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ABSTRACT
         This is the final report on the fiscal year of Student
Financial Assistance (SFA). It reports on progress toward three objectives:
(1) customer satisfaction; (2) reducing the overall cost of delivering
student aid; and (3) employee satisfaction. Of the planned projects, SFA
completed all but three. One was postponed, one was dropped as not cost
effective, and the other, the goal of a clean financial audit, was not
accomplished. Based strictly on the number of projects completed, SFA had a
95% success rate. There were some huge accomplishments, namely the reduction
of the default rate down to 6.9% and the increase of collections to $4.5
billion, an all-time high. These accomplishments were accompanied by
improvements in financial management and a blemish-free loan consolidation
season. SFA also created new products, including an improved form for
applying for financial aid. SFA has a customer satisfaction rating of 72.9 in
the American Customer Satisfaction Index. SFA also estimates that it saved
$28 million in the fiscal year. Several initiatives have targeted employee
satisfaction. (SLD)

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# Performance Plan

## Progress Report
### 4th Quarter Fiscal Year 2000

## Student Financial Assistance

*We help put America through school*

# OBJECTIVE ONE: Customer Satisfaction

❖ Student Financial Assistance (SFA) continues to be a leader in creating government Internet sites. Recently, SFA redesigned its Direct Loan Servicing Web site—which enables borrowers to access and manage their local accounts online—to increase efficiency and service. For its cutting-edge work, SFA received the 2000 Government Technology Leadership Award from *Government Executive* magazine. SFA's Web site—http://www.dlservicer.ed.gov—was selected from more than 60 Web sites also nominated for the honor. The award generally recognizes groups for their innovative efforts to promote online business. SFA made specific enhancements to its Web site, including updating its Exit Counseling session, enabling customers to submit deferment and forbearance requests electronically, and improving its Information Center.

❖ In cooperation with guaranty agencies and other stakeholders in student loan financial data, SFA developed an electronic payment and reporting system for three reports that must be submitted to SFA by guaranty agencies. A new Web-enabled data exchange system combines the three forms into one Web-based document. This new "FORM 2000" will increase financial partner's access to data and provide increased financial oversight on collection activities, reimbursement claims, and the portfolio status of guaranty agencies.

❖ The Student Channel developed a "New Products" test site linked to the SFA home page, where draft products are posted and customer comments are invited. Recently a draft slide show on student aid was posted on this site. The slide show is targeted to high school counselors, who can download it and use an accompanying script to make presentations to students. The feedback from college admissions counselors and high school counselors has been impressive!

❖ During the final quarter of FY 2000, SFA implemented a personal transfer process to improve the forwarding of incoming customer calls from one SFA call center to another. Call center staff can now route incoming calls between the Direct Loan Origination Center, Direct Loan Servicing Center, and the Direct Loan Consolidation Center without asking the caller to call back. This feature was enhanced in September by adding a customer service representative who ices routed calls at the top of the queue.

*"I am grateful for the help I received from one of your loan analysts. She showed genuine concern and was expedient in resolving my issue. She was the only person who was willing to help me clear up a serious problem that had been preventing me from qualifying to enroll in a continuing education course."*
*–Student Loan Borrower*

**Processing Loan Consolidations**
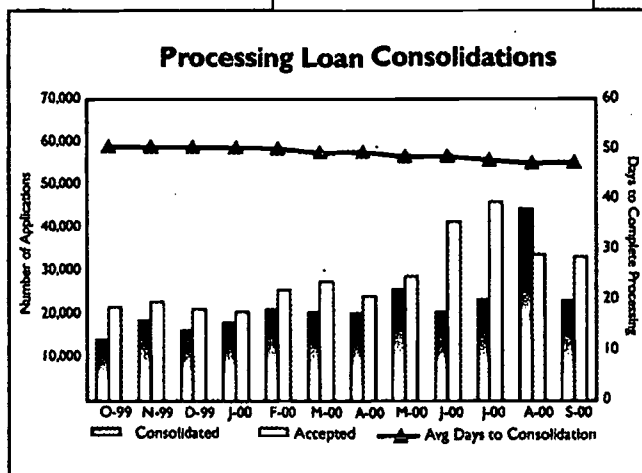


*"I want to commend a member of your staff. If he is an example of a typical employee in SFA, then the public is in very good hands. He showed knowledge, patience, and initiative in resolving my issues. The quality of his customer service was in the stratosphere!"*
*–Student Loan Borrower*

❖ More than 13 million Personal Identification Numbers (PINs) have been given to students so they can sign their online Free Application for Student Aid (FAFSA) electronically. This option makes filing student loan applications and checking account information online easier than ever.

