



**SFA Modernization Partner  
CIO Office of Innovations**



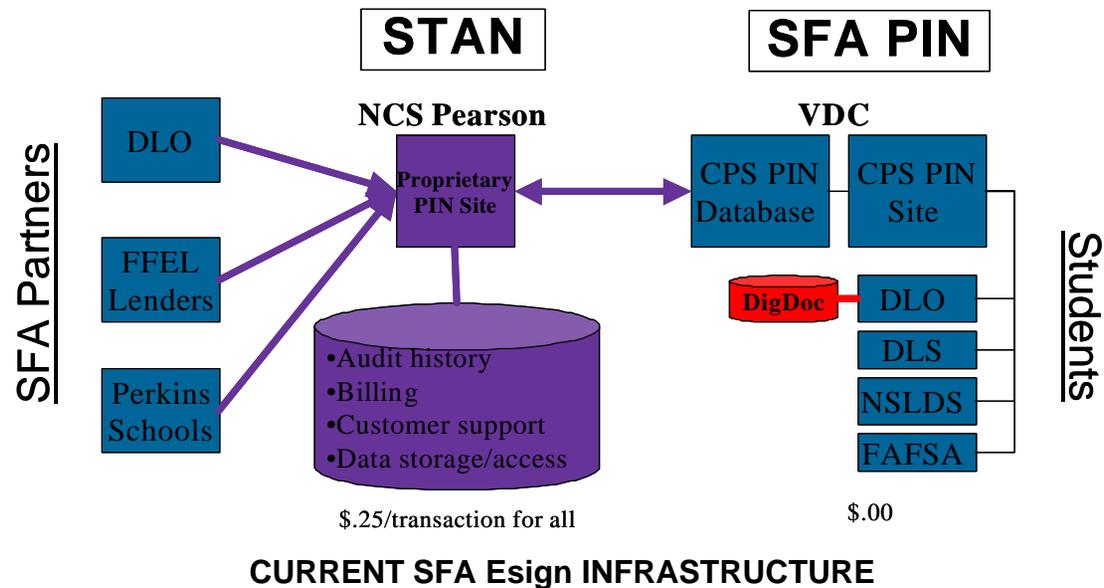
**SFA eSign Possibilities  
(DRAFT *as of October 2, 2001*)**

**Investment Review Board  
October 17, 2001**

# OBJECTIVE



- Determine opportunities for extending eSign infrastructure to other SFA business processes
  - Analysis requested at IRB Meeting (08/28/2001)



# EXECUTIVE SUMMARY

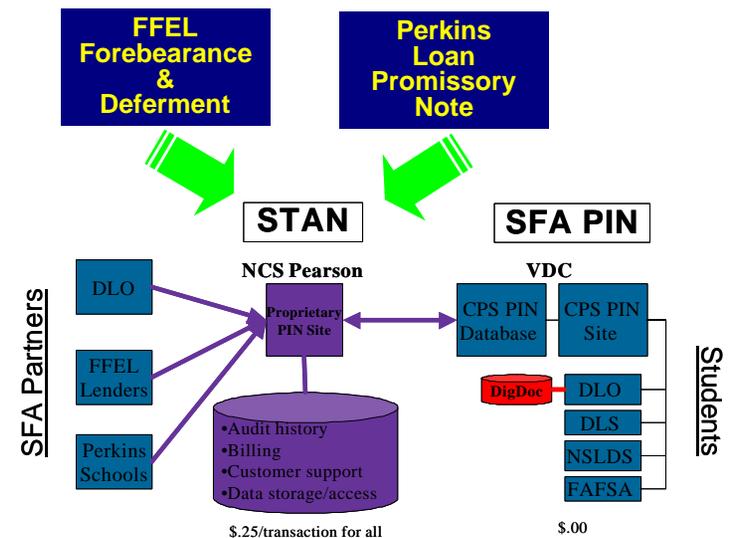


## FINDINGS

- ❑ Current eSign Infrastructure works best for Students Channel
- ❑ 6 Possibilities; 2 Immediate Candidates:
  - FFEL Forebearance and Deferment
  - Perkins Loan Promissory Notes
- ❑ 3 Candidates in process:
  - EDA
  - DL Forebearance and Deferments
  - PLUS eMPN
- ❑ 2 Processes Implemented:
  - FAFSA & eMPN
- ❑ Schools and Financial Partners need a Unique Identifier to leverage eSign Infrastructure
- ❑ Other Alternatives:
  - Electronic Process Agreements
  - Business Re-engineering

