Department of Education

STUDENT AID ADMINISTRATION

Fiscal Year 2018 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 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, $1,697,711,000, to remain available until September 30, 2019.[1]

NOTES

A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L.114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

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] ... to remain available until September 30, 2019.	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	2016	2017 Annualized CR	2018
Discretionary appropriation:			
Appropriation	$1,551,854	$1,551,854	$1,697,711
Across-the-board reduction (P.L. 114-254)	0	-2,950	0
Subtotal, appropriation	0	1,548,904	0
Unobligated balance, start of year	1,978	2,430	0
Recovery of prior-year obligations	23,521	0	0
Unobligated balance expiring	-1,969	0	0
Unobligated balance, end of year	-2,430	0	0
Subtotal, adjusted discretionary appropriation	1,572,954	1,551,334	1,697,711

STUDENT AID ADMINISTRATION

Obligations by Object Classification
(dollars in thousands)

	Object Class	2016	2017 Ann. CR	2018	Change from 2017 to 2018
11.10	Full-time permanent	$156,622	$172,830	$171,093	$-1,737
11.31	Full-time temporary	711	0	0	0
11.32	Part-time	1,191	0	0	0
11.33	Consultants	22	0	0	0
11.51	Overtime	78	47	35	-12
11.52	Awards	1,874	2,001	2,051	50
11.80	Other Compensation	95	0	0	0
	Subtotal, Personnel Comp.	160,593	174,878	173,179	-1,699
12.00	Benefits	50,068	54,436	54,183	-253
	Subtotal, Per. Comp & Ben.	210,661	229,314	227,362	-1,952
21.00	Travel	2,068	1,202	1,202	0
22.00	Transportation of things	0	0	0	0
23.10	Rental payments to GSA	19,216	19,564	19,737	173
23.31	Communications	0	0	0	0
23.32	Postage/fees	355	52	52	0
	Subtotal, 23	19,571	19,616	19,789	173
24.00	Printing and reproduction	1,349	62	3	-59
25.10	Advisory and assistance services	5,673	0	1,504	1,504
25.21	Other services	941,033	942,094	1,066,783	124,689
25.22	Training/Tuition/Contracts	1,174	1,670	1,504	-166
25.30	Goods/Services from Gov't	31,313	31,763	30,212	-1,551
25.40	Operations/Maint of Facilities	153	0	0	0
25.70	Operations/Maint of Equipment	0	0	0	0
25.72	IT Services/Contracts	359,388	325,307	349,036	23,729
	Subtotal, 25	1,338,734	1,300,834	1,449,039	148,205
26.00	Supplies	245	163	165	2
31.10	IT Equipment/Software	195	143	151	8
31.30	Other Equipment	2	0	0	0
	Subtotal, 31	197	143	151	8
32.00	Building Alterations	106	0	0	0
43.10	Prompt payment interest	23	0	0	0
	Total, Obligations	1,572,954	1,551,334	1,697,711	146,377

STUDENT AID ADMINISTRATION

Summary of Changes

(dollars in thousands)

2017 Annualized CR	$1,548,904
2018	1,697,711
Net change	+148,807

Increases:	2017 Annualized CR	Change from Annualized CR
Built-in:		
Increase in rent.	19,564	+173
Program:		
Increase in loan servicing activities due to increase in loan volume; shifts of existing borrowers from in-school to more expensive, in-repayment, statuses; and improvements to loan servicing that will be implemented as part of the recompete.	880,442	+136,558
Increase in contracted IT services for IT security.	24,205	+13,835
Increase in contracted IT services to upgrade to the Department's core financial system.	13,796	+7,977
Increase in advisory and assistance services.	0	+1,504
Increase in awards.	2,001	+50
Increase in technology equipment/software.	143	+8
Increase in supplies.	163	+2
Subtotal, increases		+160,107

STUDENT AID ADMINISTRATION

Summary of Changes—Continued
(dollars in thousands)

Decreases:	2017 Annualized CR	Change from Annualized CR
Built-in:		
Decrease in salaries and benefits, primarily for a decrease in FTE; however a 1.9 percent Governmentwide pay raise and increased benefits are also included.	$227,266	-$1,990
Program:		
Decrease in net costs for Federal Student Aid's contracts to support core operations needed for student loan application processing; origination and disbursement functions; and IT system hosting.	259,488	-7,522
Decrease in goods/services from government.	31,763	-1,551
Decrease in training.	1,670	-166
Decrease in printing.	62	-59
Decrease in overtime.	47	-12
Subtotal, decreases		-11,300
Net change		+148,807

STUDENT AID ADMINISTRATION

Authorizing Legislation
(dollars in thousands)

Activity	2017 Authorized	2017 Annualized CR	2018 Authorized	2018 Request
Student aid administration *(Higher Education Act of 1965, I-D and IV-D, section 458; Public Health Service Act, VII-A*)	0[1]	$1,548,904	To be determined[2]	$1,697,711
Total appropriation		1,548,904		1,697,711
Portion of request not authorized				1,697,711

[1] The program was authorized in 2017 through appropriation language.
[2] The GEPA extension expired September 30, 2015; reauthorizing legislation is sought for fiscal year 2018.

STUDENT AID ADMINISTRATION

Appropriations History
(dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2009	764,000	714,000[1]	704,843[1]	753,402
Recovery Act Supplemental (P.L. 111-5) (non-add)	(0)	(50,000)	(0)	(60,000)
2010	870,402	870,402	870,402[2]	870,402
Rescission (P.L. 111-226)	0	0	0	-82,000
2011	1,170,231	994,600[3]	1,048,078[2]	992,012[4]
2012	1,095,418	992,012[5]	1,045,363[5]	1,043,387
2013	1,126,363	1,043,387[6]	1,126,363[6]	978,924[7]
2014	1,050,091[8]	N/A[9]	1,044,301[3]	1,166,000[10]
2015	1,446,924[11]	N/A[12]	1,446,924[13]	1,396,924
2016	1,581,854[11]	1,446,924[14]	1,361,700[14]	1,551,854

[1] 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.
[2] The levels for the Senate allowance reflect Committee action only.
[3] The levels for the House allowance reflect the House-passed full-year continuing resolution.
[4] The level for appropriation reflects the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).
[5] The level for the House allowance reflects an introduced bill; the level for the Senate allowance reflects Senate Committee action only.
[6] 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.
[7] Total transfer $9,888 thousand to Program Administration, Office for Civil Rights and Office of Inspector General.
[8] 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.
[9] The House allowance is shown as N/A because there was no Subcommittee action.
[10] Excludes $996 thousand transferred from Department of Health and Human Services to Department of Education for the Health Education Assistance Loan program.
[11] The Bipartisan Budget Act of 2013 eliminated mandatory funding for the Not-for-Profit (NFP) servicing costs, which were previously not reflected in this table. Starting in fiscal year 2015, the estimate reflects total cost to service loans, discretionary funding and what was previously considered mandatory funding.
[12] The House allowance is shown as N/A because there was no Subcommittee action.
[13] The level for the Senate allowance reflects Senate Subcommittee action only.
[14] The levels for House and Senate allowances reflect action on the annual 2016 appropriations bill, which proceeded in the 114th Congress only through the House Committee and Senate Committee.

STUDENT AID ADMINISTRATION

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2017	1,631,990[1]	1,551,854[2]	1,546,854[2]	1,576,854[2]
2018	1,697,711[1]			

[1] The Bipartisan Budget Act of 2013 eliminated mandatory funding for the Not-for-Profit (NFP) servicing costs, which were previously not reflected in this table. Starting in fiscal year 2015, the estimate reflects total cost to service loans, discretionary funding and what was previously considered mandatory funding.
[2] The levels for the House and Senate allowances reflect Committee action on the regular annual 2017 appropriations bill; the Appropriation reflects the Consolidated Appropriations Act, 2017.

STUDENT AID ADMINISTRATION

Significant Items in FY 2017 Appropriations Reports

SAA Obligation Plan Discretionary Funds

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 on administrative obligations.

Student Loan Servicing

Senate — The Committee directs the Department to ensure that the new student loan servicing contract includes the participation of multiple student loan servicers, each responsible for all aspects of servicing loans, which would allow the Department to allocate loans to different servicers based on performance. The Committee strongly believes this will promote competition and increase incentives for such entities to provide high-quality service to student borrowers. The Department should brief the Committee on Appropriations of the House of Representatives and the Senate, the Senate Committee on Health, Education, Labor and Pensions, and the House Committee on Education and the Workforce no less than 15 days prior to releasing a final request for proposals for a new student loan servicing contract. Until a new student loan servicing contract is implemented, the Committee directs the Department to continue to allocate new student loan accounts to servicers based on performance compared against all servicers, utilizing common metrics established by the Department. The Committee appreciates recent efforts to work with servicers to develop these common metrics. However, the Committee remains concerned about the quality of servicing being provided to borrowers and servicers' compliance with the law, and expects the Department to adhere to congressional directive to produce a common policies and procedures manual that applies to all Direct Loan servicers and provides voluntary best practices intended to improve the consistency of servicing for student loan borrowers.