❖ The new Office of the Ombudsman has established administrative processes and procedures to handle 8,000 borrower cases that came in during FY 2000, the office's first year of operation. These cases addressed borrower issues such as accuracy of loan data, default status, account balances, discharge and cancellation provisions, and loan servicing and repayment options.

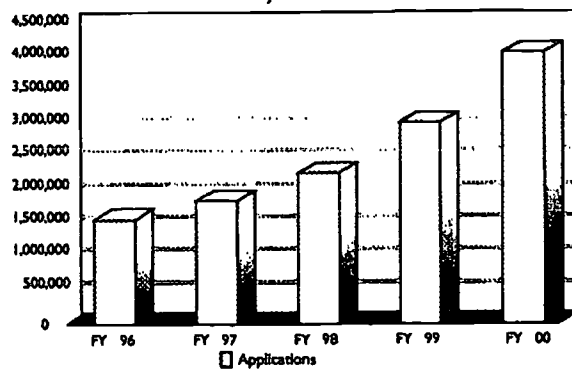# OBJECTIVE TWO: Reduce the Overall Cost of Delivering Student Aid

❖ The new financial management system provides full accounting capabilities for the Federal Family Education Loan (FFEL) programs administered by guaranty agencies, for the Leveraging Educational Assistance Partnership (LEAP) programs, and for asset management. This system is among the best in financial management systems used by leading private sector financial institutions, and also meets SFA requirements and goals. SFA anticipates that all of its programs will be served by this system in FY 2001.

**FAFSAs Filed Electronically**
By Fiscal Year



❖ The student loan cohort default rate has dropped to an all-time low of 6.9 percent, down from the previous low of 8.8 percent last year. This rate has declined for eight straight years, from a program high of 22.4 percent. For the third year in a row, the default rates have declined for every type of institution: public and private, four-year and two-year institutions, and for-profit schools with programs of all durations. Reducing the default rate saves taxpayers billions of dollars each year—$18 billion in 2000 alone.

❖ Due to improved systems and processes, SFA collected more than its $1.2 billion goal in defaulted loans. The recovery rate of 11.78 percent exceeds the goal of 11.76 percent. To those remaining customers with outstanding payments due, SFA has offered new repayment options.

❖ On July 19, 2000, SFA ratified the first government "share-in-savings" contract. The agreement will simplify the Central Data System (CDS) by integrating needed functions into other systems, and eliminating redundant functions. SFA will save $40 million to $50 million by FY 2004. Under this arrangement, SFA pays no money up front and makes no cash investment. The operating partner bears all the risk and receives a percentage of the savings it helps create.

❖ In August 2000, SFA began comparing FAFSA income data from the 2000–2001 student aid application with the 1999 Internal Revenue Service (IRS) data for both students and the parents of dependent students. The IRS is matching SFA records with IRS master file data to produce statistics that will show the results of the match. The statistical studies will help identify whether differences between FAFSA and IRS data can be explained and will provide SFA with information for determining the impact additional IRS matches would have on the student aid delivery system.

❖ During the 4th quarter of 2000, SFA exceeded its goal to receive 4 million electronically filed FAFSAs. For FY 2000, a total of 4,014,171 FAFSAs were filed electronically, up 25 percent from FY 1999.
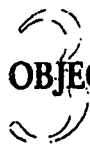
# OBJECTIVE THREE: Employee Satisfaction

❖ SFA has been transforming many aspects of its business. One key transformation is an increased emphasis on the value of employees and their importance in achieving superior business results. Chief Operating Officer Greg Woods instituted SFA's first-ever "Learning Coupon" program, which provides SFA employees with up to $500 to be used for professional training. More than 500 SFA employees used this new benefit for training in areas such as business process reengineering, financial management, software engineering, economics, telecommunications, Web development, accounting, and plain language.

