Department of Education

STUDENT AID ADMINISTRATION

Fiscal Year 2015 Budget Request

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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] [$1,166,000,000] $1,446,924,000, to remain available until September 30, [2015] 2016.[2] *(Department of Education Appropriations Act, 2014.)*

NOTE

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

STUDENT AID ADMINISTRATION

Analysis of Language Provisions and Changes

Language Provision	Explanation
[1] …and subpart 1 of part A of title VII of the Public Health Service Act,…	This language provides authority to administer the Health Education Assistance Loan (HEAL) program.
[2] ... to remain available until September 30, [2015] 2016.	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	2013	2014	2015
Discretionary appropriation:			
Appropriation	$1,043,387	$1,166,000	$1,446,924
Across-the-board reduction (P.L. 113-6)	-2,087	0	0
Subtotal, appropriation	1,041,300	1,166,000	1,446,924
Sequester (P.L. 112-25)	-52,489	0	0
Transfer to Department of Education, Program Administration	-7,688	0	0
Transfer to Department of Education, Office of Civil Rights	-1,100	0	0
Transfer to Department of Education, Office of Inspector General	-1,100	0	0
Transfer from Department of Health and Human Services for Health Education Assistance Loan Program	0	1,000	0
Subtotal, adjusted discretionary appropriation	978,923	1,167,000	1,446,924
Mandatory appropriation:			
Not-For-Profit Servicing	354,911	226,891	0
Subtotal, discretionary and mandatory appropriation	1,333,834	1,393,891	1,446,924
Unobligated balance, start of year	71,941	54,642	0
Recovery of prior-year obligations	20,183	0	0
Unobligated balance expiring	-450	0	0
Unobligated balance, end of year	-54,642	0	0
Total, direct obligations[1]	1,370,866	1,448,533	1,446,924

[1] The 2014 estimate reflects fully obligating amounts carried forward from fiscal year 2013. The amount available for obligation here may differ from the President's 2015 Appendix.

STUDENT AID ADMINISTRATION

Obligations by Object Classification

(dollars in thousands)

Object Class	2013	2014	2015
Personnel Compensation and Benefits:			
Full-time permanent	$134,127	$139,061	$139,972
Full-time temporary	132	0	0
Part-time	775	0	0
Consultants	2	0	0
Overtime	29	76	76
Awards	1,643	1,685	1,600
Other Compensation	24	0	0
Benefits	38,983	39,232	39,277
Subtotal	175,715	180,054	180,925
Travel	1,861	2,846	2,793
Rental payments to GSA and others	18,801	18,534	18,534
Communications, utilities, and miscellaneous charges	246	74	55
Printing and reproduction	1,321	2,012	1,705
Contractual services and supplies:			
Advisory and assistance services	5,642	4,820	5,350
Other services	760,341	804,686	835,712
Training and tuition	1,411	2,450	2,371
Purchases of goods and services	19,455	16,437	21,231
Operations and maintenance of facilities	142	360	0
Operations and maintenance of equipment	0	30	0
Information technology services and contracts	383,878	415,722	377,857
Subtotal	1,170,869	1,244,505	1,242,521
Supplies and materials	210	178	264
Equipment	1,720	100	127
Building Alterations	123	230	0
Total, obligations[1]	1,370,866	1,448,533	1,446,924

[1] The 2014 estimate reflects fully obligating amounts carried forward from fiscal year 2013. The Object Classification table here may differ from the President's 2015 Appendix.

STUDENT AID ADMINISTRATION

Summary of Changes
(dollars in thousands)

2014	$1,166,000
2015	1,446,924
Net change	+280,924

Increases:	2014 base	Change from base
Built-in:		
Increase in personnel compensation and benefits primarily for a proposed Governmentwide 1 percent pay raise and increase in benefits for the Department's share of health, retirement and other benefits.	$178,161	+$1,088
Program:		
Increase in discretionary loan servicing costs due to the elimination of mandatory budget authority under the Bipartisan Budget Act.	502,749	+268,951
Increase in information technology contracts for core student aid system contracts.	361,351	+16,506
Increase in funding in advisory and assistance services for portfolio analytics.	4,820	+530
Increase in goods and services from the Government due to increase in datashare interagency agreements with the Internal Revenue Service (IRS).	16,437	+4,794
Increase in supplies and materials.	178	+86
Increase in equipment.	100	+27
Increase in training.	2,364	+7
Subtotal, increases		+291,989

STUDENT AID ADMINISTRATION

Summary of Changes—Continued
(dollars in thousands)

Decreases: Program:	2014 base	Change from base
Decrease in other services due to completion of ombudsman project and system changes.	$74,046	-$10,034
Decrease in awards.	1,685	-85
Decrease in operations and maintenance of facilities.	360	-360
Decrease in printing.	2,012	-307
Decrease in building alterations.	230	-230
Decrease in operations and maintenance of equipment.	30	-30
Decrease in postage.	74	-19
Subtotal, decreases		-11,065
Net change		+280,924

STUDENT AID ADMINISTRATION

Authorizing Legislation
(dollars in thousands)

Activity	2014 Authorized	2014 Estimate	2015 Authorized	2015 Request
Student aid administration *(Higher Education Act of 1965, I-D and IV-D, section 458; Public Health Service Act, VII-A*)	Indefinite	$1,166,000	Indefinite	$1,446,924
Total definite authorization	0		0	
Total discretionary appropriation		1,166,000		1,446,924
Total mandatory appropriation		226,891		0
Total appropriation		1,392,891		1,446,924

STUDENT AID ADMINISTRATION

Appropriations History
(dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2006	$939,285	$124,084	$120,000	$118,800
2007	733,720	N/A[1]	N/A[1]	719,914[1]
Rescission (P.L. 110-28)	0	0	0	-500
Transfer (P.L. 110-05)	0	0	0	-1,464
2008	708,216	708,216	708,216	695,843
2009	764,000	714,000[2]	704,843[2]	753,402
Recovery Act Supplemental (P.L. 111-5) (non-add)	(0)	(50,000)	(0)	(60,000)
2010	870,402	870,402	870,402[3]	870,402
Rescission (P.L. 111-226)	0	0	0	-82,000
2011	1,170,231	994,600[4]	1,048,078[3]	992,012[5]
2012	1,095,418	992,012[6]	1,045,363[6]	1,043,387
2013	1,126,363	1,043,387[7]	1,126,363[7]	978,924[8]
2014	1,050,091[9]	N/A[10]	1,044,301[3]	1,166,000[11]
2015	1,446,924			

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

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

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

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

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

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

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

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

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

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

[11] Excludes $1,000 thousand proposed to be transferred from Department of Health and Human Services to Department of Education for the Health Education Assistance Loan program. The actual transfer between HHS and ED will reflect the remaining unobligated balances at the time of transfer.

STUDENT AID ADMINISTRATION

Significant Items in FY 2014 Appropriations Reports

SAA Obligation Plan for Mandatory and Discretionary Funds

Senate: S.R. 113-71. The Committee directs the Department to continue to provide quarterly reports detailing its obligation plan by quarter for spending mandatory and discretionary funding for student aid administrative activities broken out by servicer, activity, and funding source.

