FY 2022 Annual Report

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

United States Department of Education
Miguel A. Cardona, Ed.D.
Secretary

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Chief Operating Officer

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January 23, 2023

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To connect to Federal Student Aid through social media, please visit the Federal Student Aid website at **StudentAid.gov** or on Twitter at **@FAFSA**.

Federal Student Aid strives to improve and enhance the content quality, report layout, and public accessibility of the *Annual Report*. Suggestions on how this report can be made more informative and useful are welcome. The public and other stakeholders are encouraged to submit all questions and comments to **AFRComments@ed.gov**.

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Introduction (Unaudited)

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Letter from the Chief Operating Officer of Federal Student Aid

Dear Federal Student Aid Community:

Richard Cordray
Chief Operating Officer

Once again, it is my honor to present the *Federal Student Aid Fiscal Year (FY) 2022 Annual Report* that highlights the work of Federal Student Aid (FSA). As part of the U.S. Department of Education, we strive to enable the American dream for millions of people seeking education and training beyond high school. This report spotlights our efforts to improve customer service, encourage collaboration among stakeholders, drive operational efficiency, and invest in our workforce capability.

The *Higher Education Act of 1965* empowers the Department to provide broad access to higher education. Our mission statement at FSA, "*Funding America's Future, One Student at a Time*," expresses that goal. FSA makes it possible for all eligible students and families to access federal financial aid so they can realize the benefits of education and training beyond high school. When I joined the great team at FSA in May of 2021, I found them already deeply engaged in this important work, and the pace has not slackened since.

In the face of the COVID-19 pandemic, FSA developed and implemented new ways of doing business that have yielded efficiencies across physical distance. Throughout FY 2022, FSA maintained high productivity by shifting considerable resources and assistance online to serve students, families, and schools more effectively. This year, we provided about $111.6 billion in federal grants, loans, and work-study funds to more than 9.8 million students at approximately 5,500 participating postsecondary schools. FSA turned challenges into opportunities, as our colleagues around the country functioned effectively even in a virtual work posture.

While expanding access to higher education is central to our mission, we also monitor the size and complexities of the federal student loan portfolio, which now surpasses $1.6 trillion. This debt weighs heavily on millions of people, which obliges us to strengthen our stewardship of our many programs, products, services, and operations. We know that access to higher education shapes people's pathways forward, and our decisions matter greatly to our country's future.

FSA has collaborated with its student loan servicers to maintain the payment pause on most federal student loans for more than two years. We are making sure borrowers have the information and resources they need to help them return to repayment. And millions of those borrowers who left school during this period will begin repaying their loans for the first time ever. They expect and deserve the quality customer service that we aim to provide.

Right now, FSA is poised to deliver historic student loan debt relief to millions of individuals and their families. In August 2022, the Department announced the one-time program, which would provide up to $20,000 in relief for low- and middle-income Americans most likely to struggle repaying their student loans. Targeted student debt relief addresses the financial harms of the pandemic, helps smooth borrowers' transition back to repayment, and helps borrowers at highest risk of delinquencies or default once payments resume. In just two months, ED delivered on that promise by launching a simple online application; and in the first few weeks, around 26 million people successfully applied, with the process typically taking no more than 5 minutes from start to finish. In a survey, 97% of those who applied described their experience as positive. We are confident that our program is legal and have asked the Supreme Court to allow us to move forward with providing debt relief to tens of millions of eligible Americans.

Our support for borrowers reentering repayment also includes those with previously defaulted loans. Through the Fresh Start initiative announced in April, FSA restored eligibility for federal student aid to more than 7 million borrowers to help them complete their credential or degree. We recognize that borrowers who do not complete their program of study are at a higher risk of default. The Fresh Start initiative also will eliminate the negative effects of default for borrowers, improve their credit status to position them for long-term repayment success, and allow access to affordable income-driven repayment plans that facilitate student loan forgiveness.

FSA has continued to improve customer service with an enhanced user experience, proactive partner engagement, and streamlined organizational capabilities. We have also made progress on our pledge to fix longstanding flaws in loan forgiveness programs. We have especially worked hard to streamline and deliver the loan discharges that borrowers deserve through programs such as Total and Permanent Disability and Borrower Defense to Repayment.

We greatly improved the Public Service Loan Forgiveness (PSLF) Program by the terms of the limited waiver, which ended on October 31, 2022. It has allowed borrowers to get credit for past periods of repayment that would otherwise not qualify under the normal program rules. The number of people whom FSA has identified for total forgiveness under the PSLF Program has grown dramatically, from only 7,000 in January 2021 to nearly 360,000 borrowers in November 2022—with more on the way—through the limited PSLF waiver, as more than $24 billion in loans have been forgiven.

We have been moved by borrowers' stories shared through social media about the life-changing effects of student loan forgiveness. Public servants of all kinds – teachers, police officers, social workers, firefighters, and other government and non-profit employees – have benefited as the program finally began living up to its intended promise. In the coming year, we will take further actions to bring borrowers closer to forgiveness on their income-driven repayment plans by addressing historical failures in the administration of those plans.

In FY 2022, we homed in on greater accountability within the federal student aid programs. Schools that engage in misconduct are being held responsible for their abuses as we rebuild FSA's Enforcement Office to strengthen our oversight work and prevent risks to students and taxpayers. We are ramping up our program reviews also with stiffer tools to hold schools accountable for deceiving and failing students. We also have strengthened our relationships with state and federal partners – such as the Federal Trade Commission, Consumer Financial Protection Bureau, Department of Veterans Affairs, state attorneys general, and state student loan ombuds officers – to identify and take action against schools when they do not put their students' interests first.

By extending Project Success for another three years, FSA will continue to focus on improving student retention, graduation, and cohort default rates at 213 Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), and minority-serving institutions (MSIs). FSA does this work in partnership with guaranty agencies at no additional charge to the participating schools. The program provides resources to help students boost their financial literacy and achieve their higher education goals. Project Success also provides crucial and timely help to many students that smooths their path to college completion. In addition, FSA devotes many hours even beyond Project Success to provide vigorous regulatory training and technical assistance to minority-serving institutions so they can better fulfill their obligations and responsibilities under the Federal Student Aid programs.

And, as always, we have launched a new *Free Application for Federal Student Aid*® that will enable many students to access higher education they otherwise could not afford. The recently published *Federal Student Aid Strategic Plan for Fiscal Years 2023–27* offers a road map for improving our programs, products, services, and operations. We have much to do, and the way ahead is clear. We invite you to read this report to know more about the steps we are taking to move into the future.

Sincerely,

Richard Cordray
Chief Operating Officer
Federal Student Aid
United States Department of Education
January 23, 2023

About This Report

FSA, a principal office of the U.S. Department of Education, is required by law to produce an annual report, which details the organization's fiscal year financial and program performance. The *Federal Student Aid FY 2022 Annual Report (Annual Report)* is a comprehensive document that provides an analysis of FSA's financial and program performance results for FY 2022 and exhibits the organization's effectiveness in accomplishing its mission. The *Annual Report* enables the President of the United States, the U.S. Congress, and the public to assess the organization's performance relative to its mission and to determine whether FSA has shown itself to be accountable for the resources entrusted to it.

This report presents information about FSA's performance as a Performance-Based Organization (PBO), along with its initiatives, accomplishments, and challenges, as required by the U.S. Office of Management and Budget Circular A-11, *Preparation, Submission and Execution of the Budget, Part 6, Section 260,* and Circular A-136, *Financial Reporting Requirements*. The report also satisfies various requirements included in the following federal statutes:

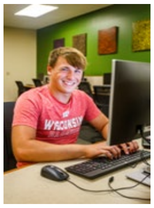
- *Higher Education Act of 1965, as amended*
- *Federal Managers' Financial Integrity Act of 1982*
- *Chief Financial Officers Act of 1990*
- *Federal Credit Reform Act of 1990*
- *Government Performance and Results Act of 1993*
- *Government Management Reform Act of 1994*
- *Federal Financial Management Improvement Act of 1996*
- *Reports Consolidation Act of 2000*
- *Improper Payments Information Act of 2002, amended*
- *Government Performance and Results Modernization Act of 2010*
- *Improper Payments Elimination and Recovery Act of 2010*
- *Improper Payments Elimination and Recovery Improvement Act of 2012*
- *Payment Integrity Information Act of 2019*

The Department produces the ***U.S. Department of Education FY 2022 Agency Financial Report (AFR)***, which provides a comprehensive view of the Department's stewardship of its resources and includes a summary of the information contained in this *Annual Report.*

The *Annual Report* is available at **StudentAid.gov/strategic-planning-reporting**.

Overview of the Federal Student Aid Annual Report

The *Annual Report* is organized into the following sections:



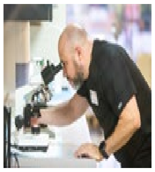
Management's Discussion and Analysis
This section provides an overview of the *Annual Report* and includes forward-looking information, the mission and organizational structure, performance management details, financial management highlights, and a discussion of FSA's systems, controls, and compliance with laws and regulations.

Annual Performance Report
This section discusses the strategic goals included in the *Federal Student Aid: Strategic Plan, Fiscal Years 2020–24 (FY 2020–24 Strategic Plan)*, its strategic objectives, performance metric results, and fiscal year accomplishments.

Additional Required Reporting
This section includes the additional reports specifically required by the *Higher Education Act of 1965, as amended (HEA)*.

Financial Reporting Section
This section includes the financial statements and accompanying notes, required supplementary information, and the Independent Auditors' Report.

Other Information
This section includes a summary of the financial statement audit, links to the summary of management assurances and FSA's Management Challenges in the Department's ***AFR*** and *Payment Integrity Information Act* reporting details.



Appendices
This section includes the discontinued or revised items of the *FY 2020–24 Strategic Plan*, the data validation and verification of performance information, the glossary of acronyms and terms, and the availability of the *Annual Report.*

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Management's Discussion and Analysis (Unaudited)

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Overview of Management's Discussion and Analysis

Management's Discussion and Analysis provides an overview of the *Annual Report*. It includes the following subsections:

- **Fiscal Year 2022 Organizational Highlights:** Fiscal Year 2022 Organizational Highlights presents Looking Forward at Federal Student Aid, which details the most important events and challenges that FSA faces and discusses the actions taken and progress made by FSA in addressing those challenges. This subsection also includes a presentation of Federal Student Aid by the Numbers.

- **Mission and Organizational Structure:** Mission and Organizational Structure provides the history of FSA; its mission, organizational structure, vision, and core values. The section also includes discussion of the federal student aid programs.

- **Performance Management:** Performance Management presents an overview of FSA's strategic planning and performance management framework. This subsection includes an overview of the *FY 2020–24 Strategic Plan,* a discussion of the agency priority goals and the quality of FSA's performance data.

- **Analysis of Financial Statements:** Analysis of Financial Statements provides an overview of FSA's financial data, an analysis of the financial data presented in the financial statements, the limitations of financial statements and a discussion of FSA's financial management highlights.

- **Analysis of Systems, Controls, and Legal Compliance:** Analysis of Systems, Controls, and Legal Compliance provides FSA's management assessment in conjunction with the Department's assessment on FSA's internal controls related to the *Federal Manager's Financial Integrity Act of 1982* and its compliance with other laws and regulations related to the compliance of financial systems with federal requirements.

Fiscal Year 2022 Organizational Highlights

Looking Forward at Federal Student Aid

In FY 2022, FSA adapted to major shifts in administrative priorities while simultaneously managing the impact of the national COVID-19 emergency on the programs authorized by *Title IV of the Higher Education Act of 1965*, as amended (*Title IV*). In response to the unprecedented emerging issues, FSA advanced its capabilities to meet the needs of an evolving digital environment to improve the future of loan servicing. FSA also established a comprehensive return to repayment plan that includes borrower communications, programs to reduce delinquency, and increased vendor accountability. In FY 2023, the new *Federal Student Aid FY 2023-27 Strategic Plan* will provide a roadmap to improve access for borrowers and provide information they will need to manage their loans, make decisions about repayment plans, and participate in loan forgiveness programs. For institutions of higher education, FSA will continue to enforce compliance with *Title IV* program guidelines and protection from fraudulent and deceptive practices in the student aid marketplace.

FY 2023 is guided by the most important aspect of FSA's mission—the student. FSA is determined to raise the standard for excellent customer service by modernizing the loan servicing infrastructure, enhancing borrower repayment outcomes, implementing incentives to reduce loan defaults, and keeping the promise to improve opportunities for students and families to make informed decisions on financial aid for college and student loan repayment.