Response — The Department appreciates the Committee's interest and is pursuing an acquisition approach for Federal student loan servicing that it believes best balances high-quality service for borrowers and value for taxpayers. Information on this procurement is available on the Federal Business Opportunities website at:

https://www.fbo.gov/index?s=opportunity&mode=form&id=f11c5bdc440117758eb5af33bb4f9af2&tab=core&_cview=1

Given the sensitivity regarding this ongoing procurement, at this time the Department is unable to share additional information beyond what is posted.

Federal Student Aid Enforcement Office

Senate

The Committee directs the Secretary to ensure that the work of this unit is transparent, and not duplicative of other work being done at the Department. The Committee directs the Department to brief the Committees on the Appropriations of the House of Representatives and the Senate, the Senate Health, Education, Labor, and Pensions Committee, and House Education and Workforce Committee within 30 days of enactment on the current and planned actions of this new office. Further, the Secretary shall ensure that the Chief Operating Officers reports on the operations of the enforcement unit as part of the required reports under section 141 of the HEA, including how information shared internally within FSA and between relevant agencies.

Response

The Department shares your commitment to ensuring that student borrowers and taxpayers are protected and agrees that duplicative compliance efforts should be avoided. While the Department would be pleased to provide information about the actions taken by the Enforcement Office as you requested, providing information about adverse actions considered but not taken against particular institutions of higher education could jeopardize current and prospective enforcement actions. The Department is also pleased to provide further information about how information is shared internally within FSA and among relevant agencies.

Interagency Task Force on For Profit Colleges

Senate

The Committee directs the Department to brief the Committees on Appropriations of the House of Representatives and the Senate, the Senate Health Education, Labor, and Pensions Committee, and House Education and Workforce Committee within 30 days of enactment on the current and planned actions of the taskforce, and how it works with and shares information with other Federal and State agencies.

Response

The Department is re-considering the decision to maintain a task force that focuses on for-profit colleges and universities. If the decision is made to continue with this task force, the committees listed will be briefed regarding the frequency of meetings, contact information, and topics of discussion.

STUDENT AID ADMINISTRATION

Third Party Servicers

House

The Committee is concerned that the Department has not provided adequate information to student loan counseling and default management providers impacted by new third-party servicer requirements. Last year, the Department released a Dear Colleague Letter (Gen-15-01) expanding the definition of 'third-party servicer' and the reporting requirements for those institutions and providers that manage parts of the financial aid system and provide specialized support services to students. To date, the Department has not issued any guidance, such as an audit guide, that would explain who is a third-party servicer and what is expected of them. The Committee directs the Department to develop and submit to the Committee a plan for how it intends to implement the third-party servicer requirements, including who is a third-party service provider, how the regulations will seek to minimize compliance costs, and how the regulations will refrain from creating unnecessary barriers to helping student and parent borrowers.

Response

The guidance issued by Federal Student Aid is consistent with the regulations. The purpose of GEN 15-01 was to clarify the existing regulations. A third-party servicer is defined as, "An individual or a State, or a private, profit or nonprofit organization that enters into a contract with an eligible institution to administer, through either manual or automated processing, any aspect of the institution's participation in any Title IV, HEA program." While the definition goes on to outline a number of functions that the Department considers as administration of an aspect of the institution's participation in the Title IV programs, the regulation clearly indicates that the list is not exhaustive and does not exclude functions or services (such as counseling, delinquency, and default aversion) implemented by an institution to lower or maintain loan cohort default rates or other functions or services necessary to ensure compliance with the Higher Education Act. See 34 C.F.R. § 668.2(b).

Institutions are required to notify the Department within 10 days of the date it enters into, modifies, or terminates a contract with a servicer to administer any aspect of its participation in the Title IV programs. If an entity or individual performs a Title IV service or function that is necessary for the institution to remain eligible to participate in the Title IV programs, to determine a student's Title IV eligibility, to account for Title IV funds, to deliver Title IV funds to students, or to perform any other aspect of the administration of the Title IV programs, the entity is considered a third-party servicer and the institution is required to notify the Department that the institution has entered into a contract with that entity.

The Department determined through data analysis, research, program reviews, and audits that a significant number of higher education institutions failed to report, update, and/or incorrectly reported third party servicer information on its E-App and that contracts with third-party service providers did not include required regulatory language and/or safeguards for protecting student information.

The purpose of GEN 15-01 was to remind institutions of their responsibilities as they pertain to outsourcing any aspect of the administration of the Title IV programs. The list of Title IV activities outlined in GEN 15-01 included those functions or services that are frequently performed by third-party service providers. In making a determination as to whether or not an entity or individual is considered a third-party servicer, the Department looks at each contract individually and focuses on the services or functions that are being performed at an institution as opposed to a title that the entity may be using or a generic description of the types of services provided by the service provider. In a number of instances, the Department determined that online providers are performing Title IV functions from remote locations on behalf of one or more institutions and/or are responsible for maintaining all, or some, of an institution’s Title IV records.

An institution’s continued participation in the Title IV programs is contingent on, among other things, its compliance with the standards of administrative capability (34 C.F.R. § 668.16). One of these standards requires institutions to maintain loan cohort default rates below specified thresholds (34 C.F.R. § 668.16(m)). In addition, institutions that are over these thresholds for one year must develop and implement a default reduction plan (34 C.F.R. § 668.217). Consequently, part of an institution’s administration of the Title IV programs includes default prevention and reduction and any individual or entity that contracts with an institution to perform default prevention or aversion activities on behalf of the institution is considered a third party servicer. An institution’s continued participation is also contingent upon providing adequate financial aid counseling to eligible students who apply for Title IV program assistance (34 C.F.R. § 668.16(h)). Any entity that contracts with an institution to provide financial aid counseling (such as call centers, live chat, instant messaging, etc.) is considered a third-party servicer. Regulations also require institutions to perform entrance and exit loan counseling for all borrowers participating under the Federal Loan programs, see (34 C.F.R. § 685.304). Any entity that contracts with an institution to conduct or provide entrance and/or exit loan counseling (face to face or online) is considered a third-party servicer.

The Department supports adding default management services to the OIG audit guide on the next revision.

STUDENT AID ADMINISTRATION

Nonprofit Organizations

House

With respect to the upcoming procurement for servicing of student loans owned by the Department, the Committee directs the Department to develop and submit to the Committees on Appropriations of the House of Representatives and the Senate a plan under which it will give credit for subcontracting with small business, including State-based nonprofit organizations with expertise in assisting borrowers in the repayment of their student loans that provide value-added services but do not meet the formal definition of a “small business” because they are State or nonprofit entities.

Response

The Department believes that it currently lacks the authority to comply with this directive. Congress previously defined a small business as one that is organized for profit, but subsequently altered the definition at 10 USC 2410d such that Department of Defense prime contractors were authorized to receive small business goal credit for subcontracts awarded to qualified nonprofit agencies for the blind and other severely disabled. The Department believes that similar legislation would be required to authorize the Department of Education to “give credit for subcontracting with small business, including State-based nonprofit organizations with expertise in assisting borrowers in the repayment of their student loans that provide value-added services but do not meet the formal definition of a “small business” because they are State or nonprofit entities.”

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DEPARTMENT OF EDUCATION FISCAL YEAR 2018 PRESIDENT'S BUDGET
(dollars in millions)

February 9, 2016

Account, Program, and Activity	Category	2016 Appropriation	2017 Annualized CR	2017 Appropriation	2018 President's Budget	2018 President's Budget Compared to 2017 Annualized CR Amount	2018 President's Budget Compared to 2017 Annualized CR Percent	2018 President's Budget Compared to 2017 Appropriation Amount	2017 President's Budget Compared to 2017 Appropriation Percent
Student Aid Administration (HEA I-D and IV-D, section 458)									
1. Salaries and expenses	D	696,643	693,693	696,643	680,711	(12,982)	-1.87%	(15,932)	-2.29%
2. Servicing activities [1]	D	855,211	855,211	880,211	1,017,000	161,789	18.92%	136,789	15.54%
Total Appropriation for Student Aid Administration		1,551,854	1,548,904	1,576,854	1,697,711	148,807	9.61%	120,857	7.66%

NOTES: D = discretionary program, M = mandatory program; FY = fiscal year
Detail may not add to totals due to rounding.
[1] *The 2017 Annualized CR and 2017 Appropriation columns do not reflect the April 2017 reestimates of $880,442 thousand for Servicing activities.*

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 2018 Authorization: To be determined[1]

Budget Authority:

	2017 Annualized CR	2017 Appropriation	2018	Change from Annualized CR
Personnel costs	$229,314	$229,314	$227,362	-$1,952
Non-personnel costs, excluding loan servicing costs	439,148	467,098	453,349	+14,201
Subtotal, salaries and expenses	668,462	696,412	680,711	+12,249
Loan servicing costs	880,442[2]	880,442[2]	1,017,000[3]	+136,558
Total, student aid administration	1,548,904	1,576,854	1,697,711	+148,807
FTE	1,555	1,555	1,524	-31

[1] The GEPA extension expired September 30, 2015; reauthorizing legislation is sought for fiscal year 2018.