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

Streamlined Metrics Across Loan Servicers

Managers' Statement: P.L. 113-76. The Committee directs the Secretary to submit a report no later than March 31, 2014, detailing its plan to streamline the metrics by which Not-for-Profit (NFP) servicers and Title IV Additional Servicers (TIVAs) are measured to ensure consistency across all servicing contracts.

Response: The Department is currently reviewing metrics for all servicing contracts and will provide a plan to the Committees on Appropriations of the House of Representatives and the Senate, as well as to the Committee on Education and the Workforce and the Committee on Health, Education, Labor and Pensions, as directed.

DEPARTMENT OF EDUCATION FISCAL YEAR 2015 PRESIDENT'S BUDGET

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Account, Program and Activity (in thousands of dollars)	Category Code	2013 Appropriation	2014 Appropriation	2015 President's Budget	2015 President's Budget Compared to 2014 Appropriation: Amount	2015 President's Budget Compared to 2014 Appropriation: Percent
Student Aid Administration (HEA I-D and IV-D, section 458)						
1. Salaries and expenses [1]	D	642,057	663,251	675,224	11,973	1.805%
2. Servicing activities	D	336,867	502,749	771,700	268,951	53.496%
Subtotal		978,924	1,166,000	1,446,924	280,924	24.093%
3. Health education assistance loan program (non-add) [2]	D	0	1,000	0	(1,000)	-100.000%
4. Not-for-profit servicers	M	367,593	226,891	0	(226,891)	-100.000%
Total [3]		1,346,517	1,392,891	1,446,924	54,033	3.879%
Discretionary	D	978,924	1,166,000	1,446,924	280,924	24.093%
Mandatory	M	367,593	226,891	0	(226,891)	-100.000%

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

For mandatory programs, the levels shown in the 2014 Appropriation column reflects the 7.2 percent sequester that went into effect October 1, 2013, pursuant to the Budget Control Act of 2011 (P.L. 112-25); the 2015 President's Budget column does not reflect a sequester in 2015.

Detail may not add to totals due to rounding.

[1] *The Student Aid Administration total in the 2015 President's Budget includes $3,000 thousand for the Health Education Assistance Loan (HEAL) program.*

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

[3] *Reflects transfers in 2013 of $7,688 thousand, $1,100 thousand, and $1,100 thousand from Student Aid Administration (totaling $9,888 thousand) to Program Administration, Office for Civil Rights, and Office of Inspector General, respectively.*

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 2015 Authorization: Indefinite

Budget Authority

	2014	2015	Change from 2014
Salaries and Expenses:			
Personnel costs	$179,922	$180,925	+$1,003
Non-personnel costs, excluding loan servicing costs	483,329	494,299	+10,970
Subtotal, salaries and expenses	663,251	675,224	+11,973
Loan servicing activity discretionary costs	502,749 [1]	771,700 [2]	+268,951
Total, discretionary costs	1,166,000	1,446,924	+280,924
Not-For-Profit servicing mandatory costs	226,891 [3]	0 [4]	-226,891
Total, mandatory costs	226,891	0	-226,891
Total, student aid administration	1,392,891	1,446,924	+54,033
FTE employees	1,320	1,320	0

[1] Includes $249,352 thousand in servicing costs for Title IV Additional Servicer (TIVAS) servicing contracts, $167,442 thousand in servicing costs for Not-For-Profit (NFP) servicing contracts, $2,240 thousand for NFP TIVAS development costs, $58,517 thousand in servicing costs for the Common Services for Borrowers servicing contract, $2,700 thousand for shutdown activities associated with the Common Services for Borrowers servicing contract, $2,913 thousand in servicing costs for Department-held Perkins Loans, $13,273 thousand for Debt Management Collection System (DMCS) development costs, $3,800 thousand for TIVAS development costs, $937 thousand for Teacher Education Assistance for College and Higher Education (TEACH) grants servicing costs, and $1,575 thousand for a customer satisfaction survey required for TIVAS servicer volume allocation.

[2] Includes servicing costs of $616,006 thousand for TIVAS servicing contracts, $69,638 thousand in servicing costs for NFP servicing contracts, $72,536 thousand for DMCS servicing and development costs, $3,154 thousand for Department-held Perkins Loans servicing, $7,600 thousand for TIVAS development costs, $1,128 thousand for TEACH grants servicing, and $1,638 thousand for a customer satisfaction survey required for TIVAS servicer volume allocation.

[3] Includes $223,923 thousand in servicing costs for NFP servicing contracts, $2,660 thousand for NFP TIVAS development costs, and $308 thousand for a Financial Management System interface to NFPs.

[4] The Bipartisan Budget Act of 2013 (P.L. 113-67) eliminated mandatory funding to fund the operations of eligible and qualified NFP student loan servicers under contract with the Department.

PROGRAM DESCRIPTION

Student Aid Administration provides funds to administer the Federal student financial assistance programs authorized under Title IV of the Higher Education Act (HEA) of 1965, as amended. The Title IV programs, which provide funds to help students and families pay for the cost of postsecondary education, are the Nation's largest source of financial aid for postsecondary students. The account provides funding to administer the student aid lifecycle, including: educating students and families about the process for obtaining aid; processing millions of student financial aid applications; disbursing billions of aid dollars; administering billions of dollars in existing guaranteed loans; servicing tens of millions of accounts; and partnering with schools, financial institutions, and guaranty agencies to prevent fraud, waste, and abuse.

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

The Higher Education Amendments of 1998 established FSA as the Federal Government's first performance-based organization (PBO) to improve service to students, parents, schools, and other program participants; to reduce student aid administration costs; to increase the accountability of the officials responsible for administering program operations; and to integrate the student aid processing and delivery systems.

The Federal Pell Grant Program is the foundation for Federal financial assistance. The program ensures financial access to postsecondary education by disbursing $32.4 billion to 8.9 million low- and middle-income undergraduate students during the 2013-2014 award year, with an average award of $3,651. The maximum Pell Grant award has grown from $4,731 for the 2008–2009 award year to $5,730 for the 2014-2015 award year and is projected to be $5,830 for the 2015-2016 award year.

The William D. Ford Federal Direct Loan (DL) Program drives FSA's workload. The DL program lends funds directly to students and their families through participating schools by providing subsidized and unsubsidized loans. The DL program is funded by borrowing from the U.S. Treasury and an appropriation for subsidy costs. See the **Student Loans Overview** and **Student Aid Overview** for details on Student Loan programs in the 2015 Budget.

The Federal Family Education Loan (FFEL) Program provided similar eligibility requirements and loan limits as the Federal Direct Loan Program; however, instead of the Government disbursing funds to borrowers, private lenders provided those funds which were insured by loan guaranty agencies and then reinsured by the Government.

As a result of uncertainty in the financial markets in 2008, the Ensuring Continued Access to Student Loans Act (ECASLA), P.L. 110-227, provided access to capital to private lenders for making Federal student loans. Under the ECASLA authority, the Department implemented four programs to ensure students and families had access to FFEL loans through the 2009-2010 award year. FSA continues to administer these programs, which continue to affect its workload. ECASLA increased the loan servicing workload, doubling the volume of loans serviced by the Department's private sector contractors. More information about these programs is available online at: (http://Federalstudentaid.ed.gov/ffelp).

