

Goal: Getting Payments Right



ED
Direct Loan

Brief Program Description:

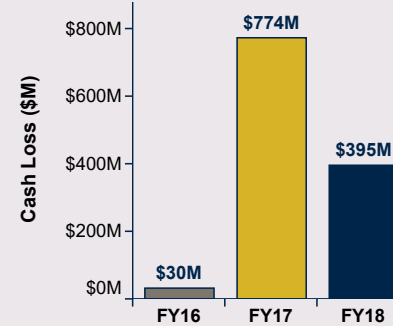
The Direct Loan program, added to Higher Education Act of 1965 (HEA) in 1993 by the Student Loan Reform Act of 1993, authorizes the Department to make loans through participating schools to eligible undergraduate and graduate students.

Change from Previous FY (\$M)

-\$379M



Cash Loss by FY (\$M)



Key Milestones		Status	ECD
1	Finalize cash loss estimation methodology	Completed	Nov-18
2	Identify cash loss amount for FY 2018	Completed	Nov-18
3	Identify true root causes of cash loss	Completed	Nov-18
4	Develop mitigation strategies to get the payment right the first time	On-Track	Nov-22
5	Evaluate the ROI of the mitigation strategy	On-Track	Nov-22
6	Determine which strategies have the best ROI to prevent cash loss	On-Track	Nov-22

Quarterly Progress Goals			Status	Notes	ECD
1	Q4 2018	Federal Student Aid continues to utilize and promote the IRS Data Retrieval Tool, which enables Title IV student aid applicants and, as needed, parents of applicants, to transfer certain tax return data from an IRS website directly to their FAFSA.	On-Track	This goal is a continuous activity to reduce improper payments. The ECD listed for this goal represents the date when FSA will assess progress.	Nov-19
2	Q4 2018	Implementation of an improved model for selecting FAFSA applicants for income verification. FSA is implementing an improved model for selecting FAFSA applicants for income verification, beginning with the 2020 FAFSA application cycle.	On-Track	N/A	Jun-20

Recent Accomplishments		Date
1	Federal Student Aid developed a statistically-valid methodology to be implemented in 2019 to estimate improper payments for its risk susceptible programs. This new methodology will improve the accuracy of the estimates.	Aug-18
2	In FY18, the Department of Education recaptured approximately \$45 million in overpayments, including roughly \$40 million for Federal Student Aid's high-priority programs.	Sep-18
3	Federal Student Aid devised an improved model for selecting FAFSA applicants for income verification, beginning with the 2020 FAFSA application cycle.	Oct-18

FY18 Amt(\$)	Root Cause	Root Cause Description	Mitigation Strategy	Anticipated Impact of Mitigation
\$388M	Administrative or process errors made by: others (participating lender, health care provider, or other organization administering Federal dollars)	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.	Publication of guidance (FSA Handbook), training, and other resources for institutions processing financial aid. For additional details about these mitigation strategies, please see the Department of Education's FY 2018 Agency Financial Report.	In aggregate, Federal Student Aid assumes that reduction in school and other third party administrative errors will reduce improper payments.
\$7M	Failure to verify: financial data	Specific root causes include, but are not limited to, ineligibility for a Direct Loan and incorrect self-reporting of an applicant's information that leads to incorrect awards based on Expected Family Contribution.	Refinement of the verification selection process; promotion of the Internal Revenue Service Data Retrieval Tool; and pursuing legislation to further streamline income verification. For additional details, see the FY 2018 Agency Financial Report.	In aggregate, Federal Student Aid assumes that improved accuracy of income verification will reduce improper payments.