❖ The Gallup Organization is conducting the third SFA employee satisfaction survey. This survey is more comprehensive than the previous two surveys. Responses will be collected at the highest work group level, and each work team will also see the results for its team. Once the results are available, the members of each work team will develop an action plan to address the issues that affect their team.

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# PERFORMANCE PLAN INDICATOR STATUS AT A GLANCE
## as of September 30, 2000

| | Indicator | Status |
|---|---|---|
| **Students Channel** | Process loan consolidations in 60 days or less, currently averaging 48 days. | ✓ |
| | Keep the default recovery rate at 10 percent or higher, currently at 10.5 percent. | ✓ |
| | Call center (1-800-4FEDAID) answers 95 percent of phone calls. | ✓ |
| | Reduce the Lifetime Default Rate. | ✓ |
| | Process Free Applications for Federal Student Aid (FAFSAs) with an average turnaround time of eight days or less, currently averaging five days. | ✓ |
| | Respond to internal audit reports within the timeframe specified. | ✓ |
| | Create a new, high-quality, SFA Web site linked to the Access America Web site and the Department's "Think College Early" Web site. Pending OMB guidance, link to appropriate sites in the education community. | ✓ |
| | Ensure that information is provided in accessible formats to meet the Department of Education's standards for special needs. | ✓ |
| | Partner with the Puerto Rican education community to focus on its needs, translate more of our publications into Spanish and post them on a Spanish version of our Web page. | ✓ |
| | Sponsor the first annual workshop to promote outreach partnerships. | ✓ |
| | Test all new aid awareness products and services with students and parents to make sure they are understandable. | ✓ |
| | Redesign the 2001-2002 FAFSA to make it demonstrably simpler and more user friendly. | ✓ |
| | Redesign the Direct Loan consolidation electronic application to make it demonstrably simpler and more user friendly. | ✓ |
| | Work with five states and college consortia so data from college applications can be electronically applied to fill out FAFSA on the Web. | ✓ |
| | Expand FAFSA Correction on the Web capabilities. | ✓ |
| | Provide Web based mechanisms for students to check the status of their FAFSA and notify them when their electronic FAFSA has been received, and again when processing has been completed. | ✓ |
| | Work with the IRS to participate in a pilot test of electronic matching of income data. | ✓ |
| | Develop a Direct Consolidation Loan Web site and allow electronic submission of Direct Loan consolidation forms (except for forms containing a signature page) via the Internet. | ✓ |
| | Test all proposed changes to our application processing forms with focus groups of current and former students. | ✓ |
| | Include all our forms in a "pdf" file format on our Web site. | ✓ |
| | Establish one toll-free number, including TTY, for "one call" student customer service. | ✓ |
| | Reduce turnaround time for processing Direct Loan forbearance and deferment requests. Current contract standard is within ten days from the date of receipt and the current baseline averages 4.7 days. | ✓ |
| | Increase the number of FAFSAs filed electronically from three million to four million in FY2000. | ✓ |
| | Eliminate paper processing (with the exception of promissory notes) for students participating in our MENTOR Project in the state of New York. | ✓ |
| | Partner with the National Student Loan Clearinghouse so we can eliminate mismatches in enrollment information between our own and our partner's processes. | ✓ |
| | Try at least five new ways to make debt collection more effective, less costly, and more customer service oriented. | ✓ |
| | Increase by five, the number of guaranty agency partnerships with SFA designed to improve portfolio management. | ✓ |
| **Schools Channel** | Process 95 percent of school recertifications within 120 days of receipt. Improved to 88 percent. | ✓ |
| | Complete 95 percent of reimbursement requests within 30 days. | ✓ |
| | Keep the cohort default rate under 10 percent. Current baseline is 8.8 percent. | ✓ |
| | Resolve 90 percent of school audits within six months of receipt. Current baseline is 82 percent. | ✓ |
| | Process Direct Loan origination and disbursement records within three days. Current baseline is three days. | ✓ |
| | Process Pell funding requests within 24-36 hours. Current baseline is three days. | ✓ |
| | Identify schools that fail to submit audits or that submit audit reports late and take appropriate action. | ✓ |
| | Respond to internal audit reports within the timeframe specified. | ✓ |
| | Expand our current initiatives for new schools, including the creation of an eligibility checklist, preparing instructions on how to begin to draw funds, providing on-site technical assistance if requested, and extending an invitation to come to the regional office to meet the SFA staff. | ✓ |
| | Expand our current initiatives to help non-compliant schools and schools on reimbursement prepare action plans to improve their management of Title IV programs. | ✓ |
| | Assign each school a contact point who will be a part of a Customer Service Team with the know-how and authority to solve problems with one call. Contact points for institutions will respond to an institution's inquiry within 48 hours. | ✓ |
| | Post the schedule of SFA publications needed by schools on our Web site, and get public feedback on it. | ✓ |

