



**Students Channel
Student Credit Management - Collections
Organizational Assessment**

For Discussion Purposes Only

August 9, 2001

Collections Overall Modernization Plan

This overall modernization approach to Collections identifies low, medium, and high risk opportunities associated with technology, process, and organizational changes. This integrated plan aligns with the PBO objectives of increasing customer and employee satisfaction while reducing unit costs.

Phased Approach	Current Environment Assessments	Low Risk Opportunities	Medium Risk Opportunities	High Risk Opportunities
Technology	<ul style="list-style-type: none"> Leveraged Debt Management and Collections System (DMCS) Replacement Business Case Contacted Federal Family Education Loan (FFEL) Contract Retirement Integrated Product Team (IPT) Contacted eServicing Assessment 	<ul style="list-style-type: none"> Select Commercial Off The Shelf (COTS) Software for DMCS Replacement 	<ul style="list-style-type: none"> Implement selected COTS Product to Replace DMCS Implement Siebel Software 	<ul style="list-style-type: none"> Implement Common Servicing Operations Implement and Manage One Consistent Answers Call Center
Process	<ul style="list-style-type: none"> Participated in Process Review Analysis Discussed Consistent Answers 	<ul style="list-style-type: none"> Consolidate Raytheon Contract with Direct Loan Payment and Loan Processing Implement Defaulted Loan Sale Program 	<ul style="list-style-type: none"> Centralize and Automate Data Exchange 	<ul style="list-style-type: none"> Increase Authority and Responsibilities of the Public Inquiry Contract (PIC)
Organization	<ul style="list-style-type: none"> Participated in Process Review Analysis Interviewed Regional and HQ Directors Coordinated with Modernization Partner Project Team Leads Researched Best Practices 	<ul style="list-style-type: none"> Manage Attrition Reevaluate Raytheon Contract Develop and Pilot an Employee Incentive Program 	<ul style="list-style-type: none"> Outsource Auditing Functions Automate Manual Functions Outsource AWG Function 	<ul style="list-style-type: none"> Outsource Hearings Function Outsource Loan Services Function Centralize Regional Offices (are we centralizing or consolidating?) Streamline PCA Monitoring

Collections Current Best Practices

Through the process review analysis and regional interviews, we have learned that the Collections organization currently utilizes a number of best practices:

BEST PRACTICES	CONTEXT	BENEFIT
Consolidating Aid Awareness Activities	<ul style="list-style-type: none"> • One employee from Collections HQ office has been providing information to students, schools and families about available repayment tools. • Gary Hopkins has been working with Linda Hall to move this function from the Collections HQ office to the Student Aid Awareness Office. 	<ul style="list-style-type: none"> • Eliminates duplication • Encourages knowledge sharing • Provides SAA with an additional skilled resource
Reevaluate Collections DCS COTR Function	<ul style="list-style-type: none"> • The Contracting Officers Technical Representative (COTR) function for PCA's existed in Financial Partners. • Collections leadership recognized the need to align this function with the appropriate channel and have since assigned this function to Students Channel. 	<ul style="list-style-type: none"> • Provides optimal customer service • Provides one point of contact for Students Channel
Managing Knowledge Capital	<ul style="list-style-type: none"> • The Chicago Region has identified that 20% of their workforce will be retiring with the next x years. • Given this statistic, the region has proactively taken measures to retain their knowledge capital by developing a training manual. 	<ul style="list-style-type: none"> • Ensures knowledge is captured and shared
Developed Cross-Training Program	<ul style="list-style-type: none"> • As a result of the 1995 re-organization, regional offices were aligned by core business functions. • A career path was designed, involving cross-training across all core business functions performed within the regional branches. • The cross-training program has provided employees with an overall understanding of the core business functions performed in Collections. 	<ul style="list-style-type: none"> • Improves employee satisfaction • Supports career progression • Allows regions to manage volume of work
Developed Mentorship Program	<ul style="list-style-type: none"> • Most of the regional training is On The Job (OTJ). • The regional offices recognized that to train new employees quickly, they need a mentor to guide, coach and monitor the new employees work until they are able to perform their functions independently. 	<ul style="list-style-type: none"> • Improves employee satisfaction • Decreases the amount of time needed for new employees to perform work independently

Low Risk Organizational Opportunities

The following chart identifies potential “low risk” organizational change opportunities. These “quick wins” require limited financial and human capital resources in meeting the PBO objectives.

