## Department of Education

## STUDENT AID ADMINISTRATION

## Fiscal Year 2016 Budget Request

## CONTENTS

## STUDENT AID ADMINISTRATION

For Federal administrative expenses to carry out part D of title I, and subparts 1, 3, [9, and 10] <u>and 9</u> [1] of part A, and parts B, C, D, and E of title IV of the HEA, and subpart 1 of part A of title VII of the Public Health Service Act, [$1,396,924,000] <u>$1,581,854,000</u>, to remain available until September 30, [2016] <u>2017</u> [2]. *(Department of Education Appropriations Act, 2015.)*

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] ... and subparts 1, 3, [9, and 10] <u>and 9</u> | The 2016 Budget proposes to move the Iraq and Afghanistan Service Grants program to the Pell Grant program. |
| [2] ... to remain available until September 30, [2016] <u>2017</u>. | This language provides for appropriated funds to remain available for 2 years. |

## STUDENT AID ADMINISTRATION

**Amounts Available for Obligation**
(dollars in thousands)

| Appropriation and Adjustments | 2014 | 2015 | 2016 |
|---|---|---|---|
| Discretionary appropriation: | | | |
| Appropriation | $1,166,000 | $1,396,924 | $1,581,854 |
| Transfer from Department of Health and Human Services for Health Education Assistance Loan Program | 996 | 0 | 0 |
| Subtotal, adjusted discretionary appropriation | 1,166,996 | 1,396,924 | 1,581,854 |
| Mandatory appropriation: | | | |
| Not-For-Profit Servicing[1] | 226,891 | 0 | 0 |
| Subtotal, discretionary and mandatory appropriation | 1,393,887 | 1,396,924 | 1,581,854 |
| Unobligated balance, start of year | 54,642 | 57,227 | 0 |
| Recovery of prior-year obligations | 10,772 | 0 | 0 |
| Unobligated balance expiring | -1,150 | 0 | 0 |
| Unobligated balance, end of year | -57,227 | 0 | 0 |
| Total, direct obligations | 1,400,924 | 1,454,151 | 1,581,854 |

[1] The Bipartisan Budget Act of 2013 eliminated mandatory funding for NFP servicing costs, instead requiring all servicing costs from date of enactment on to be funded by discretionary budget authority.

## STUDENT AID ADMINISTRATION

### Obligations by Object Classification
(dollars in thousands)

| Object Class | 2014 | 2015 | 2016 |
|---|---|---|---|
| Personnel Compensation and Benefits: | | | |
| Full-time permanent | $137,612 | $145,826 | $148,227 |
| Full-time temporary | 274 | 0 | 0 |
| Part-time | 701 | 0 | 0 |
| Consultants | 37 | 0 | 0 |
| Overtime | 50 | 105 | 105 |
| Awards | 1,795 | 1,725 | 1,651 |
| Other Compensation | 25 | 0 | 0 |
| Benefits | 40,406 | 44,922 | 46,500 |
| Subtotal | 180,900 | 192,578 | 196,483 |
| Travel | 2,047 | 2,795 | 2,795 |
| Rental payments to GSA and others | 19,065 | 18,534 | 18,534 |
| Communications, utilities, and miscellaneous charges | 442 | 0 | 0 |
| Postage and fees | 669 | 55 | 52 |
| Printing and reproduction | 1,318 | 1,513 | 1,510 |
| Contractual services and supplies: | | | |
| Advisory and assistance services | 5,116 | 3,161 | 2,901 |
| Other services | 815,641 | 741,779 | 932,891 |
| Training and tuition | 1,285 | 2,449 | 2,483 |
| Purchases of goods and services | 22,276 | 17,261 | 19,824 |
| Operations and maintenance of facilities | 384 | 235 | 245 |
| Operations and maintenance of equipment | 0 | 30 | 30 |
| Information technology services and contracts | 351,115 | 473,083 | 403,642 |
| Subtotal | 1,195,817 | 1,237,998 | 1,362,016 |
| Supplies and materials | 207 | 301 | 300 |
| Equipment | 178 | 147 | 154 |
| Building Alterations | 261 | 230 | 10 |
| Prompt Pay Interest | 20 | 0 | 0 |
| Total, obligations | 1,400,924 | 1,454,151 | 1,581,854 |

## STUDENT AID ADMINISTRATION

### Summary of Changes
(dollars in thousands)

| | |
|---|---|
| 2015 | $1,396,924 |
| 2016 | 1,581,854 |
| Net change | +184,930 |

| **Increases:** | 2015 base | Change from base |
|---|---|---|
| Built-in: | | |
| Increase in salaries and benefits primarily for a proposed 1.3 percent Governmentwide pay raise, one additional paid day, and increased FERS contribution rates. | $189,981 | +$4,206 |
| Program: | | |
| Increase in loan servicing activities due to increased volume and renegotiated pricing for loan servicing contracts. | 681,179 | +174,032 |
| Increase in other services due to maintenance of student aid processing, origination, disbursement, and IT system hosting; implementation of Gainful Employment regulations; and recompete efforts for FEBI and VDC. | 132,704 | +19,276 |
| Increase in funding for goods and services from the Government for security authorizations and building security. | 17,261 | +2,563 |
| Increase in training. | 2,449 | +34 |
| Increase in maintenance of facilities. | 235 | +10 |
| Increase in information technology equipment. | 147 | +7 |
| Subtotal, increases | | +200,128 |

## STUDENT AID ADMINISTRATION

**Summary of Changes**—Continued
(dollars in thousands)

| **Decreases:** | 2015 base | Change from base |
| --- | --- | --- |
| Program: | | |
| Decrease in information technology due to completion of recompete efforts of COD and FEBI school products and full implementation of Integrated Partner Management. | $343,922 | -$14,402 |
| Decrease in funding for advisory and assistance services for fulfillment of procurement and acquisition requirements. | 2,921 | -268 |
| Decrease in transit subsidies. | 872 | -227 |
| Decrease in building alterations. | 230 | -220 |
| Decrease in awards. | 1,725 | -74 |
| Decrease in supplies and postage. | 356 | -4 |
| Decrease in printing. | 1,513 | -3 |
| Subtotal, decreases | | -15,198 |
| Net change | | +184,930 |

## STUDENT AID ADMINISTRATION

### Authorizing Legislation

(dollars in thousands)

| Activity | 2015 Authorized | 2015 Estimate | 2016 Authorized | 2016 Request |
|---|---|---|---|---|
| Student aid administration *(Higher Education Act of 1965, I-D and IV-D, section 458; Public Health Service Act, VII-A*) | Indefinite | $1,396,924 | To be determined[1] | $1,581,854 |
| Total definite authorization | 0 | | 0 | |
| Total appropriation | | 1,396,924 | | 1,581,854 |

[1] The GEPA extension expires September 30, 2015; reauthorizing legislation is sought for FY 2016.

## STUDENT AID ADMINISTRATION

**Appropriations History**
(dollars in thousands)

| Year | Budget Estimate to Congress | House Allowance | Senate Allowance | Appropriation |
|---|---|---|---|---|
| 2007 | $733,720 | N/A[1] | N/A[1] | $719,914[1] |
| Rescission (P.L. 110-28) | 0 | 0 | 0 | -500 |
| Transfer (P.L. 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 (P.L. 111-5) (non-add) | (0) | (50,000) | (0) | (60,000) |
| 2010 | 870,402 | 870,402 | 870,402[3] | 870,402 |
| Rescission (P.L. 111-226) | 0 | 0 | 0 | -82,000 |
| 2011 | 1,170,231 | 994,600[4] | 1,048,078[3] | 992,012[5] |
| 2012 | 1,095,418 | 992,012[6] | 1,045,363[6] | 1,043,387 |
| 2013 | 1,126,363 | 1,043,387[7] | 1,126,363[7] | 978,924[8] |
| 2014 | 1,050,091[9] | N/A[10] | 1,044,301[3] | 1,166,000[11] |
| 2015 | 1,446,924 | N/A[10] | 1,446,924 [12] | 1,396,924 |
| 2016 | 1,581,854 | | | |

[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 appropriation reflects the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).

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

[7] The levels for the House and Senate allowance reflect action on the regular annual 2013 appropriation bill, which proceeded in the 112th Congress only through the House Subcommittee and the Senate Committee.

[8] Total transfer $9,888 thousand to Program Administration, Office of Civil Rights and Office of Inspector General.

[9] Excludes $2,807 thousand proposed for transfer from Department of Health and Human Services to Department of Education for the Health Education Assistance Loan program.

