

Department of Education
STUDENT AID ADMINISTRATION

Fiscal Year 2013 Request

CONTENTS

	<u>Page</u>
Appropriations Language	AA-1
Analysis of Language Provisions and Changes.....	AA-2
Amounts Available for Obligation	AA-3
Obligations by Object Classification	AA-4
Summary of Changes	AA-5
Authorizing Legislation	AA-7
Appropriations History.....	AA-8
Significant Items in FY 2012 Appropriations Reports.....	AA-9
Summary of Request	AA-10
Activities:	
Student Aid Administration	AA-11
Organizational Chart.....	AA-36

STUDENT AID ADMINISTRATION

For Federal administrative expenses to carry out part D of title I, and subparts 1, 3, [4, 9,]¹ and [10]² 9 of part A, and parts B, C, D, and E of title IV of the HEA, [\$1,045,363,000] \$1,126,363,000, to remain available until September 30, [2013] 2014.³ (*Department of Education Appropriations Act, 2012.*)

NOTE

Each language provision that is followed by a footnote reference is explained in the Analysis of Language Provisions and Changes document, which follows the appropriation language.

STUDENT AID ADMINISTRATION

Analysis of Language Provisions and Changes

Language Provision	Explanation
¹ For Federal administrative expenses to carry out part D of title I, and subparts 1, 3, [4,...]	This citation is deleted because the Leveraging Educational Assistance Partnership program was eliminated.
² ...and [10]...	This citation is deleted since the Iraq and Afghanistan Service Grant program authorization has been moved to subpart 1 of part A of title IV of the Higher Education Act of 1965.
³ ...to remain available until September 30, [2013] <u>2014</u> .	This language provides for the availability of funds to remain available for 2 years.

STUDENT AID ADMINISTRATION

Amounts Available for Obligation (dollars in thousands)

Appropriation and Adjustments	2011	2012	2013
Discretionary appropriation:			
Appropriation	\$994,000	\$1,045,363	\$1,126,363
Across-the-board reduction (P.L. 112-10)	-1,988	0	0
Across-the-board reduction (P.L. 112-74)	<u>0</u>	<u>-1,976</u>	<u>0</u>
Subtotal, appropriation	992,012	1,043,387	1,126,363
Transfer from Department of Health and Human Services for Health Education Assistance Loan Program			
	<u>0</u>	<u>0</u>	<u>2,807</u>
Subtotal, adjusted discretionary appropriation	992,012	1,043,387	1,129,170
Mandatory appropriation:			
Not-For-Profit Servicing.....	176,333	276,731	358,911
New Perkins Loan Program Servicing.....	0	0	8,000
Across-the-board reduction (P.L. 112-10)	<u>-31,000</u>	<u>0</u>	<u>0</u>
Subtotal, mandatory appropriation.....	145,333	276,731	366,911
Subtotal, discretionary and mandatory appropriation	1,137,345	1,320,118	1,496,081
Unobligated balance, start of year	1,147	2,513	0
Recovery of prior-year obligations	3,564	0	0
Unobligated balance transfer of expired account.....	6,000	0	0
Unobligated balance expiring	-5,502	0	0
Unobligated balance, end of year	<u>-2,513</u>	<u>0</u>	<u>0</u>
Total, direct obligations.....	1,140,041	1,322,631	1,496,081

STUDENT AID ADMINISTRATION

Obligations by Object Classification (dollars in thousands)

Object Class	2011	2012	2013
Personal Compensation and Benefits:			
Full-time permanent.....	\$131,938	\$136,148	\$137,793
Full-time temporary	446	0	0
Part-time.....	862	0	0
Consultants	61	0	0
Overtime.....	41	75	75
Awards	3,103	2,097	2,097
Benefits	37,289	36,831	38,571
Benefits for former personnel	<u>59</u>	<u>0</u>	<u>0</u>
Subtotal.....	173,799	175,151	178,536
Travel.....	2,882	3,296	3,250
Transportation of Things	13	0	0
Rental payments to GSA and others	16,996	12,079	16,326
Communications, utilities, and miscellaneous charges	129	592	566
Printing and reproduction	1,743	2,789	2,878
Contractual services and supplies:			
Advisory and assistance services.....	5,146	2,560	1,560
Other services	660,259	702,915	836,230
Training and tuition.....	1,737	3,063	2,504
Purchases of goods and services.....	19,566	15,076	20,726
Operations and maintenance of facilities	209	117	100
Operations and maintenance of equipment	14	0	30
Information technology services and contracts	<u>255,084</u>	<u>404,095</u>	<u>432,097</u>
Subtotal.....	942,015	1,127,826	1,293,247
Supplies and materials	257	363	311
Equipment.....	1,650	535	537
Building Alterations.....	554	0	430
Interest and Dividends.....	<u>2</u>	<u>0</u>	<u>0</u>
Total, direct obligations	1,140,041	1,322,631	1,496,081

STUDENT AID ADMINISTRATION

Summary of Changes (dollars in thousands)

2012	\$1,043,387
2013	<u>1,126,363</u>
Net change.....	+82,976

Increases:	<u>2012 base</u>	<u>Change from base</u>
<u>Built-in:</u>		
Increase in personnel compensation primarily for minor changes in average salaries, a proposed Governmentwide pay raise, and one additional paid day in FY 2013.	\$136,148	+\$1,645
Increase in benefits for the Department's share of health, retirement, and other benefits.	38,831	+1,740
Increase in GSA rental payments due to anticipated rate increases, tax escalation, and a one-time FY 2012 rent abatement.	12,079	+4,247
<u>Program:</u>		
Increase in other services due to increase in discretionary loan servicing costs and funding for the procurement of Perkins Loan Servicing contract.	423,671	+42,841
Increase in information technology due to funding and procurement of core contracts such as Front End Business Integration (FEBI) and Common Origination and Disbursement (COD).	404,095	+28,002
Increase in goods and services from the Government due to increase in guard service and background investigations and for National Directory for New Hires.	15,076	+5,650
Increase in building alterations.	0	+430
Increase in printing.	2,789	+89
Increase in operations and maintenance of equipment.	0	+30
Increase in equipment.	535	<u>+2</u>
Subtotal, increases		+84,676

STUDENT AID ADMINISTRATION

Summary of Changes—Continued (dollars in thousands)

Decreases:	<u>2012 base</u>	<u>Change from base</u>
<u>Program:</u>		
Decrease funding in advisory & assistance services due to less contract specialist support.	\$2,560	-\$1,000
Decrease in training.	3,063	-559
Decrease in supplies.	363	-52
Decrease in travel.	3,296	-46
Decrease in communications.	128	-26
Decrease in operations and maintenance of facilities.	117	<u>-17</u>
Subtotal, decreases		-1,700
Net change		+82,976

STUDENT AID ADMINISTRATION

Authorizing Legislation
(dollars in thousands)

Activity	2012 Authorized	2012 Estimate	2013 Authorized	2013 Request
Student aid administration (Higher Education Act of 1965, I-D and IV-D, section 458)	<u>Indefinite</u>	<u>\$1,043,387</u>	<u>Indefinite</u>	<u>\$1,126,363</u>
Total annual appropriation		1,043,387		1,126,363

STUDENT AID ADMINISTRATION

Appropriations History (dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2004	\$947,010	\$120,010	\$104,703	\$116,727
2005	934,639	120,247	121,000	119,084
2006	939,285	124,084	120,000	118,800
2007	733,720	N/A ¹	N/A ¹	719,914 ¹
Rescission (PL 110-28)	0	0	0	-500
Transfer (PL 110-05)	0	0	0	-1,464
2008	708,216	708,216	708,216	695,843
2009	764,000	714,000 ²	704,843 ²	753,402
Recovery Act Supplemental (PL 111-5) (non-add)	0	(50,000)	0	(60,000)
2010	870,402	870,402	870,402 ³	870,402
Rescission (PL 111-226)	0	0	0	-82,000
2011	1,170,231	994,600 ⁴	1,048,078 ³	992,012
2012	1,095,418	992,012 ⁵	1,045,363 ⁵	1,043,387
2013	1,126,363 ⁶			

¹ This account operated under a full-year continuing resolution (P.L. 110-5). House and Senate Allowance amounts are shown as N/A (Not Available) because neither body passed a separate appropriations bill.

