

U.S. Department of Education

**Student Financial Assistance (SFA)
Modernization Blueprint**



Executive Summary

Progress Update





WORKING TOGETHER, WE'RE GETTING THE JOB DONE RIGHT

Dear Colleague,

As we release this second edition of the SFA Modernization Blueprint, we're really encouraged. It's been a great six months. Things aren't perfect. There's a lot of work to do. But we're continuing to roll out dozens of new products and services to serve our partners and the student who's working to get through school.

We've seen positive reactions to these products by their end users. We've also tested and proved some key concepts, demonstrating, for example, that middleware works with our legacy systems. We launched IPTs (Integrated Product Teams) for product development. IPTs bring together schools, partnership institutions and organizations, and SFA staff members, all focused on a particular design and development project to improve student aid delivery. They help us get the job done right.

All this action, all this work, has affected the Modernization Blueprint. Our Sequencing Plan, representing progress on specific products and process improvements, is noticeably different from the first edition. We've also introduced concepts like Web portals, the hottest new way to simplify, expand, and improve information and tool delivery. We're working on portals for students, schools, financial partners, and our own employees.

It seems like only yesterday we were releasing the first edition of the Modernization Blueprint and meeting with those of you in the community to gather your comments and input. As you read this second edition and think about how it might help as a guide to the plans, products, and services of SFA I believe you too will see how far we've come and how much real progress has already been made. I remain absolutely committed to working with you to make the plans spelled out here a reality—for schools, partners, and most importantly, students.

Good to have you along for the ride.

Warm regards,

Greg Woods

Chief Operating Officer
Student Financial Assistance

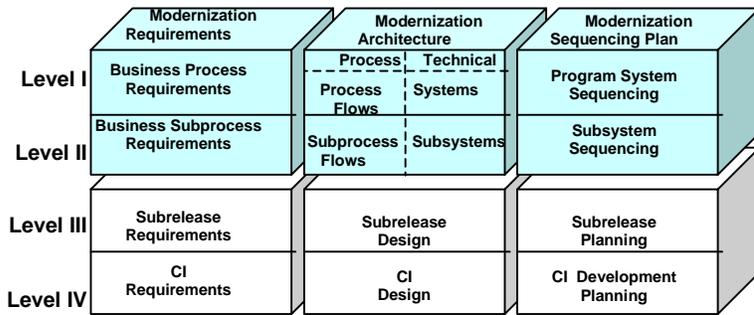


WHERE WE ARE TODAY

Where We Started

We started with a framework for thinking about technology and business processes, and the Blueprint follows it. We cover requirements of our business processes, then spell out information flows and technical architecture to support them. Finally, we outline what we're going to do, and when.

MODERNIZATION FRAMEWORK



We've organized and staffed with new managers and a new Modernization Partner, Andersen Consulting. They help us identify and implement commercial best practices so we can improve service and cut costs.

A new approach to systems requirements, design testing, and acquisition is called the Integrated Product Team. Teams include people from inside SFA and the larger educational community. They are working out details, defining result schedules for milestones, and will publish specifications and standards we'll use internally.

Chapter 5 tells you lots more about what's changing, and when. Chapter 2 summarizes the changes for you, and reminds you how to use this Blueprint. Chapters 3 and 4 will change more when we reengineer processes and systems.

Where are We Headed Next?

We're using the unifying concept of Web Portals to pull our legacy systems together, with new external sources too. We're integrating

We have built on the findings of Project EASI and our Customer Service Task Force. We recognized the capabilities of new technology, and imagined achievable possibilities.

Our new business model of Students, Schools, Financial Partners and our own SFA employees reflect what people have been telling us.

What's Changed?

During the past six months we've done a lot to help you now and in the future.

We put the Master Promissory Note into action, improved process flow in Direct Loan originations to cut rejects, and introduced Direct Loan Consolidation application processing over the Internet. We've already issued seven million PINS to support FAFSA on the Web and future Web portals. We'll issue a total of 12 million PINS to students and parents by mid-summer.



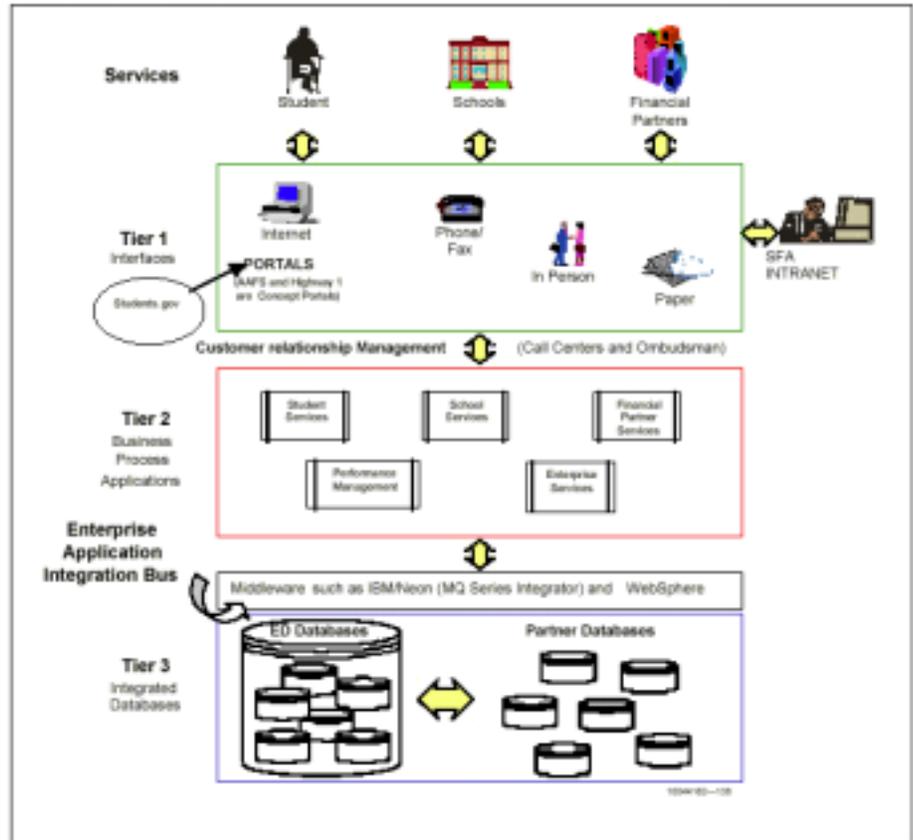
WHERE WE ARE TODAY

data into logical sites that everyone can use, transforming the hairball of our existing systems or retiring them, using new portals and commercial applications. Middleware is being selected to integrate the data. The Internet is simplifying communication.

Pilot projects like Highway 1 and Access America for Students are proving we can use commercial software and business best practices to do this now. We've already started measuring our results as part of the American Customer Satisfaction Index, a key business survey that compares and rates enterprise performance.

The following pages give you lots more detail about what we've done and how it affects the sequence of our modernization.

SFA 3-TIER ARCHITECTURE





SFA NEWS LEADER-SENTINEL

"We Help Put America Through School"

World's Most Educational News Stories

April 2000 edition

DELIVERING PRODUCTS AND SERVICES TODAY, WHILE WE BUILD A NEW SFA

FAFSA on the Web – One of Many SFA Improvements

Web filings have doubled, with improved functionality, and the error rate has been cut nearly 90 percent, so students complete the process faster. Soon 12 million students and parents will have electronic IDs to speed the application process. *page 5*

The Clearinghouse

SFA signs a five-year deal with NSLC. Good news for more than four million borrowers. *page 6*

"FAT-Free"

SFA announces elimination of the Financial Aid Transcript (FAT) for mid-year transfers. *page 6*

The Survey Said...

