



We Help Put America Through School

Common Services for Borrowers

Conceptual Design

December 23, 2002

- Business Context
- Business Capabilities
- Operating Model
- Functional Requirements
- Table of Opportunities
- Phase 1 Opportunities
- Phase 2 and 3 Opportunities

Business Context



This deliverable was prepared for Common Services for Borrowers (TO 99) based on assumptions about the ongoing operational environment of Student Credit Management. If, in the future, the operational environment changes, there may be opportunities to revise the approach and achieve the vision for Common Services for Borrowers more effectively. Wherever possible, the analysis ideas and concepts in this deliverable should be used in the updated approach.

The Common Services for Borrowers (CSB) initiative focuses on the functions within Student Credit Management (SCM) of the Office of Federal Student Aid (FSA) by identifying commonalities and opportunities for improvement among its three service areas: Repayment, Consolidation, and Collections.

CSB Background

- The vision of the CSB project is to improve the management of student aid obligations through efficient use of timely and accurate information, common functions, and shared data
- CSB's vision supports FSA's organizational objectives to improve service, improve program integrity, integrate and modernize systems, reduce costs, and increase human capital performance
- With loan balances of approximately \$100 Billion, SCM would rank 9th among the nation's top banking lenders. In an effort to utilize industry best practices and improve the management of these assets, SCM leadership concluded that a number of common functions within SCM can be streamlined, consolidated, and reengineered to deliver significant improvements in managing student aid obligations from both a cost and borrower satisfaction perspective.

Business Context



To guide the development of a CSB solution, FSA and the Integration Partner established the CSB Core Team, also known as the Transformation Working Group (TWG), consisting of representatives from the SCM leadership team, as well as key members of the CSB Integration Partner Project Management Team. The Core Team was tasked with evaluating the three business areas in order to realize the following benefits:

CSB Benefits

- Eliminated redundancy of common functions within Student Credit Management
- Increased return on IT investments by ensuring that software development and maintenance projects are planned and executed in an effective, efficient, and coordinated manner
- Establish a consistent view of customer and portfolio
- Improved speed and consistency of processing
- Improved satisfaction level of clients from delivering the right business results the right way
- Reduced data hand-offs between systems
- Consistent communications to borrowers and other entities through Websites, data, and correspondence
- Increased automation of Student Credit Management
- Common access to shared information
- Solid risk management plan
- Smooth transition into a new CSB solution
- Flexibility to accommodate portfolio growth and requirements

Business Context



To achieve these benefits, the Core Team defined six common business process areas and used Action Teams consisting of FSA and Integration Partner personnel to provide potential opportunities for improvement amongst Repayment, Consolidation, and Collections. The six business areas were defined as:

Common Business Process Areas

- **Customer Interaction and Account Maintenance** – *address those functions that define how the common services functions interact with borrowers, schools, etc.*
- **Imaging and Document Management** – *addresses the specific functions surrounding imaging and management of documents that support common services processes*
- **Risk Management and Legal Proceedings** – *addresses delinquency and collections management, bankruptcy, lawsuits, etc.*
- **Fulfillment** – *addresses printing, folding, stuffing, inserting, sorting, posting, etc. of all materials/letters/documents/packages distributed to borrowers and/or other customers*
- **Financial Transactions** – *addresses the functions that support the processing of payments and the management of the financial components of repayment, collections, and consolidations*
- **Internal and External Reporting** – *addresses National Student Loan Data System (NSLDS), credit bureau, Income Revenue Service (IRS), delinquency, ad-hoc, and Management Information System (MIS) reporting, focusing on specific information around report format, frequency, volume, transmission type, and quality control procedures for each type of report*

Business Context



While the Action Teams identified potential opportunities, the Core Team defined five strategic objectives as well as a number of guiding principles to evaluate the opportunities. Ultimately, these strategic objectives were also used to help the Conceptual Design Team formulate SCM's newly defined Operating Model by means of establishing the necessary business capabilities for SCM to achieve these objectives.

CSB Strategic Objective	Associated Guiding Principles
Optimize Portfolio Management	<ul style="list-style-type: none"> <input type="checkbox"/> Identify and monitor cross-portfolio attributes impacting risk <input type="checkbox"/> Be able to <i>inform Public Policy with a Total View</i> <input type="checkbox"/> Clean Audits/High Risk List Removal
Integrate Systems and Data	<ul style="list-style-type: none"> <input type="checkbox"/> Natural progression of Consistent Answers/CRM4FSA <input type="checkbox"/> Optimize use of common data structures
Realize Operational Efficiencies	<ul style="list-style-type: none"> <input type="checkbox"/> Performance measures in place – assessed, managed, effective (an evolutionary process) <input type="checkbox"/> Cost Savings <input type="checkbox"/> Better results VALUE (better return on \$ invested)
Improve Tools for Servicing Borrowers	<ul style="list-style-type: none"> <input type="checkbox"/> Anticipate customer needs <input type="checkbox"/> Easy to understand information <input type="checkbox"/> Provide correct answers
Create Adaptability and Flexibility in the Systems	<ul style="list-style-type: none"> <input type="checkbox"/> Be able to handle any type of student aid obligation

- Business Context
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Business Capabilities



The Business Capabilities identified by the Conceptual Design Team account for all functional areas within SCM. These capabilities allowed the Conceptual Design Team to create a transformational end state vision, which combines the unique as well as common functions of Repayment, Consolidation, and Collections into a single Operating Model. The Business Capabilities within the Operating Model, in turn, helped develop the Conceptual Design in order to realize SCM's end state vision.

Business Capabilities

- **Risk Management** – *Management and recovery of outstanding balances in the portfolio.*
- **Performance Management** – *Identification, selection and oversight of outsourcing partners. Establish strategic priorities, inform operational decision-making and provide continuous improvement.*
- **Data Management** – *Visibility, sharing and reporting of portfolio data*
- **Transaction Processing** – *Back office processing of the portfolio*
- **Information Fulfillment** – *Delivery of products, tools and information to customers in the portfolio*

Enabling Processes



To foster the development of the Business Capabilities, the Conceptual Design Team also identified three Enabling Processes, which are designed to support or enable the development of the Business Capabilities. These processes provide guidance to ensure SCM's Business Capabilities are continuously monitored and improved to achieve the strategic and organizational objectives of both CSB and FSA, respectively.

Enabling Processes

- **Human Capital Management** – *Ability to have the right people with the right skills in the right jobs to achieve CSB goals*
- **Capability Development** – *Flexibility to address new requirements through business and system tools development*
- **Entity and Alliance Management** – *Ability to establish and maintain collaborative relationships and agreements with other entities in order to provide efficient and effective customer service*

Value Realization Approach



The strategy for sequencing the implementation of each CSB Business Capability was based upon a prioritization process. This process supported the Strategic Objectives established by the CSB Core Team. Based upon the priority assigned, opportunities were placed into distinct phases of work. The phases support an incremental implementation of the CSB solution, allowing for the optimal management of resources, change, constraints, and risk.

Phase 1 focuses on quick hit initiatives, while laying the foundation for a more integrated technical solution. Phase 2 focuses on process reengineering and implementing the core technical CSB solution. Finally, phase 3 focuses on completing the fully integrated CSB solution to achieve SCM's end state vision.

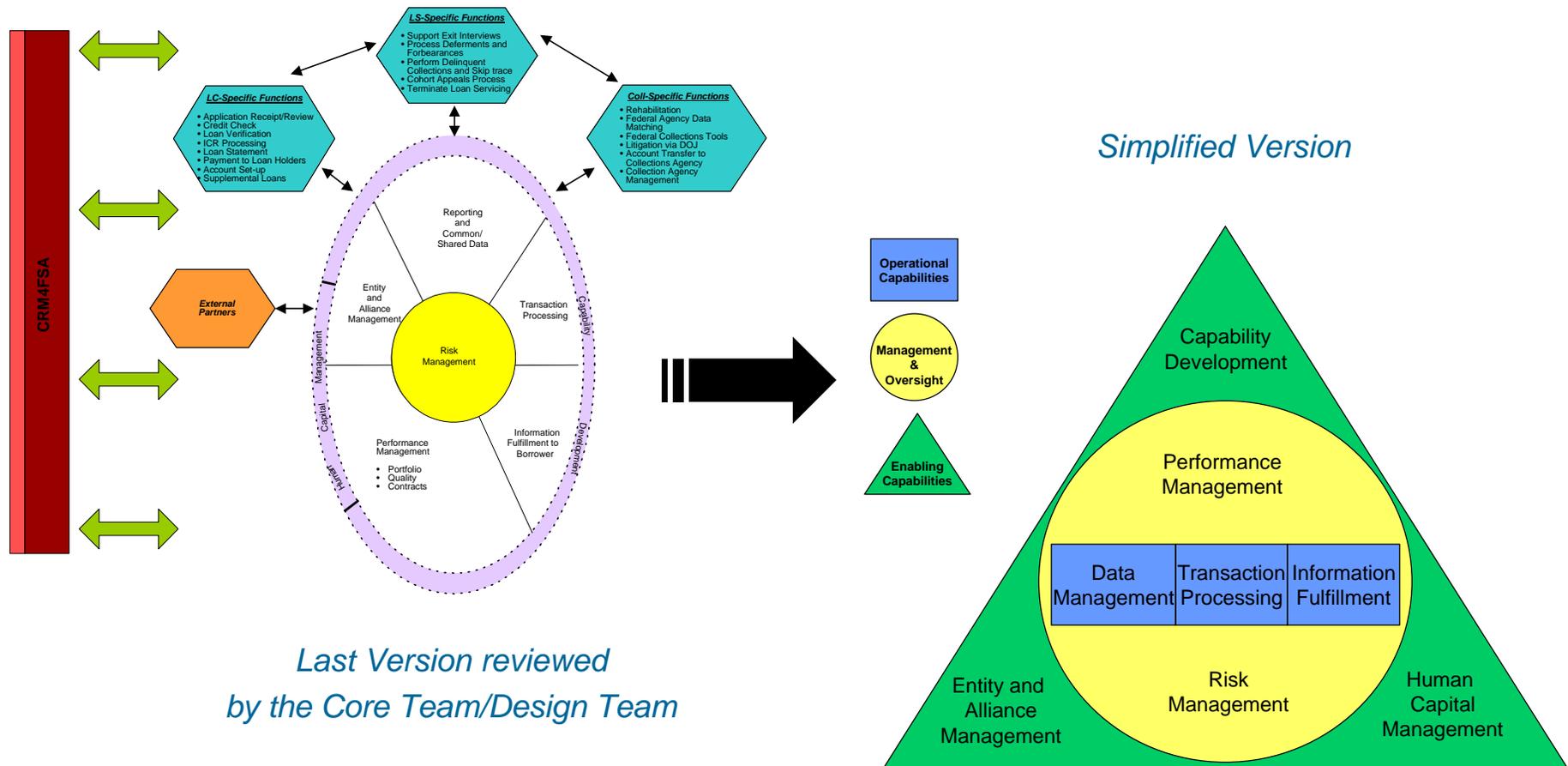
	Contract Efficiency	Process Efficiency	Organizational Transformation	Technical Solution
Phase 1	High	Tactical	As Needed by (1) & (2)	Limited/Foundation
Phase 2	Consolidate	Reengineering	Reorganization	Core Solution
Phase 3	Performance Based	New Capabilities	Alternative Models	Full Integrated Solution

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Operating Model

The following diagram represents the core processes of Student Credit Management (SCM), as defined for the purposes of deploying Common Services for Borrowers (CSB). Each core process consists of a set of functional requirements...

The diagram (Operating Model) is constantly evolving...



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- **Functional Requirements**
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CSB Capabilities and Functional Requirements



Common Services for Borrowers (CSB) Capabilities and Functional Requirements							
Capability Types	Operational Capabilities			Management & Oversight		Enabling Capabilities	
	Data Management	Transaction Processing	Information Fulfillment	Performance Management	Risk Management	Human Capital Management	Capability Development
Functional Requirements	Document Management	Consolidate Loans	Billing	Resource Management	Repayment Counseling	<i>Tools that can be leveraged to meet the CSB functional requirements</i>	
	External Reporting	Receive and Process Payments	Correspondence	Contract Management	Locate Borrowers		
	Internal Reporting	Funds Processing	Customer Outreach	Future Planning/Visioning	Portfolio Analysis/Risk Modeling		
	Information Access & Security	Account Set-up and Maintenance	Customer Response	Portfolio Management	Collection Tools		
		Process Forms	Self-Service	Quality			

Functional Requirements



Data Management

Document Management

- Document Storage (including Images)
- Document Retrieval (including Images)
- Mail Handling
- Retention Standards

External Reporting

- Relevant Standard Reports
- Ad-Hoc Reporting Capability
- Reliability & Comparability of Data

Internal Reporting

- Relevant Standard Reports
- Ad-Hoc Reporting Capability
- Reliability & Comparability of Data
- Data Reporting Across SCM

Information Access & Security

- Accessibility of Information for All Users, Regardless of Location
- Proper Identification of Information Users
- Maintenance of Users & Access to Information

Functional Requirements



Transaction Processing

Consolidate Loans

- Loan Verification
- Application Receipt
- Loan Booking
- Promissory Note Receipt
- Credit Checks

Receive and Process Payments

- Lockbox Enabled
- Payment Centers
- Web Payments
- Special Handling Payments
- EDA Payments
- Non-Cash Payments
- Payment Reapplication and Adjustment

Funds Processing

- Overpayments/ Refunds
- Underpayments
- FMS
- Reconciliation
- GAPS
- Treasury Check Processes

Account Set-Up and Maintenance

- Book Loans
- Update Borrower Demographic Information
- Determine Repayment Plans
- Initiate Collection Methods
- Status Updates
- Maintain Loan Balance
- System Balancing

Process Forms

- Deferment Processing
- Forbearance Processing
- Discharge Application Processing
- Credit Check Form Processing
- ICR Processing
- New Form Processing

Functional Requirements



Information Fulfillment

Billing

- Determine Payment Amount
- Generate and Distribute Paper Bills
- Generate and Distribute Electronic Bills

Correspondence

- Stuffers Sent to Borrowers
- Annual Statements
- Tax Statements
- Generate and Distribute Letters, Statements, and Forms

Customer Outreach

- Phone Calls to Borrowers
- Letters to Borrowers
- Emails to Borrowers
- Outreach to Schools on Behalf of Borrowers

Customer Response

- Emails to Service Centers
- Letters to Service Centers
- Calls to Service Centers
- VRU
- Congressionals / Control Mail
- Cohort Appeals Process
- Ombudsman Support

Self Service

- Online Payment Options
- Changes to Repayment Plans
- Downloadable Forms for Application Processing
- Web-based Services

Functional Requirements



Performance Management

Resource Management

- Roles and Responsibilities
- Resource Allocation
- Knowledge Sharing
- Training

Contract Management

- Interagency Agreements
- Third Party Vendors
- Collection Method Analysis
- Operating Partner Evaluations and Management
- Deliverables / Invoicing
- Performance Based Contracting
- Outsourcing Management

Future Planning/ Visioning

- Strategic (Re)Planning
- Performance Indicators
- Change Success Factors

Portfolio Management

- Customer Segmentation
- Align Organization to the Business Capabilities

Quality

- Highest Standards
- Continuous Evaluation
- Performance Measures
- Improvement Plans

Functional Requirements



Risk Management

Repayment Counseling

- Repayment Options
- Targeted Marketing / Borrower Outreach
- Entrance Counseling
- Grace Counseling
- Exit Counseling

Locate Borrowers

- Utilize Industry Best Practices for Skip Trace
- Utilize Outside Entities Such as NDNH & Credit Bureaus
- Contact Borrower References & Co-Makers / Endorsers
- Utilize USPS to Obtain Current Borrower Change of Address Information

Portfolio Analysis/ Risk Modeling

- Trending Analysis
- Default Analysis / Identify High Risk Attributes
- Repayment Trending
- Action Planning

Collection Tools

- Federal Collection Tools
- AWG
- Litigation via DOJ
- Rehabilitation
- Consolidation
- Account Transfer to PCAs
- Determine Collection Tool Eligibility
- Ensure Due Process

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Table of Opportunities



A detailed listing of Opportunities by Phase, Business Capability, and Functional Requirement is provided in the Winzip file with the Conceptual Design deliverable.

Please refer to *CSB Conceptual Design_Table of Opportunities.xls*

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Opportunity List



Opportunities Beginning in Phase 1

1. **Payment Processing**
2. **Legal Proceeding Resources**
3. **Correspondence**
4. **National Directory of New Hires (NDNH) Data Match**
5. **Imaging**
6. **Central Contract Management**
7. **Capture Additional Borrower Information**
8. **Loan Consolidation**
9. **Share USPS Skip Tracing Services**
10. **Credit Management Data Mart (CMDM) Reporting Capabilities**
11. **Risk Management**
12. **Document Warehousing and Retention**
13. **Bankruptcy Unit**
14. **Leverage GA Best Practices**

Opportunities Beginning in Phase 2 or Phase 3

15. **Electronic Refunds**
16. **Integrated Web Site**
17. **Discharge/Cancellation Unit**
18. **Borrower Comment Access**
19. **Central IQCU**
20. **Delinquency Reduction through EDA**
21. **Transfer Non-Defaulted Loans to Repayment**
22. **IRS Consent Form**
23. **Downloadable Payment Statements**
24. **Credit Bureau Reporting**
25. **Bi-Weekly Payments**
26. **IRS AGI Solicitation**
27. **Common Customer Response Library**



1. Payment Processing

- **Description**
 - Currently, FSA pays the Servicing contractor approximately \$.48 for each payment that is processed under Deliverable 15. The contractor should only be paid for payments that require manual efforts since the development costs and computer time required to process automatic payments are paid through sources other than Deliverable 15.
 - Efficiencies will be realized by integration of payment center functions
- **Recommendation**
 - **Phase 1:** Contract modifications to Deliverable 15 to achieve agreed upon rate of manual work and unit price per manual payment processed for efforts of Exception Payment Processing group
 - **Phase 2:** Implement a Treasury-approved lockbox for Collections
 - **Phase 3:** Integrate Exception Payment Processing into a single entity

- **Benefits**

Transaction Processing – Receive and Process Payments	Performance Management – Contract Management
<ul style="list-style-type: none"> ▪ Reduced payment processing costs ▪ Ease of future modifications ▪ Aligned with industry best practices 	<ul style="list-style-type: none"> ▪ Properly aligned operating partner staff

- **Implications**
 - Contracts (current and future)
 - Organizational Structure
 - Change in return address on payment coupons

1. Payment Processing As Is



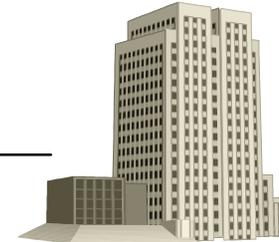
LS Borrower Pays

- Check and Tear Sheet
- Check and Coupon
- EDA
- EBPP



Lockbox/EDA

- Payments Processed
- Payment File Created
- 1st Tier Exceptions Handled
- Files Transmitted



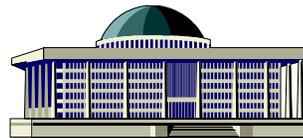
LS Payments Processing

- Recycle Items Handled
- 2nd Tier Exceptions Handled
- Address Updates
- Pre-payments Processed
- Consolidation Payoffs
- Payments Posted to Accounts
- Contractor Paid for Each Payment



Collections Borrower Pays

- Check and Tear Sheet
- Check and Coupon
- EDA
- AWG/FDP
- Treasury Offset
- Credit Card



Collections Payments Processing

- Recycle Items Handled
- 2nd Tier Exceptions Handled
- Address Updates
- Pre-payments Processed
- Consolidation Payoffs
- Payments Posted to Accounts
- Contractor Paid for Each Payment

1. Payment Processing Phase 1



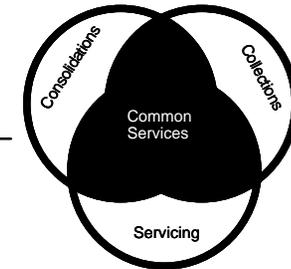
LS Borrower Pays

- Check and Tear Sheet
- Check and Coupon
- EDA
- EBPP



Lockbox/EDA

- Payments Processed
- Payment File Created
- 1st Tier Exceptions Handled
- Files Transmitted



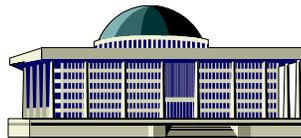
LS Automatic Payments

- Payments Posted to Accounts
- No Contractor Payment



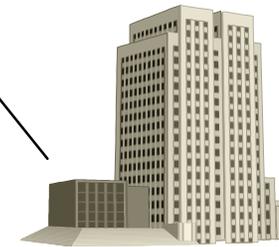
Collections Borrower Pays

- Check and Tear Sheet
- Check and Coupon
- EDA
- AWG/FDP
- Treasury Offset
- Credit Card



Collections Payments Processing

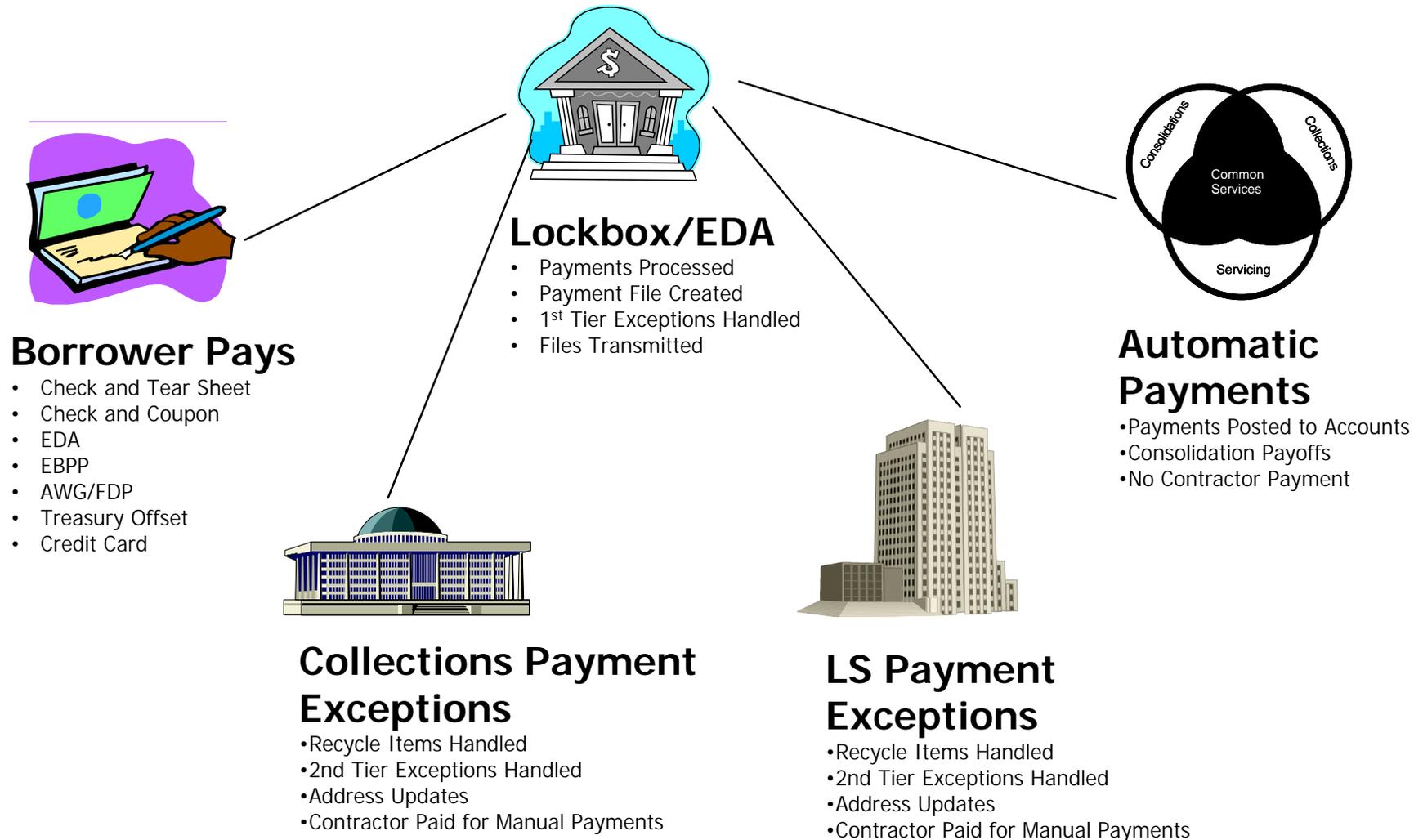
- Recycle Items Handled
- 2nd Tier Exceptions Handled
- Address Updates
- Pre-payments Processed
- Consolidation Payoffs
- Payments Posted to Accounts
- Contractor Paid for Each Payment