² The levels for the House and Senate allowances reflect action on the regular annual 2009 appropriations bill, which proceeded in the 110th Congress only through the House Subcommittee and the Senate Committee.

³ The levels for the Senate allowance reflect Committee action only.

⁴ The levels for the House allowance reflect the House-passed full-year continuing resolution.

⁵ The level for the House allowance reflects an introduced bill; the level for the Senate allowance reflects Senate Committee action only.

⁶ Excludes \$2,807 thousand transferred from Department of Health and Human Services to Department of Education for the Health Education Assistance Loan program.

STUDENT AID ADMINISTRATION

Significant Items in FY 2012 Appropriations Reports

SAA Obligation Plan for Mandatory and Discretionary Funds

Conference: Report 112-331. The Conferees direct the Department to provide a report by April 1, 2012, and quarterly reports thereafter, detailing the obligation plan by quarter for spending mandatory and discretionary funding for student aid administrative activities broken out by servicer, activity and funding source.

Response: The Department will provide the requested report as directed to the Committees on Appropriations of the House of Representatives and the Senate by the submission deadline of April 1, 2012, and quarterly reports thereafter.

U.S. DEPARTMENT OF EDUCATION FISCAL YEAR 2013 PRESIDENT'S BUDGET

(in thousands of dollars)

Account, Program and Activity	Category Code	2011	2012	2013	2013 President's Budget Compared to 2012 Appropriation	
		Appropriation	Appropriation	President's Budget	Amount	Percent
Student Aid Administration (HEA I-D and IV-D, section 458)						
1. Salaries and expenses	D	675,363	675,750	726,618	50,868	7.528%
2. Servicing activities	D	316,649	367,637	399,745	32,108	8.734%
3. Health education assistance loan program (non-add) ¹	D	0	0	2,807	0	0.000%
4. Not-for-profit servicers	M	145,333	276,731	358,911	82,180	29.697%
5. Perkins loan servicing	M	0	0	8,000	8,000	---
Total		1,137,345	1,320,118	1,493,274	173,156	13.117%
Discretionary ¹	D	992,012	1,043,387	1,126,363	82,976	7.953%
Mandatory	M	145,333	276,731	366,911	90,180	32.588%

NOTES: -Category Codes are as follows: D = discretionary program; M = mandatory program.
 -Detail may not add to totals due to rounding.

¹ Excludes budget authority transfer in 2013 of \$2,807 thousand for the Health Education Assistance Loan (HEAL) program, the program administrative authority for which is proposed to be transferred from HHS to Education per Sec. 519 of P.L. 112-74, the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012, as amended.

AA-10

STUDENT AID ADMINISTRATION

Student Aid Administration

(Higher Education Act of 1965, I-D and IV-D, section 458)

(dollars in thousands)

FY 2013 Authorization: Indefinite

Budget Authority

	<u>2012</u>	<u>2013</u>	<u>Change</u>
Salaries and Expenses:			
Personnel costs	\$175,151	\$178,536	+\$3,385
Non-personnel costs,			
Excluding Loan servicing costs	<u>500,599</u>	<u>548,082</u>	<u>+47,483</u>
Subtotal, salaries and expenses	675,750	726,618	+50,868
Loan servicing activity discretionary costs	<u>367,637</u>	<u>399,745</u>	<u>+32,108</u>
Total, discretionary costs	1,043,387	1,126,363	+82,976
Not-For-Profit Servicing	276,731 ¹	358,911 ²	+82,180
New Perkins Loan Program servicing	<u>0</u>	<u>8,000²</u>	<u>+8,000</u>
Total, mandatory costs	276,731	366,911	+90,180
Total, student aid administration	1,320,118	1,493,274	+173,156
FTE employees	1,321	1,321	0

¹ Includes \$236,712 thousand in servicing costs for Not-For-Profit (NFP) servicing contracts, \$26,000 thousand for one-time set up fees for new NFP servicers, \$11,002 thousand in systems development costs to implement new NFP servicers, \$2,250 thousand for Not-For-Profit Title IV Additional Servicer (TIVAS) development costs, and \$767 thousand for a customer satisfaction survey required to allocate NFP servicer volume among TIVAS.

² Includes \$331,929 thousand in servicing costs for NFP servicing contracts, \$11,700 thousand for one-time set up fees for new NFP servicers, \$11,698 thousand in systems development costs to implement new NFP servicers, \$2,250 thousand in system development costs for NFP TIVAS, and \$1,334 thousand for a customer satisfaction survey required to allocate NFP servicer volume. In addition, includes \$8,000 thousand in Perkins Loan servicing costs for the proposed new Perkins Loan program.

PROGRAM DESCRIPTION

Student Aid Administration provides funds to administer the Federal student financial assistance programs authorized under Title IV of the Higher Education Act (HEA) of 1965, as amended. The Title IV programs, which provide funds to help students and families pay for the cost of postsecondary education, are the Nation's largest source of financial aid for postsecondary students. The account provides funding to administer the student aid lifecycle, including:

STUDENT AID ADMINISTRATION

educating students and families about the process for obtaining aid; processing millions of student financial aid applications; disbursing billions of aid dollars; administering billions of dollars in existing guaranteed loans; servicing tens of millions of accounts; and partnering with schools, financial institutions, and guaranty agencies to prevent fraud, waste, and abuse.

The Offices of Postsecondary Education (OPE) and Federal Student Aid are primarily responsible for administering the Federal student financial assistance programs. OPE formulates policy for the student financial assistance programs and administers other Federal postsecondary education programs. In addition, a number of other Department offices—Office of Management, Office of Planning, Evaluation and Policy Development, Office of the General Counsel, Office of the Chief Information Officer, Office of the Inspector General, and Office of the Chief Financial Officer—contribute to the administration of the student aid programs.

The Higher Education Amendments of 1998 established Federal Student Aid as the Federal Government's first performance-based organization (PBO) to improve service to students, parents, schools, and other program participants; to reduce student aid administration costs; to increase the accountability of the officials responsible for administering program operations; and to integrate the student aid processing and delivery systems. Since Federal Student Aid's creation as a PBO in 1998, it has increased the cost efficiency of processing and delivering student financial aid and has improved customer service, particularly in the interaction between customers and Federal Student Aid's systems.

The Federal Pell Grant Program is the foundation for Federal financial assistance. It helps ensure financial access to postsecondary education—disbursing \$36 billion to 9.7 million low- and middle-income undergraduate students during the 2011-2012 award year, with an average award of \$3,678. The maximum Pell Grant award has grown from \$4,731 for the 2008–2009 award year to \$5,350 for the 2009–2010 award year; \$5,550 for the 2010–2011, 2011-2012, and 2012-2013 award years; and is projected to be \$5,635 for the 2013-2014 award year.

The William D. Ford Federal Direct Loan Program and Federal Family Education Loan (FFEL) Program are the main drivers of Federal Student Aid's workload. The Federal Direct Loan Program (DL) lends funds directly to students through participating schools by providing subsidized and unsubsidized loans; interest on subsidized loans is paid by the Government during qualified periods, while interest on unsubsidized loans is not paid by the Government, but accrues from the time of disbursement and is paid by the borrower. In addition, Federal PLUS loans provide parents the ability to borrow on behalf of their undergraduate children and allow graduate students the opportunity to borrow additional funds. The program is funded by borrowing from the U.S. Treasury, as well as an appropriation for subsidy costs. In fiscal year (FY) 2012, new Direct Loan net commitment volume is estimated at about \$115 billion, excluding new Consolidation loans, to 22.3 million borrowers.

