



Deliverable 91.1.5 - Quick Wins

DMCS Replacement

July 12, 2002

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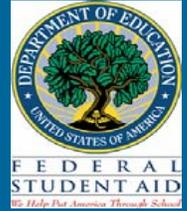


Introduction

Quick wins are specific opportunities for improvement which can be implemented without major disruption to the organization and within a short time frame.

Characteristics of Quick Wins

- ◆ Interim measures, pending the introduction of longer term solutions as part of the major program
- ◆ Implementation time frame less than three months
- ◆ Payback period less than six months from implementation
- ◆ Can be easily adopted by operational management and the workforce



Introduction

The quick wins implementation focused on reducing Collections operating costs and improving business process efficiency. Six quick win opportunities were selected for this initiative.

Selected Quick Win Opportunities

- ◆ Verify PCA Postage Savings
- ◆ Proactively Manage Hardship Hearings (AWG, TOP and FDP)
- ◆ Discharge Identified “Problem” Accounts
- ◆ Reduce Letters Sent To Borrowers
- ◆ Market Collections Website for Borrowers
- ◆ Reduce PCA Visits

Introduction



High-level results

Quick Win Opportunities

- ◆ Verify PCA Postage Savings
- ◆ Proactively Manage Hardship Hearings
- ◆ Recommend Discharge of “Problem” accounts
- ◆ Reduce Letters Sent To Borrowers
- ◆ Market Collections Website for Borrowers
- ◆ Reduce PCA Visits

Results

- ◆ \$1.98 million annual savings as of June 2002.
Projected annual savings of \$3 Million
- ◆ Current system limitations do not allow regional officers to track the number of hearings resulting from Quick Win Initiative. Therefore its difficult to quantify savings on this task for this phase
- ◆ Current system limitations do not allow regional officers to track the write-off's resulting from Quick Win Initiative. Therefore its difficult to quantify savings on this task for this phase
- ◆ Approximately \$18k savings per month = \$216k annually
- ◆ Marketing of a website generally takes longer time to see increase in adoption rate - Results will be analyzed on an on-going basis
- ◆ \$24k savings annually



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Overview of Quick Win Selection

Several quick win opportunities were identified by the DMCS Replacement team.

The opportunities are grouped into two themes:

- ◆ Reduced Operating Costs – direct impact on SFA operations budget
- ◆ Increased Collections Effectiveness – direct impact on money collected for Treasury

Reduced Operating Costs

1. Reduction in SFA Reviews
2. Avoidance of AWG, TOP and FDP Hardship Hearings
3. Recover Data Matching Costs
4. Provide Electronic Payment Capabilities
5. Reduce Letters Sent To Borrowers
6. Reduce Paper-Based Reporting
7. Centralize and Automate Data Exchange
8. Combine FDP with TOP Process
9. Define Organizational Processes
10. Create Collections Employee Incentives Programs

Increased Collections Effectiveness

1. Increase Returned Check Fee
2. Reduce Consolidation Commissions
3. Reduce Defaulted Loan Portfolio
4. Implement New Skip Tracing Technologies
5. Add New Collections Management Capabilities



Overview of Quick Win Selection

The initial list of potential initiatives was narrowed down to feasible quick win opportunities. Identified quick win opportunities were ranked according to impact, effort, and cost.

- ◆ Rank 1: High Impact (>\$500K), Low Effort, Low Cost (¢)
- ◆ Rank 2: Medium-High Impact (<\$500K or \$ go to Treasury)
Low-Medium Effort, Low-Medium Cost (¢ - \$)
- ◆ Rank 3: Varied Impact, Effort, and Cost,
may be further enhanced by new solution
- ◆ Rank 4: Enabled by new solution, out of scope for quick wins
- ◆ Rank 5: Out of scope for quick wins, not enabled by new system,
in scope for major program
- ◆ Rank 6: Out of scope for both quick wins and major program



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Selected Quick Win Initiatives

