

Payment Integrity Scorecard

Program or Activity
William D. Ford Federal Direct Loan Program

Reporting Period
Q4 2023

FY 2022 Overpayment Amount (\$M)* **\$103**

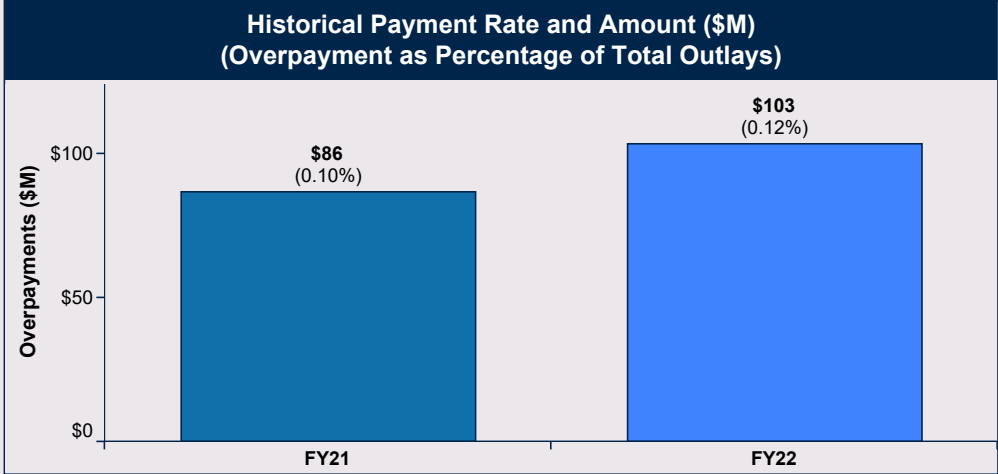
*Estimate based a sampling time frame starting 10/2020 and ending 9/2021



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 statute provides FSA authority to require the third-party to implement certain internal controls or mitigation strategies, and FSA exercises this authority.



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

FSA publishes and delivers various free trainings, guidance, and resources for school financial aid administrators to target the root causes of IPs and other frequently identified compliance issues throughout the year. For example, FSA published the 2022-2023 FSA Handbook and FSA Assessments, which provides significant guidance, training, and resources for thousands of school financial aid administrators. The application and verification guide within the FSA Handbook provides guidance and resources to college financial aid administrators and counselors who help students begin the aid process, including filing the Free Application for Federal Student Aid (FAFSA) form, verifying information, and making corrections and other changes to the information reported on the FAFSA form. This continues to receive significant views and serve as a guide for school administrators. Training, guidance, and other resources help schools improve their procedures to prevent and reduce IPs and UPs. In FY23 Q4, FSA continued to plan and develop materials for its 2023 FSA Training Conference, which hosts hundreds of institution administrators and is scheduled for FY24 Q1.

Accomplishments in Reducing Overpayment		Date
1	FSA has made significant progress on a new website for G6, a new and modernized grants and financial management system from FSA's prior G5 system. ED will implement the first three key system upgrades for G6: a new URL for the website, new home page, and new log-in option.	Jun-23
2	ED issues final regulations governing income-contingent repayment plans by amending the Revised Pay as You Earn (REPAYE) repayment plan and restructuring and renaming the repayment plan regulations under the Direct Loan Program.	Jul-23
3	ED announced the release of a revised FSA Estimator, which provides an estimate of the new Student Aid Index (SAI) and an estimated award amount for Direct Loans.	Sep-23

Payment Integrity Scorecard

Program or Activity
William D. Ford Federal Direct Loan Program

Reporting Period
Q4 2023

Goals towards Reducing Overpayments	Status	ECD	Recovery Method	Brief Description of Plans to Recover Overpayments	Brief Description of Actions Taken to Recover Overpayments
1	Completed	Sep-23	1	Recovery Activity ED will continue to use a system of oversight to help detect and recover IPs 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, ED established accounts receivable and pursued collection for those deemed collectable, including applicable overpayments. FSA gathered its annual recovery data for reporting in the OMB Data Call at year-end.
			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 OP, and pursue collection.	For overpayments identified through program reviews, ED established accounts receivable and pursued collection for those receivables deemed collectable. FSA pursued collection of applicable overpayments in FY23 Q4 and will report recoveries in the OMB Data Call at year-end.
2	On-Track	Sep-25	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 OP, and pursue collection.	For overpayments identified through compliance audits, ED established accounts receivable and pursued collection for those receivables deemed collectable, including applicable overpayments, in FY23 Q4 and will report recoveries 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
N/A	Overpayments within agency control that occurred because of a Failure to Access Data/Information Needed.	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.	Change Process – altering or updating a process or policy to prevent or correct error.	FSA anticipates improved income verification will reduce IPs across all risk susceptible programs, including those related to misreported income. FSA expects a decrease when the FUTURE Act is fully implemented as FSA will be able to obtain income data directly from the IRS.
\$103M	Overpayments outside the agency control that occurred because of a Failure to Access Data/Information Needed.	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.