ABSTRACT
        This document contains a progress report on three categories
of interim performance objectives outlined by the Office of Student Financial
Assistance (OSFA) in winter 1999. These objectives were to: (1) improve
customer service; (2) reduce the overall cost of delivering student aid; and
(3) transform the OSFA into a performance-based organization. With regard to
customer service, the OSFA completed its preparations for Y2K compliance and
developed a Recipient Financial Management System and direct loan
consolidation programs. Additional Web-based products and aids to filing for
financial aid electronically were developed. To reduce the overall cost of
delivering student aid, the OSFA improved the loan default recovery rate,
joined a partnership to implement default management plans at historically
black colleges and universities, and worked on the development of an
integrated subsidiary-type financial management system. Various internal
changes were being planned to help transform the OSFA into a
performance-based organization. A chart outlines the number and dollars of
student financial aid awarded or planned for fiscal years 1998 to 2000. (SLD)

Interim Performance Objectives

Progress Report:
3rd Quarter Fiscal Year 1999

Office of Student Financial Assistance

We help put America through school

2

INTERIM PERFORMANCE INDICATOR STATUS AT A GLANCE
June 30, 1999

Objective	Indicator	Status
Improve Customer Satisfaction	New Recipient Financial Management System in place by Aug 30, 1999 • Initial Authorization (5/26/99) • Origination (5/26/99) • Disbursement (6/30/99) • MIS/IPOS/Other (8/13/99)	✔ ✔ ✔ On Target
	Complete, validate, and put in use all Y2K systems conversions by 3/31/99	✔
	Process aid applications within 8 days	On Target
	Provide capability to disburse Direct Loan funds while students wait	On Target
	Process Direct Loan Consolidation applications in 60 days or less	On Target
	Improve processing of key financial transactions	On Target
	Complete all critical transactions affecting schools' participation to minimize disruptions for students	On Target
	Create five new positive experiences in service delivery	On Target
	Introduce five new electronic products and services	On Target
	Establish program to collect customer preferences by 9/30/99	✔
	Attract 3 million electronic filings through 9/30/99	On Target
Reduce the Overall Cost of Delivering Student Aid	Establish baseline student aid delivery costs	On Target
	Create core measures for judging cost reduction	On Target
	Provide support to receive a clean audit opinion on financial statements	On Target
	Maintain default recovery rate at 10 percent or more	On Target
	Continue actions necessary to maintain cohort default rate at 10 percent or less	On Target
	Use performance-based contracts in all major new awards	On Target
	Implement acquisition strategy that uses performance-based contracting	On Target
	Extend current contracts to avoid cost impacts	On Target
	Review PBO operations to identify opportunities to reduce cost	On Target
	Develop incentives to encourage high performance by our partners	On Target
	Design subsidiary ledgers	Progress Concerns
Transform the Student Financial Assistance Office Into a Performance-Based Organization	Deliver a preliminary budget plan to Congress (4/5/99)	✔
	Identify best practices that can be used to benchmark our processes (7/1/99)	✔
	Deliver a customer service and satisfaction improvement report (7/1/99)	✔
	Conduct collaborative working sessions with partners	On Target
	Test all major publications, training materials, and electronic products	On Target
	Develop a Human Resources and Organizational Plan	On Target
	Develop a system to measure employee satisfaction	✔
	Hire an Ombudsman and build a complaint cherishing system	On Target
	Complete a modernization blueprint	On Target
	Deliver a 5-year performance plan for the PBO	Progress Concerns

✔ Complete   ✹ On Target   ✹ Progress Concerns

Quarterly Highlights:

❖ All of OSFA's mission-critical systems were certified as Y2K compliant – more than three weeks before OMB's deadline.

❖ The new Recipient Financial Management System (RFMS), the system that administers the Pell Grant program, is successfully making initial authorizations, originations and disbursements to schools. This system is moving OSFA closer toward implementing common processes and formats across federal aid programs.

❖ Direct Loan Consolidation applications continue to be processed well within the 60 day completion standard without interruptions in service.

❖ As of June 30, the number of electronically filed Student Aid Applications is 40% greater than the number filed electronically this time last year. It is expected that the goal of 3 million by September 30, 1999 will be easily met.

❖ Many web-based products – including On-line Training Registration, Direct Loan Entrance Counseling, a technical based customer service site, and a Y2K testing site – were instituted this past quarter. Over 9,000 conference and training participants have registered using the new on-line site, and nearly 2,000 individuals have accessed on-line technical assistance.

