2008), see section 3 of Pub. L. 111–39, set out as a note under section 1001 of this title.

STUDY OF MARKET MECHANISMS IN FEDERAL STUDENT LOAN PROGRAMS

Pub. L. 105–244, title VIII, §801, Oct. 7, 1998, 112 Stat. 1803, which directed the Comptroller General and Secretary of Education, in consultation with a study group, to design and conduct a study to identify and evaluate means of establishing a market mechanism for the delivery of certain student loans made pursuant to title IV of the Higher Education Act (20 U.S.C. 1070 et seq.) and to transmit a final report to congressional committees not later than May 15, 2001, was repealed by Pub. L. 110–315, title IX, §931(1), Aug. 14, 2008, 122 Stat. 3456.

#### § 1018a. Procurement flexibility

#### (a) Procurement authority

Subject to the authority of the Secretary, the Chief Operating Officer of a PBO may exercise the authority of the Secretary to procure property and services in the performance of functions managed by the PBO. For the purposes of this section, the term "PBO" includes the Chief Operating Officer of the PBO and any employee of the PBO exercising procurement authority under the preceding sentence.

### (b) In general

Except as provided in this section, the PBO shall abide by all applicable Federal procurement laws and regulations when procuring property and services. The PBO shall—

- (1) enter into contracts to carry out the functions set forth in section 1018(b)(2) of this
- (2) obtain the services of experts and consultants without regard to section 3109 of title 5 and set pay in accordance with such section; and
  - (3) through the Chief Operating Officer—
  - (A) to the maximum extent practicable, utilize procurement systems that streamline operations, improve internal controls, and enhance management; and
  - (B) assess the efficiency of such systems and assess such systems' ability to meet PBO requirements.

#### (c) Service contracts

# (1) Performance-based servicing contracts

The Chief Operating Officer shall, to the extent practicable, maximize the use of perform-

ance-based servicing contracts, consistent with guidelines for such contracts published by the Office of Federal Procurement Policy, to achieve cost savings and improve service.

#### (2) Fee for service arrangements

The Chief Operating Officer shall, when appropriate and consistent with the purposes of the PBO, acquire services related to the functions set forth in section 1018(b)(2) of this title from any entity that has the capability and capacity to meet the requirements set by the PBO. The Chief Operating Officer is authorized to pay fees that are equivalent to those paid by other entities to an organization that provides services that meet the requirements of the PBO, as determined by the Chief Operating Officer.

#### (d) Two-phase source-selection procedures

#### (1) In general

The PBO may use a two-phase process for selecting a source for a procurement of property or services.

#### (2) First phase

The procedures for the first phase of the process for a procurement are as follows:

#### (A) Publication of notice

The contracting officer for the procurement shall publish a notice of the procurement in accordance with section 1708 of title 41 and subsections (e), (f), and (g) of section 637 of title 15, except that the notice shall include only the following:

- (i) A general description of the scope or purpose of the procurement that provides sufficient information on the scope or purpose for sources to make informed business decisions regarding whether to participate in the procurement.
- (ii) A description of the basis on which potential sources are to be selected to submit offers in the second phase.
- (iii) A description of the information that is to be required under subparagraph (R).
- (iv) Any additional information that the contracting officer determines appropriate.

# (B) Information submitted by offerors

Each offeror for the procurement shall submit basic information, such as information on the offeror's qualifications, the proposed conceptual approach, costs likely to be associated with the proposed conceptual approach, and past performance of the offeror, together with any additional information that is requested by the contracting officer.

#### (C) Selection for second phase

The contracting officer shall select the offerors that are to be eligible to participate in the second phase of the process. The contracting officer shall limit the number of the selected offerors to the number of sources that the contracting officer determines is appropriate and in the best interests of the Federal Government.

#### (3) Second phase

#### (A) In general

The contracting officer shall conduct the second phase of the source selection process in accordance with sections 3306(a) to (e) and 3308, chapter 37, and section 4702 of title 41.

#### (B) Eligible participants

Only the sources selected in the first phase of the process shall be eligible to participate in the second phase.

# (C) Single or multiple procurements

The second phase may include a single procurement or multiple procurements within the scope, or for the purpose, described in the notice pursuant to paragraph (2)(A).