LS Payment Exceptions

- Recycle Items Handled
- 2nd Tier Exceptions Handled
- Address Updates
- Pre-payments Processed
- Consolidation Payoffs
- Contractor Paid for Manual Payments

1. Payment Processing Phase 2



1. Payment Processing Phase 3



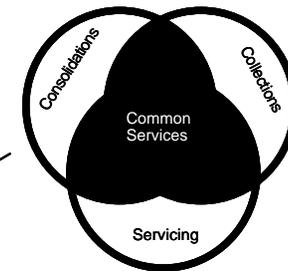
Borrower Pays

- Check and Tear Sheet
- Check and Coupon
- EDA
- EBPP
- AWG/FDP
- Treasury Offset
- Credit Card



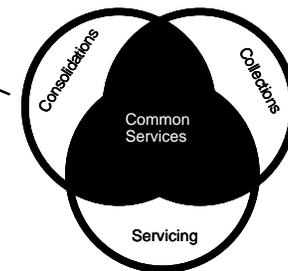
Lockbox/EDA

- Payments Processed
- Payment File Created
- 1st Tier Exceptions Handled
- Files Transmitted



Automatic Payments

- Payments Posted to Accounts
- Consolidation Payoffs
- No Contractor Payment



Payment Exceptions

- Recycle Items Handled
- 2nd Tier Exceptions Handled
- Address Updates
- Contractor Paid for Manual Payments



2. Resource Sharing for Legal Proceedings

▪ Description

- Currently, expert testimony for legal proceedings is provided separately by Direct Loan Repayment and Collections staff members. For Repayment, there is only one staff member that is assigned to act as a witness for legal proceedings involving non-defaulted Direct Loans. In contrast, Collections has a small litigation unit in San Francisco that provides testimony for defaulted student loans. Often, the member of Repayment and the members of Collections are requested to act as witnesses for legal proceedings (i.e. adversarial bankruptcy cases) across the country. In order to alleviate cost, time, and conflicts, the opportunity exists to have the various offices under FSA provide litigation support to each other by sharing resources. Currently, if a borrower has non-defaulted and defaulted student loans, separate witnesses are provided by Repayment and Collections.

▪ Recommendation

- **Phase 1:** Resource sharing is piloted for a few cases. Danielle Smith and Collections Litigation Branch are provided access to DMCS and DLSS. Each area is provided training on the systems, payment options, and regulations (context of laws and procedures). A To-Be Model for SCM Legal Proceeding is developed and an assessment of the other areas within Legal (Fraud, Bankruptcy, Settlements, etc.) is conducted to determine areas of consolidation.
- **Phase 2:** The To-Be Model for Legal Proceedings is reorganized (e.g., a Legal unit within SCM that handles legal proceedings for both non-defaulted and defaulted borrowers). Operating procedures for consistency of legal proceedings across regions are developed and training is provided.

▪ Benefits

Performance Management – Resource Management
<ul style="list-style-type: none"> ▪ Decreases scheduling conflicts for court appearances ▪ Decreases travel time and travel expenses ▪ Decreases backlog of cases

▪ Implications

- Lack of cooperation from other offices in FSA
- Team members that serve as witnesses might not be the most knowledgeable about the cases
- Relationship with U.S. Attorneys might become strained

2. Resource Sharing for Legal Proceedings As Is



Repayment researches
borrowers case for
expert witness testimony



Repayment
expert witness
travels to location
of trial



Repayment
Representative
testifies in front of
the US Attorney's
office



Collections' Litigation
Branch researches
case for expert
witness testimony

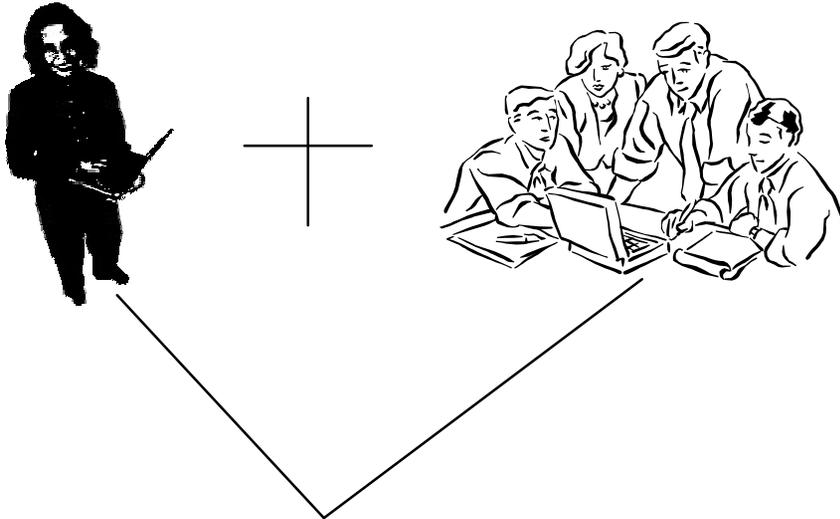


Collections expert witness
travels to location of trial



Collections
Representative
testifies in front of
the US Attorney's
office

2. Resource Sharing for Legal Proceedings To Be



One expert from either Repayment or Collections prepares to serve as expert witness



SCM witness travels to location of trial



SCM Representative testifies in front of the US Attorney's office

3. Correspondence



▪ Description

- Currently, the three (3) areas which make up Student Credit Management (SCM) – Consolidation, Servicing, and Collections – utilize nine (9) different fulfillment centers for their mailing needs. Each of the three areas has their own set of processes and procedures for fulfillment center management, quality control, inventory control, reporting and invoicing. In an attempt to standardize the fulfillment process across SCM and maximize operational efficiencies, options for utilizing best-in-business mailers as well as reducing the number of existing centers need to be considered.

▪ Recommendation

- **Phase 1:** Utilize a best-in-business fulfillment operation/vendor for selected mailings either across all of SCM, or just within Loan Servicing.
- **Phase 2:**
 - Transition additional mailings to new fulfillment operation
 - Utilize the Electronic Correspondence (EC) product within Servicing (eServicing) to mail eligible Consolidation and Collections correspondence
 - Reduce number of existing fulfillment centers by 1 or 2
- **Phase 3:** Implement a virtual fulfillment center, with a single vendor and X number of geographically distributed centers fulfilling all SCM correspondence

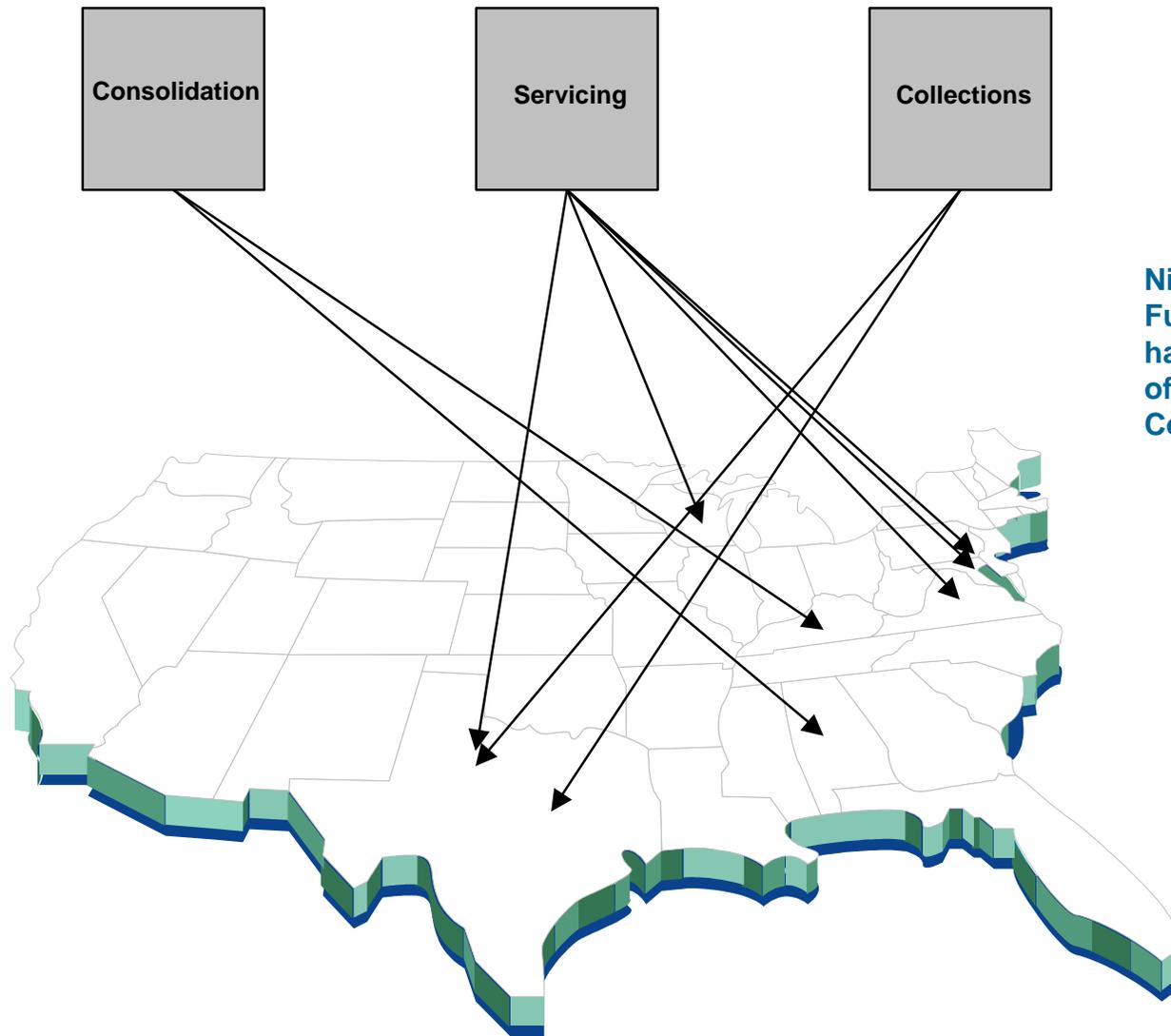
▪ Benefits

Information Fulfillment – Correspondence
<ul style="list-style-type: none">▪ Reduced fulfillment costs▪ Improve postage savings▪ Simplify fulfillment reporting and accountability

▪ Implications

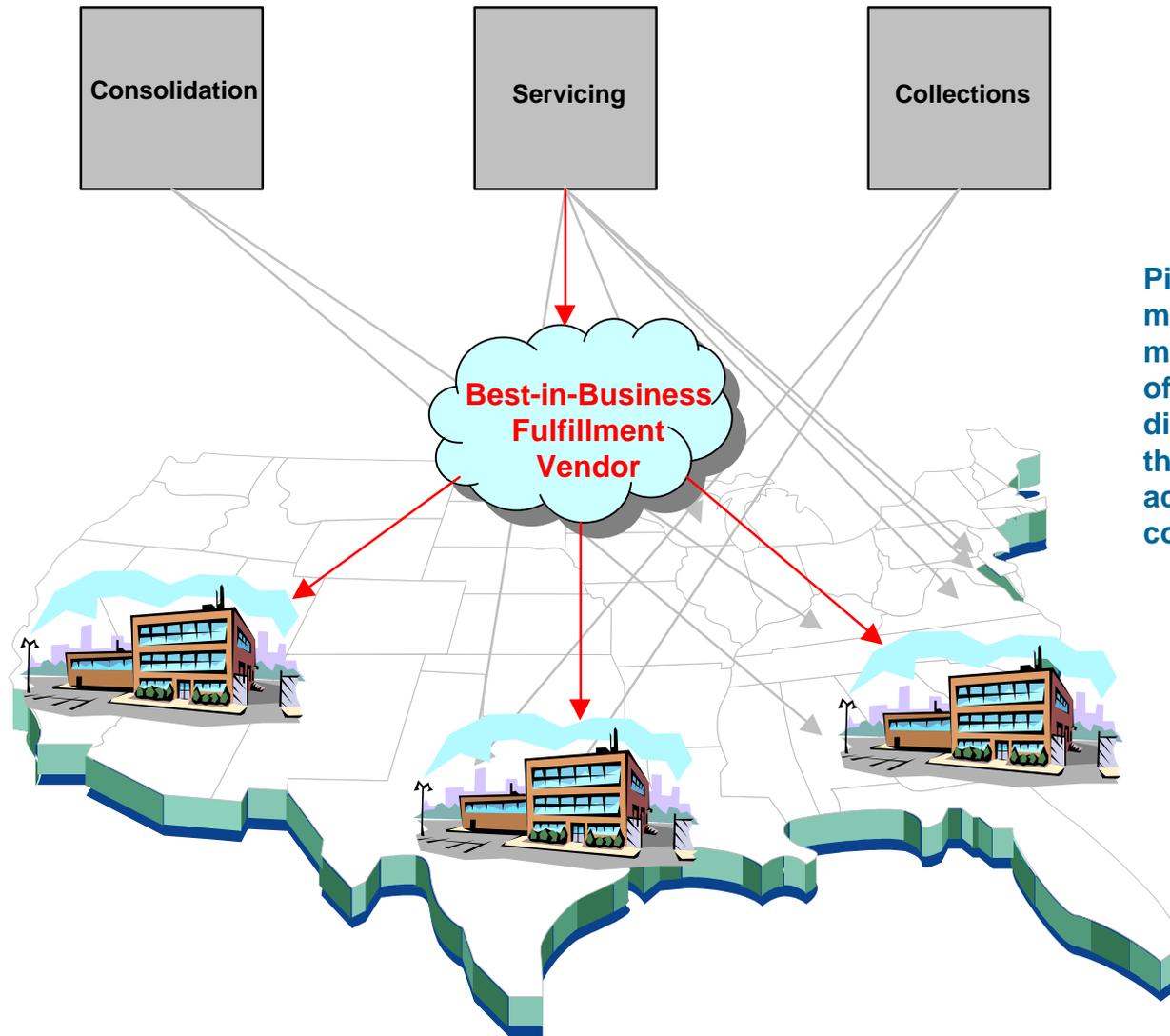
- Modifications may be required by Consolidation, Servicing, and Collections to transmit their correspondence data files to new and/or different mailers or fulfillment centers

3. Correspondence As Is



Nine (9) different
Fulfillment Centers
handle the mailing
of SCM
Correspondence

3. Correspondence Phase 1



Pilot the use of a mailer who manages a network of centers and distributes mail to these centers according to zip code

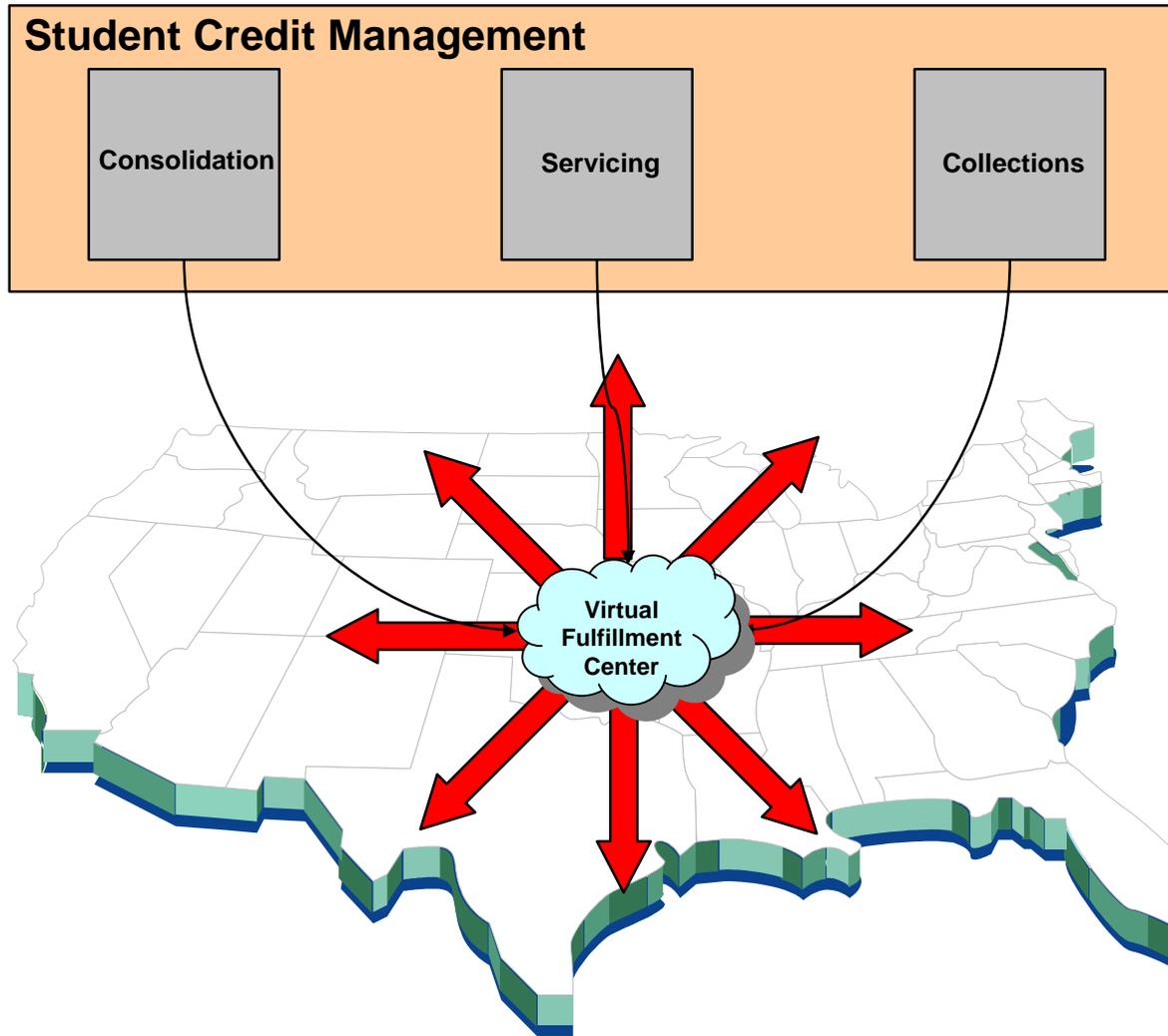
3. Correspondence Phase 2



Expand the Pilot

Phase out 2-3
existing secondary
fulfillment centers

3. Correspondence Phase 3



Implement a virtual fulfillment center – selected either from the Pilot mailer, one of the existing fulfillment contractors, or a “new” mailer

4. National Directory of New Hires (NDNH) Data Match



▪ Description

- Repayment has often found it difficult to contact borrowers who are in late stages of delinquency or have just entered into default status because they do not have accurate information. As a result, these borrowers are assigned to Collections. By obtaining and using employment and address information for borrowers who have defaulted on their Direct Loans (through matching with the existing National Directory of New Hires program), Repayment may be able to contact borrowers and alert them to their status and avert assignment. This opportunity involves piloting NDNH for Repayment to determine if it should be used on a larger scale.
- Collections currently performs the NDNH data match four times during the year for all of the borrowers in the Collections portfolio. This process has proved to be very beneficial for Collections in locating defaulted borrowers. This opportunity will provide Collections more accurate information regarding borrower demographics and employment data for those borrowers that are likely to be assigned to them.