SFA goes Wall Street, using the same customer satisfaction survey that financial giants trust to track who's on top. *page 6*

PROVING THE NEW CONCEPTS WILL WORK

Web Portals –The Door to First-Class Customer Service

SFA is developing information gateways to personalize and customize data. This hot new way to give good service tops SFA's "to do" list. *pages 7-8*

Highway 1 – Success Story Proves Concept!

Collaboration by technological giants proves that off-the-shelf products can teach existing SFA systems to work together. *page 9*

Middleware Role More Process

Databases merged using an EAI bus, delivering new services faster by using new standards and tools. *pages 9-12*

IMPROVING THE WAY WE DO BUSINESS

IPTs Focus on Solutions!

Five, count 'em, five new Integrated Product Teams deliver customer-focused solutions on critical projects. Every channel has one, with more to follow. *pages 13-15*

SFA Organizes Leadership Team and "Mod Partner" Around the Business Model

Team focus on customers speeds delivery of new products and services. *page 16*

MAKING PROGRESS AGAINST OUR PLAN

Update on What Has Happened Since September

In the past six months, we've moved more applications onto the Internet, cutting errors and increasing the speed of financial aid delivery, and much more. *pages 17-18*

How Will Upcoming Modernization Milestones Impact Me?

New SFA Sequencing Plan gives everyone the detail that will affect them. *pages 19-20*



DELIVERING PRODUCTS AND SERVICES

FAFSA On the Web – One of Many Improvements

Over the past several months, SFA has improved the functionality of FAFSA on the Web, making it even simpler.

Improvements include notification to students when their FAFSAs (Free Application for Federal Student Aid) are received and when processing is completed. SFA worked with five states and college consortia on projects to electronically transfer data from students college applications to their FAFSA on the Web forms. Filing and checking the status of your FAFSA now is even easier with the student Personal Identification Number. By

mid-Summer 2000, SFA will have issued 12 million PINs to students and their parents. Improved functionality has helped FAFSA on the Web filings to almost double to two million-plus by the end of the 2000-2001 award year. We expect more than four million electronic FAFSAs for this award year—that's almost a million more than the prior period. By error-checking FAFSA on the Web while it's being completed, we helped students cut "bad data" rejections nearly 90 percent and made their financial aid delivery faster.

SAMPLE SFA PRODUCTS & SERVICES

October 1999

- Released EDEExpress Version 5.4

November 1999

- Implemented a new, easier, interactive Internet-based Consolidation Application/ Promissory Note

December 1999

- Released EDEExpress Application/Global and Packaging modules Version 6.0

January 2000

- Added electronic identity(PIN) to FAFSA to speed aid delivery and cut costs
- Tripled server capacity at the Virtual Data Center to support increased use of FAFSA on the Web
- Provided schools with downloadable, up-to-date information on borrowers that have entered repayment (Student Repayment History Reports) through NSLDS that can be used to self-monitor and confirm information to their system throughout the year.
- Released EDEExpress Quality Assurance Program and Refund Repayment modules Version 4.0

February 2000

- Implemented multi-year functionality for the Master Promissory Note, complementing previous plain language improvements in disclosure
- Began Loan Origination Center processing for the 2000-2001 award year
- Mailed 1998 draft default rates to schools

March 2000

- Student Aid Report (SAR) can be requested over the Web—affects 10 million customers annually
- Rolled out seven million PINs to students
- Completed a new SFA Web site [<http://www.ed.gov/studentaid/student.html>] linked to students.gov (formerly Access America for Students), the "Think College Early" Web site, and numerous non-federal sites, representing the first phase in a plan to deliver a comprehensive student aid site
- Incorporated additional functionality into the Direct Loan Origination System, including enhancing the change record process to reduce rejects and instituting the capacity for online changes and online credit checks via the Web
- SFA Tech has over 1,600 subscribers and is growing steadily



DELIVERING PRODUCTS AND SERVICES

The Clearinghouse

In January 2000, after a successful three-month pilot, SFA signed a five-year performance based agreement with the National Student Loan Clearinghouse. The Clearinghouse regularly updates its electronic database of student enrollment at more than 2,300 colleges and universities. Under the agreement, SFA uses electronic updates from the Clearinghouse and cross-references its own information on

more than four million borrowers. The result is up-to-the-minute, accurate, reliable student data. This project allows SFA to stay abreast of students who transfer schools, leave school early or take a leave of absence. It eliminates the problem of students inadvertently being placed in repayment or default and saves time and expense for students, schools and the taxpayer.

“FAT-Free”

Beginning July 1, 2000, schools will be able to use NSLDS data, instead of paper Financial Aid Transcripts (FATs), for all students, including mid-year transfers. This is due in part to the positive feedback from the initial NSLDS/FAT decision. It's also due to the increased confidence in the accuracy of NSLDS data, the ongoing efforts to improve the timeliness of the data, and improvements in Pell Grant reporting, through use of the Recipient Financial Manager System (RFMS.)

SFA will be continuously improving the timeliness of the NSLDS data. Schools need to check NSLDS no earlier than 30 days prior to the beginning of the first payment period for a mid-year student. We're in the process of consulting with schools on this project and will have more information as details are worked out.

The Survey Said...



SFA asked to participate in the first American Customer Satisfaction Index (ACSI) measurement of customer satisfaction with various “high impact” government agencies. Our first score was 63 out of 100. We got good marks for applications, clear information that is easy to get, and for the processing staff's professionalism. Customers also said SFA needs to shorten and simplify the application process.

“We're committed to getting our ACSI at least up to the average in the private sector, which is 73,” said Greg Woods, SFA's chief operating officer. “We've already responded to our student customers with an improved electronic FAFSA, and 44 percent of applicants agreed that service was better during the current academic year.”

The ACSI is issued by the American Society for Quality, in conjunction with the University of Michigan Business School.

Web Portals – The Door to First-Class Customer Service

In the e-volving world of commerce, portals are becoming the premier gateways to information. They allow users to personalize and customize data flow. They improve access, cut the time it takes to act on new information and make it easy to interact and collaborate online. Portals offer smart summaries of aggregate data, provide interactive workflow, allow for internal and external access and meta-searching. You can see some good examples of industry-leading portals at www.Amazon.com, MyYahoo.com on www.Yahoo.com, www.MSN.com, and www.Vanguard.com.

Envision the Portal Solution for Schools

We're designing the Schools' portal not just for data transmissions and real-time inquiries but also to disseminate news and updates, deadline reminders, regulatory information, access to GAPS, "Dear Colleague" letters, and more. A prototype will be ready by July 2000. Version 1.0 will incorporate feedback on the prototype and be available at the end of September 2000. This initial portal will contain a re-platformed IFAP and links to related sites.

We've taken several steps forward, including establishing "basics" – a robust search engine, XML structure, and powerful query tools. These basics enabled us to talk to initial groups of schools, servicers, vendors and ED employees about desired functionality of the portal, and we'll continue to solicit community feedback.