## RECOMMENDATIONS

- ❑ Develop Business Case for 2 Candidates
- ❑ Incorporate School & Financial Partner ID Requirements in Single Sign On Initiative



# METHODOLOGY



- Establish IPT
  - Business Channel SMEs
  - CIO Office of Innovations
  - Modernization Partner Team
- Identify Input Sources (Appendix A)
- Review FY02 Mod. Partner Victory List
- Review Sources & Validate Candidates
- Analyze Candidates Based on 2 Views
  - Customers
  - Workflow

Customer View (who signs)
Students
Financial Partners (lenders & GAs)
Schools

Workflow View (to or from SFA)
Inbound
Outbound
Customer Choice

# IPT ORGANIZATION



## ❑ Business Sponsor - CIO Office of Innovations

- Charlie Coleman
- Neil Sattler

## ❑ Business Channels SME (ITRs)

- Katie Crowley (Schools)
- Martin Renwick (Students)
- Nancy Krecklow (Financial Partners)

## ❑ Modernization Partner Project Team

- Kelly Tate
- Mike Gibbons
- Yateesh Katyal
- Heather Burke
- Eliud Gerena

# ANALYSIS



Customer (who signs)	Currently Available	In Progress	Additional eSign Possibilities
Students & Parents	<input type="checkbox"/> eMPN and Consolidation Notes (STAN) <input type="checkbox"/> FAFSA (SFA PIN)	<input type="checkbox"/> DL EDA (SFA PIN) <input type="checkbox"/> DL Forbearances and Deferment (SFA PIN) <b>PLUS eMPN</b> (STAN)	<input type="checkbox"/> Federal Perkins Promissory Note <input type="checkbox"/> FFEL Forbearances and Deferment
Schools	<input type="checkbox"/> None	<input type="checkbox"/> Application to Participate <input type="checkbox"/> PPA	<input type="checkbox"/> CDR <input type="checkbox"/> FISAP
Financial Partners	<input type="checkbox"/> None	<input type="checkbox"/> None	<input type="checkbox"/> Form 2000 (GAs) <input type="checkbox"/> Form 799 (Lenders)

# ANALYSIS



Transaction Name	Owner	OMB # (if applicable)	Form #	Description (purpose and type of data involved--financial, privacy act, etc.)	Type of Data Involved (financial, privacy act, etc.)	Is it on FY02 Placemat?	Annual Unit Volume
<b>"Inbound" processes that require customer signature (and eventually relates to movement of funds)</b>							
Guaranty Agency Financial Report	Financial Partners	1845-0026	Form2000		financial	No	432
Lender's Request for Payment of Interest and Special Allowance	Financial Partners	1845-0013	OE799	used to pay interest and special allowances to lenders	financial	Funded with FY01 money; implementation planned for April 2002	9,200
FFEL Forbearance and Deferment Applications and Documents	Financial Partners	1845-0005 1845-0011			privacy act	No	3,000,000
Fiscal Operations Report and Application to Participate (FISAP) in the Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant, and Federal Work-Study Programs	Schools	1845-0030	ED Form 646-1	Currently gets 3 wet sigs from School President, and 2 Fin Aid officers. Aggregate school level information as application for future year's funding and as reporting for current year's funding.			4,100
Federal Perkins Promissory Note	Schools	1845-0019	n/a	promissory note between school and student for Perkins Loan		No	700,000
PLUS eMPN	Schools			allows parents of students to sign MPN using an SFA PIN		Which year's funds are being used?	

