

TO: Secretary Paige
FROM: Theresa S. Shaw, Chief Operating Officer, Federal Student Aid
RE: FSA Weekly Report
DATE: February 24, 2003

THE WEEK AHEAD

2004-05 FAFSA Clearance Package: The 2004-05 draft FAFSA must be published in the *Federal Register* the first week in March in order to complete the required 120-day clearance process by mid-July. The clearance process must be completed no later than the third week in July in order to maintain the FAFSA delivery schedule and system-testing schedule. The Office of Executive Secretariat is expediting the clearance package so that approval can be received by today.

PROGRAM INTEGRITY

Status of Unprocessed Deobligations: Cash flow to schools participating in the Pell Grant and Campus-Based programs that did not resolve their unprocessed deobligations was stopped as of February 17. This action involved a total of 141 schools (out of approximately 5,000) with unprocessed deobligations totaling \$1.4 million. (An “unprocessed deobligation” results when the net amount of cash a school has drawn from Treasury exceeds the amount the school has supported.) Schools are working with OCFO to resolve their negative award balance condition and there have been no significant complaints received to date as a result of this action.

Verification: On February 17, Application Processing staff met with contractors Pearson and Macro to further discuss the design and implementation of an income verification match with the IRS. In particular, we discussed the timeframe in which legislation permitting the match would have to be passed in order to implement it in early July 2004 for the 2004-05 application processing year. To determine the date, we had to make several assumptions, including that the IRS will have adequate resources to meet a July 2004 implementation and that we will match a sample of 2004-05 applicant records rather than all records. We determined legislation would need to be passed no later than August 1, 2003, in order to meet a July 2004 implementation date. In addition, we would need to start pre-requirements and hold school focus groups during the next three months. OPE will need to determine if implementation of an IRS match requires any regulatory changes, and if so, will need to determine dates (possibly as early as April 1, 2003) by which legislation would be needed in order to meet the negotiated rulemaking schedule. (Also see “IRS Data Match Meeting” under “Public Affairs” below.)

1st Quarter Financials: ED’s FY03 1st Quarter interim financial statements were transmitted to OMB on February 14th, as scheduled. Separate FSA statements are not required and were not transmitted, but FSA worked closely with OCFO to check the overall accuracy of the submission.

Preparing for FY03 Clean Audit: FSA CFO has begun to review the lists of tasks and functions performed for the FY02 financial statement audit, which earned an unqualified audit opinion. This is help FSA begin planning for the FY03 audit commencing, most likely, in May or June and to be completed on an accelerated schedule by November 15, 2003.

STUDENT AID OPERATIONS

New Wage Garnishment Limit: The final rule for Debt Collection Improvement Act (DCIA) Wage Garnishment by ED (for student loans not repaid) was published last week. The regulations are effective March 21 and increase the limit to 15%. The previous limit was 10%. Full implementation of the new rules will be phased in over the remainder of the Fiscal Year. Beginning April 1, all new administrative wage garnishment cases will be processed under the new rules. All existing cases will be converted to the new procedures over a six-month period that concludes on September 30.

Electronic Cohort Default Rates: Draft Cohort Default Rates were distributed for the first time during the weekend of February 15. Over 8,400 notification letters and loan record detail reports were transmitted to over 2,700 schools that signed up for eCDR. This enhancement offers savings to ED because draft CDRs previously were printed and mailed. The process was implemented with no errors. The project required tight integration and collaboration between three FSA systems (PEPS, NSLDS, and SAIG) and four contractors. All schools will be required to use eCDR when the final rates are distributed in August/September.

Guaranty Agencies' Draft CDRs: Draft Cohort Default Rates for GAs were scheduled to be distributed on February 18 but distribution was delayed until February 19 due to the closing of Washington, D.C., federal offices because of inclement weather.

1-800-4-FED-AID Calls: Customer Service Representatives answered 153,567 calls during the week of February 9-15. About 17,660 or 11.5% were from California, which has a March 3 deadline for state aid.

GOVERNMENT-WIDE IT

OMB's Federal Enterprise Architecture: OMB has circulated the Federal Enterprise Architecture document to ED for comment. The document includes the Component Reference Model and the Technical Reference Model. ED's Architecture Working Group, which includes FSA CIO, is preparing a response. Responses are due to OMB by March 7.

Private Key Infrastructure: FSA CIO is working with OM CPO to clarify information from a GAO inquiry. The inquiry was requested by the House Committee on Government Reform, which asked GAO to review the federal e-authentication gateway initiative and federal Public Key Infrastructure (PKI) activities. A formal response is due to GAO by February 26.

CUSTOMER SERVICE

Where There's a Will: At the request of the Southeast Missouri Regional Aid Professionals, Kansas City staff recently participated in a videoconference on the subject of Common Origination and Disbursement. The videoconference was arranged and paid for by the association, which had originally asked FSA to participate in person. We asked if there was an alternative to the expense of sending staff on site to deliver the presentation and respond to questions, and the solution was to set up the interactive videoconference. The association then expanded the opportunity to include financial aid professionals all across Missouri.

PUBLIC AFFAIRS

IRS Data Match Meeting: On February 20, OPE staff met with staff from the House Education & the Workforce, House Ways & Means, and Joint Taxation Committees on a subject that will have ramifications for FSA. The meeting was to discuss draft legislation that was submitted to Congress in June 2002. If passed, the legislation would permit ED to match income information reported on the FAFSA to income information they reported to the IRS. (Also see “Verification,” under “Program Integrity,” under “Key News” above.)

ON THE HORIZON

Spring Conference: FSA’s 2003 Spring Conference is scheduled for March 5-7 in Kansas City. The theme is program integrity. Registration now stands at 984.

March 4 Pre-Spring Conference Meetings:

- **Default Prevention Program-**FSA will host a default prevention program for schools at or approaching one of the thresholds for losing Title IV participation eligibility due to high default rates. Personalized invitations were sent to the presidents of 90 schools, and, so far, 71 have registered.
- **Career Colleges Meeting-**FSA will host a meeting of career colleges. So far, 158 participants have registered.
- **Software Developers Conference-**FSA CIO will host one of its series of meetings for those who develop financial aid software for schools. Registration stands at 88.

EZ-Audit: In early April, this new Web-based system for schools to electronically submit their financial statements and compliance audits goes live. The system will replace the manual process Case Management & Oversight currently uses to receive compliance audits and financial statements from schools.

CONTACT INFORMATION

Please contact Karen Santos Freeman at 377-4001 with any questions.