SAFRA (Student Aid and Fiscal Responsibility Act), Title II, Part A of the Health Care Education Reconciliation Act, 2010, required all new Federal student loans to be originated through the DL program and serviced by the Department of Education effective July 1, 2010. Although all new loans are made through the DL program, FSA continues to administer many aspects of the FFEL program, while lenders and guaranty agencies continue to service and collect outstanding loans in the FFEL portfolio. In fiscal year 2015, the Department will make $102 billion in new Direct Loans, excluding Consolidation Loans. The total outstanding portfolio of all loans is over $1 trillion.

FSA has provided the necessary ECLASA and Direct Loan servicing capacity, which is discussed on pages AA-16 through AA-17. 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 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. Over 96 percent, $269 million, of the requested increase will cover these servicing costs formerly funded by mandatory budget authority and will ensure uninterrupted and continual operations for servicing student loans.

Funding levels for the past 5 fiscal years were:

	(dollars in thousands)
2010	$788,402
2011	992,012
2012	1,043,387
2013	978,924
2014	1,166,000

FY 2015 BUDGET REQUEST

The Department requests $1.4 billion in discretionary resources to administer the Federal student aid programs in fiscal year 2015, a $280.9 million increase, or 24 percent, more than the fiscal year 2014 appropriation. The requested funds are necessary to manage and service the student loan portfolio, including the shift from mandatory budget authority to discretionary budget authority and anticipated increases in loan volume; maintain operations for student aid application processing, origination, disbursement functions, and student aid information technology (IT) system hosting; and manage the acquisition strategy for FSA's core contracts for origination and disbursement, student aid application processing, and system hosting.

The most significant changes from the fiscal year 2014 level are:

1) Loan servicing (+$269.0 million). The higher level reflects an increase in costs associated with the shift from mandatory budget authority to discretionary budget authority in the Bipartisan Budget Act of 2013, and the overall anticipated increase in loan volume for the entire portfolio. More detail is provided beginning with page AA-16.

2) Acquisition planning and procurement costs for critical expiring core contracts (+$9.7 million). More detail is provided beginning with page AA-18.

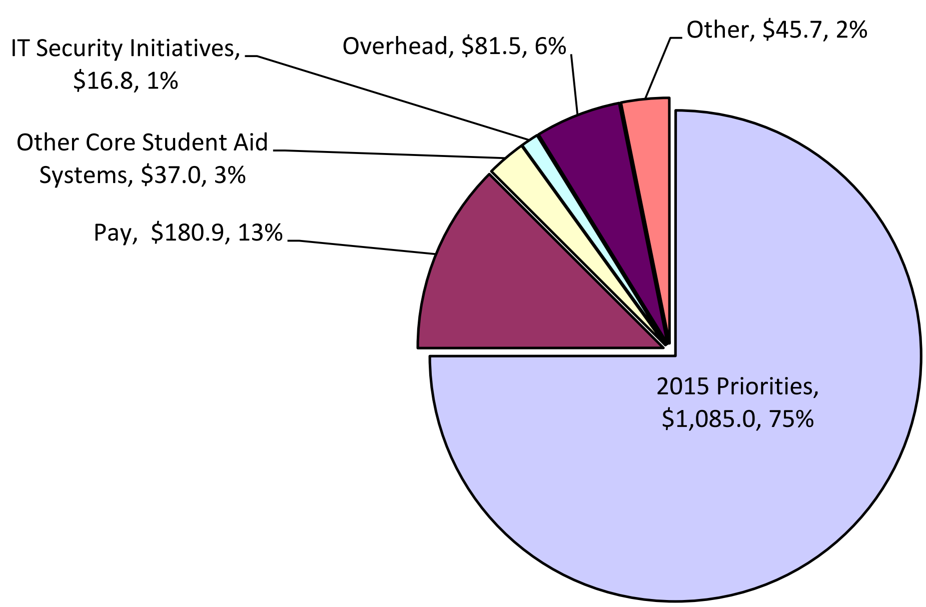
3) An overall increase (+$2.2 million) in operations and maintenance for Free Application for Federal Student Aid (FAFSA) processing, Pell Grant and Direct student loan origination and disbursement, and IT system hosting. This increase is attributable to increasing applications, originations and disbursements. More detail is provided, beginning page AA-20.

FY 2015 Budget Costs by Category

The following chart provides for each fiscal year 2015 cost category the funding level and percentage share of the fiscal year 2015 Budget. Eighty-eight percent of the proposed SAA budget supports 2015 FSA core operations and personnel costs. FSA's major budget priorities are: effectively servicing the growing student loan portfolio; maintaining operations for student aid application processing, origination and disbursement functions and IT system hosting; and modernizing key expiring core student aid systems.

Other core student aid systems (e.g., National Student Loan Data System, FSA's accounting system), matching agreements (e.g., Social Security Administration, IRS FAFSA pre-population), and IT security initiatives account for 4 percent of the request. The remaining 8 percent includes overhead and the "Other" category, which contains central support (e.g., rent, background investigations), central information technology (e.g., the Department's EDCAPS financial systems), Web site interfaces, contract specialist support, and other activities that support FSA's mission.

FY 2015 Costs by Category and as Percent of Discretionary Request **(dollars in millions)**



The sections below show, by cost category, the major projects and their fiscal year 2015 budget levels. The Budget includes $180.9 million to cover the personnel compensation and benefits costs of 1,320 FTE, 1,229 FTE in Federal Student Aid, and 91 FTE in the non-Federal Student Aid offices, delineated on page AA-34.

FY 2015 Priorities – $1,085.0 million

Effectively servicing the student loan portfolio: $771.7 million

The fiscal year 2015 budget request includes a total of $771.7 million for loan servicing costs ($762.5 million for operations and maintenance for loan servicers, $7.6 million for system development costs, and $1.6 million for customer service satisfaction surveys required for allocation of borrower accounts). The servicing cost estimate is based on overall loan volume, repayment status of the borrower, and the timing of loan delivery. Loan servicing costs are presented separately from other student aid administration operating costs to provide greater transparency on the main cost to FSA.

Currently, the Department contracts with 11 TIVAS and NFP Servicers. The 4 TIVAS servicers are Sallie Mae, Nelnet, American Education Services/Pennsylvania Higher Education Assistance Agency (AES/PHEAA), and Great Lakes Education Loan Services (the last two are also NFPs). The 7 additional new NFP servicers that started under SAFRA are Missouri Higher Education Loan Authority, ESA/EDFinancial, Cornerstone, Aspire, Granite State, Oklahoma Student Loan Authority, and Vermont Student Assistance Corporation.

All servicers will be funded with discretionary resources. SAFRA provided mandatory budget authority to fund administrative costs of eligible NFP loan servicers; however, the Bipartisan Budget Act of 2013 eliminated mandatory funding for NFP servicing costs.

<u>FY 2015 Servicing Costs</u>

Differences in distribution among loan statuses affect overall unit costs due to additional workload and related pricing for different statuses (e.g., in-repayment borrowers cost more to service than in-school borrowers). As loan volume grows, the costs of servicing increase. However, unit costs for loan servicing are expected to remain steady between 2014 and 2015 for the TIVAS servicers.

These tables detail the discretionary budget authority for the TIVAS and NFP servicers, average unit costs, and the major assumptions behind servicing costs for Department-held Federal student loans. Servicing costs are largely determined by volume (average borrower accounts per month) and the average negotiated contractual unit costs. Average borrower accounts per month are calculated by the distribution of new unique borrower accounts to a servicing contractor. The average unit cost to service each borrower's loans is derived by contractual pricing schedules based on different borrower statuses (e.g., in-school, in-grace/current repayment, deferment/forbearance, and delinquency).