✓ Complete      Not Met ▦

# PERFORMANCE PLAN INDICATOR STATUS AT A GLANCE

| | Indicator | Status |
|---|---|---|
| **Schools Channel (cont.)** | Participate in the Partnership Forum (establish Partnership Council Teams with our school partners) to develop common business processes and interchange standards for Pell, Direct loans and FFELP. Ensure delivery of quality customer service and address other common concerns. | ✓ |
| | Allow schools to download all SFA software and materials through IFAP or the SFA Web site. | ✓ |
| | Involve schools in operational decisions to assess their impact, and test changes with schools before implementing them. | ✓ |
| | Increase school's access to SFA databases within Privacy Act constraints and with appropriate security measures. | ✓ |
| | Improve the Direct Loan origination, reconciliation and closeout process. Test and evaluate an alternative origination and payments system using a commercial servicer as part of the Access America for Students project. | ✓ |
| | Electronically process official cohort rate appeals based on new data. | Dropped |
| | Initiate a feasibility study to identify the technology solutions that can be used to fully automate the compliance audit and financial statement submission and review process. | ✓ |
| | Work with schools to improve the quality of data in PEPS. | ✓ |
| **Financial Partners** | Reduce the Lifetime Default Rate. | ✓ |
| | Identify guaranty agencies and lenders that submit audit reports late and take appropriate action. | ✓ |
| | Respond to internal audit reports within the timeframe specified. | ✓ |
| | Create a rapid response team to identify and to address serious administrative problems. | ✓ |
| | Continue to work with guaranty agencies and lenders to maintain the quality of data in NSLDS. | ✓ |
| | Assign each financial partner a contact point within a customer service team with the know-how and the authority to get questions answered and problems solved. | ✓ |
| | Give guarantors access to all the information in the National Student Loan Data System within Privacy Act constraints and with appropriate security measure. | ✓ |
| | Involve our partners in the design of everything that affects them. | ✓ |
| | Join current guarantor and lender groups or establish Partnership Council Teams with guaranty agencies and lenders to develop guiding principles of quality service, training and technical assistance materials and performance data for benchmarking purposes. Develop common standards and operating rules to simplify transactions, and to address issues to improve service to students. | ✓ |
| | Develop electronic payment/reporting systems, in cooperation with guarantors. | ✓ |
| | Continuously ask our financial partners two questions: "Are we doing a better job as your partner?" and "What can we do next year to improve even more?" | ✓ |
| | Increase the default recovery rate for loans in default held by guaranty agencies. | ✓ |
| | Enter into up to six Voluntary Flexible Agreements with guaranty agencies in FY 2000, as called for in legislation, to experiment with improved ways to deliver aid, improve program integrity, and realize cost efficiencies. | February |
| | Reduce fraudulent death and disability cases below 1998 baseline. | ✓ |
| | Within the Financial Partners channel, develop a project team and management methodology consistent with SFA enterprise-wide tools. | ✓ |
| **CIO** | Provide outreach services to the school community in Year 2000 preparedness, which will result in a Year 2000 school readiness measure in excess of 70 percent as reflected in a Department-focused survey on October 15, 1999. | ✓ |
| | Provide all student aid financial services without invoking contingency plans as a result of a major delivery system failure. | ✓ |
| | Manage the transition of all systems into the millennium in accordance with the Office of Chief Information Officer (OCIO) Day One plans with all events occurring as planned. | ✓ |
| | Manage the implementation of new systems or changes to systems from November 1999 to March 2000 with minimum risk and resulting in no system failures. | ✓ |
| | Achieve 90 percent of the annual major modernization milestones that have been approved by the Information Technology Investment Review Board. | ✓ |
| | Maintain the data system and communication infrastructure service levels, while reducing the operating cost by 10 percent through consolidation of operations. | ✓ |
| | Work with schools to improve the quality of data in NSLDS. | ✓ |
| | Respond to internal audit reports within the timeframe specified. | ✓ |
| | Maintain and refine the System Modernization Blueprint, which addresses two of the PBO's statutory responsibilities. Publish an updated Blueprint semi-annually. | ✓ |
| **CFO** | Receive an unqualified opinion on the FY99 financial statement audit. | ✷ |
| | Respond to internal audit reports within the timeframe specified. | ✓ |
| | Interim Activity-Based Cost accounting system is operational. | ✓ |
| | Complete Phases I and II of the Financial Management System. | ✓ |