▪ Recommendation

- **Phase 1:** A pre-determined sample of borrowers in Repayment (240-360 days delinquent) will be forwarded to Collections and submitted with Collections' borrowers to NDNH. The turnaround time, benefits to Repayment, and benefits to Collections will be analyzed to assess viability of opportunity.
- **Phase 2:** If successful, create a fully automated process that will send defaulted borrower information to DMCS and update DLSS with Servicing results

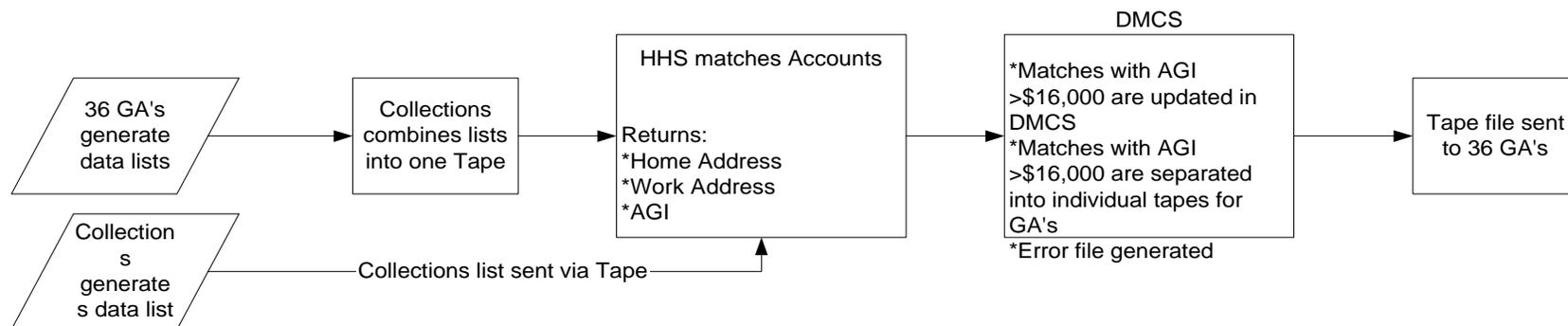
▪ Benefits

Risk Management – Locate Borrowers
<ul style="list-style-type: none">▪ Potentially, allows both Repayment and Collections ability to contact defaulted borrowers more easily and more quickly▪ Ability to alert borrowers of default status, allowing them to cure themselves and remain in Repayment▪ Potentially, reduces need to use involuntary collection methods

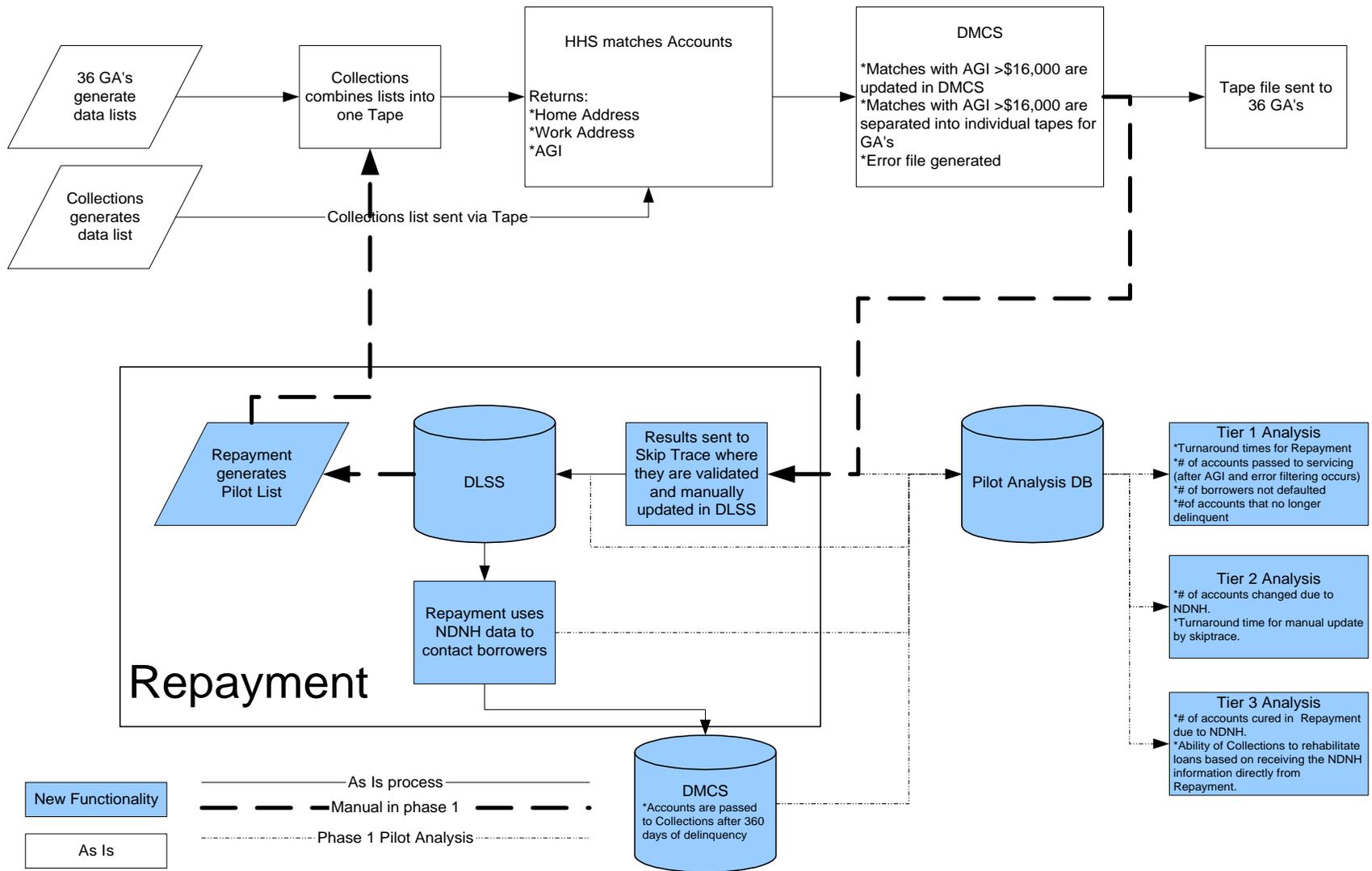
▪ Implications

- Data matches may only benefit Collections

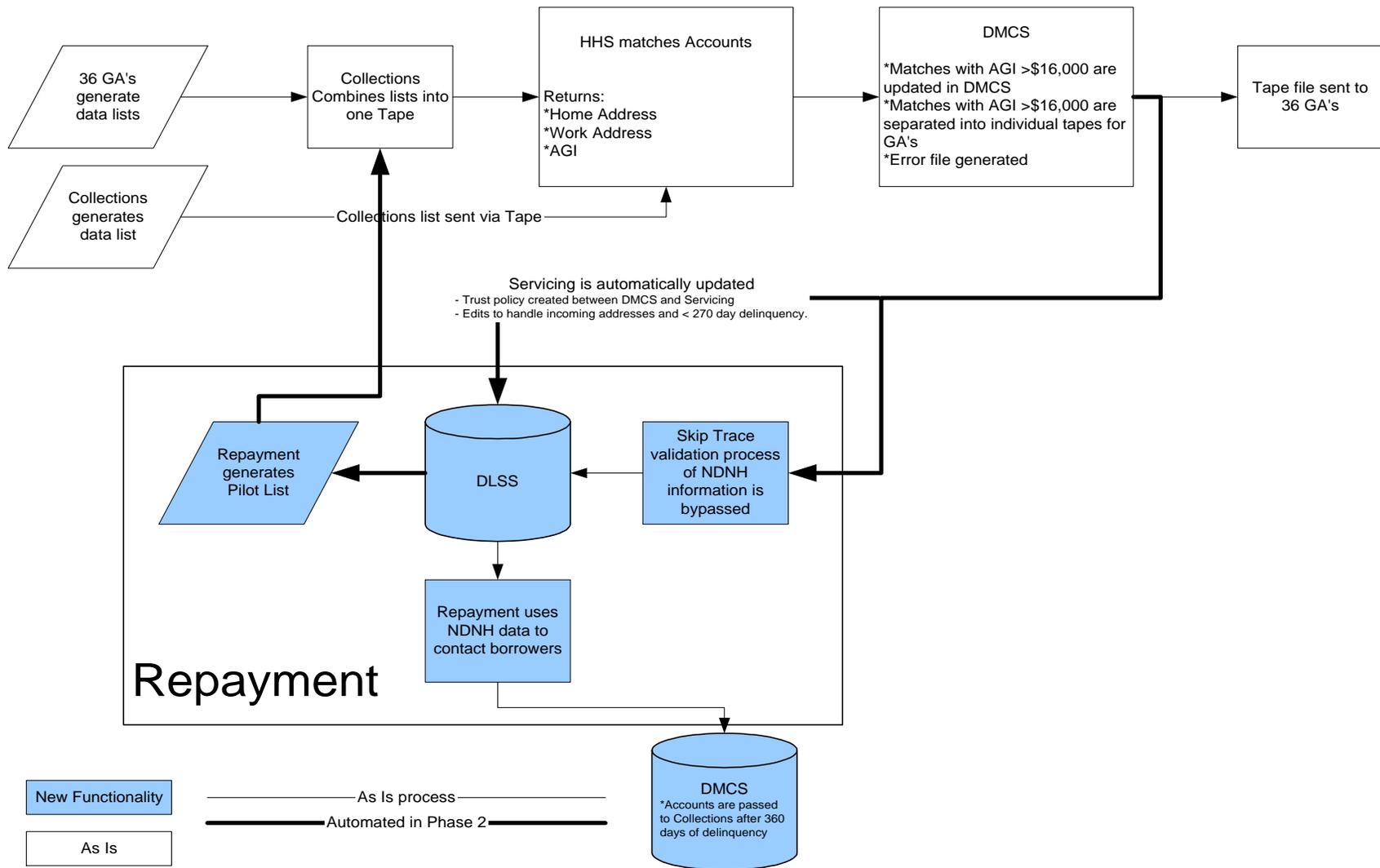
4. National Directory of New Hires (NDNH) Data Match As Is



4. National Directory of New Hires (NDNH) Data Match Phase 1



4. National Directory of New Hires (NDNH) Data Match Phase 2



5. Imaging



▪ **Description**

- Currently, each subsystem within FSA has created and maintains its own imaging solution:
 - Loan Origination/Common Origination and Disbursement utilizes a web site for promissory note images
 - Consolidation, Servicing, and Collections have distinct imaging systems. The Servicing imaging solution allows for significant workflow processing.
 - In certain scenarios, images are transferred between the various systems

▪ **Recommendation**

- **Phase 1:** Provide access to the appropriate FSA and Contractor personnel to the promissory note web site
- **Phase 2:** Investigate Servicing and DMCS image retrieval systems and determine a solution to making these images available throughout FSA, potentially through a web-based repository shared with Origination/Consolidation
- **Phase 3:** Implement a virtual imaging solution for Consolidation, Servicing, and Collections

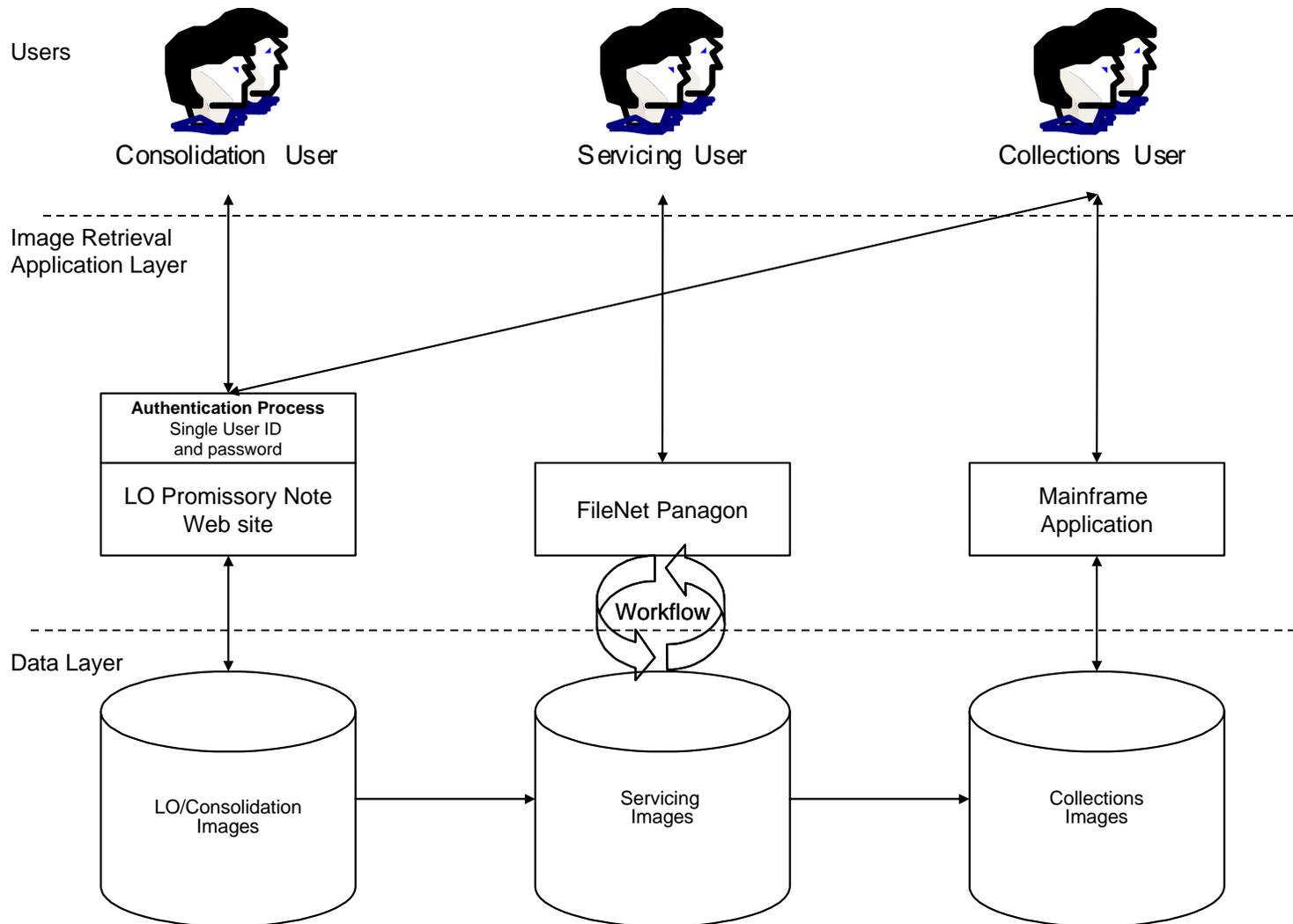
▪ **Benefits**

Data Management – Document Management	Data Management – Information Access & Security
<ul style="list-style-type: none"> ▪ Centralizes location of key customer documentation ▪ Reduces transfers of images/documents between FSA systems/entities 	<ul style="list-style-type: none"> ▪ Simplifies management of access and users to customer documentation

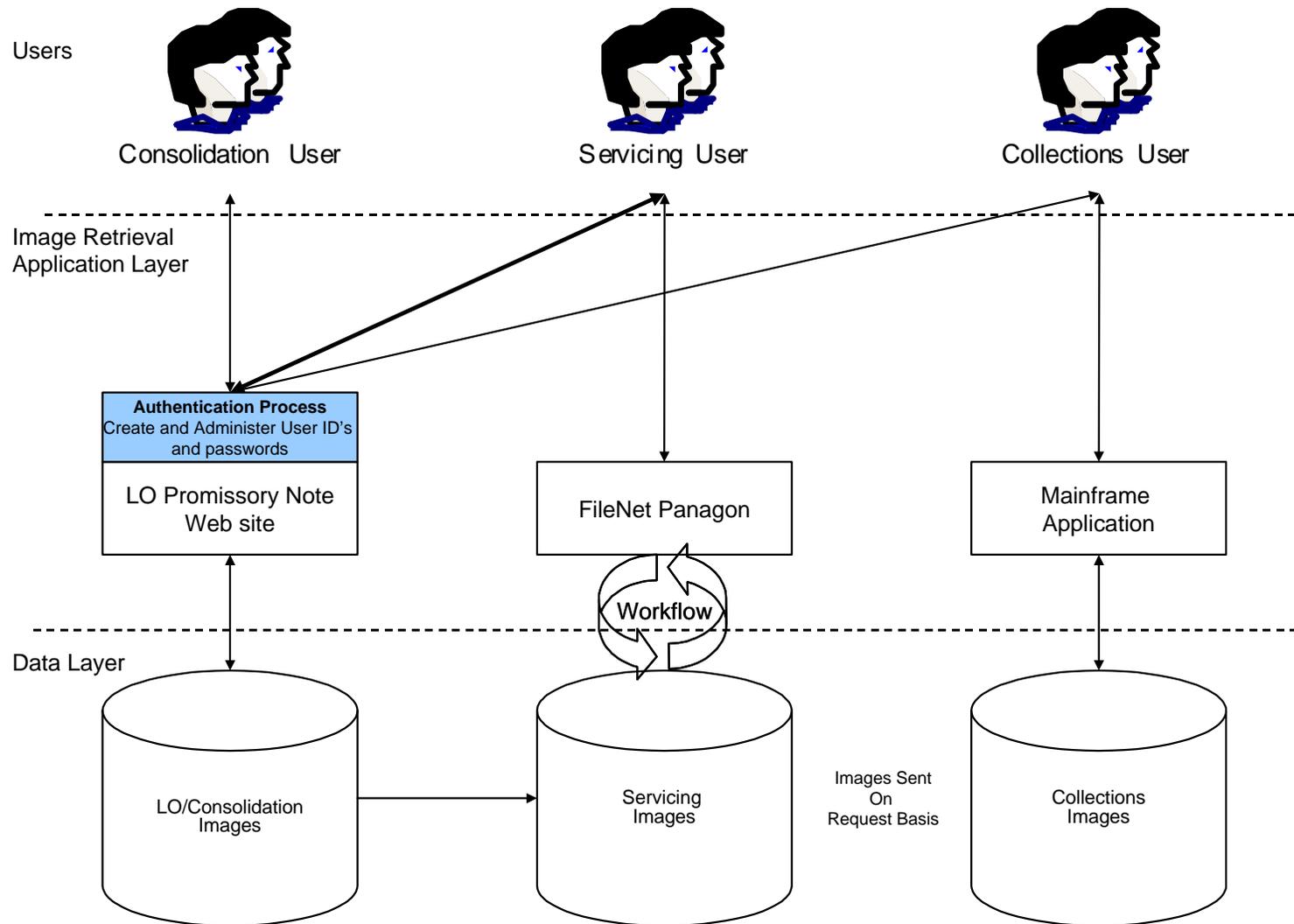
▪ **Implications**

- The existing workflow requirements within each of the systems, specifically Servicing, will have to be addressed with the new solution

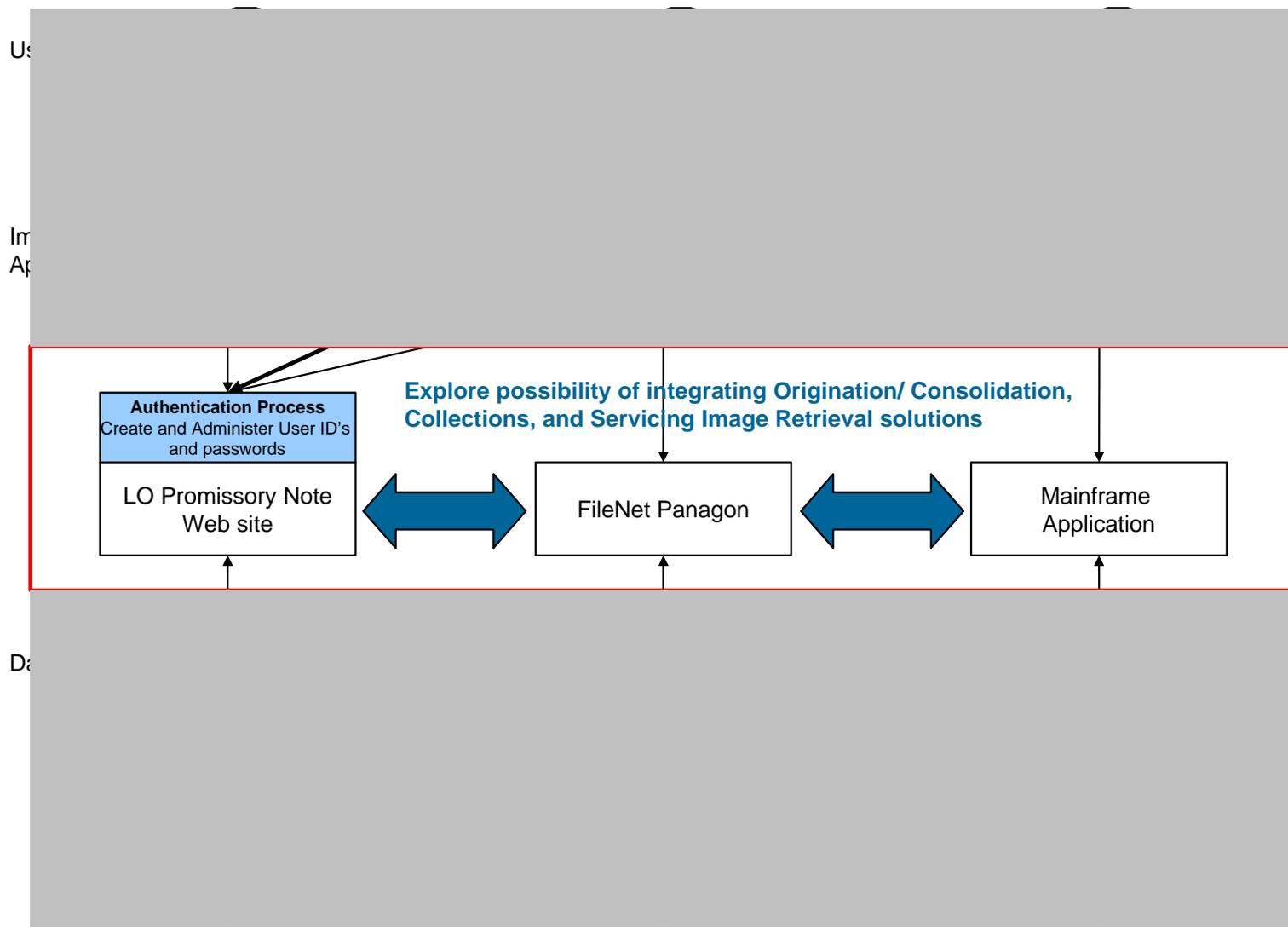
5. Imaging As Is



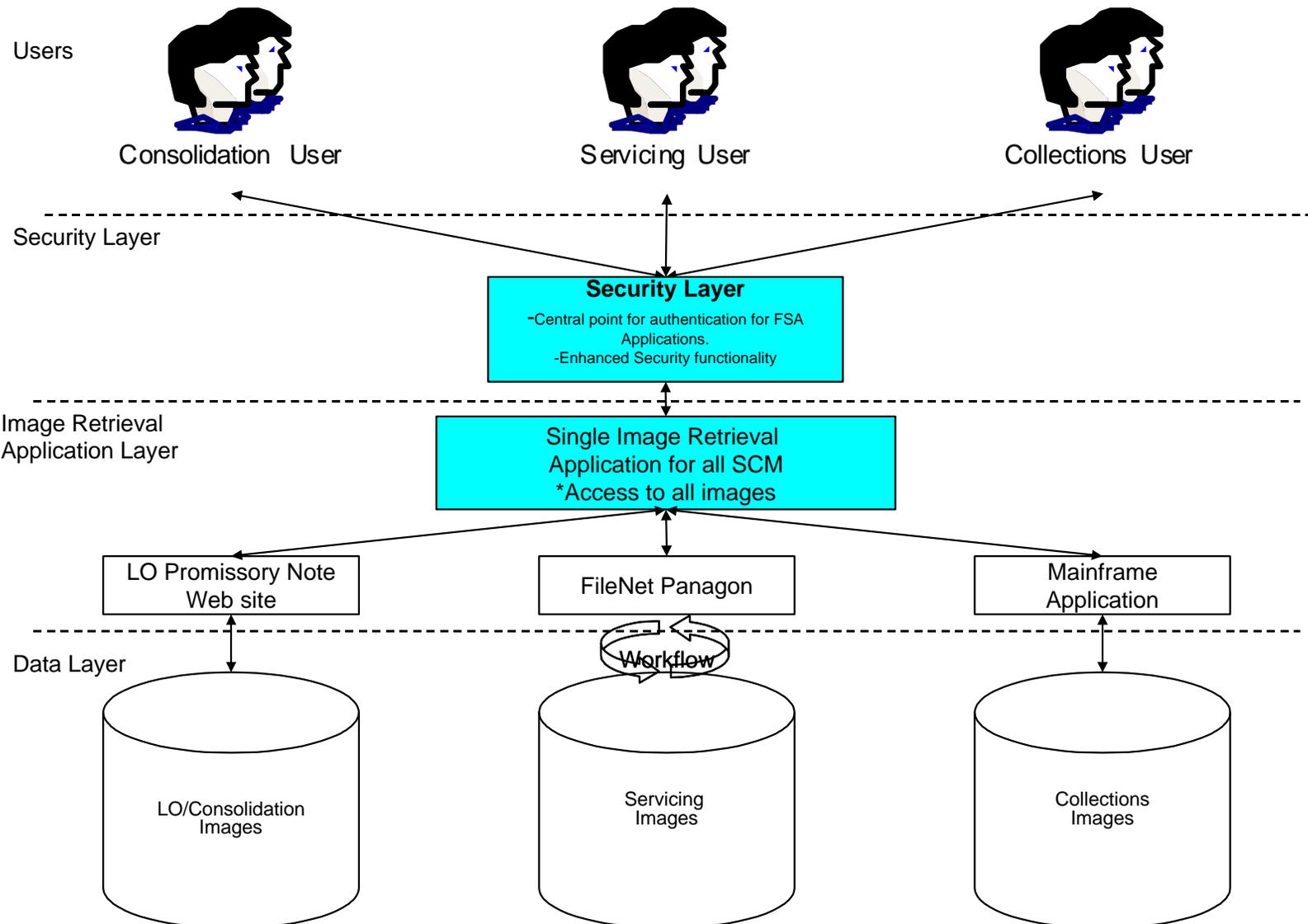
5. Imaging Phase 1



5. Imaging Phase 2



5. Imaging Phase 3



6. Central Contract Management



▪ Description

- Contracts across Student Credit Management and the Students Channel are not currently integrated resulting in the contracts being managed/coordinated independently of one another in a stove-pipe environment. In addition, since these contracts are deliverable aligned, there is a lack of focus on true performance based metrics.