TIVAS Servicers: Major Assumptions Driving Servicing Costs			
	2013	2014	2015
TIVAS (Borrowers)	28,499,657	31,185,537	34,397,002
TIVAS Average Unit Cost per Month (whole dollars)	$1.66	$1.67	$1.67
Number of Servicing Months	12	12	12
TIVAS Loan Servicing Cost (dollars in millions)	$567	$625	$690
TIVAS Other Servicing Costs (Development and Customer Surveys) (dollars in millions)	$10	$21	$9
Perkins Loan Servicing Cost (dollars in millions)	$2	$3	$3
Total Loan Servicing Cost (dollars in millions)	$579[1]	$649	$702

[1] Amounts are obligations and may differ from total budget authority.

Note: TIVAS includes Sallie Mae, Nelnet, American Education Services/Pennsylvania Higher Education Assistance Agency (AES/PHEAA), and Great Lakes Education Loan Services.

Not-For-Profit Servicers: Major Assumptions Driving Servicing Costs			
	2013	2014	2015
Not-For-Profit Volume (Borrowers)	3,229,467	3,027,353	2,901,798
Not-For-Profit Average Unit Cost per Month (whole dollars)	$2.24	$2.22	$2.00
Number of Servicing Months	12	12	12
Not For-Profit Loan Servicing Cost (dollars in millions)	$87	$81	$69
Not-For-Profit Other Servicing Costs (Development and Start-up) (dollars in millions)	$12	0	0
Total Not For-Profit Loan Servicing Cost (dollars in millions)	$99[1]	$81	$69

[1] Amounts are obligations and may differ from total budget authority.

Customer Service Survey Data

Since September 2009, the Department has been assigning federally-owned loans to a team of private contractors. Per the contractual agreement with these loan servicers, the Department annually measures servicer performance in the areas of customer satisfaction and default prevention. These results determine each servicer's allocation of future loan volume. Results from Customer Service Survey Data from June 2013 are displayed on page AA-32. Updates to this data will be released by electronic announcement in the "Loans" section of the Information for Financial Aid Professionals (IFAP) Web site (http://ifap.ed.gov/ifap).

Targeted Repayment Options for Borrowers

In addition to servicing borrowers' loans, FSA has helped to ease borrowers' applications for income-based repayment plans by creating a new Income-Driven Repayment (IDR) e-application, which includes Income-Based Repayment (IBR), Income-Contingent Repayment, and Pay As You Earn (PAYE) repayment options. The new IDR application contains a built-in repayment amount estimator to help borrowers see the difference in monthly payments for the different IDR plans.

Additionally, the Department conducted an online outreach campaign to highlight repayment options for current college students, recent graduates, and borrowers during November and December 2013. The campaign included outreach on Facebook, Twitter, YouTube, LinkedIn, and other Web sites. The campaign resulted in approximately 233 million audience impressions and 712,700 clicks, which sent users to Federal Student Aid repayment tools and resources.

To help students and their families make more educated decisions about planning and paying for college, the Department produced several tools and resources including the Repayment Estimator, Financial Awareness Counseling Tool, Entrance and Exit Counseling, and StudentAid.gov. At the end of fiscal year 2013 there were approximately 1 million borrowers that selected IBR and 60,000 borrowers in PAYE.

For the 2015 Budget, the Department will continue its outreach to all borrowers to ensure that they have the necessary information to choose the repayment plan that is right for their circumstances.

Strategically planning the acquisition process including procurement of systems: $36.0 million

FSA's core operations and IT systems hosting are supported through several large contracts: FEBI, COD, National Student Loan Data System, and Virtual Data Center. All of these contracts are scheduled to expire between fiscal years 2014 and 2016. FSA is implementing a multi-year acquisition strategy for all these contracts to ensure operational continuity while leveraging the competitive procurement process to increase efficiency, simplify operations, and reduce costs. The request includes procurement related costs for acquisition strategy assistance and development costs.

During fiscal years 2012 and 2013, FSA's Performance Management Unit used the Enterprise Strategic Acquisition Plan (ESAP) to review the documentation procedures and portability of the systems (FEBI, COD, Direct Loan Consolidation System, and Debt Management Collection System), documentation of business requirements, statement of objectives, performance work statements, service level agreements, and market research. As a result, FSA can design an acquisition process that will reduce risk when transitioning core legacy operations.

The fiscal year 2015 request for these procurement activities is $36 million, an increase of $9.7 million over fiscal year 2014. The table below shows the major student aid procurement contracts for fiscal years 2014 and 2015 and the contract expiration dates; the table excludes ongoing operations and maintenance that will occur during these fiscal years.

Funding for Major Student Aid Procurements
(dollars in millions)

Acquisition	FY 2014	FY 2015	Contract Expiration Date
Common Origination Disbursement	$5.1	$13.5	September 2015
Front End Business Integration	15.0	16.5	January 2015
National Student Loan Data System	3.2	0.0	July 2014
Virtual Data Center	3.0	6.0	August 2016
Total	**26.3**	**36.0**	

Below is a description of the fiscal year 2015 procurement activities:

<u>Common Origination and Disbursement (COD)</u>: $13.5 million

The COD system processes origination and disbursement records for Pell Grants, TEACH Grants, Iraq/Afghanistan Service Grants, and Direct Loans (Stafford, Unsubsidized Stafford for undergraduate and graduate/professional students, Parent PLUS and Graduate PLUS). These grant and loan programs—excluding Direct Consolidations—will provide an estimated $141 billion to students and parents in fiscal year 2015. The COD contract includes system operations and maintenance activities, a call center, the StudentLoans.gov Web site, and customer service to assist institutions with processing data and managing their loan administration activities.

The fiscal year 2015 request includes funding for the procurement of an origination and disbursement services contract prior to the expiration of COD. This funding will allow for acquisition planning; market research; and a full and open competition among vendors to either provide the solution by modifying their own existing system or to develop a new system, whichever has the most benefit to the Government.

<u>Front End Business Integration (FEBI):</u> $16.5 million

The current contract for FEBI is set to expire January 2015. In order to move this large core system to a new contract, FSA designed a multi-phased business effort to streamline the many functions (application processing and eligibility determination, customer service delivery, and ombudsman) for prospective and current borrowers. The FEBI recompete would improve FSA's flexibility and responsiveness to legislative changes and organizational priorities, and establish contractual arrangements with increased transparency and performance metrics based on industry standards. During fiscal year 2013, phase I of this recompete effort prioritized operational support for handling inquires to the Ombudsman Group. Fiscal year 2014 will focus on application processing and eligibility determination. The requested funds for fiscal year 2015 would support the front-end customer contact center, which provides information to student aid applicants.

Virtual Data Center: $6.0 million

The Virtual Data Center (VDC) is a single computing environment for data and transaction processing, network communication services, infrastructure, and tools required to deliver financial aid. The VDC is a large central site that hosts 56 systematic applications necessary to deliver student financial aid. The current contract with Dell will end in August 2016. FSA will create, solicit and award contracts to provide data center and technical infrastructure operations, maintenance and support services to all FSA systems and applications hosted and served by the VDC.