Ranking by Impact, Effort, and Cost

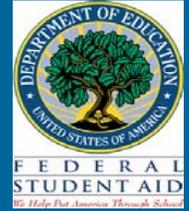
Rank	Potential Initiative	Impact	Effort	Cost	Proposed Action	Decision
1	Verify PCA postage savings	H	L	¢	Confirm that projected postage savings are being realized – track actual meter usage, develop measures	Go – although may not officially be categorized as a “quick win”, these benefits should be documented
2	Proactively avoid Hardship hearings (AWG, TOP, and FDP)	M	L	¢	Use calculations (e.g. Joe Butler’s calculator) to anticipate hardship prior to putting borrower on AWG, TOP, or FDP	Go - Initiative has been started - need to implement metrics & performance measures
	Discharge identified “problem” accounts	H	M	\$	Reduce defaulted loan portfolio through more aggressive discharge	Go – Loans are being categorized into specific problem areas and can be more aggressively discharged
	Reduce PCA visits	M	L	¢	Reduce PCA visits from 4 per PCA annually, to 2 per PCA per year	Go – PCA’s can request additional visits at their expense if more guidance is needed
3	Reduce letters sent to borrowers	M	M	¢-\$	Process Change - Eliminate sending of 2 nd letter (N07); however, this might be a code change to the 2 nd letter programs in case they are hard coded	Go – Approach Raytheon with request for program that cancels 2 nd letters, review other letter reduction opportunities
	Market Collections website to borrowers	L	L	¢	Actively market website by adding address to correspondence - downloadable forms may reduce postage costs; encouraging website use will have long term benefits as more capabilities are enabled by new solution	Go - Review feasibility of adding website address to key Collections correspondence

¢ = Low Cost

¢-\$ = Low-Medium Cost

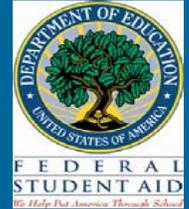
\$ = High Cost

Ranking of Potential Initiatives - Out of Scope for Quick Wins



Rank	Potential Initiative	Impact	Effort	Cost	Proposed Action	Decision
4	Add new collections management capabilities	H	N/A	N/A	Assign & manage PCAs more effectively, automated workflows, predictive modeling...	Enabled by new solution
	Reduce paper-based reporting	H	N/A	N/A	New solution process redesign to eliminate unnecessary reports, provide online viewing capability	Enabled by new solution
	Provide electronic payment capabilities	H	H	¢-\$	Centralize DLS & Collections payment centers, utilize/ implement new technologies & lock box	Enabled by new solution
	Centralize and automate data exchange	M	N/A	N/A	Eliminate monthly data tapes via automated data exchange; enable online viewing of promissory notes etc.	Enabled by new solution
	Combine FDP with TOP process	M	N/A	N/A	Utilize Treasury's FDP, eliminate Collections FDP subsystem	Enabled by new solution – Treasury has approached us
5	Define organizational processes	N/A	N/A	N/A	Business process redesign	Longer-term process – Business Simulation
	Create employee incentive programs	N/A	N/A	N/A	Programs to encourage improved employee performance	Longer-term process - Org alignment team
6	Increase Returned Check Fee	H	L	¢	Increase charge for returned checks from \$5 to \$20+ (banking industry norm is \$25)	Out of scope - will increase defaulted loan portfolio
	Reduce FSA Reviews	H	L	¢	Perform random sample reviews of PIC decisions (currently only 1% error)	Will not get approval from OGC, is "inherently governmental"
	Reduce consolidation commission	H	M	¢	Renegotiate consolidation commission contracts with PCAs	Ongoing effort
	Implement/encourage use of skip tracing technologies	H	H	¢-\$\$	Encourage PCAs to use latest technologies – help negotiate pricing deal	Out of scope – PCA responsibility
	Recover data matching costs	M	L	¢	Stop paying HUD to contribute to CAIVARS database, which consists of 80% SFA info	Keep paying HUD as their database enables a \$M increase in collections