[2] Includes servicing costs of $790,534 thousand for loan servicer contracts, $83,678 thousand for Debt Management Collection System (DMCS) servicing costs, $3,733 thousand for Department-held Perkins Loans servicing, $833 thousand for loan servicer development costs, $1,261 thousand for Health Education Assistance Loan (HEAL) program administration costs, and $403 thousand for loan servicer lockbox services.

[3] Includes $857,673 thousand for loan servicer contracts, $100,445 thousand for DMCS servicing costs, $37,900 thousand for loan servicer development costs, $17,513 thousand for Department-held Perkins Loans servicing, $1,252 thousand for a customer satisfaction survey required for loan servicer volume allocation, $1,717 thousand for HEAL program administration costs, and $500 thousand for loan servicer lockbox services.

STUDENT AID ADMINISTRATION

PROGRAM DESCRIPTION

Student Aid Administration (SAA) 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 18.9 million student financial aid applications; disbursing nearly $153 billion in Direct Loans and $29 billion in Pell grants; administering a loan portfolio of approximately $1.3 trillion; and protecting students and taxpayers by ensuring that Federal resources are used appropriately.

The Higher Education Amendments of 1998 established the Federal Student Aid (FSA) as the Federal Government's first performance-based organization 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 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—Office of the Chief Financial Officer; Office of the Chief Information Officer; Office of the Deputy Secretary; Office of the General Counsel; Office of Management; and Office of Planning, Evaluation, and Policy Development—contribute to the policy formulation, administration and oversight of the student aid programs.

The Federal Pell Grant Program is the foundation of a low-or moderate-income student's financial aid package. The program provides financial assistance to students attending postsecondary education programs disbursing, approximately $26.9 billion to 7.2 million low-and middle-income undergraduate students during the 2016–2017 award year, with an average award of $3,720. The maximum Pell Grant award has grown from $5,550 for the 2010–2011 award year to $5,920 for the 2017–2018 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. In FY 2018, the Department will originate $105 billion in new Direct Loans, excluding Consolidation Loans. See the **Student Loans Overview** and **Student Aid Overview** for details on Student Loan programs in the FY 2018 Budget. The Federal Family Education Loan (FFEL) Program is similar to the DL Program except private lenders provided those funds, which are insured by loan guaranty agencies and then reinsured by the Government.

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 some outstanding loans in the FFEL portfolio. FSA services the government-held FFEL program loans and DL program loans 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:

Fiscal Year	(dollars in thousands)
2013	$978,024
2014	1,166,000
2015	1,396,924
2016	1,551,854
2017	1,576,854

FY 2018 BUDGET REQUEST

The Administration requests $1.7 billion to administer the Federal student aid programs in fiscal year (FY) 2018, a $148.8 million, or 10 percent, increase above the FY 2017 Annualized CR level. A full-year 2017 appropriation was not enacted at the time of the FY 2018 Budget was prepared; therefore, the Budget is built off the Further Continuing Appropriations Act, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution. The Department of Education Appropriations Act, 2017, provides $1,577 million, $25 million more than the FY 2016 level. 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; and enhancing security across applications.

Highlights of the FY 2018 request include:

1) **Loan servicing activities—Increase of $136.6 million**.
   These increased costs, reflecting more than 90 percent of the total requested SAA increase, are directly tied to expected increases in loan volume; shifts of existing borrowers from in-school to more expensive, in-repayment, statuses; and improvements to loan servicing that will be implemented as part of the recompete. More detail is provided on Y-20–21.

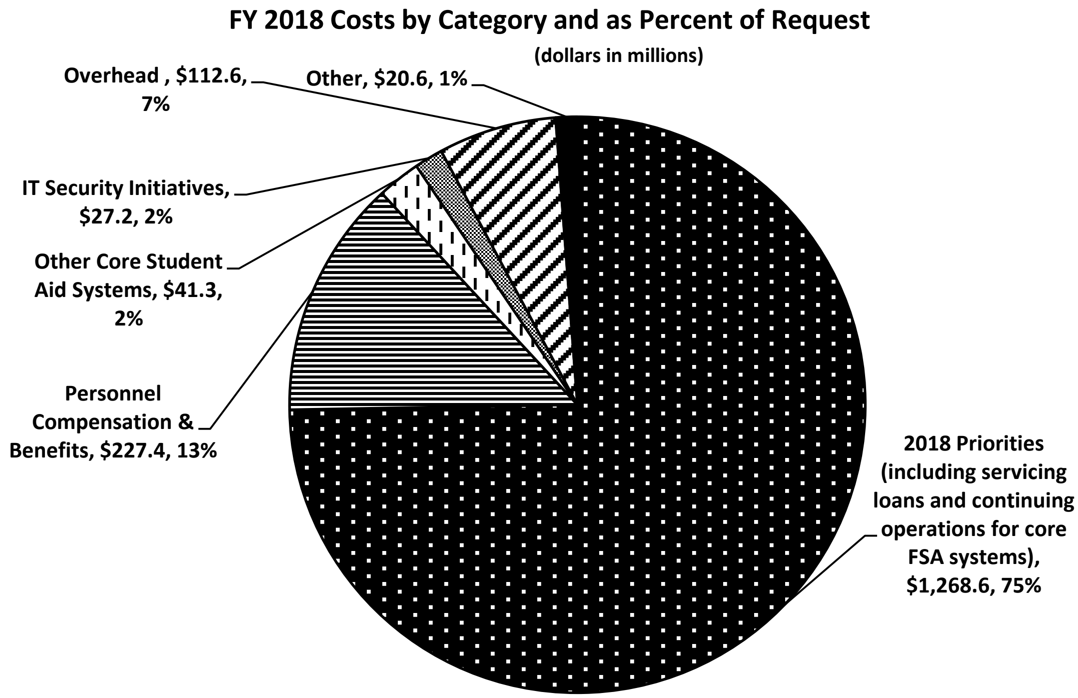
2) **Maintaining continual operations for student aid application processing, origination and disbursement functions, and IT system hosting—Decrease of $7.9 million.**
   These costs are necessary for maintaining core operations of the student aid life cycle. . More detail is provided on Y-21–23.

3) **IT security and the Department's financial systems—Increase of $20.1 million.**
   The net increased costs are crucial to protecting borrowers' personal information and enhance cybersecurity initiatives to decrease breaches; and to upgrade the Department's core financial system to protect the Department's data and reduce security risks. More detail is provided on Y-25–27 and Y-29.

FY 2018 Budget Costs by Category

SAA groups investments by category and the following chart provides the funding level for each cost category and the percentage share of the FY 2018 Budget request. Eighty-eight percent of the proposed SAA budget supports 2018 Federal Student Aid operational activities and personnel compensation and benefits. Federal Student Aid's major operational activities include: effectively servicing the growing student loan portfolio and operations for student aid application processing, origination and disbursement functions, and IT system hosting. The budget request includes $227.4 million to cover the personnel compensation and benefits costs of 1,524 Full-Time Equivalent (FTE) employment; 1,392 FTE in Federal Student Aid and 132 FTE in the non-Federal Student Aid offices, as shown on page Y-29.

Other core student aid systems (e.g., National Student Loan Data System, FSA's accounting system), matching agreements (e.g., Social Security Administration), and IT security initiatives including FSA's increased cybersecurity efforts account for 4 percent of the request. The remaining 8 percent includes overhead for 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 following sections highlight the budget categories specific investments for FY 2018.

FY 2018 Federal Student Aid Budget Priorities: $1,268.6 million

Effectively servicing the student loan portfolio: $1,017.0 million (an overall increase of $136.6 million from FY 2017 Annualized CR level)

The budget requests $1,017.0 million for loan servicing costs ($977.3 million for operations and maintenance for loan servicers: $37.9 million for system development costs; $1.3 million for customer service satisfaction surveys of service used to allocate borrower accounts across servicers; and $.500 million for lockbox services). The servicing costs are based on the overall loan volume, the combination of repayment statuses in the loan portfolio, and the timing of loan delivery.

Currently, the Department contracts with 9 servicers to provide borrower services for the Federal Direct Loan and TEACH Grant programs, as well as for federally held loans originated under the Federal Family Education Loan program. Two additional servicers provide services for the Perkins Loan program and default management. All servicers are funded entirely with discretionary budget authority. In addition, the costs necessary to service the Health Education Assistance Loan (HEAL) program are included in the total servicing request for FY 2018.