During fiscal year 2014, FSA will use funds to define alternative hosting strategies, technical architectures and contractual structures of a new FSA Virtual Data Center. FSA will prepare the formal solicitation documents for a full and open competition, conduct information sessions with the market, and publish proposals to meet the VDC requirements.

During fiscal year 2015, FSA will evaluate and select the best value proposals, and negotiate best and final offers for the new VDC. Parallel servicing will be required under the new data center contract and the preceding contract until the new system is fully operational so that there is no interruption of service to users.

Maintaining continual operations for student aid application processing, origination and disbursement functions, and IT system hosting and security: $277.3 million

The budget request includes $277.3 million for student aid application processing, origination, and disbursement functions, and IT system hosting, an increase of $2.2 million from fiscal year 2014. Like servicing, these costs are driven by volume and are needed to process FAFSAs, originate and disburse student loans, and maintain the necessary IT infrastructure to prevent loss of critical student aid information and service interruption for students and borrowers. Key FSA operational costs include:

- Front End Business Integration (FEBI) ($56.6 million), including operations and maintenance ($49.9 million), school products and services ($4.7 million), and FAFSA enhancements ($2 million);
- Common Origination and Disbursement (COD) ($116.2 million); and
- IT system costs ($104.5 million), including the operation and maintenance of the data center, software licenses, the technical architecture and system support for FSA applications.

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

Other Core Student Aid Administration Systems - $37.0 million

National Student Loan Data System (NSLDS): $13.8 million

NSLDS maintains detailed information regarding Title IV aid, such as the number of loans and grants made, and provides for the electronic exchange of data between program participants and FSA. NSLDS stores and collects borrower data from borrowers, schools, lenders, and guaranty agencies and integrates data on student aid applicants and recipients. This comprehensive information is essential for calculating student loan indebtedness of borrowers, budget formulation, portfolio management, and policy analysis. NSLDS is also used to calculate school cohort default rates, prevent fraud and abuse through pre-screening and post-screening for Title IV aid eligibility, and calculate statutory guaranty agency payments.

In addition to providing ongoing operations, maintenance, and customer support, FSA is undertaking a major effort to improve enrollment reporting and monitor persistence and completion among Federal student aid recipients. FSA is working with other Department offices on data enhancement, system integration, and data quality. The Administration has made college affordability and transparency a top priority for prospective students and their families with the College Scorecard, an interactive tool allowing users to search colleges based on various factors (e.g., programs or majors offered, awards offered, location, undergraduate enrollment size, and campus setting). The College Scorecard provides students and parents information on college costs, graduation rates, loan default rates, and median borrowing. In the future, employment information should be useful for making an informed decision on college choice. In addition, these upgrades will help FSA and the Department establish the college rankings system. The fiscal year 2015 request also includes costs associated with the College Scorecard effort under the Office of Postsecondary Education.

Financial Management System (FMS): $7.5 million

FMS consolidates and manages all financial transactions from FSA’s feeder systems. FMS facilitates reconciliation and internal program management and reporting. The system tracks and manages payment processing for Federal Direct Loan originations and Pell Grant awards, and processes refunds to borrowers for overpaid loans and payments to lenders and guaranty agencies. It also performs validations and reasonability checks to minimize erroneous payments. The 2015 request supports the operations and maintenance of the system.

Integrated Partner Management (IPM): $7.1 million

During fiscal year 2015, IPM will become operational, consolidating processes that are currently scattered among six disparate systems: Lender Application Process, Financial Statements and Compliance Audits, Participation Management portion of Student Aid Internet Gateway, Electronic Application (e-App), Postsecondary Education Participation (PEPS), and Electronic Records Management (ERM). IPM will simplify and reduce duplicate and conflicting data storage, complex system architectures, and excessive file exchange activities. IPM will provide a centralized view of Federal Student Aid for all customers and employees to have access to the same current institutional eligibility and oversight data. IPM will provide better data accuracy, information security through a single point of access, and effective oversight to target enforcement efforts.

Federal Student Aid Administration Interagency Agreements: $7.0 million

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

Department of Health and Human Services (HHS): Through the HHS National Directory of New Hires program, the Department obtains new hire, quarterly wage, and unemployment insurance information on defaulted loan borrowers or aid recipients who owe the Department for grant overpayment. This agreement assists the Department in locating these borrowers or students to place them back into good repayment status.

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

Department of Treasury, Fiscal Service: The Department has two interagency agreements with Fiscal Service:

1. Through the Federal Employee Salary Offset Program, Treasury shares information with the Department regarding employees whose Federal pay is or could potentially be offset through the Treasury Offset Program.

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

Internal Revenue Service (IRS): The Department has three interagency agreements with IRS:

1. FAFSA Data Share Project: This agreement simplifies the FAFSA completion process by directly transferring tax return information to the appropriate FAFSA data fields. Applicants will be able to retrieve this data after passing an authentication process.

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

3. IBR Plan Data Share: This agreement allows borrowers to connect with IRS directly to retrieve their Adjusted Gross Income (AGI) for completing the income-based repayment application, allowing an accurate income-based calculation of monthly payment amounts.

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

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

Disaster Assistance Improvement Plan: The Disaster Assistance Improvement Plan will implement provisions of Executive Order 13411, Improving Assistance for Disaster Victims, which will ensure that individuals who are victims of a terrorist attack or natural disaster have access to Federal disaster assistance.

eCampus-Based: $1.6 million

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

IT Security Initiatives - $16.8 million

IT Security: $16.8 million

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

System Security Authorizations (SSA): $9.2 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 required to be performed before system upgrades are implemented. Continuous testing must be completed to maintain system security authorization. In addition, an official re-authorization is required every 3 years for 50 FSA systems.

Beginning in fiscal year 2014, security authorizations will also be conducted on 20 guaranty agency systems. In fiscal year 2015, FSA will also ensure school systems are in compliance with the security authorization mandate.

Enterprise Identity Management System (EIMS): $2.4 million
The Enterprise Identity Management System addresses the issue of fragmented user account management and inconsistent methods of identity authentication. There is an increased security risk that borrowers face when they log in to FSA systems by using their social security number and PIN. EIMS will mitigate this security risk by requiring a username/password combination. EIMS will also improve interoperability between agencies using PIV credentials and improve partner communities' interaction with FSA systems by consolidating multiple access logins, which will provide a consistent personal authentication while eliminating the use of a user's social security number.

Security Operations Center: $2.0 million
The security operations center provides independent monitoring and analysis needed to protect the VDC infrastructure, systems and data from vulnerabilities. The Security Operation Center will automate the security sensors on approximately 1,500 servers housed at the VDC and communicate real-time information regarding suspicious events. The real-time information will enable FSA to react timely to suspicious activity and make reports to DHS.

In fiscal year 2015, FSA will continue to link external systems into the Security Operation Center to evaluate threats to FSA networks and data.

Two-Factor Authentication: $1.6 million
Two-Factor Authentication increases the security of FSA systems by requiring two forms of authentication to allow user access. The first authentication mechanism is the user ID and password, and the second mechanism is a token which generates a one-time password. Stronger authentication decreases the risk of fraud and unauthorized access to privileged data and is particularly important for remote users of FSA systems. Since fiscal year 2011, remote FSA and Department employees have utilized two-factor authentication for system access. Currently, FSA is enabling two-factor authentication for direct interfaces with guaranty agencies, NFPs, TIVAS, and Payment Collection Agencies and distributing tokens to Foreign and Domestic Postsecondary Schools and partner financial institutions.