#### (4) Procedures considered competitive

The procedures used for selecting a source for a procurement under this subsection shall be considered competitive procedures for all purposes.

# (e) Use of simplified procedures for commercial products and commercial services

Whenever the PBO anticipates that commercial products or commercial services will be offered for a procurement, the PBO may use (consistent with the special rules for commercial products and commercial services) the special simplified procedures for the procurement without regard to any dollar limitation otherwise applicable to the use of those procedures.

#### (f) Flexible wait periods and deadlines for submission of offers of noncommercial products and services

#### (1) Authority

In carrying out a procurement, the PBO may—

- (A) apply a shorter waiting period for the issuance of a solicitation after the publication of a notice under section 1708 of title 41 than is required under subsection (a)(3)(A) of such section; and
- (B) notwithstanding subsection (a)(3) of such section, establish any deadline for the submission of bids or proposals that affords potential offerors a reasonable opportunity to respond to the solicitation.

# (2) Inapplicability to commercial products and services

Paragraph (1) does not apply to a procurement of a commercial product or a commercial service.

# (3) Consistency with applicable international agreements

If an international agreement is applicable to the procurement, any exercise of authority under paragraph (1) shall be consistent with the international agreement.

# (g) Modular contracting

# (1) In general

The PBO may satisfy the requirements of the PBO for a system incrementally by carrying out successive procurements of modules of the system. In doing so, the PBO may use procedures authorized under this subsection to procure any such module after the first mod-

#### (2) Utility requirement

A module may not be procured for a system under this subsection unless the module is useful independently of the other modules or useful in combination with another module previously procured for the system.

#### (3) Conditions for use of authority

The PBO may use procedures authorized under paragraph (4) for the procurement of an additional module for a system if-

- (A) competitive procedures were used for awarding the contract for the procurement of the first module for the system; and
- (B) the solicitation for the first module included-
  - (i) a general description of the entire system that was sufficient to provide potential offerors with reasonable notice of the general scope of future modules;
  - (ii) other information sufficient for potential offerors to make informed business judgments regarding whether to submit offers for the contract for the first module; and
  - (iii) a statement that procedures authorized under this subsection could be used for awarding subsequent contracts for the procurement of additional modules for the system.

#### (4) Procedures

If the procurement of the first module for a system meets the requirements set forth in paragraph (3), the PBO may award a contract for the procurement of an additional module for the system using any of the following procedures:

#### (A) Single-source basis

Award of the contract on a single-source basis to a contractor who was awarded a contract for a module previously procured for the system under competitive procedures or procedures authorized under subparagraph (B).

# (B) Adequate competition

Award of the contract on the basis of offers made by-

- (i) a contractor who was awarded a contract for a module previously procured for the system after having been selected for award of the contract under this subparagraph or other competitive procedures; and
- (ii) at least one other offeror that submitted an offer for a module previously procured for the system and is expected, on the basis of the offer for the previously procured module, to submit a competitive offer for the additional module.

Award of the contract under any other procedure authorized by law.

### (5) Notice requirement

### (A) Publication

Not less than 30 days before issuing a solicitation for offers for a contract for a module for a system under procedures authorized under subparagraph (A) or (B) of paragraph (4), the PBO shall publish in the Commerce Business Daily a notice of the intent to use such procedures to enter into the contract.

# (B) Exception

Publication of a notice is not required under this paragraph with respect to a use of procedures authorized under paragraph (4) if the contractor referred to in that subparagraph (who is to be solicited to submit an offer) has previously provided a module for the system under a contract that contained cost, schedule, and performance goals and the contractor met those goals.

#### (C) Content of notice

A notice published under subparagraph (A) with respect to a use of procedures described in paragraph (4) shall contain the information required under section 1708(c) of title 41, other than paragraph (4) of such section, and shall invite the submission of any assertion that the use of the procedures for the procurement involved is not in the best interest of the Federal Government together with information supporting the assertion.

#### (6) Documentation

The basis for an award of a contract under this subsection shall be documented. However, a justification pursuant to section 3304(e) of title 41 or section 637(h) of title 15 is not re-

#### (7) Simplified source-selection procedures

The PBO may award a contract under any other simplified procedures prescribed by the PBO for the selection of sources for the procurement of modules for a system, after the first module, that are not to be procured under a contract awarded on a single-source basis.