[10] The House allowance is shown as N/A because there was no Subcommittee action.

[11] Excludes $996 thousand transferred from Department of Health and Human Services to Department of Education for the Health Education Assistance Loan program.

[12] The level for the Senate allowance reflects Senate Subcommittee action only.

## STUDENT AID ADMINISTRATION

### Significant Items in FY 2015 Appropriations Reports

SAA Obligation Plan for Mandatory and Discretionary Funds

Manager's Statement and Senate: The Committee directs the Department to continue to provide quarterly reports detailing its obligation plan by quarter for student aid administrative activities broken out by servicer and activity.

Response: The Department will continue to provide the requested quarterly reports as directed by the Committees on Appropriations of the House of Representatives and the Senate.

Streamlined Metrics and Pricing Across Loan Servicers

Senate: The Committee directs the Secretary to implement consistent metrics and pricing to ensure a fair evaluation across all servicers and provide an opportunity for the TIVAS and NFP servicers to provide feedback on the modifications before contract modifications are made.

Response: In the summer of 2014, the Department announced changes that will implement a single set of performance metrics and incentive-based pricing for the Title IV Additional Servicer (TIVAS) and NFP servicers. The Department believes these changes will better ensure consistency and accountability for all Federal student loan servicers and create additional incentives to focus on the Department's goal of providing high-quality servicing to borrowers. The revised contract terms were set for the TIVAS on September 1, 2014, and for the NFP servicers beginning on October 1, 2014.

Recompetition of Servicing Contracts

Manager's Statement and Senate: The Committee directs the Secretary to hold a full and open competition consistent with legal procurement requirements that allows eligible NFP servicers to compete for servicing contracts, including those NFP servicers that were affected by the mandatory sequester.

Response: In December 2014, the Department issued a Request for Information as the first step in preparing for a new full and open competition to solicit proposals to service Federal student loans. The Department will review submissions and other information and its experience with all current servicing vendors in the procurement process, which the Department expects to complete in 2016. A discussion of the servicing recompete efforts begins on page Z-19.

College Ratings System

Senate: The Committee urges the Secretary to consider carefully the metrics used to determine the rankings system, given the complexity in accurately measuring the value offered by colleges and universities and expects the Secretary to propose a system that reflects the full range of successful post-graduation outcomes, including employment and participation in public service.

Response: On December 19, 2014, the Department published a framework and questions for public review and comment that summarizes the basic rating categories, institutional groupings, data, metrics, and tools it is currently weighing in designing the system. The draft framework was based on extensive consultation with stakeholders and experts. Throughout these conversations, the Department has been urged by the field to move forward carefully and to share the evolving approach to the ratings methodology widely. The Department seeks public feedback on the proposed approach and potential metrics before analyzing actual data and generating specific institutional ratings for release by the 2015–2016 school year.

<u>Oversight of Proprietary Institutions of Higher Education</u>

Manager's Statement: The agreement requests an update on the progress of the interagency task force to ensure oversight of for-profit institutions of higher education in the fiscal year 2016 congressional justification.

Senate: The Committee directs the Secretary to encourage greater coordination and information sharing among Federal and State agencies involved in oversight of proprietary institutions of higher education and recommends the Department lead a working group of relevant Federal agencies to coordinate closely with State Attorneys General, consumer advocates, veterans' service organizations, and other stakeholders.

Response: The Department has begun the work necessary to form an interagency task force to help ensure proper oversight of for-profit institutions of higher education. Building on existing efforts with the Departments of Justice, Treasury and Veterans Affairs, as well as the Consumer Financial Protection Bureau, Federal Trade Commission, and the Securities and Exchange Commission, the Department has identified its senior leaders and staff who will lead the effort. In addition, the Department and the other task force members will draft a charter and formalize a structure to protect students from unfair, deceptive, and abusive policies and practices. The task force will begin meeting in 2015. State attorneys general will also be invited to collaborate with the task force. The task force will coordinate the Federal Government's efforts to protect the interests of students and taxpayers.

## STUDENT AID ADMINISTRATION

Sexual Campus Violence Prevention

Manager's Statement And Senate: Within the funding appropriated for Student Aid Administration, the Committee expects the Department to continue its efforts to prevent sexual violence on campus.

Response: The Department is committed to preventing sexual violence on campus. The 2016 Budget also requests additional FTE for the Office of Civil Rights, refer to the **Office of Civil Rights** in the 2016 Budget**,** which has worked on this issue extensively to enhance the Department's response.

Student Complaint System

Manager's Statement: The agreement requests that in fiscal year 2016 congressional budget justification includes an update on the Department's implementation of the expanded student complaint system detailed in Senate Report 113-71.

Senate: The Committee directed the Department to broaden the scope of the complaint system to make it more accessible to all students attending institutions of higher education, regardless of their receipt of Federal education benefits. The Committee also directed the Department to post information on its main Web site about the complaint system no later than 6 months after enactment of the act. The Committee requests that the fiscal year 2016 CJ include an update on the Department's implementation of the expanded complaint system.

Response: In January 2015 the Department began developing high level requirements and analysis of alternatives for a student complaint system. The Department will provide additional details on this process in spring 2015.

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| (in thousands of dollars)<br>Account, Program and Activity | Category Code | 2014 Appropriation | 2015 Appropriation | 2016 President's Budget | 2016 President's Budget Compared to 2015 Appropriation Amount | Percent |
|---|---|---|---|---|---|---|
| ***Student Aid Administration (HEA I-D and IV-D, section 458)*** | | | | | | |
| 1. Salaries and expenses | D | 663,251 | 675,224 | 726,643 | 51,419 | 7.615% |
| 2. Servicing activities [1] | D | 502,749 | 721,700 | 855,211 | 133,511 | 18.500% |
| Subtotal | | 1,166,000 | 1,396,924 | 1,581,854 | 184,930 | 13.238% |
| 3. Health education assistance loan program (non-add) [2] | D | 1,000 | 0 | 0 | 0 | --- |
| 4. Not-for-profit servicers | M | 226,891 | 0 | 0 | 0 | --- |
| Total | | 1,392,891 | 1,396,924 | 1,581,854 | 184,930 | 13.238% |
| Discretionary | D | 1,166,000 | 1,396,924 | 1,581,854 | 184,930 | 13.238% |
| Mandatory | M | 226,891 | 0 | 0 | 0 | --- |

NOTES: D = discretionary program; M = mandatory program; FY = fiscal year

Accounts are shown under the administering office that has primary responsibility for most programs in that account; however, there may be some programs that are administered by another office.

For mandatory programs, the levels shown in the 2014 Appropriation column reflect the 7.2 percent sequester that went into effect October 1, 2013, and the levels shown in the 2015 Appropriation column reflect the 7.3 percent sequester that went into effect October 1, 2014, pursuant to the Budget Control Act of 2011 (P.L. 112-25).

Detail may not add to totals due to rounding.

[1] *The Managers Statement accompanying Public Law 113-235 includes $721,700 thousand for Servicing Activities.*

[2] *The Student Aid Administration total excludes a budget authority transfer in FY 2014 of $1,000 thousand for the Health Education Assistance Loan (HEAL) program, the program administration authority for which was transferred from the Department of Health and Human Services to the Department of Education, per the Department of Education Appropriations Act, 2014.*

## Student Aid Administration

(Higher Education Act of 1965, I-D and IV-D, section 458; Public Health Service Act, VII-A)

(dollars in thousands)

FY 2016 Authorization: To be determined [1]

Budget Authority

| | 2015 Estimate | 2016 Request | Change |
|---|---|---|---|
| Salaries and Expenses: | | | |
| Personnel costs | $192,578 | $196,483 | +$3,905 |
| Non-personnel costs, excluding loan servicing costs | 523,167 | 530,160 | +6,993 |
| Subtotal, salaries and expenses | 715,745 | 726,643 | +10,898 |
| Loan servicing costs | 681,179[2] | 855,211[3] | +174,032 |
| Total, student aid administration | 1,396,924 | 1,581,854 | +184,930 |
| FTE employees | 1,350 | 1,350 | 0 |

[1] The GEPA extension expires September 30, 2015; reauthorizing legislation is sought for FY 2016.