Organizational Opportunities	Level of Effort	Key Issues/Considerations
Manage Attrition	●	<ul style="list-style-type: none"> • Attention to “whom” and “when” retirement would occur among the 20% of regional employees eligible for retirement. • Recommend: Understand the full impact and timing of this attrition: <ul style="list-style-type: none"> - Identify which positions are being lost to attrition - Identify skill gaps - Understand timing relative to other changes occurring within the organization - Look for ways to contract out lost skills and tasks, when appropriate - Identify ways to recruit new staff, where the desired skills should not be outsourced. - Identify additional ways to capture institutional knowledge and transfer job functions to contractors and other SFA employees as appropriate
Review SFA Contracts	◐	<ul style="list-style-type: none"> • There appears to be a duplicated work between Raytheon and SFA. Raytheon is currently responsible for logging in closed school applications received by SFA and providing initial reviews. It has been suggested that SFA manage this whole process. • Recommend: Conduct further investigation to better understand the relationship of the Raytheon contract and to terminate this responsibility from their existing contract.
Develop Employee Incentive Program	◐	<ul style="list-style-type: none"> • PCA's are currently paid according to the rewards outlined in their contracts. Collections employees should also be rewarded based on their mission, goals and values. • Recommend: Pilot an employee incentive program to recognize and reward teams and individuals while increasing employees satisfaction.
Key: ● = High Effort ◐ = Medium Effort ○ = Low Effort		

Medium Risk Organizational Opportunities

The following chart identifies potential “medium risk” organizational change opportunities. These entail modest risk to SFA.

Organizational Opportunities	Level of Effort	Key Issues/Considerations
Outsource Auditing Functions	●	<ul style="list-style-type: none"> In addition to relationship building through work efforts with PCA's and the PIC, regional offices are spending a great deal of time, money (travel) and resources auditing their daily functions. Recommend: Outsource function to a neutral third party vendor to reduce responsibilities, cost and resources Consideration should be given to the role of both auditing PCA's and the PIC while also developing relationships with them. This has the potential of creating a conflict of interest situation. Additionally, this process should only take place once a year rather than on an on-going basis. Recommend: Develop an internal auditing team responsible for auditing the PCA's and PIC once a year. This would require developing a standard and consistent auditing process.
Automate Manual Functions	○	<ul style="list-style-type: none"> Recommend: Automate the account transfer process for litigation to Department of Justice Recommend: Automate the Hearings function This solution is recommended only if it is not feasible to outsource these functions (litigation and hearings)
Outsource AWG Function	◐	<ul style="list-style-type: none"> Currently, this function is being done jointly with PCA's and SFA. Recommend: Contract the AWG function to PCA's or through common servicing.
Key: ● = High Effort ◐ = Medium Effort ○ = Low Effort		

High Risk Organizational Opportunities

The following chart identifies potential “high risk” organizational change opportunities. These opportunities should be explored further to fully understand their overall organizational impact.

Organizational Opportunities	Level of Effort	Key Issues/Considerations
Outsource Hearings Function		<ul style="list-style-type: none"> Currently, Hearings are prepared and processed by the PIC or Guaranty Agencies. SFA provides oversight, sign-off approval and processing oral hearings if requested. Recommend: Outsource Hearings function to reduce responsibilities, duplication of effort, cost and resources
Outsource Loan Services Function		<ul style="list-style-type: none"> Although further investigation is suggested, our research indicates that the Loan Services branches are a duplicate function of what should be taking place at a central call center. Recommend: Coordinate work efforts with Modernization Partner's Consistent Answers: <ul style="list-style-type: none"> - Offer one call-in number to one central office that routes calls accordingly and handles the full range of issues from direct loans to defaulted loans, rather than the numerous numbers that exist today at the three regions. - Design consistent work processes to minimize hand-offs and provide consistency. - Design, develop and deliver training for the CSR's that incorporate Collections employee knowledge capital and leverage existing call center training resources. - Centralize all related Loan Services functions to provide common servicing.
Consolidate Regional Offices		<ul style="list-style-type: none"> The geographic location of the regional offices currently has no direct correlation to their function and purpose. Recommend: Consolidate the four service centers to one or two locations to reduce costs
Streamline PCA Monitoring		<ul style="list-style-type: none"> There is a reported one-to-one relationship of PCA's contact to SFA contact. Since the Fall of 2000, there has been a transition from 17 PCA's to 13 PCA's. Currently, there are 21 FTEs in the Atlanta's Contract Services Branch performing this function. Recommend: Reevaluate the current relationship structure to determine the work load level necessary to monitor the PCA's.

Key: = High Effort = Medium Effort = Low Effort

Next Steps: Collections Organizational Plan