# ANALYSIS



Transaction Name	Owner	OMB # (if applicable)	Form #	Description (purpose and type of data involved--financial, privacy act, etc.)	Type of Data Involved (financial, privacy act, etc.)	Is it on FY02 Placemat?	Annual Unit Volume
<b>"Inbound" processes that require customer signature (and eventually relates to movement of funds)</b>							
Application to Participate	Schools			Application to participate in Title IV programs required for all new schools every 2 to 6 years as a recertification for all eligible schools; Portions required for schools will material changes to their participation agreements.		Yes, Integrated School Data	2,000
Program Participant Agreement (PPA)	Schools		n/a	As a result of the application process above, schools are sent an Agreement		Yes, re-engineering of PEPS	2,000
DL Electronic Debit Account Brochure and Authorization Form (EDA)	Students	1845-0025		obtains DL borrower consent to have loan repayment electronically debited from his/her bank account		Yes, part of DLSS re-engineering	100,000?
DL Forbearances & Deferments	Students	1845-0011				Yes, part of DLSS re-engineering	1.3 million defer per year for unemployment

# ANALYSIS



Transaction Name	Owner	OMB # (if applicable)	Form #	Description (purpose and type of data involved--financial, privacy act, etc.)	Type of Data Involved (financial, privacy act, etc.)	Is it on FY02 Placemat?	Annual Unit Volume
<b>"Outbound" processes (require partners trust what SFA sends out; different, easier authentication solution)</b>							
Notification of Cohort Default Rates (CDR)	Schools (Pat Trebia)	n/a	n/a	very large report mailed to schools; important to know exactly when and by whom this info if received	financial, privacy act		13,000

# ANALYSIS



Transaction Name	Owner	OMB # (if applicable)	Form #	Description (purpose and type of data involved--financial, privacy act, etc.)	Type of Data Involved (financial, privacy act, etc.)	Is it on FY02 Placemat?	Annual Unit Volume
<b>"Inbound" processes that are a customer choice (e-sig not needed, log-on ID will suffice)</b>							
Repayment Plan selection							

# ANALYSIS



Transaction Name	Owner	OMB # (if applicable)	Form #	Description (purpose and type of data involved--financial, privacy act, etc.)	Type of Data Involved (financial, privacy act, etc.)	Is it on FY02 Placemat?	Annual Unit Volume
<b>Implemented processes</b>							
eMPN and eConsolidation Notes	Schools and Students	1845-0007 DL 1845-0036 DLC					
FAFSA	Students						

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**CIO Office of Innovations**  
*eSign Possibilities (DRAFT)*



# Appendix A

## Input Source for eSign Candidates

Electronic Copies Requested; Hard Copy Deliverable Includes Attachment

SFA Modernization Partner  
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*eSign Possibilities (DRAFT)*



# Appendix B

## Current eSign Savings Volume Model

# eSIGN COST BENEFIT ANALYSIS



## 5 Year Cost/Benefit Analysis

<b>Development Costs (FY00-FY05)</b>	<b>\$4,054,838</b>
<b>Savings (FY01-FY05)</b>	<b>\$1,999,827*</b>
<hr/>	
<b>Net Costs</b>	<b>\$2,055,011</b> <b>(\$411,002 per year)</b>

\*Savings = Operating Cost Savings (\$4,154,577) – New Costs (\$2,154,750)