[2] Includes servicing costs of $592,621 thousand for loan servicer contracts, $71,297 thousand for Debt Management Collection System (DMCS) servicing costs, $1,516 thousand for Department-held Perkins Loans servicing, $4,600 thousand for Department-held Perkins Loans close-out costs, $8,700 thousand for loan servicer development costs, $1,638 thousand for a customer satisfaction survey required for loan servicer volume allocation, and $807 thousand for Health Education Assistance Loan (HEAL) servicing,

[3] Includes $768,942 thousand for loan servicer contracts, $73,880 thousand for DMCS servicing costs, $9,100 thousand for loan servicer development costs, $2,021 thousand for Department-held Perkins Loans servicing, $848 thousand for a customer satisfaction survey required for loan servicer volume allocation and $420 thousand for Health Education Assistance Loan (HEAL) program administration costs

## 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: educating students and families about the process for obtaining Federal aid and repaying student loans; processing approximately 20 million student financial aid applications; annually disbursing $148 billion in aid; administering a loan portfolio of over $1.1 trillion; and ensuring that Federal resources are appropriately used by schools, guaranty agencies and students.

The Higher Education Amendments of 1998 established the Federal Student Aid (FSA) as the Federal Government's first performance-based organization (PBO) to improve service for 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.

The Offices of Postsecondary Education (OPE), the Under Secretary (OUS) and FSA oversee and administer the Federal student financial assistance programs. OPE formulates policy for these student financial assistance programs and administers other Federal postsecondary education programs. In addition, other Department offices—Offices of Management, Planning, Evaluation and Policy Development, the General Counsel, the Chief Information Officer, the Inspector General, and the Chief Financial Officer—contribute to the administration and oversight of the student aid programs.

The Federal Pell Grant Program is the foundation for Federal financial grant assistance. The program ensures financial access to postsecondary education by disbursing $31 billion to 8.2 million low-and middle-income undergraduate students during the 2014–2015 award year, with an average award of $3,793. The maximum Pell Grant award has grown from $5,350 for the 2009–2010 award year to $5,775 for the 2015–2016 award year and is projected to be $5,915 for the 2016-2017 award year.

The William D. Ford Federal Direct Loan (DL) Program drives a significant portion of FSA's workload. The DL program lends funds directly to students and their families through participating schools. The DL program is funded through borrowing from the U.S. Treasury and an appropriation for subsidy costs. In fiscal year 2016, the Department will make $109 billion in new Direct Loans, excluding Consolidation Loans. The Federal Family Education Loan (FFEL) Program was similar to the DL Program except private lenders provided those funds, which were insured by loan guaranty agencies and then reinsured by the Government. See the **Student Loans Overview** and **Student Aid Overview** for details on Student Loan programs in the 2016 Budget.

As a result of uncertainty in the financial markets in 2008, the Ensuring Continued Access to Student Loans Act (ECASLA), P.L. 110-227, provided access to capital to private lenders for making Federal student loans. 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. More information about these programs is available online at: (http://Federalstudentaid.ed.gov/ffelp).

SAFRA (Student Aid and Fiscal Responsibility Act), Title II, Part A of the Health Care Education Reconciliation Act, 2010, ended the FFEL program's authority to originate new Federal student loans. Since July 1, 2010, the Department has originated and serviced all new Federal student loans through the DL program, FSA continues to administer the FFEL program, while lenders and guaranty agencies continue to service and collect outstanding loans in the FFEL portfolio. FSA services the ECASLA and DL Program through the use of private contractors. From passage of SAFRA through December 26, 2013, servicing activities were funded both by discretionary funds and mandatory funds (as provided by SAFRA for eligible Not-For-Profit (NFP) servicers). However, the Bipartisan Budget Act of 2013 eliminated mandatory funding for NFP servicing costs, instead requiring all servicing costs from date of enactment on to be funded by discretionary budget authority.

Funding levels for the past 5 fiscal years were:

| | (dollars in thousands) |
|---|---|
| 2011 | $992,012 |
| 2012 | 1,043,387 |
| 2013 | 978,924 |
| 2014 | 1,166,000 |
| 2015 | 1,396,924 |

## FY 2016 BUDGET REQUEST

The Department requests $1.6 billion to administer the Federal student aid programs in fiscal year 2016, a $184.9 million increase, or 13 percent, above the 2015 Appropriation. The requested funds are necessary to manage and service the student loan portfolio, including: anticipated increases in loan volume; maintaining operations for student aid application processing, origination, disbursement functions, and student aid information technology (IT) system hosting; managing the acquisition strategy for Federal Student Aid's (FSA) core contracts for student aid application processing and system hosting; and improving data collection, reporting, and dissemination to the public.

The most significant changes in the 2016 budget request from the 2015 level include:

1) Higher discretionary servicing costs for Federal student loan programs (+$174.0 million). The higher level reflects expected increases in loan volume, the aging of the student loan portfolio as more borrowers move into repayment, and renegotiated servicing contracts with pricing and incentives to improve customer service and keep borrowers current and in a payment plan that makes their debt manageable. More detail is provided on page Z-18.

2) Overall increase in operations and maintenance for Free Application for Federal Student Aid (FAFSA) processing, Pell Grants and Direct student loan origination and disbursement, and IT system hosting (+$3.2 million). More detail is provided beginning on page Z-21.

3) Increase to improve data transparency and student loan portfolio analytics (+$9.5 million). More detail is provided on page Z-21.

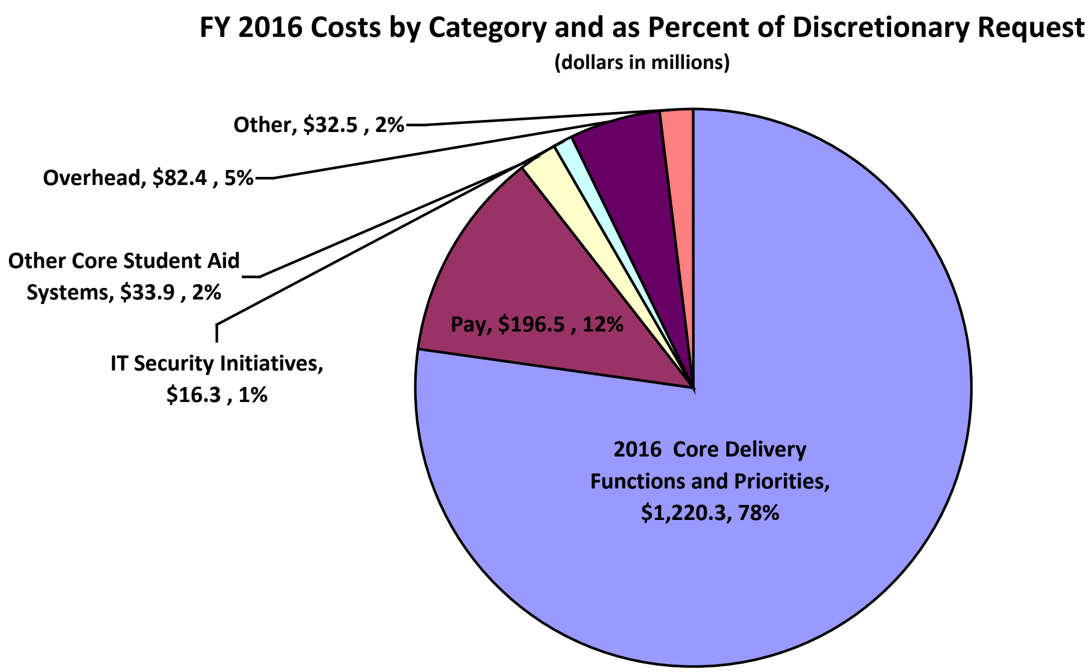
4) Increase in acquisition planning and procurement costs for critical expiring core contracts (+$8.7 million). More detail is provided on page Z-22.

The balance of the change from 2015 consists of decreases due to one-time expenses in 2015 as well as small increases across various projects in 2016.

## FY 2016 Budget Costs by Category

The following chart provides the funding level and the percentage share of the fiscal year 2016 Budget by category. Ninety percent of the proposed SAA budget supports core delivery functions, FSA's top priorities, and pay. Federal Student Aid's major budget priorities include: effectively servicing the growing student loan portfolio; maintaining operations for student aid application processing, origination and disbursement functions and IT system hosting; procuring and developing systems to replace expiring core student aid systems; and improving data dissemination and reporting.

Other core student aid systems (e.g., National Student Loan Data System, FSA's accounting system), matching agreements (e.g., Social Security Administration, IRS FAFSA pre-population), and IT security initiatives account for 3 percent of the request. The remaining 7 percent includes overhead, which contains central support (e.g., rent, background investigations), central information technology (e.g., the Department's EDCAPS financial systems) and the "Other" category that includes Web site interfaces, contract specialist support, and other activities to carry out FSA's mission.