▪ Recommendation

- **Phase 1:** A review of the current contract management functions is conducted. An As Is assessment of the current contract management function is completed. Recommendations for a To Be model are developed. Quick Hits, such as all contract management resources are placed on one team, are implemented. Incorporating common language and specifications in all new task orders and contracts is begun .
- **Phase 2:** The Contract Management function is reorganized according to the To Be model and a culture change occurs. The culture change allows performance based contracting, more flexible contracting options, and the model allows contract management to be more outcome focused. Performance support (training) is provided as well.

▪ Benefits

Performance Management – Resource Management
<ul style="list-style-type: none">▪ Reduction in inconsistencies in contract clauses▪ More efficient process for handling contract management▪ Establishment of contract standards across SCM

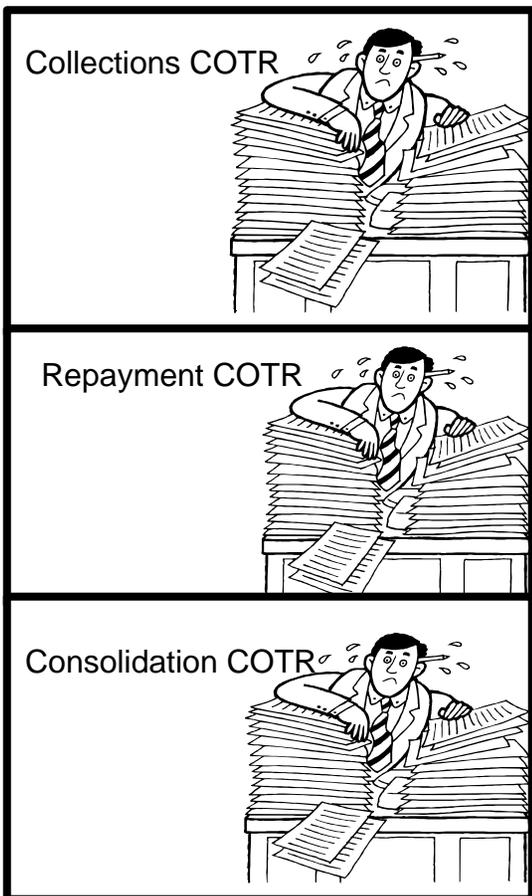
▪ Implications

- Resistance to culture change
- Contracts do not lend themselves toward the development of one team

6. Central Contract Management



As Is



Phase 1

Collections, Repayment, and Consolidation COTRs are housed in the same facility.

7. Capture Additional Borrower Information



▪ **Description**

- The ability to communicate with the borrower is important in preventing delinquencies and defaults. With advances in technology, means of communicating with customers will change from the traditional channels of telephone and mail, to more modern channels such as email and cellular phones. Given these changes, it is critical that FSA captures additional borrower information at each touch point (incoming call, outbound call, exit counseling, consolidation application, web, etc.) with the borrower.
- In addition to capturing additional borrower information, some of the data currently being captured may prove ineffective in locating/contacting borrowers. An analysis should be performed to determine whether additional data should be captured or existing data should be removed.

▪ **Recommendation**

- **Phase 1:** Modify Servicing to capture cell phones and modify DMCS to capture emails as well as cell phones. Update interface between Servicing and Collections.
- **Phase 2:** Modify imaging process and Collections' data forms to include cell phone and email. Develop interface between DMCS and Servicing for transfer of accounts. Perform analysis of existing data to ensure data validity and completeness.
- **Phase 3:** Update borrower forms to ask for new types of information and remove/archive non-useful data. Also, develop interfaces with other external sources storing this information.

▪ **Benefits**

Risk Management – Locate Borrowers	Transaction Processing – Account Set-up & Maintenance
<ul style="list-style-type: none"> ▪ Improves ability to contact and communicate with borrowers ▪ Enables proactive communication to reach greater percentage of borrower population ▪ Aligned with industry best practices 	<ul style="list-style-type: none"> ▪ Potential to eliminate paper mailings to borrowers ▪ Operational efficiencies through capturing consistent data between Repayment and Collections

▪ **Implications**

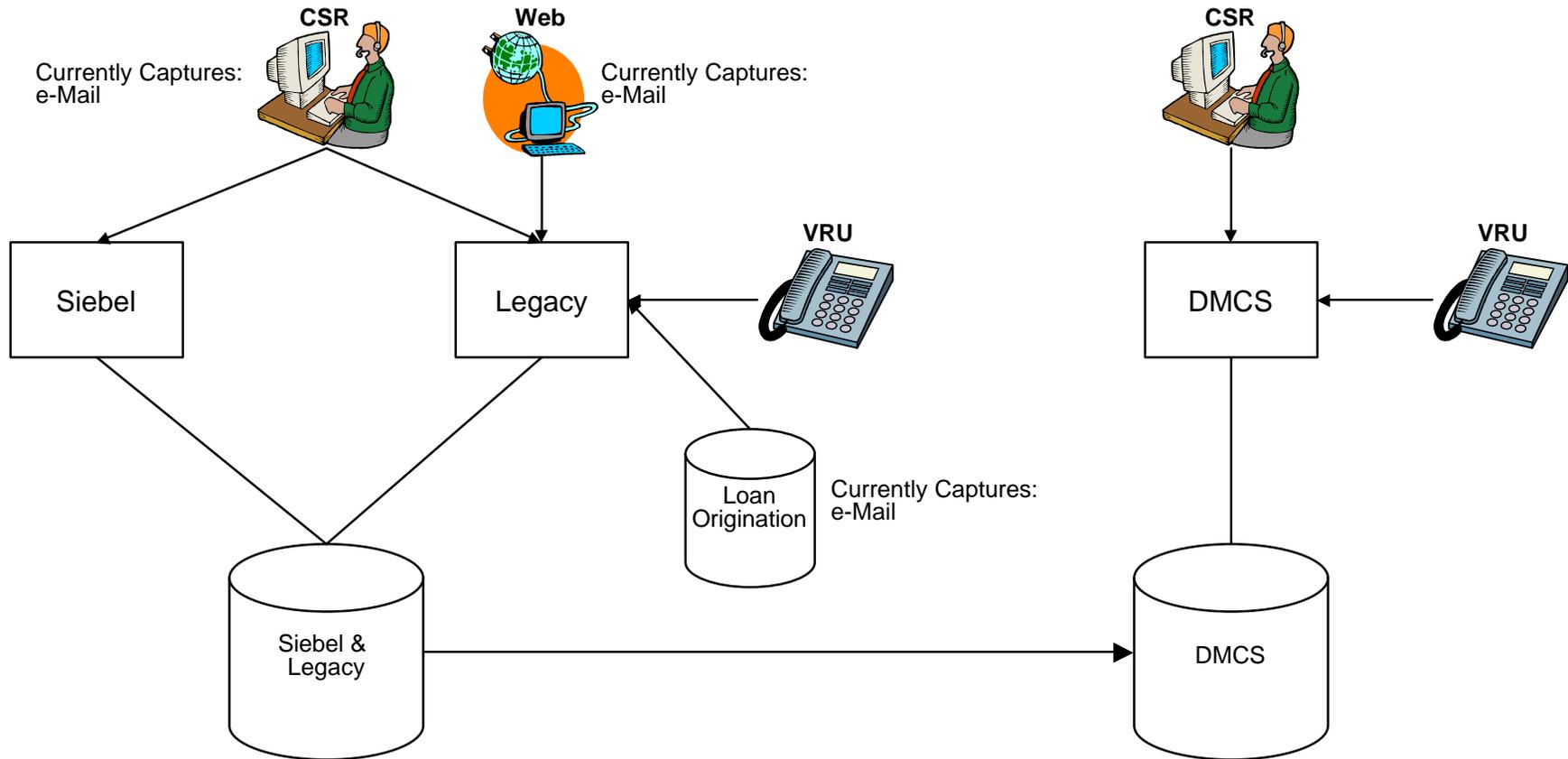
- Borrower acceptance
- Duplication of data and data inconsistencies
- Duplication of data elements and entities

7. Capture Additional Borrower Information As Is



Servicing

Collections

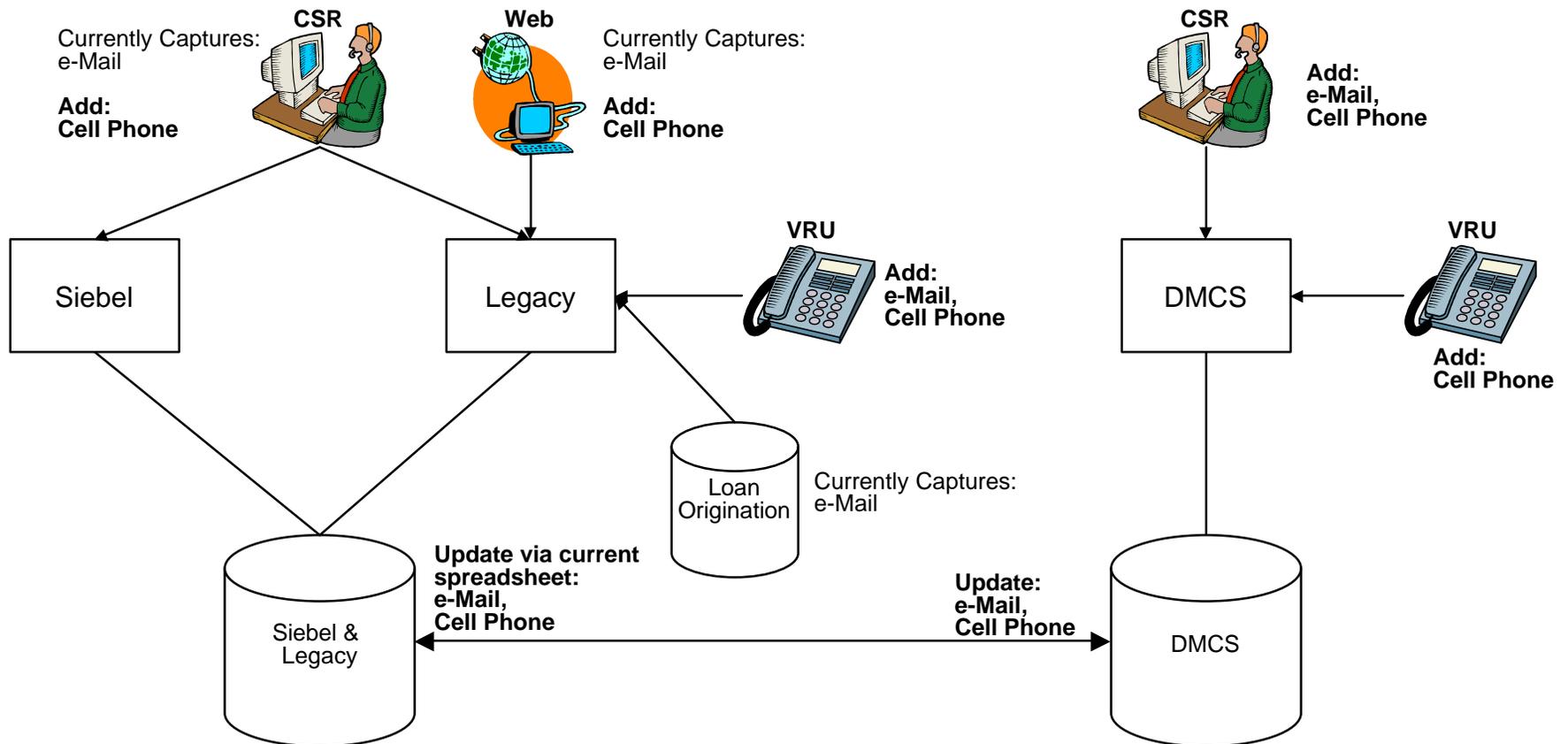


7. Capture Additional Borrower Information Phase 1

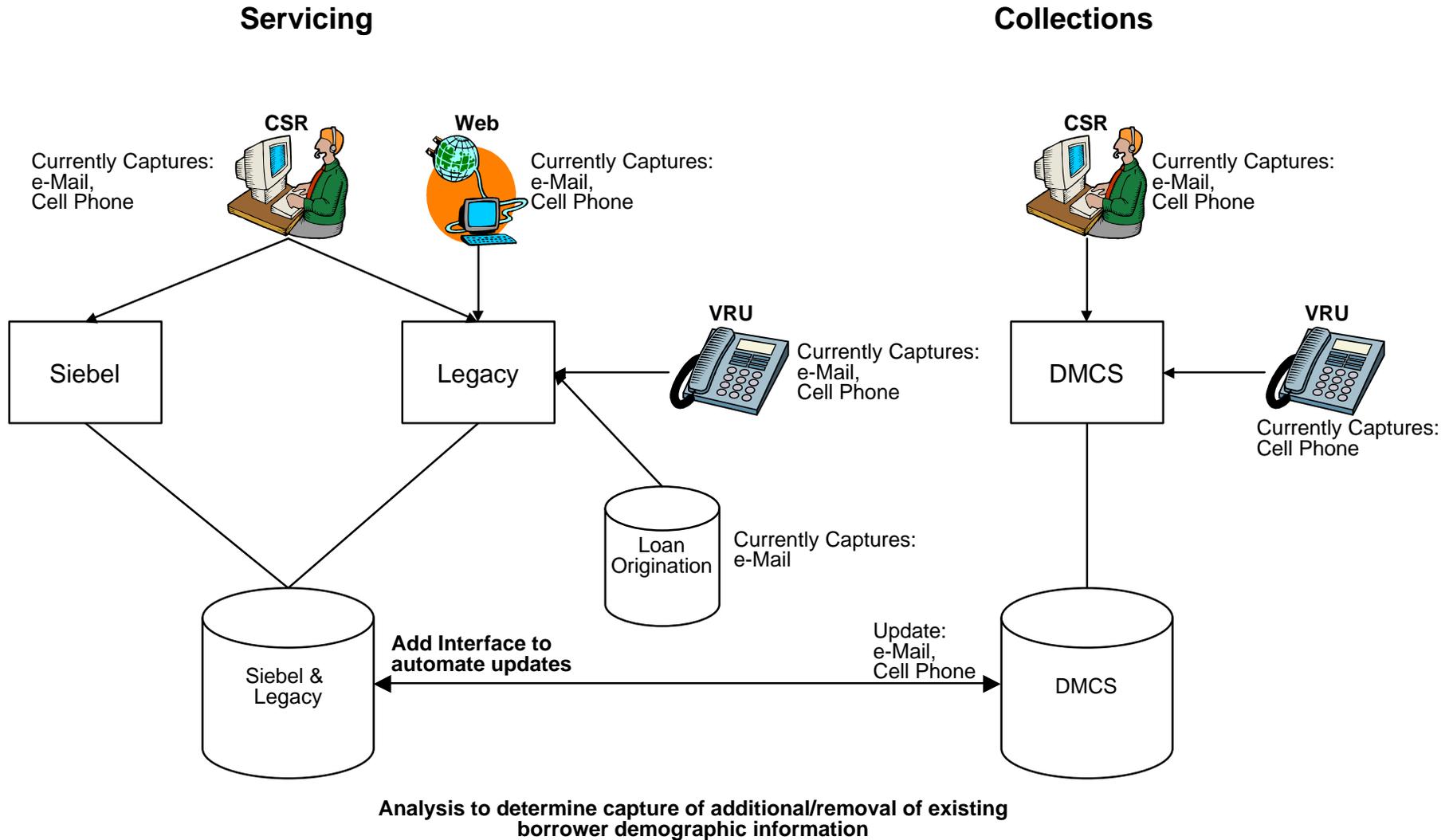


Servicing

Collections



7. Capture Additional Borrower Information Phase 2

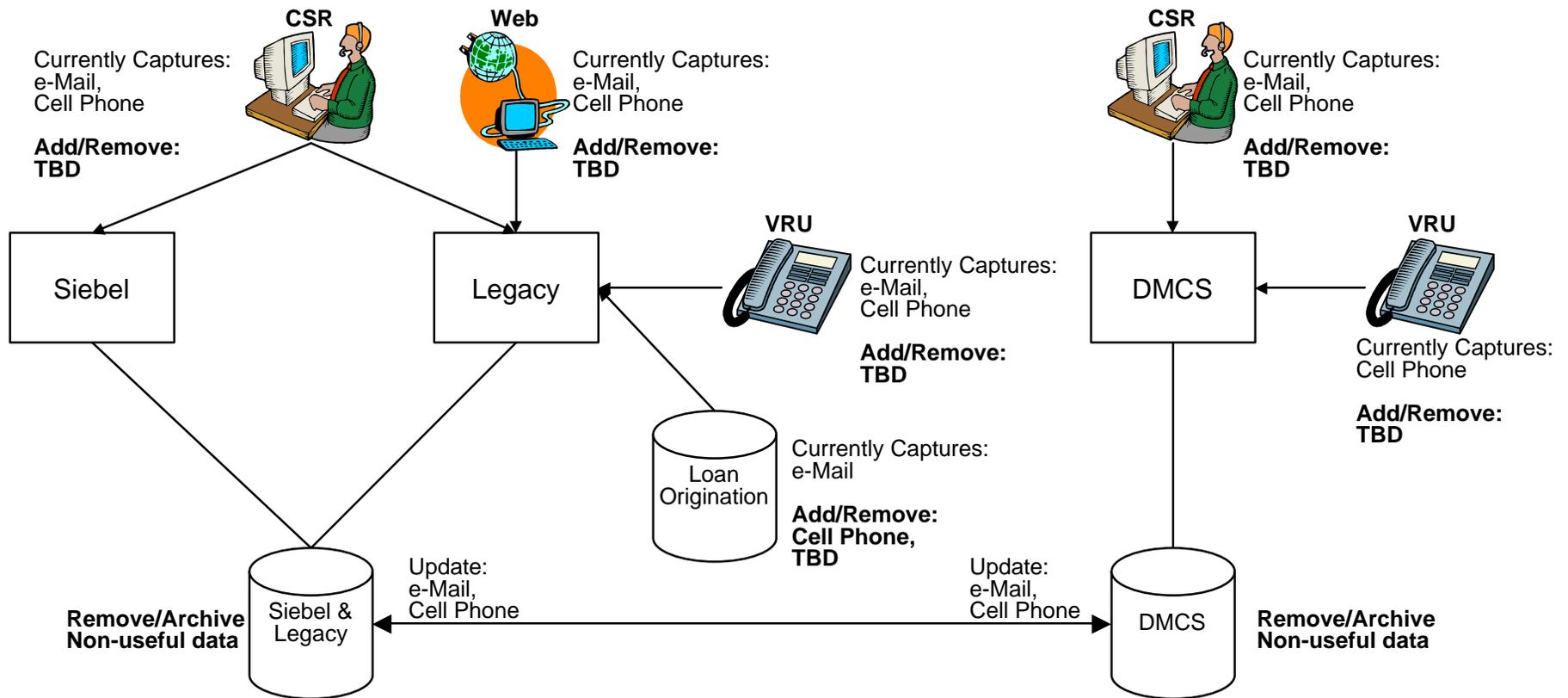


7. Capture Additional Borrower Information Phase 3



Servicing

Collections



8. Loan Consolidation



▪ Description

- Currently, spearapProcess loan consolidation in Servicing when borrower indicates that all underlying loans are Direct Loans. Currently, these loans are handled via phone in Loan Consolidation. It would be possible to have DLSS take over this process at a much reduced unit cost. This process can also be expanded to allow these consolidations to be made via the Web at a much reduced unit cost. This process is a step towards merging the Consolidation and Repayment functions into a single unit to better follow best-in-business practices.

▪ Recommendation

- **Phase 1:** Initiate Direct-to-Direct consolidations in Repayment via phone
- **Phase 2:** Implement an SCM internet solution for Direct-to-Direct consolidations
- **Phase 3:** Integrate Repayment and Consolidation functions. Automate FastTrack consolidation process for defaulted loans.