The FFEL Program provided the same eligibility requirements and loan limits as the Federal Direct Loan Program; however, instead of funds being directly disbursed by the Government to borrowers, lenders provided funds to borrowers, which were insured by loan guaranty agencies and then reinsured by the Government.

As a result of uncertainty in the financial markets, the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA), P.L. 110-227, provided the Department a mechanism that private lenders found necessary to maintain access to capital needed to make Federal student loans.

STUDENT AID ADMINISTRATION

Under the ECASLA authority, the Department implemented four programs to ensure students and families had access to FFEL loans through the 2009-2010 award year. Federal Student Aid continues to administer these programs, which continue to affect Federal Student Aid's workload. The ECASLA efforts increased the loan servicing workload, in effect doubling the volume of loans serviced by the Department's private sector contractors. More information about these programs is available online at: <http://Federalstudentaid.ed.gov/ffelp>.

SAFRA required all new Federal student loans to be originated through the Direct Loan program and serviced by the Department of Education effective July 1, 2010. Although all new loans are made through the DL program, Federal Student Aid continues to administer the FFEL program, while lenders and guaranty agencies continue to service and collect outstanding loans from the FFEL portfolio. In FY 2013, the Department will make \$121 billion in Direct Loans (not including consolidations) to 22.5 million recipients.

Federal Student Aid uses a variety of means to meet the servicing capacity required to service ECASLA and DL loan volume, more detail on which is provided on page AA-14. Servicing activities are funded both by discretionary funds and mandatory funds (as provided by SAFRA for eligible Not-For-Profits (NFP) servicers).

Funding levels for the past 5 fiscal years were as follows:

	(dollars in thousands)
2008	\$695,843
2009	753,402
Recovery Act	60,000
2010	806,402
2011	992,012
2012	1,043,387

FY 2013 BUDGET REQUEST

The Department requests \$1.126 billion in discretionary resources to administer the Federal student aid programs in FY 2013, a net increase of \$82.9 million—or 7.9 percent—over the FY 2012 appropriation. The requested funds are necessary to manage and service the expanded student loan portfolio and the increased loan volume; manage the acquisition strategy for Federal Student Aid's (FSA) core contracts for application processing, origination, disbursement, and loan servicing; and maintain operations for student aid application processing, origination, disbursement functions, and student aid IT system hosting. In addition, the Department of Health and Human Services (HHS) has requested and will transfer \$2.8 million in additional funds to manage and service the Health Education Assistance Loan (HEAL) Program. The request also includes \$8 million in mandatory funding to administer the new Perkins Loan program.

While there are increases and decreases in several activities, most of the requested net increase is attributable to the following items:

STUDENT AID ADMINISTRATION

1. Increase in discretionary servicing costs for Federal student loan programs, primarily the Direct Loan program (+\$32.1 million). Most of the servicing cost increase is directly attributable to anticipated loan volume increases. More detail is provided below.
2. Increase in operations and maintenance for Free Application for Federal Student Aid (FAFSA) processing, Pell Grants and Direct student loans origination and disbursement, and IT system hosting (+\$22.8 million). Aid application and loan volume have increased dramatically in recent years due to economic and demographic conditions. More detail supporting the increase is provided on page AA-16.
3. Increase for acquisition planning and procurement costs for critical expiring core contracts (application processing, origination and disbursement, loan servicing, and system hosting) (+\$32 million). More detail supporting the increase is provided on page AA-17.

2013 Priorities

Effectively servicing the expanded student loan portfolio (\$399.7 million in discretionary funds; \$366.9 million in mandatory funds)

SAFRA ended the Federal Family Education Loan program, shifting all new Federal loan originations to the Direct Loan program beginning July 1, 2010. The Department's FY 2013 budget request ensures capacity to service the rapidly increasing loan volume.

Currently, the Department contracts with six servicers, through the Common Servicers for Borrowers contract (CSB), the Title IV Additional Servicers (TIVAS) contract, and the new Not-For-Profit (NFP) Servicers contract. The sole CSB servicer, Affiliated Computer Services, Inc. (ACS), and two of the TIVAS servicers, Sallie Mae and Nelnet, which are For-Profit (FP), are funded with discretionary budget authority.

The FY 2013 budget request includes \$399.7 million for discretionary loan servicing. This estimate is based on primary drivers: number of borrower accounts, repayment status of the borrower, and the timing of loan delivery. Loan servicing costs are presented separately from other student aid administration operating costs to provide greater transparency on the main cost driver of the SAA budget request.

SAFRA provided mandatory budget authority to fund administrative costs of eligible NFP loan servicers. Two of the TIVAS servicers, American Education Services/Pennsylvania Higher Education Assistance Agency (AES/PHEAA) and Great Lakes Education Loan Services, are classified as NFP servicers, and receive compensation based on the terms of the TIVAS contract. The Department has also obtained additional servicing support through its new NFP Servicers contract. The new NFP servicers will be allocated a minimum of 100,000 borrower accounts each, although future allocations may vary based on performance. In October 2011, Missouri Higher Education Loan Authority (MOHELA) became the first NFP servicer to start servicing loans under the new NFP Servicers contract. It is estimated that 18 new NFP servicers will become fully operational and receive loan volume during FY 2012, and 12 new NFP servicers are expected to follow suit in FY 2013.

STUDENT AID ADMINISTRATION

The FY 2013 budget request includes \$366.9 million for mandatory loan servicing. This includes \$331.9 million for NFP servicing costs, \$11.7 million in one-time NFP set-up costs, \$11.7 million for costs associated with modifications to FSA systems for on-boarding of new NFPs, \$2.3 million for system development costs required for servicing student loans in accordance with agreements entered into with the Department, \$1.3 million for customer satisfaction surveys required to help measure NFP servicer performance and determine future volume allocation, and \$8.0 million in Perkins loan servicing costs for the proposed new Perkins Loan program.

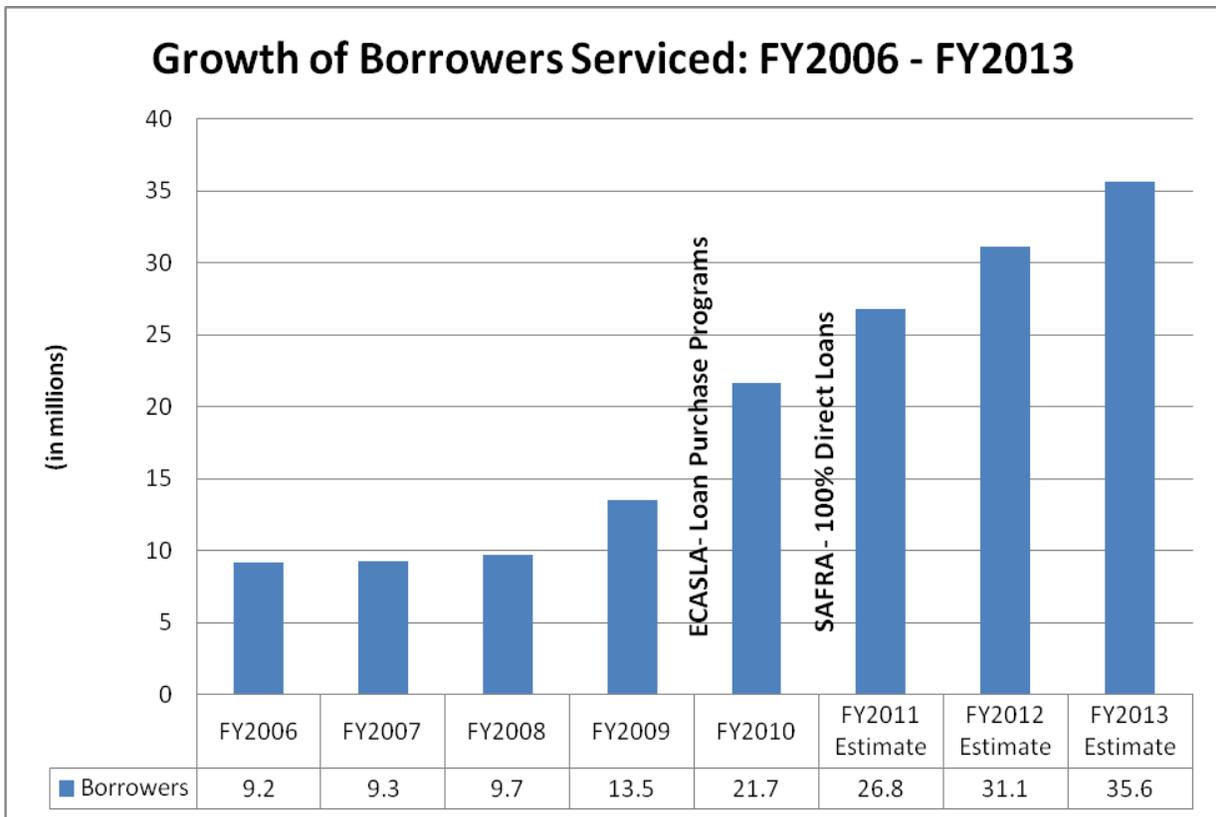
The following tables, shown below and on page AA-16, detail the discretionary budget authority for the For-Profit servicers, mandatory budget authority for the Not-For-Profit servicers, and the major assumptions driving servicing costs for Department-held Federal student loans. Servicing costs are largely determined by volume (average borrower accounts per month) and the average contractual unit costs negotiated to service the volume. Average borrower accounts per month are calculated by the distribution of new unique borrower loan accounts to one of the multiple service contractors. This total volume of borrowers serviced by both NFP and FP servicers is expected to increase steadily over the next few years, from an estimated total of 26.8 million borrowers in FY 2011 to an estimated 35.6 million borrowers in FY 2012.