The portal will be an e-volving product. Functionalities incorporated as we progress will give schools:

- Ability to integrate school data with ED data – The portal will provide the ability to build in school and local management tools for integrating data. In addition, through query and download functionalities, in conjunction with the use of common data sets and elements, schools will be able to easily relate downloaded information to information within their institutional system.
- Task management and ED deadline information – The portal will provide access to and interaction with systems necessary to administer funds. Schools will be able to perform tasks such as requesting cash from GAPS, submitting Pell disbursement records, and assigning overpayments to DCS via the portal. Schools will also be able to view and download information about upcoming ED deadlines (PPA, FISAP, etc), results of their audits and program reviews, and leverage links to accrediting agencies for additional information.
- Real-time student inquiry – query student information on an aggregate level (such as high incidence of comment codes,) or on a student specific-level (such as student payment data or student information,) or across institutions (for students enrolled at multiple institutions.) Schools also will be able to view and download student detail used for reporting or calculations, such as SSCR error reports and real-time information on delinquent students.
- Aggregated Data – obtain and download aggregate data such as loan volumes, disbursements, Pell grants. Relate data from a variety of sources and run summaries, such as Pell disbursements to zero Expected Family Contribution students.
- Management Status – obtain critical statistics such as ISIR volume, cohort default rate information, and your institution's Education Department profile. Schools will be able to access school-specific data for themselves or aggregate data on a national or regional level.
- Benchmark information – Through querying detailed and/or aggregate data, schools will be able to benchmark themselves against other campuses or institutions. For example, schools will be able to see their average PLUS debt as compared to similar schools.
- General information – The portal will provide the ability for a school to customize views of information from outside sources, such as Daily News from Academe Today, ASFAA, Journal Transcript, and others. The portal will also provide links to outside agencies such as NACUBO, CommonLine and access to ED publications such as "Dear Colleague" Letters and SFA Handbooks.



PROVING THE NEW CONCEPTS WILL WORK

Financial Partners' Portal

This tool for lending partners is envisioned with the following key features, and other functionality will be built based on partner desires:

- All information on policy guidance and rulings.
- One point for submission of fee billings and other required data exchange.
- Access to obtain and retrieve required forms and software, like FAFSA.
- Access to retrieve management and other required data regarding partner portfolio performance, and links to partner sites.
- Ability to access and execute digital signature authorization, as appropriate.



The First Students' Portal

Features of Access America for Students are graduating to main-stream SFA. In the Students Channel, the Student Portal Project for FY 2001 will build on these successful pilo

- www.students.gov – gives students easy access to tons of government services, including financial aid.
- Electronic ID– allows remote authentication of the identities of current and prospective students, using the Internet, as well as an electronic (digital) signature processes, for logical access control and electronic filings.
- Student Account Manager–the one-stop shop for financial aid information from all stakeholders—students, schools, lenders, government agencies. The account lets students or schools view records of aid disbursements and loan origination and repayment information. Progress here is being integrated into the Common Origination and Disbursement process.



PROVING THE NEW CONCEPTS WILL WORK

Highway 1 – Success Story Proves Concept!

The Highway 1 project takes the tough road proving middleware works in our education assistance world. This project brings Computer Sciences Corporation, IBM, Microsoft and National Computer Systems, together in a joint demonstration of multiple databases working together.

Their task? Link four very different sources; use mainframe and Windows server technologies together; put data from across the country on a series of Web pages tailored for a single student; use “live” data so real students can look at their own data about grant and loan activity, status, and balances.

Part of the challenge is bringing together data from four different sources. One source is the SFA National Student Loan Data System (NSLDS), which is a mainframe database in IBM’s DB2. A second source is SFA’s Central Processing System (CPS), which is another mainframe database in IBM’s DB2. A third source is ELM, a database run by a mutual benefit corporation for lenders and schools under the Federal Family Education Loan (FFEL) program. The fourth source is SFA’s Direct Loan Servicing System (DLSS), which is written in older IBM COBOL and is running on an Oracle relational database. Four different data sources. One of them totally outside of SFA!

A second part of the demonstration is using IBM Data Joiner, which is a mainframe database middleware program, to pull together data from NSLDS and CPS. Data Joiner is a popular commercial program. We’re showing it works well with our education systems. Data Joiner extracts data, translates it, and sends it to a Hewlett-Packard Web server running on a Microsoft NT operating system.

Third, a defined data set is received from ELM via the Internet in a message tagged with Extensible Markup Language (XML). Because XML tags can be applied to the standard ELM data, no changes had to be made to the ELM system to transfer data to the NT-powered Web server. Fourth, a different defined data set is received from SFA’s DLSS, also using XML tags with existing DLSS data.

A suite of three Microsoft products (ASP for Web pages, IIS for the server operation, and MTS for telecommunications) receive the data from Data Joiner, ELM and DLSS and translate it into a data set that populates a set of Web pages. The data has been collected according to student identification, and is unique to that student. The student can access her data using a standard browser across the Web on a PC from anywhere.

SFA’s “Best in Business” Technology Triad

We’re building an architecture to provide unmatched reliability with flexible, leading-edge services to customers. We’re using Internet, middleware and privacy tools (a rock solid foundation) and Web-based communications tools, just like the best in business do.

Technology Best Practices

When Wells Fargo/Norwest merged, the Norwest legacy systems were integrated into Wells, presenting a unified face to the customer, in only six weeks. This integration was enabled by Wells’ three-tier architecture. This architectural setup offers flexibility and adaptability, Wells was able to simply “plug” the existing Norwest legacy systems into their middle tier.

E*Trade decided existing systems couldn’t support big increases in transaction volume, so they implemented a middleware solution that integrates feeds from external databases, increasing E*Trade’s transaction volume to over 4 million a day.

General Electric uses commercial software tools to help develop applications. These tools and strict methodology helped GE create an application development environment that has almost nine times more maintenance productivity from its system staff.

Fidelity has a three-tiered architecture that consolidates data from 19 outside vendors and translates it to one common format. This

middleware architecture lets Fidelity swap and replace hardware, programming environments, and databases to stay at the future is cutting edge. Fidelity estimates savings of up to \$700 million a year on maintenance costs and upgrades.

Stealing a smart idea, SFA is implementing three-tiered architecture and already is experiencing some of the benefits Wells Fargo, E*Trade and Fidelity are enjoying. SFA is using the same kind of CASE tools that GE tapped to boost its productivity and is already effecting efficient results.

Legacy of Disparate Systems

Customers and partners told our Customer Service Task Force they wanted easier access to appropriate loan and grant information. They asked for improvements in the administration of our programs— such as a single student account. To get rid of the hairball and deliver improvements like these, we have to add a solid database foundation, and technology in two key areas—integration software (middleware) and Web-based communication.