Servicing cost estimates are very sensitive to changes in the total number of borrowers being serviced and the distribution of accounts across loan statuses. Loan servicers are paid a unit cost per borrower account that they service. Unit costs are structured to incentivize servicers to keep borrower accounts in repayment current. Servicers are compensated more for accounts that are actively repaying. Conversely, servicers are paid less for accounts that are not actively repaying (in-school, deferment, and forbearance status) and incrementally paid even less as accounts shift further into non-payment (i.e., delinquency status). As the total number of borrower accounts being serviced increases and as more borrowers move into active repayment (current status), servicing costs will increase accordingly. FSA closely analyzes performance and costs of the servicing contractors to ensure that its estimates are as accurate as possible and to evaluate whether its servicing contracts are appropriately incentivizing servicers to keep borrowers in good standing. The current loan servicing contracts are set to expire in 2019 and the Department is working on a transition effort that will provide improved customer service to students and parents. The Department is in the middle of the procurement process and expects to award a new contract for federal student loan servicing later this year.

The Administration proposes to address student debt by simplifying student loan repayment and redirecting inefficiencies in the student loan program to prioritize expedited debt relief for undergraduate borrowers. For more information on the Administration's proposal, please see the **Student Aid Overview.**

Quarterly Performance Data

To allocate loan servicing volume based on performance, the Department measures servicer performance quarterly on customer satisfaction, delinquency avoidance, and default prevention. The Quarterly Performance Data from May 2016 are displayed on pages Y-38–45. Quarterly Performance Data can also be found at the "Data Center" section on the Student Aid Web site (http://studentaid.ed.gov). Updates to this data will be released by electronic announcement in the "Loans" section of the Information for Financial Aid Professionals Web site (http://ifap.ed.gov/ifap).

Maintaining continual operations for student aid application processing, origination and disbursement functions, and IT system hosting: $251.6 million (an overall decrease of $7.9 million from FY 2017 Annualized CR level)

The budget request includes $251.6 million for student aid application processing, origination, and disbursement functions, and information technology (IT) system infrastructure, a net decrease of $7.9 million from FY 2017. Included in this request are key FSA operational costs:

- Title IV Origination and Disbursement System (TIVODS) ($118.0 million);
- Application and Eligibility Determination System (AEDS) ($65.3 million) including operations and maintenance of the development and processing of FAFSA ($27.9 million), customer call center operations ($33.4 million), FSA Feedback and Ombudsman System ($2.5 million) and reengineering efforts ($1.5 million);
- IT system costs ($66.5 million), including the operation and maintenance of the data center, software licenses, and the technical architecture and system support for FSA applications; and

- eCampus-Based system ($1.8 million).

Title IV Origination and Disbursement System (TIVODS): $118.0 million (an overall decrease of $5.0 million from FY 2017 Annualized CR level)

Federal Student Aid will originate and disburse over $181 billion in Pell Grants (HEA, Title IV, Part A, Subpart 1) and Direct Loans (HEA, Title IV, Part D) including loan consolidations in fiscal year 2018. TIVODS is responsible for originating and disbursing this aid to over 6,000 schools and millions of student recipients of federal student aid. The system also supports interfaces to other systems to verify borrower eligibility, enable funding, loan consolidation, borrower counseling, financial reporting, and program oversight. FSA has restructured contract activities to reduce overall costs in FY 2018 from FY 2017 while maintaining all essential services.

Application and Eligibility Determination System (AEDS): $65.3 million; (an overall increase of $5.9 million from FY 2017 Annualized CR level)

AEDS operations and maintenance (O&M) provides funding for daily operations of systems and services related to FAFSA filing (online and paper), application processing, determination of aid eligibility, and development of the upcoming annual application. In addition to these contracted services, AEDS O&M provides funds for increased hardware and software support during FAFSA peak processing months which are a result of the implementation of prior-prior and early application availability.

In addition, the FSA Call Center ensures that customers, both student applicants and schools, have accessible, accurate, timely, and professional responses to their inquiries via their preferred method of communication. Funding also supports call center operational support for the Ombudsmans Group; including call intake, case work, and customer response services for new and existing contacts to the Federal Student Aid/Ombudsman Group.

The FY 2018 budget request will support operations and maintenance costs for the FSA Feedback and Ombudsman System, which registers feedback and complaints by public users. After the compliant is registered, the complaint is then sent to the Ombudsman for the Ombudsman to reach out to the submitter for resolution. Lastly, funding will also support reengineering efforts, which will include contact award and transition costs.

Next Generation Data Center (NGDC): $42.5 million (an overall decrease of $9.2 million from FY 2017 Annualized CR level)

The transition from the VDC to the NGDC is expected to be complete in FY 2017. The NGDC is a single computing environment for data and transaction processing, network communication services, infrastructure, and tools required to deliver financial aid.

The NGDC hosts 56 system applications and has a security posture that incorporates best practices utilizing a hybrid cloud solution. The FY 2018 request will support the operation and maintenance of the NGDC and funding will also be utilized to provide the telecommunication foundation to FSA systems and call centers for the NGDC.

<u>Enterprise Software Licenses: $18 million (no change from FY 2017 Annualized CR level)</u>

Enterprise Software Licenses supports maintenance renewal agreements for all FSA and NGDC supported software. This program consolidates similar software licenses with different renewal dates under one agreement and reduces licensing duplication for FSA. Centralizing procurements and renewals of software licenses promotes cost savings through quantity discounts and reduction of contracts used for maintenance renewals.

<u>Enterprise Architecture & Engineering (EAE): $6.0 million (an overall increase of $749 thousand from FY 2017 Annualized CR level)</u>

EAE provides a full range of technical architecture and engineering functions that provide FSA with the necessary services and support needed to plan, maintain, and develop its enterprise architecture. Engineering services include Enterprise IT Architecture (EITA) middleware architecture services and Enterprise Performance Testing (EPT) services.

EITA provides critical technology platform and technical support services, including integrated technical architecture and middleware architecture. EITA provides product support services, including root cause analysis and resolution of middleware-related production issues for FSA's mission-critical applications. Middleware services reduce security vulnerabilities within the FSA system architecture. EPT provides performance testing analysis services that ensure FSA's applications are configured appropriately. It also makes sure that sufficient capacity is deployed during production for each mission critical application within the NGDC.

<u>eCampus-Based: $1.8 million (an overall decrease of $391 thousand from FY 2017 Annualized CR level)</u>

The eCampus-Based system automates the administration of the Federal Perkins Loan and Federal Work-Study. 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 FY 2018 request will support the operation and maintenance of the system.

Other Core Student Aid Administration Systems: $41.3 million

National Student Loan Data System (NSLDS): $15.7 million

NSLDS maintains detailed administrative data on the provision of 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 collects and stores data from borrowers, schools, lenders, and guaranty agencies and integrates data on student aid applicants and recipients. The Department uses this comprehensive data to effectively administer the student loan and grant programs by preventing fraud and abuse through pre-screening and post-screening for

Title IV aid eligibility, calculating statutory guaranty agency payments, and calculating higher education accountability measures. NSLDS data is now integrated into the Enterprise Data Warehouse and Analytics project, which improves the Department's portfolio management, policy analysis, and budget formulation capabilities. The FY 2018 request supports the operations, maintenance, and enhancements of the system.

Integrated Partner Management (IPM): $8.7 million

In FY 2018, IPM will be fully operational and 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 FY 2018 request supports the operations and maintenance of the system.

Financial Management System (FMS): $8.6 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 it 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 FY 2018 request supports the operations and maintenance of the system.

Federal Student Aid Administration Interagency Agreements: $4.5 million

The Department enters into agreements with other Government agencies for the purpose of verifying Federal student aid eligibility and accessibility and providing services to simplify the aid process. Currently the Department has agreements with Department of Treasury, Internal Revenue Service, Social Security Administration, Department of Homeland Security, Health Resources and Services Administration, and Department of Commerce.

Participation Management (PM): $2.1 million

Participation Management is FSA's central system for managing partner organization enrollment in FSA data exchange services. Virtually all schools, third-party servicers, guaranty agencies, Federal loan servicers, FSA External Partners, State Agencies, and other organizations must use PM to enroll in services provided by FSA systems such as NSLDS, TIVODS, FMS, SAIG, AIMS, CPS, FAA Access, TPD and DMCS. Without PM, enrollment in FSA data services would be severely impaired as FSA's process for managing that access would become fragmented.

The FY 2018 request supports ongoing operations, maintenance, and customer support to manage collecting and integrating service enrollment information, and sharing that information in a timely manner across FSA systems.

OIG Fraud Referral: $1.0 million

The OIG Fraud Referral process streamlines FSA's intake procedures to determine if fraudulent activities occurred and the appropriate resolution. This effort is fully responsive to OIG requests for coordination on these referrals.

