

A Message From The FSA Ombudsman

The Office of the Ombudsman works with individual student loan borrowers to resolve disputes about their loans. The office retains and analyzes data on the complaints, from which we can develop recommendations for improvements in Federal student financial aid.

Serving Borrowers

Trained operators assist borrowers in resolving their complaints. We first assist the borrower in using all other venues for resolving the complaint, such as their school, FFEL lender or guarantor. If the borrower then needs further assistance, our staff assist them. Everyone involved with the loan must make sure the problem is addressed completely. We facilitate that collaboration.

Initiatives

During its first two years of operation, the office has pursued three critical initiatives to assure we can serve borrowers with a high degree of effectiveness.

- Mechanisms to resolve complaints—We use a case management process that results in each complaint being researched completely and resolved methodically.
- Complaint tracking system—We implemented and continue to refine the tracking system. It documents each complaint, provides an ongoing record as we assist each borrower, and yields data necessary for analyses and recommendations.
- Cooperative relationships—We believe cooperation is key to resolving borrower concerns. We sought and successfully established collaborative relationships with schools, lenders, guarantors, servicers, contractors, and offices within FSA. Working with those entities we can use our combined experiences to recommend program changes that better address borrowers' needs and otherwise improve the program.

Most Frequent Borrower Concerns

Our cases fall into two broad categories:

- *General assistance* cases need information we can provide immediately or refer to an appropriate resource.
- *Research* cases have complex issues, often with multiple parties, and require extended research and commitment.

For general assistance cases, the most frequent concern is “FSA Assistance.” In these cases, the borrower needs guidance on general loan and other financial aid issues.

Research cases generally fall into these four areas:

- Account balance—Usually the borrower believes the balance is too high.
- Loan cancellations and discharges—The borrower is contesting a denial.
- Collection practices and service quality—The borrower believes collection practices are inappropriate or service quality is inadequate.
- Defaulted loans—The borrower disputes the default status.

Recommendations

From these first two years of cases, we see some emerging issues such as program complexity, loan transitions such as changes in loan status, and access to needed information and records. Two years, however, is insufficient to make specific recommendations beyond individual case-by-case outcomes.

As we move into the third year, we expect to continue improving our processes, further refining our data, and validating lessons from the early cases. These activities will be the basis for making future recommendations.

Debra Wiley
Ombudsman

FSA OMBUDSMAN OVERVIEW

First Year Findings September 30, 1999-September 30, 2000

Cases – 7,833

General Assistance – 5,268 (67%)

- These are cases in which borrowers require information or guidance about how to resolve their issues using other venues.
- Most of these are resolved immediately, in the first phone call.
- Main issue: General questions about loan status and other financial aid issues.

Research Problem Assistance – 2,565 (33%)

- These cases are complex issues in which there is an unresolved disagreement. An Ombudsman Specialist works with the borrower, loan holder, schools, and other parties to gather the facts and establish a common understanding of the problem.
- These issues require an average of 31.6 days to resolve.
- Main issues (in order of frequency):
 - Collection practices/service quality
 - Default
 - Loan cancellation/discharge
 - Account balance
- Problems involve all loan types—FFEL, Direct, and Perkins Loans— in proportions comparable to their ratio in the total volume of loans.
- Problems involve 36 active and 16 inactive guaranty agencies, 742 lenders, and 2,597 schools.

Year Two Findings October 1, 2000-September 30, 2001

Cases – 13, 611

General Assistance – 10,282 (76%)

- Main issue: General questions about loan status and other financial aid issues.

Research Problem Assistance – 3,329 (24%)

- Main issues (in order of frequency):
 - Collection practices/service quality
 - Account balance
 - Loan cancellation/discharge
 - Default

- As in Year One, problems involve all loan types—FFEL, Direct, and Perkins Loans— in proportions comparable to their ratio in the total volume of loans.
- Problems involve 36 active and 19 inactive guaranty agencies, 629 lenders, and 2,089 schools.

Summary Findings
September 30, 1999 – September 30, 2001

There were significant differences between the two years, but also similarities.

The overall increase in the number of cases between Years One and Two was 74%. We predicted this would happen, as the availability of the office became more widely known. The ratio of General Assistance to Research problem cases changed. In the first year, the ratio was 67% to 33%. The second year ended with a 76% to 24% ratio. We believe the shift resulted because of:

- An improved case tracking system that classifies all one-call requests as General Assistance and the in-depth problems as Research, and
- Case resolution experience made it possible to resolve more cases with appropriate guidance during the first call. We expanded our network of designated contacts at the loan holders to whom calls could be referred instead of escalating the complaint to a complex Research case.

The distribution among issues was similar, with the four basic problems being account balance, collection practices/service quality, loan cancellation/discharge and default across both years' cases.

Sample of customer comments:

- “After getting involved in my case, the specialist immediately saw the root of the problem and had it resolved in a few days. He was always friendly, responsive and reliable, above all extremely competent. It is (the specialist’s) thorough professionalism that is so encouraging to the client.”
- “I would like to preface this letter by saying that I have never written a fan letter to any group or individual...I have no idea what the specialist did or how she did it but after a month of conferences she was able to accomplish what no one was able or willing to do...Given the fact that she is an ombudsperson and as such is impartial this is difficult to explain. She acted both benevolently and professionally...in this period of public mistrust...(this specialist) is a standout.”

Expectations:

Additional data in subsequent years will validate the first two years' classification of issues and allow for targeted research on root causes. The number of complex research problem cases will stabilize as the collaboration between the Office of the Ombudsman and loan agencies promotes early problem identification and resolution.