FSA will use these funds to implement soft tokens as the second authentication mechanism. Soft tokens cost less and are easier to maintain than physical tokens. FSA will replace the physical tokens as they reach the end of their life with soft tokens. These funds will continue to support operations and maintenance of this service and help desk support.

Trusted Internet Connection (TIC): $1.2 million
FSA works with the Department's Chief Information Officer (CIO) to consolidate ED's Internet connections and comply with the OMB mandate to implement a TIC initiative. The Internet connection consolidation will reduce external access points and allow for the standardization of monitoring devices and easier identification of potentially malicious traffic. Compliance is monitored by DHS.

In fiscal year 2013, FSA routed the first external system, COD, through the TIC. By the end of fiscal year 2015, the four TIVAS servicing systems' Internet connections will be routed through the TIC. The fiscal year 2015 request will support the routing of these external systems.

Internet Protocol version 6 (IPv6): $0.4 million
In order to comply with the Federal CIO memorandum on IPv6, FSA needs to upgrade internal client applications that communicate with public Internet servers and support enterprise networks to operationally use IPv6 by the end of fiscal year 2014. FSA will also ensure that procurements of IT networks comply with the Federal Acquisition Regulation requirements for use of IPv6 capabilities. This transition will accommodate more IP addresses and improve network efficiency and security. Enhancing the network from IPv4 will support the increase of public devices connecting to FSA systems, including smartphones, tablets, and personal computers. The migration to IPv6 will ensure uninterrupted service for users who have an updated IPv6 Web address.

Other – $45.7 million

The “Other” category of expenses includes projects aimed at supporting FSA’s mission and projects administered by FSA. Costs in the “Other” category include conference management, Web site interfaces and contract specialist support.

System Application Matrix

The two system matrixes, shown on page AA-26, 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 2014 and 2015, and core business functions supported by each application. The second chart shows the interdependencies between all applications and the four users—school, students, financial partners, and the Department.

System Applications and Core Business Functions Interdependencies

System Application	2014 Cost (dollars in millions)	2015 Cost (dollars in millions)	Student Aid Application Processing	Origination and Disbursement	Student Loan Servicing
CSB, TIVAS, DMCS, and Perkins Loan Servicing; Development; and Customer Surveys	$502.7 [1]	$771.7 [1]		X	X
Common Origination and Disbursement	109.6 [2]	129.7 [2]	X	X	X
Front End Business Integration and FAFSA Operations	82.2 [2]	73.1 [2]	X	X	
Virtual Data Center	56.9 [2]	64.0 [2]	X	X	X
Enterprise Software Licenses	22.9	24.7	X	X	X
National Student Loan Data System	24.2 [2] [3]	13.8	X	X	X
Financial Management System	6.7	7.5		X	
Integrated Partner Management	11.0	7.1		X	X
Total Discretionary Costs	**816.2**	**1,091.6**			

[1] Amount reflects only discretionary request. In FY 2014, $226.9 in million mandatory budget authority was used for loan servicing.
[2] Amount includes recompete efforts.
[3] Amount includes $9 million for the NSLDS system upgrades.

Systems Applications and End Users

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

Note: Financial Partners include lenders and guaranty agencies.

Major SAA Contracts

The following table lists Student Aid Administration contracts estimated to exceed $5 million in fiscal year 2015.

Student Aid Contracts Projected to Exceed $5 Million in FY 2015
(dollars in millions)
*denotes vendor headquarters for loan servicers

Contract	Description	Vendor	Vendor Location	FY 2014 Funding	FY 2015 Funding
CSB	Servicing and consolidation of direct student loans, servicing FFEL loans, and collection of defaulted loans.	Xerox	Germantown, MD* Coralville, IA Lawrence, KS Louisville, KY Utica, NY	$61.2[1]	0.0
TIVAS	Servicing of direct student loans and servicing of FFEL loans.	AES/PHEAA	Harrisburg, PA* Chester, PA Mechanicsburg, PA State College, PA	$254.1 [1]	$624.7 [1]
		Great Lakes Education Loan Services Inc.	Madison, WI* Aberdeen, SD Boscobel, WI Eau Claire, WI Rocky Hill, CT		
		Nelnet Servicing LLC	Lincoln, NE* Aurora, CO Highlands Ranch, CO Albany, NY		
		Sallie Mae Corporation	Newark, DE* Fishers, IN Indianapolis, IN Reston, VA Wilkes-Barre, PA		

[1] Amount reflects discretionary request. In fiscal year 2014, $226.9 million in mandatory budget authority was used for loan servicing.

Student Aid Contracts Projected to Exceed $5 Million in FY 2015 (dollars in millions) (Continued) *denotes vendor headquarters					
Contract	**Description**	**Vendor**	**Vendor Location**	**FY 2014 Funding**	**FY 2015 Funding**
New NFP Servicers	Servicing of direct student loans and servicing of FFEL loans.	Missouri Higher Education Loan Authority	Chesterfield, MO*	$80.6	$69.6 [1]
		ESA/ Edfinancial	Knoxville, TN		
		Aspire Resources Inc.	West Des Moines, IA		
		Cornerstone	Salt Lake City, UT		
		New Hampshire Higher Education Corporation	Concord, NH*		
		Oklahoma Student Loan Authority	Oklahoma City, OK		
		Vermont Student Assistance Corporation	Winooski, VT		

[1] Amount reflects discretionary request. In fiscal year 2014, $226.9 million in mandatory budget authority was used for loan servicing.

Student Aid Contracts Projected to Exceed $5 Million in FY 2015
(dollars in millions)
(Continued)
*denotes vendor headquarters

Contract	Description	Vendor	Vendor Location	FY 2014 Funding	FY 2015 Funding
Common Origination and Disbursement	Disbursement of Pell Grants and Direct Loans.	Accenture LLP	Phoenix, AZ Alexandria, VA Arlington, VA Bloomfield, CT Bozeman, MT Buffalo, NY Cincinnati, OH Columbus, GA Herndon, VA Lawrence, KS Monticello, KY Montgomery, AL North Tonawanda, NY Phenix City, AL Philadelphia, PA San Antonio, TX Utica, NY Washington, DC	$109.6	$129.7
Front-End Business Integration	Integration of application processing, aid awareness, and eligibility determination.	Vangent Inc.	Fairfax, VA Alexandria, VA Arlington, VA Coralville, IA Herndon, VA Las Cruces, NM Lawrence, KS Phoenix, AZ Rockville, MD Washington, DC	$82.2	$73.1

Student Aid Contracts Projected to Exceed $5 Million in FY 2015
(dollars in millions)
(Continued)
*denotes vendor headquarters

Contract	Description	Vendor	Vendor Location	FY 2014 Funding	FY 2015 Funding
Virtual Data Center	Data center for student financial aid systems.	Perot Systems	Plano, TX Ashburn, VA Fairfax, VA Herndon, VA	$56.9	$64.0
Enterprise Software Licensing	Maintenance for software licenses for Financial Management System and database operations.	Various	Various	$22.9	$24.7
National Student Loan Data System	Loan-level database to verify student eligibility, calculate institutional default rates, pay guaranty agency fees, track enrollment for loan servicing, and support credit reform accounting.	Briefcase Systems Development Inc.	Great Falls, VA Alexandria, VA Arlington, VA Coralville, IA Herndon, VA Venice, FL	$24.2 [2]	$13.8
Financial Management System	Accounting system for FSA transactions.	Avineon, Inc.	Washington, DC Lawrence, KS Alexandria, VA Herndon, VA	$6.7	$7.5
Integrated Partner Management	Integration of institutional eligibility determination and oversight of schools, lenders, guaranty agencies and other FSA partners.	BSC Systems/ Creative/ Ideas Simple Solutions, Inc./ 2020 Co., LLC/ Quality Software Services, Inc.	Washington, DC	$11.0	$7.1

[2] Amount includes $9 million for NSLDS system upgrades.