▪ Benefits

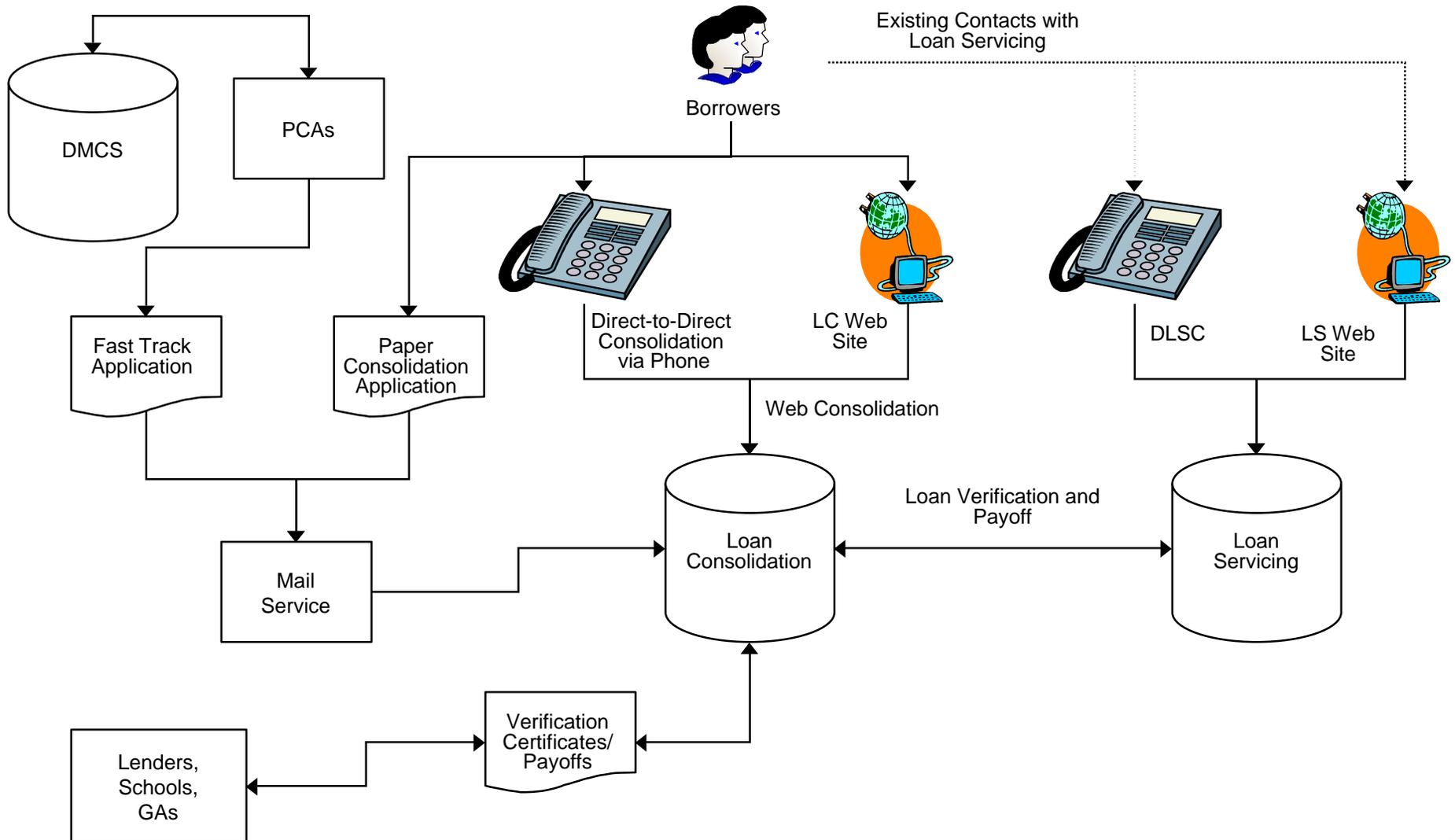
Transaction Processing – Loan Consolidation

- Reduced consolidation costs
- Properly aligned workforce
- Properly aligned operating partner staff
- Eliminate hand-offs
- Complete and fluid customer care
- Best-in-Business practice

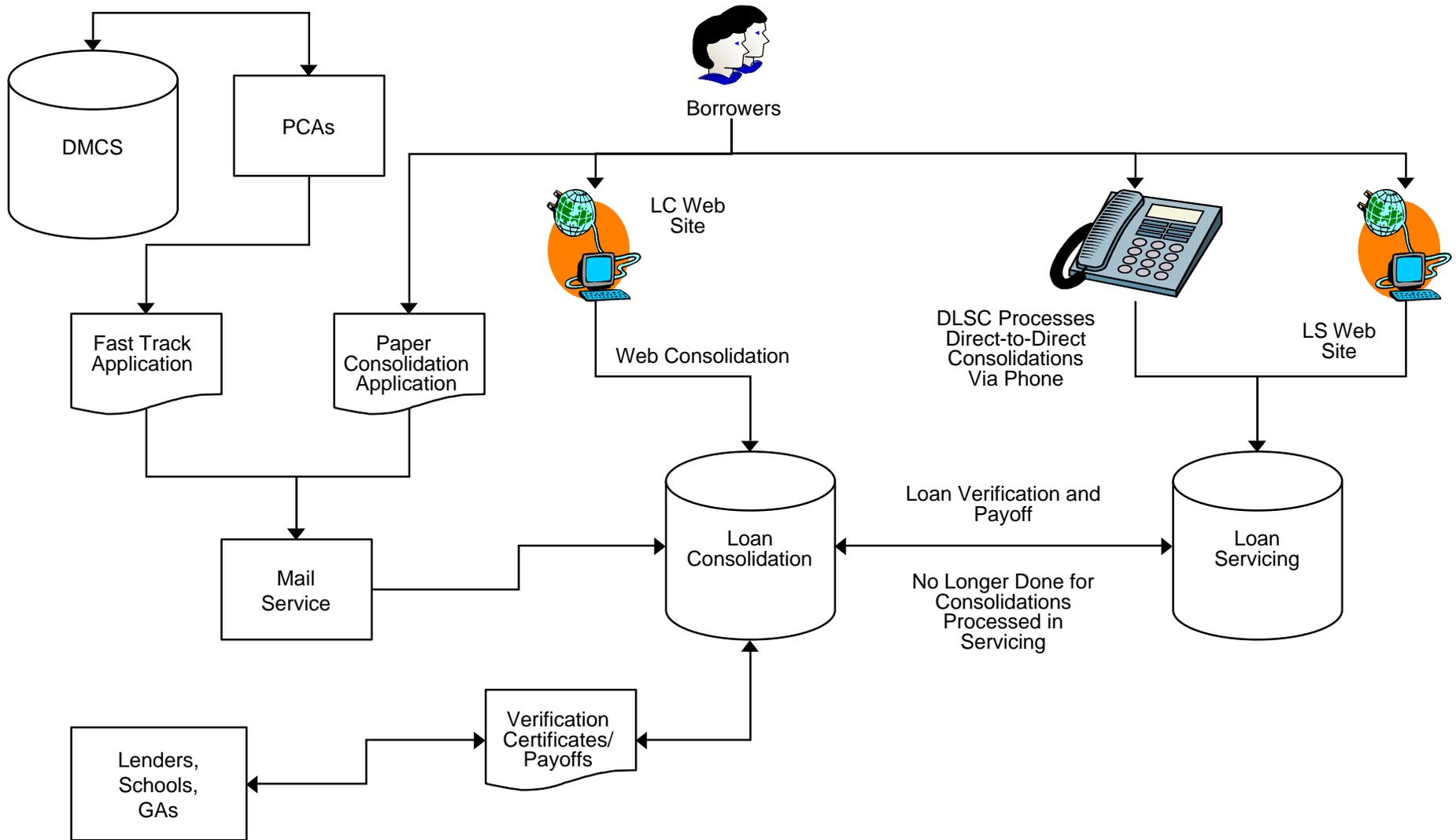
▪ Implications

- Contract changes (current and future)
- Organizational changes

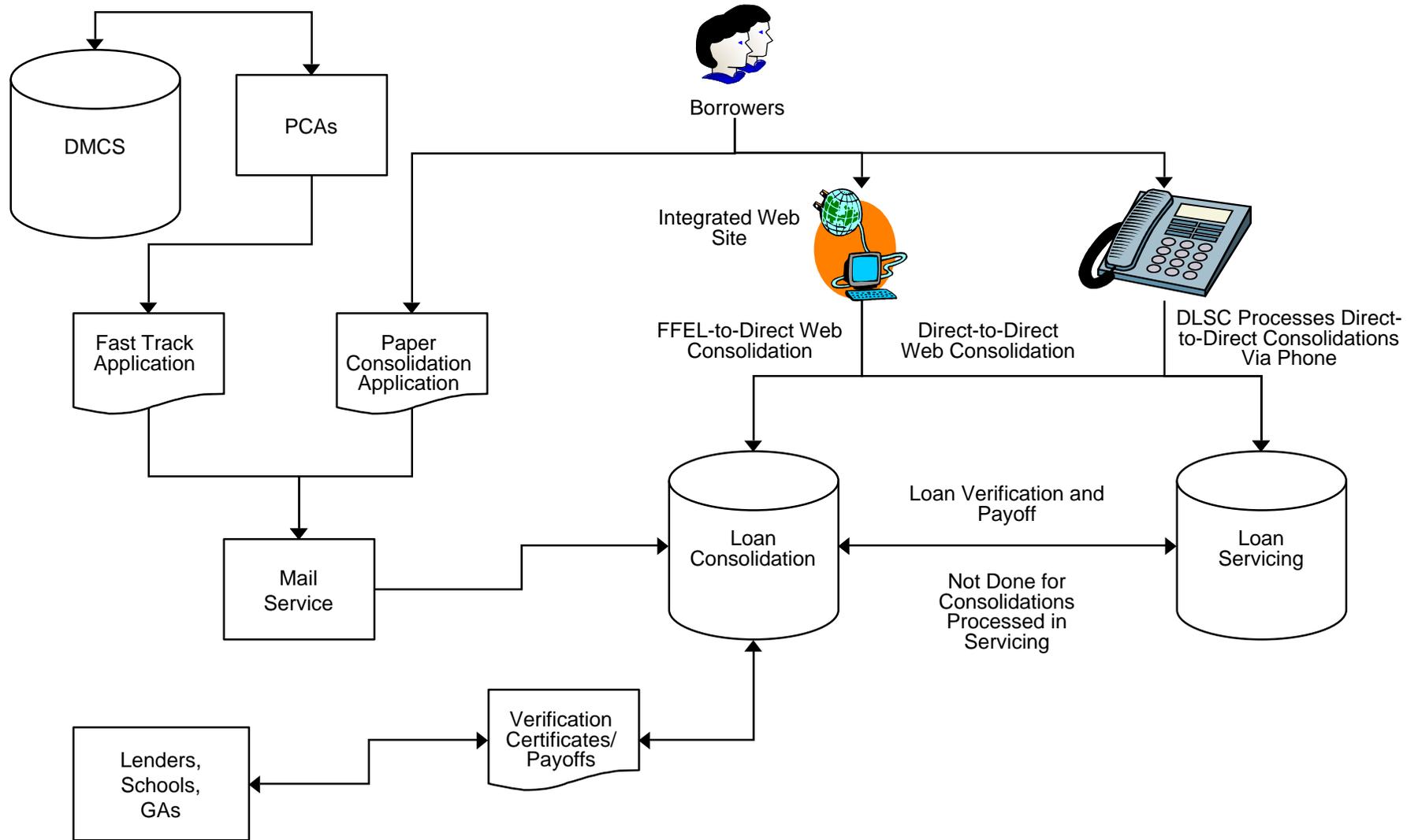
8. Loan Consolidation As Is



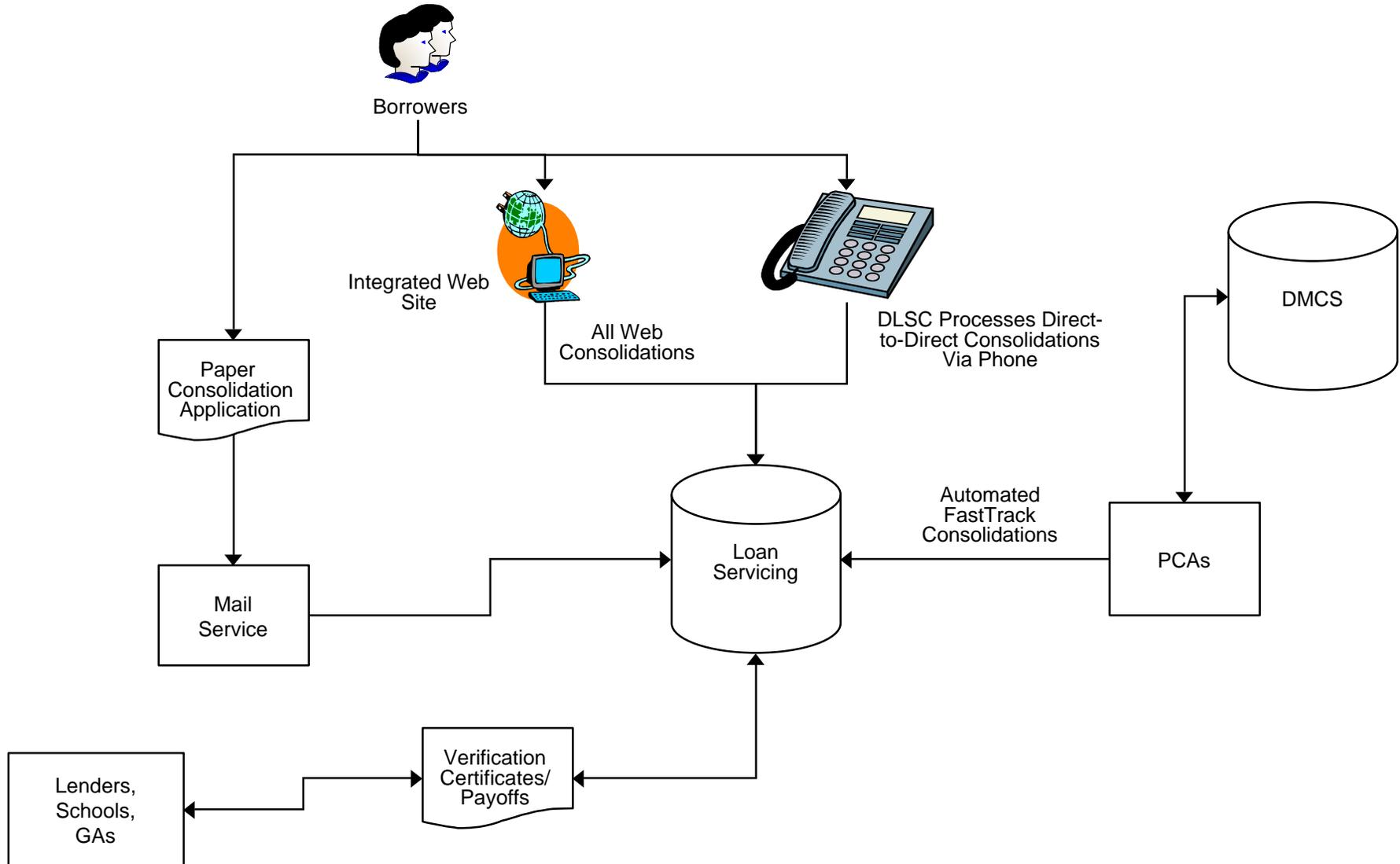
8. Loan Consolidation Phase 1



8. Loan Consolidation Phase 2



8. Loan Consolidation Phase 3





9. Share USPS Skip Tracing Services

▪ Description

- Currently, the Servicing and Collections contracts each utilize the United States Postal Service (USPS) for Skip Trace Services
 - Servicing utilizes *FASTforward®*, which provides address change information through a matching process of the names and addresses contained in a mailing list
 - Collections utilizes *Address Change Service (ACS)*, which creates and distributes mailer-specific files of updated change-of-address (COA) information
- In order to promote the utilization of best practices and lessons learned, the key points-of-contact (POCs) for address quality from each of these contracts need to meet and discuss the successes and challenges they have experienced with each of these products

▪ Recommendation

- **Phase 1:**
 - Two (2) Lessons Learned discussions between key POCs (FSA and Contractor) for Servicing and DMCS address changes
 - One (1) discussion with USPS regarding benefits/trade-offs of each service; potential discussion of other services offered by USPS
 - Review IRS Skip Trace (currently used only by Collections) process and agreement to determine if there is overlap with USPS services, either in benefits and/or cost
- **Phase 2:**
 - Move forward with implementation of shared service(s) across both Repayment and Collections, which maximizes benefits to both and reflects objectives of the Risk Management Approach for Common Services for Borrowers

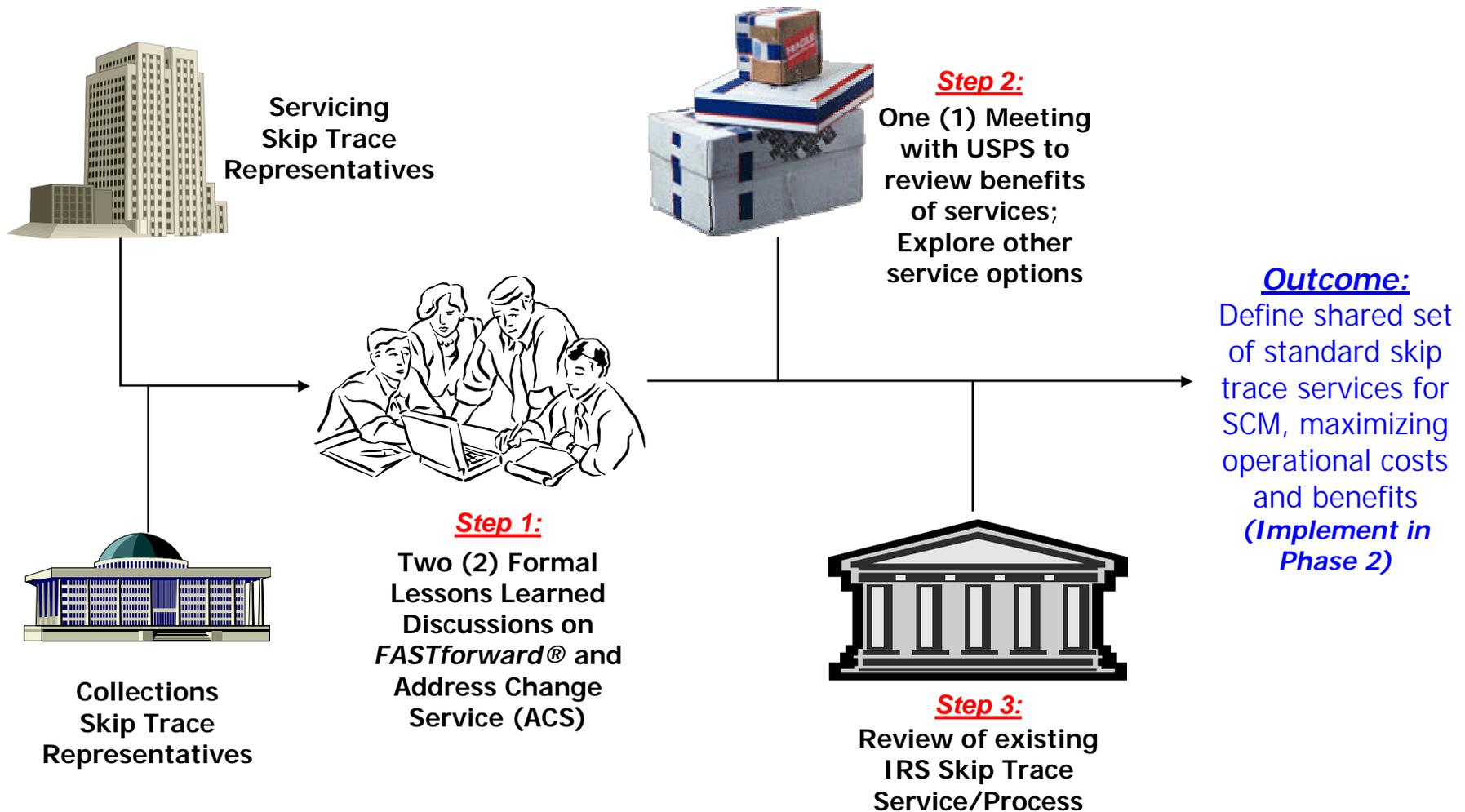
▪ Benefits

Risk Management – Locate Borrowers
<ul style="list-style-type: none"> ▪ More proactive and timely address corrections ▪ Less expense ▪ Standard set of address correction tools

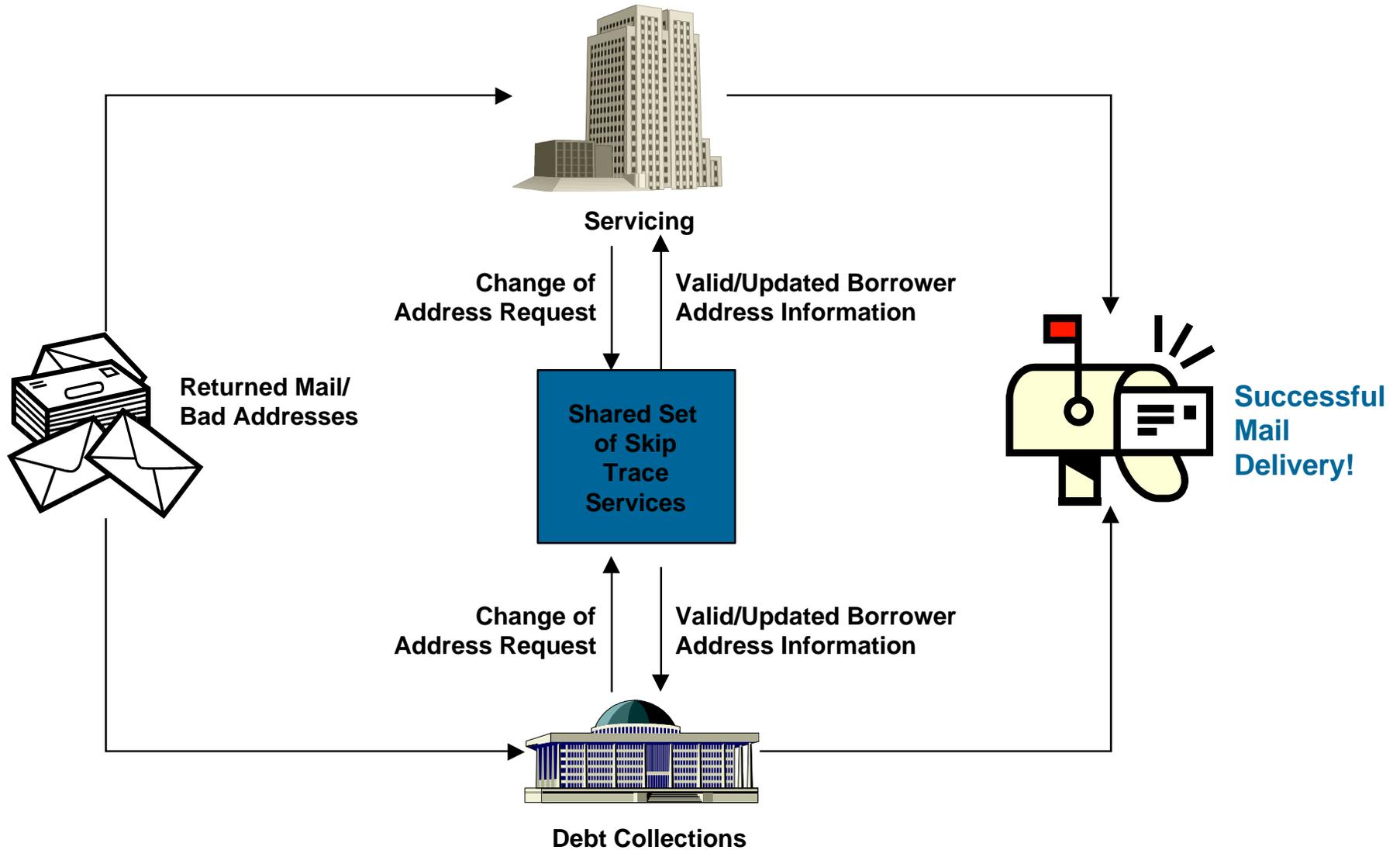
▪ Implications

- May determine that individual services are required, based upon the different types of borrowers (returned mail only vs. delinquent vs. default) and the turnaround required for each

9. Share Skip Trace Services Phase 1



9. Share Skip Trace Services Phase 2



10. Credit Management Data Mart (CMDM) Reporting Capabilities



▪ Description

- Currently, there is no universal Management Information System (MIS) for Student Credit Management (SCM). While information appropriate to understanding the business status and needs of each of the three SCM operations is individually available, it is difficult for SCM staff or portfolio managers to access this information across all three program lines. This is because the information resides in different locations, utilizes incompatible reporting formats, and relies upon different data access codes. The As Is status effectively prevents collaborative portfolio and trend analysis and management.