In FY 2018, funds will continue to provide annual contract support to maintain sustainable operations and will continue to advance data-driven analysis, outreach, and coordination of enhancements to FSA's control framework.

EDExpress (EDE): $660 thousand

Funding for this project is for the continued operation and maintenance of the EDE Suite (EDExpress and DL Tools) software tool provided by FSA to schools.

EDE Suite is a "school product" software suite provided to schools at no cost for their use in originating, disbursing, and packaging direct loans and grants for students. EDE Suite significantly eases the school's process of interacting with TIVODS to submit awards by automating most of the tasks involved in building the XML Common Record file that TIVODS requires for origination and disbursement of student aid.

The EDE Suite also provides valuable reconciliation functionality to participating Title IV schools, allowing them to compare their internal organizational award databases against the TIVODS database for direct loan and grant awards, and identify discrepancies that require further attention. Without FSA's continued support for this product, schools would be forced to seek technical support from private market software products at additional cost, develop their own products, or be unable to participate in Title IV programs due to inability to submit records to TIVODS. The FY 2018 request will support operations and maintenance of the system.

IT Security Initiatives: $27.2 million

FSA takes seriously the ongoing security threats to operations and the real risks of compromising borrowers' personal information. In addition to verifying that specific security requirements are being met in individual system and service contracts, FSA has specific initiatives to mitigate security risks.

Cybersecurity (CS) initiatives: $8.7 million

Cybersecurity (CS) initiatives mitigate current critical, high, and moderate vulnerabilities that affect FSA on an enterprise-wide scale. Instead of a single point solution or application-specific problems, CS initiatives cost-effectively fund remediation activities and enterprise solutions as indicated by industry best practices, DHS, and OIG audit findings. CS initiatives include implementing foundational security technologies that are seen as best practices that augment or add new capabilities to protect business functions such as loan servicing and delivery of grants and loans to students and institutes of higher education. These broad initiatives include reducing the types and numbers of insecure Internet connections from student to FSA systems, thus protecting the privacy and integrity of student financial and personal information.

Enterprise Identity Management System (EIMS): $8.1 million

Enterprise Identity Management Service (EIMS) enables authentication of FSA system users and provides access to FSA systems. EIMS is an umbrella initiative focused on improving the overall security posture of FSA systems, making identity management, permission and access management more efficient and secure for FSA systems, the 80,000 privileged users (ED, FSA and partners) and 76 million non-privileged users (students/borrowers). EIMS supports efforts to improve system security and meet dynamic changes to the Federal IT Security Requirements. Without EIMS, users (both privileged and non-privileged) would not be able to access systems securely. FSA continues to improve the handling and security of users' PII. Most recently FSA decommissioned the use of the FSA PIN, a combination of a user's last name, social security number, and date of birth, used to access to FSA websites and applications and electronically sign the FAFSA. The FAFSA ID, is a user created username and password, allows the user to electronically sign the FAFSA and access personal information on Federal Student Aid Web sites without having to enter their social security number at each login.

The EIMS initiative includes Person Authentication Service (PAS), Access and Identity Management System (AIMS), and Two-Factor Authentication (TFA). EIMS meets the FSA's business and technical requirements through these three main projects.

Person Authentication Service (PAS): $6.7 million

PAS provides a secure identity and access management system for non-privileged users, who have access to only their own PII (i.e., parents, borrowers). PAS centralizes access, identity management functions, and permissions for non-privileged users and also provides a secure system that is integrated with the FSA security architecture.

Access and Identity Management System (AIMS): $ 906 thousand

AIMS provides the FSA enterprise with enhanced sign-on capability and access control for web applications to privileged users, who have access to PII. AIMS allows for simplified logon and an integrated horizontal sign-on to multiple FSA applications. Thereby, enforcing standardized security requirements such as identity, password complexity, and multi-factor authentication. Currently, there are 25 major and minor applications behind AIMS serving a population of approximately 80,000 users including FSA employees, postsecondary schools' financial aid administrators, and call center staff. The FY 2018 request supports ongoing operations and maintenance.

Two-Factor Authentication: $ 500 thousand

Homeland Security Presidential Directive 12 requires agencies to control access to their systems and data through the use of two-factor authentication (TFA). To meet this requirement, the Department of Education has implemented the TFA security protocol through which all authorized privileged users are required to use TFA to access Federal Student Aid systems via the Internet. TFA protects FSA systems that service a population of approximately 80,000 users including FSA employees, postsecondary schools' financial aid administrators, and call center staff. The FY 2018 request supports ongoing operations and maintenance.

System Security Authorizations (SSA): $6.7 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 new systems are launched or 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 61 FSA systems.

The FY 2018 request will continue to support ongoing operations and external support to protect our infrastructure and applications to ward off new threats and continue to defend against previous known threats.

Security Operations Center: $3.7 million

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

In FY 2018, FSA will continue to link external systems into the Security Operation Center to obtain a comprehensive evaluation of threats to FSA networks and data.

Other: $20.6 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, compliance activities, Web site interfaces, human capital support, contract specialist support, travel, training and other administrative expenses. Below are some descriptions of key activities in this category.

Enterprise Data Warehouse and Analytics (EDW&A): $7.1 million

The EDW&A project centralizes FSA lifecycle data. EDW&A allows the Department to access timely, accurate, consistent, and repeatable data for improved analytics, insights, budgeting, and reporting; and allows FSA to responsibly expand data available for research without compromising the administration of the Federal student aid programs. In particular, EDW&A data are central to the Department's efforts to improve the cost estimation of the federal student loan programs. The system is a critical tool that will allow the Department to respond to recent recommendations on how to improve the IDR plan modeling from Congressional staff, the Government Accountability Office, the Office of the Inspector General, and external policymakers. EDW&A offers the opportunity for significant return on investment via data-driven insights to improve program management, retire redundant systems, and alleviate strain currently placed on NSLDS and other operational systems. The FY 2018 request includes $5.6 million to support continual operations and maintenance and $1.5 million for development work.

Conference Management: $2.7 million

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. 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. Some conference sessions specifically train against waste, fraud, abuse, and mismanagement of Title IV funds.

A-123 Requirements: $1.1 million

This project ensures that Federal Student Aid has sufficient internal controls to achieve its objectives and is in compliance with Federal Manager's Financial Integrity Act (FMFIA) and OMB Circular A-123. It supports management's annual assurance on the effectiveness of these controls and includes coordination of Improper Payment Act related requirements.

Integrated Student Experience: $929 thousand

Integrated Student Experience is a multi-year effort to create a simpler and single portal for students, parents, and borrowers regarding information related to financial aid, applying for federal student aid, repaying student loans, and navigating through the college decisionmaking process.

Non-Federal Student Aid Support Activities

In addition to funds directly allocated to Federal Student Aid to manage student aid programs, $135.5 million ($112.6 million in Overhead and $22.9 million in non-Federal Student Aid personnel compensation and benefits) of the fiscal year 2018 request, an increase from the FY 2017 Annualized CR level, $124.8 million, 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 $21.8 million in FY 2018, an increase of $8.0 million from the FY 2017 Annualized CR level; the increase is necessary to upgrade the core financial system to reduce security risks as explained in **the Program Administration** account request.

Rent payments to the General Services Administration for FSA-occupied space will total $19.7 million for FY 2018, an increase of $0.2 million from the FY 2017 Annualized CR level.

Combined funding for central computer services and telecommunications will total $36.6 million in FY 2018, an increase of $3.5 million for these activities from the FY 2017 Annualized CR level. The increase is necessary for enhanced security initiatives as explained in more detail in the **Program Administration** account request.

Other non-pay central support services including background investigations will total $26.2 million in FY 2018, a decrease of $0.2 million from $26.4 million, the FY 2017 Annualized CR level.

In addition to 1,392 FSA full-time staff, the FY 2018 request also provides $22.8 million, for the salaries and benefits of 132 FTE outside FSA who perform student-aid related activities and are located in the Office of the Chief Financial Officer; Office of the Chief Information Officer; Office of the Deputy Secretary; Office of the General Counsel; Office of Management; Office of Postsecondary Education; Office of Planning, Evaluation, and Policy Development, and Office of the Under Secretary.

System Application Matrix

The two system matrixes, shown in the charts below, 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 costs for FY 2017 Annualized CR level and FY 2018, and core business functions supported by each system application. The second chart shows the interdependencies between all system applications and the four end users: schools, students, financial partners, and the Department of Education.

