

## Goal: Getting Payments Right

Program or Activity  
Direct Loan

Reporting Period  
Q1 2020

Change from Previous FY (\$M)

-\$206M

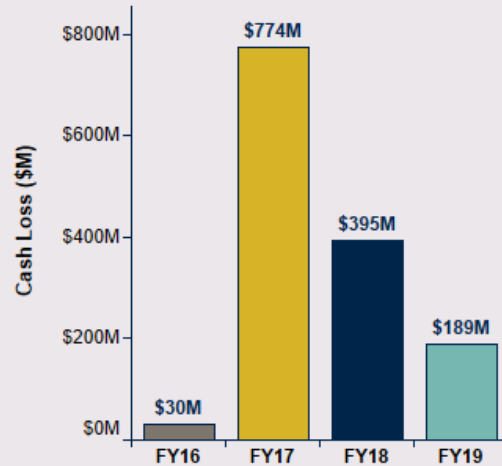


ED  
Direct Loan

### Brief Program Description:

The Direct Loan program, added to the 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.

### Cash Loss by FY (\$M)



| Key Milestones |   | Status   | ECD    |
|----------------|---|----------|--------|
| 1              | Develop mitigation strategies to get the payment right the first time | On-Track | Nov-22 |
| 2              | Evaluate the ROI of the mitigation strategy                           | On-Track | Nov-22 |
| 3              | Determine which strategies have the best ROI to prevent cash loss     | On-Track | Nov-22 |
| 4              | Implement new mitigation strategies to prevent cash loss              | On-Track | Nov-22 |
| 5              | Analyze results of implementing new strategies                        | On-Track | Nov-22 |

| Quarterly Progress Goals |         |   | Status   | Notes   | ECD    |
|--------------------------|---------|---|----------|---|--------|
| 1                        | Q1 2020 | 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 FAFS... | On-Track |   | Jun-20 |
| 2                        | Q1 2020 | 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...     | On-Track | This goal is a continuous activity to reduce improper payments. The ECD listed for this goal represents the date when FSA will again assess progress. | Nov-20 |

| Recent Accomplishments |  | Date   |
|------------------------|--|--------|
| 1                      | FSA reported improper payment and monetary loss estimates using a statistically-valid methodology. This new methodology improves the accuracy of the estimates.  | Nov-19 |
| 2                      | FSA published additional information regarding Title IV Aid Disbursement Reporting, Excess Cash, and Reconciliation Requirements, including specific information to assist schools in reconciling Direct Loan funds. | Dec-19 |
| 3                      | FUTURE Act, H.R. 5363 (116) was passed that includes provisions that amend Section 6103 of the tax code to allow more seamless sharing of taxpayer data between the Education Department and IRS.                    | Dec-19 |

| Amt(\$) | Root Cause   | Root Cause Description   | Mitigation Strategy  | Anticipated Impact of Mitigation  |
|---------|--|--|--|---|
| \$184M  | 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, training, and other resources for institutions processing financial aid. In FY20, FSA will also perform additional targeted outreach to schools.  | In aggregate, Federal Student Aid assumes that reduction in school and other third party administrative errors will reduce improper payments. |
| \$5M    | 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 IRS DRT; and implementing additional procedures to verify income that are now permitted by the FUTURE Act, which includes provisions that amend Section 6103 of the tax code. | In aggregate, Federal Student Aid assumes that improved accuracy of income verification will reduce improper payments.                        |

**Cash Loss** - Cash loss to the Government includes amounts that should not have been paid and in theory should/could be recovered.