▪ Recommendation

- **Phase 1:** Augment the CMDM with Collections data and develop new CMDM reports for Collections data. This phase will include all activities prior to the data load.
- **Phase 2:** Load Collections data from Phase 1. Fully analyze reporting requirements and enhance CMDM reporting to include both Servicing and Collections
- **Phase 3:** Update data and reports as necessary to support other SCM functions (i.e., Consolidation Reporting, School Delinquency Reporting)

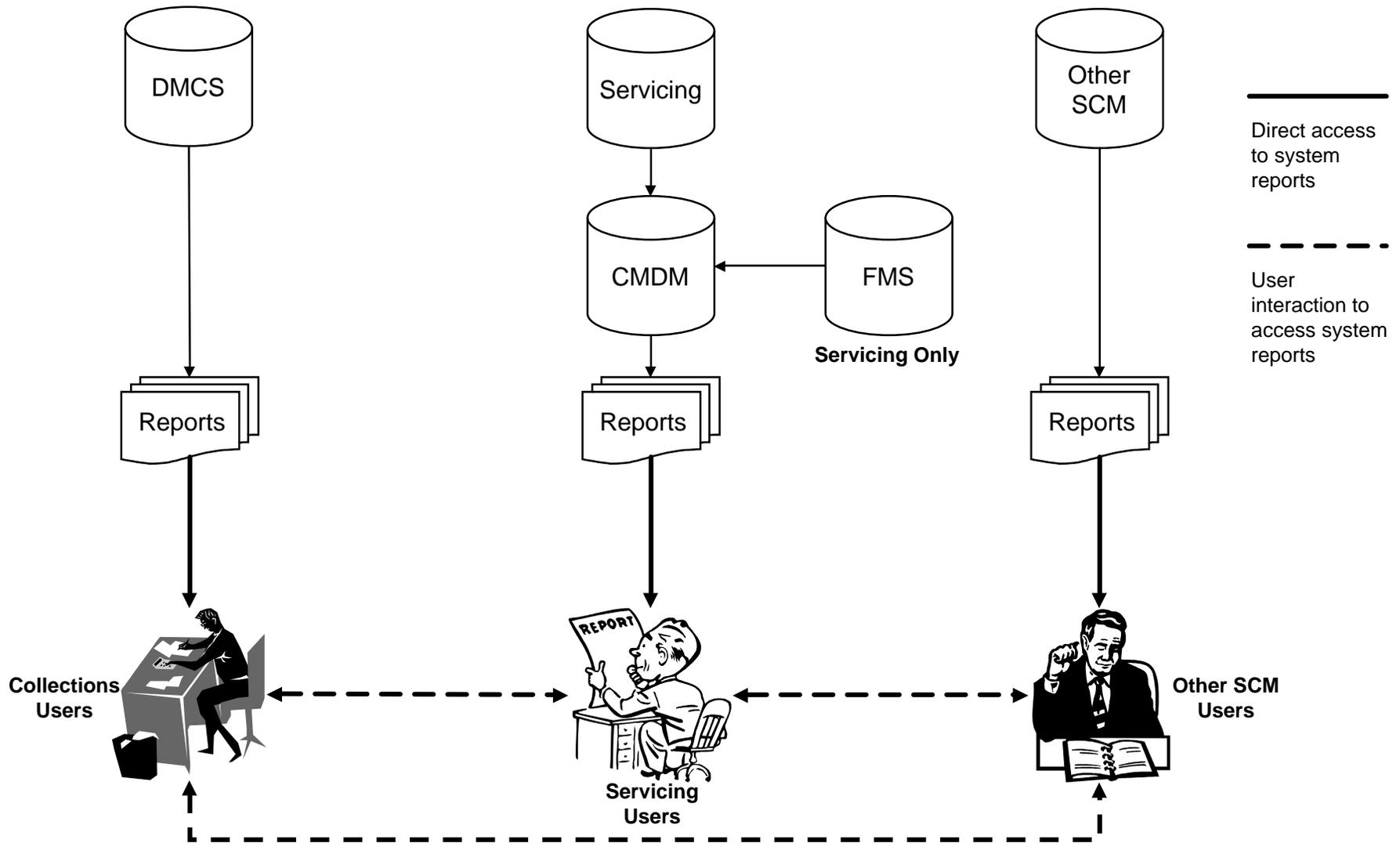
▪ Benefits

Risk Management – Portfolio Analysis & Risk Modeling	Transaction Processing – Information Access & Security
<ul style="list-style-type: none"> ▪ Greater flexibility to analyze borrower population across SCM ▪ Empowers SCM Management to implement tools to effectively manage risk in the SCM portfolio 	<ul style="list-style-type: none"> ▪ Increases staff and manager access to portfolio information ▪ Maximizes reporting flexibility ▪ Increases reliability and comparability of SCM data

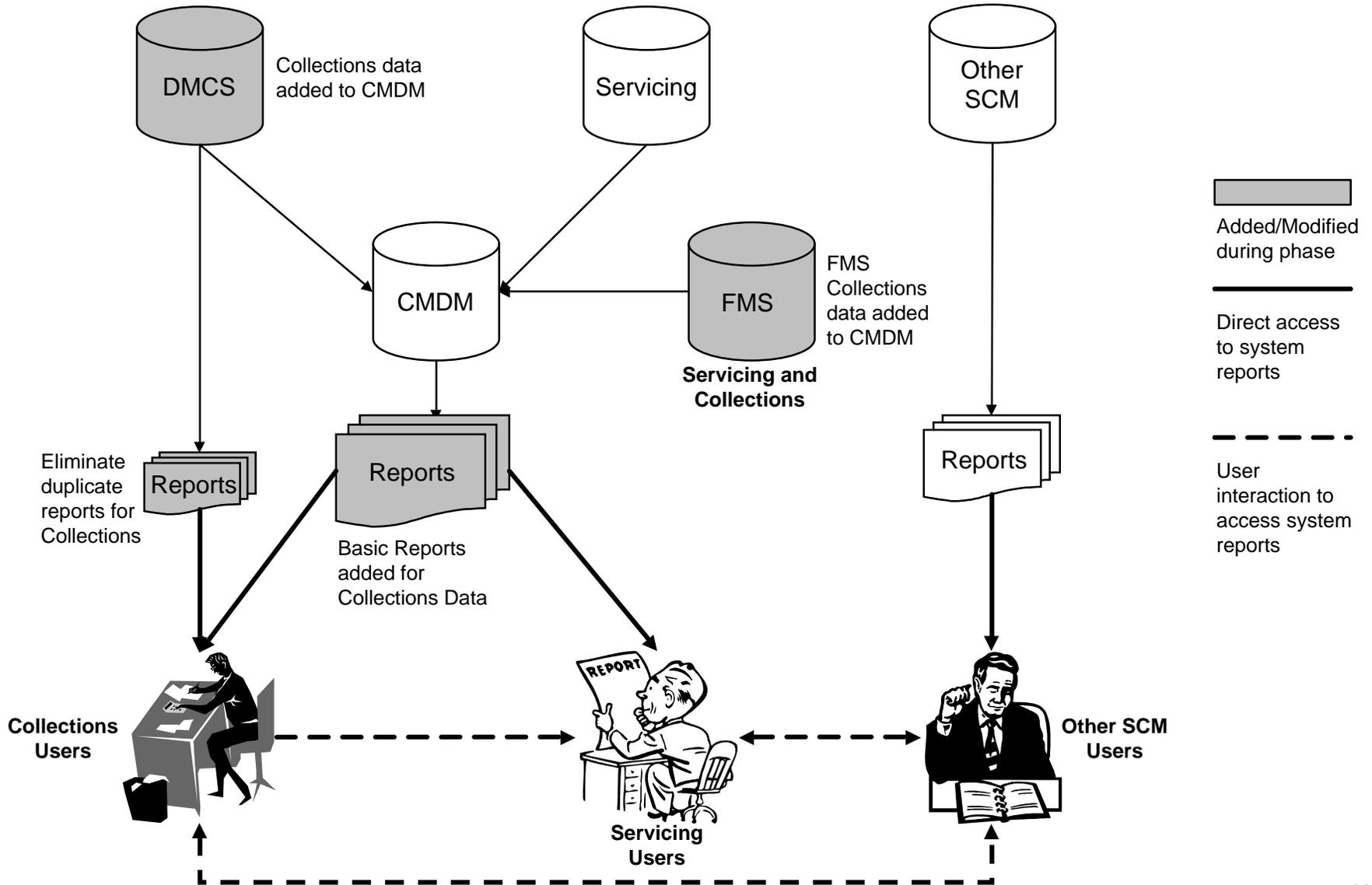
▪ Implications

- Contracts (current and future)
- Organizational Structure
- Retirement of Direct Loan Data Mart for School Delinquency Reporting
- DMCS Reengineering

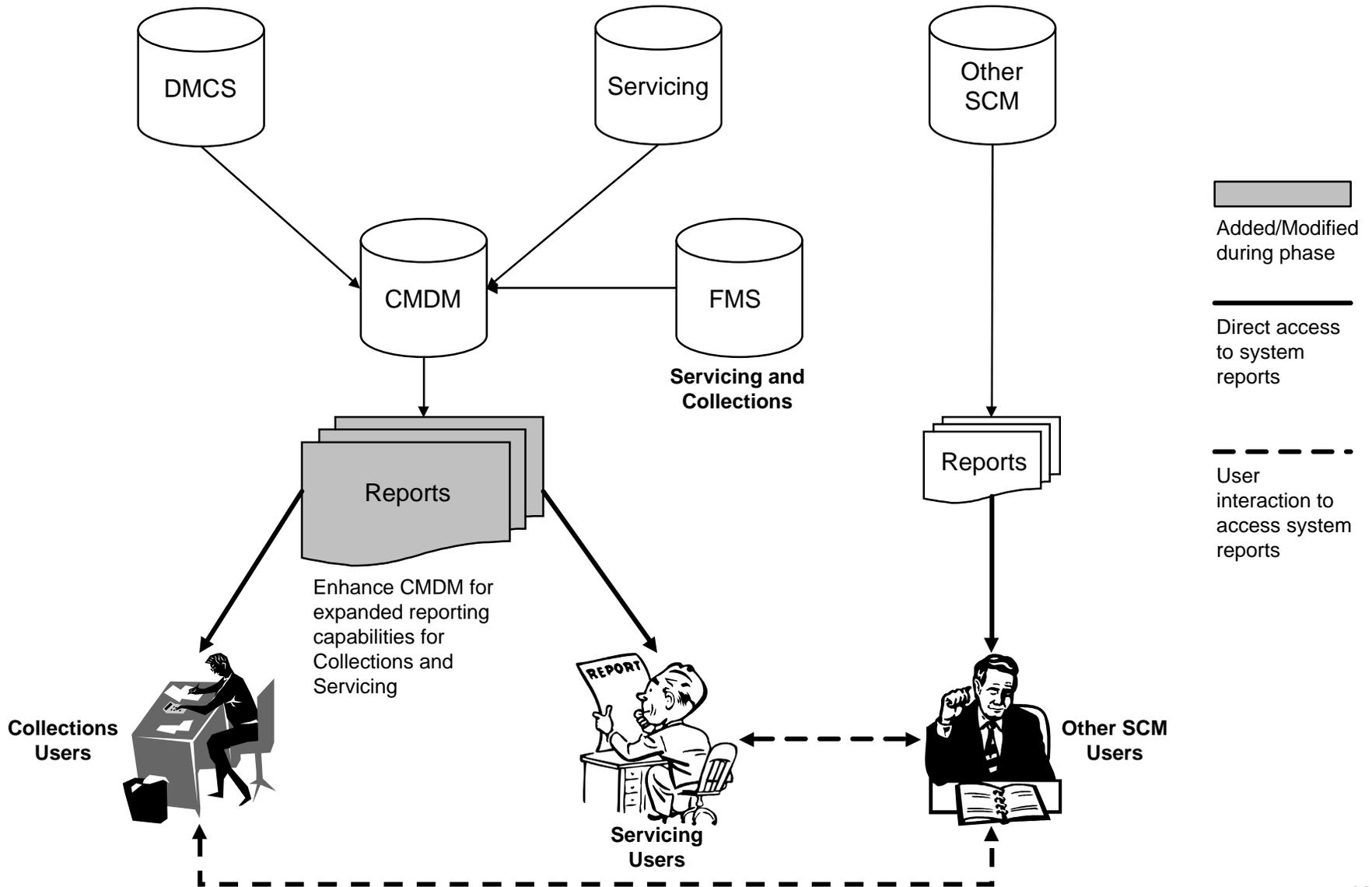
10. Credit Management Data Mart (CMDM) Reporting Capabilities As Is



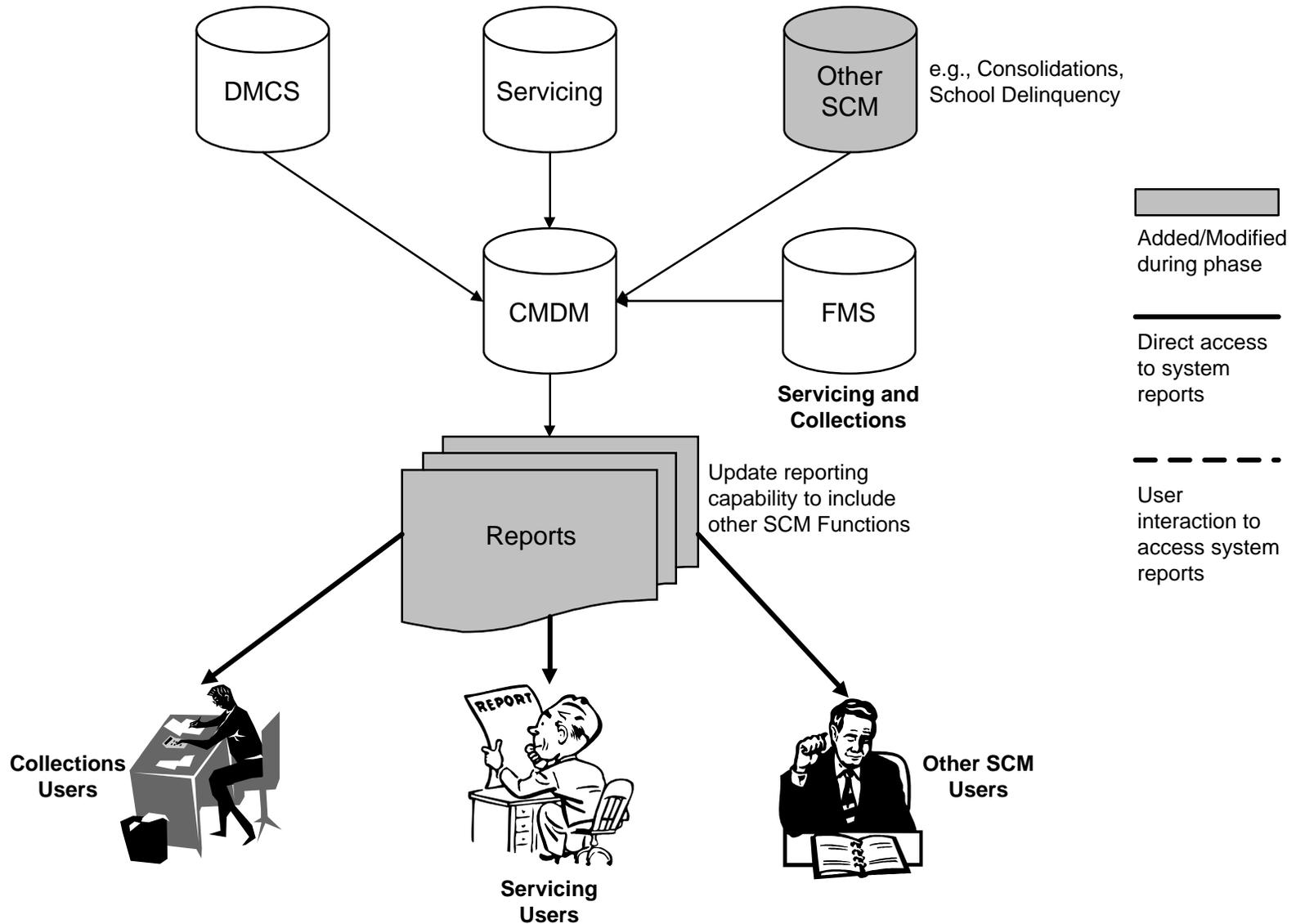
10. Credit Management Data Mart (CMDM) Reporting Capabilities Phase 1



10. Credit Management Data Mart (CMDM) Reporting Capabilities Phase 2



10. Credit Management Data Mart (CMDM) Reporting Capabilities Phase 3



11. Risk Management



▪ Description

- Through the process of data mining, data modeling and sharing data across divisions, new approaches for borrower collections can occur. CMDM can be used to research and to gather the 'cell', or 'target' populations of borrowers to trend behavior by using Statistical Analysis to uncover opportunities for improvement and reduce Fraud Waste and Abuse. As a result of these 'mining' activities, it is anticipated that the overall delinquency portfolio performance can be improved.
- This opportunity involves identifying "high risk" groups that warrant enhanced counseling and providing the extra attention required to help this group of borrowers avoid delinquency and default. The opportunity exists to enhance loan and finance counseling throughout and after attending school by leveraging borrower insight to tailor borrower services.

▪ Recommendation

- **Phase 1:** Create Trending Analysis Model for Servicing data already stored in CMDM. Using the model, create basic reports to analyze for associated trends with Servicing data.
- **Phase 2:** Modify Trending Analysis Model to include data from Collections. Also, modify/create reports to analyze data trends between Repayment and Collections. Share PCA skip trace best practices between Collections and Repayment.
- **Phase 3:** Utilize PCAs for Delinquent Collection beyond 90 – 120 days

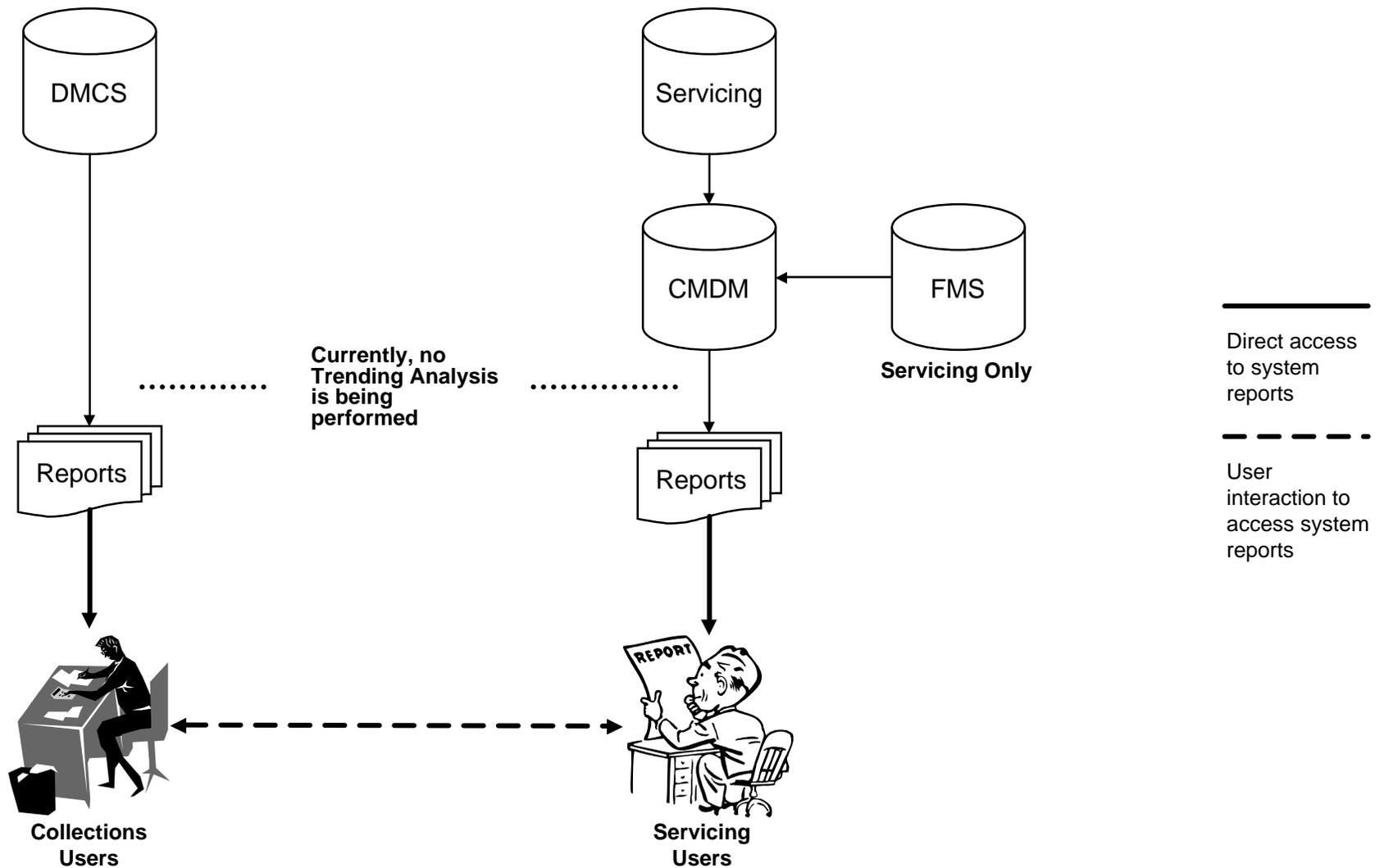
▪ Benefits

Risk Management – Portfolio Analysis & Risk Modeling
<ul style="list-style-type: none">▪ Potential to reduce delinquencies and ultimately defaults▪ Operational efficiencies▪ Better informed borrowers of student loan rights and responsibilities