### (h) Use of simplified procedures for small business set-asides for services other than commercial services

#### (1) Authority

The PBO may use special simplified procedures for a procurement of services that are not commercial services if-

- (A) the procurement is in an amount not greater than \$1,000,000;
- (B) the procurement is conducted as a small business set-aside pursuant to section 644(a) of title 15; and
- (C) the price charged for supplies associated with the services procured are items of supply expected to be less than 20 percent of the total contract price.

# (2) Inapplicability to certain procurements

The authority set forth in paragraph (1) may not be used for-

- (A) an award of a contract on a singlesource basis; or
  - (B) a contract for construction.

#### (i) Guidance for use of authority

### (1) Issuance by PBO

The Chief Operating Officer of the PBO, in consultation with the Administrator for Federal Procurement Policy, shall issue guidance for the use by PBO personnel of the authority provided in this section.

#### (2) Guidance from OFPP

As part of the consultation required under paragraph (1), the Administrator for Federal Procurement Policy shall provide the PBO with guidance that is designed to ensure, to the maximum extent practicable, that the authority under this section is exercised by the PBO in a manner that is consistent with the exercise of the authority by the heads of the other performance-based organizations.

# (3) Compliance with OFPP guidance

The head of the PBO shall ensure that the procurements of the PBO under this section are carried out in a manner that is consistent with the guidance provided for the PBO under paragraph (2).

#### (j) Limitation on multiagency contracting

No department or agency of the Federal Government may purchase property or services under contracts entered into or administered by a PBO under this section unless the purchase is approved in advance by the senior procurement official of that department or agency who is responsible for purchasing by the department or agency.

#### (k) Laws not affected

Nothing in this section shall be construed to waive laws for the enforcement of civil rights or for the establishment and enforcement of labor standards that are applicable to contracts of the Federal Government.

#### (l) Definitions

In this section:

#### (1) Commercial product

The term "commercial product" has the meaning given the term in section 103 of title 41.

# (2) Commercial service

The term "commercial service" has the meaning given the term in section 103a of title 41

#### (3) Competitive procedures

The term "competitive procedures" has the meaning given the term in section 152 of title 41.

### (4) Single-source basis

The term "single-source basis", with respect to an award of a contract, means that the contract is awarded to a source after soliciting an offer or offers from, and negotiating with, only such source (although such source is not the only source in the marketplace capable of meeting the need) because such source is the most advantageous source for purposes of the award.

# (5) Special rules for commercial products and commercial services

The term "special rules for commercial products and commercial services" means the regulations set forth in the Federal Acquisition Regulation pursuant to sections 1901 and 3305(a) of title 41.

#### (6) Special simplified procedures

The term "special simplified procedures" means the procedures applicable to purchases of property and services for amounts not greater than the simplified acquisition threshold that are set forth in the Federal Acquisition Regulation pursuant to sections 1901(a)(1) and 3305(a)(1) of title 41.

(Pub. L. 89–329, title I, §142, as added Pub. L. 105–244, title I, §101(a), Oct. 7, 1998, 112 Stat. 1611; amended Pub. L. 110–315, title I, §118, Aug. 14, 2008, 122 Stat. 3116; Pub. L. 115–232, div. A, title VIII, §836(g)(2), Aug. 13, 2018, 132 Stat. 1872.)

#### **Editorial Notes**

#### CODIFICATION

In subsec. (d)(2)(A), "section 1708 of title 41" substituted for "section 18 of the Office of Federal Procurement Policy Act (41 U.S.C. 416)" on authority of Pub. L. 111–350, §6(c), Jan. 4, 2011, 124 Stat. 3854, which Act enacted Title 41, Public Contracts.

In subsec. (d)(3)(A), "sections 3306(a) to (e) and 3308, chapter 37, and section 4702 of title 41" substituted for "sections 303A and 303B of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 253a and 253b)" on authority of Pub. L. 111–350,  $\S6(e)$ , Jan. 4, 2011, 124 Stat. 3854, which Act enacted Title 41, Public Contracts.