At the same time, the SFA IPTs are re-engineering business processes and designing new customer-centered information systems (as Project EASI and the Advisory Committee on Student Financial Assistance recommended.) These new systems will be integrated and will replace

PROVING THE NEW CONCEPTS WILL WORK

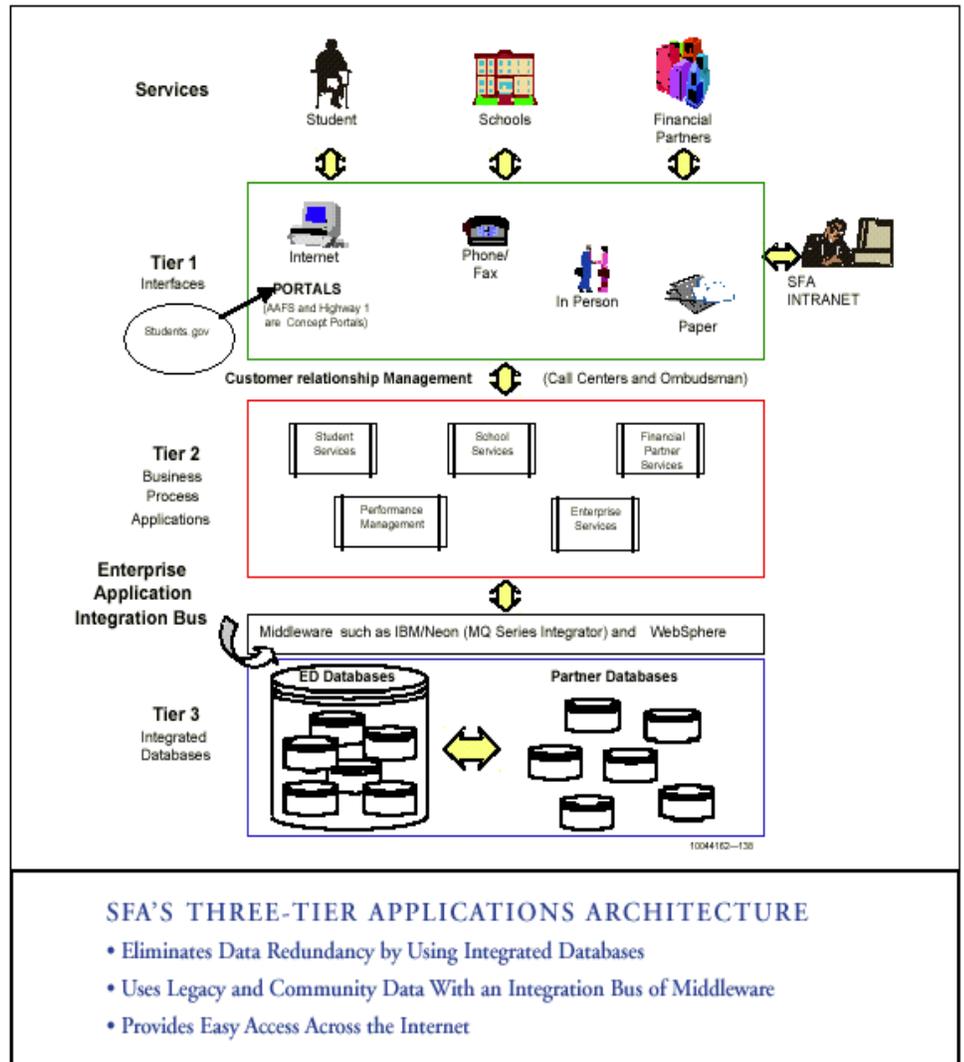
current systems—look for “tombstones” in Chapter V. As these new systems are implemented, even better service and lower costs will be achieved. New, Tested Technology Solutions Several key technologies have matured in recent years. These, used together, will solve our legacy problems and let us give customers and partners the integrated products and services they want.

- The new XML code (Extensible Markup Language) is a communication and data exchange standard that lets us tie independent internal and external systems together so we can deliver them through Web portals.
- We’re integrating databases with middleware into new logical structures that reduce data redundancy, increase accuracy and eliminate synchronization and timing inconsistencies. Middleware extracts data from old systems, then translates it so new applications can use it. IBM/NEON (MQ Series Integrator), and IBM WebSphere Server are examples of products that will be used as our middleware.
- We also call this bundled approach to middleware an Enterprise Architecture Integration (EAI) bus. This bus accesses data from SFA’s legacy systems. See the following illustration SFA Technical Architecture.
- We are creating a system of servers, mainframes, telecommunications and application programs to function as an Enterprise Architecture Integration (EAI) bus. This bus ties together SFA’s new and legacy systems and delivers information to new applications at the user interfaces. See the following illustration, SFA Technical Architecture.
- Security and privacy tools, such as password protected files and fire-walls, are an essential part of the solution. They let us share data across the Internet and still make sure that only the right people use it for only the right things.

Ability and Economy from Three-Tiered Architecture

SFA is stealing a great idea, copying the best in business by structuring information technology in three tiers.

At ground level are integrated databases. The Internet, the access layer of middleware, and security technology will let us share data among our partners and SFA’s legacy systems. This creates a seamless interface for our databases and, wherever possible, eliminates data redundancy. The middle tier consists of business process applications, all of which draw from multiple integrated databases. SFA is standardizing on IBM DB2 Version 7 for mainframe applications and on Oracle 8i for high-end UNIX servers. This strategy lets us function along customer channels, the way the best in business do. SFA staff members who perform the business processes that serve students, schools and financial partners are responsible for the computer applications that serve their customer channels.



PROVING THE NEW CONCEPTS WILL WORK

The top tier consists of interfaces. Interfaces give our customers and partners choices—high tech and low—on how to communicate with us, and how to use our products and services. A three-tier architecture (shown in the figure below) offers three key advantages:

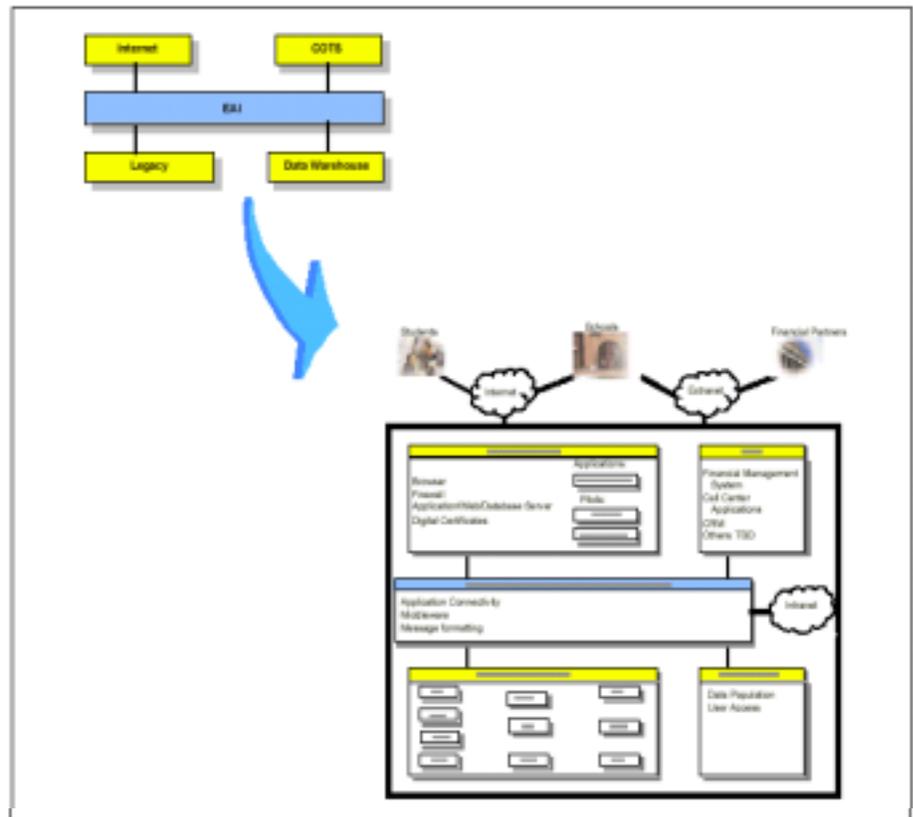
- Efficiency and reduction of duplicated data and systems**
 With the three-tier architecture, we will save a lot in data storage. Right now, we store identical student information on many independent systems. Students and schools must register and update information separately in several places. This is a time-consuming task that can cause errors and internal inconsistencies (when an update made in one system may not be made in another.) Database integration lets us choose the most appropriate place to store each piece of information. This means that information can be entered one time and accessed by all the databases within SFA and its partner systems.