# eSIGN COST BENEFIT ANALYSIS



	net savings per eNote**	*FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Total
<b>DLO<sup>1</sup></b>							
<b>Level 1-2 Schools</b> (98.66% of DL notes)							
GPO printing of Pnotes and R&R**	\$0.03	\$0	\$67,500	\$67,500	\$67,500	\$67,500	\$270,000
Warehousing GPO-printed docs**	\$1.83	\$687	\$9,886	\$9,886	\$9,886	\$9,886	\$40,230
Prepare boxes of Pnotes and R&R for shipping**	\$0.68	\$0	\$7,738	\$7,738	\$7,738	\$7,738	\$30,953
Bulk ship Pnotes and R&R	\$0.17	\$31,448	\$125,792	\$125,792	\$125,792	\$125,792	\$534,614
<b>Level 3-5 Schools</b> (1.34% of DL notes)							
Print Pnote	\$0.01	\$26	\$103	\$103	\$103	\$103	\$439
Print envelope	\$0.04	\$92	\$370	\$370	\$370	\$370	\$1,572
Postage	\$0.34	\$854	\$3,417	\$3,417	\$3,417	\$3,417	\$14,522
<b>Pnote Processing</b>							
Scan Pnotes	\$0.09	\$16,875	\$67,500	\$67,500	\$67,500	\$67,500	\$286,875
Print envelope	\$0.04	\$8,188	\$54,830	\$54,830	\$54,830	\$54,830	\$227,508
Postage	\$0.34	\$5,521	\$47,583	\$47,583	\$47,583	\$47,583	\$195,853
Imaging staff reduction	\$0.25	\$3,750	\$187,500	\$187,500	\$187,500	\$187,500	\$753,750
eMPN storage per year	\$0.01	\$2,625	\$10,500	\$10,500	\$10,500	\$10,500	\$44,625
<b>Subtotal</b>		\$70,065	\$582,719	\$582,719	\$582,719	\$582,719	\$2,400,940
<b>DLS<sup>2</sup></b>							
Skip-trace & Collections (request/image/data entry) 70.79%	\$3.62	\$10,471	\$30,105	\$69,241	\$199,068	\$457,856	\$766,740
DCS Transfers (request, image) 23.97%	\$2.87	\$2,811	\$8,082	\$18,588	\$53,440	\$122,913	\$205,834
DLSS Processing Copy (request, image) 0.32%	\$2.87	\$38	\$108	\$248	\$713	\$1,641	\$2,748
Borrower Requested PIF Copy (request, image) 2.3%	\$2.87	\$270	\$775	\$1,784	\$5,128	\$11,794	\$19,750
Borrower Requested Copy (request, image, mail) 2.3%	\$3.16	\$297	\$854	\$1,964	\$5,646	\$12,986	\$21,746
DDB Copy (request, image) 0.32%	\$2.87	\$38	\$108	\$248	\$713	\$1,641	\$2,748
<b>Subtotal</b>		\$13,924	\$40,032	\$92,073	\$264,709	\$608,830	\$1,019,567
<b>DLC<sup>3</sup></b>							
Print and mail Pnote to student	\$0.36	\$53,526	\$57,273	\$61,282	\$65,572	\$70,162	\$307,816
Receive and review mailed Pnotes	\$0.06	\$8,263	\$8,841	\$9,460	\$10,122	\$10,831	\$47,516
Image and process Pnote	\$0.08	\$11,763	\$12,586	\$13,467	\$14,410	\$15,419	\$67,645
Retire Pnote and ship to vault	\$0.05	\$8,007	\$8,568	\$9,167	\$9,809	\$10,496	\$46,047
Store Pnote per year	\$0.01	\$2,103	\$2,250	\$2,408	\$2,577	\$2,757	\$12,095
<b>Subtotal</b>	\$0.56	\$83,662	\$89,518	\$95,785	\$102,490	\$109,664	\$481,118
<b>DCS<sup>4</sup></b>							
<b>Defaulted Pnote Assignment</b>							
Prepare Pnote assigned from GA for imaging	\$0.07	\$0	\$2,558	\$5,117	\$7,675	\$7,675	\$23,026
Image and QC image of Pnote assigned from GA	\$0.08	\$0	\$3,223	\$6,446	\$9,669	\$9,669	\$29,007
<b>Pnote Retrieval</b>							
Retrieve imaged Pnote, print, mail to requestor	\$1.00	\$0	\$13,743	\$27,486	\$54,973	\$68,716	\$164,918
Retrieve, print envelope and mail original Pnote	\$2.00	\$0	\$3,000	\$6,000	\$12,000	\$15,000	\$36,000
<b>Subtotal</b>		\$0	\$22,525	\$45,049	\$84,317	\$101,060	\$252,952
<b>TOTAL SAVINGS</b>		\$167,651	\$734,793	\$815,625	\$1,034,234	\$1,402,273	\$4,154,577



