

# **Electronic Delivery of Cohort Default Rate Notification Process**

BC-FY02-##

Phase 1 Business Case

April 5, 2002

Version 2.2

**SFA IT Investment Management Process**

# Agenda

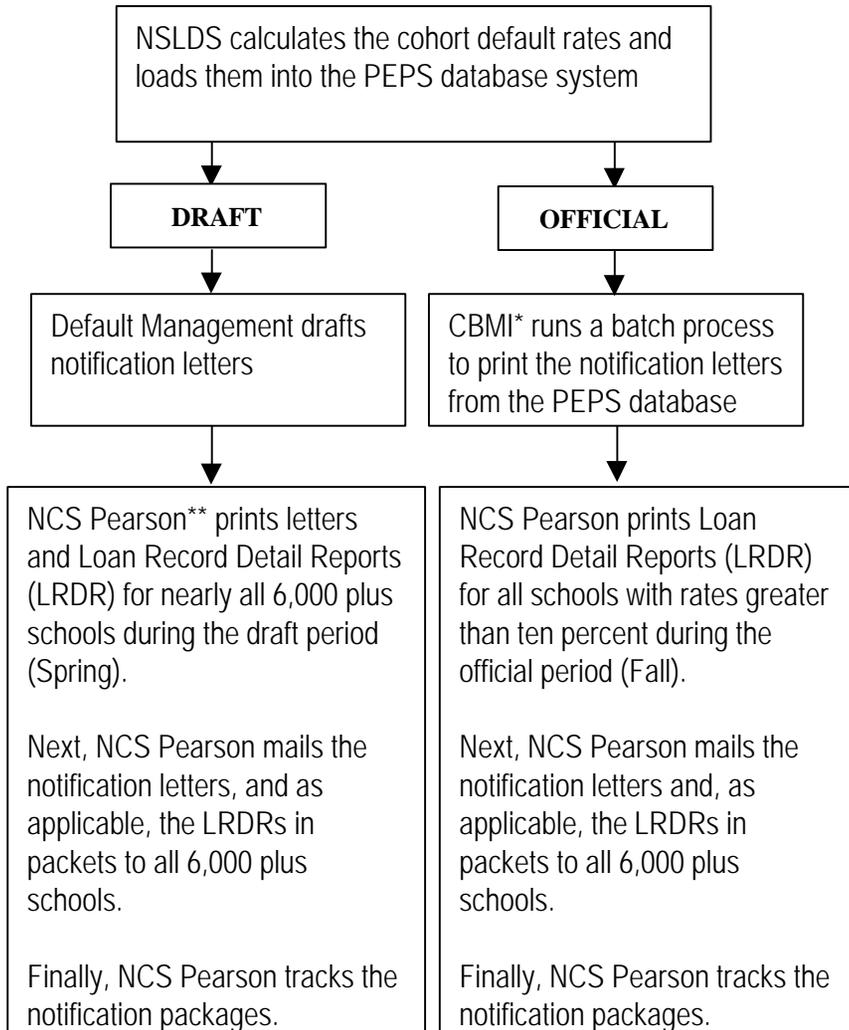
- ❑ Business Driver
- ❑ Process
- ❑ Impact
- ❑ Hard Dollar Benefits
- ❑ Other Benefits
- ❑ Timeline
- ❑ Cost & Savings Analysis

# Business Driver

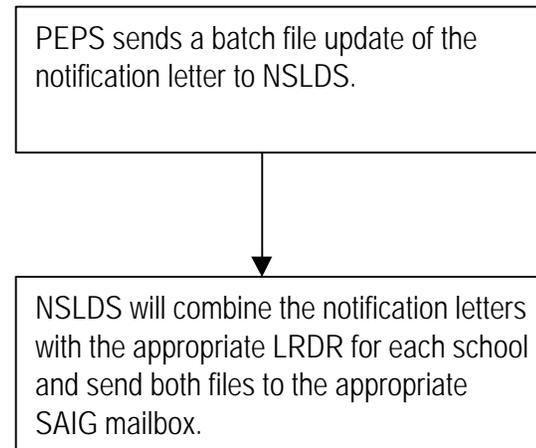
- What is the business driver?
  - Each year, Spring Draft Cohort Default Rate Notification Process and Fall Official Cohort Default Rate Notification Process documents are manually mailed to approximately 6,000 schools by a contractor.
  - Reports can get lost, rejected, or sent to bad addresses and additional copies are requested from Schools
  - Tracking of receipt of reports from schools can be cumbersome and complicated, and is done through a contractor
  