- Adapting to changing technology**
 The three-tier architecture lets us work on bite-sized pieces of the system without having to take the entire system off line. With the old legacy systems, when capacity, speed or some new feature needed to be added, SFA had to fiddle with the database and the interfaces too. This costs time and money. Our new approach lets us buy a little, test a little, fix a little of just what we need, just when we need it. It lets us avoid the multi-year, mega-buck disasters that have been all too common in government system development.

- Cost-Effectiveness**
 A lot of the little pieces we buy, test, and fix can be used for other application in other parts of the system. For example, a software commercial off-the-shelf (COTS) application like Siebel could be used by our call-center operators, and might also plug right into a Web application to give students self-help on-line. That's a big time and money saver.

The three-tier structure, new middleware, and Computer Aided Software Engineering (CASE) tools technology give us a real shot at equaling best in business in agility, efficiency, and service.

- Standards Speed Development and Acquisition**
 Doing the job once, and re-using the work product, is a common-sense solution to high costs and time-consuming projects. We're doing what leading commercial enterprises do: pick the best tools at the time, and use them across the enterprise so that project teams can share their results with others.



SFA'S TECHNICAL ARCHITECTURE

SFA's target technical architecture defines standard, reusable technologies implementing an integration layer to provide for:

- access to existing systems,
- simpler integration of new systems
- allows the use of Commercial Off-the-Shelf (COTS) tools & applications

The benefits that will be realized with the implementation of this technical architecture include:

- Extends Integration of Databases
- Increases Integration between User and Applications
- Re-uses Legacy Systems by Transforming Their Functionality

PROVING THE NEW CONCEPTS WILL WORK

- We have defined a set of performance requirements we can use to evaluate tools and select the best value for the taxpayer. For example, we're using Rational Rose Enterprise Suite software, which is a suite of integrated CASE (Computer-Aided Software Engineering) tools that are helping our Integrated Product Teams (IPTs) function more consistently and thoroughly.
- What's this mean for our customers? These internal SFA tools and standards speed development, so we can deliver better service faster. Standards help us make our applications and interfaces more similar, easier for customers to use. We can share information between customer groups more accurately.
- Another example of standards is our collaboration with NACHA (National Automated Clearing House Association) and PESC (Postsecondary Electronic Standards Council.) These groups are working toward communication standards between financial entities, and we're working with them to include community standards in our Common Origination and Disbursement project and our expanding use of PINs and digital signature.

“Seeing is Believing” – Our Approach to Software Selection

We are employing a “See, Touch and Feel” approach to software selection. We visit sites and see the potential technologies in action so we know they'll do the job in our business with the large number of students, schools and financial partners we serve.



3rd Party Vendors and SFA Help Schools Save Money

As electronic data interchange increased, many schools turned to “third-party” software developers for the software used for these file exchanges. The “third-party” software developers, through experience, have extensive expertise in financial aid and the electronic data interchange technologies. They can work together with SFA so that technology developments in data interchange and portals will be accommodated for schools, lenders, and guaranty agencies.

In 1999, SFA began a series of Third-Party Software Developers Conference to provide information about SFA plans, system development, and implementations. At the February 2000 conference, SFA said we will support testing with third-party software developers who have financial aid software installed in Title IV schools. The test facilities and support will be the same as those we provide to schools.

Under this new approach, the software developer will first test with SFA to ensure software design accuracy. Subsequently each school will test with SFA their implementation of the software. The school will be installing tested software and could focus on any implementation issues. This benefits schools using that third-party software delivered to the schools is better supported, and testing will cost the schools less.

We have received many suggestions to expand participation and scope of the conference. We have invited the participation of those who are involved in software development for federal financial aid delivery, renamed it the Software Developers' Conference, and scheduled the next meeting for June 12 – 14, 2000 in Washington, DC.

Site Visits

We have determined that middleware will be a critical component of our enterprise solution. Why? Because it works. Visits to IBM and Chase Manhattan let us see with our own eyes how Enterprise Application Integration (EAI) software is used to process millions of transactions a day in real time and batch, supporting more than \$5 trillion in securities. These corporate giants support markets in 24 time zones and continually demonstrate the kind of functionality that will support our vision for the next few years and provide scalability to move us into the future.

We also visited New York University to evaluate how students are using FAFSA on the Web. This valuable customer feedback is being used to make immediate changes. Also, in the next year we'll be developing a technical design with richer functionality for a new FAFSA on the Web—a design incorporating the suggestions from NYU students.

IMPROVING THE WAY WE DO BUSINESS

IPTs Focus On Solutions!

SFA has created five new Integrated Product Teams (IPTs) to redesign processes, deliver customer focused solutions, and achieve the objectives of the Modernization Blueprint. The IPTs include:

1. Common Origination and Disbursement
2. Direct Loan Service Reengineering
3. Financial Partners Transformation
4. Portals
5. Financial Management Transformation

The Common Origination and Disbursement IPT is reengineering the processes and systems that support fund origination and disbursement for the federal Pell Grant and Direct Loan programs, as well as common reporting for campus-based funds.

An analysis of the current processes led to the development of common origination and disbursement for these programs and after-the-fact reporting for campus-based funds. The design of a new common origination and disbursement process takes the best ideas from the old process and lessons learned from the implementation of LOS, RFMS and recent initiatives such as Access America for Students and Project EASI.

One single common system using common data definitions and processes eliminates the existing stovepipe systems and allows origination and disbursement to interface with the new technology being implemented throughout SFA. This allows students, schools and financial partners better access to data in addition to the following benefits:

- Flexibility to send records via batch or real-time.
- Reduced processing time and costs.
- Reduced time and effort spent managing systems.
- Increased fiscal integrity with reduced administrative effort.
- Reduced after-the-fact downward adjustments due to improper reporting and reconciliation.
- Improved edits and reduced internal checking.

The customer interface will be portals tailored for each school. Schools will be able to view a complete student profile and access information throughout the entire process through one single system. The amount of time it previously took for routine tasks will be reduced considerably and the hassle and cost that accompanied three different systems will be eliminated.



The primary steps toward systems integration include:

1. Review current processes and systems.
2. Develop conceptual design for common process.
3. Review options for technology to support common process.
4. Develop business requirements for common process and supporting system.
5. Determine best option for common system.
6. Develop middleware technology to enable the common system to receive and transmit old record layouts for the duration of the transition period.
7. Test and troubleshoot the common system.
8. Implement pilot programs to test the new system with schools before retiring legacy systems.
9. Retire legacy systems with the common system supporting all critical functionality.

As of Spring 2000, we have...

- ✓ Completed analysis of the current processes and systems
- ✓ Developed a conceptual design for the common processes
- ✓ Discussed the conceptual design with focus groups and conference attendees
- ✓ Reviewed high-level options for technology to support common processes



IMPROVING THE WAY WE DO BUSINESS

Moving forward, we will...