Processing Loan Consolidations
(EDS System)

No. of Apps / Days to Complete Processing

Legend: Consolidated ■ | Accepted □ | Avg Days to Consolidation —▲—
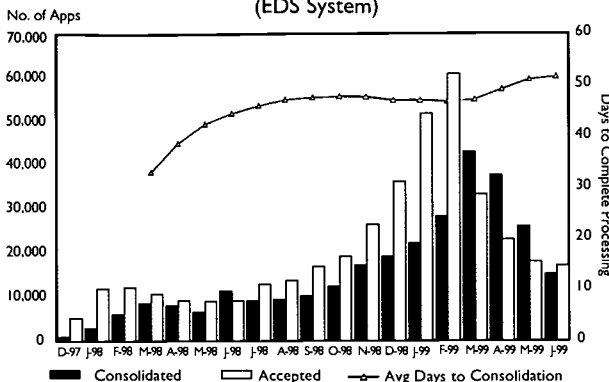
1999-2000 Application Volume Turnaround
Data as of June 27, 1999, Week 24

Applications / Days

(Contract Standard 10 Days)

(Performance Objective 8 Days)

Processing Week: 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Legend: Applications Processed | Turnaround | Contract Standard | Performance Objective
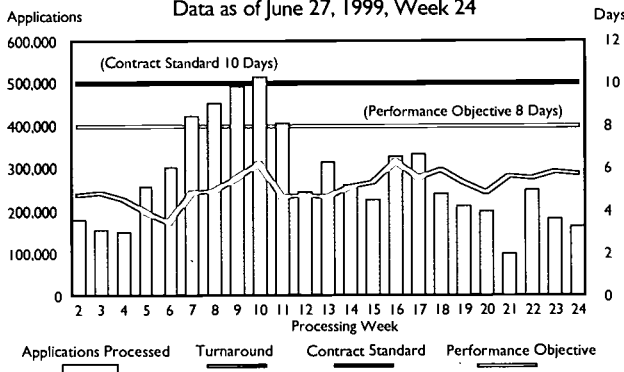
FAFSAs Filed Electronically
By Fiscal Year

Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sept

Legend: FY 96 | FY 97 | FY 98 | FY 99 Actual | FY 99 Projected

4
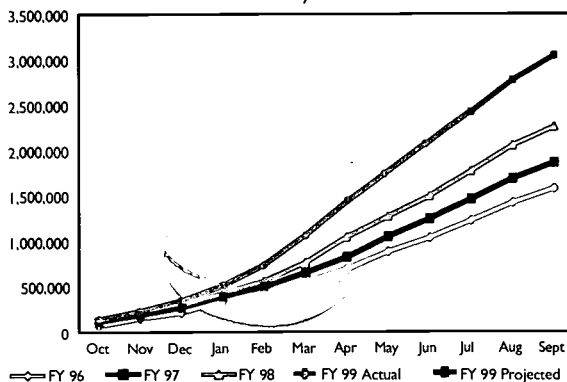
OBJECTIVE TWO: Reduce the Overall Cost of Delivering Student Aid

Quarterly Highlights:

❖ OSFA is exceeding the 10% default recovery target by over 50%. In actual dollar terms, OSFA has recovered almost $600 million more than in the same period last year.

❖ OSFA fostered a partnership between Guaranty Agencies (GAs) and Historically Black Colleges and Universities (HBCUs). The resulting program is designed for GAs to provide technical assistance in developing and implementing default management plans at HBCUs.

❖ A process has been implemented to establish baseline unit costs and to create core measures to assess cost reduction. This will allow OSFA to accurately determine the true costs of delivering student aid and determine which cost reduction measures to support.

OSFA Default Recovery Performance
Debt Collection Service

FY99
at 6/15/99
15.31% Recovery Rate
$1,802

FY98
at 6/15/98
11.50% Recovery Rate
$1,220

500   1,000   1,500   2,000
Dollars in Millions

☐ Direct Consolidation (Not in Total)   ☐ Education & GA's   ☐ Treasury Offset   ■ Total
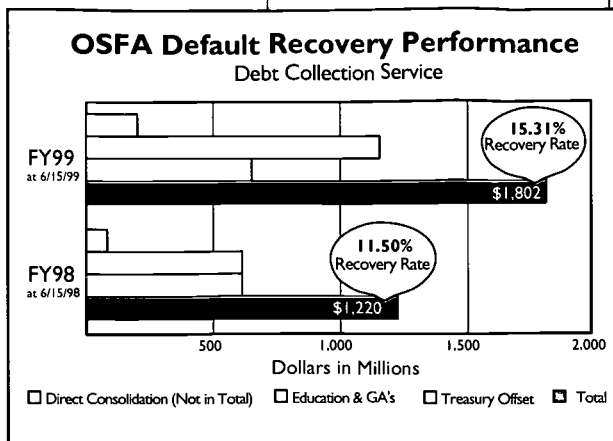
❖ OSFA is working to design an integrated subsidiary-type financial management system that will allow better tracking of budgeted and actual expenditures and revenues. OSFA has experienced delays in bringing a contractor on board to help with the design of the system, but it is anticipated that by implementing an aggressive project plan, the system design can be completed by September 30.

