

Payment Integrity Scorecard

Program or Activity

William D. Ford Federal Direct Loan Program

Reporting Period

Q3 2026

FY 2025 Overpayment Amount (\$M)*

\$208

*Estimate based a sampling time frame starting 10/2023 and ending 9/2024



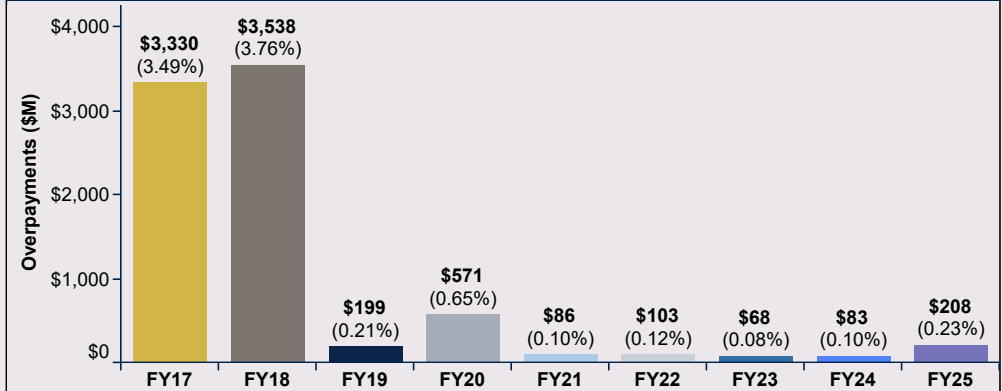
ED

William D. Ford Federal Direct Loan Program

Brief Program Description & summary of overpayment causes and barriers to prevention:

The Direct Loan program, added to the Higher Education Act of 1965 by the Student Loan Reform Act of 1993, authorizes ED to make loans through participating schools to eligible undergraduate and graduate students. Root causes of Direct Loan overpayments include, but are not limited to, incorrect calculation of Return of Title IV funds, failure to return unclaimed credit balances to ED, and failure to meet satisfactory academic progress. Barriers include the program structure which requires that funds pass through an intermediary non-federal entity before reaching the student. The HEA provides FSA authority to require the third-party to implement certain internal controls or mitigation strategies, and FSA exercises this authority.

Historical Payment Rate and Amount (\$M) (Overpayment as Percentage of Total Outlays)



Discussion of Actions Taken in the Preceding Quarter and Actions Planned in the Following Quarter to Prevent Overpayments

In Q3, FSA continued to socialize and monitor submissions of the 2026-27 Free Application for Federal Student Aid (FAFSA) that utilizes the Federal Tax Information (FTI) Module (FTIM). FTIM is a FSA system designed to ensure data security and compliance with IRS Publication 1075 requirements. FSA will continue to make additional improvements to the FAFSA form and processes; produce and update resources for families, institutions, counselors, and financial aid professionals; and keep the field updated on progress. FSA published and delivered in Q3 and will continue to publish and deliver in Q4 free trainings, guidance, and resources for school administrators to target the root causes of IPs. For example, FSA hosted a live webinar, where participants were encouraged to ask questions and discussions were held in regard to new capabilities and processes on identify fraud detection to the FAFSA form. Both a recording and transcript of the webinar can be found on the FSA Training Center under the "Application Process and Student Eligibility" Category.

Accomplishments in Reducing Overpayment

Date

1	ED published Volumes 4 and 5 of 2026-2027 Federal Student Aid Handbook. Volume 4 touches on Processing Aid and Managing FSA Funds. While Volume 5 focuses on Withdrawals and Return of Title IV Funds.	Jun-26
2	FSA has released the 26-27 FAFSA Verification-IRS Tax Return Transcript Matrix that institutions can use for 26-27 verification of tax return information entered by the applicant on the Free Application for Federal Student Aid (FAFSA) application.	Jul-26
3	ED announced it will host live webinars for school partners to answer questions and provide updates related to the implementation of the One Big Beautiful Bill Act so financial aid administrators and partners can continue to meet requirements.	Apr-26

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Goals towards Reducing Overpayments		Status	ECD	Recovery Method	Brief Description of Plans to Recover Overpayments	Brief Description of Actions Taken to Recover Overpayments
1	In Q3, FSA continued to implement and monitor usage of the FUTURE Act Direct Data Exchange (FA-DDX) to import U.S. income and tax information to the FAFSA Form. Direct access to income and tax information is expected to continue to reduce improper payments due to misreported income on the FAFSA.	On-Track	Sep-26	1 Recovery Activity	ED will continue to use a system of oversight to help detect and recover improper payments and ensure compliance by participating parties. ED will establish accounts receivable and pursue collection for improper payments identified and deemed collectable.	For improper payments identified through oversight activities, in Q3 ED monitored accounts receivable and pursued collection for those deemed collectable. FSA will continue to track the overpayments collected and report the information in the year-end OMB Data Call.
				2 Recovery Activity	Perform program reviews of schools for eligibility, financial responsibility, and administrative capability requirements. If applicable, FSA will assess the school a monetary liability, identify action(s) schools must take to resolve the IP, and pursue collection.	For overpayments identified through program reviews, in Q3 ED monitored accounts receivable and pursued collection for those receivables deemed collectable. FSA will continue to track the overpayments collected and report the information in the year-end OMB Data Call.
2	In Q3, FSA delivered various free trainings, guidance, and resources for school financial aid administrators to target and mitigate the root causes of IP. For example, FSA hosted a live webinar, where participants were encouraged to ask questions regarding in new capabilities and processes on identify fraud detection to the FAFSA form. Both a recording and transcript of the webinar can be found on the FSA Training Center under the "Application Process and Student Eligibility" Category.	On-Track	Sep-26	3 Recovery Activity	Review Single Audits. Schools are required to develop CAPs for deficiencies. FSA will review & evaluate the school's CAPs. If applicable, FSA will assess the school a monetary liability, identify action(s) schools must take to resolve the IP, and pursue collection.	For overpayments identified through compliance audits, in Q3 ED monitored accounts receivable and pursued collection for those receivables deemed collectable. FSA will continue to track the overpayments collected and report the information in the year-end OMB Data Call.

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$208M	Overpayments that occurred because of a Failure to Access Data/Information Needed.	Incorrect processing of Direct Loan refunds or Family Federal Education Loans (FFEL) to Direct Loan Consolidations by FSA's loan servicers and loan holders.	Training – teaching a particular skill or type of behavior; refreshing on the proper processing methods.	FSA will continue to offer training, resources, and guidance. FSA anticipates these activities to continue to produce estimates within FSA's tolerable IP band. FSA anticipates reduction in servicer-related IP over time.
		Incorrect processing of student data by institutions; student account data changes not applied/processed correctly; satisfactory academic progress not achieved; incorrectly calculated return of student aid funds; and processing errors by servicers.	Training – teaching a particular skill or type of behavior; refreshing on the proper processing methods.	FSA will continue to offer training, resources, and guidance. FSA anticipates these activities to continue to produce estimates within FSA's tolerable IP band. FSA anticipates reduction, but IPs cannot be fully eliminated since payments are outside of FSA's direct control.