The sections below show, by cost category, the major projects and their fiscal year 2016 budget funding levels. The budget request includes $196.5 million for personnel compensation and benefits costs of 1,350 FTE, 1,247 FTE in Federal Student Aid, and 103 FTE in the non-Federal Student Aid offices, as delineated on page Z-35.

## 2016 Priorities: $1,220.3 million

**The four 2016 budget priorities and their funding levels are:**

### 1. Effectively servicing the student loan portfolio: $855.2 million

The budget requests $855.2 million for loan servicing costs ($842.8 million for operations and maintenance for loan servicers, $11.6 million for system development costs, and $0.8 million for customer service satisfaction surveys required for allocation of borrower accounts based on performance). The servicing costs are based on the overall loan volume, repayment status mix of the loan portfolio, and the timing of loan delivery. Loan servicing costs are presented separately to provide greater transparency on the main cost to FSA.

Currently, the Department contracts with 13 servicers to provide borrower services for the Federal Direct Loan, Perkins Loan, and TEACH Grant programs. All servicers are funded entirely with discretionary budget authority. SAFRA provided mandatory budget authority to fund administrative costs of eligible NFP loan servicers; however, this same mandatory budget authority was eliminated by the Bipartisan Budget Act of 2013, requiring all servicing costs starting in fiscal year 2015 to be covered by discretionary budget authority.

The 2014 Consolidated Appropriations Act transferred the Health Education Assistance Loan (HEAL) program under the Public Health Service Act from Health and Human Services (HHS) to the Department, which was finalized in July 2014. Costs necessary to service the HEAL portfolio are included in the total servicing request for fiscal year 2016.

<u>FY 2016 Servicing Costs</u>

Differences in distribution among loan statuses affect overall unit costs due to additional workload and related pricing for different statuses (e.g., in-repayment borrowers cost more to service than in-school borrowers). As loan volume grows and the portfolio matures, with more borrowers moving from in-school to in-repayment, the total cost for servicing will continue to increase. Servicing costs in fiscal year 2016 reflect current loan servicing projections. In addition, the request reflects revised pricing and performance metrics, which provide additional incentives for servicers to provide specialized and detailed information to borrowers on how to remain or become current on their loan(s) and to provide high-quality customer service.

Servicing costs are very sensitive due to changes in borrower volumes and the distribution of borrowers among repayment statuses. A change in the distribution of borrowers (e.g., from in-school to in-repayment) can cause a significant increase in total servicing costs due to the increased costs to service in-repayment borrowers. In addition, if servicers do a better job of keeping borrowers current, an important goal for both FSA and for the borrower, then costs will rise as FSA pays servicers a higher per-unit price for current borrowers than delinquent borrowers. FSA monitors its annual operating plan and its projected servicing budget so that it has sufficient resources to ensure that borrowers' loan servicing is not interrupted. The availability of FSA's appropriations for two years allows FSA to have flexibility to meet unforeseen cost increases and to ensure that it has adequate balances to meet any cost increases.

Servicing Recompete:

As of October 1, 2014, FSA's servicing portfolio included nearly 30 million student and parent borrowers and over $765 billion in outstanding loans.  Efforts to serve borrowers better through strengthening incentives for loan servicers are detailed in the White House's Factsheet: Making Student Loans More Affordable.

FSA has begun to look at what model of loan servicing it might adopt in the future.  The complexity of the options as well as the difficulties of any transition requires that FSA begin its analysis long before the contracts' expiration date.  In November 2014, FSA issued a request for information (RFI) on how it can manage its growing portfolio while improving borrower satisfaction and outcomes; providing common borrower experiences; and allowing for consolidated reporting of financial information, borrower data, and other portfolio data.  FSA will use the RFI to gather information on approaches to manage the student loan portfolio, such as the use of a single servicing platform, the use of specialized vendors to provide call center operations, and how broader commercial servicing models might improve the student loan servicing process.

Customer Service Survey Data

The Department measures servicer performance in customer satisfaction and default prevention.  Results from Customer Service Survey Data from June 2014 are displayed beginning on page Z-33.  Updates to this data will be released by electronic announcement in the "Loans" section of the Information for Financial Aid Professionals (IFAP) Web site (http://ifap.ed.gov/ifap).

Ensuring Borrowers Have Options to Keep their Student Loan Debt Manageable

FSA has eased the process for applying for income-based repayment plans by creating a new Income-Driven Repayment (IDR) e-application for all income-driven repayment options.  The new IDR application contains a built-in repayment amount estimator to help borrowers see the difference in monthly payments and how various plans affect how long a borrower might be in repayment.

FSA has also expanded its efforts to ensure that borrowers understand their repayment options. The Department has provided borrowers with information about these plans through targeted emails to borrowers who may be struggling to repay their loans, those with large loan balances, and borrowers about to enter repayment.  From November through December 2013, the Department conducted an email campaign to 3.15 million unique borrowers, which specifically targeted at-risk borrowers who could benefit from an IDR plan.  Over 30 percent of the recipients opened the email, which is above industry standards for these types of outreach campaigns; over 310,000 borrowers either visited the Repayment Estimator or accessed the IDR application and over 200,000 submitted an IDR application.

Based on the success of this initial campaign, FSA repeated the campaign in November 2014 for 740,000 borrowers in-grace, since this group was the most responsive to previous email outreach. As of January 2015, the campaign is on track to meet or exceed last year's metrics. Over half of the borrowers have opened the email and over 40,000 have submitted an application for an IDR plan. FSA is also planning additional outreach to borrowers who missed their first payment after their grace period ended, borrowers who have dropped out of school without completing a degree, and borrowers in default with low loan balances. Efforts to support vulnerable borrowers are outlined in Section 2 of the June 2014 Presidential Memorandum-Federal Student Loan Repayments.

The Department also worked with the Department of Treasury and Intuit Inc., to raise awareness about income-driven repayment plans on the TurboTax Web site. During the 2014 tax filing season, Intuit featured a banner in its TurboTax Online tax preparation software with a message to let users know they have options for repaying Federal student loans. The banner linked to the Department of Education's online Repayment Estimator, where users could determine if they could lower their monthly student loan payments through an income-driven repayment plan. From there, users could sign up for an income-driven or other repayment plan. During this campaign, the banner received nearly 99,000 clicks. Treasury and Education also included a message about Federal student loan repayment options on the back of envelopes containing 2013 tax refund checks. Envelopes for the 2013 tax year featured information regarding income-driven repayment plans, including a link to the Department of Education's student loan repayment estimator and approximately 25 million of these envelopes were mailed to tax filers in 2014 for the tax year 2013. Efforts to encourage support and awareness of repayment options for borrowers during tax filing season are outlined in Section 3 of the June 2014 Presidential Memorandum-Federal Student Loan Repayments.

Additionally, the Department conducted an online outreach campaign to highlight repayment options for current college students, recent graduates, and borrowers during May and June 2014. The campaign included outreach on Facebook, Twitter, YouTube, and LinkedIn. The campaign resulted in approximately 149 million audience impressions, the total number of people who could have seen a given message, and 656,800 clicks, which sent users to FSA repayment tools and resources.

Lastly, the Department produced several tools and resources including the Repayment Estimator, Financial Awareness Counseling Tool, Entrance and Exit Counseling, and StudentAid.gov to help students and their families make more educated decisions about planning and paying for college. The Department also launched the Financial Aid Toolkit, which consolidates Federal student aid resources into a searchable online database for individuals and organizations that help students and families make financial preparations for postsecondary education. The toolkit includes resources and content about loan repayment.
The Department will continue its outreach to all borrowers to ensure that they have the necessary information to choose the repayment plan that is right for their circumstances. At the end of December 2014, approximately 1.85 million DL borrowers were enrolled in IBR and 320,000 borrowers in PAYE.

**2. Maintaining continual operations for student aid application processing, origination and disbursement functions, and IT system hosting: $309.5 million**

The budget request includes $309.5 million for student aid application processing, origination, and disbursement functions, and information technology (IT) system hosting, an increase of $3.2 million from fiscal year 2015.

Included in this request are:

- Front End Business Integration (FEBI) ($91.9 million), including operations and maintenance ($77.6 million), school products and services ($12.8 million), and FAFSA enhancements ($1.5 million);
- Common Origination and Disbursement (COD) ($130.1 million); and
- IT system costs ($87.5 million), including the data center, software licenses, and the technical architecture and system support for FSA applications.