- What is it this business case is trying to do?
  - Implementation of a solution that delivers draft and official cohort default rate notification packages electronically to schools
  - Develop solution to track receipt of reports from schools in order to start appeal process, while ensuring program integrity to avoid legal challenges
  
- Why should SFA fund this business case?
  - Significant savings in cost and improvement in customer and employee satisfaction

# Current and New Process

## Current Process



## New Process (Domestic Schools)



## New Process (Foreign Schools)



\*CBMI is an IT contractor for Education

\*\*NCS Pearson is a contractor for Education

# Who Is Impacted? When?

- **Schools** – Under the current process, approximately 5,500 domestic schools receive hard copy cohort default rate packages twice a year. ECDR for schools will provide the CDR packages to these schools more efficiently and effectively. Receipt of packages will be more timely, delivered to the destination point identified by the school and will be in an extract form suitable for data analysis to assist the school in participation of challenges/appeals.
- **Schools Channel/Case Management Oversight** - No longer mail paper copy of CDR Notification Package to schools. Also, reduces unit costs while increasing customer and employee satisfaction.
- **FSA/CIO** – CIO support will be required for the electronic delivery of solution. Also, there will be a need to enhance current legacy systems, i.e., NSLDS, PEPS, and SAIG. The functionalities from these enhancements should be a requirement for redesigning NSLDS, PEPS, or SAIG systems in future without any additional investment to Default Management.

# Who Is Impacted? When? (cont'd)

- ❑ **FSA Schools Channel/Default Management** – Regulations require schools to maintain rates below certain in order to remain eligible for FDSL, FFEL, and/or PELL. Cohort default rate challenge/adjustment/appeal timeframes have triggers associated with the receipt of cohort default rate notification packages.
- ❑ **FSA Financial Partners Channel** – Partner services provide a smaller scale mailing twice a year to 36 guaranty agencies and 4,000 lenders. In future, Schools process could be leveraged for GAs and Lenders.
- ❑ **Third Party Servicers** – E-notification would ensure that schools could more quickly route their Loan Record Detail Reports to Third Party Servicers. In addition, Servicers that represent more than one school would benefit due to streamlined access to loan record detail reports.
- ❑ **This initiative will impact these groups immediately after deployment in February 2003.**

# Other Benefits

- **What are the benefits to customer satisfaction?**
  - Quicker delivery and access to CDR notification packages
  - Schools are less likely to lose notification packages
  - Schools will have access to the detailed report without having to request it
  - Schools will no longer have to calculate their challenge/adjustment/appeal deadline based on package receipt dates
  - Schools will receive data that will facilitate challenge/appeal submissions
  - Schools can easily route data to servicers
  
- **What are the benefits to employee satisfaction?**
  - Default Management (DM) staff will have more time to provide value-added services to administration of default initiatives
  - DM staff will experience a reduced frequency of street address research tasks
  - DM staff will no longer need to be familiar with several different mailing tracking systems and mailer process

# Other Benefits (continued)

- **What are the benefits to reducing unit costs?**
  - Postage costs for mailing our CDR Notification Packages to domestic schools will be eliminated
  - Assembly and printing costs for CDR Notification Packages to domestic schools will be eliminated
  - Errors with the CDR calculation or with CDR package assembly will be less costly for FSA to remedy
  
- **What are other benefits to be derived from this project ?**
  - Furthering goals of item 50.8 of the FY 2002 Operating Measures and Improvement Projects
  - Reusability of existing technologies and processes provide cost savings
  - GA's and Lenders could leverage eCDR in future
  - Deadlines for schools to respond will be better defined and easier to track
  - Early implementation of Government Paperwork Elimination Act (GPEA) and furthering goals of item 50.2 of the FY 2002 Operating Measures and Improvement Projects