In August 2022, the President and the Department announced a plan to help federal student loan borrowers transition back to regular payment. This proposed plan will include up to $20,000 in debt cancellation for existing borrowers who meet certain criteria. Given these unprecedented circumstances, return to repayment will be a huge undertaking for FSA. FSA has initiated communication campaigns to inform borrowers about the process to restart payments, provide resources and incentives to minimize risk of default and delinquency, and educate the borrower on repayment options. FSA's loan servicing partners are integral to the success of the future return to repayment plan, but the world of servicing federal student loans is changing rapidly. Collaboration with the servicers in the development of detailed outreach strategies will support a successful end of the administrative forbearance period.

FSA has also bolstered the complaint management system. The result of these upgrades will be increased quality control, more in-depth analysis of customer issues, and the ability to share this information with Institutions of Higher Education (IHEs) and vendors.

FY 2023 continues to bring enhanced loan servicing due to consolidated, integrated, and improved customer interaction channels across the student aid lifecycle. FSA will focus on continuous improvement of loan servicing which includes expansion of major features and services on **StudentAid.gov**, delivery of critical customer outreach campaigns, and data-driven improvements to Business Process Operations (BPO). Leveraging customer feedback can improve digital interactions with them across the student aid lifecycle, such as content updates or user experience improvements, that can directly address customer pain points. FSA will continue to use "Voice of the Customer" feedback sessions and newly implemented surveys to measure their satisfaction with the interaction channels.

FSA's customer-centric approach will extend initiatives in FY 2023 and beyond. FSA procured a new customer feedback management tool and deployed numerous surveys across the digital contact center and communications channels beginning in the first quarter of FY 2022. FSA teams will have the ability to review open-ended feedback, including survey comments, social media mentions, and complaints to identify trends and insights. The organization will use the advanced analytics and customer trends to better understand the customer's experiences and interactions with FSA throughout the student loan repayment lifecycle. FSA fully understands the necessity for a customer experience that minimizes errors and negative impacts.

FSA's responsibility for both collaboration and oversight is not limited to loan servicing partners, as it engages IHEs and other financial aid stakeholders on behalf of students, parents, and borrowers. In FY 2023, FSA will continue to build its capabilities to strengthen engagement and accountability by providing a single point of digital interaction for all participating educational and financial institutions. This enhanced capability will allow FSA to improve its relationships with participating institutions through targeted and proactive engagement, simplified customer service, and increased visibility into financial health using data analytics.

In FY 2022, FSA established an Office of Enforcement within FSA that will report directly to the chief operating officer. It will strengthen the oversight and enforcement actions against schools that participate in the federal student loan, grant, and work-study programs. Strengthening institutional oversight is aligned with FSA's commitment to protect borrowers and their families from fraudulent and deceptive student aid lending practices.

Throughout FY 2023, FSA will continue comprehensive compliance reviews, review borrower complaints and other risk indicators to identify programs that pose risk to borrowers and taxpayers, conduct investigations, and pursue enforcement actions where appropriate. FSA will engage with schools to inform, collaborate, and ensure these institutions take the necessary actions needed to protect *Title IV* data.

The Student Aid & Borrower Eligibility Reengineering (SABER) initiative is the coordinated effort to consolidate and align the implementation of two important pieces of legislation: the *Fostering Undergraduate Talent by Unlocking Resources in Education (FUTURE) Act* and the *Free Application for Federal Student Aid (FAFSA®) Simplification Act*. The implementation of both the *FUTURE* and *FAFSA Simplification Acts* will dramatically change the way students and families engage with FSA's financial aid programs. As FSA assists customers in transitioning back into a positive repayment posture at the close of the administrative forbearance period, it will be imperative that the provisions associated with these Acts become fully implemented. Through these efforts loan servicing will be further enhanced as customers experience a highly secure system which allows them to automatically share their federal tax information (FTI) in a direct and more efficient way.

As FSA continues to evolve as a more customer-centric and outcome-based organization, it will continue to focus on operational and process improvement. Implementation of the new strategic plan will require robust internal operations. FSA's success impinges on attracting, developing, and retaining a skilled, agile workforce underpinned by diversity, equity, inclusion, and accessibility (DEIA). All of this will be accomplished through a comprehensive human capital framework and an organizational training and development plan. FSA will also improve the hiring processes to better recruit needed talent, strategically align skills to organizational mission requirements, and analyze human capital systems and processes. FSA will continue to strive to be a model for federal management best practices and quality customer service.

Federal Student Aid by the Numbers

Figure 1: FSA Net Outlays[1]
FY 2018–22

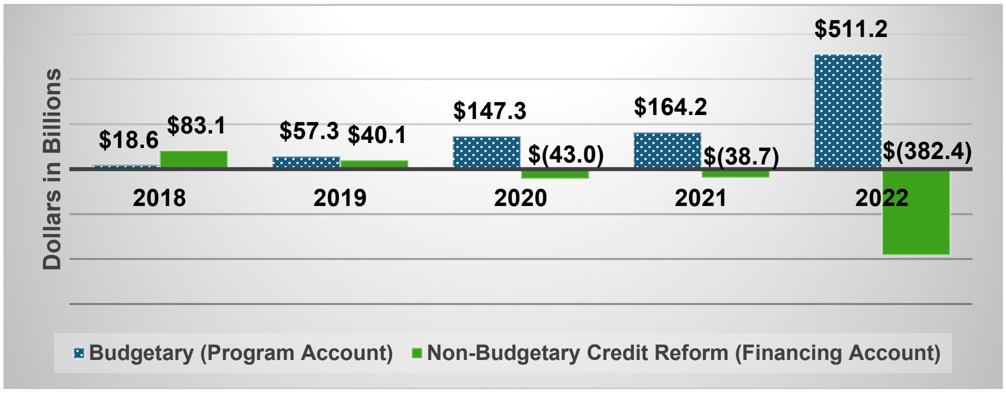


Figure 2: FSA Administrative Budget
FY 2018–22

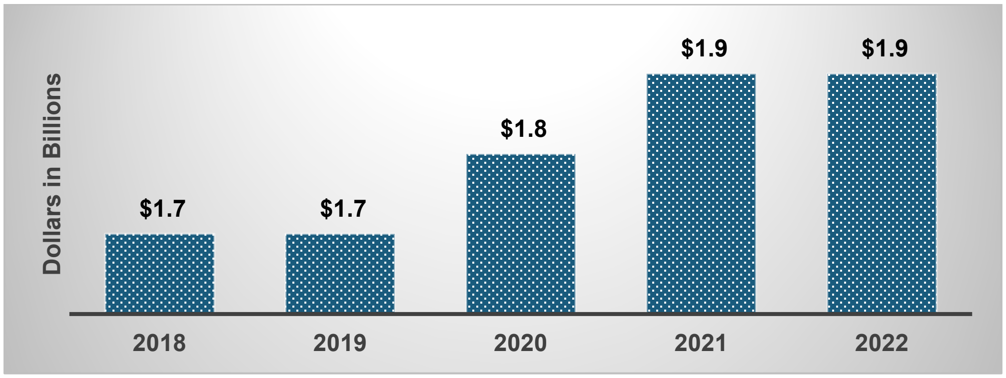
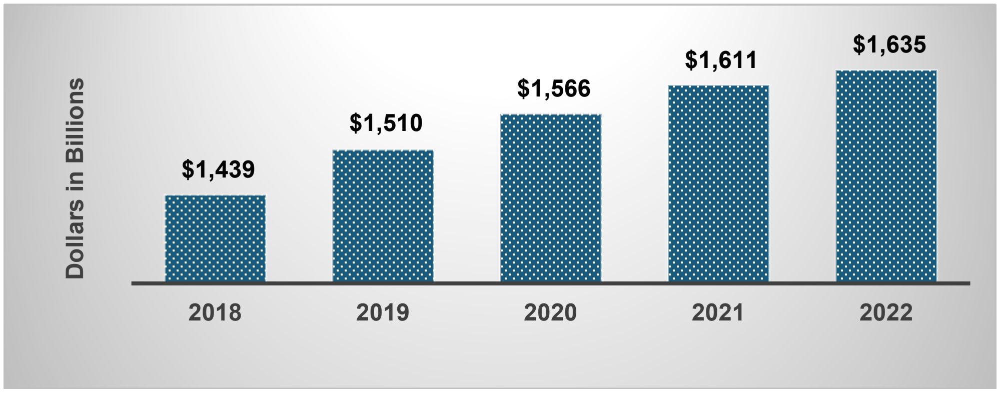


Figure 3: FSA Student Loan Portfolio[2]
FY 2018–22



[1] The Budgetary account is also known as the Program account; the Non-budgetary credit reform account is also known as the Financing account. For more information on these two accounts, please refer to Note 5.
[2] The amounts in Figure 3 include both lender-held FFEL loans and School-held Perkins loans.

Figure 4: Total FAFSA® Forms Processed and Total Students Receiving Aid FY 2018–22

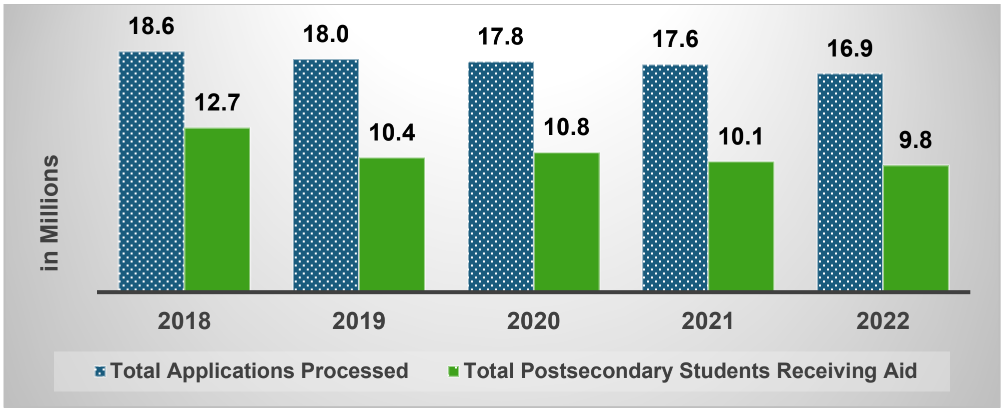


Figure 5: Total Federal Student Aid Delivered FY 2018–22

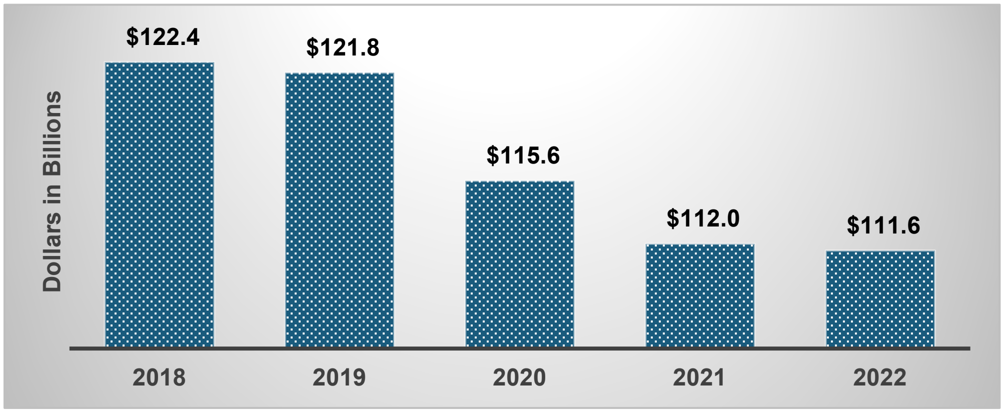
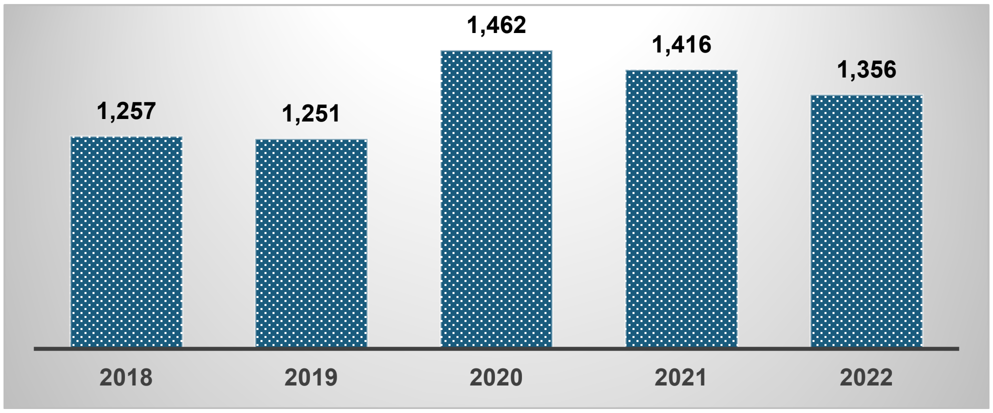


Figure 6: FSA Federal Employees[3] FY 2018–22



[3] Number of employees listed is as of September 30 of each fiscal year.