In subsec. (f)(1)(A), "section 1708 of title 41" substituted for "section 18 of the Office of Federal Procurement Policy Act (41 U.S.C. 416)" on authority of Pub. L. 111–350, §6(c), Jan. 4, 2011, 124 Stat. 3854, which Act enacted Title 41, Public Contracts.

In subsec. (g)(5)(C), "section 1708(c) of title 41" substituted for "section 18(b) of the Office of Federal Procurement Policy Act (41 U.S.C. 416(b))" on authority of Pub. L. 111–350, §6(c), Jan. 4, 2011, 124 Stat. 3854, which Act enacted Title 41, Public Contracts.

In subsec. (g)(6), "section 3304(e) of title 41" substituted for "section 303(f) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 253(f))" on authority of Pub. L. 111–350, §6(c), Jan. 4, 2011, 124 Stat. 3854, which Act enacted Title 41, Public Contracts.

#### PRIOR PROVISIONS

A prior section 1018a, Pub. L. 89–329, title I, §142, as added Pub. L. 100–418, title VI, §6201, Aug. 23, 1988, 102 Stat. 1515, related to grants for literacy corps programs, prior to the general amendment of this subchapter by Pub. L. 102–325.

#### AMENDMENTS

2018—Subsec. (e). Pub. L. 115–232,  $\S 836(g)(2)(A)$ , in heading, substituted "commercial products and commercial services" for "commercial items" and, in text, substituted "that commercial products or commercial services will be offered for a procurement, the PBO may use (consistent with the special rules for commercial products and commercial services) the special simplified procedures for the procurement without regard to" for "that commercial items will be offered for a procurement, the PBO may use (consistent with the special rules for commercial items) the special simplified procedures for the procurement without regard to—", struck out par. (1) designation, substituted period for "; and", and struck out par. (2). Prior to amendment, par. (2) read as follows: "the expiration of the authority to use special simplified procedures under section 4202(e) of the Clinger-Cohen Act of 1996 (110 Stat. 654; 10 U.S.C. 2304 note).'

Subsec. (f). Pub. L. 115-232, §836(g)(2)(B)(i), substituted "products and services" for "items" in heading

Subsec. (f)(2). Pub. L. 115-232,  $\S 836(g)(2)(B)(ii)$ , (iii), substituted "products and services" for "items" in

heading and "a commercial product or a commercial service" for "a commercial item" in text.

Subsec. (h). Pub. L. 115–232, \$836(g)(2)(C)(i), substituted "services" for "items" in heading. Subsec. (h)(1). Pub. L. 115–232, \$836(g)(2)(C)(ii), sub-

Subsec. (h)(1). Pub. L. 115–232, §836(g)(2)(C)(ii), substituted "commercial services" for "commercial items" in introductory provisions.

Subsec. (l)(1), (2). Pub. L. 115-232,  $\S 836(g)(2)(D)(ii)$ , added pars. (1) and (2) and struck out former par. (1) which defined "commercial item". Former par. (2) redesignated (3).

Subsec. (l)(3). Pub. L. 115–232, §836(g)(2)(D)(i), (iii), redesignated par. (2) as (3) and substituted "in section 152 of title 41." for "in section 309(b) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 259(b))." Former par. (3) redesignated (4).

Subsec. (l)(4). Pub. L. 115–232,  $\S 836(g)(2)(D)(i)$ , redesignated par. (3) as (4). Former par. (4) redesignated (5).

Subsec. (l)(5). Pub. L. 115–232, \$836(g)(2)(D)(i), (iv), redesignated par. (4) as (5) and substituted, in heading, "commercial products and commercial services" for "commercial items" and, in text, "commercial products and commercial services" for "commercial items" and "pursuant to sections 1901 and 3305(a) of title 41." for "pursuant to section 303(g)(1) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 253(g)(1)) and section 31 of the Office of Federal Procurement Policy Act (41 U.S.C. 427)." Former par. (5) redesignated (6).

