



UNITED STATES DEPARTMENT OF EDUCATION

Federal Student Aid

TO: Secretary Rod Paige
U.S. Secretary of Education

FROM: Terri Shaw
Chief Operating Officer

RE: FSA Weekly Report

DATE: May 5, 2003

THE WEEK AHEAD

EFC Technology Conference: Today, Terri Shaw is scheduled to be the keynote speaker at the Education Finance Council's Technology Conference in Alexandria, Virginia. Charlie Coleman is also scheduled to speak on the status of the eGov and eSign initiatives.

Postsecondary Electronic Standards Council Annual Conference (PESC): On May 7, FSA CIO Jerry Schubert will join a panel discussion on "The State of Electronic Standards in Higher Education" at the PESC Annual Conference in Alexandria, Virginia.

E-Signature Audit: This week, the OIG will begin an audit of FSA's E-Signature implementations to ensure they are accurate, secure, and reliable.

OPERATIONAL METRICS

Application Activities For Week Ending April 27, 2003: The Central Processing System (CPS) has processed 5,711,806 applications for the 2003-2004 cycle, a 6.2% increase over the 2002-2003 cycle.

1-800-4-FED-AID: Year-to-date, FSA call centers have received 3,048,116 calls, a 2.1% increase over last year. Service levels have increased with 98.5% of calls completed, a 7.3% increase over FY2002-2003 and the average speed to answer reduced by 77.3% to 12 seconds.

Total FSA Default Recoveries: As of the end of April, total FSA default recoveries for the fiscal year reached \$921.1 million, up 19% year to date. Total non-consolidation recoveries reached \$740.3 million, up 35% year to date. Combined recoveries from our private collection agency efforts reached \$564.7 million, up 30% year to date.

KEY ISSUES

Common Services for Borrowers: The Common Services for Borrower (CSB) pre-proposal conference was held on Friday, May 2. A total of 103 vendor representatives were in attendance. In the morning, FSA and Contracts staff presented program and business

information to the vendors including descriptions of the legacy systems and work processes to be replaced by CSB, tips on how to prepare CSB proposals and advice on doing business with the Department. In the afternoon, a question and answer session was conducted with a total of 57 vendor questions answered by Department staff. FSA plans to post a transcript of the conference on the web this week. Final CSB proposals are due to be submitted to the Department by June 19. The Department anticipates awarding a contract on or before September 30, 2003.

Status of Pell Grant Processing: For the 2003-2004 Award Year, Pell Operations are on target to generate the mass Initial Authorization by June 1 as mandated in the Higher Education Act. Pell Operations requested an allotment of \$6 billion from Budget Services to cover the Initial Authorization.

2002 Annual Report: FSA finalized the 2002 Annual Report and submitted it to ODS for the Department's approval and subsequent submission to Congress.

Sallie Mae: FSA and Sallie Mae met again this week to discuss the impact of Sallie Mae's recent disclosure that a Sallie Mae system problem caused over 800,000 borrowers to make inaccurate monthly payments. FSA is assisting Sallie Mae in determining the scope of the problem, appropriate remedies, and policy implications.

Interest Rate Change

The first Interest Rate Change planning meeting was held for Consolidation and Servicing in anticipation of the July 1 rate change. The rate for variable rate loans is expected to drop by approximately 70 basis points based on today's interest rates.

Common Origination and Disbursement Anniversary: On April 29, the Common Origination and Disbursement (COD) system celebrated its first anniversary. COD processes direct loan and Pell grant origination and disbursement records. Since its inception, COD has processed approximately 30 million records for approximately 6,000,000 student borrowers and grant recipients.

Status of Unprocessed De-Obligations: In November 2002, the Department alerted over 700 schools to an impending "Stop Pay" action as a result of their failure to resolve outstanding unprocessed de-obligations. (An unprocessed de-obligation results when the net amount of cash that a school has drawn from the Treasury exceeds the necessary amount.)

As of February 17, cash flows were stopped to schools participating in the Pell Grant and Campus-Based Programs that did not resolve their unprocessed de-obligations. A total of 140 schools (out of approximately 5,000) with unprocessed de-obligations totaling \$1.5 million were affected. **As of today, 22 schools remain in a "Stop Pay" status. However, the Department plans to place 84 more schools in "Stop Pay" status on May 5 unless they make a good faith effort to resolve their unsupported balances.**

ON THE HORIZON

Weekly Report to Secretary Paige
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NEW INITIATIVES

Regional Office Visits: Terri Shaw is scheduled to visit FSA's Chicago regional office on May 15. Since March, Terri has visited the Kansas City, Atlanta, Boston, New York, Philadelphia, and San Francisco regional offices to meet with FSA staff.

PREVIOUSLY REPORTED

FAFSA 2004-2005: The comment period for the draft 2004-2005 Free Application for Federal Student Aid (FAFSA) will remain open until May 5 with final approval expected by July 22 as compared to October 7 last year.

CONTACT INFORMATION

Please contact Chris Greene at 377-4003 with any questions.