Student Aid Contracts Projected to Exceed $5 Million in FY 2015 (dollars in millions) (Continued) *denotes vendor headquarters					
Contract	**Description**	**Vendor**	**Vendor Location**	**FY 2014 Funding**	**FY 2015 Funding**
Enterprise Information Technology Integration	Integration of operational data from multiple student aid systems to facilitate data exchange.	Phoenix Programming Services	Rockville, MD Alexandria, VA Herndon, VA Kensington, MD Lawrence, KS	$6.5	$6.0

Quarterly Customer Service Performance Results
New Not-For-Profit Servicers

June Score by Allocation Metric

		Servicers		
	METRIC	**Aspire Resources Inc.**	**COSTEP**[1]	**CornerStone**
1	% of Borrowers in Current Repayment Status	93.15%	82.24%	90.99%
2	% of Borrowers > 90 Days Delinquent	3.43%	2.11%	5.54%
3	Resolution of Borrowers Delinquent > 180 Days	14.56%	50.00%	6.19%
4	Borrower Survey[2]	72.00	69.00	71.00
5	Federal Personnel Survey[2]	73.00	60.00	76.00

		Servicers		
	METRIC	**Granite State-GSMR**	**KSA Servicing**[1]	**MOHELA**
1	% of Borrowers in Current Repayment Status	82.84%	72.16%	92.24%
2	% of Borrowers > 90 Days Delinquent	11.72%	20.11%	4.07%
3	Resolution of Borrowers Delinquent > 180 Days	6.45%	14.43%	28.91%
4	Borrower Survey[2]	73.00	62.00	72.00
5	Federal Personnel Survey[2]	67.00	57.00	75.00

		Servicers		
	METRIC	**EDGEucation Loans**[1]	**EdManage**[1]	**ESA/ Edfinancial**
1	% of Borrowers in Current Repayment Status	81.30%	81.32%	90.10%
2	% of Borrowers > 90 Days Delinquent	1.76%	11.53%	5.50%
3	Resolution of Borrowers Delinquent > 180 Days	N/A[3]	14.65%	10.48%
4	Borrower Survey[2]	64.00	65.00	69.00
5	Federal Personnel Survey[2]	61.00	58.00	71.00

[1] The Department no longer contracts directly with this servicer.
[2] American Customer Satisfaction Index (ACSI) scale of 0 to 100.
[3] No borrowers were > 180 days delinquent at end of the prior quarter.

Quarterly Customer Service Performance Results

New Not-For-Profit Servicers

(continued)

June Score by Allocation Metric

		Servicers	
	METRIC	**OSLA**	**VSAC Federal Loans**
1	% of Borrowers in Current Repayment Status	87.11%	80.11%
2	% of Borrowers > 90 Days Delinquent	6.82%	13.81%
3	Resolution of Borrowers Delinquent > 180 Days	19.88%	N/A[3]
4	Borrower Survey[2]	73.00	72.00
5	Federal Personnel Survey[2]	60.00	68.00

[2] American Customer Satisfaction Index (ACSI) scale of 0 to 100.
[3] No borrowers were > 180 days delinquent at end of the prior quarter
Note: Updates to this data will be released by electronic announcement in the "Loans" section of the Information for Financial Aid Professionals (IFAP) Web site (http://ifap.ed.gov/ifap/).

Quarterly Customer Service Performance Results

Title IV Additional Servicers

June Score by Allocation Metric

		Servicers			
	METRIC	**FedLoan Servicing (PHEAA)**	**Great Lakes**	**NelNet**	**Sallie Mae**
1	Defaulted Borrower Count	0.91%	1.11%	0.59%	0.54%
2	Defaulted Borrower Amount	0.52%	0.63%	0.35%	0.29%
3	Borrower Survey[2]	73.67	75.67	74.00	73.67
4	School Survey[2]	77.00	82.67	77.67	78.00
5	Federal Personnel Survey[2]	78.00	76.00	70.00	75.00

[2] American Customer Satisfaction Index (ACSI) scale of 0 to 100.
Note: Updates to this data will be released by electronic announcement in the "Loans" section of the Information for Financial Aid Professionals (IFAP) Web site (http://ifap.ed.gov/ifap/).

Non-Federal Student Aid Support Activities

In addition, $95.8 million is allocated to departmental offices for central support activities, such as rent and central computer services, and for student-aid related activities managed by other Department offices, such as financial management systems operations and legal services provided by the Office of the General Counsel. The fiscal year 2015 request also includes costs of the College Scorecard in the Office of Postsecondary Education.

Funding for Departmentwide financial management systems funded by this account will total $20.8 million in fiscal year 2015, an increase from $8.5 million in fiscal year 2014. This increase is needed for upgrading the Department's Financial Management Systems Software (FMSS) and continued operations of EDCAPS, as explained in the **Program Administration** request.

Rent payments to the General Services Administration for FSA-occupied space will total $18.5 million for fiscal year 2015, the same level as fiscal year 2014.

Combined funding for central computer services and telecommunications will total $21.9 million in fiscal year 2015, $0.4 million below the 2014 level.

Other non-pay central support services including background investigations will total $20.3 million in fiscal year 2015, a decrease of 3.7 million from $24.0 million, the fiscal year 2014 level.

In addition to 1,229 FSA full-time staff, the fiscal year 2015 request also provides $13.3 million for the salaries and benefits of 91 FTE outside FSA who perform student-aid related activities and are located in the Office of Postsecondary Education; Office of Management; Office of the General Counsel; Office of the Chief Financial Officer; Office of the Chief Information Officer; and Office of Planning, Evaluation, and Policy Development.

PROGRAM PERFORMANCE INFORMATION

Performance Measures

This section presents selected program performance information, including GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2015 and future years, as well as the resources and efforts invested by those served by this program.

In December 2012, FSA released its strategic plan, “Federal Student Aid: Strategic Plan, Fiscal Years 2013-17.” FSA updated its five goals and performance indicators to measure the delivery of Federal student aid. Some indicators were in the previous strategic plan (Fiscal Years 2012-2016) and had baselines and targets created in fiscal year 2010.