Mission and Organizational Structure

Mission

FSA, a principal office of the U.S. Department of Education (the Department), seeks to ensure that all eligible individuals can benefit from federal financial assistance for education beyond high school. As the nation’s largest provider of federal student financial aid, FSA is responsible for implementing and managing federal student financial assistance programs authorized under the *HEA*. Specifically, *Title IV* of the *HEA* authorizes the federal student financial assistance programs for which FSA is responsible. These programs provide grants, loans, and work-study funds to students attending colleges or career and technical schools.

To execute the *Title IV* programs, FSA is responsible for a range of functions across the student aid lifecycle, which include:

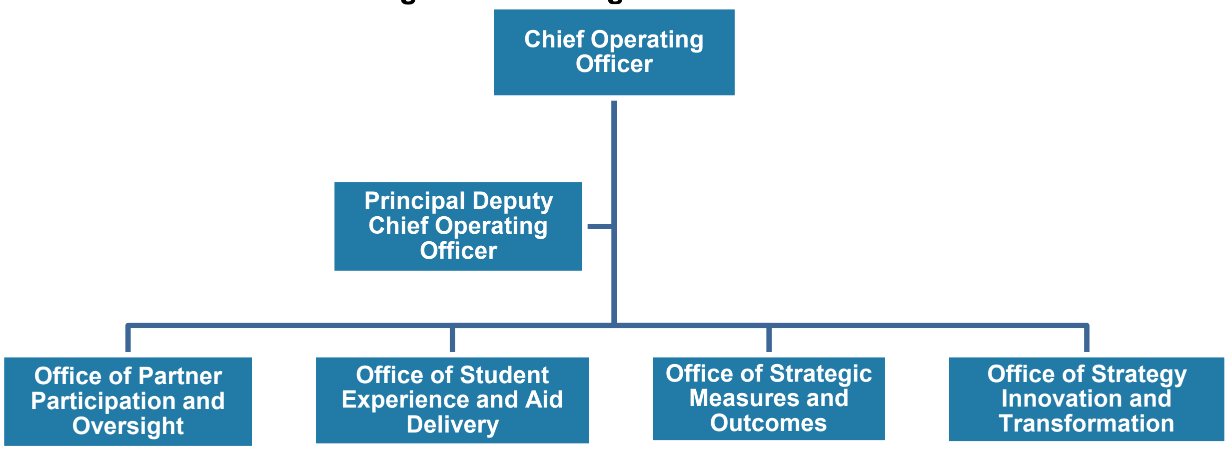
- Informing students and families about the availability of the federal student aid programs and the process of applying for and receiving aid from those programs,
- Processing millions of FAFSA forms,
- Accurately disbursing, reconciling, and accounting for billions of dollars of federal student aid funds delivered to students annually,
- Managing the outstanding federal student loan portfolio and securing repayment from federal student loan borrowers,
- Offering free assistance to students, parents, and borrowers throughout the entire financial aid process, and
- Providing oversight and monitoring of all program participants—schools, financial entities, and students—to ensure compliance with the laws, regulations, and policies governing the federal student aid programs.

This complex, multifaceted mission calls on a range of staff skills, and demands coordination by all levels of management. Designated as a PBO by Congress in 1998, FSA emphasizes tangible results and efficient performance, as well as continuous improvement of the processes and systems that support its mission.

Organizational Structure

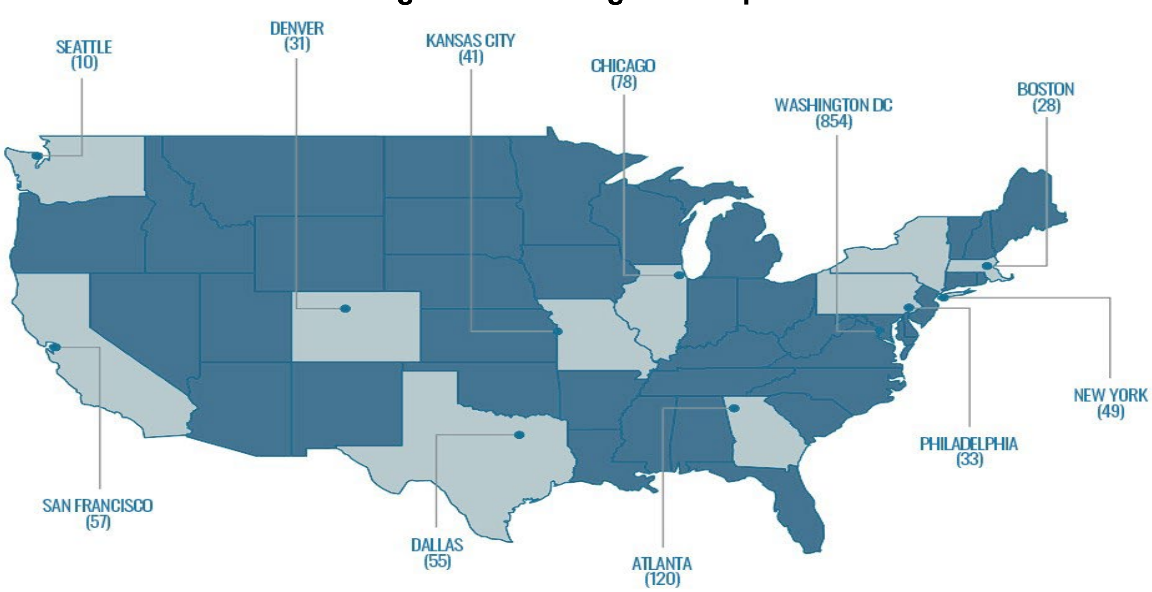
FSA currently operates under a functional organizational structure that aligns the key business areas with its strategic goals, business objectives, and vision. A Chief Operating Officer (COO), who is appointed by the Secretary of Education leads FSA, with five Deputy COOs as leaders over distinct operational areas. In 2021, the Secretary appointed Richard Cordray as FSA's Chief Operating Officer. The figure below illustrates the functional organizations within FSA.

Figure 7: FSA Organizational Chart



During FY 2022, FSA operated on an annual administrative budget of approximately $1.9 billion. As of September 30, 2022, FSA was staffed by 1,356 full-time employees and augmented by contractors who provide outsourced business operations. The workforce is primarily based in FSA's headquarters located in Washington, DC, with 10 regional offices located throughout the country as reflected in the following graphic (See Figure 8). The number of full-time employees at each location is shown in parentheses immediately following the location name.

Figure 8: FSA Regional Map



Mission, Vision, and Core Values

FSA's mission focuses on students. This mission drives the organization's vision to be a reliable provider of federal student aid and services and to be the most trusted source of postsecondary education information to students and their families. As part of its vision, FSA strives to assist students and families in making better decisions about their postsecondary education funding options. The core values reflect a culture of integrity, excellence, and collaboration—key components in building a high-performing organization.

Table 1: FSA Mission, Vision, and Core Values

MISSION	
Mission	*Funding America's Future, One Student at a Time.*
VISION	
Vision	To be the most trusted and reliable source of student financial aid, information, and services in the nation.
CORE VALUES	
Integrity	Do the right thing above other interests and hold everyone accountable.
Customer Service	Provide accurate and timely information to customers throughout the student aid lifecycle.
Excellence	Strive to be the very best in all we do by embracing a culture of continuous improvement.
Respect	Value individuals by acknowledging the diversity of their contributions, ideas, and beliefs.
Stewardship	Uphold the sacred trust of taxpayers as we work to support the goals of Congress and the Administration.
Teamwork	Work in collaboration with our colleagues and partners to produce the best possible results.

As discussed in detail in the **Performance Management** subsection and ***Annual Performance Report*** section, FSA has translated this vision into a set of clearly defined strategic goals and objectives, with related measurable performance metrics. The realization of these goals will enable the organization to accomplish its mission successfully.

Significant Legislation that Directs the FSA Mission

Several legislative acts guide FSA's mission. The *HEA* established FSA as a PBO to administer the *Title IV* programs. The following table, while not all-inclusive, identifies other legislation that has significantly influenced FSA's mission.

Table 2: Overview of Legislative Authority

Legislation	Purpose
Higher Education Act of 1965, as amended	Created the federal student financial assistance programs known as *Title IV* programs.
Student Loan Reform Act of 1993	Authorized a multi-year phased implementation of the William D. Ford Federal Direct Loan Program.
Higher Education Reconciliation Act of 2005	Allowed graduate and professional students to use the Parent Loan for Undergraduate Studies Loan Program.
College Cost Reduction and Access Act of 2007	Authorized the Teacher Education Assistance for College and Higher Education Grant Program, created the Public Service Loan Forgiveness Program, and established Income Based Repayment plans.
Ensuring Continued Access to Student Loans Act of 2008	Provided the Department with the authority to implement programs to ensure eligible students and parents were not denied access to federal student loans during the credit market disruptions of 2008.
SAFRA Act of 2009	Provided that, beginning July 1, 2010, no new loans would be originated under the Federal Family Education Loan Program.
Bipartisan Student Loan Certainty Act of 2013	Established that federal student loan interest rates will be tied to financial markets and that each loan will have a fixed interest rate for the life of the loan.
Consolidated Appropriations Act, 2014	Transferred all Health Education Assistance Loan Program loans as of July 1, 2014, from the U.S. Department of Health and Human Services to the Department.
Coronavirus Response and Relief Supplemental Appropriations Act, 2021	Free Application for Federal Student Aid (FAFSA) simplification and expanded Federal Pell Grant Program eligibility.

FSA Stakeholders

The community of stakeholders in the student aid delivery system includes students, parents, lenders, guaranty agencies (GAs), postsecondary institutions, contracted servicers, and collection agencies, as well as taxpayers and other federal entities such as Congress and the Office of Management and Budget (OMB).

FSA's responsibilities include coordinating and monitoring the activity of the large number of federal, state, nonprofit, and private entities involved in delivering federal student aid within the statutory framework established by Congress and regulatory framework established by the Department. The following table displays the role of FSA and the participants in the FSA system.

Table 3: Role of FSA and Participants in the FSA System

Participants	Participants’ Role	FSA’s Engagement with Participants
Students	• Receive aid to finance postsecondary education and repay loans following completion or exit from school.	• Explaining federal student aid opportunities and requirements, • Providing products, services, and tools to help students pay for postsecondary education, • Identifying students who are eligible for aid, and • Protecting students and borrowers from unfair, deceptive, or fraudulent practices in the student aid marketplace.
Guaranty Agencies	• Insure Federal Family Education Loan Program loans and service their defaulted loan portfolios.	• Monitoring compliance, • Assisting them in meeting regulatory requirements, • Providing technical assistance, and • Paying default claims.
Loan Holders	• Hold and service outstanding Federal Family Education Loan Program loans to students.	• Monitoring compliance, • Assisting them in meeting requirements, • Providing interest subsidies and Special Allowance Payments, and • Educating them regarding policy.
FSA-Contracted Loan Servicers	• Service William D. Ford Federal Direct Loan Program portfolio and portions of Federal Family Education Loan Program portfolio, • Provide systems and services to support FSA’s core operations (e.g., applications, disbursements), and • Recover funds from defaulted loans.	• Entering contractual agreements, • Setting performance standards, and • Overseeing operations.
Postsecondary Institutions	• Determine students’ aid packages and disburse funds.	• Determining eligibility and disbursing aid, • Monitoring compliance and regulatory requirements, and • Providing technical assistance.
Congress	• Sets statutory requirements for student loan programs as well as a myriad of borrower benefits and budget appropriations.	• Providing data and information for decision making and • Providing updates on operational performance.
The President, the Department, and others in the Executive Branch	• Set regulatory standards and establish policy for the distribution of aid and collection of loan payments.	• Providing data that informs policy decisions, • Providing recommendations for implementation of new policies, and • Sharing information regarding high-risk compliance concerns.

Federal Student Financial Aid Programs

Each year, FSA delivers billions of dollars in financial aid to students through the *Title IV* programs of the *HEA*. These programs collectively represent the nation's largest source of federal financial aid for postsecondary education students. This aid covers expenses such as tuition and fees, room and board, books and supplies, and transportation. Federal financial aid is mainly distributed to students through:

- **Loans:** Student aid funds that are borrowed to help pay for eligible education programs and must be repaid with interest,
- **Grants:** Student aid funds that do not have to be repaid, unless other conditions apply, and
- **Work-Study:** Part-time employment program that allows students enrolled in college to earn money to help pay for school.