E-SIGNED VOLUME ASSUMPTIONS	Percentage	*FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
<b>DLO e-signed assumptions</b>						
e-signed eMPNs	75%	187,500	750,000	750,000	750,000	750,000
GPO printing volume per year	75%	0	2,250,000	2,250,000	2,250,000	2,250,000
Warehouse pallet volume per year	75%	375	5,400	5,400	5,400	5,400
Prepared shipping boxes per year	75%	0	11,400	11,400	11,400	11,400
Envelope volume per year	75%	225,000	1,500,000	1,500,000	1,500,000	1,500,000
First-class mail per year	75%	18,750	150,000	150,000	150,000	150,000
<b>DLS e-signed assumptions<sup>2</sup></b>						
Pnote requests (grow 15% each year)	variable	4,086	11,748	27,020	77,682	178,669
	-	2%	5%	10%	25%	50%
<b>DLC e-signed assumptions</b>						
e-signed eConsolidation notes	52%	150,228	160,744	171,996	184,036	196,918
<b>DCS e-signed assumptions<sup>4</sup></b>						
Pnotes assigned from GA	variable	0	38,369	76,739	115,108	115,108
	-	0%	25%	50%	75%	75%
Pnotes assigned from DL	variable	0	62,014	124,027	186,041	186,041
	-	0%	25%	50%	75%	75%
Imaged Pnote requests	variable	0	13,743	27,486	54,973	68,716
	-	0%	10%	20%	40%	50%
Original Pnote requests for litigation	variable	0	1,500	3,000	6,000	7,500
	-	0%	10%	20%	40%	50%
<b>BASE VOLUMES</b>						
<b>DLO base volumes</b>						
signed MPNs		250,000	1,000,000	1,000,000	1,000,000	1,000,000
GPO printing volume per year		0	3,000,000	3,000,000	3,000,000	3,000,000
Warehouse pallet volume per year		500	7,200	7,200	7,200	7,200
Prepared shipping boxes per year		0	15,200	15,200	15,200	15,200
Envelope volume per year		300,000	2,000,000	2,000,000	2,000,000	2,000,000
First-class mail per year		25,000	200,000	200,000	200,000	200,000
<b>DLS base volumes</b>						
Pnote requests (15% increase per year)		204,309	234,955	270,198	310,728	357,337
<b>DLC base volumes</b>						
signed Consolidation notes (7% increase per year)		288,900	309,123	330,762	353,915	378,689
<b>DCS base volumes</b>						
Pnotes assigned from GA		153,477	153,477	153,477	153,477	153,477
Pnotes assigned from DL		248,054	248,054	248,054	248,054	248,054
Imaged Pnote requests		137,432	137,432	137,432	137,432	137,432
Original Pnote requests for litigation		15,000	15,000	15,000	15,000	15,000

\* eMPN and eConsolidation Notes were implemented on July 2, 2001, so FY01 savings are based on a 3-month time period

\*\* Unit of savings is per document, per pallet and per box prepared for these entries

<sup>1</sup> DLO may obtain future labor savings via contract renegotiations. Level 1-2 School account for 98.66% of DL MPNs.

<sup>2</sup> DLS savings are based on different types of Pnote requests, estimated to grow 15% each year and a variable percentage being for eMPNs for each FY: 2%, 5%, 10%, 25%, 50%

<sup>3</sup> DLC already saves \$0.99 per note every time a borrower uses an on-line application. An increase in loan consolidations due to favorable interest rates may increase the estimated eNote volumes.

<sup>4</sup> DCS--Loans received from FISL, Perkins and Pell are not considered here since they comprise 6% of loans DCS receives and Pell loans don't have Pnotes. Assumed no eNotes would be received in FY01, 25% in FY02, 50% in FY03 and 75% in FY04 and FY05. Assu