The average unit cost to service each borrower is derived by contractual pricing schedules based on different borrower statuses (e.g., in-school, in-grace/current repayment, deferment/forbearance, and delinquency). Differences in distribution among loan statuses will affect overall unit costs due to different pricing for different statuses (e.g., in-repayment borrowers cost more to service than in-school borrowers). Unit costs are expected to increase between 2012 and 2013 due to the transfer out of low marginal cost accounts from the CSB servicer to the new NFP loan servicers. Unit costs are also expected to increase between 2012 and 2013 as a result of the maturation of the Direct Loan portfolio (i.e., more accounts moving to in-repayment status vs. in-school status).

For-Profit Servicers' Discretionary Budget Authority: Major Assumptions Driving Servicing Costs			
Assumption	2011	2012	2013
For-Profit Volume (Borrowers)	18,955,863	19,318,673	19,875,866
For-Profit Average Unit Cost per Month (whole dollars)	\$1.41	\$1.59	\$1.68
Number of Servicing Months	12	12	12
Total For-Profit Loan Servicing Cost (dollars in millions)	\$321	\$368	\$400

STUDENT AID ADMINISTRATION

Not-For-Profit Servicers' Mandatory Budget Authority: Major Assumptions Driving Servicing Costs			
Assumption	2011	2012	2013
Not-For-Profit Volume (Borrowers)	7,875,923	11,741,038	15,695,580
Not-For-Profit Average Unit Cost per Month (whole dollars)	\$1.46	\$1.68	\$1.76
Number of Servicing Months	12	12	12
Total Not-For-Profit Loan Servicing Cost (dollars in millions)	\$138	\$237	\$331



The number of borrowers serviced by the Department in any fiscal year includes all borrowers regardless of loan status as well as new borrowers. This number has increased significantly from 9.2 million in FY 2006 to an estimated 35.6 million in FY 2013, a 287 percent increase.

Maintaining continual operations for student aid application processing, origination and disbursement functions, and IT system hosting (\$356.8 million in discretionary funds)

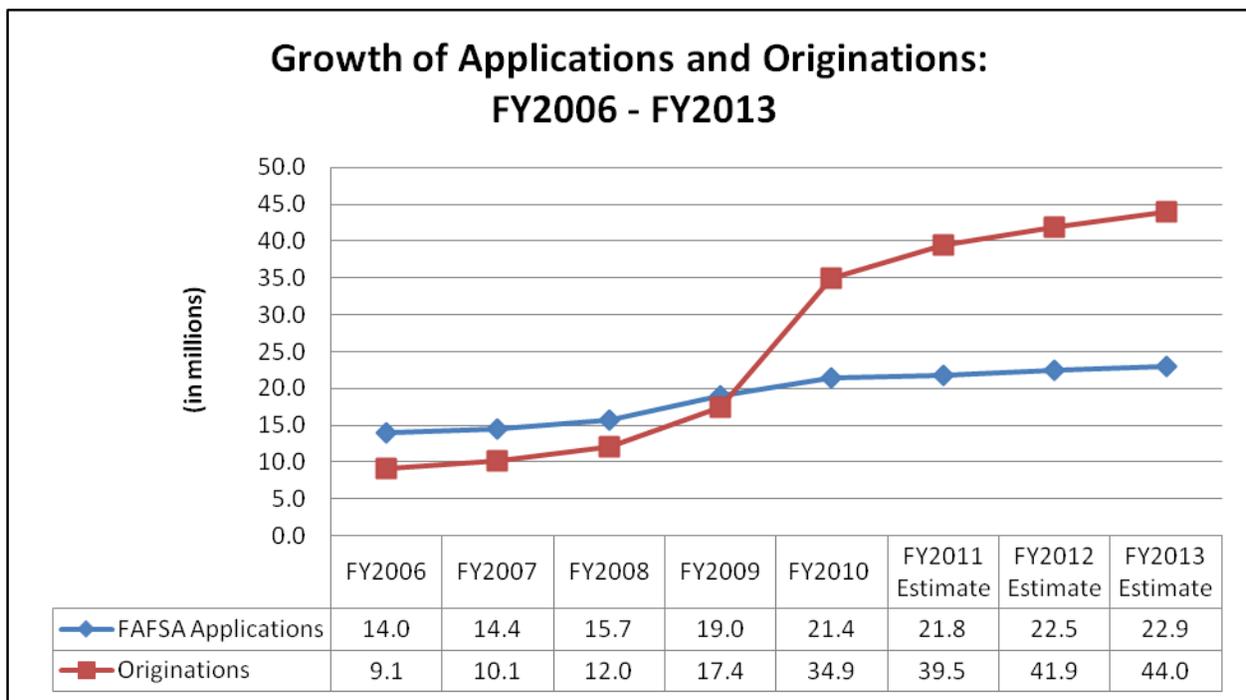
The budget request includes \$356.8 million for student aid application processing, origination, and disbursement functions, and information technology (IT) system hosting, an increase of \$22.8 million from FY 2012. Like servicing, these costs are driven by volume. As more

STUDENT AID ADMINISTRATION

students apply for and receive aid, Federal Student Aid sees an increase in its costs for processing FAFSA's, originating and disbursing student loans, and maintaining the necessary IT infrastructure to prevent critical student aid information from being lost, ensure uninterrupted service to students and borrowers, and ensure information accuracy. Included in this amount, which represents 37.6 percent of total discretionary non-pay funds, are key Federal Student Aid operations:

- Front End Business Integration (FEBI) (\$88.3 million)
- Common Origination and Disbursement (COD) (\$165.4 million)
- IT system costs (\$103.1 million), including the operation and maintenance of the data center (including additional operations and hosting costs for the simplified FAFSA), software licenses, and the technical architecture and system support for Federal Student Aid's applications.

The chart below shows the gradual increase in FAFSA applications and the dramatic increase in loan originations after transitioning to 100 percent Direct Loans.