To obtain federal financial aid, prospective aid recipients must complete the FAFSA form. In FY 2022, FSA processed more than 16.9 million FAFSA forms, resulting in the delivery of approximately $111.6 billion in *Title IV* aid to more than 9.8 million postsecondary students and their families. These students attended more than 5,500 active institutions of postsecondary education that participate in federal student aid programs, and which are accredited by agencies recognized by the Secretary.

The following table presents a comparison of the amounts of *Title IV* aid disbursed to students by program in FY 2022 and FY 2021. A summary discussion of each *Title IV* program is presented in the paragraphs after the table.

Table 4: Summary of Federal Aid Disbursed to Students by Program[4]
(Dollars in Millions)

Programs	2022 Aid Disbursed to Students	2021 Aid Disbursed to Students	Difference	Percentage Change
Federal Loan Programs				
William D. Ford Federal Direct Loan Program	$ 83,450.6	$ 83,279.4	$ 171.2	0.2%
Federal Grant Programs				
Federal Pell Grant Program	$ 26,129.5	$ 26,709.8	$ (580.3)	(2.2)%
Federal Supplemental Educational Opportunity Grant Program	866.5	868.8	(2.3)	(0.3)%
The Teacher Education Assistance for College and Higher Education Grant Program	57.4	75.0	(17.6)	(23.5)%
Other Grant Programs	0.5	0.6	(0.1)	(16.7)%
Subtotal Grant Programs	**$ 27,053.9**	**$ 27,654.2**	**$ (600.3)**	**(2.2)%**
Federal Work-Study Program				
Federal Work-Study Program	$ 1,106.2	$ 1,052.9	$ 53.3	5.1%
Grand Total	**$ 111,610.7**	**$ 111,986.5**	**$ (375.8)**	**(0.3)%**

Federal Loan Programs

In fulfilling its program responsibilities, FSA directly manages or oversees a loan portfolio of more than $1.6 trillion, representing approximately 219.4 million student loans to more than 45.7 million borrowers. These loans were made primarily through the first two federal student loan programs described below.

The **William D. Ford Federal Direct Loan (Direct Loan) Program** lends funds directly to students and parents through participating schools. Created in 1993, this program is funded primarily by borrowings from the U.S. Department of the Treasury (Treasury), as well as an appropriation for subsidy costs. Four different types of Direct Loans are available for borrowers:

- **Direct Subsidized Loans:** Federal loans based on financial need made to undergraduate students for which the federal government generally does not charge interest while the borrower is in school, in grace, or in deferment status. If the interest is not paid during the grace period, the interest is added to the loan’s principal balance.

[4] Aid disbursed to students as cited in the table above, and in the following sections concerning the Federal Loan Programs, the Federal Grant Programs, and the Federal Work-Study Program in the Management’s Discussion and Analysis are fiscal year amounts derived from amounts from FSA’s and the Department’s financial systems. The number of awards or recipients reported in the Management’s Discussion and Analysis is derived from a variety of sources including FSA’s Common Origination and Disbursement System and data used to support the President’s Budget. Recipient counts are based on award year.

- **Direct Unsubsidized Loans:** Federal loans made to undergraduate students and graduate students for which the borrower is fully responsible for paying the interest regardless of the loan status. Interest on unsubsidized loans accrues from the date of disbursement and continues throughout the life of the loan.
- **Direct Parent Loans for Undergraduate Students (PLUS) Loans:** Federal loans made to graduate or professional students and parents of dependent undergraduate students for which the borrower is fully responsible for paying the interest regardless of the loan status.
- **Direct Consolidation Loans:** Federal loans that allow the borrower to combine multiple existing federal student loans into one new loan. The borrower will only have to make one monthly payment on the consolidation loan, and the repayment term of the loan may be longer than the terms of the original loans, which may result in a lower monthly payment.

As of September 30, 2022, FSA's portfolio of Direct Loans included $816.5 trillion in credit program receivables, net. In FY 2022, the Department made $83.5 billion[5] in net loans to 6.8 million recipients.

Under the **Federal Family Education Loan (FFEL) Program,** students and parents obtained federal loans through private lenders. Guaranty Agencies (GAs) insure lenders against borrower default; the federal government, in turn, reinsures the GAs. Federal subsidies ensure private lenders earn a certain yield on the loans they hold.

The passage of the SAFRA Act, which was included in the *Health Care and Education Reconciliation Act of 2010* (*HCERA*) (Pub. L. 111-152), ended the origination of new FFEL Program loans as of July 1, 2010. Nevertheless, FSA, lenders, and GAs continue to service and collect outstanding FFEL Program loans. FSA, FFEL lenders, and GAs held a FFEL Program loan portfolio of approximately $101.8 billion as of September 30, 2022. Of this portfolio, $39.8 billion represented FSA's credit program receivables, net, comprised of $29.9 billion in loans acquired under the *Ensuring Continued Access to Student Loans Act of 2008 (ECASLA)* authorization and $9.9 billion acquired under the "traditional" (Non-ECASLA) guaranteed loan program. In FY 2022, FSA made gross payments of approximately $352.3 million to lenders for interest and special allowance subsidies and $4.8 billion to GAs for reinsurance claims and fees paid for account maintenance, default aversion, and collection activities.

ECASLA authorized the Department to implement several programs to ensure credit market disruptions did not deny eligible students and parents the access to federal student loans for the 2008–09 and 2009–10 academic years. The authority for two *ECASLA* Programs, the Loan Purchase Commitment Program, and the Loan Participation Interest Purchase Program, expired after September 30, 2010. The third *ECASLA* Program, the Asset-Backed Commercial Paper Conduit (ABCP Conduit) Program, ended in January 2014.

The **Federal Perkins Loan Program** was one of three campus-based student aid programs. These federal loans were made by schools to undergraduate and graduate students who demonstrate financial need. Historically, participating schools received a certain amount of funds each year from FSA for distribution under this program, which supplemented funds in a school's revolving fund, from which new disbursements were made. These funds enabled

[5] Excludes consolidation loans of $39.6 billion.

eligible institutions to offer low-interest loans to students based on financial need. Once the full amount of the school's funds had been awarded to students, no additional loans were to be made under this program for the year. The *Federal Perkins Loan Program Extension Act of 2015* eliminated the authorization for schools to make new Federal Perkins loan disbursements as of September 30, 2017, and ended all Perkins loan disbursements by June 30, 2018.

The **Health Education Assistance Loan (HEAL) Program** was transferred to the Department from the U.S. Department of Health and Human Services in FY 2014 under the *Consolidated Appropriations Act, 2014* (Pub. L. 113-76). This program enabled graduate students in schools of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, public health, pharmacy, chiropractic, or programs in health administration and clinical psychology to obtain federally insured loans through participating lenders. Since September 30, 1998, no new loans have been originated through this program; however, borrowers are still obligated to repay any outstanding loans obtained through the program.

The Department assumed responsibility for the program and the authority to administer, service, collect, and enforce the loans. Credit program receivables, net of allowance for subsidy, were approximately $398.9 million for FY 2022.

Federal Grant Programs

In fulfilling its responsibility for administering *Title IV* aid, FSA oversaw the disbursement of approximately $27.1 billion in grants to more than 6.0 million recipients. The following provides a summary for each grant program, including aid disbursed in FY 2022.

The **Federal Pell Grant (Federal Pell Grant) Program** helps ensure financial access to postsecondary education by providing grant aid to low-income and middle-income undergraduate students. Considered the foundation of a student's financial aid package, Federal Pell Grants vary according to the financial circumstances of students and their families. In FY 2022, the Department disbursed $26.1 billion in Federal Pell Grants averaging approximately $4,350 to approximately 6.0 million students. The maximum Federal Pell Grant award was $6,495 in the 2021–22 award year and increased to $6,895 in the 2022–23 award year.

The **Federal Supplemental Educational Opportunity Grant Program** is one of three campus-based programs through which the Department provides funds directly to eligible institutions. Funds provided through this program enable eligible institutions to offer grants to students based on need. Federal grants distributed under this program are administered directly by the financial aid office at each participating school. Each participating school receives a certain amount of Federal Supplemental Educational Opportunity Grant funds each year from FSA. Once the full amount of the school's grant funds has been awarded to students, no additional awards can be made under this program for the year. This form of aid does not require repayment. In FY 2022, approximately $866.5 million were disbursed through approximately 1.7 million campus-based awards.

The **Teacher Education Assistance for College and Higher Education (TEACH) Grant Program** provides individual awards up to $4,000 per year to students agreeing to teach mathematics, science, or other specialized subjects in a high-poverty school for at least four years within eight years of their graduation. This grant program began in the 2008–09 school year, starting July 1, 2008. For any award year 2021–22 or 2022–23 TEACH Grant first disbursed on or after October 1, 2021, and before October 1, 2022, the maximum award is $3,772. For any award year 2022–23 TEACH Grant first disbursed on or after October 1, 2022, and before October 1, 2023, the maximum award is $3,772. If students fail to fulfill the service requirements specific to the program, their TEACH Grants convert to Direct Unsubsidized Loans, with interest accruing from the time of the award. During FY 2022, there were approximately 2,824 involuntary conversions and 2,199 voluntary conversions from TEACH grant status to direct unsubsidized loans. Those grantees who are involuntarily converted to loan status have the right to appeal an involuntary conversion. During FY 2022, there were approximately 786 reinstatements from loan status back to grant status. In FY 2022, the Department disbursed more than 22,000 grants totaling $57.4 million under the TEACH Grant Program.

The **Iraq and Afghanistan Service Grant Program**, which became effective July 1, 2010, provides non-need-based grants to students whose parent or guardian was a member of the Armed Forces and died in Iraq or Afghanistan because of military service after September 11, 2001. These grants are awarded to students who are not eligible for a Federal Pell Grant based on financial need, but meet the remaining Federal Pell Grant eligibility requirements, and:

- Have a parent or guardian who was a member of the U.S. Armed Forces and died as a result of military service in Iraq or Afghanistan after the 9/11 events, and
- Were under 24 years old or enrolled in college at least part-time at the time of the parent or guardian's death.

For any award year 2022–23 Iraq and Afghanistan Service Grant first disbursed on or after October 1, 2021, and before October 1, 2022, the maximum award is approximately $6,125. For any award year 2022–23 Iraq and Afghanistan Service Grant first disbursed on or after October 1, 2022, and before October 1, 2023, the maximum award is up to $6,501.99. The Department disbursed approximately $0.5 million to support fewer than 100 awards in FY 2022.

Federal Work-Study Program

The **Federal Work-Study Program** is one of three campus-based programs through which the Department provides funds directly to eligible institutions. Funds provided through this program enable eligible institutions to offer part-time employment to undergraduate, graduate, and professional students based on financial need, allowing them to earn money to help pay education expenses. The program is available to full-time or part-time students and encourages community service work. The work is often related to the student's course of study. In FY 2022, approximately $1.1 billion were disbursed through more than 600,000 campus-based awards.

Performance Management

The Performance Management section of the *Annual Report* provides a general overview of the performance management processes at FSA. The foundation of performance management within FSA is the five-year strategic plan. The key strategic drivers relevant to the strategic planning process within FSA are listed below.

Table 5: Key Strategic Drivers Relevant to FSA Strategic Planning

Key Strategic Driver	Relevance to FSA's Strategic Planning Process
The Higher Education Act of 1965 legislation and Department regulations	Prescribes *Title IV* program and PBO requirements (i.e., improve service, reduce costs, improve and integrate support systems, develop delivery and information systems, and enhance staff development and talent).
Student and borrower needs	Students and borrowers are key customers of FSA services and products.
Key trends and conditions for the financial aid environment	Indicate student aid environment within which FSA must operate. Listed below are key trends that may affect the financial aid environment. • The size and performance of FSA's portfolio of loans has direct implications for taxpayers. • Students are making high impact financial decisions without the benefit of adequate financial knowledge. • Digital fluency and mobile ubiquity are driving new service expectations among customers. • Increased volume of student data has created new opportunities, obligations, and risks.
The Department's Five-Year Strategic Plan	Require FSA's support of the Department's strategic goals related to postsecondary education.
Office of Inspector General's (OIG) Management and Performance Challenges	Require the Department and FSA senior management's consideration for establishing priorities. OIG's Management Challenges for FY 2022 include: • Implementing Pandemic Relief Laws, • Oversight and Monitoring, • Data Quality and Reporting, • Improper Payments, and • Information Technology Security.
OIG and Government Accountability Office (GAO) audits	Require FSA senior management's consideration for establishing priorities to address findings and recommendations.
Federal financial management laws and regulations	Prescribe financial management requirements.
Federal performance reporting legislation and requirements	Prescribe performance and reporting requirements.
Federal budget deficits	Require FSA to look for opportunities to reduce operating costs through improved efficiency.