The FEBI contract components are severable and also include a price per application that is based on a firm-fixed-price tiered schedule. A pre-determined tier is established before the next contract year. Applications are counted during the contract year regardless of the application year. FEBI's operations and maintenance cost per applicant includes: FAFSA applications and all related communications; Central Processing System (CPS) for application processing and eligibility determination and supporting functions, Federal Student Aid Information Center (FSAIC) call center support, and annual enhancements to the application. In addition, FEBI school products and services provide the necessary tools for the school administrator through EDEXpress Financial Aid Administrators (FAAs) Access and Participation Management.

**3. Policy Priorities: $28.2 million**

<u>Regulatory Requirement—Gainful Employment (GE)</u>: $16.6 million

The Department published the GE final rules on October 31, 2014 and the rules will become effective July 1, 2015. FSA will use these funds to collect and validate student information, implement metrics and validation rules, disseminate information related to program performance, and support the challenge process. The 2016 request will be used to procure a system and support to manage student data challenges from institutions, system updates to implement metric calculations, data storage, and enforcement processes on FSA systems. The system and support to manage student data challenges will support GE, as well as other types of data challenges, such as cohort default rate challenges.

<u>Enterprise Data Warehouse and Analytics (EDW&A)</u>: $11.6 million

EDW&A is an initiative to create an enterprise capability that provides timely, accurate, and consistent access to FSA lifecycle data. This will be achieved through a multi-phase approach with various vendor support for requirements documentation, development, and deployment. During fiscal year 2015, phase 1 of EDW&A will include creation of an enterprise data warehouse containing major FSA lifecycle data and the architecture to support the robust reporting and analytical tools. The benefits of the EDW&A initiative will improve reporting and analysis by decreasing resource constraints currently placed on NSLDS and other operation systems. The 2016 request includes $1.6 million to support continual operations and maintenance for phase 1 and $10 million for development work, including efforts to incorporate additional student aid life cycle and external data to better inform analytical efforts and responsibly make student aid data more accessible for large scale research by external stakeholders.

**4. Planning the acquisition process and procuring systems: $27.4 million**

FSA's core operations and IT systems hosting are supported through FEBI and the Virtual Data Center (VDC). Both contracts are scheduled to expire between fiscal years 2015 and 2016. FSA is implementing a multi-year acquisition strategy to ensure operational continuity, increase efficiency, simplify operations, and reduce costs. The request includes procurement related costs for acquisition strategy assistance and transition and development costs.

The fiscal year 2016 request for these procurement activities is $27.4 million, an increase of $8.7 million over fiscal year 2015. The table below shows the major student aid procurement contracts for fiscal years 2015 and 2016 and the contract expiration dates; the table excludes ongoing operations and maintenance that will occur during these fiscal years.

**Funding for Major Student Aid IT Procurements**
**(dollars in millions)**

| Acquisition | FY 2015 | FY 2016 | Contract Expiration Date |
|---|---|---|---|
| Front End Business Integration | $18.7 | $23.5 | January 2015 |
| Virtual Data Center | 0.0 | 3.9 | August 2016 |
| **Total** | **18.7** | **27.4** | |

Below is a description of the fiscal year 2016 procurement activities:

<u>Front End Business Integration (FEBI)</u>: $23.5 million

The current contract for FEBI expired in January 2015. FSA designed a multi-phased business effort to streamline the many functions (ombudsman, application and eligibility determination, and customer service delivery) for prospective applicants and processing current borrowers. The FEBI recompete effort will improve FSA's flexibility and responsiveness to legislative changes and organizational priorities, and establish contractual arrangements with increased transparency and performance metrics based on industry standards. During fiscal year 2014, Phase I acquired operational support for handling inquires made directly to the Ombudsman Group. Fiscal year 2015 will focus on the solicitation and award of a short term, as-is contract for the operations and maintenance of the Central Processing System (CPS)/Application Eligibility Determination System (AEDS) and solicitation and award of a new Customer Service Delivery contract to include call center services and support for the Federal Student Aid Information Center. The 2016 requested funds will support a solicitation for the long-term solution for the application processing and eligibility determination system. In addition, FSA will complete solicitations for the Participation Management and EDExpress systems, previously included in the FEBI contract.

Virtual Data Center (VDC): $3.9 million

The VDC is a single computing environment for data and transaction processing, network communication services, infrastructure, and tools required to deliver financial aid. The VDC located in Plano, Texas hosts 56 systematic applications with 450 terabyte (TB) of data. The current contract ends in August 2016. The 2016 funds will support the recompete effort to create, solicit and award one or more contracts to provide data center and technical infrastructure operations, maintenance and support services to all FSA systems and applications hosted and served by the VDC.

FSA has researched feasible options to incorporate public/private cloud computing and new technologies with the current data center infrastructure to leverage new techniques for the next 10 years. During fiscal year 2015, FSA will develop the Statement of Objectives and the detailed requirements for the competition. FSA will prepare solicitation documents for a free and open competition, evaluate and select the best value proposals, and negotiate one or more contract awards to operate the VDC.

The requested funds will support post-award transition activities including transition plans, security clearances, and hardware infrastructure. Transition is expected to take between 12 and 18 months. Parallel servicing may be required under the new data center contract and the old contract in order to move production systems and data to new locations without interruption of service.

**Other Core Student Aid Administration Systems: $33.9 million**

**National Student Loan Data System (NSLDS): $12.5 million**

NSLDS maintains 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 integrates data on student aid applicants and recipients. This comprehensive information is essential for calculating cohort default rates, preventing fraud and abuse through pre-screening and post-screening for Title IV aid eligibility, and calculating statutory guaranty agency payments. NSLDS is also used for calculating student loan indebtedness of borrowers, budget formulation, portfolio management, and policy analysis. In addition to providing ongoing NSLDS operations, maintenance, and customer support, FSA is undertaking a major effort to improve further enrollment reporting and monitor persistence and completion among Federal student aid recipients. FSA is working with other Department offices on data enhancement, system integration, and data quality.

**Financial Management System (FMS): $7.5 million**

FMS consolidates and manages all financial transactions from FSA'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 also performs validations and reasonability checks to minimize erroneous payments. The 2016 request supports the operations and maintenance of the system.

**Integrated Partner Management (IPM): $7.5 million**

In fiscal year 2015, IPM will be deployed, consolidating processes that are currently scattered among six disparate systems (Lender Application Process, Financial Statements & Compliance Audits, Participation Management portion of Student Aid Internet Gateway, Electronic Application (eApp), Postsecondary Education Participation (PEPS), and Electronic Records Management (ERM). IPM will simplify and reduce duplicate and conflicting data storage, complex system architectures, and excessive file exchange activities. IPM will provide a centralized view to all customers and employees of current institutional eligibility and oversight data. IPM will provide better data accuracy, information security through a single point of access, and help enforcement efforts. The 2016 request supports the operations and maintenance of the system.

**Federal Student Aid Administration Interagency Agreements: $4.8 million**

The Department enters into 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 agreements:

<u>Department of Health and Human Services</u>: Through the HHS National Directory of New Hires program, the Department obtains new hire, quarterly wage, and unemployment insurance information on defaulted loan borrowers or aid recipients who owe the Department for grant overpayment. This agreement assists the Department in locating these borrowers or students to place them back into repayment status. The Department has renewed negotiations with HHS on a new Computer Matching Agreement for fiscal year 2015.

<u>Department of Housing and Urban Development (HUD)</u>: The Department of Education provides information on student loan defaulters to the HUD Credit Alert Interactive Voice Response System, which determines eligibility for Federal housing loans. Borrowers who are ineligible due to student loan defaults may pay off their defaulted student loan to obtain the housing loan.

<u>Department of Treasury, Bureau of the Fiscal Service</u>: The Department has two interagency agreements with the Bureau of the Fiscal Service:

1. Federal Employee Salary Offset Program: Treasury identifies Federal employees whose Federal pay is or could potentially be offset through the Treasury Offset Program.

2. Lockbox Services: Treasury provides for the receipt, processing and deposit of mailed check payments from student loan borrowers.

<u>Internal Revenue Service (IRS)</u>: The Department has three interagency agreements with IRS:

1. FAFSA Data Share: This agreement simplifies the FAFSA completion process by allowing applicants to transfer tax return information directly to the appropriate FAFSA

data fields. Applicants are able to retrieve this data after passing an authentication process.

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

3. IDR Plan Data Share: This agreement allows borrowers to use their IRS data to complete an IDR application, allowing an accurate income-based calculation of monthly payment amounts.