- ✓ Gather additional information to define detailed business requirements around the common processes through:
 - ✓ Focus groups with schools
 - ✓ Internal knowledge of current processes and core functionality.
 - ✓ Workgroups with knowledge (owners from past initiatives such as project EASI, Access America and CommonLine)
 - ✓ Explore systems options in detail
 - ✓ Develop long term training and transition strategy

The Direct Loan Servicing IPT is determined to retire the Central Data System. Formed in 1996 to use multiple loan servicing systems in support of the Direct Loan program, the Central Data System (CDS) sought to manage the flow of transactions between multiple originator and servicing systems. Though this multiple servicer option was postponed in 1997, CDS was retained to keep the multi-servicer alternative as an option. Over the last three years, the Direct Loan program and its supporting systems have undergone a number of regulatory modifications and enhancements, in addition to adding a number of new features. Retiring CDS will:

- Reduce operating costs
- Reduce redundant edits and associated errors
- Simplify system balancing, which improves employee morale by necessitated fewer reconciliations and errors to resolve

How can this be done? Five of the 12 basic functions of CDS can be immediately eliminated because they are duplicated in other systems that support the Direct Loan program. The remaining seven functions can be incorporated into the Loan Servicing and Loan Origination systems.

Also for this Team: Student Aid Awareness

Many people who are eligible for financial aid never even ask for information or complete the application process. Untimely, non-targeted and dense information clouds the decision-making process for too many people with potential. The solution is getting information into the hands of potential students and providing them with the foundation for making informed decisions about post-secondary education and financing.

Student Aid Awareness puts students first. Tailored services help different populations access aid for traditional and non-traditional post-secondary education. For FY2000, we have set specific goals, realiz-

ing that these are only the first steps in building long-term partnerships with other government and community organizations. Leveraging these successes, we will continue initiating and building our partnerships to encourage the appropriate choices in postsecondary education.

- Special Needs Accessibility—to build meaningful partnerships with organizations that serve the sight and hearing impaired to ensure equal access to student aid information.
- Outreach Partnership Workshop—to build partnerships with other relevant organizations, to work together to get financial aid information to all constituencies in a tailored way that is appropriate and accessible to all.
- Puerto Rico Partnership—to ensure the potential student population in Puerto Rico has as much access to post-secondary education as any other population
- Student Profile—to build a database regarding trends in student profile characteristics, such as the types of programs students are attending, the average wage of college graduates and non-graduates, the rate of attendance among students of color. All this will help us understand who is being served and who is not.

The Portals IPT are the architects of SFA's Web portals. We will invest in a first phase of development for the Schools Channel portal with a limited scope, keeping with SFA's modernization strategy of "buy a little, build a little, test a little." Release 1.0 will culminate in the development of a working prototype that will provide a user-centric interface to:

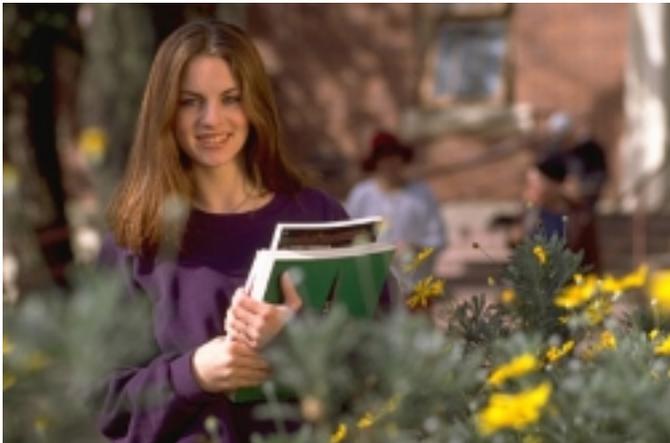
- Information for Financial Aid Professionals (IFAP) application
- Industry links (internal and external)
- SFA Tech
- SFA Download
- Limited personal links

The Release 1.0 Working Prototype will be presented to 2,500 National Association of Student Financial Aid Administrators (NASFAA) conference attendees on July 9, 2000. Future releases of the School Portal will provide business transaction functionality including common origination and disbursement.

IMPROVING THE WAY WE DO BUSINESS

Ultimately, the Schools Channel portal will become the main gateway through which the various members of the Schools Channel community interact with SFA.

The Financial Partners IPT is totally transforming the systems, processes and organization of the Financial Partners channel. As a functional unit of SFA focused on relationships with lenders, guaranty agencies, state agencies, secondary markets and services, the



Financial Partners channel works to improve the overall delivery and administration of financial aid. A major modernization program aimed at business, technology, organization and human performance is helping to leverage best practices from the financial services industry. The program is helping improve service for students and cut costs for the financial service providers.

The Financial Partners Transformation, engineered by the IPT, focuses on four initiatives related to our major business processes:

- **Financial Partners Process Reengineering**—the design and implementation of improvements to core business processes that impact partners and employees. Processes to be examined include GA/Lender payment; oversight and technical assistance; policy and analysis; contract management; enhanced partner relationship management for GAs and Lenders; voluntary flexible agreements for GAs; and improvements to the regulatory process.
- **Enabling Technologies for Financial Partners**—improvements in system technology and infrastructure that will allow for better data exchange and interface among partners by enabling reliable and consistent information management.
- **Financial Partners Employee Transformation**—building on employee skills, SFA will enhance organizational and human performance in step with process and system development. The result will deliver better customer service and relationship management.

- **Enhanced Service Delivery for Financial Partners**—efforts to improve specific products and services for financial partners is a key element to the overall success of the transformation effort. Product and service improvements include examining the use of the Web for exchanging data and posting the FAFSA on partners' Websites.

The Financial Management Transformation IPT is transforming the CFO from a traditional finance and accounting organization into a "best in business" financial management organization. One component of the process is the design and implementation of the Financial Management System (FMS.) The FMS will manage the flow of financial transactions across all SFA information systems and serve as the foundation for the

"MAD DOG" PROJECTS

SFA has launched a new business practice we call Mad Dog projects. What constitutes a Mad Dog project?

- It must be chartered by SFA's Management Council.
- It's a short, intensive effort of 60 days or less to fix or improve something critical*. The team is required to deliver weekly status reports to the COO and Management Council. (Five minutes on progress, obstacles, issues.)
- Its resources are provided on a priority basis and staff is kept small. It takes precedence over other work. We find the money to pay for it.
- Mad Dog efforts can inform, accelerate or create larger efforts.

Two Mad Dog project teams have been chartered to fix problems with high-impact products or services. They are:

- **FAFSA on the Web**—The team identifies quick improvements to continue to build on successes and react quickly to challenges. This team is listening to students, such as during a March 2000 trip to New York University.
- **RFMS**—The team is visiting about 30 schools to identify and prioritize Recipient Financial Manager System improvements. It's reviewing and analyzing community feedback collected from customer support help lines and questions posted to listserves. The team diligently communicates with schools and improvements are implemented as quickly as possible.

transformation of the CFO.



IMPROVING THE WAY WE DO BUSINESS

SFA Organizes Leadership Team and “Mod Partner” Around the Business Model

The new SFA follows a business model organized around its customers. In September 1999, SFA announced the selections of the General Managers of the three customer channels—Students, Schools and Financial Partners. A Chief Information Office, Chief Financial Officer and Ombudsman were added to the team. Andersen Consulting was selected as SFA’s Modernization Partner to help push modernization forward. Andersen was chosen because: it has experience implementing large information technology projects similar to SFA’s; has a very competent staff; and, like SFA, was willing to base its success and part of its compensation on performance-based criteria.