The key strategic drivers inform the strategic planning process, aligning FSA with the PBO requirements outlined in the *HEA* while ensuring future consistency and accountability. In this way, the key strategic drivers influence the development and implementation of FSA's strategic plan, as well as the development and tracking of performance metrics. The Performance Management section illustrates the outcome of this effort by discussing the following:

- FSA's performance management processes,
- FSA's FY 2020–24 strategic goals,
- FSA's alignment to the *Department of Education Strategic Plan for Fiscal Year 2022–26 (FY 2022–26 Strategic Plan),* and
- FSA's efforts to validate the quality of performance data reported.

Figure 9 provides a summary of the strategic plan elements.

Figure 9: Strategic Process Building Blocks

Strategic Plan
Organizational framework (foundation) for the execution of FSA's vision. Strategic Plan is updated annually to reflect changes in organizational strategies, budget, and near-term actions.

5 Strategic Goals
Long-term goals outlined in the Strategic Plan that define how FSA will accomplish its mission.

15 Strategic Objectives
Strategies that FSA will perform to achieve its Strategic Goals.

38 Performance Metrics
Quantifiable indicators to assess progress in meeting strategic objectives or strategic goals. These metrics include targets and timeframes.

Targets
Indicators of the desired performance levels or specific desired results targeted for a given fiscal year. Targets, if available, are expressed in quantifiable terms and are compared to the actual result to determine level of performance.

Performance Management Processes at Federal Student Aid

During FY 2022, FSA used a tiered performance management framework to establish goals and communicate, measure, and report performance:

- *FSA FY 2020–24 Strategic Plan*
- Weekly Organization Briefings
- Bi-Weekly Performance Accountability Meetings
- *Annual Performance Report*
- Department's Quarterly and Annual Performance Reviews
- Agency Priority Goals (APGs)

FSA FY 2020–24 Strategic Plan

The *FY 2020–24 Strategic Plan* outlines goals, objectives, and performance metrics that provide a roadmap for how FSA will successfully operate, respond to change, and execute its mission moving forward. These strategic goals collectively provide the framework for continuous improvement at FSA, guide the organization in managing its programs more effectively, and offer clear strategic direction to all of FSA's internal and external constituencies. To provide the framework to effectively achieve these outcomes, the five-year strategic goals must be:

- Appropriate to the mission of the organization,
- Realistic and measurable,
- Achievable in the time frame established,
- Challenging in their performance targets, and
- Understandable to the layperson with language that is unambiguous and terminology that is adequately defined.

Each strategic goal encompasses objectives and identifies performance metrics to measure FSA's level of success in meeting the strategic goal. For each performance metric, FSA identifies a target level of performance for each fiscal year. FSA sets the target level of performance at a challenging, but realistic level that is achievable within the timeframe. Meeting or exceeding the target indicates that FSA succeeded in attaining the established performance metric, while falling short of the target indicates that FSA did not attain the performance metric.

Strategic Framework

The *FY 2020–24 Strategic Plan* outlines strategic goals and objectives that are used to track and evaluate FSA's progress toward meeting its mission. The following table provides an abbreviated view of the current strategic plan.

Table 6: Strategic Goals and Strategic Objectives for FY 2020–24

Strategic Goal 1	Strategic Objectives
Empower a High Performing Organization	**1.1**: Improve employee engagement and workplace inclusion to develop and retain talent, improve employee satisfaction, and engage in effective succession planning.
	1.2: Expand employee skills and capabilities to support Next Gen FSA.
Strategic Goal 2	**Strategic Objectives**
Provide World-Class Customer Experience to the Students, Parents, and Borrowers We Serve	**2.1:** Ensure that all students can easily access information on federal student aid, apply for federal student aid, and have information on repayment options.
	2.2: Provide seamless, easy, personalized digital interactions equal with top financial institutions in the delivery of financial aid products and services.
	2.3: Streamline contact center and back-office operations to improve our customers' integrated experience.
	2.4: Simplify the communication and processes associated with borrower repayment plans.
Strategic Goal 3	**Strategic Objectives**
Increase Partner Engagement and Oversight Effectiveness	**3.1:** Provide effective oversight of FSA's partners utilizing a comprehensive suite of monitoring tools.
	3.2: Strengthen partner engagement and provide effective outreach and assistance.
Strategic Goal 4	**Strategic Objectives**
Strengthen Data Protection and Cybersecurity Safeguards	**4.1:** Implement business partner and vendor systems that house, manage, and provide systems supporting FSA business processes, outreach and awareness focused on oversight, enforcement, infrastructure, systems, and data.
	4.2: Improve student privacy data and cybersecurity controls of Institutions of Higher Education (IHEs) through outreach and communication, to mitigate future cyber-incidents and breaches.
	4.3: Build an effective cybersecurity culture through employee awareness, training and accountability focused on protecting systems and data.
Strategic Goal 5	**Strategic Objectives**
Enhance the Management and Transparency of the Portfolio	**5.1:** Improve the management and transparency of FSA's student loan portfolio performance.
	5.2: Provide analytics and operational support for a customer-centric, data-driven, performance-based organization.
	5.3: Leverage portfolio analytics to drive improved outcomes for customers and taxpayers.
	5.4: Increase vendor performance through quality management activities centered on customer service and product delivery.

Weekly Organization Briefings

The Organization Briefings in FY 2022 have continued to enhance the strategic alignment within FSA in operations, products, and accountability in achieving results. These sessions provide awareness of and engagement in FSA’s priority projects and initiatives, with topics aligned with the strategic plan. Discussions in the briefings enabled attendees to make strategic connections between the work that is performed throughout FSA and its impact on its stakeholders and, contributed to developing the *FY 2022 Annual Report*.

To further advance FSA’s strategic framework, the Organization Briefings established various themes that illustrated the efforts of specific business areas in advancing the goals and objectives of the *FY 2020–24 Strategic Plan*. Over the past year, FSA has expanded the extensive catalog of presentations from the Organization Briefings, including aligning the briefing cadence with strategic goals and priority topics based on all the program offices that work to support the efforts of the strategic plan. The frequent data-driven and results-oriented analyses offered greater transparency and accountability in managing FSA’s strategies to achieve its goals and objectives while strengthening partnerships across FSA, the Department, and with external stakeholders.

Bi-Weekly Performance Accountability Meetings

Throughout FY 2022, FSA measured and analyzed performance based upon performance metric results outlined in the *FY 2020–24 Strategic Plan*, as well as various internal metrics used for operational management. The analysis of performance continues to be a transparent process within the organization, executed through weekly performance reports shared with the FSA leadership and management team. Detailed analyses of specified performance metrics are developed and provided to the FSA leadership and management team in the form of dashboards.

As of the end of the fiscal year, the organization was updating 22 dashboards on 12 topics, with 68 visualizations representing approximately 90 metrics on a weekly basis. Areas of focus and metrics were added as FSA identified potential concerns or opportunities for improvement. These dashboards were used to identify and resolve issues that may be affecting organizational performance.

Annual Performance Report

To report progress on meeting the strategic goals, FSA prepares and publishes an *Annual Performance Report*, which is included in the *Annual Report*. In addition to the *Annual Performance Report*, the *Annual Report* includes FSA management’s discussion and analysis of its financial and performance results, its financial statements and notes, and the report of the independent auditors.

Department of Education Quarterly and Annual Performance Reviews

The Department conducts quarterly meetings with principal offices on progress towards achieving agency priorities, known as Strategic Planning Performance Reviews (SPPR). The SPPR is a quarterly discussion-driven performance review led by agency leaders. The SPPRs provide a mechanism for agency leaders to review the organization’s performance and bring together the people, resources, and analysis needed to drive progress on agency priorities, both mission focused and management goals. Best practices for an effective SPPR include key elements: narratives, visuals, and data. The SPPR quarterly cycle includes a meeting on the key projects and initiatives, an internal review with the Department, an external strategic review with OMB, and a year in review.

FSA’s *FY 2020–24 Strategic Plan* supports the Department’s overall strategic goals and directions, as defined in the Department’s *FY 2022–26 Strategic Plan*, which was released July 2022. In the Department’s new plan, FSA tracks the performance of 11 metrics that supports the following Department’s strategic goal:

- **Goal 4:** *Increase postsecondary value by focusing on equity-conscious strategies to address access to high-quality institutions, affordability, completion, post-enrollment success, and support for inclusive institutions.*

Specifically, FSA is responsible for the following strategic objective under Goal 4:

- **Strategic Objective 4.2:** *Improve the administration of student aid programs to help eligible students receive aid; support borrowers in successfully repaying their loans, claiming loan forgiveness benefits, and mitigating student loan default; and hold contractors accountable.*

Agency Priority Goals

APGs are a performance accountability structure of the *Government Performance and Results Modernization Act of 2010* (*GPRA Modernization Act*) (Pub. L. 111-352) that provide agencies a mechanism to focus on leadership priorities, set outcomes, and measure results, bringing focus to mission areas where agencies need to drive significant progress and change. APG statements are outcome-oriented, ambitious, and measurable with specific targets that reflect a near-term result or achievement agency leadership wants to accomplish within approximately 24 months. In collaboration with OMB, the Department established three APGs for FY 2022 through FY 2023 that align with the Department's *FY 2022–26 Strategic Plan*. FSA is responsible for APG-2, and quarterly progress reports are published on **Performance.gov**.

Quality of Performance Data

Ensuring the integrity of the data required to determine performance results is a critical step in reporting performance. For this step, FSA developed and implemented a Validation and Verification Matrix. Specifically, FSA uses this matrix as a tool to validate the completeness and reliability of the underlying data gathered and used to calculate each performance metric for the reporting period, including the performance results reported in this *Annual Report*. For each performance metric, this matrix is used to document the following: data source, availability, security procedures, and known limitations; whether data are subject to FSA's OMB Circular A-123 Internal Control Review process; and procedures for accessing the data, calculating the performance metric, and validating and verifying the data gathered.

For a discussion of data validation and verification for each performance metric, please see the **Data Validation and Verification** subsection, located in the **Appendices** section.

Analysis of Financial Statements

Introduction

The Analysis of Financial Statements section provides an overview of FSA's financial results for FY 2022. This section assists readers in understanding FSA's financial results, position, and condition as reflected in the financial statements and notes located in the **Financial Section** of this report. The financial analysis explains major changes in assets, liabilities, costs, and budgetary resources. It also includes comparisons of the current year to the four prior years and discusses the relevance of significant balances, amounts, and trends reflected in the financial statements and notes.

FSA is committed to providing sound management, financial systems, and controls to ensure students receive aid and repay loans according to applicable laws and regulations. FSA's comparative financial statements are prepared in accordance with established federal accounting standards and reporting requirements. The financial statements are subject to an annual independent audit to determine whether FSA's financial statements present fairly FSA's financial position, net cost, changes in net position, and budgetary resources. This year, FSA received a disclaimer of opinion on its FY 2022 financial statements.

FSA presents its comparative financial statements and notes in the format prescribed by OMB Circular A-136. For FY 2022 and FY 2021, the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position were prepared on a consolidated basis, whereas the Statement of Budgetary Resources was prepared on a combined basis. These financial statements, along with the Independent Auditors' Report on these statements, can be found in the **Financial Section.**

FSA has oversight responsibilities for more than $1.6 trillion in federal student loans, of which it directly owns and manages approximately $1.5 trillion. The remaining balance represents non-defaulted FFEL Guaranteed loans held by lenders and Federal Perkins loans held by schools, as detailed in Note 5**.** As described in Note 1 and Note 5, FSA reports its portfolio of federal student loans on its Balance Sheet, on the line-item Credit Program Receivables, Net. This is the gross amount of loans and interest receivable less an allowance for the present value of amounts not expected to be recovered (Allowance for Subsidy). Subsidy Expense is a factor included in the Allowance for Subsidy and represents an estimate in present value terms of the cost to the government of Direct Loans and loan guarantees. Subsidy Expense is recorded in the year a loan is disbursed and updated annually through a re-estimation process. It includes default costs (net of recoveries), contractual payments paid to third-party private collection agencies, and net borrowing costs, less any origination or other fees collected. If the net cost to the government is greater than zero, then the subsidy expense is said to be positive. However, the subsidy expense may also be zero (break-even), or it may be negative if the estimated cost of providing loans to borrowers is less than the value of collections received as interest and fees. As of September 30, 2022, FSA reported $858.3 billion in Credit Program Receivables, Net after deducting an Allowance for Subsidy of approximately $674.6 billion. Credit Program Receivables, Net was 26.3% less than the prior-year amount. This decrease was primarily due to the $352.6 billion (109.5%) increase in the FY 2022 Allowance for Subsidy as compared to FY 2021.