Selected Quick Win Initiatives



Impact, Effort, and Cost Matrix

	Low Impact	Medium Impact	High Impact
Low Effort	<ul style="list-style-type: none"> Market Collections website for borrowers <p>Priority 4</p>	<ul style="list-style-type: none"> Proactively avoid Hardship (AWG, TOP, and FDP) hearings (¢) Reduce PCA visits <p>Priority 2</p>	<ul style="list-style-type: none"> Verify PCA postage savings <p>Priority 1</p>
Medium Effort		<ul style="list-style-type: none"> Reduce letters sent to borrowers (¢-\$) <p>Priority 3</p>	<ul style="list-style-type: none"> Discharge identified “problem” accounts (\$) <p>Priority 2</p>



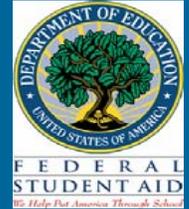
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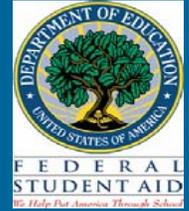
Detailed Results



Quick Wins Implementation

A timeline was developed for quick wins that would facilitate implementation of the initiatives by the end of June, with the exception of two ongoing projects.

Activity	Timeline																Time Budget (weeks)	Resource	
	Mar	April				May					June				July				
Task	w1	w2	w3	w4	w5	w6	w7	w8	w9	w10	w11	w12	w13	w14	w15	w16			
Organization & Detailed Planning																			Program Manager, Program Sponsor
Establish detailed program level plan																		1	
Assign Personnel/resources																		1	
Orient working team																		1	
Design/Deployment																			Program Sponsor, Team Members
Verify PCA postage savings																		4	
Proactively manage AWG, TOP, and FDP Hardship hearings																		Ongoing	
Aggressively write-off problem accounts																		Ongoing	
Reduce letters sent to borrowers																		6	
Market the Guide to Defaulted Student Loans using 1-800 I Will Pay.com																		3	
Decrease PCA visits																		1	
Communication																			Program Manager
Plan communication																		4	
Design/Develop communication																		4	
Communicate quick wins progress																		10	
Results Consolidation/Report																			Program Manager
Collect performance result information																		1	
Analyze the results of quick wins benefits/costs																		1	
Document quick win benefit realization report																		1	
Management review																		1	



Quick Wins Implementation

Leadership identified the appropriate resources to facilitate each of the initiatives, as well as action items necessary to launch the quick wins and produce results.

Quick Win Opportunities				
Opportunity	Description	Action Items	Responsible	
1	Verify PCA postage savings	Verify reduced operating costs associated with PCA postage savings	1. Track monthly postage savings	Brian Sullivan
2	Proactively manage AWG, TOP, and FDP Hardship hearings	Increase operating efficiencies by actively managing and reducing hardship hearings. Use calculator to proactively identify hardship cases. Reallocate staff's time to move to "Ombudsman Model" - life of the loan approach - will reduce callbacks & compla	1. Develop methodology for proactively identifying true hardship cases 2. Design "Ombudsman Model" to provide life of the loan service	Freda Heppner Diane Spadoni Jane Bryson
3	Aggressively write-off "problem" accounts	Reduce defaulted loan portfolio by more aggressively discharging closed school accounts, etc. from Collections portfolio	1. Identify categories for "problem loans" 2. Determine which categories e.g. closed schools should be considered for more aggressive loan write-off	Jane Bryson
4	Reduce letters sent to borrowers	Reduce postage costs by minimizing sending of 2nd letters to defaulted borrowers, examine other areas for letter reduction	1. Contact Raytheon for program re-write 2. Examine other correspondence areas for possible postage savings	Shirley Wheeler
5	Market the Guide to Defaulted Student Loans using 1-800 I Will Pay.com	Effectively market the site via correspondence guiding borrowers to the site. (PIC currently refers borrowers to this site)	1. Check feasibility of adding website address to content of all Collections correspondence to borrowers	Mike Bryant
6	Decrease PCA visits	Decrease number of PCA audit visits from 4 annually to 2 per year.	1. Reschedule visits to reflect reduction 2. Communicate to PCAs their option to have ED visit at their expense	Freda Heppner