Strategically planning the acquisition process and procurement of systems (\$42 million in discretionary funds)

Federal Student Aid's core operations (application processing, origination and disbursement, loan servicing, and debt collection) are supported through several large contracts: Front End Business Integration (FEBI), Common Origination and Disbursement (COD), and Common Servicers for Borrowers (CSB). All these contracts are scheduled to expire between 2013 and 2015. FSA is implementing a

STUDENT AID ADMINISTRATION

multi-year acquisition strategy encompassing all these contracts to ensure operational continuity while leveraging the competitive procurement process to increase efficiency, simplify operations, and reduce costs.

Procuring these systems will ensure that the Department is able to process applications and originate and service loans without interruption to service when the current contracts expire, and doing so in FY 2013 will provide sufficient time to ensure a smooth transition. The request for these activities includes procurement related costs such as software development costs, software license fees, and costs for parallel processing designed to mitigate risk during systems transition. These costs do not include operations or maintenance costs.

The FY 2013 request is \$42 million, an increase of \$32 million above FY 2012. The table below shows the projected funding levels for the major student aid procurement contracts for fiscal years 2012 and 2013, and the contract expiration dates.

Funding for Major Student Aid Procurement Activity (dollars in millions)			
Acquisition	FY 2012	FY 2013	Contract Expiration Date
Common Services for Borrowers:			
Debt Management Collections System	\$5.0	0.0	December 2013
Direct Loan Consolidation System	4.5	0.0	December 2013
Department-held Perkins Loan Servicing	0.5	\$11.5	December 2013
Common Origination and Disbursement	0.0	10.5	September 2014
Front End Business Integration	0.0	20.0	January 2015
Total	10.0	42.0	

Common Services for Borrowers (CSB): \$11.5 million

A broad range of activities is performed under the CSB contract, including Direct Loans and Perkins Loans servicing, loan consolidation, and the management and collection of student loan defaults and other student aid debts. The CSB contract expires on December 31, 2013. Some current activities, such as Direct Loan servicing, will not be re-competed, as this function can be assumed by other vendors such as TIVAS and Not-For-Profit servicers. In FY 2012, the Department procured new contracts for the Debt Management Collections System and the Direct Loan Consolidation System.

In FY 2013, the Department is requesting funds for the procurement of a Perkins Loan Servicing system. While most Perkins Loans are serviced by postsecondary institutions, schools may be required to assign or may voluntarily assign defaulted loans and the servicing of active Perkins loans to the Department. As of 2011, approximately 30,000 Perkins Loan borrowers are being serviced under CSB. Perkins Loans have different repayment terms and conditions from those of Direct Loans or Department-held Federal Family Education Loans purchased through ECASLA. FSA is planning to award a \$500,000 contract in FY 2012, and an additional \$11.5 million requested in FY 2013 will be used to complete, test, and implement the system. The requested amount includes necessary funding for increased capacity needed to service a higher volume of Perkins loans in light of the scheduled termination of the existing Perkins Loan program. This amount excludes funds needed to administer the proposed new Perkins Loan program; separate mandatory funding is being requested for these costs.

STUDENT AID ADMINISTRATION

Common Origination and Disbursement (COD): \$10.5 million.

The COD system processes origination and disbursement records for the Pell Grant, Direct Loan, TEACH Grant, and Iraq/Afghanistan Service Grant programs, which together will provide over \$150 billion, excluding Direct Consolidation Loans, to students and parents in FY 2012. The COD contract includes system operations and maintenance activities, a call center, and customer service to assist institutions with processing data and managing their administration.

The current COD contract expires in September 2014. With the shift to 100 percent Direct Loans in 2010 and growth in the Pell Grant program, workload under this contract has increased dramatically over the past few years, significantly exceeding service levels anticipated at the time of award. Despite the additional workload, the performance of the core COD system has been extremely effective. Currently, the COD system is not owned by the Department. FSA plans to obtain the ownership license of this system from the current vendor in order to solicit a new procurement in FY 2013.

FY 2013 funding for this activity includes new vendor development costs and system license fees. As a result of shifting from the current contract to a new competitive procurement, the cost of licenses are expected to be more than off-set by anticipated contract savings.

Front End Business Integration (FEBI): \$20.0 million.

The FEBI contract includes nine processing systems, most of which support student and school interactions related to the Free Application for Federal Student Aid. Core systems include FAFSA on the Web; the Central Processing System, which receives, processes, and distributes student aid eligibility data to students, schools, State agencies, and other entities; the Eligibility Determination System, which determines the eligibility for Federal student aid and calculates awards; and Financial Aid Administrators Access which provides functionality to financial aid administrators to manage and deliver financial aid at their schools. Other systems auxiliary to these core functions include PIN Registration, Image Document Capture, Participation Management, EDEXpress, and FSA Information Center.

The current FEBI contract expires January 2015. FSA is finalizing an acquisition strategy under which individual services currently procured through FEBI could be competed separately to increase flexibility and efficiency. The request of \$20 million in FY 2013 will procure the core systems and parallel processing of FAFSA applications. Parallel processing is necessary to lower the risk of interruption of service or loss of data.

Additional Core Student Aid Administration Projects

Additional funding of \$24.4 million is also needed for additional core student aid administration projects, as follows:

National Student Loan Data System (NSLDS): \$9.9 million

NSLDS includes detailed information regarding Title IV aid, such as the number of loans and grants made, and provides for the electronic exchange of data between program participants and the system. NSLDS stores and collects borrower data from borrowers, schools, lenders, and guaranty agencies and

STUDENT AID ADMINISTRATION

integrates data on student aid applicants and recipients. This comprehensive information is essential for calculating student loan indebtedness of borrowers, budget formulation, portfolio management, and policy analysis. NSLDS is also used to calculate cohort default rates, prevent fraud and abuse through pre-screening and post-screening for Title IV aid eligibility, calculate statutory guaranty agency payments, and compile data for Gainful Employment metrics.

Integrated Partner Management (IPM): \$7.5 million

Beginning in FY 2012, IPM will implement process reengineering and automation to improve eligibility, enrollment, and oversight processes that manage partner entities as they administer Title IV financial aid for students. These processes are currently scattered among six disparate systems. By consolidating them, IPM will simplify and reduce duplicate and conflicting data storage, complex system architectures, and excessive file exchange activities. IPM will provide a centralized view of Federal Student Aid, ensuring that all customers and employees have access to the same current institutional eligibility and oversight data. In addition, IPM will provide better data accuracy, information security through a single point of access, and effective oversight to target enforcement efforts.

Financial Management System (FMS): \$7.0 million

FMS consolidates and manages all Federal Student Aid financial transactions from Federal Student Aid's feeder systems. FMS facilitates reconciliation and internal program management and reporting. The system tracks and manages payment processing for Federal Direct Loan originations and Pell Grant awards, and processes refunds to borrowers for overpaid loans and payments to lenders and guaranty agencies. It performs validations and reasonability checks to minimize erroneous payments. The 2013 request is a slight increase of \$306,000 over 2012.

System Application Matrix

The two system matrixes, shown on page AA-21, illustrate the interdependencies between the major student aid system applications for the core business functions and the end user. The first chart shows each system application, its projected cost included in the 2013 budget request, and core business functions supported by each system application. All system applications support the core function, "Origination and Disbursement." The second chart shows the interdependencies between all system applications and the four end users—school, students, financial partners, and the Department of Education.

STUDENT AID ADMINISTRATION

System Applications and Core Business Functions Interdependencies

System Application	2013 Cost (dollars in millions)	Student Aid Application Processing	Origination and Disbursement	Student Loan Servicing
Common Services for Borrowers, TIVAS, NFP Servicers and Debt Management Collection System	\$399.7		X	X
Common Origination and Disbursement	165.4	X	X	X
Front End Business Integration and FAFSA Operations	93.5	X	X	
Virtual Data Center	61.0	X	X	X
Enterprise Software Licenses	24.8	X	X	X
National Student Loan Data System	9.9		X	X
Enterprise Information Technology Integration	7.7		X	X
Integrated Partner Management	7.5		X	
Financial Management System	7.0		X	X
Total Discretionary Costs	776.5			

Systems Applications and End Users

System Application	School	Student	Financial Partners	Department of Education
Common Services for Borrowers, TIVAS, NFP Servicers and Debt Management Collection System	X	X		X
Common Origination and Disbursement	X	X		X
Front End Business Integration and FAFSA Operations	X	X		X
Virtual Data Center				X
Enterprise Software Licenses				X
National Student Loan Data System	X	X	X	X
Enterprise Information Technology Integration				X
Integrated Partner Management	X		X	X
Financial Management System	X		X	X

Note: Financial Partners include lenders and guaranty agencies.