The two major components of the total subsidy expense for direct loans disbursed in the current year (subsidy transfers) are Interest Rate Differential and Other Components. Interest Rate Differential is attributable to the difference between the borrowers' interest payments due to FSA and FSA's estimated cost to finance the direct loan on a present value basis. The Other Components of subsidy transfers primarily consists of contract collection costs, program review collections, fees, and loan forgiveness.

The $352.6 billion increase in the FY 2022 Allowance for Subsidy was due to broad-based debt relief. To address the financial harms of the pandemic by smoothing the transition back to repayment and helping borrowers at highest risk of delinquencies or default once payments resume, the Department provided a plan for broad-based debt relief. Borrowers with loans held by the Department who received a Pell Grant in college and meet the specified income limits are eligible for up to $20,000 in debt relief, while non-Pell Grant recipients who meet the specified income limits are eligible for up to $10,000 in relief. Applications for this debt relief launched on October 17, 2022. This action resulted in an upward modification cost of $361.0 billion in the Direct Loan Program. There was a net negative $23.7 billion modification adjustment transfer associated with this modification, bringing the total FY 2022 modification cost for the Direct Loan Broad-Based Debt Relief to $337.3 billion.

A more detailed discussion of the Allowance for Subsidy estimates is discussed in Note 5**.**

The FY 2022 FSA Financial Highlights tables presented on the next page provide a condensed summary of the significant balances in FSA's Balance Sheets and Statements of Net Cost over a five-year period, beginning with FY 2018. The tables also show the percentage change between the prior and current fiscal years as of September 30, 2021 and 2022, respectively. The figures and tables presented in this section include rounding adjustments to ensure that the component line items sum to the corresponding total. As a result, there may be small discrepancies between the amounts shown in a particular figure or table when compared to similar items discussed in the text or presented in other areas of the *Annual Report*.

Table 7: Financial Highlights
Condensed Balance Sheets
(Dollars in millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Percentage Change[6]
Assets						
Fund Balance with Treasury	$ 73,405	$ 62,567	$ 70,266	$ 79,163	$ 118,636	49.9%
Credit Program Receivables, Net	1,209,495	1,202,092	1,169,614	1,164,800	858,277	(26.3)%
Remaining Assets	2,365	2,217	2,171	2,177	905	(58.4)%
Total Assets	**$1,285,265**	**$1,266,876**	**$ 1,242,051**	**$ 1,246,140**	**$ 977,818**	**(21.5)%**
Liabilities						
Debt	$1,258,481	$1,287,494	$ 1,249,807	$ 1,221,116	$ 905,006	(25.9)%
Subsidy due to Treasury General Fund	7,528	10,302	3,283	1,513	26,965	1,682.2%
Remaining Liabilities	10,197	13,971	8,350	15,905	18,121	13.9%
Total Liabilities	**$1,276,206**	**$1,311,767**	**$ 1,261,440**	**$ 1,238,534**	**$ 950,092**	**(23.3)%**
Net Position						
Unexpended Appropriations	$ 32,487	$ 31,400	$ 35,038	$ 36,338	$ 37,259	2.5%
Cumulative Results of Operations	(23,428)	(76,291)	(54,427)	(28,732)	(9,533)	(66.8)%
Net Position	**$ 9,059**	**$ (44,891)**	**$ (19,389)**	**$ 7,606**	**$ 27,726**	**264.5%**
Total Liabilities & Net Position	**$1,285,265**	**$1,266,876**	**$ 1,242,051**	**$ 1,246,140**	**$ 977,818**	(21.5)%

Table 8: Statements of Net Cost (Summarized)
(Dollars in millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Percentage Change[7]
Gross Cost	$ 71,232	$ 144,865	$ 171,245	$ 177,382	$ 502,972	183.6%
Less: Earned Revenue	(36,224)	(36,820)	(39,384)	(39,724)	(65,100)	63.9%
Net Cost of Operations	**$ 35,008**	**$ 108,045**	**$ 131,861**	**$ 137,658**	**$ 437,872**	**218.1%**

Balance Sheet

The Balance Sheet presents the recorded value of assets and liabilities retained or managed by FSA as of a specific point in time. The assets represent resources available for use by FSA to pay its liabilities or to satisfy its future service needs. The liabilities are amounts FSA owes, the probable and measurable future outflows of its resources arising from past transactions or events. The difference between the assets and the liabilities represents FSA's net position.

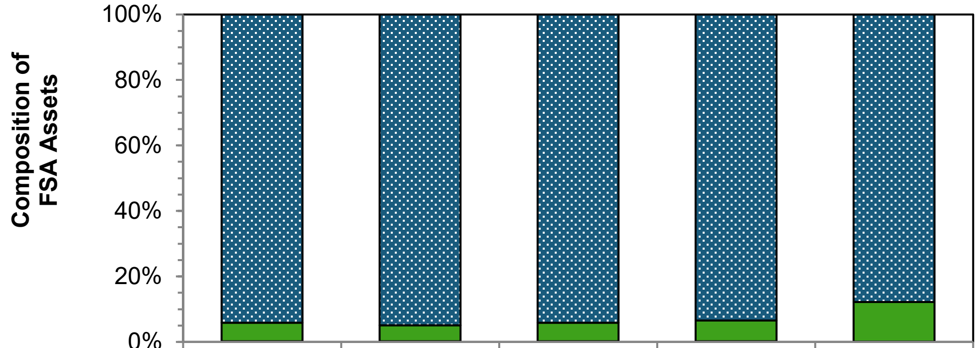
The consolidated Balance Sheet shows that FSA had total assets of $977.8 billion as of September 30, 2022, a decrease of $268.3 billion, or 21.5% over the September 30, 2021 total assets balance of $1,246.1 billion. The difference resulted primarily from a 49.9% increase in Fund Balance with Treasury ($39.5 billion), combined with a 26.3% decrease in net Credit Program Receivables ($306.5 billion). Together, FSA's Fund Balance with Treasury and its net Credit Program Receivables accounted for approximately 99.9% of Total Assets as of September 30, 2022, as illustrated in the Composition of Assets chart (Figure 10). The

[6] The percentage change is calculated as the difference between FY 2021 and FY 2022, divided by the FY 2021 amount. In some instances, where the current-year amount has an opposite sign to the prior-year amount, the percentage change may be negative even though the annual change is positive (and vice versa). Similarly, if the current-year negative amount has a larger negative value than the prior-year negative amount, the difference will be negative, but the percentage change will be positive.

[7] Refer to Footnote 6.

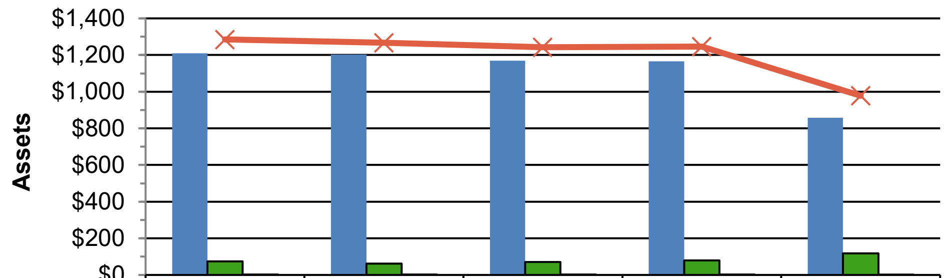
Comparison of Assets chart (Figure 11) presents changes in these two principal Balance Sheet line items over the past five fiscal years.

Figure 10: Composition of Assets[8]



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Credit Program Receivables, Net	94.1%	94.9%	94.2%	93.5%	87.8%
Fund Balance with Treasury	5.7%	4.9%	5.7%	6.3%	12.1%
Remaining Assets	0.2%	0.2%	0.2%	0.2%	0.1%

Figure 11: Comparison of Assets
(Dollars in Billions)

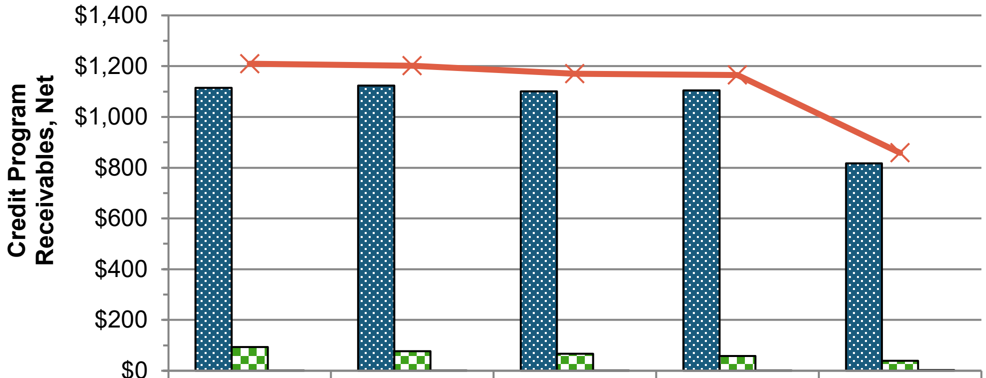


	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Credit Program Receivables, Net	$1,209.5	$1,202.1	$1,169.6	$1,164.8	$858.3
Fund Balance with Treasury	$73.4	$62.6	$70.3	$79.2	$118.6
Remaining Assets	$2.4	$2.2	$2.1	$2.1	$0.9
Total Assets	$1,285.3	$1,266.9	$1,242.1	$1,246.1	$977.8

Credit Program Receivables, Net. FSA's Credit Program Receivables, Net balance of $858.3 billion as of September 30, 2022, represents FSA's most important asset category and accounted for approximately 87.8% of Total Assets. This balance includes $1,532.9 billion in principal, interest, and fees, less an allowance for subsidy cost of approximately $674.6 billion that adjusted the loan portfolio to its estimated present value. See Note 5 for more detail. FSA reports the total amount under the three major program categories Direct Loan, FFEL, and Other, as illustrated in Figure 12 below and discussed more fully in the following sections.

[8] Line items presented in the Figures and Tables throughout this section may include rounding adjustments to reconcile to the total amount being reported.

Figure 12: Total Loan Portfolio
Net of Allowance for Subsidy
(Dollars in Billions)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Direct Loans	$1,115.1	$1,123.7	$1,100.5	$1,104.9	$816.5
FFEL	$92.9	$76.8	$67.4	$58.2	$39.8
Other Programs	$1.5	$1.6	$1.7	$1.7	$2.0
Total	$1,209.5	$1,202.1	$1,169.6	$1,164.8	$858.3

Figure 12 also shows that over the five-year period, FY 2018–22, FSA's portfolio of FSA net credit program receivables decreased by $351.2 billion or 29.0%. The Direct Loan program accounted for most of this change and decreased by $298.6 billion (26.8%). The overall decrease also included the $53.1 billion (57.2%) reduction of the FFEL Portfolio over the same period.

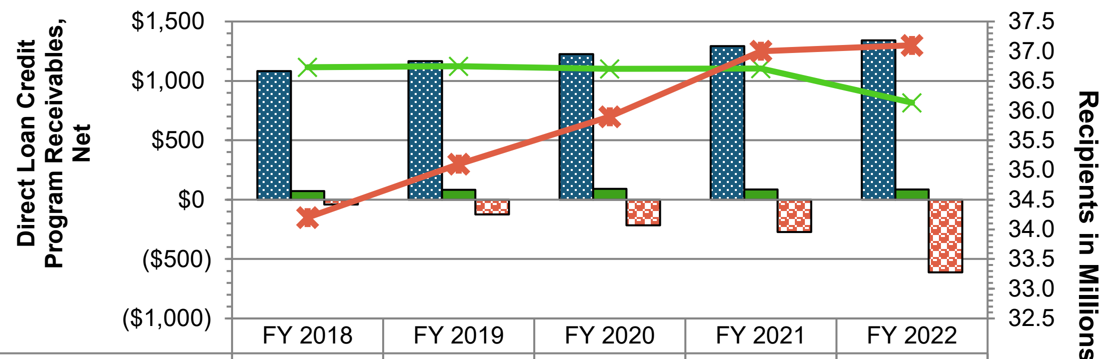
The directional changes observed in the Direct Loan and FFEL portfolios are principally related to the impact of the *SAFRA Act*, which as of June 30, 2010, eliminated all new loan originations under the FFEL Program in favor of direct lending. Loan consolidation has also played a role. Consolidation is the process of combining one or more federal student loans into one loan. For more information about which federal loans may be eligible for consolidation and other requirements, please visit **StudentAid.gov/manage-loans/consolidation**. Another significant factor in FY 2022 was an increase to the allowance for subsidy cost of $352.7 billion (109.5%) as compared to FY 2021. The reasons for the adjustment to the subsidy cost estimate are explained in Note 5.