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

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

Year	Target	Actual
2010	Baseline	49.5%
2011	>= 49.5%	52.0
2012	>=52.0	54.0
2013	52.0 – 54.0	52.2
2014	No Lower than Prior Year	
2015	No Lower than Prior Year	

Additional Information: Following the unprecedented 33 percent growth in FAFSA application volume since 2009, FSA has focused on increasing FAFSA accessibility and ease of use. Although the recent increase in applications—the product of high unemployment—is unlikely to be repeated in the near term, the volume remains high at 21.8 million FAFSAs processed for the most recent full cycle of the award year 2012-13, an decrease of only 1 percent from the peak; similarly, year-to-date figures for 2013-14 stand at 16 million FAFSAs processed, a year-over-year decrease of just 3 percent. Demographics have also changed: since 2009, low income applicants have increased by 41 percent, first generation filers have increased by 31 percent, and adult learners have increased by nearly 39 percent. FSA has built and implemented various enhancements to the FAFSA process and conducted several outreach and engagement campaigns to improve the applicants’ experience.

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

Year	Target	Actual
2010	Baseline	3.9%
2011	>=3.9%	3.8
2012	>=3.6	3.7
2013	2.8 - 3.4	3.3
2014	No Lower than Prior Year	
2015	No Lower than Prior Year	

Additional Information: FSA met this metric by achieving an actual result of 3.3 percent. This metric peaked at 3.9 percent in award cycle 2009–10 when the unemployment rate rose sharply, and data analysis correctly projected that this segment would decrease as the economy improved. However, continued efforts to increase the number of older filers likely ensured that the FAFSA filings for this segment did not decrease further.

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

Year	Target	Actual
2011	Baseline	54.8%
2012	>=57.0%	60.3
2013	57.9 - 62.7	57.1
2014	No Lower than Prior Year	
2015	No Lower than Prior Year	

Additional information: This metric measures the effectiveness of FSA's outreach in getting low-income students to file a FAFSA application for the first time. The baseline was set in fiscal year 2011 and FSA's target is to maintain or increase these percentages each year. FSA did not meet its target for this performance metric for fiscal year 2013. This may be due, in part, to economic variables; in that, the historic volume of completed FAFSAs in prior years may have represented a peak correlated with an unusually weak economy and may be unlikely to repeat in the near future.

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

Year	Target	Actual
2011	Baseline	27.0%
2012	>=27.0%	28.4
2013	26.0 - 28.0	27.1
2014	No Lower than Prior Year	
2015	No Lower than Prior Year	

Additional information: FSA met its target for this performance metric, with approximately 27.1 percent of the target population submitting FAFSAs during the 2012–13 application cycle (January 2012 through June 2013). This is a substantial increase from the 2008–09 application cycle, when just 22 percent of this population filed FAFSAs for the first time.

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

Year	Target	Actual
2010	Baseline	74.0
2011	74.0	78.0
2012	78.0	78.5
2013	78.0	78.4
2014	78.0	
2015	78.0	

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

Additional Information: To measure overall customer satisfaction level, FSA calculates a weighted score based on the ACSI surveys of applicants, students in school, and borrowers in repayment. This metric measures how FSA is simplifying its information. FSA continues to improve the aggregate ACSI score yearly, and has done so for 3 of the past 4 years.

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

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

Year	Target	Actual
2011	Baseline	72.0
2012	>=72.0	74.0
2013	74.0	74.0
2014	No Lower than Prior Year	
2015	No Lower than Prior Year	

Additional Information: FSA works closely with postsecondary institutions to provide millions of students with Federal student aid. Successfully delivering aid through a complex system depends on FSA's ability to work well with its institutional, financial, and State partners and to provide adequate oversight to ensure that participants are complying with program requirements. To ensure that its partners can easily access the information they need, FSA conducts a quarterly survey with postsecondary institutions and partners to gauge the "ease of doing business with FSA." The baseline was set in fiscal year 2011 and FSA's goal is to maintain or improve survey results each year. FSA met its goal in both fiscal years 2012 and 2013.

Measure: Percent of borrowers >90 days delinquent.

Year	Target	Actual
2011	Baseline	9.9%
2012	<=10.0%	9.5
2013	<=10.0	8.3
2014	No Higher than Prior Year	
2015	No Higher than Prior Year	

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

Additional information: FSA exceeded its goal in fiscal years 2012 and 2013.

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

Measure: Aid Delivery Cost per Application.

Year	Target	Actual
2011	Baseline	$9.89
2012	$10.90	10.85
2013	11.23	11.16
2014	Expect increase	
2015	Expect increase	

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

Additional information: In fiscal year 2011, FSA developed two measures to gauge the efficiency and effectiveness of the student aid lifecycle. The first is the Aid Delivery Cost per Application measure. Throughout that year, FSA improved aid delivery by automating and simplifying processes such as simplifying the FAFSA application to make it easier to navigate and complete. The calculated unit cost for aid delivery in fiscal year 2013 is $11.16. This unit cost reflects data for the four fiscal quarters ending June 30, 2013 (2012/Quarter 4 through 2013/Quarter 3), because the full fiscal year 2013 unit costs are not yet available. The unit cost for FAFSAs may increase as FSA refines specific cost assignment methodologies.

Measure: Loan Servicing Cost per Borrower.

Year	Target	Actual
2011	Baseline	$18.15
2012	$19.64	18.49
2013	21.02	21.42
2014	Expect increase	
2015	Expect increase	

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

Additional information: The second measure is the Loan Servicing Cost per Borrower. This unit cost tracks the overall costs of loan servicing operations and maintenance, including labor, non-labor, and contracts. The fiscal year 2013 Loan Servicing measure experienced a slightly higher than targeted unit cost primarily due to the continuation of low volumes in Common Services for Borrowers (CSB) past the December 2012 TIVAS transition deadline. The decreased borrower account volumes generally incurred higher rates under the contract tiered pricing schedule.

Goal: Ensure program integrity and safeguard taxpayers' interest

Measure: Direct Loan Default Rate.

Year	Target	Actual
2010	Baseline	12.2%
2011	<=12.2%	11.3
2012	<=11.3	9.6
2013	9.8	9.8
2014	No Higher than Prior Year	
2015	No Higher than Prior Year	

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

Additional Information: For the third year in a row, FSA met or exceeded the Direct Loan default rate performance metric. The Direct Loan portfolio includes all unpaid accounts in the default collection system since the program began, as well as recent defaults that are delinquent more than 270 days. Loans are never charged off and are rarely discharged in a bankruptcy. FSA will continue to pursue collections through its loan servicers and collection agencies by using tools such as wage garnishment and IRS offset.

Measure: Collection Rate.

Year	Target	Actual
2010		
2011		
2012		$31.90
2013	$34.31	$41.57
2014	TBD	
2015	TBD	

Note: In fiscal year 2012 there was no target established for this measure.

Additional Information: This metric measures the average amount of dollars collected from individual borrowers in the fiscal year per dollar spent to collect. Collections are defined as the total amount of principal collected on both current and defaulted debt during the 12-month period ending June 30 of each year. Costs include the total direct costs calculated for loan servicing plus debt collections for the same period using FSA's Activity-Based Costing process. The baseline for this new metric is $34.31, and FSA exceeded this target with a rate of $41.57, collecting $7.26 more from each borrower than the target collection amount. This represents a 30 percent improvement from the prior year.

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

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

Year	Target	Actual
2011	Baseline	58%
2012	>=58%	58
2013	57	57
2014	No Lower than Prior Year	
2015	No Lower than Prior Year	

Additional Information: The FSA Morale Index was developed from a subset of seven Employee Viewpoint Survey (EVS) questions that address issues of concern to employees. FSA will focus its "First Class" employee engagement program objectives to match areas of concerns identified in the EVS.

STUDENT AID ADMINISTRATION