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

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

Defense Contract Audit Agency: This agreement provides required audit support for proposals and other contract audits, reducing the risk of inflated contract costs and ensuring that contract prices and proposals are fair and reasonable.

**eCampus-Based: $1.6 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. The request would support the operation and maintenance of the system.

## IT Security Initiatives: $16.3 million

**IT Security: $16.3 million**

FSA takes seriously the ongoing security threats to operations and the real risks of compromising borrowers' personal information. In addition to specific security requirements, FSA has specific initiatives to mitigate security risks:

System Security Authorizations (SSA): $8.3 million
This initiative provides the basic security critical to ensure all FSA applications and general support systems are secured from malicious exploits and threats. Security authorizations and annual testing are mandated by the Federal Information Security Management Act and must be performed 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 FSA systems.

In fiscal year 2015, FSA will complete its work around automated access request management for all FSA systems and create a mandatory training tracking system for FSA's contractors. The 2016 funds will be used for ongoing operations and external support.

Enterprise Identity Management System (EIMS): $3.5 million

The Enterprise Identity Management System addresses the issue of fragmented user account management and inconsistent methods of identity authentication. There is an increased security risk when borrowers use using their social security number and PIN. EIMS will require a username/password combination. EIMS also will improve interoperability between agencies using PIV credentials and improve institutional partners' interactions with FSA systems by consolidating multiple access logins providing a consistent personal authentication and eliminating the use of social security numbers.

Security Operations Center: $2.0 million

The security operations center provides independent monitoring and analysis needed to protect the VDC infrastructure, systems and data from vulnerabilities. The Security Operation Center will automate the security sensors on approximately 1,500 servers housed at the VDC and communicate real-time information regarding suspicious events. The real-time information will enable FSA to react timely to suspicious activity and make timely reports to DHS.

In fiscal year 2016, FSA will continue to link external systems into the Security Operation Center to obtain a comprehensive evaluation of threats to FSA networks and data.

Access and Identity Management System (AIMS): $1.4 million

The AIMS initiative provides simplified logon for approximately 70,000 users to access 20 major and minor FSA web applications. AIMS integrates horizontal sign-on to multiple applications, enforcing standardized security requirements such as identity, password complexity, and multifactor authentication. Funding in fiscal year 2016 includes the one-time cost of transitioning AIMS operations support from the current Enterprise Information Technology Infrastructure contract to a separate AIMS-specific vehicle.

Two-Factor Authentication: $1.1 million

Two-Factor Authentication increases the security of FSA systems by requiring two forms of authentication to allow user access. The first authentication mechanism is the user ID and password, and the second mechanism is a token, which generates a one-time password. Stronger authentication decreases the risk of fraud and unauthorized access to privileged data and is particularly important for remote users of FSA systems. Since fiscal year 2011, remote FSA and Department employees have utilized two-factor authentication for system access. Currently, FSA is enabling two-factor authentication for guaranty agencies, loan servicers, and Payment Collection Agencies and implementing a soft token solution to replace physical tokens.

Funding in fiscal year 2016 will be used for annual system updates and system modifications necessary to update multi-factor authentication technologies and integrate FSA systems not currently protected by Two-Factor Authentication.

**Other: $32.5 million**

The "Other" category includes projects aimed at supporting FSA's mission and projects administered by FSA. Costs in the "Other" category include conference management, Web site interfaces, human capital support, contract specialist support, travel, and training.  One project to highlight is conference management, which supports the annual Federal Student Aid 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.  This training is part of FSA's school oversight and responsibility and increases the integrity of the Federal Student Aid programs while ensuring appropriate stewardship of taxpayer resources.  The 2016 request includes $2.7 million for conference management.  Additional projects in this category also support FSA's efforts to increase awareness of the availability of financial aid through targeted customer outreach and information dissemination, travel for program compliance and necessary technical assistance, and accessibility improvement of student aid information for the blind and visually impaired.

## System Application Matrix

These two system matrixes, located on the following page, illustrate the interdependencies between the major student aid system applications for the core business functions and users. The first chart shows each system application, its projected costs for 2015 and 2016, and its core business functions.  The second chart shows the interdependencies between all system applications and schools, students, financial partners, and the Department.

**System Applications and Core Business Functions Interdependencies**

| System Application | 2015 Cost (dollars in millions) | 2016 Cost (dollars in millions) | Student Aid Application Processing | Origination and Disbursement | Student Loan Servicing |
|---|---|---|---|---|---|
| Loan Servicing | $771.7 | $855.2 | | X | X |
| Common Origination and Disbursement | 122.9 | 130.1 | X | X | X |
| Front End Business Integration and FAFSA Operations | 111.5[1] | 115.4 [1] | X | X | |
| Virtual Data Center | 33.2 | 58.2 [1] | X | X | X |
| Enterprise Software Licenses | 20.6 | 23.6 | X | X | X |
| National Student Loan Data System | 14.9 | 12.5 | X | X | X |
| Integrated Partner Management | 11.5 | 7.5 | | X | X |
| Financial Management System | 8.9 | 7.5 | | X | |
| **Total Discretionary Costs** | **1,095.2** | **1,210.0** | | | |

[1] Amount includes recompete efforts.

**Systems Applications and End Users**

| System Application | School | Student | Financial Partners | Department of Education |
|---|---|---|---|---|
| Loan Servicing | X | 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.

## Major SAA Contracts

The following table provides a list of Student Aid Administration contracts estimated to exceed $5 million in fiscal years 2015 and 2016.

**Student Aid Contracts Projected to Exceed $5 Million, Fiscal Years 2015–2016**
(dollars in millions)
*denotes vendor headquarters for loan servicers

| Contract | Description | 2015 Vendor | Vendor Location | FY 2015 Funding | FY 2016 Funding |
|---|---|---|---|---|---|
| Loan Servicing | Servicing and consolidation of direct student loans, Perkins loans, TEACH grants, servicing FFEL loans, and defaulted loans. | PHEAA; Great Lakes Education Loan Services Inc.; Nelnet Servicing LLC; Navient; Missouri Higher Education Loan Authority; ESA/ Edfinancial; Aspire Resources Inc.; Cornerstone; New Hampshire Higher Education Corporation; Oklahoma Student Loan Authority; Vermont Student Assistance Corporation; Maximus; Educational Computer Systems | Harrisburg, PA* Chester, PA Mechanicsburg, PA Pittsburg, PA State College, PA Madison, WI* Aberdeen, SD Boscobel, WI Eau Claire, WI Rocky Hill, CT Stevens Point, WI Eagan, MN Plano, TX Lincoln, NE* Omaha, NE Aurora, CO Highlands Ranch, CO Albany, NY Newark, DE* Fishers, IN Indianapolis, IN Reston, VA Wilkes-Barre, PA Chesterfield, MO* Knoxville, TN, West Des Moines, IA; Salt Lake City, UT; Concord, NH* Oklahoma City, OK; Winooski, VT Corapolis, PA* | $771.7 | $855.2 |

**Student Aid Contracts Projected to Exceed $5 Million, Fiscal Years 2015–2016**
(dollars in millions)
*denotes vendor headquarters for loan servicers

| Contract | Description | 2015 Vendor | Vendor Location | FY 2015 Funding | FY 2016 Funding |
|---|---|---|---|---|---|
| Loan Servicing | Servicing and consolidation of direct student loans, Perkins loans, TEACH grants, servicing FFEL loans, and defaulted loans. | | McLean, VA*<br>Washington, DC<br>Utica, NY<br>Greenville, TX<br>Frederick, MD<br>Woodbridge, VA<br>Coralville, IA<br>Lawrence, KS,<br>Columbia, MO<br>Louisville, KY<br>Frankfurt, KY | | |

**Student Aid Contracts Projected to Exceed $5 Million, Fiscal Years 2015–2016**
(dollars in millions)
*denotes vendor headquarters for loan servicers

| Contract | Description | 2015 Vendor | Vendor Location | FY 2015 Funding | FY 2016 Funding |
|---|---|---|---|---|---|
| Common Origination and Disbursement | Disbursement of Pell Grants and Direct Loans. | Accenture LLP | Arlington, VA*<br>Columbus, GA<br>Monticello, KY<br>Niagara Falls, NY<br>Philadelphia, PA<br>San Antonio, TX<br>Washington, DC | $122.9 | $130.1 |
| Front-End Business Integration | Integration of application processing, aid awareness, and eligibility determination. | Vangent Inc. | Fairfax, VA<br>Montgomery, AL<br>Reston, VA<br>Aurora, IL<br>Mt. Vernon, IL<br>Hattiesburg, MS<br>Arlington, VA<br>Coralville, IA<br>Herndon, VA<br>Las Cruces, NM<br>Lawrence, KS<br>Rockville, MD<br>Washington, DC | $111.5 | $115.4 |