Direct Loan Credit Program Receivables, Net. Direct Loan Credit Program receivables continue to be the major component of FSA's credit program receivable portfolio in FY 2022. As of September 30, the $816.5 billion Direct Loan portfolio ending balance comprises 95.1% of FSA's total credit program receivables net, compared to the prior year ending balance of $1,104.9 billion that represented 94.9%. The FY 2022 Direct Loan ending balance total includes $1,428.4 billion in principal, interest, and fees, with an allowance for subsidy cost of $611.9 billion. This amount contrasts to the prior year where the subsidy costs were projected at $273.8 billion on Direct Loan principal, interest, and fees of $1,378.7 billion. The factors that contributed to the variance in subsidy cost at a time when the underlying loan balances increased by 3.6% are addressed in Note 5.

The FY 2022 $49.7 billion increase in Direct Loan Receivables (before subsidy costs) was mainly driven by the growth in the outstanding amount owed by borrowers, primarily resulting from new loan disbursements ($83.5 billion) and consolidation disbursements ($36.9 billion). This increase was offset by reductions to principal due to principal loan payments ($41.3 billion), principal loan write-offs ($23.4 billion), and other adjustments ($6.0 billion).

The growth in principal outstanding has accounted for virtually all growth of the Direct Loan portfolio over the past five years in dollar terms, as seen in Figure 13. See Note 5 for more details.

Figure 13: Components of Direct Loan Receivables, Net[9]
(Dollars in Billions)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Principal	$1,083.7	$1,164.9	$1,224.8	$1,292.2	$1,341.8
Accrued Interest	$72.0	$83.3	$92.1	$86.5	$86.6
Allowance for Subsidy	$(40.6)	$(124.5)	$(216.4)	$(273.8)	$(611.9)
Net Receivable	$1,115.1	$1,123.7	$1,100.5	$1,104.9	$816.5
Total Recipients	34.2	35.1	35.9	37.0	37.1

The figure shows the number of recipients corresponding to the outstanding loan portfolio at each fiscal year end. Recipients are students that benefit from the federal student loans. In most cases, a recipient is the borrower; but for the Parent PLUS loans, the parent is the borrower, and the student is the recipient. Figure 13 also shows that Direct Loan recipients grew from 34.2 million to 37.1 million over the five-year period. As a result, the average debt (principal and interest) balance outstanding per Direct Loan recipient increased by 14.5% during this time, from $33,626 to $38,504; the higher debt burden per student is likely an indication of increasing postsecondary education costs.

Table 9: Components of Direct Loan Credit Program Receivables, Net by Percentage

Direct Loan Component	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Principal	97.2%	103.7%	111.3%	117.0%	164.3%
Accrued Interest	6.5%	7.4%	8.4%	7.8%	10.6%
Allowance for Subsidy	(3.7)%	(11.1)%	(19.7)%	(24.8)%	(74.9)%
Net Receivable	100.0%	100.0%	100.0%	100.0%	100.0%

[9] Recipient numbers come from the FSA Data Center or National Student Loan Data System (NSLDS®) database. For more details, refer to Footnote 11.

Table 9 illustrates that accrued interest increased from 6.5% to 10.6% of the net receivable amount and outstanding principal increased from 97.2% to 164.3% of the net amount.

Table 10: Increase in Principal, Interest and Subsidy Components of Direct Loan Credit Program Receivables, Net and Recipient Counts

Direct Loan Component	FY 2018–19	FY 2019–20	FY 2020–21	FY 2021–22	FY 2018–22 Average Year-to-Year Change
Principal	7.5%	5.1%	5.5%	3.8%	5.5%
Accrued Interest	15.7%	10.6%	(6.1)%	0.2%	5.1%
Allowance for Subsidy	(206.7)%	73.8%	26.5%	123.4%	4.3%
Net Receivable	0.8%	(2.1)%	0.4%	(26.1)%	(6.8)%
Total Recipients	2.6%	2.3%	3.1%	0.3%	2.1%

Table 10 shows that accrued interest increased at a slightly lower average annual rate than outstanding principal (5.1% versus 5.5%). The table also shows the increase of Direct Loan recipients by 2.1% each year which is well below the rate of increase of principal and interest.

While the Direct Loan portfolio has grown rapidly in recent years, it has also changed in character as an increasing proportion of students begin the repayment phase of their loans. Under the Title IV regulations, each loan may pass through several distinct statuses as the student progresses through the loan life cycle, from borrowing to repaying.

Repayment on most federal student loans is not required while the student recipient is "In School" unless they drop below half-time enrollment. However, repayment of Federal PLUS Loans to parents begin within 60 days of full disbursement unless parents request a deferment from their loan servicer to delay the start of repayment until the end of the six-month grace period after the student graduates or drops below half-time enrollment. Direct PLUS for graduate or professional students enter repayment six months after the borrower graduates or drops below half-time enrollment. Once the student borrower graduates, leaves school, or drops below half-time enrollment, they are frequently entitled to a "Grace" period. During this period, repayment is not required to begin on the loan. Not all federal student loans have a grace period and for most loans, interest will accrue during the grace period. At the end of the grace period, the borrower will enter "Repayment" status and regular monthly payments will be required according to an agreed upon payment schedule. If the borrower continues to make timely payments such that no more than 30 days elapse after the due date without payment, then the loan is classified as "Current." If more than 30 days elapse, then the loan will be reclassified as "Delinquent." Under Title IV, if more than 270 days pass without payment being received to satisfy the oldest payment due, Direct Student Loans are technically considered "In Default".[10] The status continues to be tracked through the life of the loan until the loan is paid in full or otherwise closed out.

The following is the history of the COVID-19 emergency relief flexibilities. On March 20, 2020, FSA began providing the following temporary relief on Department-owned federal student loans: suspension of loan payments, stopped collections on defaulted loans, and a 0% interest rate. On March 27, 2020, the *CARES Act* became law. The *CARES Act* provided for the above relief

[10] FSA's policy is to not transfer such loans to the defaulted debt servicer until more than 360 days pass without payment being received, to ensure parity of Direct Loan borrower treatment with that of FFEL borrowers.

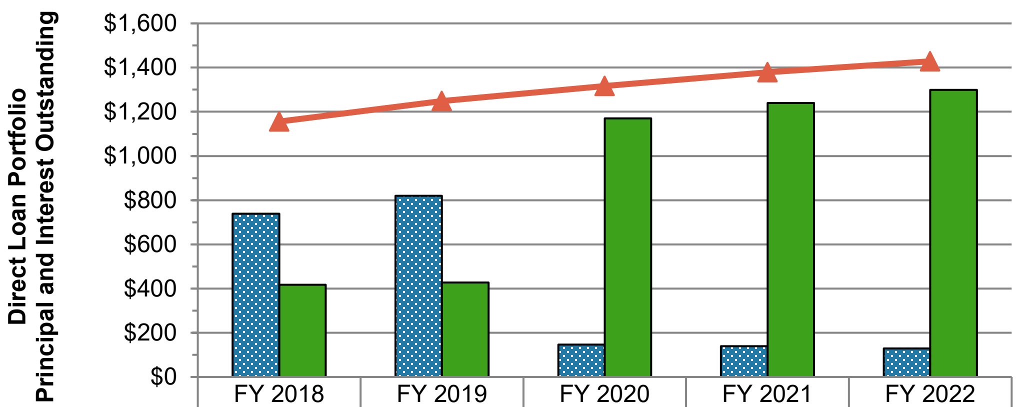
measures through September 30, 2020. On August 8, 2020, the COVID-19 emergency relief measures were extended through December 31, 2020. On December 4, 2020, the COVID-19 emergency relief measures were extended through January 31, 2021. On January 20, 2021, the COVID-19 emergency relief measures were extended through at least September 30, 2021. On March 29, 2021, more relief measures were added for borrowers in the Total and Permanent Disability (TPD) discharge process. On March 30, 2021, the COVID-19 emergency relief measures were expanded to federal student loans made through the FFEL Program that were in default. On August 6, 2021, the COVID-19 emergency relief measures were extended until January 31, 2022. On December 22, 2021, the COVID-19 emergency relief measures were extended through May 1, 2022. On April 6, 2022, the COVID-19 emergency relief measures were extended through August 31, 2022. On August 24, 2022, the COVID-19 emergency relief measures were extended through December 31, 2022, and again on November 22, 2022, until the Department is permitted to implement the debt relief program, or the litigation is resolved. Payments will restart 60 days later. If the debt relief program has not been implemented and the litigation has not been resolved by June 30, 2023 – payments will resume 60 days after that. The Department will notify borrowers before payments restart.

Figure 14[11] divides FSA's portfolio of Direct Loans into two main categories, based on repayment status. For the purpose of this discussion,[12] loans are classified as "In Repayment" if, under the terms of the promissory note, the loan is current, delinquent, defaulted, in non-defaulted bankruptcy, or in a disability status. Alternatively, loans are classified as "Not in Repayment" if the borrower is "In School", "In Grace", or has been granted a deferment or a forbearance. The loan status "Deferment" includes loans for which payments have been postponed due to certain circumstances, such as returning to school, military service, or economic hardship. Similarly, "Forbearance" includes loans for which payments have been temporarily suspended or reduced because of certain types of financial hardships. Figure 14 reports the portfolio balance as the sum of principal and interest balances (i.e., the gross amount) owed by the borrower and excludes any subsidy cost or allowance that would adjust the outstanding balance to its net present value.

[11] FY 2019 data are taken directly from the NSLDS database. Also, the FY 2018 data published in the *FY 2018 Annual Report*, taken directly from the NSLDS database, have been replaced with data subsequently published by the FSA Data Center.

[12] The In Repayment/Not in Repayment classifications used for this discussion are slightly different from the definitions under 34 CFR §§ 685.207, 685.204, and 685.205 which specify that a borrower first enters repayment before receiving a deferment or forbearance. Under 34 CFR § 685.205(a), borrowers in forbearance may still make payments on their loans. In addition, under 34 CFR Part 668 Subpart N, borrowers in a deferment or forbearance are considered to be in repayment for purposes of calculating the cohort default rate for institutions.

Figure 14: Direct Loan Portfolio by Repayment Status[13]
Principal and Interest Only
(Dollars in Billions)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
In Repayment	$738.7	$820.1	$146.6	$138.8	$129.3
Not in Repayment	$417.0	$428.0	$1,170.3	$1,239.7	$1,299.2
Total Direct Loan Portfolio	$1,155.7	$1,248.1	$1,316.9	$1,378.5	$1,428.5

The temporary relief discussed above and beginning on March 20, 2020, resulted in significant and atypical shifts in the "In Repayment" and "Not in Repayment" classifications. As can be seen in Figure 14, although both segments grew during the period FY 2018–19, the "In Repayment" segment grew to represent 65.7% of the total principal and interest amount outstanding, increasing the need for FSA to facilitate the ability of Direct Loan borrowers to meet their repayment obligations timely. During the period FY 2020–21, due to COVID-19 and the temporary emergency relief measures extended to student loan borrowers, the "In Repayment" segment declined to 11.1% of the total principal and interest amount outstanding while the "Not in Repayment" segment increased to represent 88.9%.

The September 30, 2022 balance of loans in repayment of $129.3 billion (9.1% of the total Direct Loan portfolio) is comparable to the $138.8 billion (10.1%) as of September 30, 2021. The dramatic decline in this segment from FY 2019 reflects the impact of the COVID-19 emergency and the payment pause, which placed most borrowers into administrative forbearance. The student loan payment pause has been extended until the Department is permitted to implement the debt relief program or the litigation is resolved. Payments will restart 60 days later. If the debt relief program has not been implemented and the litigation has not been resolved by June 30, 2023 – payments will resume 60 days after that. The Department will notify borrowers before payments restart.

In the following Figures 15A and 15B, the Direct Loan portfolio of "In Repayment" principal and interest has been subdivided into three categories, "Current", "Delinquent", and "Default/Bankruptcy/Other", as those terms are defined above.