STUDENT AID ADMINISTRATION

Other Student Aid Administration Projects

The remainder of the Federal Student Aid non-pay request, \$49.9 million, provides the support necessary for meeting regulatory requirements, data management measures, customer service needs, and security efforts for efficient delivery of student aid awards and student aid information. Information on key projects is provided below:

Student Aid Administration Interagency Matching Agreements: \$6.0 million

The Department enters into computer matching agreements with other Government agencies for the purpose of ensuring Federal student aid eligibility, locating borrowers who have defaulted on their Federal student loans, and providing services to simplify the aid process. Below is the listing of these agencies and the computer matching agreements:

Department of Health and Human Services: Through the National Directory of New Hires program, the Department is able to obtain new hire, quarterly wage, and unemployment insurance information on borrowers who have defaulted on their Federal student loans or who owe the Department for grant overpayment. This agreement assists the Department in locating and placing into repayment status borrowers who have defaulted on their student loans or students who owe grant overpayments.

Department of Housing and Urban Development: This allows the Department to provide information on student loan defaulters to the Credit Alert Interactive Voice Response System which is used to determine eligibility for Federal housing loans. Borrowers who are ineligible for housing loans due to student loan defaults will frequently pay off their defaulted student loan to obtain the housing loan.

Financial Management Service, Department of Treasury: The Department has two computer matching agreements with the Financial Management Service.

Electronic Debit Account Program: This agreement allows the Department to use Treasury's Preauthorized Debit services for the Department's Electronic Debit Account program, a service where Direct Loan borrowers may elect to automatically pay their monthly student loan bills from their checking or savings accounts.

Federal Employee Salary Offset Program: Financial Management Service shares information with the Department regarding employees whose Federal pay is or could potentially be offset through the Treasury Offset Program and other services.

Internal Revenue Service (IRS): The Department has two computer matching programs with IRS.

FAFSA Data Share Project: This agreement provides a direct transfer of tax return information, for the purpose of completing and ensuring FAFSA data accuracy. Applicants will be able to retrieve this data after passing an authentication process.

Taxpayer Address Request Program: This agreement assists in debt collection by allowing the Department to collect address information of borrowers who have defaulted on their Federal student loans or owe the Department for grant overpayment.

Social Security Administration (SSA): This agreement matches Title IV applicants against SSA's master file for Social Security and citizenship verification.

United States Citizenship and Immigration Services, Department of Homeland Security: This agreement verifies the immigration status of non-citizen applicants.

STUDENT AID ADMINISTRATION

Direct Loan Enrollment Process: \$4.0 million

Schools are required to confirm and report to the Secretary the enrollment status of attending students who receive Direct Federal Loans and Teacher Education Assistance for College and Higher Education Grants. This process is called enrollment reporting, formerly known as the Student Status Confirmation Report. Forty-six percent of schools use the National Student Clearinghouse (NSC) as their enrollment servicer to comply with their enrollment reporting obligations. The contract allows FSA to collect frequent enrollment data on schools serviced by NSC. The enrollment information is used to update the NSLDS database and is reported weekly to the Department's loan servicers and to guaranty agencies. A student's enrollment status determines deferment eligibility, grace periods, and repayment schedules, as well as the Government's payment of interest subsidies. Student enrollment reporting is critical for effective administration of Title IV loans. The 2013 request is straight-lined from 2012.

Regulatory Requirement - Gainful Employment: \$3.5 million

In October 2010, the Department finalized a regulation that requires institutions with Gainful Employment programs to report and disclose specific information to the Department starting in FY 2012. The earnings information and other data received by the institutions will be processed through NSLDS and interface with the Social Security Administration. The Department will calculate performance metrics including mean and median debt-to-earnings ratios, by program, which will be used to determine a student's repayment ability. Beginning in FY 2013, schools will be able to challenge the Department findings. The FY 2013 request is a decrease of \$410 thousand from 2012. The request will support the collection and maintenance of the information and the processing of school appeals.

Comprehensive Security Program: \$3.3 million

The Comprehensive Security Program protects Federal Student Aid data and systems from increasingly sophisticated and effective malicious exploits and hidden persistent threats. By implementing security authorizations, in FY 2013, Federal Student Aid systems will be security hardened and all traffic into and out of the VDC and the Department EDUCATE environments will be monitored.

Through an extensive security controls test, documentation review, interviews, and remediation, security authorizations ensure all Federal Student Aid applications and general support systems are secured from malicious exploits and threats. Security Authorizations and annual testing is mandated by the Federal Information Security Management Act and are required before system upgrades are implemented. Continuous testing must be completed to maintain system security authorization. In addition, an official re-authorization is required every 3 years for 50 systems supporting Federal Student Aid. The number of systems requiring security authorizations will increase in FY 2013 due to the inclusion of systems supporting guaranty agencies and additional NFP Servicers.

Conference Management: \$2.6 million

STUDENT AID ADMINISTRATION

Conference management supports the annual Federal Student Aid Fall Conference and Federal Student Aid's participation in national financial aid related conferences (e.g., National Association of Student Financial Aid Administrators). Federal Student Aid uses these conferences to train over 6,500 financial aid professionals and disseminate information about Title IV programs.

The feedback received from the Customer Care and Research Center indicates that financial aid professionals prefer face-to-face training over online training. Federal Student Aid's customer service is greatly enhanced by the personal interaction between financial aid experts and our customers during the conferences. This initiative also improves school program compliance issues by giving financial aid professionals information about how to best deliver student aid financial packages.

The FY 2013 request will support the warehousing and inventory management of conference equipment, materials, and supplies at the contractor site in Lawrence, Kansas. The request will also provide onsite contractor support, IT technical support, video recording, web posting, and hosting of conference sessions.

eCampus-Based: \$2.2 million

The eCampus-Based system automates the administration of the Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant programs. The system determines institutional funding needs and allocation levels based on data from the Fiscal Operations Report and Application to Participate; collects funding data to inform subsequent reallocations; maintains cumulative Perkins Loan funding histories; calculates institutional cohort default rates; catalogs low-income elementary and secondary schools for use in determining eligibility for teacher cancellation benefits; and identifies delinquent or defaulted Perkins loan borrowers.

Two-Factor Authentication: \$1.5 million

Currently, FSA systems require only a password or a PIN to authenticate users. Two-Factor Authentication will increase the security of FSA systems by requiring two out of three possible factors to allow user access. Stronger authentication will decrease the risk of fraud and unauthorized access to privileged data and is particularly important for remote users of FSA systems. Federal Student Aid distributed tokens to FSA and Department employees, and Foreign Schools during FY 2011. These funds will be used to support continued operation and maintenance of this service, token replacement, and helpdesk support.

STUDENT AID ADMINISTRATION

Major SAA Contracts

The following table provides a list of Student Aid Administration contracts in excess of \$5 million in FY 2013.