System Applications and Core Business Functions Interdependencies

System Application	2017 Annualized CR Cost (dollars in millions)	2018 Cost (dollars in millions)	Student Aid Application Processing	Origination and Disbursement	Student Loan Servicing
Loan Servicing	$880.4	$1,017.0		X	X
Title IV Origination and Disbursement System	123.0	118.0	X	X	X
Application and Eligibility Determination System	57.1	65.3[1]	X	X	
Next Generation Data Center	51.7	42.5	X	X	X
Enterprise Software Licenses	18.0	18.0	X	X	X
National Student Loan Data System	11.1	15.7	X	X	X
Financial Management System	7.9	8.6		X	
Integrated Partner Management	1.8	8.7		X	X
Total Discretionary Costs	**1,151.0**	**1,293.8**			

[1] Amount includes reengineering efforts.

Systems Applications and End Users

System Application	School	Student	Financial Partners	Department of Education
Loan Servicing	X	X	X	X
Title IV Origination and Disbursement System	X	X		X
Application and Eligibility Determination System	X	X		X
Next Generation Data Center				X
Enterprise Software Licenses				X
National Student Loan Data System	X	X	X	X
Financial Management System			X	X
Integrated Partner Management	X		X	X

Note: Financial Partners include lenders and guaranty agencies.

Major SAA Contracts

The following tables provide a list of Student Aid Administration contracts estimated to exceed $5 million in fiscal years 2017 and 2018:

Contract: Loan Servicing
Description: Servicing and consolidation of direct student loans, Perkins loans, TEACH grants, servicing FFEL loans, and defaulted loans
FY 17 Annualized CR Level: $ 880.4 million
FY 18 Funding: $ 1,017.0 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
PHEAA	Harrisburg, PA* Chester, PA Mechanicsburg, PA Pittsburgh, PA State College, PA
Great Lakes Education Loan Services Inc.	Madison, WI* Eagan, MN Aberdeen, SD Plano, TX Boscobel, WI Eau Claire, WI Stevens, Point, WI Rocky Hill, CT
Nelnet Servicing LLC	Lincoln, NE* Aurora, CO Highlands Ranch, CO Omaha, NE Houston, TX Boise, ID
Navient	Wilmington, DE* Reston, VA Fishers, IN Muncie, IN Newark, DE Wiles-Barre, PA
Missouri Higher Education Loan Authority	Chesterfield, MO* Columbia, MO Washington, DC
HESC/EdFinancial	Knoxville, TN* Chattanooga, TN North Charleston, SC

Vendor	Vendor Locations
	Mansfield, OH Mechanicsburg, PA
Cornerstone	Salt Lake City, UT*
New Hampshire Higher Education Corporation	Concord, NH*
Oklahoma Student Loan Authority	Oklahoma City, OK*
Maximus Federal Services, Inc.	Frederick, MD* Lawrence, KS
Educational Computer Systems	Warrendale, PA* Coraopolis, PA Pittsburg, PA

Contract: Title IV Origination and Disbursement System (TIVODS)
Description: Disbursement of Pell Grants and Direct Loans
FY 17 Annualized CR Level: $ 123.0 million
FY 18 Funding: $ 118.0 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
Accenture LLP	Arlington, VA* Columbus, GA Monticello, KY Niagara Falls, NY Piscataway, NJ San Antonio, TX Washington, DC

Contract: Application and Eligibility Determination System (AEDS)
Description: Integration of application processing, aid awareness, and eligibility determination
FY 17 Annualized CR Level: $ 57.1 million
FY 18 Funding: $ 65.3 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
General Dynamics One Source	Fairfax, VA* Coralville, IA Lawrence, KS Washington, DC Montgomery, AL Wetumpka, AL Herndon, VA Louisville, KY Plano, TX Dallas, TX Roseville, CA Raleigh, NC Boise, ID
Senture	London, KY* Monticello, KY
HP Enterprise Services	Palo Alto, CA* Montgomery, AL El Paso, TX Monticello, KY Orlando, FL
Phoenix Programming Services	Rockville, MD*

Contract: Next Generation Data Center
Description: Data center for student financial aid systems
FY 17 Annualized CR Level: $ 51.7 million
FY 18 Funding: $ 42.5 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
Hewlett Packard Enterprise Services	Herndon, VA* Alpharetta, GA Boise, ID Clarksville, VA Colorado Springs, CO Orlando, FL Washington, DC

Contract: Enterprise Software Licensing
Description: Maintenance for software licenses for Financial Management System and database operations
FY 17 Annualized CR Level: $ 18.0 million
FY 18 Funding: $ 18.0 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
Various	Various

Contract: National Student Loan Data System
Description: 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
FY 17 Annualized CR Level: $ 11.1 million
FY 18 Funding: $ 15.7 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
Briefcase Systems Development, Inc.	Arlington, VA* Coralville, IA Venice, FL Lawrence, KS

Contract: Financial Management System
Description: Accounting system for transactions
FY 17 Annualized CR Level: $ 7.9 million
FY 18 Funding: $ 8.6 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
Avineon, Inc.	McLean, VA* Washington, DC

Contract: System Security Authorization
Description: Basic security for all FSA applications and general support systems
FY 17 Annualized CR Level: $ 6.6 million
FY 18 Funding: $ 6.7 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
Blue Canopy	Reston, VA

Contract: Integrated Partner Management
Description: Integration of institutional eligibility determination and oversight of schools, lenders, guaranty agencies and other FSA partners
FY 17 Annualized CR Level: $ 1.8 million
FY 18 Funding: $ 8.7 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor(s)	Vendor Locations
Chags Health Information Technology, LLC	Columbia, MD* Herndon, VA
Creative Ideas Simple Solutions, Inc.	Clarksville, MD* Washington, DC
Lumark Technologies Inc.	Fairfax, VA* Washington, DC
Collabralink Technologies, Inc.	McLean, VA

Quarterly Performance Results
Quarter Ending May 31, 2016

Metric	Segment	Cornerstone	ESA/ Edfinancial	FedLoan Servicing (PHEAA)	Granite State-GSMR	Great Lakes Educational Loan
% of Borrowers in Current Repayment Status	1: Borrowers with at least one Consolidation or Parent Plus Loan	88.44%	91.54%	77.38%	85.65%	79.60%
	2. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and an enrollment status code of G (graduated)	73.09%	67.11%	77.60%	52.33%	85.29%
	3. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and an enrollment status code of G (graduated)	90.15%	92.50%	78.36%	90.21%	84.22%
	4. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and without an enrollment status code of G (graduated)	62.15%	32.49%	46.56%	37.38%	53.14%
	5. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and without an enrollment status code of G (graduated)	87.84%	90.70%	64.82%	86.58%	68.95%

Quarterly Performance Results (continued)
Quarter Ending May 31, 2016

Metric	Segment	MOHELA	Navient	Nelnet	OSLA	VSAC Federal Loans
% of Borrowers in Current Repayment Status	1: Borrowers with at least one Consolidation or Parent Plus Loan	90.14%	75.94%	81.32%	84.27%	87.27%
	2. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and an enrollment status code of G (graduated)	66.58%	79.27%	82.10%	58.40%	71.31%
	3. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and an enrollment status code of G (graduated)	90.17%	75.52%	86.11%	90.50%	92.25%
	4. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and without an enrollment status code of G (graduated)	32.85%	48.74%	53.12%	37.05%	47.53%
	5. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and without an enrollment status code of G (graduated)	88.71%	62.18%	72.31%	84.52%	87.51%

Note: The Department no longer contracts directly with VSAC Federal Loans.

Quarterly Performance Results (continued)
Quarter Ending May 31, 2016

Metric	Segment	Cornerstone	ESA/ Edfinancial	FedLoan Servicing (PHEAA)	Granite State-GSMR	Great Lakes Educational Loan
% of Borrowers 91-270 Days Delinquent	1: Borrowers with at least one Consolidation or Parent Plus Loan	2.48%	2.19%	6.99%	3.11%	6.47%
	2. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and an enrollment status code of G (graduated)	4.67%	5.70%	7.51%	8.64%	4.85%
	3. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and an enrollment status code of G (graduated)	2.21%	2.12%	6.93%	2.10%	4.93%
	4. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and without an enrollment status code of G (graduated)	12.68%	30.20%	22.34%	21.92%	19.19%
	5. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and without an enrollment status code of G (graduated)	2.23%	2.36%	12.98%	2.92%	10.82%

Quarterly Performance Results (continued)
Quarter Ending May 31, 2016

Metric	Segment	MOHELA	Navient	Nelnet	OSLA	VSAC Federal Loans
% of Borrowers 91-270 Days Delinquent	1: Borrowers with at least one Consolidation or Parent Plus Loan	1.97%	5.55%	5.94%	3.40%	3.47%
	2. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and an enrollment status code of G (graduated)	4.26%	5.06%	5.86%	8.81%	6.56%
	3. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and an enrollment status code of G (graduated)	1.82%	5.85%	4.17%	1.90%	2.46%
	4. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and without an enrollment status code of G (graduated)	27.88%	16.84%	19.15%	23.13%	12.58%
	5. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and without an enrollment status code of G (graduated)	2.86%	10.05%	9.48%	3.38%	3.95%

Note: The Department no longer contracts directly with VSAC Federal Loans.