SFA leaders are:

Kay Jacks, General Manager for Schools

The GM for Schools manages partnerships with colleges and universities to help them successfully implement student aid programs. Jacks has 28 years of experience in student financial aid, with positions in four-year and two-year public schools, four-year private and two-year technical schools.

Barry Morrow, General Manager of Financial Partners

The GM for Financial Partners is responsible for developing best in service processes with lenders, servicers, guarantors and state agencies, while maintaining oversight and partnership support services. Morrow has 20 years’ experience as a financial services executive.

Jeanne Van Vlandren, General Manager for Students

The GM for Students manages Student Aid Awareness, Customer Call Centers, Application Processing and Student Credit Management (that includes Direct Loan Repayment, Consolidation, and Debt Collections.) Van Vlandren has more than 18 years of senior level executive experience in both federal and state government.

Steve Hawald, Chief Information Officer

The CIO is instrumental in SFA’s efforts to e-evolve to an e-commerce government service organization. Hawald has over 20 years’ experience in information technology, ranging from designing financial systems for major telecommunications and software companies to the successful implementation of Web-based solutions for a major healthcare provider. Before joining SFA, Hawald was the Chief Information Officer & Vice President of Technologies at Dental Benefit Providers, Inc., of United HealthCare Corp.

Jim Lynch, Chief Financial Officer

Before joining the SFA team, Lynch was with the U.S. Patent and Trademark Office and has more than 27 years experience in financial management. With the goal of transforming SFA into a PBO, Lynch quickly set these financial management priorities:

- implementation of a state-of-the-art financial management system
- activity based cost accounting
- achievement of an unqualified opinion on SFA financial statements

Debra Wiley, Ombudsman

The Ombudsman’s Office was created to mediate disputes and improve communication between SFA and its customers. The Ombudsman informally resolves complaints from student borrowers, mediating disputes and collects information to improve services and prevent future problems. Before joining the SFA team, Wiley served as executive director of the Pierce County (Washington) Center for Dispute Resolution.



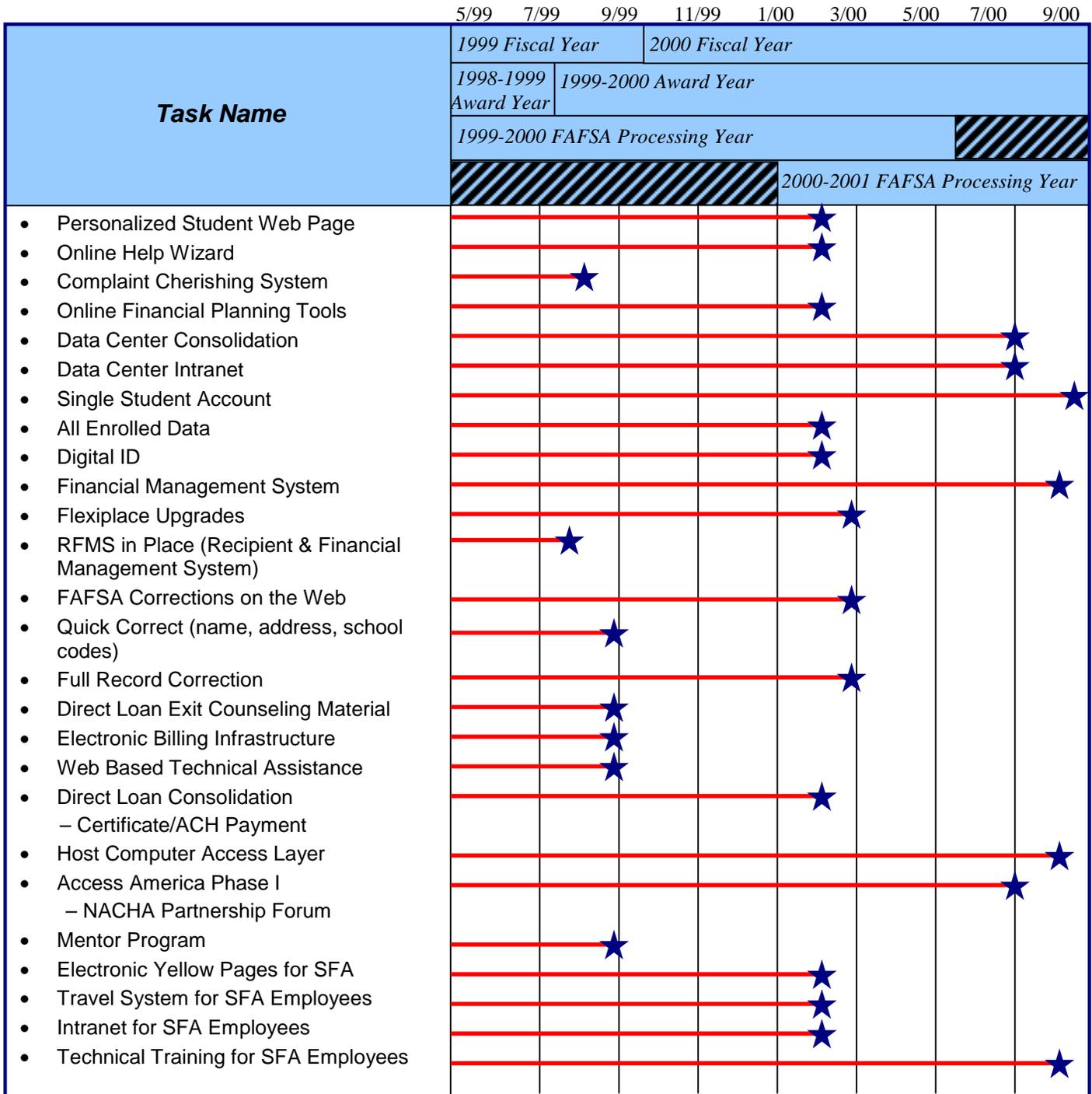
MAKING PROGRESS AGAINST OUR PLAN

Update on What Has Happened Since September

SFA Modernization Blueprint Phase 1 Schedule

In September 1999, SFA said it would advance on many different projects. We published a chart listing them, and suggested schedules.

We've reprinted a version of the original chart, below. Here is our update to you. Some projects have been completed, others have been rolled into our new initiatives.





MAKING PROGRESS AGAINST OUR PLAN

SFA Products and Services Progress on the September 1999 List

1999 – 2000 PROJECTS	STATUS/PROGRESS
(as reported September 30, 1999)	
Personalized Student Web Page	<p>“Students.gov” has been subsumed into the future students portals and includes three major concepts:</p> <ul style="list-style-type: none"> • Capability to make on-line changes to FAFSA on the Web • NSLDS can be directly accessed by students on the Web • Major upgrade to Direct Loan student Website (March 25, 2000)
On-Line Help Wizard	In progress. This is a feature of the schools portal that we are currently building and will become part of the Students portal in the future.
Complaint Cherishing System	Completed
Online Financial Planning Tools	See Enterprise Information System (EIS) section
Data Center Consolidation	Completion: Late 2000
Data Center Intranet	Completed
Single Student Account	Incorporated into the Common Origination and Disbursement initiative.
All Enrolled Data	Signed agreement with the National Student Loan Clearinghouse. Capability up and running.
Digital ID	See Students Channel for use with student access and Financial Partners for FFELP pilots.
Financial Management System	Under Chief Financial Officer (CFO)
Flexiplace Upgrade	In progress, see Improved Organizational and Human Performance Projects
RFMS In Place	Completed
FAFSA Corrections on the Web	Many available, others in progress
Direct Loan Exit Counseling Material	Completed
Electronic Billing Infrastructure	Incorporated into the Direct Loan Consolidation Re-engineering.
Host Computer Access Layer	In progress, see Enterprise Integration
Access America, Phase I	See Highway 1 project for student access to personal financial aid data. see Access America Website for information for students. See Loan Servicing and Loan Consolidation under the Students Channel for additional on-line student services.
Mentor Program	See Enhanced Service Delivery for Financial Partners
Electronic Yellow Pages for SFA	In progress, this is an employee focused Intranet that currently focuses on enhanced customer service. This tool will allow SFA employees to forward all call to the appropriate person.
Travel System for SFA Employees	Completion: April 2000
Intranet for SFA Employees	Completion: April 2000
Technical Training for SFA Employees	See SFA University



MAKING PROGRESS AGAINST OUR PLAN

How Will Upcoming Modernization Milestones Impact Me?