Student Aid Contracts Projected to Exceed \$5 Million in FY 2013 (dollars in millions)					
Name	Description	Vendor	Vendor Location	FY 2012 Funding	FY 2013 Funding
CSB, TIVAS, NFP Servicers, and Debt Management Collection System	Servicing and consolidation of direct student loans, servicing FFEL loans, and collection of defaulted loans.	ACS Education Solutions	Utica, NY Bakersfield, CA Germantown, MD Greenville, TX Louisville, KY Lawrence, KS Coralville, IA	\$367.6	\$399.7
		PHEAA	Mechanicsburg, PA Harrisburg, PA State College, PA		
		Great Lakes Education Loan Services, Inc.	Madison, WI Boscobel, WI St. Paul, MN Aberdeen, SD		
		Nelnet Servicing, LLC	Lincoln, NE Aurora, CO Highlands Ranch, CO Boise, ID		
		Sallie Mae Corporation	Fishers, IN Newark, DE Wilkes-Barre, PA Reston, VA		
		Missouri Higher Education Loan Authority	Chesterfield, MO		

STUDENT AID ADMINISTRATION

Student Aid Contracts Projected to Exceed \$5 Million in FY 2013					
(dollars in millions)					
(Continued)					
Name	Description	Vendor	Vendor Location	FY 2012 Funding	FY 2013 Funding
Common Origination and Disbursement	Disbursement of Pell Grants and Direct Loans.	Accenture, LLP	Niagara Falls, NY Buffalo, NY North Tonawanda, NY Utica, NY Columbus, GA Washington, DC Arlington, VA Phenix City, AL	\$155.7	\$165.4
Front-End Business Integration	Integration of application processing, aid awareness, and eligibility determination.	Vangent Inc.	Lawrence, KS Las Cruces, NM Phoenix, AZ Coralville, IA Rockville, MD Montgomery, AL	\$80.6	\$88.3
Virtual Data Center	Data center for student financial aid systems.	Perot Systems	Plano, TX Fairfax, VA	\$54.9	\$61.0
Enterprise Software Licensing	Maintenance for software licenses for Financial Management System and database operations.	Various	Various	\$24.2	\$24.8

STUDENT AID ADMINISTRATION

Student Aid Contracts Projected to Exceed \$5 Million in FY 2013					
(dollars in millions)					
(Continued)					
Name	Description	Vendor	Vendor Location	FY 2012 Funding	FY 2013 Funding
National Student Loan Data System	Loan-level database to verify student eligibility, calculate institutional default rates, pay guaranty agency fees, track enrollment for loan servicing, and support credit reform accounting.	Briefcase Systems Development, Inc.	Great Falls, VA	\$11.7	\$9.9
Enterprise Information Technology Integration	Integration of operational data from multiple student aid systems to facilitate data exchange.	Phoenix Programming Services	Rockville, MD Kensington, MD	\$7.4	\$7.7
Integrated Partner Management	Integration of institutional eligibility determination and oversight of schools, lenders, guaranty agencies and other FSA partners.	DMI QSI BCS Systems	Bethesda, MD	\$5.9	\$7.5
Financial Management System	Accounting system for FSA transactions.	Avineon, Inc.	Washington, DC	\$6.7	\$7.0

STUDENT AID ADMINISTRATION

Non-Federal Student Aid Support Activities

In addition to funds directly allocated to Federal Student Aid, \$88.9 million of the FY 2013 request, \$13.8 million in pay and \$75.1 million in non-pay, will be used by other Departmental offices for central support activities, such as rent and central computer services, financial management systems operations, and Office of the General Counsel support on student aid regulations.

Funding for Departmentwide financial management systems related to student aid will total \$16.1 million in FY 2013, an increase from \$13.5 million in FY 2012. This increase is needed for both a replacement of the current Contracts and Purchasing Support System and continued operations of EDCAPS, as explained in more detail in the **Program Administration** justification.

Rent payments to the General Services Administration for Federal Student Aid occupied space will total \$16.3 million for FY 2013, up from \$12.1 million in FY 2012. A major driver of this increase is a one-time rent abatement occurring in FY 2012.

Combined funding for central computer services and telecommunications will total \$22 million in FY 2013. Funding will support normal activities and enhancements to the Department's network operations. This is a slight increase from the \$21.8 million for these activities in FY 2012.

Other non-pay central support services related to student aid will total \$20.7 million in FY 2013, a slight increase from \$20.4 million in FY 2012. Costs include contracts, such as the preparation of the loan portion of the Department's audited financial statement.

The FY 2013 request also supports 91 FTE outside Federal Student Aid. The FTE include personnel in the Office of Postsecondary Education; Office of Management; Office of the General Counsel; Office of the Chief Financial Officer/Chief Information Officer; and Office of Planning, Evaluation, and Policy Development, who work extensively on Student Aid activities.

STUDENT AID ADMINISTRATION

PROGRAM PERFORMANCE INFORMATION

Performance Measures

This section presents selected program performance information, including, for example, Government Performance Results Act goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2013 and future years, and the resources and efforts invested by those served by this program.

In December 2011, Federal Student Aid (FSA) released a strategic plan refresh, *Federal Student Aid: Strategic Plan, Fiscal Years 2012-16*. In the Plan, FSA established the following five goals and performance indicators to measure the delivery of Federal student aid. Some of these indicators were in the prior year strategic plan (Fiscal Years 2011-2015) and had baselines and targets created in FY 2010. FSA modified and replaced other prior year indicators in the *Fiscal Years 2012-16* strategic plan to improve measurement and success in achieving the five strategic goals.

Goal: Provide superior service and information to students and borrowers.

Measure: Proportion of first-time FAFSA filers among high school seniors.

Year	Target	Actual
2010	Baseline	49.5%
2011	>= 49.5%	52.0%
2012	>=52%	
2013	No Lower than Prior Year	

Additional Information: In FY 2011, FSA exceeded this performance goal with approximately 52 percent of high school seniors from June 2010 submitting a FAFSA application during the 2010-2011 application cycle. Since 2010, FSA has undertaken several efforts which have encouraged or made it easier for students traditionally underrepresented in postsecondary education to apply for student financial aid. These efforts include the FAFSA Completion Program pilot in which FSA collaborated with administrators from State entities, local educational agencies, and secondary schools to increase the number of FAFSA filers. FSA, with key stakeholders, has established 26 trusted centers and trained 360 volunteers that participated in over 180 FAFSA completion events. The information targeted outreach to students and families who have not yet submitted a FAFSA, or whose submitted FAFSA was incomplete.

The FAFSA simplification efforts also have improved an applicant's ability to successfully navigate and complete the application. A customized experience reduces the number of questions applicants and/or their parents must answer, and the availability and increased use of

STUDENT AID ADMINISTRATION

the IRS Data Retrieval Tool makes it easier for applicants and their parents to provide financial information and increases the accuracy of the information provided.

Measure: Proportion of first-time FAFSA filers among workforce aged 25+ with no college.

Year	Target	Actual
2010	Baseline	3.9%
2011	>=3.9%	3.8%
2012	>=3.6%	
2013	No Lower than Prior Year	

Additional Information: FSA fell slightly short of this performance goal in FY 2011 with about 3.8 percent of the workforce over 25 years of age, who have never attended college before, submitting a FAFSA during the 2010-2011 application cycle. The targeting of this measure may have been overly optimistic as the 2009-2010 cycle applicants were relied upon heavily when the baseline was set. Unemployment peaked during 2009 and many in this group may have enrolled in education programs to obtain additional skills. FSA lowered the target for FY 2012 and will continue its efforts to understand its customers and their needs to improve college access and completion.

FSA developed baselines and targets for two additional first-time FAFSA filer measures:

Measure: Proportion of first-time FAFSA filers among low-income students.

Year	Target	Actual
2011	Baseline	57%
2012	>=57%	
2013	No Lower than Prior Year	

Additional information: Given the increased focus on the neediest and least-served students, the Department will measure the percentage of original FAFSA filers who come from low-income households. This measure looks at the effectiveness of FSA's outreach in getting low-income students to file a FAFSA application for the first time. The baseline was set in FY 2011 and FSA's target is to maintain or increase these percentages each year.

STUDENT AID ADMINISTRATION

Measure: Proportion of first-time FAFSA filers aged 19-24 among those in the population who are high school graduates with no college.