Quarterly Performance Results (continued)
Quarter Ending May 31, 2016

Metric	Segment	Cornerstone	ESA/ Edfinancial	FedLoan Servicing (PHEAA)	Granite State-GSMR	Great Lakes Educational Loan
% of Borrowers 271-360 Days Delinquent	1: Borrowers with at least one Consolidation or Parent Plus Loan	0.63%	0.51%	1.47%	0.49%	1.79%
	2. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and an enrollment status code of G (graduated)	0.00%	0.22%	1.49%	0.00%	1.05%
	3. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and an enrollment status code of G (graduated)	0.59%	0.50%	1.91%	0.46%	1.74%
	4. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and without an enrollment status code of G (graduated)	0.00%	0.41%	6.16%	0.42%	6.45%
	5. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and without an enrollment status code of G (graduated)	3.47%	0.61%	3.81%	0.63%	4.44%

Quarterly Performance Results (continued)
Quarter Ending May 31, 2016

Metric	Segment	MOHELA	Navient	Nelnet	OSLA	VSAC Federal Loans
% of Borrowers 271-360 Days Delinquent	1: Borrowers with at least one Consolidation or Parent Plus Loan	0.33%	1.17%	1.62%	0.67%	0.36%
	2. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and an enrollment status code of G (graduated)	0.04%	0.93%	1.22%	0.20%	0.20 %
	3. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and an enrollment status code of G (graduated)	0.29%	1.25%	1.35%	0.46%	0.24%
	4. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1094 days or less from the last day of the current quarter, and without an enrollment status code of G (graduated)	0.64%	4.47%	6.49%	0.35%	0.55%
	5. Borrowers with no Consolidation or Parent Plus Loans, separation dates 1095 days or greater from the last day of the current quarter, and without an enrollment status code of G (graduated)	0.48%	2.43%	3.51%	0.71%	0.51%

Note: The Department no longer contracts directly with VSAC Federal Loans.

Quarterly Performance Results (continued)
Quarter Ending May 31, 2016

Metric	Cornerstone	ESA/ Edfinancial	FedLoan Servicing (PHEAA)	Granite State-GSMR	Great Lakes Educational Loan
Borrower Survey	63.25%	65.50%	65.00%	69.50%	70.50%

Metric	MOHELA	Navient	Nelnet	OSLA	VSAC Federal Loans
Borrower Survey	69.75%	62.00%	68.25%	65.75%	69.00%

Notes: The Department no longer contracts directly with VSAC Federal Loans.

American Customer Satisfaction Index (ACSI) scale is 0 to 100.

Quarterly Performance Results (continued)
Quarter Ending May 31, 2016

Metric	Cornerstone	ESA/ Edfinancial	FedLoan Servicing (PHEAA)	Granite State-GSMR	Great Lakes Educational Loan
Federal Personnel Survey	81.00%	79.00%	76.00%	80.00%	83.00%

Metric	MOHELA	Navient	Nelnet	OSLA	VSAC Federal Loans
Federal Personnel Survey	79.00%	78.00%	80.00%	78.00%	79.00%

Notes: The Department no longer contracts directly with VSAC Federal Loans.

American Customer Satisfaction Index (ACSI) scale is 0 to 100.

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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. In November 2015, Federal Student Aid (FSA) released an updated strategic plan, *Federal Student Aid: Strategic Plan, Fiscal Years 2015–19* which described the organization's current goals and objectives. FSA's performance indicators were updated this year to account for improvements in data collection and analysis that allowed for more accurate and better-aligned metrics.

Strategic Goal A: Improve quality of service for customers across the entire student aid life cycle.

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

Year	Target	Actual
2013	52.0%–54.0%	52.2
2014	58.8%–60.8%	60.1
2015	59.1%–61.1%	60.5
2016	59.5%–61.5%	57.5
2017	56.5%–61.5%	
2018	TBD	

Additional information: FSA did not meet its target for this metric with a result of 57.5 percent.

In the calculation of this performance metric, the numerator is the number of applications during the first nine months of the application cycle that are—as of September 30 of the first year of the application cycle—complete (not rejected). The denominator is the number of graduating seniors according to the most recent projection by the National Center for Education Statistics (NCES); this estimate often is made two to three years in advance. Before FSA calculated this FY16 performance metric, NCES significantly increased its estimated number of graduating seniors. FSA's methodology for setting this target relies on the most current (at the time) NCES projection, but the methodology does not allow the denominator to be adjusted if NCES revises its estimates.

FSA conducted an unprecedented awareness and outreach campaign and partnered effectively with college access organizations across the nation. Instead of seeing the number of high school seniors who filed a FAFSA for the first time decline—which was expected with improving economic conditions and shrinking college enrollment—the number of seniors who filed a FAFSA for the first time increased by approximately 6,000. FSA will continue to analyze the increasing number of graduating high school seniors to determine how it might more effectively target the outreach and awareness efforts to grow the number of first-time FAFSA filers at the same pace as the growing number of high school graduates.

Measure: Persistence among first-time filing aid recipients.

Year	Target	Actual
2013	Metric not established	
2014	77.5–79.5%	79.6
2015	78.6–80.6%	79.5
2016	78.5–80.5%	79.7
2017	78.7–80.7%	
2018	TBD	

Additional information: FSA met its target for this metric with a result of 79.7 percent. FSA has continued the expansion of outreach initiatives to improve persistence levels among aid filers. The increased efforts, including outreach and digital engagement campaigns, have resulted in FSA exceeding its target for a third consecutive year.

Measure: Customer visits to StudentAid.gov.

Year	Target	Actual
2013	Metric not established	
2014	> =30.7 million	32.7 million
2015	> =32.7 million	43.3 million
2016	> =43.3 million	47.2 million
2017	> =43.3 million	
2018	TBD	

Additional information: FSA met its target with a result of 47.2 million. FSA continued to exceed its target for this metric again in FY 2016 with a result of 47.2 million customer visits. This represents a more than nine percent increase in visits compared to the previous year. FSA’s performance for this metric is a testament to the success of its effort to consolidate disparate sites and systems into a single integrated student experience. Since its launch in 2012, StudentAid.gov has evolved into FSA’s premier information interface for student aid tools, resources, and service.

Measure: Social media channel subscribership.

Year	Target	Actual
2013	Metric not established	
2014	>= 296,000 subscribers	368,042
2015	>=368,000 subscribers	454,066
2016	>= 454,000 subscribers	528,251
2017	>= 500,000 subscribers	
2018	TBD	

Additional information: FSA met its target with a result of 528,251. FSA greatly exceeded its target on this metric for the third year in a row, with more than 528,000 subscribers on Facebook, Twitter, and YouTube. FY 2016 results represent a 16 percent increase from FY 2015.

In today's information age, digital media techniques are becoming increasingly critical for effective customer engagement. Over the past several years, FSA has aggressively leveraged social media tools to drive awareness, uncover insights, engage and interact with students and borrowers, and drive traffic to FSA's websites. This metric helps track FSA's progress in this domain.

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

Year	Target	Actual
2013	78.0	78.4
2014	77.4–79.4	78.4
2015	77.4–79.4	77.2
2016	74	70.4
2017	69.4–71.4	
2018	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; scores are based on a zero-to-100-point scale. Data are weighted based on the intensity of the experience to the overall life cycle and the number of students within each category of the life cycle.

Additional information: FSA did not meet its target for this metric with a result of 70.4. FSA has seen a shift in scores following changes in FY 2016 to the method used to conduct customer satisfaction surveys. The change from live interviewers to an online survey has produced lower satisfaction levels than past years. This is in-line with longstanding findings in survey research regarding "social desirability bias," the tendency of respondents to want to give live interviewers answers that are less conflictual, more like the ones they are "supposed" to give, in order to seem appealing to the interviewer. In the context of satisfaction research, this typically means that respondents will give higher ratings to live interviewers than they will provide on online forms. In FSA's experience with the methodology used, scores tend to run three to five points lower on the 0 to 100 point scale that FSA uses; in some cases, the effect is more extreme (e.g., 10-point declines or more).

Strategic Goal B: Proactively manage the student aid portfolio to mitigate risk.

Measure: Improper Payment Rate.

Year	Target	Actual
2013	Prior to revised metric	
2014	Prior to revised metric	
2015	1.65%	2.38%
2016	N/A	4.85
2017	4.85	
2018	TBD	

Note: The FY 2015 improper payment target and actual rates reported in the table above reflect the corrected improper payment rates for FY 2015 as determined by the FY 2015 IPERA Compliance Audit Report published by the Office of Inspector General (OIG) May 10, 2016. The corrected improper payment rates are prepared in accordance with the alternative sampling and estimation methodology approved by OMB as of October 20, 2015. The rate reported in FSA's *FY 2015 Annual Report* was 1.44 percent

The OMB-approved FY 2016 improper payment estimation methodology is an alternative, as opposed to statistical methodology. Accordingly, these estimates may lack the precision of other estimates developed using random, statistical methodologies. The alternative methodology is based on an analysis of data obtained from program reviews conducted at schools identified through a risk-based (i.e., non-random) selection process. The FY 2016 alternative methodology includes improvements over the prior year incorporating risks and sources previously not incorporated. These changes help improve the accuracy and completeness of the estimates.