**Student Aid Contracts Projected to Exceed $5 Million, Fiscal Years 2015–2016**
(dollars in millions)
*denotes vendor headquarters for loan servicers

| Contract | Description | 2015 Vendor | Vendor Location | FY 2015 Funding | FY 2016 Funding |
|---|---|---|---|---|---|
| Virtual Data Center | Data center for student financial aid systems. | Dell/Perot Systems | Plano, TX<br>Fairfax, VA*<br>Washington, DC | $33.2 | $58.2 |
| Enterprise Software Licensing | Maintenance for software licenses for Financial Management System and database operations. | Various | Various | $20.6 | $23.6 |
| 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*<br>Arlington, VA<br>Coralville, IA<br>Venice, FL<br>Lawrence, KS | $14.9 | $12.5 |
| Integrated Partner Management | Integration of institutional eligibility determination and oversight of schools, lenders, guaranty agencies and other FSA partners. | BSC Systems; Creative Ideas Simple Solutions, Inc.; 2020 Co. LLC; Quality Software Services, Inc. | Clarksville, MD*<br>Washington, DC | $11.5 | $7.5 |
| Financial Management System | Accounting system for FSA transactions. | Avineon, Inc. | Washington, DC<br>McLean, VA | $8.9 | $7.5 |

## Quarterly June 2014 Customer Service Performance Results

## New Not-For-Profit Servicers

**June 2014 Score by Allocation Metric**

| | METRIC | Aspire Resources Inc. | CornerStone | ESA/ Edfinancial |
|---|---|---|---|---|
| 1 | % of Borrowers in Current Repayment Status | 91.95% | 93.08% | 92.58% |
| 2 | % of Borrowers > 90 Days Delinquent | 4.14% | 3.11% | 3.75% |
| 3 | Resolution of Borrowers Delinquent > 180 Days | 16.12% | 35.55% | 37.58% |
| 4 | Borrower Survey[1] | 75.00 | 73.00 | 72.00 |
| 5 | Federal Personnel Survey[1] | 75.00 | 76.00 | 72.00 |

| | METRIC | Granite State-GSMR | MOHELA |
|---|---|---|---|
| 1 | % of Borrowers in Current Repayment Status | 91.13% | 93.77% |
| 2 | % of Borrowers > 90 Days Delinquent | 4.22% | 3.17% |
| 3 | Resolution of Borrowers Delinquent > 180 Days | 13.33% | 23.30% |
| 4 | Borrower Survey[1] | 73.00 | 70.00 |
| 5 | Federal Personnel Survey[1] | 68.00 | 83.00 |

| | METRIC | OSLA | VSAC Federal Loans |
|---|---|---|---|
| 1 | % of Borrowers in Current Repayment Status | 89.15% | 90.68% |
| 2 | % of Borrowers > 90 Days Delinquent | 4.87% | 5.33% |
| 3 | Resolution of Borrowers Delinquent > 180 Days | 20.70% | 24.77% |
| 4 | Borrower Survey[1] | 73.00 | 74.00 |
| 5 | Federal Personnel Survey[1] | 68.00 | 70.00 |

[1] American Customer Satisfaction Index (ACSI) scale of 0 to 100.

## Quarterly June 2014 Customer Service Performance Results
## Title IV Additional Servicers

### June 2014 Score by Allocation Metric

| | METRIC | FedLoan Servicing (PHEAA) | Great Lakes | Nelnet | Navient |
|---|---|---|---|---|---|
| 1 | Defaulted Borrower Count | 1.58% | 1.57% | 0.91% | 0.67% |
| 2 | Defaulted Borrower Amount | 1.03% | 1.10% | 0.57% | 0.38% |
| 3 | Borrower Survey[1] | 74.33 | 76.00 | 76.33 | 74.00 |
| 4 | School Survey[1] | 81.00 | 81.33 | 79.33 | 73.33 |
| 5 | Federal Personnel Survey[1] | 74.00 | 77.00 | 71.00 | 72.00 |

[1] American Customer Satisfaction Index (ACSI) scale of 0 to 100.

Note: Updates to this data will be released by electronic announcement in the “Loans” section of the Information for Financial Aid Professionals (IFAP) Web site (http://ifap.ed.gov/ifap/).

## Non-Federal Student Aid Support Activities

In addition to funds directly allocated to Federal Student Aid to manage student aid programs, $100.2 million ($82.4 million in Overhead and $17.8 million in non-Federal Student Aid pay) of the fiscal year 2016 request, an increase from $99.7 million in fiscal year 2015, is allocated to departmental offices for central support activities, such as central computer services and financial management systems operations, rent and other overhead, and legal and policy expertise.

Funding for Departmentwide financial management systems funded by this account will total $15.0 million in fiscal year 2016, a slight increase from $14.7 million in fiscal year 2015. This increase is needed for upgrading the Department's Financial Management Systems Software (FMSS) and continued operations of EDCAPS, as explained in the **Program Administration** request.

Rent payments to the General Services Administration for FSA-occupied space will total $18.5 million for fiscal year 2016, the same level as fiscal year 2015.

Combined funding for central computer services and telecommunications will total $24.0 million in fiscal year 2016. There is a slight increase of $0.3 million for these activities from fiscal year 2015.

Other non-pay central support services, including background investigations, will total $24.9 million in fiscal year 2016, a slight decrease from $25.0 million, the fiscal year 2015 level.

In addition to 1,247 FSA full-time staff, the fiscal year 2016 request also provides $17.8 million, for the salaries and benefits of 103 FTE outside FSA who perform student-aid related activities and are located in the Office of Postsecondary Education; Office of Management; Office of the General Counsel; Office of the Chief Financial Officer; Office of the Chief Information Officer; and Office of Planning, Evaluation, and Policy Development.

## PROGRAM PERFORMANCE INFORMATION

### Performance Measures

This section presents selected program performance information, including, for example, GPRA 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 program resources available in previous years as well as in fiscal year 2016 and future years, and the resources and efforts invested by those served by this program.

In December 2012, Federal Student Aid (FSA) released an updated strategic plan, *Federal Student Aid: Strategic Plan, Fiscal Years 2012–16* which described the organization's current goals and objectives. FSA's performance indicators were last updated earlier this year to account for improvements in data collection and analysis that allowed for more accurate and better-aligned metrics. FSA is in the process of updating its Strategic Plan for Fiscal Years 2015–19, anticipated for publication next year, in which FSA's metrics will be further refined.

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

**Measure:** Percent of first time FAFSA filers among high school seniors.

| Year | Target | Actual |
|---|---|---|
| **2013** | Baseline | 59.2% |
| **2014** | 58.8%–60.8% | 60.1 |
| **2015** | TBD | |
| **2016** | TBD | |

Note: At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**Additional information:** This metric is being carried over from the previous performance plan. However, enhancements were made to the definition of and timeframe for the calculation.

There are two reasons for the definition changes: timeliness and accuracy. Nearly 90 percent of FAFSA applications are processed by the end of the fiscal year; however, FSA has traditionally waited until the end of the following fiscal year to measure that performance. Therefore, several of the changes—such as the 9 month timeframe—help align a given fiscal year's score with the appropriate performance that led to the score. Also, historically, FSA lacked the data granularity to best isolate those who are most likely a high school senior, leading to the use of proxies—such as using "original" application status as a proxy for being a first-time filer, or using system-generated ages instead of those that more closely align with the age of typical high school seniors. Now that more appropriate data is available, FSA no longer needs to use the definitions that were adapted for a data-deficient environment.

The number of first-time filers among the high school senior age population has and will continue to be a key focus of FSA, and the metric has been established as part of the department's 5-year strategic plan. Several FSA efforts (e.g. StudentAid.gov, FAFSA

Completion Tool, Financial Aid Toolkit, and Outreach Initiatives/Social Media Campaigns) are targeted at increasing the percentage of high school seniors that apply for aid.