✓ Complete          Not Met ✷

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This is the final report on SFA's fiscal year 2000 projects. Of our planned projects, we completed all but three. One was postponed until February 2001, and another was discontinued because SFA determined that the benefit was not worth the cost. We failed only on our goal of a clean financial audit. Based strictly on the number of projects completed, we scored about 95 percent. That 95 percent might be judged as too high because of struggles we experienced with financial controls during the year.

SFA had some huge accomplishments this year. First, we drove the default rare down to 6.9 percent, an all-time low, and pushed collections up to $4.5 billion, an all-time high. Nothing speaks to program integrity better than that. Next, we cleaned up almost all our past audit items and got the first three modules of our new Financial Management System up and running as scheduled. Our share-in-savings contract retires a legacy system with no investment on our part. We also had a blemish-free loan consolidation season. And finally, we created terrific new products, including the Direct Loan Servicing Web site, an improved FAFSA on the Web, FORMS 2000, the Schools Portal, and SFA Coach.

The reasons SFA tackled all of these projects were threefold: to improve customer satisfaction, reduce unit cost, and boost employee satisfaction. We made great strides in all three areas.

## CUSTOMER SATISFACTION

SFA has a customer satisfaction rating of 72.9, according to the American Customer Satisfaction Index. That is higher than the overall government rating of 68.6 and just one point short of the private financial services rating of 73.9. This means we almost reached our three-year goal of 73.9 in just one year, which far exceeds expectations. Some parts of SFA got awesome scores—well into the 80s. The American Customer Satisfaction Index based its scores on customer surveys conducted by the University of Michigan. Here is something else that we are proud of—most of the students, school administrators, and financial partners surveyed said we improved this year.

## UNIT COST

We estimated that we saved $28 million this year—much more than the $18 million that we had planned. We reinvested the funds immediately into system modernization, which has already started to drive down our unit cost. For example, we made FAFSA on the Web so much better that 1 million more applicants used it during FY 2000 instead of using paper. And every time somebody downloads one of our forms from the Web or makes a loan payment by electronic debit, we save the price of a stamp and stuffing an envelope. It all adds up fast.

## EMPLOYEE SATISFACTION

We did what employees said matters most. We created and posted new job opportunities for advancement and exciting new work. We bought a new office building for our Washington, D.C. team. The building is under construction, and we plan to move in next summer. The SFA University led our entire staff through *PBO at the Front Lines*, so everyone has a better idea how the Performance Based Organization touches their job. We also opened several new channels of SFA communication, such as newsletters, e-mail, all-hands meetings, and a snazzy new Intranet site with tons of information and forms for ordering supplies and IT equipment. The site also provides information about travel and travel cards, plus an interactive Referral Guide so any employee can route a call to the staff member with the right expertise.

If I were to grade each of these three areas, I would give customer satisfaction an A+; unit cost, an A; and employee satisfaction, a B+. Overall, I would say our progress in achieving each of our three goals in FY 2000 has been exceptional—a solid 100 percent A.

Greg Woods

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