Additional information: The Improper Payment Rate metric is a single 'blended' rate that divides aggregated estimated improper payments for all programs identified as risk-susceptible for that year by aggregated estimated program outlays. In FY 2015 and FY 2016, FSA identified the Pell Grant and Direct loan programs as risk-susceptible. FSA convened a working group in 2016 with OIG and OMB participating in an advisory capacity to identify, evaluate, and implement improvements to the baseline estimation methodology to address improper payment risks not previously incorporated. At the time 2016 targets were set, it was known that the estimation methodology would change, but not the impact. Accordingly, no target was set for this measure for 2016. The underlying improper payment estimates were calculated using an alternative methodology that was modified from the prior year to include new risks and data sources. The increase in the improper payment rate over the prior year may be attributable to changes to and the imprecision of the alternative methodology, as opposed to a control failure or an increase in actual improper payments in the underlying programs. Nevertheless, FSA continues to enhance its internal control framework to prevent and detect improper payments.

For the Title IV risk-susceptible Pell grant and Direct Loan programs, the Department also estimates improper payment rates and analyzes the root causes of the improper payments detected. The major root causes of improper payments in the Pell Grant and Direct Loan programs are incorrect self-reporting of an applicant's income, which leads to incorrect awards based on Expected Family Contribution (EFC), incorrect processing of student data by institutions during normal operations, student account data changes not applied or processed correctly, ineligibility for a Pell Grant or Direct Loan (e.g., validity of high school attended, history of degrees obtained), satisfactory academic progress not achieved, and incorrectly calculated return records by institutions returning Title IV student aid funds. To prevent and reduce improper payments, the Department is pursuing several corrective actions, to include adding or strengthening relevant controls.

The Department also uses other verification methods to protect against improper payments and to confirm specific information reported on the FAFSA by the applicant. Schools are required to verify all applicants that are selected by the Department for verification. Annually, the Department analyzes FSA's grant recipients, student loan borrowers, and the verification selection system, and informs the financial aid community which FAFSA items are subject to verification for the upcoming award year. This annual analysis is intended to enhance verification methodology and to meet the goal of selecting applicants who are most likely to have incorrect information on their FAFSA.

In addition, FSA works to promote accuracy and accountability in the administration of Title IV student financial aid through institutional oversight, guidance, technical assistance, and enforcement. As part of its ongoing activities, the Program Compliance office conducts periodic recertification of all schools' eligibility, issues loss of eligibility determinations to schools, assesses millions of dollars in final program review and final audit determinations, and debars individuals from receiving assistance or benefits from any Federal Agency as a result of financial aid fraud or other criminal convictions.

Measure: Percent of borrowers >90 days delinquent.

Year	Target	Actual
2013	Prior to revised metric	
2014	Prior to revised metric	
2015	10.4%	9.8%
2016	9.9	8.8
2017	7.3	
2018	TBD	

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).

Additional information: FSA met its target with a result of 8.8 percent. Reducing the percent of borrowers with loans in a delinquent status has been a major goal of FSA, and success in this metric reflects FSA's accomplishments in this area. Increased utilization of income-driven repayment plans and borrower awareness campaigns have helped FSA build on the improvements in FY 2015 and continue to reduce delinquency. The number of accounts between 90 and 270 days delinquent was 10 percent lower than anticipated, while the number of accounts in repayment was about one percent higher than expected.

Strategic Goal C: Improve operational efficiency and flexibility.

Measure: Aid Delivery Cost per Application.

Year	Target	Actual
2013	11.23	11.16
2014	11.94	11.43
2015	12.28	10.73
2016	13.11	11.53
2017	11.54	
2018	TBD	

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: FSA met its target with a result of $11.53. Actual costs were 11 percent lower than projected due to a delay in incurring costs associated with newly negotiated call center services. The number of applications was essentially the same as forecasted. It is anticipated that the FY 2017 results will be significantly higher due to increased call center resources needed to address higher call volumes due to confusion about the implementation of the FSA ID.

Measure: Outstanding Direct Loan Portfolio in Current Repayment Status.

Year	Target	Actual
2013	Prior to revised metric	
2014	Prior to revised metric	
2015	Prior to revised metric	
2016	85.3%	85.35
2017	84.9%–85.9%	
2018	TBD	

This new metric is calculated using the Direct Loan Portfolio by Delinquency Status Report published on the FSA Data Center using data provided by NSLDS. It is the outstanding principal and interest balance of "current" Direct Loans in the active repayment status divided by the total principal and interest balance of Direct Loans in active repayment status at the non-default servicers. The metric result is computed as a four-quarter moving average as of September 30 of the current fiscal year. This allows FSA to account for changes relating to seasonality and indirect factors that could be false indicators of change. However, since the data center report for 4Q FY 2016 was not available as of the date of this report, portfolio values were estimated from alternative sources.

Additional information: FSA met its target for this metric with a result of 85.35 percent.

The continued improvement in portfolio dollars current is a direct result of an increased effort to enroll borrowers in income-driven repayment plans and the expanded efforts to provide information about affordable repayment options. Greater resources for borrowers help mitigate the risk of delinquency and default as is evidenced by the results shown this year.

Strategic Goal D: Foster trust and collaboration among stakeholders.

Measure: Ease of Doing Business with FSA (1–100 Scale).

Year	Target	Actual
2013	74.0	74.0
2014	73.0–75.0	77.0
2015	75.9–77.9	75.8
2016	74.3–77.3	72.3
2017	71.3–73.3	
2018	TBD	

Additional information: FSA did not meet its target with a result of 72.3. The lower score for this metric is the result of a number of high-profile changes to FSA programs and the implementation of new regulations in FY 2016. FSA implemented the early FAFSA and the use of “prior-prior” tax year information. These changes have and will continue to greatly benefit borrowers, but also are a massive shift in the traditional student loan landscape; postsecondary institutions have had to make adjustments to their typical processes and procedures. The implementation of these new regulations and programmatic changes will have positive long-term impacts on borrowers, and FSA expects to see a notable increase in the partner experience into FY 2017.

Measure: Percentage of contract dollars competed by FSA.

Year	Target	Actual
2013	Metric not established	
2014	85.3–87.3%	88.7%
2015	87.7–89.7%	90.3
2016	89.3–91.3%	92.9
2017	89.3–91.3%	
2018	TBD	

Additional information: FSA exceeded this metric with a final score of 92.9 percent. FSA continues to improve the percent of contract dollars competed in each fiscal year and continues to develop and maintain the highest quality standards among enterprise contractors.

Measure: Collection Rate (non-default and default).

Year	Target	Actual
2013	$34.31	41.57
2014	45.65	35.90
2015	36.56	51.58
2016	51.79	53.07
2017	51.57	
2018	TBD	

Collections are defined as the total amount of principal collected on both current and defaulted debt during the 12-month period ending June 30th 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. The cost data are derived from FSA's Activity-Based Costing model (Default Collections and Loan Servicing) and Private Collection Agency spending. Servicing costs are paid out of the Student Aid Administration discretionary account and costs related to collecting on defaulted loans are paid through the respective program financing accounts.

Additional information: FSA met its target for this metric, which is calculated by dividing the total collections on receivables from loan servicing and default collections by the combined cost of loan servicing and default collections, with a result of $53.07. The actual result exceeded the forecast due to lower costs from the implementation of a flat fee for loan rehabilitations. Contract collection costs were approximately $74 million (or eight percent) less than anticipated, while loan servicing costs and total collections were at anticipated levels. The Department is in the middle of the procurement process and expects to award a new contract for federal student loan servicing later this year. That effort will inform the FY 2018 estimate.

Strategic Goal E: 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	66.7–68.7	67.9
2016	66.9–68.9	67.4
2017	65.4–69.4	
2018	TBD	

Additional information: FSA met its target with a result of 67.4 percent. The FY 2016 target for FSA's Employee Engagement Index was 66.9–68.9 percent. This target provided a one percent plus or minus variance from the actual percentage (67.9 percent) achieved in FY 2015. FSA was able to exceed its target for the third consecutive year and saw positive gains in the employee engagement elements "Leaders Lead" and "Supervisors." FSA also saw a 5.5-percent increase in the FEVS response rate, which builds on FY 2015 improvements and the overall 16.2 percent increase from FY 2014. More information about the FEVS and the questions included on the survey can be found at fedview.opm.gov.

STUDENT AID ADMINISTRATION