**Measure:** Persistence among first-time filing aid recipients.

| Year | Target | Actual |
|---|---|---|
| **2013** | Baseline | 78.5% |
| **2014** | 77.5%–79.5% | 79.6 |
| **2015** | TBD | |
| **2016** | TBD | |

Note: At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**Additional information:** FSA seeks to measure the impact of student aid on program completion. By following first-time filing aid recipients (e.g., college freshman and adult learners) into their second year, FSA can see whether it is making improvements in how applicants are translating the aid they receive into educational persistence. The metric provides FSA with a key contribution to the President's 2020 Goal and calculation methodology.

**Measure:** Customer visits to StudentAid.gov.

| Year | Target | Actual |
|---|---|---|
| **2013** | Baseline | 30,700,000 visits |
| **2014** | > 30,700,000 visits | 32,665,637 |
| **2015** | TBD | |
| **2016** | TBD | |

Note: At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**Additional information:** FSA has consolidated many disparate sites and systems into a single integrated student experience. With new tools such as the launch of the site's Repayment Estimator and the future inclusion of NSLDS loan data, StudentAid.gov will continue to evolve into an expansive resource serving students and borrowers as they traverse the student aid lifecycle. The metric will help FSA further gauge the success of its effort.

**Measure:** Social media channel subscribership.

| Year | Target | Actual |
|---|---|---|
| **2013** | Baseline | 296,000 subscribers |
| **2014** | > 296,000 subscribers | 368,042 |
| **2015** | TBD | |
| **2016** | TBD | |

Note: At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**Additional information:** Since 2012 FSA has used social media tools to drive awareness, uncover insights, engage and interact with students and borrowers, and drive traffic to FSA's Web sites. This metric helps track FSA's progress in this domain, adapting to new preferences, channels and engagement platforms. The metric is calculated as the aggregate sum of likes, followers and subscribers across Facebook, Twitter and YouTube. By focusing on overall subscribership across FSA's social media channels, the metric will help gauge the success of FSA's efforts to provide accurate and accessible student aid information across its digitally engaged customer base.

**Measure:** Customer service level of American Customer Satisfaction Index for entire aid lifecycle (1–100 Scale).

| Year | Target | Actual |
|---|---|---|
| **2012** | 78.0 | 78.5 |
| **2013** | 78.0 | 78.4 |
| **2014** | 77.4–79.4 | 78.4 |
| **2015** | TBD | |
| **2016** | TBD | |

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 are 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. At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**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. This metric measures how FSA is meeting its customers' expectations.

**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 |
|---|---|---|
| **2012** | >=72.0 | 74.0 |
| **2013** | 74.0 | 74.0 |
| **2014** | 73.0–75.0 | 76.9 |
| **2015** | TBD | |
| **2016** | TBD | |

Note: At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**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 partners can easily access the information they need, FSA conducts a quarterly survey to gauge the "ease of doing business with FSA." The baseline was set in fiscal year 2011 and FSA's goal is to maintain or improve survey results each year.

**Measure:** Percent of borrowers >90 days delinquent.

| Year | Target | Actual |
|---|---|---|
| **2012** | <=10.0% | 9.5% |
| **2013** | <=10.0 | 8.3 |
| **2014** | 8.1 | 9.9 |
| **2015** | TBD | |
| **2016** | TBD | |

Note: The borrower delinquency rate is defined as the average number of borrowers each year who are 91–270 days delinquent in the year ending June 30, divided by the average number of borrowers in repayment for the year (does not include in-school or in-grace loan statuses). At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**Additional information:** FSA met its target with a performance result of 9.9 percent in fiscal year 2014. Although the real number of delinquencies was expected to rise in fiscal year 2014, the total number of borrowers was expected to rise at a greater rate, allowing the delinquency rate to drop slightly. A focus on reducing the number of borrowers more than 90 days delinquent provides FSA with insight on how to communicate information about repayment options in a targeted and timely manner.

**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 |
|---|---|---|
| **2012** | $10.90 | $10.85 |
| **2013** | 11.23 | 11.16 |
| **2014** | 11.94 | 11.43 |
| **2015** | TBD | |
| **2016** | TBD | |

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. At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**Additional information:** In fiscal year 2011, FSA developed two measures to gauge the efficiency of aid delivery. The first one is the Aid Delivery Cost per Application. Throughout fiscal year 2011, FSA improved aid delivery by automating and simplifying processes, such as simplifying the FAFSA application to make it easier to navigate and complete. This has resulted in a reduction of aid delivery costs below the target in fiscal years 2012 through 2014.

**Measure:** Loan Servicing Cost per Borrower.

| Year | Target | Actual |
|---|---|---|
| **2012** | $19.64 | $18.49 |
| **2013** | 21.02 | 21.42 |
| **2014** | 21.20 | 21.59 |
| **2015** | TBD | |
| **2016** | TBD | |

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. At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**Additional information:** The second measure gauges the efficiency of aid delivery. The Loan Servicing Cost per Borrower 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.

**Goal: Ensure program integrity and safeguard taxpayers' interest**
**Measure:** Improper Payment Rate.

| Year | Target | Actual |
|---|---|---|
| **2013** | Baseline | 1.33% |
| **2014** | 1.33% | 1.54 |
| **2015** | TBD | |
| **2016** | TBD | |

Note: At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**Additional information:** The measure is defined as the estimated total Direct Loan and Pell program improper payments divided by their estimated total program outlays for the fiscal year. The rate calculation is subject to change, as FSA coordinates with OMB to refine its methodologies and re-assess the risk of its programs. In previous years, the Improper Payment Rate was calculated separately for each of the three risk-susceptible programs. For fiscal year 2014, FSA is reporting a single 'blended' rate that divides aggregated estimated improper payments for all three by aggregated estimated outlays. This new, more comprehensive measure enables FSA to view its progress in a more holistic manner.

The blended rate for fiscal year 2014 is 1.54 percent, which exceeds the fiscal year 2014 target of 1.33 percent. The increase is due to continued refinements in the estimation methodologies, which may result in the rates being not directly comparable to prior year targets.

**Measure:** Percentage of contract dollars competed by FSA.

| Year | Target | Actual |
|---|---|---|
| **2013** | Baseline | 86.3% |
| **2014** | 85.3–87.3% | 88.7 |
| **2015** | TBD | |
| **2016** | TBD | |

Note: At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**Additional information:** This metric is an effort by FSA to improve its performance measurement by tracking its efficiency. The metric rests on the assumption that contracts which are competed are more likely to be cost-effective and of high quality. This assumption is supported by OMB, which encourages Federal agencies to compete contracts where possible. The metric is calculated as a 5-year rolling average. The numerator is the total amount of dollars competed over a 5-year period ending in the most recently completed fiscal year; the denominator is the total amount of dollars expended on contracts over the same period. The data is extracted from FPDS-NG using the standard “Competition Report” for contracting office “Federal Student Aid Procurement Activity.”

Measure: Collection Rate.

| Year | Target | Actual |
|---|---|---|
| **2012** | | $31.90 |
| **2013** | $34.31 | 41.57 |
| **2014** | 45.65 | 35.90 |
| **2015** | TBD | |
| **2016** | TBD | |

Note: In fiscal year 2012 there was no target established for this measure. At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**Additional information:** This metric measures the average amount of dollars collected from individual borrowers in the fiscal year for each dollar spent to collect. Collections are defined as the total amount of principal collected on both current and defaulted debt during the 12 month period ending June 30 of each year. Costs include the total direct costs calculated for loan servicing plus debt collections for the same period using FSA’s Activity-Based Costing process. Measuring this rate helps FSA to gauge the efficiency of its back-end systems and processes.

FSA did not meet its target in fiscal year 2014, with a result of $35.90. This was a result of a policy change that significantly increased defaulted loans being rehabilitated with lower borrower payments, which ultimately resulted in higher aggregate agency collection costs and lower cash collected. Total collections from rehabilitated loans rose by 50 percent over the prior year, to $6.9 billion, and 69 percent of the increase in collections over the prior year can be attributed to rehabilitation.

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

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

| Year | Target | Actual |
|---|---|---|
| **2013** | Baseline | 64.2% |
| **2014** | >= 64.2% | 67.7 |
| **2015** | TBD | |
| **2016** | TBD | |

Note: At the time of Budget Release, Fiscal Year 2015 targets were not finalized.

**Additional information:** In fiscal year 2014, moved to the Employee Engagement Index, a government-wide set of questions developed by the U.S. Office of Personnel Management and the Partnership for Public Service, for the Federal Employee Viewpoint Survey (FEVS). FSA exceeded its target score in fiscal year 2014 likely the result of improving the employee experience. FSA's performance improved on 70 of the 71 questions found on the fiscal year 2014 FEVS.

## STUDENT AID ADMINISTRATION