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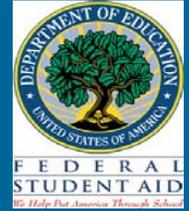
Detailed Results

Detailed Results



Savings Summary			
	Initiative	Total savings	Additional Benefits / Comments
1	Verify PCA postage savings	\$1,976,599	<i>Projected savings = \$3 Million Annually Actual savings as of June 2002 = \$1,976,599</i>
2	Proactively manage AWG, TOP, and FDP Hardship hearings	Current system limitations do not allow regional officers to track number of all hearings resulting from Quick Wins Initiative, therefore its difficult to quantify savings on this phase.	<i>Initiative helped initiate the analysis and tracking of accounts. Borrowers who were denied a hardship and are on a PCA location will now be tracked and status will be analyzed for future business enhancements. Proactive efforts should continue to improve customer service, which will generate savings.</i>
3	Aggressively write-off "problem" accounts	Current system limitations do not allow regional officers to track number of write-off's resulting from Quick Wins Initiative, therefore its difficult to quantify savings on this phase.	<i>Problem accounts have been eliminated from portfolio on a regional office basis. This reduction should be done proactively to reduce the portfolio. Future workflow will allow tracking of accounts to be write-off and the ability to quantify savings.</i>
4	Reduce letters sent to borrowers	\$53,963	<i>Based on FY01 volume, estimate close to \$60,000 savings or a 31% reduction in cost for FY02.</i>
5	Market the Guide to Defaulted Student Loans using 1-800 I Will Pay.com	Marketing of a website generally takes longer time to see increase in adoption rate.	<i>Continuous advertising of the website will increase website visits that will lead to reduced call volumes and savings.</i>
6	Decrease PCA visits	\$24,000	<i>50% reduction in cost</i>
	TOTAL SAVINGS	\$2,054,562	

Detailed Results



Postage Savings		
Assumptions		
Cost per letter	Printing	\$0.04
	Envelope	\$0.03
	Postage	\$0.28
	Total Cost	\$0.34
Savings Calculations	# Letters Mailed (1)	Postage Costs
FY 01 (Oct - June)	13,354,841	\$4,540,646
FY 02 (Oct - June)	7,541,315	\$2,564,047
Total Savings to Date		\$1,976,599
Projection for FY02		\$3,000,000
<i>(1) Number of Letters Sent using the readings from meters #2310265, #6091033, #2310202, and #609,055</i>		

Detailed Results



Reduce letters sent to borrowers		
Assumptions		
Cost per letter	Fulfillment	\$0.13
	Envelope	\$0.03
	Postage	\$0.28
	Total Cost	\$0.44
Savings Calculations		
	# Letters Not Sent (1)	Savings
April	57,331	\$24,939
May	40,124	\$17,454
June	26,598	\$11,570
Total Savings to Date		\$53,963
<p>(1) These calculations assume that new debts would have generated an N07 letter if a payment was not received in the first 10 days after the load date</p>		

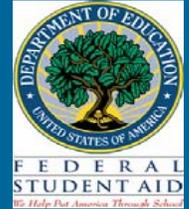
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Market 1-800 I Will Pay				
Increased Website Usage (1)	Website visits	% Increase in Visits	Downloads	% Increase in Downloads
March (baseline)	16,301		20,360	
April	16,556	0.78%	20,771	1.00%
May	15,521	-3.23%	19,155	-4.05%
June	17,056	4.71%	21,319	5.35%
Total Increase		2.26%		2.30%
<i>(1) Website visits projected to increase due to addition of address on major Collections correspondence</i>				

- ◆ Marketing of a website generally takes longer time to see increase in adoption rate.

Detailed Results



Reduce PCA Visits			
PCA Visits (1)	FY 01	FY 02	% Decrease
Expenses			
Travel & Lodging (avg. for 2 pple)	\$1,000	\$1,000	
PCA's visited	12	12	
Frequency	4	2	
Total Expenses	\$48,000	\$24,000	
Savings		\$24,000	50%
<i>(1) Visits reduced from 4 per year/PCA to just 2 per year/PCA</i>			