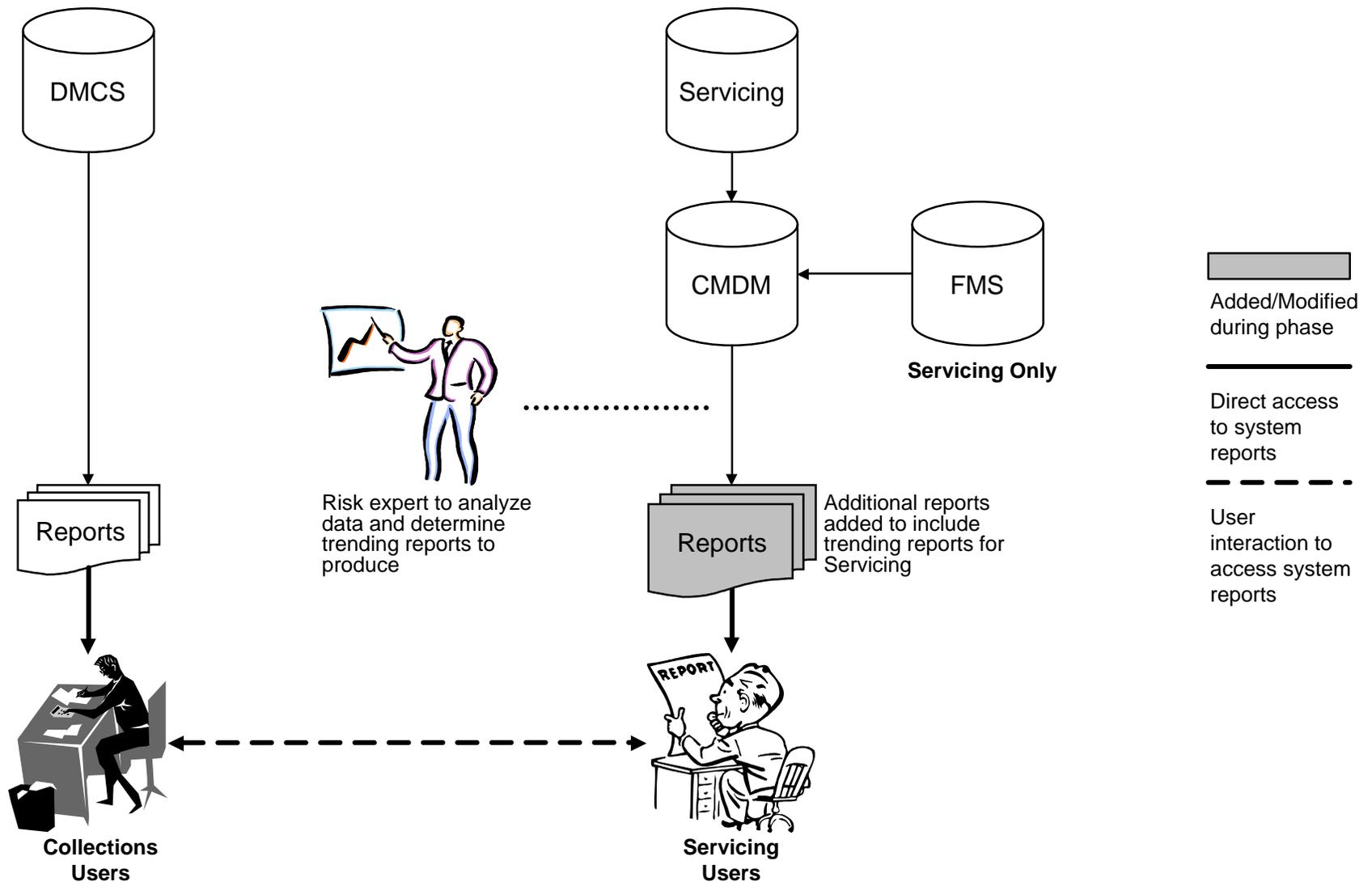
▪ Implications

- Success of CMDM as the universal MIS Reporting Tool for SCM
- Building a relationship and coordinating with CMDM's Long-Term Service Provider
- DMCS Reengineering

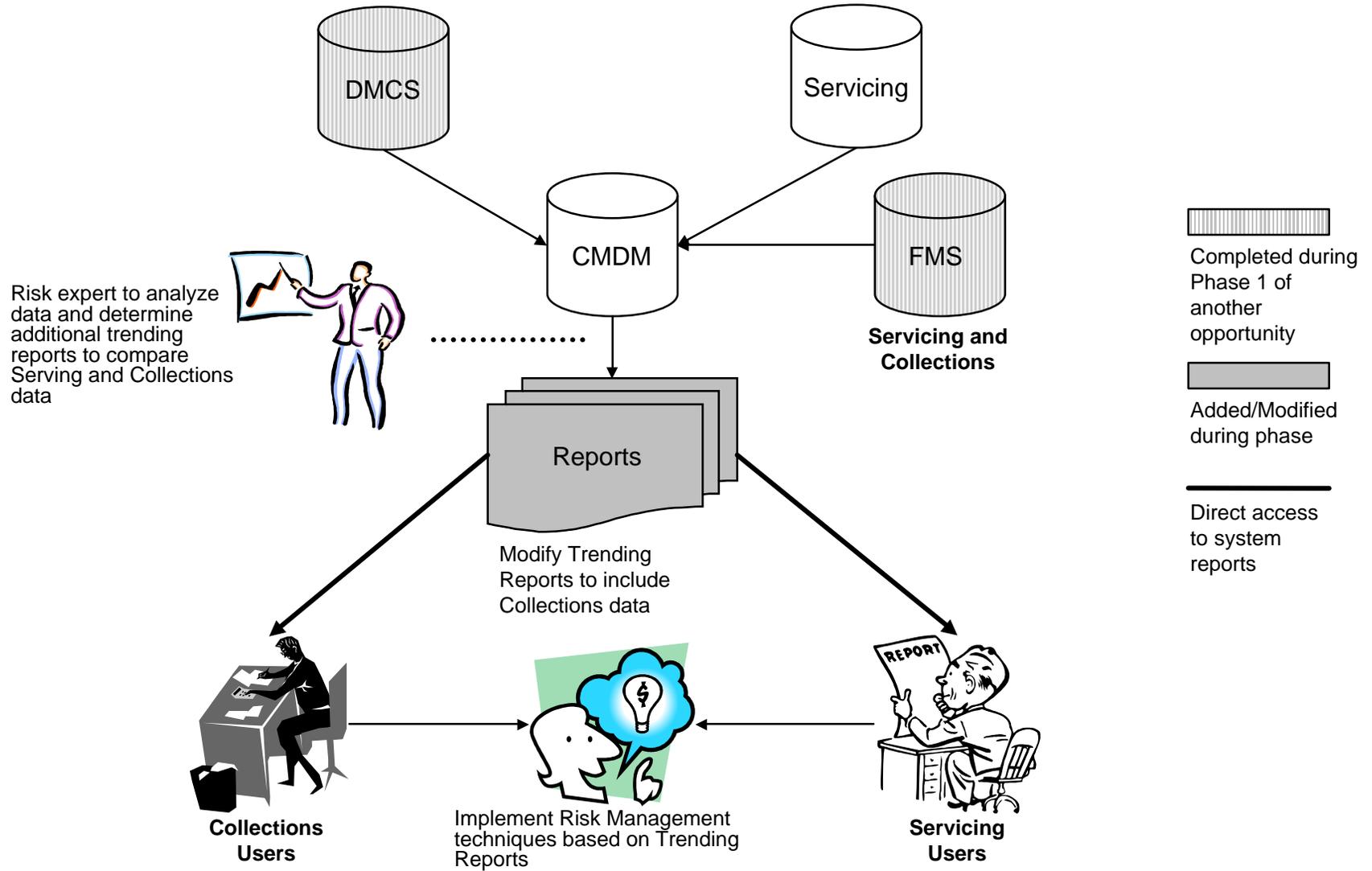
11. Risk Management As Is



11. Risk Management Phase 1



11. Risk Management Phase 2



12. Document Warehousing and Retention

▪ Description

- Collections, Consolidation, and Repayment each have facilities for storing and imaging documents. Collections maintains a warehouse in Greenville, TX that stores defaulted borrower promissory notes and subrogation documents. Consolidations stores their promissory notes in Kentucky. Repayment maintains promissory notes in Utica, NY.

▪ Recommendation

- **Phase 1:** Move Repayment Promissory notes to either the Collections or Consolidation warehouse
- **Phase 2:** Establish document retention standards and storage policies

▪ Benefits

Data Management – Document Management
<ul style="list-style-type: none"> ▪ Fewer contracts to manage ▪ Elimination of multiple system and warehouse storage costs

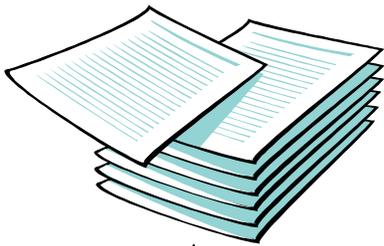
▪ Implications

- Cost of shipping and relocating documents to another facility
- Restructuring of contracts
- Risk of document mix-up from the organizations with documents in the warehouse

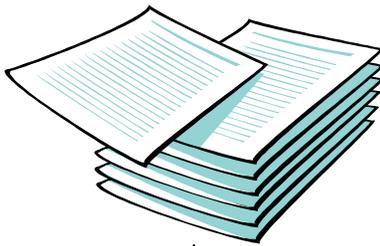
12. Document Warehousing and Retention As Is



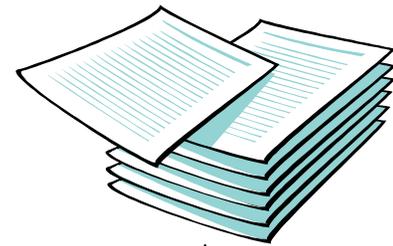
Repayment



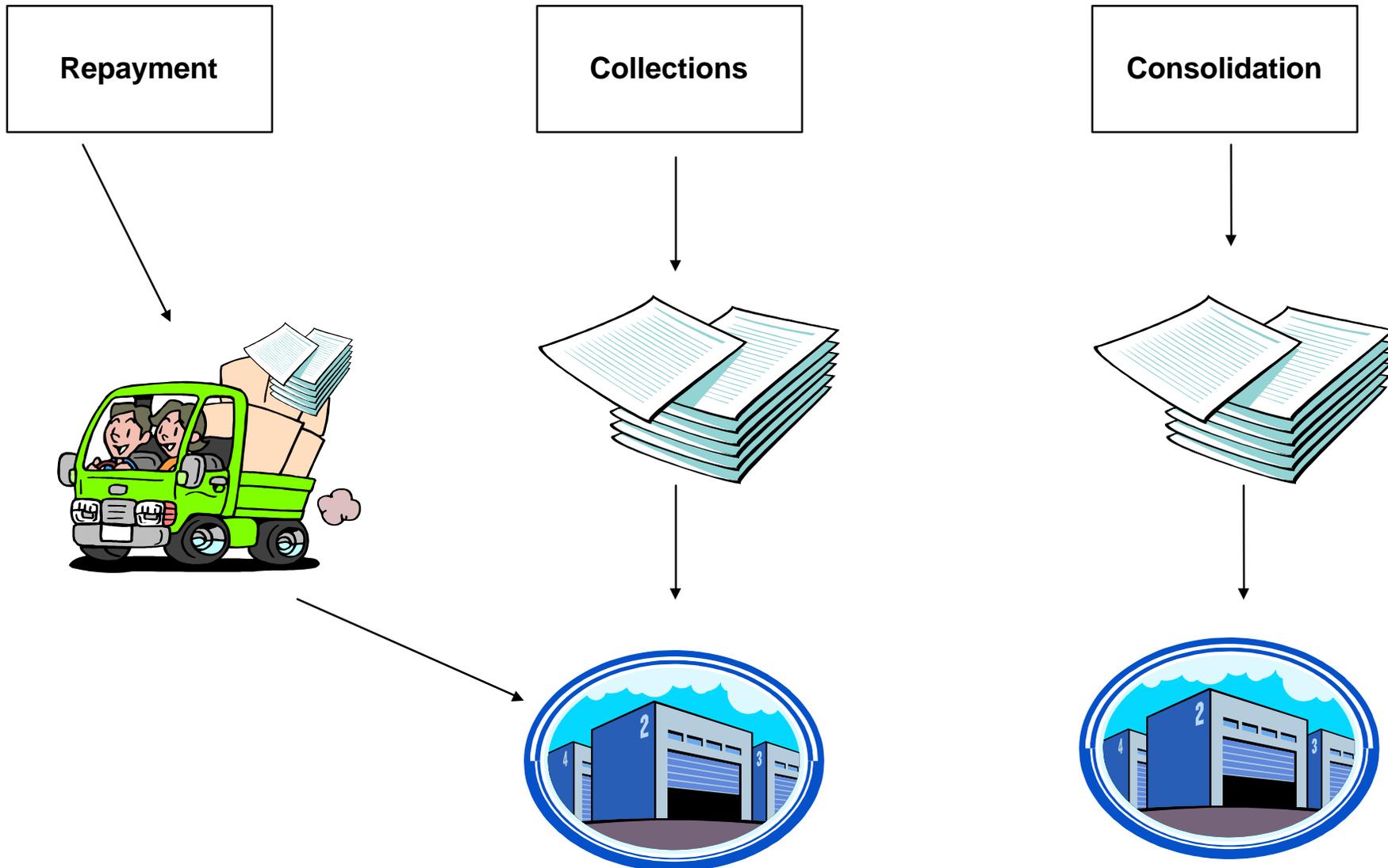
Collections



Consolidation



12. Document Warehousing and Retention Phase 1



13. Bankruptcy Unit



▪ Description

- Currently, multiple sites handle bankruptcy processing of U.S. Department of Education (ED) loans. For Direct Loans, the Servicing contractor, in association with a single Repayment staff member, handles all processing of general bankruptcy and adversarial proceeding cases. The Repayment staff member is responsible for handling adversarial proceeding issues and other bankruptcy related services concerning loans referred to the Department of Justice (DOJ) and other tasks that are legal in nature and that are considered inherently governmental. For Collections, bankruptcy cases are distributed and processed by Educational Credit Management Corporation (ECMC) based on loan type and bankruptcy Chapter that is filed by the borrower. Over the last several years, Repayment and the Direct Loan Servicer have experienced a steady increase in the volume of bankruptcy cases. The routine tasks of processing the bankruptcy cases and the system constraints of the Direct Loan Servicing System (DLSS) have placed a burden on the available resources that have been assigned to handle bankruptcy.

▪ Recommendation

- **Phase 1:** There are three potential solutions that will be explored during Phase 1:
 - **Solution One:** Repayment to piggyback current agreement with ECMC to handle processing of DL bankruptcy cases, defaulted/non-defaulted NDSLs, and PELL/SEOG overpayments
 - **Solution Two:** Repayment to establish a separate contractual agreement with ECMC or another Operating Partner to handle processing of DL bankruptcy cases, defaulted/non-defaulted NDSLs, and PELL/SEOG overpayments
 - **Solution Three:** Hire additional staff within Repayment to process DL bankruptcy cases, defaulted/non-defaulted NDSLs, and PELL/SEOG overpayments
- All solutions require an understanding of the current process of handling DL bankruptcy cases, defaulted/non-defaulted NDSLs, and PELL/SEOG overpayment. The data gathered during this process will be used to create the documents necessary to detail what is required from either a new contractor or additional staff in order to handle these cases.

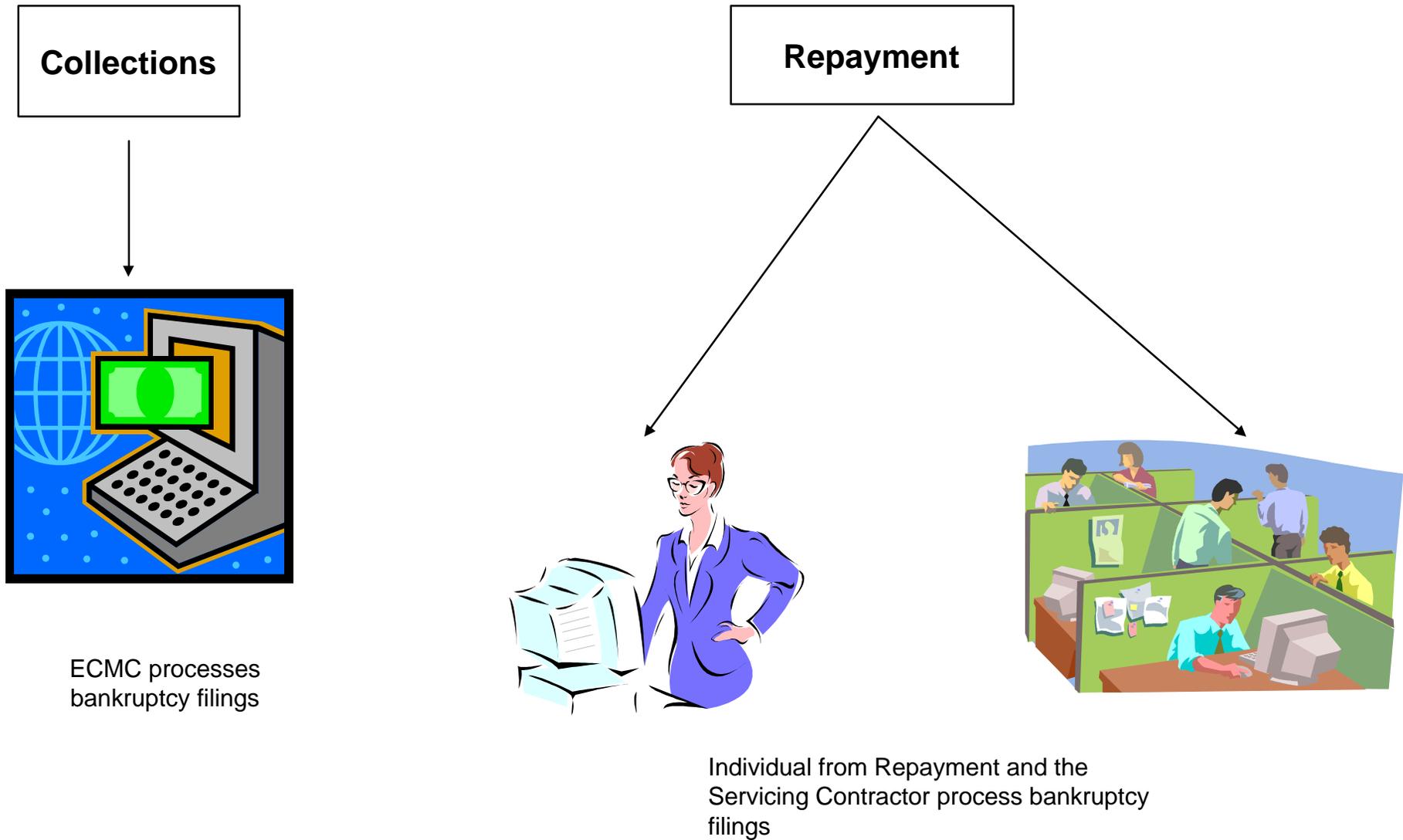
▪ Benefits

Performance Management – Resource Management	
▪	Reduction in number of resources need to complete bankruptcy cases
▪	Decreased backlog of cases

▪ Implications

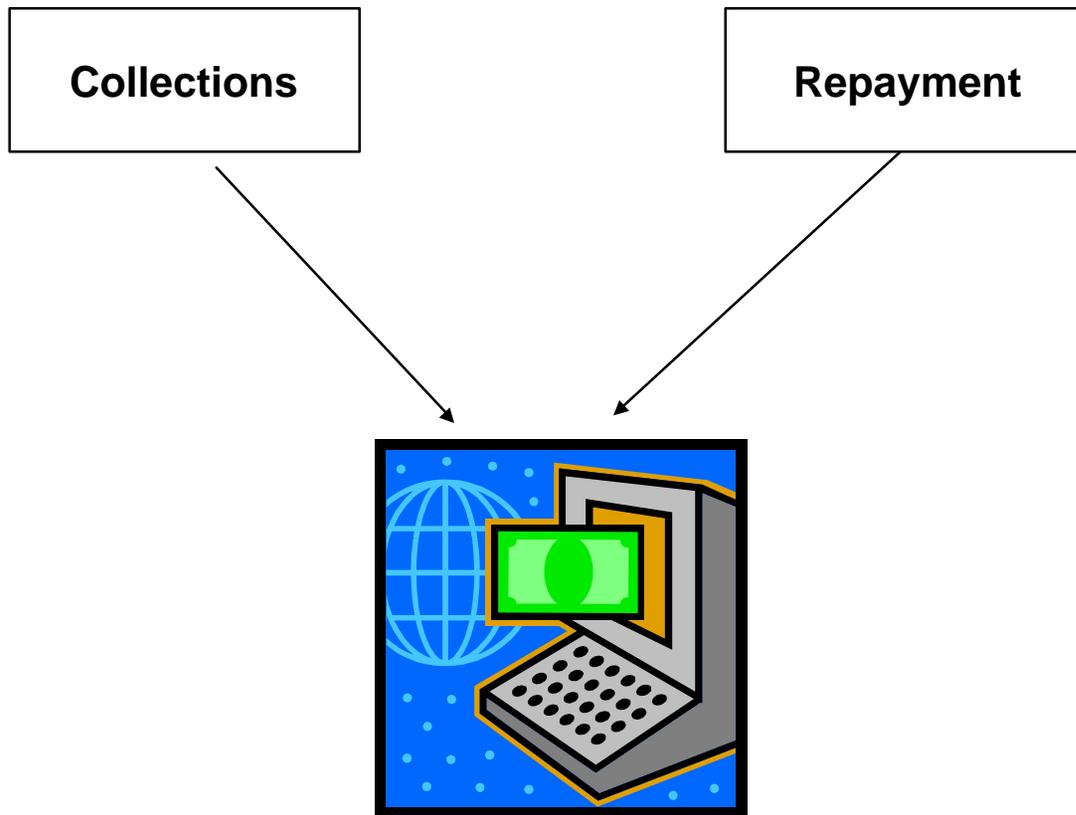
- Willingness of ECMC to handle another contract
- Cost of ECMC providing the bankruptcy services
- ECMC's ability to work Direct Loan accounts, NDSLs, and PELL overpayments

13. Bankruptcy Unit As Is



13. Bankruptcy Unit

Phase 1 – Solution 1



ECMC

ECMC processes
bankruptcy filings

13. Bankruptcy Unit Phase 1 – Solution 2



Collections

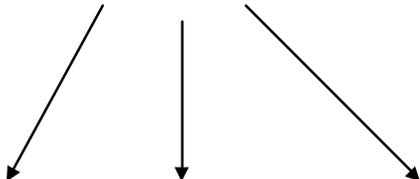


ECMC processes bankruptcy filings

Repayment



Repayment selects several vendors to choose to determine a primary vendor to process bankruptcy filings



13. Bankruptcy Unit Phase 1 – Solution 3

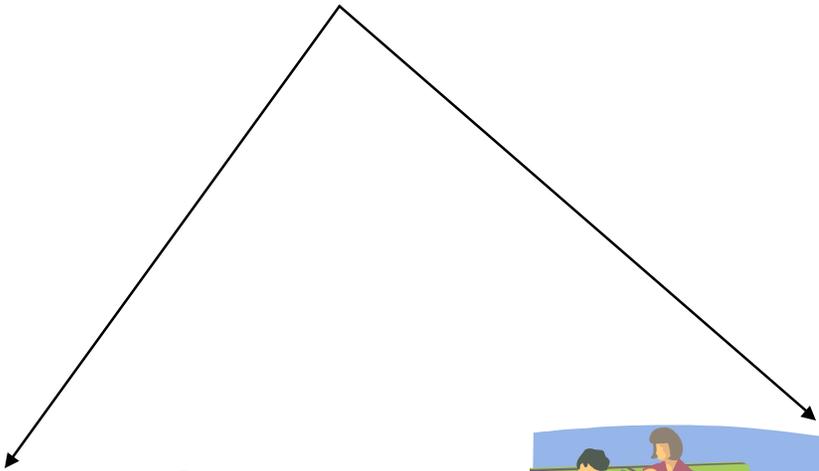


Collections

Repayment



ECMC processes bankruptcy filings



Additional staff is hired for Repayment and the Servicing Contractor to process bankruptcy filings

14. Leverage GA Best Practices



- **Description**

- As of June 2002, approximately 700,000 borrowers were greater than 31 days delinquent in Repayment with over \$10 billion in outstanding loans. Given these numbers, FSA is continuously looking for ways to strengthen its default prevention/aversion practices. Significant time has been invested by GAs and servicers in the development of default prevention models. Tremendous progress has been made in the decrease of student defaults due to these default prevention efforts. This opportunity includes examining all tools, methodologies, models, best practices, etc. used by GAs in their due diligence process for late stage delinquencies to determine if they can be leveraged by Repayment. Additionally, the opportunity includes exploring ways to create a forum for continuous sharing of ideas between FSA and GAs/servicers.