Subsec. (l)(6). Pub. L. 115–232, \$836(g)(2)(D)(i), (v), redesignated par. (5) as (6) and substituted "pursuant to sections 1901(a)(1) and 3305(a)(1) of title 41." for "pursuant to section 303(g)(1)(B) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 253(g)(1)(A)) and section 31(a)(1) of the Office of Federal Procurement Policy Act (41 U.S.C. 427(a)(1))."

2008—Subsec. (b)(1). Pub. L. 110–315, §118(1)(A), struck out "for information systems supporting the programs authorized under subchapter IV" after "enter into contracts" and "and" after semicolon.

Subsec. (b)(2), (3). Pub. L. 110-315,  $\S118(1)(B)$ , (C), substituted "; and" for period at end of par. (2) and added par. (3).

Subsec. (c)(2). Pub. L. 110–315, §118(2), added par. (2) and struck out former par. (2). Prior to amendment, text read as follows: "The Chief Operating Officer shall, when appropriate and consistent with the purposes of the PBO, acquire services related to the subchapter IV delivery system from any entity that has the capability and capacity to meet the requirements for the system. The Chief Operating Officer is authorized to pay fees that are equivalent to those paid by other entities to an organization that provides an information system or service that meets the requirements of the PBO, as determined by the Chief Operating Officer."

Subsec. (d)(2)(B). Pub. L. 110-315, §118(3), struck out "on Federal Government contracts" after "performance of the offeror".

Subsec. (g)(4)(A). Pub. L. 110-315, §118(4)(A), substituted "Single-source basis" for "Sole source" in heading and "single-source" for "sole-source" in text.

Subsec. (g)(7). Pub. L. 110-315, §118(4)(B), substituted "single-source" for "sole-source".

Subsec. (h)(2)(A). Pub. L. 110-315, §118(5), substituted "single-source" for "sole-source".

Subsec. (1)(3). Pub. L. 110–315, §118(6), added par. (3) and struck out former par. (3). Prior to amendment, text read as follows: "The term 'sole-source basis', with respect to an award of a contract, means that the contract is awarded to a source after soliciting an offer or offers from, and negotiating with, only that source."

### Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2018 AMENDMENT

Amendment by Pub. L. 115–232 effective Jan. 1, 2020, subject to a savings provision, see section 836(h) of Pub. L. 115–232, set out as an Effective Date of 2018 Amendment; Savings Provision note under section 453b of Title 6, Domestic Security.

# § 1018b. Administrative simplification of student aid delivery

### (a) In general

In order to improve the efficiency and effectiveness of the student aid delivery system, the Secretary and the Chief Operating Officer shall encourage and participate in the establishment of voluntary consensus standards and requirements for the electronic transmission of information necessary for the administration of programs under subchapter IV.

# (b) Participation in standard setting organiza-

- (1) The Chief Operating Officer shall participate in the activities of standard setting organizations in carrying out the provisions of this section.
- (2) The Chief Operating Officer shall encourage higher education groups seeking to develop common forms, standards, and procedures in support of the delivery of Federal student financial assistance to conduct these activities within a standard setting organization.
- (3) The Chief Operating Officer may pay necessary dues and fees associated with participating in standard setting organizations pursuant to this subsection.

#### (c) Adoption of voluntary consensus standards

Except with respect to the common financial reporting form under section 1090(a) of this title, the Secretary shall consider adopting voluntary consensus standards agreed to by the organization described in subsection (b) for transactions required under subchapter IV, and common data elements for such transactions, to enable information to be exchanged electronically between systems administered by the Department and among participants in the Federal student aid delivery system.

# (d) Use of clearinghouses

Nothing in this section shall restrict the ability of participating institutions and lenders from using a clearinghouse or servicer to comply with the standards for the exchange of information established under this section.

#### (e) Data security

Any entity that maintains or transmits information under a transaction covered by this section shall maintain reasonable and appropriate administrative, technical, and physical safeguards—

- (1) to ensure the integrity and confidentiality of the information; and
- (2) to protect against any reasonably anticipated security threats, or unauthorized uses or disclosures of the information.

# (f) Definitions

#### (1) Clearinghouse

The term "clearinghouse" means a public or private entity that processes or facilitates the processing of nonstandard data elements into data elements conforming to standards adopted under this section.

# (2) Standard setting organization

The term "standard setting organization" means an organization that—