The SFA modernization projects have been sequenced based on their value to partners and customers and their technical feasibility. This Sequencing Plan, revised since the first edition of the Modernization Blueprint, reflects our latest judgment on which projects can and should be accomplished in the first 36 months of the modernization program. Some of the projects are based on new concepts and initiatives.

The new initiatives reflect SFA's increased emphasis on working with key stakeholder groups, like students, schools, partners and community members. This revised Sequencing Plan is comprised of

initiatives that are more closely aligned with SFA's objectives of improving customer satisfaction, reducing unit cost and improving employee satisfaction. In the plan, we have attempted to balance stakeholders' interests against the time and resources needed to successfully complete each project. The sequencing allows SFA to "buy a little, test a little, fix a little" to effectively manage modernization and achieve business results.

This is the overview of our Sequencing Plan. We've got lots more detail about results, benefits for you, project details and schedules. It's in Chapter V of the Modernization Blueprint.

**Sample Detail:
Key Milestones for two
Initiatives in Schools:**

Common Aid Origination & Disbursement:

- System & Middleware Development (October '00 – April '01)
- System & Middleware Testing (April '01 – February '02)
- Pilot Program Begins (February '02)

Web Portals Prototype for Schools:

- Prototype available for Review & Comment (June '00)
- Development of Version 1.0 of Prototype (July '00 – September '00)
- Version 1.0 of Schools Portal Available (September '00)
- (Features Include: Fully functioning IFAP, Some Personalization, Links to SFA Tech & SFA Download)
- Version 2.0 of Schools Portal Available (FY01 2nd Qtr)
- (Features Include: Reengineered IFAP, Increased Personalization, Links to operating system web sites)
- Version 3.0 of Schools Portal Available (FY01 4th Qtr)
- (Features Include: Direct Access to Operating Systems via Portal, on-line submissions & corrections, query and downloading of available data)

Descriptions and delivery dates for all the key milestones for the rest of the SFA Modernization Initiatives can be found in Chapter V. of the Modernization Blueprint

MASTER SEQUENCING PLAN												
Initiatives	2000 Fiscal Year				2001 Fiscal Year				2002 Fiscal Year			
	2000-2001 Award Year		2001-2002 Award Year		2001-2002 Award Year		2001-2002 Award Year		2001-2002 Award Year		2001-2002 Award Year	
	Jan '00	Apr '00	Jul '00	Oct '00	Jan '01	Apr '01	Jul '01	Oct '01	Jan '02	Apr '02	Jul '02	Oct '02
Students Channel :												
1) Enhanced Aid Awareness	[Gantt bar from Jan '00 to Apr '01]											
2) Enhanced Aid Application	[Gantt bar from Apr '00 to Apr '01]											
3) Enhanced Loan Servicing	[Gantt bar from Jan '00 to Apr '01]											
4) Enhanced Loan Consolidation	[Gantt bar from Jul '00 to Apr '01]											
5) Enhanced Debt Collections	[Gantt bar from Oct '00 to Apr '01]											
6) CRM Requirements Development - Students	[Gantt bar from Apr '00 to Oct '00]											
Schools Channel :												
7) Common Aid Origination and Funds Disbursement	[Gantt bar from Jan '00 to Apr '01]											
8) Web Portals Prototype for Schools	[Gantt bar from Apr '00 to Apr '01]											
9) CRM Requirements Development - Schools	[Gantt bar from Jul '00 to Oct '00]											
10) Student History View (TBD)	[Gantt bar from Jul '00 to Oct '00]											
Financial Partners Channel :												
11) Financial Partners Process Reengineering	[Gantt bar from Apr '00 to Apr '01]											
12) External Partners Process Reengineering	[Gantt bar from Apr '00 to Apr '01]											
13) Enabling Technology for Financial Partners	[Gantt bar from Jul '00 to Apr '01]											
14) Financial Partners Employee Transformation	[Gantt bar from Jul '00 to Apr '01]											
15) Enhanced Service Delivery for Financial Partners	[Gantt bar from Jul '00 to Apr '01]											
COO/Enterprise-Wide :												
16) Integrated Customer Relationship Management	[Gantt bar from Oct '00 to Apr '01]											
17) Enterprise-Wide Performance Management System	[Gantt bar from Oct '00 to Apr '01]											
18) Integrated Human Resource System	[Gantt bar from Oct '00 to Apr '01]											
CFO:												
19) Financial Management Transformation (FMT)	[Gantt bar from Jan '00 to Apr '01]											
CIO:												
20) Cross Channel Enabling Technology	[Gantt bar from Apr '00 to Apr '01]											
21) Enterprise IT Architecture	[Gantt bar from Apr '00 to Apr '01]											
22) IT Methods and Standards	[Gantt bar from Apr '00 to Apr '01]											
23) Consolidated Data Center (VDC)	[Gantt bar from Apr '00 to Apr '01]											

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MAKING PROGRESS AGAINST OUR PLAN

IN THE NEXT SIX MONTHS...SFA PRODUCTS & SERVICES TO BE DELIVERED

April 2000

- Software release Pell Payments for Windows Version 6.2

June 2000

- Software release: Version 3.0 of the FISAP software
- “Mad Dog” teams deliver quick fixes and improvements
 - FAFSA on the Web
 - RFMS

July 2000

- The initial phases of the Schools portal” prototype at NASFAA

August 2000

- SFA Selects model to electronically complete compliance audits and financial statements: improves tracking of these documents and streamlines required reviews and resolution

September 2000

- The initial phases of the Schools portal: Version 1.0, containing an upgraded IFAP, September
- 1998 final default rates
- Electronic processing for official cohort default rate appeals: supports additional appeal rights to schools, and reduces amount of time to process appeals
- EXTRANET added to our “Vendor Toolkit:” helps share information with software vendors and financial partners, complements current information available through IFAP, SFA Tech, and SFA Download
- Software developers will have access to SFA’s Innovations Research and Development Lab for testing new products and data: schools get better software and save money on testing
- Review progress toward standards for single-sign one, with vendor community and schools



Getting to Tombstones

Seven of the eight legacy systems have been consolidated into a single “Virtual Data Center” in Meriden, Connecticut. We plan to turn the diagram of legacy systems into a graveyard. Look for the partially shaded “tombstones” in the sub-system sequencing plan in Chapter V, Section E, for a more comprehensive list of systems that are being retired.

SFA has indeed been making progress against our plan. Some projects have been completed, others rolled into new initiatives. As we balance stakeholders’ interests against the time and resources needed to successfully complete projects, we remain focused on getting the job done right.