- **Recommendation**

- **Phase 1:** Meetings between GAs, servicers, and FSA to discuss best practices. An analysis of the data gathered from best practices meetings will take place to determine relevancy for SCM.

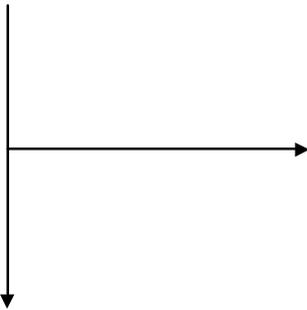
- **Benefits**

Performance Management – Portfolio Management	Risk Management – Portfolio Analysis/Risk Modeling
<ul style="list-style-type: none"> ▪ Better Portfolio Management 	<ul style="list-style-type: none"> ▪ Align with Best practices

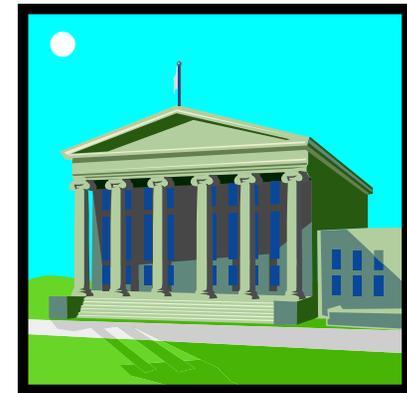
- **Implications**

- Willingness of GAs to share best practices with FSA

14. Leverage GA Best Practices



FSA and Guarantee Agencies meet to discuss GA Best Practices



FSA will analyze data gathered from GAs and determine next steps



Guarantee Agencies (GAs)

- Business Context
- Business Capabilities
- Operating Model
- Functional Requirements
- Table of Opportunities
- Phase 1 Opportunities

- Phase 2 and 3 Opportunities

Opportunity List



Opportunities Beginning in Phase 1

1. Payment Processing
2. Legal Proceeding Resources
3. Correspondence
4. National Directory of New Hires (NDNH) Data Match
5. Imaging
6. Central Contract Management
7. Capture Additional Borrower Information
8. Loan Consolidation
9. Share USPS Skip Tracing Services
10. Credit Management Data Mart (CMDM) Reporting Capabilities
11. Risk Management
12. Document Warehousing and Retention
13. Bankruptcy Unit
14. Leverage GA Best Practices

Opportunities Beginning in Phase 2 or Phase 3

15. **Electronic Refunds**
16. **Integrated Web Site**
17. **Discharge/Cancellation Unit**
18. **Borrower Comment Access**
19. **Central IQCU**
20. **Delinquency Reduction through EDA**
21. **Transfer Non-Defaulted Loans to Repayment**
22. **IRS Consent Form**
23. **Downloadable Payment Statements**
24. **Credit Bureau Reporting**
25. **Bi-Weekly Payments**
26. **IRS AGI Solicitation**
27. **Common Customer Response Library**



15. Electronic Refunds

▪ Description

- Currently, the individual systems within SCM have varied processes and methods in which payments and refunds are generated to borrowers, schools, and lenders. Borrowers, lenders, and schools often must wait weeks for their check to be mailed to them. Automating payments to lenders and schools and refunds for lenders, schools, and borrowers will create a more efficient and accurate method of transferring funds.

▪ Recommendation

- **Phase 1:** N/A
- **Phase 2:** Pilot electronic payments and refunds for selected large volume lenders and schools. Generate electronic refunds to borrowers when their bank account information has already been collected by SCM.
- **Phase 3:** Expand capability of electronic payments and refunds to a greater population of lenders and schools

▪ Benefits

Transaction Processing – Generate and Process Refunds
<ul style="list-style-type: none">▪ Clean accounting and audit▪ Greatly improve speed of payments and refunds▪ Improve accuracy of funds processing▪ Increased efficiency for financial partners

▪ Implications

- Schools and lenders will need to enroll in program
- Interagency coordination needed with FMS and GAPS or FMS and FMSS



16. Integrated Web Site

▪ Description

- Currently, Student Credit Management (SCM) houses three separate web sites for Servicing, Collections, and Consolidation. The content and style of these three sites are all different. If a borrower moves from one site to another, there is a clear hand-off that may create confusion for borrowers. In addition, no account-specific services are available to borrowers maintained in the collections portfolio. An integrated web site would allow SCM to present “one face” to the borrower for account information, loan consolidation, and self-service functions. Although the services available to borrowers at various stages of delinquency and default should not be identical, a borrower will be able to access specific loan and program information from a single source that provides appropriate levels of self-service. An integrated web site would build upon the Loan Consolidation phase 1 opportunity (Transfer Express Consolidations to Servicing) as a step towards merging the Servicing and Consolidation functions into a single unit.

▪ Recommendation

- **Phase 1:** N/A
- **Phase 2:** Implement a single Integrated Web Site for all of Student Credit Management. Provide account access and internet payment options for defaulted borrowers.
- **Phase 3:** Expand self-service opportunities at various loan lifecycle stages. Expand interfaces and web options for partners.

▪ Benefits

Information Fulfillment – Self Service	Transaction Processing – Consolidate Loans
<ul style="list-style-type: none"> ▪ Allow borrowers 24x7 access to account information ▪ Ease of future modifications ▪ On-line payments across SCM portfolio ▪ Tailor self-service options to account status 	<ul style="list-style-type: none"> ▪ Eliminate consolidation hand-offs ▪ Consolidation becomes a function of customer service

▪ Implications

- Contracts (current and future)
- Security and information access
- Coordination with Portals strategy



17. Discharge/Cancellation Unit

▪ Description

- Currently, multiple sites handle discharge/cancellation processing for ED loans: Direct Loan Servicer, DL repayment staff, Public Inquiry Contract (PIC), regional offices, Educational Credit Management Corporation (ECMC), and Collection agencies. For Direct Loans, the Servicing Operating Partner, in conjunction with the Repayment staff, handles all research and processing of discharge/cancellation requests. For the Debt Management Collections System (DMCS), discharges are distributed and processed based on who owns the account and/or the site specialty (i.e., ECMC handles most bankruptcy cases for in-house accounts; PIC handles disability and death discharge claims for in-house accounts; region IX handles all false certification, school closure and unpaid refund; the collection agencies handle death, disability and bankruptcy discharges for accounts assigned to them). In addition, FSA and operating partner resources and staff time are wasted researching and processing discharges and cancellations for consolidation loans that were known to be dischargeable by the previous loan holder.

▪ Recommendation

- **Phase 1:** N/A
- **Phase 2:** An assessment of each organization’s discharge/cancellation function will be conducted to review the processes, people, and technology used. Analysis of the results of the assessments will determine the solution/requirements. The assessment will include recommendations for reducing the number of dischargeable FFEL loans consolidated in the Direct Loan Program.
- **Phase 3:** Any recommendation from the above assessments that require policy changes will be completed in this phase

▪ Benefits

Performance Management – Resource Management	Risk Management – Portfolio Analysis/Risk Modeling
<ul style="list-style-type: none"> ▪ Properly allocated resources to work discharges/cancellations ▪ Reduce time wasted by resources researching and processing unnecessary cancellations/discharges 	<ul style="list-style-type: none"> ▪ Method of easier data access for discharges/cancellations ▪ Provide a method to avoid redundancy and duplication of effort of processing discharges/cancellations ▪ Reduce amount of dischargeable debt accepted into the portfolio

▪ Implications

- Possible contract or deliverable cost
- Possible policy changes

18. Borrower Comment Access

▪ **Description**

- Currently, Servicing, Consolidation, and Collections each maintain their own system for storing records of borrower comments. With limited exceptions, one component’s records are not directly retrievable by users in the other components. In addition, Collections contracts many of its accounts to Private Collection Agencies (PCAs). The comment records kept by these PCAs are stored on separate systems and most are not passed to the DMCS, nor are they directly retrievable by most Collections staff (other than by each PCA’s assigned contract monitor). This opportunity would provide Servicing, Consolidation, and Collections the ability to access records of borrower comments from the various systems from each organization.

▪ **Recommendation**

- **Phase 1:** N/A
- **Phase 2:** Individuals within FSA and the Operating Partner will be provided with access to borrower comments across all systems. ED personnel will have the ability to enter a borrower’s social security number and view comment information from Servicing, Consolidation, and Collections.
- **Phase 3:** N/A

▪ **Benefits**

Data Management – Information Access & Security	Transaction Processing – Account Set-up & Maintenance
<ul style="list-style-type: none"> ▪ Easier method for accessing borrower specific information ▪ Inter-agency research would be reduced 	<ul style="list-style-type: none"> ▪ Borrower would not have to provide the same information to numerous organizations

▪ **Implications**

- CRM4FSA potential initiative of creating a single communication log
- Ability to ensure security of information from various systems
- As a part of the requirements set forth by FSA, PCA borrower comments are uploaded into DMCS
- Based upon capacity, PCA documentation standards may change
- DMCS Reengineering

19. Central Independent Quality Control Unit (CIQCU)



▪ Description

- Currently, each of the three SCM contracts (Servicing, Consolidation, and Collections) has their own form of Quality Assurance. Servicing is the only contract which includes an Independent Quality Control team in addition to a Quality team consisting of legacy contractor resources.
- Currently, the Independent Quality Control Unit on the Servicing contract is responsible for fulfillment sampling, process reviews, readiness assessments for software development efforts, test reviews, and EDP audits

▪ Recommendation

- **Phase 1:** N/A
- **Phase 2:** Review the current scope of responsibilities for each of the Quality teams on the SCM contracts. Based upon the core objectives of FSA, determine a model for dividing quality activities and responsibilities between the legacy contractor (operating partner), FSA personnel, and a [future] CIQCU. Identify individuals within SCM who will participate more in the quality activities of the SCM system(s)/CSB solution.
- **Phase 3:** Publish a RFP/SOW for the CIQCU. Select a vendor and orient to SCM. Identify and train FSA individuals who will focus on the Quality function of SCM.

▪ Benefits

Performance Management – Quality
<ul style="list-style-type: none">▪ Standard set of quality assurance procedures across SCM▪ More empowerment of FSA over quality activities▪ Single unit of “unbiased” accountability

▪ Implications

- Contract restructuring to include the modified scope of responsibilities for the CIQCU
- Contract restructuring to include the modified scope of responsibilities for any legacy quality assurance teams
- Training and potential organizational changes for FSA personnel



20. Delinquency Reduction through EDA

▪ Description

- There are borrowers who may routinely miss their payment due dates simply because they forget to make their monthly payment or they have an issue with their finances for the month and to date there has been no penalty for late payments. These borrowers tend to resolve their delinquency issues on their own but not before they become involved in the due diligence cycle and require up to two phone calls per month to be made by a CSR from the Direct Loan Servicing Center (DLSC).
- This opportunity consists of targeting those borrowers who habitually fail to make their payments on the due date, but who correct the situation during the first 90 days of delinquency. These borrowers will be targeted through communication campaigns aimed at educating borrowers on the benefits of EDA and other electronic payment and correspondence options. These communication campaigns will ultimately have the goal of helping these borrowers manage their student aid obligation with minimal effort.

▪ Recommendation

- **Phase 1:** N/A
- **Phase 2:** N/A
- **Phase 3:** First, identify and document all opportunities for marketing EDA adoption to those borrowers in the early stages of delinquency. Then, determine changes that need to be made to call scripts, existing stuffers and other forms of communication and make the necessary changes. Finally, implement methods for marketing EDA adoption to those borrowers in early stages of delinquency.

▪ Benefits

Risk Management – Repayment Counseling
<ul style="list-style-type: none"> ▪ On-time payments ▪ Reduction in the number of delinquent borrowers which would result in the reduction of delinquent collection costs ▪ Reduction in the probability that these borrowers would go delinquent in the future

▪ Implications

- Cost of marketing this opportunity may outweigh the savings from not mailing paper bills
- Ability to take bank information from borrowers
- Security and information access



21. Transfer Non-Defaulted Loans to Repayment

▪ Description

- Move the responsibility for servicing and oversight of non-defaulted student loans to Repayment. For example, remove non-defaulted and rehabilitated Perkins Loans as well as Pell Grant Overpayments out of Collections and into Repayment. This opportunity would also extend to future FFEL loans that may come out of the Total and Permanent Disability (TPD) System.

▪ Recommendation

- **Phase 1:** N/A
- **Phase 2:** N/A
- **Phase 3:** Transfer the responsibility of these debts to Repayment and procure the services of a vendor who currently has a system that can perform loan servicing and due diligence. For example: 1) current and future withdrawn or closed schools for Perkins Loans whose borrowers are in good standing, 2) Perkins Loans rehabilitated by ED and now considered in good standing, but lack a normal scheduled billing process, 3) Pell Grant Overpayments, and 4) future FFEL loans assigned from the TPD system.

▪ Benefits

Performance Management – Portfolio Management
<ul style="list-style-type: none">▪ Proper Portfolio Alignment/Customer Segmentation▪ Improved Customer Service

▪ Implications

- Contract cost and the time needed for the acquisition process
- Availability of Repayment resources to perform acquisition process and management and oversight of contract

22. IRS Consent Form (to Disclose Income Information)



▪ Description

- In order to place a borrower on the Income Contingent Repayment (ICR) Plan, FSA must collect and receive IRS approval of the Consent form. This involves collecting a paper form from the borrower, manually reviewing the form, imaging, transferring the image to IRS, responding with a new form if the IRS rejects the original form, and recording the approval onto the system to allow income solicitation from IRS in the future.
- The process can last several weeks from beginning to end
- New consent forms must be completed every 3-5 years

▪ Recommendation

- **Phase 1:** N/A
- **Phase 2:** N/A
- **Phase 3:** Collaborate with the IRS to determine the feasibility of the following two (2) options: (1) Create and utilize an electronic version of the form to drastically reduce the entire approval process, or (2) Eliminate the form entirely

▪ Benefits

Transaction Processing – Process Forms	Transaction Processing – Account Set-up & Maintenance
<ul style="list-style-type: none"> ▪ An electronic form could be shared by Servicing and Consolidation ▪ An electronic form could be modified faster and simpler than the current paper form 	<ul style="list-style-type: none"> ▪ If the form were electronic or not required, the turnaround time to place borrowers onto the ICR plan would decrease significantly

▪ Implications

- The IRS may be unwilling to approve elimination of the form. The form has only been required for FSA because of the use of non-government/contractor employees in the IRS consent form process. Discussions on this issue occurred in 1994/1995 and should be revived in lieu of increasing costs and degradation in service to borrowers (specifically those borrowers attempting to consolidate).
- May be able to leverage automated consent process being piloted by FAFSA (application processing)

23. Downloadable Payment Statements



▪ Description

- Downloadable payment statements could exist as an alternative to mailing coupon books to borrowers (if coupon books are implemented) or for a borrower to print a generic statement that could be used if a bill is misplaced or a borrower wants to send an additional payment. If coupons were implemented, it would be feasible to download and print them directly from the Web site.

▪ Recommendation

- **Phase 1:** N/A
- **Phase 2:** N/A
- **Phase 3:** Create a survey for borrowers to see if they really want this option. Extensive testing would be needed to ensure the line-up would be exact for the OCR machines to read the payment coupons at the lockboxes.

▪ Benefits

Transaction Processing – Receive and Process Payments	Information Fulfillment – Self Service
<ul style="list-style-type: none"> ▪ Possible reduction in lockbox exception processing due to payments without corresponding payment coupons 	<ul style="list-style-type: none"> ▪ Reduction in printing and mailing costs

▪ Implications

- Cost/Benefit of implementing this opportunity
- Extensive acceptance testing to ensure the ability for OCR machines to read the coupon payments at the lockboxes
- If coupon books are not implemented, viability of opportunity may be affected

24. Credit Bureau Reporting



▪ Description

- Currently, both Repayment and Collections provide separate monthly reporting to the four major credit bureaus. Additionally, the same credit status of 93 (account seriously past due and/or assigned to internal or external collections) is being reported by both Repayment and Collections. Regardless of what Collections reports, the 93 status reported by Repayment will continue to be reflected on a borrower's credit record unless their loan is rehabilitated. The removal of the status 93 conforms to requirements for the Secretary to remove derogatory credit information on a rehabilitated loan under Title 34 of the Code of Federal Regulations, Section 685. Repayment incurs an average monthly expense to transmit data on approximately 5.8 million active borrowers every month. Collections is currently transmitting data on approximately 1.3 million defaulted borrowers every month, and the monthly expense has not been quantified. Collections does not report credit data on its entire portfolio to comply with time constraints under the Fair Credit Reporting Act. Therefore, a significant portion of the Collections portfolio is already NOT being reported to credit bureaus.

▪ Recommendation

- **Phase 1:** N/A
- **Phase 2:** N/A
- **Phase 3:** Option one: Discontinue credit bureau reporting for Collections
Option two: Merge Servicing and Collections Credit Bureau reporting

▪ Benefits

Data Management – External Reporting

- Operational efficiencies through consistent reporting and possible reduced costs

▪ Implications

- Cost/Benefit of implementing this opportunity
- Potential credit bureau systems enhancements to accept merged file
- Potential development issues with respect to segregating Servicing and Collections data on same tape

25. Bi-Weekly Payments



▪ Description

- Borrowers enrolled in current SCM billing plans are billed once per month and required to make one payment per month. By making one-half their normal monthly payment every other week, borrowers would receive the benefit of the making the equivalent of 13 monthly payments per year, reducing the term of the loan. This is an option with many leading loan providers in order to improve customer service, increase sales, and promote on-time repayment. By allowing borrowers to choose this method of repayment, especially through EDA, FSA could improve customer service, promote on-time repayment, and use it as a marketing tool for schools and loan consolidation.

▪ Recommendation

- **Phase 1:** N/A
- **Phase 2:** N/A
- **Phase 3:** Implement and market bi-weekly payment option to borrowers to encourage on-time repayment. This will allow borrowers to make the equivalent of 13 monthly payments per year instead of 12.

▪ Benefits

Risk Management – Repayment Counseling	Transaction Processing – Receive and Process Payments
<ul style="list-style-type: none">▪ Promotes on-time repayment▪ Increases payment options for borrowers	<ul style="list-style-type: none">▪ Borrowers pay off loans more quickly

▪ Implications

- Potentially high cost of implementation
- Must prove to be revenue neutral
- Number of payments to process increases



26. IRS Adjusted Gross Income (AGI) Solicitation

▪ Description

- Currently, borrowers with defaulted loans may consolidate if they agree to repay their consolidation loan through the Income Contingent Repayment (ICR) plan. These borrowers are classified as “Forced ICR”.
 - Borrowers are allowed to consolidate without the income today, placing the burden of collecting this information on Servicing
 - The Servicing system must have record of a valid consent form and valid income to ensure the borrower is in compliance with ICR rules. If this documentation does not exist, the borrower is re-defaulted to Collections.
- AGI requests to the IRS are sent by Servicing on a monthly basis using tape media
- The re-defaulting of Forced ICR borrowers could be avoided if they were not allowed to Consolidate until their income was received from the IRS

▪ Recommendation

- **Phase 1:** N/A
- **Phase 2:** N/A
- **Phase 3:** Do not complete the Consolidation process for a “Forced ICR” borrower until the request for Income has been routed through Servicing to IRS and back to Consolidation. One simple option to expedite the process, as a service to the borrower, is to alert the borrower that they can submit Alternative Documentation (Alt Doc) of Income if they think we will be unable to receive an IRS income match. A more complicated option is to work with the IRS to enhance the existing AGI process.

▪ Benefits

Risk Management – Collection Tools	Transaction Processing – Account Set-up & Maintenance
<ul style="list-style-type: none"> ▪ The Forced ICR process would still be utilized to help bring borrowers back into good standing, however the risk of booking a loan into Servicing which will most likely re-default back to Collections is decreased 	<ul style="list-style-type: none"> ▪ Forced ICR borrowers will be set up in Servicing, already in compliance with ICR rules ▪ The initial monthly payment amount for Forced ICR borrowers will reflect their income

▪ Implications

- Forced ICR borrowers will experience a significant delay in consolidating their loans if they cannot provide Alt Doc, or if the AGI solicitation process is not changed/expedited

27. Common Customer Response Library

- **Description**
 - In order to provide quick and consistent responses to customer questions and issues, a method can be established to create a common library of responses to customers. Many large financial and non-financial concerns within the private sector use this process to reply to consumers, because it's faster, cheaper and more consistent. Responses could be placed onto an ACCESS database or reside on a single website which could be used by all FSA personnel and operating partners.
- **Recommendation**
 - **Phase 1:** N/A
 - **Phase 2:** N/A
 - **Phase 3:** Create a common customer response library to respond to customer inquiries and issues

- **Benefits**

Information Fulfillment – Customer Response
<ul style="list-style-type: none"> ▪ Consistent and accurate responses ▪ Faster inquiry response time ▪ Creates operational efficiencies

- **Implications**
 - Coordination between groups to create and maintain list
 - Different verbiage is used at different points in the borrower lifecycle