OBJECTIVE THREE: Transform the Student Financial Assistance Office Into a Performance-Based Organization

Quarterly Highlights:

❖ OSFA has released the "Modernization Blueprint." This working document explains and shows when and how OSFA will make the process of applying for financial aid faster, easier, and more understandable for customers and partners, as well as more accountable to taxpayers.

❖ The final report of the OSFA Customer Service Task Force, *"Reinventing Service,"* was issued on July 1, 1999. The recommendations in the report are based on over 8,000 comments from OSFA's customers, partners, and employees. The report details OSFA customers' and partners' ideas on how to transform OSFA into a Performance-

Based Organization, improve service to students, and cut the overall cost of financial assistance.

❖ The Interim Budget Plan was delivered to Congress in April. Along with discussions about how resources will be expended to maintain current operations in FY 1999 and FY 2000, the budget provides for the appropriate investments needed to begin transforming the Office of Student Financial Assistance into a Performance-Based Organization.

❖ Although detailed components of the *5-Year Plan* have not been fully formulated, basic measures have been set and a new Director of Analysis is now on board to drive the process.

5

Dear Customers and Partners:

Last winter we published interim performance objectives to guide OSFA until we finish our first full-fledged performance plan this September. The interim performance objectives fall into three categories:

❖ **Improve Customer Service** — by encouraging customers to apply on-line rather than on paper, introducing new electronic services, and collaborating better with partners who also serve our customers.

❖ **Reduce the Overall Cost of Delivering Student Aid** — beginning with the development of cost baselines and a financial management system to accurately measure unit costs and track our $150 billion loan portfolio.

❖ **Transform OSFA into a Performance-Based Organization** — by laying the groundwork so we can operate like the best in business with satisfied customers and employees, modern information technology, and a system to turn customer complaints into service improvements.

This is our progress report on those interim objectives. I hope you will be as pleased and encouraged as I am by how far we've come.

Greg Woods

FEDERAL STUDENT FINANCIAL ASSISTANCE
Program Volumes

Number and Dollar of Federal Student Aid Awarded
FY 1998 - FY 2000[1]

	FY 1998		FY 1999 (Est)		FY 2000 (Est)[2]	
	No. of Awards (Mil)	$ Awarded (Bil)	No. of Awards (Mil)	$ Awarded (Bil)	No. of Awards (Mil)	$ Awarded (Bil)
Pell Grants	3.8	7.2	3.8	7.4	3.9	7.9
Federal Family Education Loans (FFEL)	5.4	20	5.6	20.9	5.9	22.2
Federal Direct Student Loans (DL)	3	10.4	3.1	11.4	3.3	12.1
Consolidation Loans[3]	0.3	5.7	0.4	7.5	0.3	6.8
Campus-Based Programs	2.7	2.8	2.7	2.9	2.8	3
Work-Study	0.9	1	0.9	1	1	1.1
Supplemental Grants	1.1	0.8	1.1	0.8	1.1	0.8
Perkins Loans	0.7	1.1	0.7	1.1	0.7	1.1
Leveraging Educational Assistance Partnerships[4]	0.1	0.1	0.1	0.1	0.1	0.1
Total	15.3	46.2	5.8	50.1	16.3	52.1
Number of Students Aided by OSFA Programs (Unduplicated Count)	8.2		8.5		8.8	

Note: Totals may not add due to rounding

[1] Shows total aid generated by the Office of Student Financial Assistance, including Federal Family Education Loan capital, Perkins Loan capital from institutional revolving funds, and institutional and matching State funds.
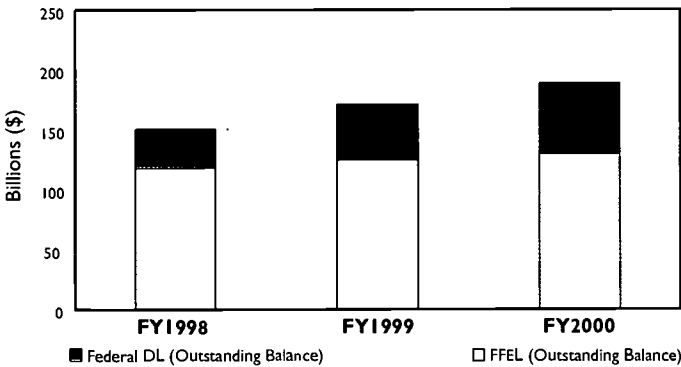
[2] Based upon requested amounts in the FY 2000 President's Budget.

[3] New FFEL and DL issued to consolidate existing loans.

[4] Reflects the LEAP program's statutory dollar for dollar State matching requirements.

SOURCE: FY 2000 Budget Summary, U.S. Department of Education.

Outstanding Loan Balances, FFEL and DL Programs
(Projected Through FY 2000)

Federal DL (Outstanding Balance)   FFEL (Outstanding Balance)

SOURCE: FY 2000 President's Budget

ERIC®

NOTICE

Reproduction Basis

☐ This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.

☑ This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").

EFF-089 (3/2000)