Year	Target	Actual
2011	Baseline	27%
2012	>=27%	
2013	No Lower than Prior Year	

Additional information: To include the universe of first-time FAFSA filers, FSA will also measure the percentage of original FAFSA filers aged 19-24 who are high school graduates with no college. The baseline was set in FY 2011 and FSA's target is to maintain or increase these percentages each year.

Measure: Customer service level of American Customer Satisfaction Index for entire aid lifecycle.

Year	Target	Actual
2010	Baseline	74
2011	74	78
2012	78	
2013	78	

Note: Customer Satisfaction Scores for the Entire Life Cycle are based upon ACSI scores from the application, in-school and servicing experiences of students and borrowers. Data is weighted based upon the intensity of the experience to the overall life cycle and the number of students within each category of the life cycle.

Additional Information: To measure overall customer satisfaction level throughout the student aid lifecycle, FSA calculates a weighted score based on the American Customer Satisfaction Index (ACSI) surveys of applicants, students in school, and borrowers in repayment. In FY 2011, FSA exceeded this performance goal with a weighted score of 78. This metric measures how FSA is simplifying its information and making it easier for its customers to obtain and use that information. FSA's goal is to continue to improve the aggregate ACSI score by FY 2015.

STUDENT AID ADMINISTRATION

Goal: Work to ensure that all participants in the system of postsecondary education funding serve the interest of students from policy to delivery.

Measure: Ease of Doing Business School Survey (1-100 Scale).

Year	Target	Actual
2011	Baseline	72%
2012	>=72%	
2013	No Lower than Prior Year	

Additional Information: FSA works closely with postsecondary institutions to provide millions of students with Federal student aid. Successfully delivering aid through a complex system depends on FSA's ability to work well with its institutional, financial, and State partners, and to provide adequate oversight to ensure that participants are complying with program requirements. To ensure that all participants in the postsecondary education funding system can easily access the information they need, FSA conducts a quarterly survey with postsecondary institutions and partners to gauge the "ease of doing business with FSA." The baseline was set in FY 2011 and FSA's goal is to maintain or improve survey results each year.

Measure: Percent of borrowers >90 days delinquent.

Year	Target	Actual
2011	Baseline	9.9%
2012	<=10%	
2013	No Higher than Prior Year	

Note: The borrower delinquency rate is defined as average number of borrowers each year who are 91-270 days delinquent in the year ending June 30, divided by average number of borrowers in repayment for the year (does not include in-school or in-grace loan statuses).

Additional information: During FY 2011, FSA evaluated other possible ways to measure the extent to which postsecondary institutions and partners are actively supporting the interest of students and borrowers. As a result, FSA developed a new delinquency metric: the percent of borrowers serviced by the TIVAS servicers who are greater than 90 days delinquent. Currently, TIVAS service over 15 million borrower accounts, including Direct Loans and Department-held FFEL loans. TIVAS can best serve the interest of borrowers by helping them lower delinquencies, especially the severely delinquent loans that have a greater likelihood of going into default and tarnishing borrowers' credit.

STUDENT AID ADMINISTRATION

Goal: Develop efficient processes and effective capabilities that are among the best in the public and private sector.

Measure: Aid Delivery Cost per Application.

Year	Target	Actual
2011	Baseline	\$9.89
2012	\$10.90	
2013	Expect increase	

Note: Data for this measure is derived from FSA's Activity Based Costing model, which is updated on a quarterly basis, and reconciled to FSA's Statement of Net Cost, ensuring all costs assigned to FSA are included in the cost model. Specifically, the measure is defined as the total direct cost to process FAFSAs and originate aid in the year ending June 30, divided by the number of original FAFSAs processed in the year.

Additional information: In FY 2011, FSA developed two measures to gauge the efficiency and effectiveness of the student aid lifecycle. The first one is the Aid Delivery Cost per Application. Throughout FY 2011, FSA continued to improve aid delivery by automating and simplifying the aid delivery processes, such as the FAFSA Simplification efforts that have improved an applicant's ability to successfully navigate and complete the application. The Aid Delivery Unit Cost tracks the impact of these improvements on the overall costs for application and origination operations and maintenance. FSA expects the cost for aid delivery to increase due to increased operation and maintenance costs as a result of FAFSA simplification efforts and increased tiered pricing for originations.

Measure: Loan Servicing Cost per Borrower.

Year	Target	Actual
2011	Baseline	\$18.15
2012	\$19.64	
2013	Expect increase	

Note: Data for this measure is derived from FSA's Activity Based Costing model, which is updated on a quarterly basis, and reconciled to FSA's Statement of Net Cost, ensuring all costs assigned to FSA are included in the cost model. Specifically, the measure is defined as the total direct costs for servicing in the year ending June 30, divided by the average number of borrowers in servicing for the year.

Additional information: The second measure to gauge the efficiency and effectiveness of the student aid lifecycle is the Loan Servicing Cost per Borrower. FSA expects the cost for servicing borrowers to increase as a result of the transfer out of low marginal cost accounts from the Common Services for Borrowers (CSB) servicer to the new NFP loan servicers and the maturation of the loan portfolio (i.e., more accounts in repayment status vs. in-school status). Both of these factors result in higher priced structures because of differences in the negotiated

STUDENT AID ADMINISTRATION

average contractual unit costs that are based on different borrower statuses (e.g., in-school, in-grace/current repayment, deferment/forbearance, and delinquency).

Goal: Ensure program integrity and safeguard taxpayers' interest

Measure: Loan Default Rate.

Year	Target	Actual
2010	Baseline	12.2%
2011	<=12.2%	11.3%
2012	<=11.3%	
2013	No Higher than Prior Year	

Note: The default rate is defined as the average balance of loans serviced by FSA that are 270 days or more past due and loans serviced in debt collection during the year, divided by the average balance of loans serviced by FSA (does not include in-school or in-grace loan statuses).

Additional Information: FSA exceeded this performance goal in FY 2011 by keeping the loan default rate at about 11.3 percent of the total dollar amount, including principal and interest, of the Direct Loan portfolio (excludes in-school and in-grace loans) in default status. The Direct Loan portfolio includes all unpaid accounts in the default collection system since the program began, as well as recent defaults that are delinquent more than 270 days. Loans are never charged off and are rarely discharged in a bankruptcy. FSA will continue to attempt collection through its loan servicers and collection agencies by using tools such as wage garnishment and IRS offset.

In addition to the Loan Default Rate, FSA will measure its performance on managing two other metrics, Improper Payment Rate and Collection Rate. Improper payments occur when funds go to the wrong recipient, the recipient receives the incorrect amount of funds, documentation is not available to support a payment, or the recipient uses funds in an improper manner. FSA will use the same methodology, baseline, and targets for the strategic plan that it is developing for OMB in FY 2012.

The Collection Rate will measure FSA's success in collecting on its outstanding portfolio of roughly \$443 billion in Direct Loans, Government-held FFEL and Perkins loans, and unassigned FFEL defaulted loans. In establishing a baseline and targets for future years, FSA will need to assess the impact of economic fluctuations; changes in the nature of the Government-held portfolio under 100 percent Direct Loans; and trends in the use by borrowers of options such as income-based or other flexible repayment plans, deferments, and forbearances, all of which can reduce or delay repayment amounts. Over the next year, FSA will develop appropriate targets for this metric.

STUDENT AID ADMINISTRATION

Goal: Strengthen Federal Student Aid's performance culture and become one of the best places to work in the Federal Government.

Measure: FSA Morale Index (Subset of Questions from Governmentwide Employee Viewpoint Survey) - Percentage of positive responses to survey.

Year	Target	Actual
2011	Baseline	58%
2012	>=58%	
2013	No Lower than Prior Year	

Additional Information: The FSA Morale Index was developed from a subset of seven Employee Viewpoint Survey (EVS) questions that FSA considered most likely to be impacted by internal Department actions. FSA will continue to focus FSA *First Class* employee engagement program objectives more acutely with the EVS responses, align initiatives with identified employee morale issues, and create more tangible solutions such as improving the quality and extent of internal communications.

STUDENT AID ADMINISTRATION

