



## 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:** August 25, 2003

### THE WEEK AHEAD

**Boston Summit:** FSA's Eastern and Northern Regions are hosting a partnership meeting on August 27, 2003 in Boston, MA. The "Boston Summit" is an annual meeting focusing on guaranty agency operations and finance.

### OPERATIONAL METRICS

**Application Activities through August 17, 2003:** The Central Processing System (CPS) has processed 9,971,978 applications for the 2003-2004 cycle, an 8.7% increase over the 2002-2003 cycle.

**Program Disbursements:** Through the week ending August 16, annual Pell and Direct Loan disbursements reached \$11.59 billion and \$11.27 billion respectively. Through the week ending August 18, annual FFEL disbursements reached \$25.99 billion. Through July, annual Direct Consolidation Loan disbursements reached \$5.73 billion.

**Total Default Recoveries:** Through August 15, total FSA default recoveries for the fiscal year reached \$1.444 billion, up 21% year to date and representing 10.3% of the FY02 portfolio balance. Total non-consolidation recoveries reached \$1.184 billion, up 35% year to date and representing 8.47% of the FY02 portfolio balance. Combined Recoveries from our private collection agency efforts reached \$903 million, up 33% year to date. Recoveries in each of these areas now exceed the total achieved for all of FY02, with two months remaining in the fiscal year.

**1-800-4-FED-AID through August 16, 2003:** Year-to-date, the Federal Student Aid Information Center (FSAIC) has received 6,150,315 calls, a 1.9% increase over last year. Service levels have increased with 98.9% of calls completed, a 3.5% increase over last year and the average speed to answer reduced by 70.0% over last year to 9 seconds.

**Direct Loan Servicing Call Center Phone Activity through August 15, 2003:** Year-to-date, the Direct Loan Servicing Centers received 4,340,223 calls to the Interactive Voice Response System, an increase of 2.10 percent over 2002. Of the calls received, Borrower Services

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representatives handled 3,116,598, an increase of 1.80 percent over 2002. The average speed of answer was 7.45 seconds.

**Direct Loan Portfolio Delinquency Rate:** For the month of July, the portfolio delinquency rate was 12.01%. In addition, 748 payments totaling \$157,874 were received in the month of July through Quick Collect, a program that allows delinquent borrowers to expedite payments through Western Union. Loan rehabilitations, those borrowers that were once in default and have since made 12 consecutive monthly payments, continued to sharply increase with rehab volume now exceeding 6,000 loans per month.

### **FSA IN THE FIELD**

**Native American Powwow:** In support of the Department's goal of increasing access to postsecondary education, FSA's Student Aid Awareness (SAA) is conducting an outreach campaign to raise awareness of federal student aid programs among the Native American community. As part of the campaign, FSA staff hosted a booth at Crow Fair, a powwow on the Crow reservation in Montana. Staff provided brochures and fact sheets about aid and ED publications to those in attendance. Crow Fair regularly draws over 15,000 people from across the country.

### **Oprah Winfrey's "O" Magazine References *Student Aid on the Web***

In September's issue of O Magazine, financial advisor Suze Orman cited [studentaid.ed.gov](http://studentaid.ed.gov) and referred readers interested in planning and paying for college to the site.

### **KEY ISSUES**

**OIG audit report on "Address Match" (Control No. ED-OIG/A07-C0030):** The OIG is issuing an audit report on the results of an address match of the data in the application processing system. Although the audit report did not identify any inappropriately awarded or disbursed funds, the IG's analysis did identify applicant addresses with unusual data and student aid disbursement patterns, raising issues that require further analysis. The review identified awardees of student financial aid funds using the same permanent home mailing address, awardees reporting penal institutions as their permanent home mailing address, and awardees reporting no, or incomplete, mailing addresses. FSA requested specific information on those individuals identified in the report and will perform further analysis to determine the extent of any possible problems regarding applicant eligibility and school compliance and what, if any, short- or long-term actions may be required to improve the internal controls in this area.

**Program Integrity, 294 IPEDS Warning Letters Issued:** On August 15, Administrative Actions and Appeals Division (AAAD) sent notices to 294 schools that did not complete one or more of the online surveys conducted as part of the Integrated Postsecondary Education Data System (IPEDS). At the request of the Office of Postsecondary Education, AAAD warned the schools requested all overdue information. Schools refusing to respond will be referred to AAAD for appropriate administrative actions.

**Blackout Affect on the DL Servicing System:** The Direct Loan Servicing System located in Rockville, Maryland, experienced a network outage on Thursday, August 14, at approximately

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5:00 pm as a result of the East Coast blackout. The Servicing Center in Utica, New York, was also impacted. The Direct Loan Servicing Web site was not affected.

No customer calls were lost during this outage. Due to the Virtual Call Center environment for Direct Loan Servicing, only those calls going to Utica were unable to access customer account information. Borrower Services Representatives in Utica continued to answer calls and log borrower requests. When the power company informed the Servicing Center that electricity would not be immediately restored, the Direct Loan Servicing Center Business Resumption Plan was put into effect and, within minutes, all customer calls were routed to Bakersfield, California.

The secondary network was reactivated at 8:30 am on Saturday, August 16. The primary network was later activated at approximately 10:00 pm the same day. After connectivity was established, processes that were delayed due to the outage were completed on Saturday, August 16. Payments were processed and posted. No operating partner interface transmissions were impacted.

**BLASTER Virus Affect on the DL Servicing System:** On August 13, the BLASTER virus was found on two development machines within FSA's Borrower Services network operated by FSA's partner, ACS. The two development machines caused a delay and representatives were eventually switched onto the dumb terminals until the software patch was completed at the Rockville data center.

**New Variant of the BLASTER Worm Reported:** On Friday, August 15, FSA's partner, ACS, installed patches to over 700 PCs in the Utica facility in order to prevent infection from the new variant of the BLASTER worm virus. On Tuesday, August 19th, ACS reported to Direct Loan Servicing that a further inspection of all PC's revealed that many of the patches were not effective. As a result, some machines were infected and subsequently removed from the network. This virus did not spread to any other servers or workstations on the network and there were no further consequences.

**Sallie Mae Monthly Payment Error:** FSA continues to assess the impact of Sallie Mae's recent disclosure that a Sallie Mae system problem caused over 1 million borrowers to make inaccurate monthly payments. FSA, OPE, OGC, and OIG are reviewing policy implications and options for resolution. FSA, OPE, and OGC representatives including Terri Shaw and Sally Stroup are scheduled to meet with Sallie Mae representatives this week to discuss appropriate next steps.

### **ON THE HORIZON**

**2001 Cohort Default Rates:** FSA is scheduled to release the 2001 Cohort Default Rates for both the Direct Lending and FFEL programs on September 15. FSA is coordinating all aspects of the release of this information.

**GAO Audit - FSA Need Analysis Methodology Revisions:** GAO is scheduling an entrance conference for September 8 to initiate a study of the Department's proposed revision to the federal student aid need analysis methodology. The objectives of the audit are to review (1) how the Department's proposed changes to the need analysis methodology

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will affect students and families and (2) what statutory, regulatory and/or other options are available that might lead to more accurate adjustments to the need analysis methodology.

**Common Services for Borrowers (CSB) Procurement:** The Department of Education received proposals from ACS Education Solutions and Sallie Mae, Inc. in response to its CSB request for proposals. The CSB Source Selection Advisory Committee is now reviewing the respective technical and business proposals. The Committee's objective is to complete its review on a schedule that will permit the Department to award the CSB contract by September 30th.

### **CONTACT INFORMATION**

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