# Other Benefits (continued)

- **What are other benefits to be derived from this project ?**
  - Early implementation of eGov as required by President's Management Agenda
  - Unpredictable interruptions in mail services such as anthrax threats, union strikes, or inclement weather, will no longer pose a threat to ED, meeting the statutory cohort default rate notification requirements

# Planning - Timeline

## Schedule/Milestones (including acquisition cycle)

#	Milestone	Start Date	End Date
1	Obtain cost savings	3/11/02	3/15/02
2	Obtain cost estimates from impacted groups (NSLDS, PEPS, SAIG)	3/13/02	3/27/02
3	Develop conceptual design	3/19/02	3/22/02
4	Present draft business case to representatives from impacted groups for comments	4/08/02	4/10/02
5	Present final business case to Kay Jacks	4/12/02	4/12/02
6	Kay Jacks approves the business case proposal	4/2002	4/2002
7	Begin process to update SAIG Enrollment Form to reflect eCDR solution	4/2002	4/2002
8	Begin development	6/2002	1/2003
9	Communications to School community	6/2002	2/2003
10	Deployment of Spring CDR Notification Package to schools	2/10/03	

# Costs Analysis

Dollar Values in \$000		Prior to BY	BY	BY+1	BY+2	BY+3	BY+4
Fiscal Year			FY02	FY03	FY04	FY05	FY06
<b>SECTION 1 - LEGACY BASELINE</b>							
<b>Legacy System Costs</b>							
Legacy System							
Mailing, Postage, Tracking of CDR Notification Package to Domestic Schools				\$ 465	\$ 498	\$ 533	\$ 570
Other Costs			\$ -				
<b>TOTAL Legacy Cost</b>	<b>A</b>			\$ 465	\$ 498	\$ 533	\$ 570
<b>SECTION 2 - MODERNIZATION INVESTMENT</b>							
<b>Modernized System Investment</b>							
Modernized System Development							
Vision Phase			\$ -				
Requirements Phase		\$ -	\$ -				
Design Phase			\$ -				
Construction Phase			\$ -				
Deployment Phase							
QA - IV&V							
QA - Security Assessment			\$ -				
Production Support - VDC Services							
Other Costs			\$ -				
<b>TOTAL Modernization Investment</b>	<b>B</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Modernized System Operations							
Modernized O&M		\$ -	\$ 458	\$ -	\$ -	\$ -	\$ -
Legacy O&M							
<b>TOTAL Modernization Operations</b>	<b>C</b>	\$ -	\$ 458				
<b>TOTAL Modernization System Investment</b>	<b>B+C</b>	\$ -					
<b>SECTION 3 - SAVINGS</b>							
<b>Projected Savings</b>							
Total Modernization System Investment	<b>E=B+C</b>	\$ -	\$ (458)	\$ -	\$ -	\$ -	\$ -
Total Savings/Year **	<b>F=A+E</b>	\$ -	\$ -	\$ 465	\$ 498	\$ 533	\$ 570
Cumulative Savings		\$ -	\$ -	\$ 465	\$ 963	\$ 1,496	\$ 2,066
Net Annual Return	<b>H=E+F</b>	\$ -	\$ -	\$ 7	\$ 498	\$ 533	\$ 570
Cumulative Net Annual Return	<b>I=I+H</b>	\$ -	\$ -	\$ 7	\$ 505	\$ 1,038	\$ 1,608
* Investment shown as a negative number value							
** Savings shown as a positive number value							
<b>Note:</b> The functionalities from the enhancements of the PEPS, NSLDS, and SAIG systems should be a requirement in the future for the redesigning of any of these systems without any additional investments from Default Management.							
<b>TOTAL FY02 IRB Funds Requested</b>			\$ -				
<b>TOTAL FY02 Operations Funds Requested</b>			\$ 458				