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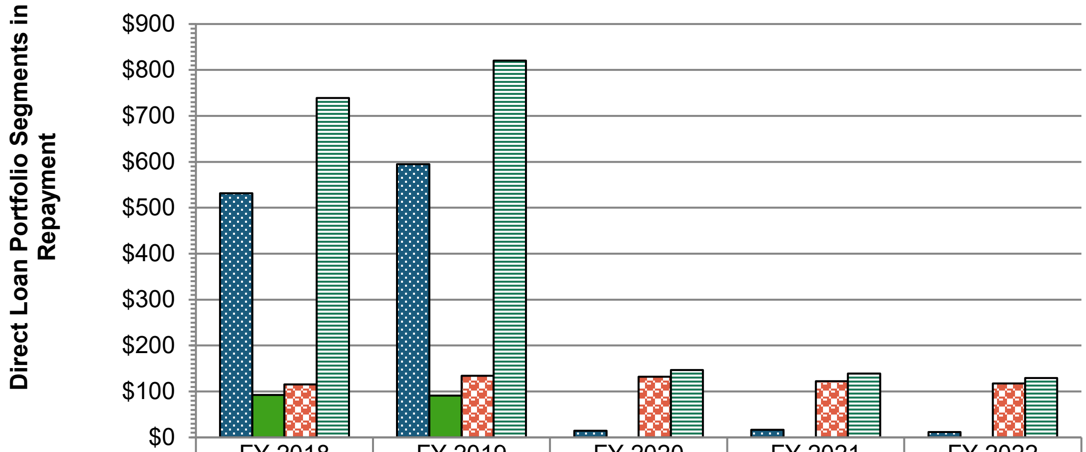
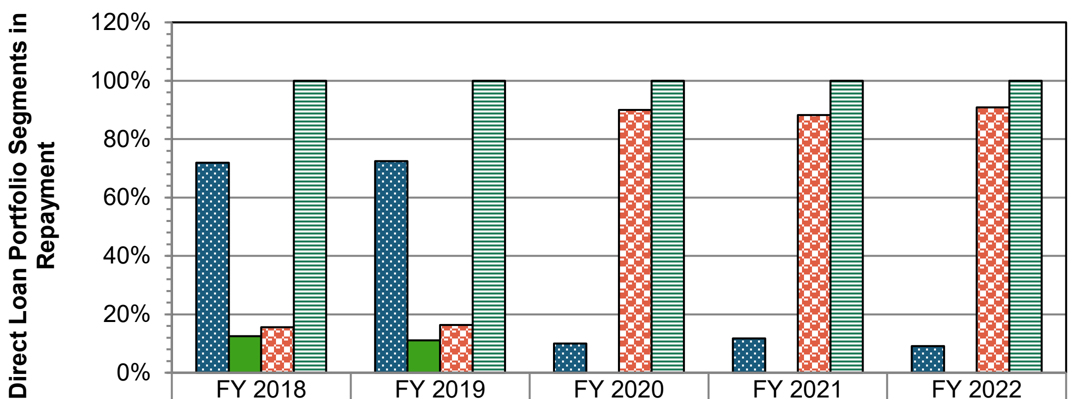
[13] Refer to Footnotes 11 and 12 for more details.

Figure 15A: Direct Loan Portfolio Segment in Repayment by Status[14]
Principal and Interest Only
(Dollars in Billions)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Current	$531.2	$594.7	$14.7	$16.2	$11.8
Delinquent	$92.3	$90.9	$0	$0	$0
Default/Bankruptcy/Other	$115.2	$134.5	$131.9	$122.6	$117.5
Totals	$738.7	$820.1	$146.6	$138.8	$129.3

Figure 15B: Direct Loan Portfolio Segment in Repayment by Status[15]
Principal and Interest Only
(Percentage of Total)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Current	71.9%	72.5%	10.0%	11.7%	9.1%
Delinquent	12.5%	11.1%	0.0%	0.0%	0.0%
Default/Bankruptcy/Other	15.6%	16.4%	90.0%	88.3%	90.9%
Totals	100%	100%	100%	100%	100%

Regarding the “In Repayment” segment amounts as of September 30, 2022, there was no delinquent loan principal as compared to $90.9 billion as of September 30, 2019. Also,

[14] Refer to Note 10 for more details.
[15] Refer to Note 10 for more details.

regarding the "In Repayment" segment amounts as of September 30, 2022, $117.5 billion (90.9%) in loan principal was in default/bankruptcy/other status compared to $122.6 billion (88.3%) as of September 30, 2021. The dramatic changes in these segments from FY 2019 to FY 2022 were due to the impact of the *CARES Act* and Presidential Directives which suspended borrower payments.

The portfolio of Direct Loan principal and interest receivables "Not in Repayment" can also be further subdivided based on the reason why the debt is not currently subject to repayment. Figures 16A and 16B[16] subdivide this segment into two such categories, "In School, Grace Period, and Education Deferments" and "Forbearance/Noneducation Deferments" as defined earlier.

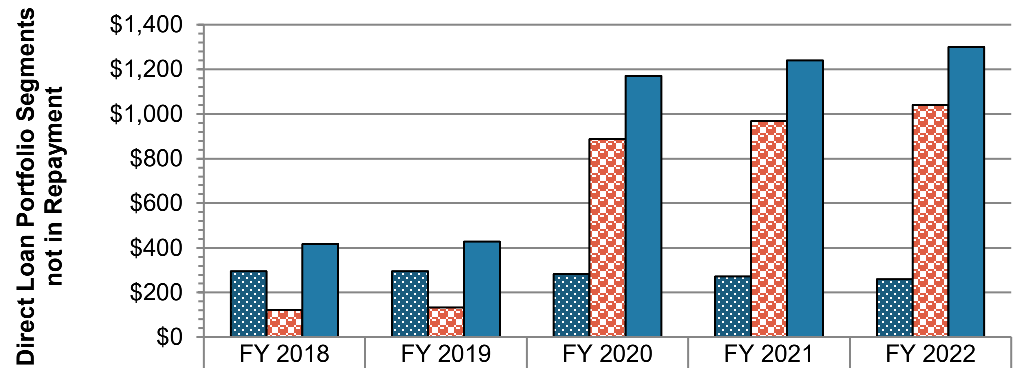
Figure16A shows that the amount of Direct Loan principal and interest categorized as "In School, Grace Period, and Education Deferments" has remained relatively consistent, $295.5 billion in FY 2018 to $259.5 billion at the end of the current year. This decrease reflects a decline in new Direct Loan disbursements over the period, and the aging of the Direct Loan portfolio of principal and interest receivable, as a greater proportion of debt moved from "In School, Grace Period, and Education Deferments" category to the "In Repayment" segment.

Figure 16B indicates that during the three-year period FY 2018–20, the "Forbearance and Noneducation Deferments" segment grew from $121.5 billion to $887.5 billion, increasing from 29.1% to 75.8% of the "Not in Repayment" segment. This segment increased from $967.8 billion in FY 2021 (78.1%) to $1,039.7 billion in FY 2022 (80%). These increases were due to the Impact of the *CARES Act* and Presidential Directives. However, during the FY 2018–22 period, the "In School, Grace Period, and Education Deferments" declined from $295.5 billion to $259.5 billion. Also due to the impact of the *CARES Act* and Presidential Directives, this segment declined from 70.9% to 20.0% of the "Not in Repayment Segment."

Figures 16A and 16B illustrate the dramatic impact of the *CARES Act* and Presidential Directives. "In School, Grace Period, and Education Deferments" amounts decreased from $294.8 billion as of September 30, 2019, to $259.5 billion as of September 30, 2022. However, the "Forbearance and Noneducation Deferments" amounts increased from $133.2 billion as of September 30, 2019, to $1,039.7 billion as of September 30, 2022.

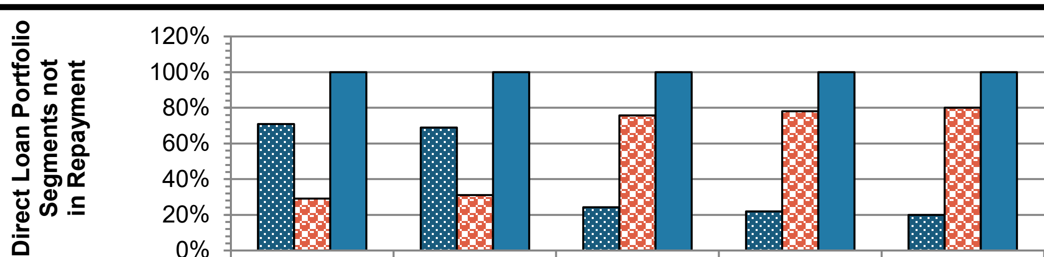
[16] Please refer to Footnotes 10 and 11 for more details.

Figure 16A: Direct Loan Portfolio Segment not in Repayment by Status Principal and Interest Only
(Dollars in Billions)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
In School, Grace Period, and Education Deferments	$295.5	$294.8	$282.8	$271.9	$259.5
Forbearance and Noneducation Deferments	$121.5	$133.2	$887.5	$967.8	$1,039.7
Totals	$417.00	$428.00	$1,170.3	$1,239.7	$1,299.2

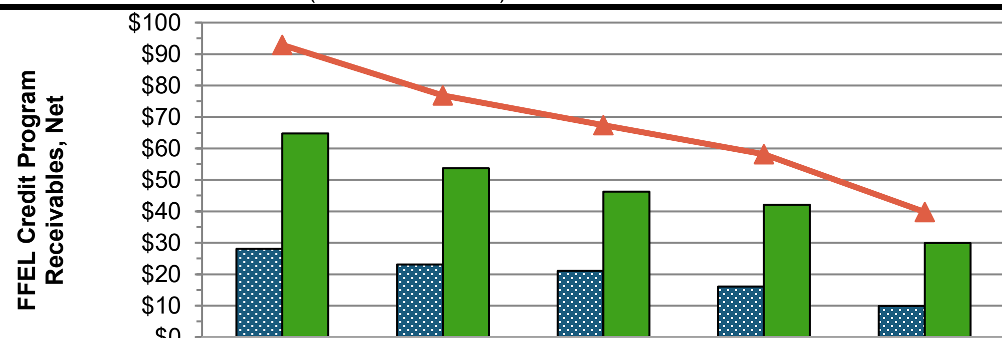
Figure 16B: Direct Loan Portfolio Segment not in Repayment by Status Principal and Interest Only
(Percentage of Total)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
In School, Grace Period, and Education Deferments	70.9%	68.9%	24.2%	21.9%	20.0%
Forbearance and Noneducation Deferments	29.1%	31.1%	75.8%	78.1%	80.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

FSA FFEL Credit Program Receivables, Net. FSA’s portfolio of FFEL loans includes debt acquired under the Conduit, Loan Participation Purchase, and Loan Purchase Commitment Programs established through the FY 2008 *ECASLA* law and referred to collectively as the FFEL *ECASLA* Loan Programs. It also includes debt acquired under the “traditional” (Non-*ECASLA*) defaulted guaranteed loan programs, known collectively as the “FFEL Guaranteed” portfolio segment. Changes in these FFEL loan portfolio segments over the past five fiscal years are shown in Figure 17.

Figure 17: Total FFEL Loan Portfolio[17]
(Dollars in Billions)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FFEL Guaranteed	$28.1	$23.1	$21.1	$16.1	$9.9
FFEL ECASLA	$64.8	$53.7	$46.3	$42.1	$29.9
Total FFEL	$92.9	$76.8	$67.4	$58.2	$39.8

Figure 17 illustrates that with $29.9 billion outstanding, the FFEL *ECASLA* portfolio segment remains the major component of the FFEL Guaranteed portfolio of net credit program receivables as of September 30, 2022. This segment declined from $64.8 billion in FY 2018 to $29.9 billion in FY 2022, a decline of $34.9 billion (53.9%) during the five-year period shown. This decrease was mainly the result of collections of principal and the impact of borrowers consolidating their loans under the Direct Loan Program, to take advantage of more favorable repayment options available in that program.

The FFEL *ECASLA* portfolio declined from $42.1 billion as of September 30, 2021, to $29.9 billion as of September 30, 2022. Outstanding principal declined from $45.8 billion to $42.7 billion, and the subsidy allowance increased from $12.5 billion to $21.2 billion. Subsidy allowance amounts reduce the net receivable balance. The decrease in the interest receivable from $8.8 billion to $8.4 billion also reduced the net receivable balance. Despite this decrease, the proportion of FFEL *ECASLA* loans were approximately 75.1% of the total $39.8 billion of FFEL loans outstanding as of the current year-end.

Over the five-year period from FY 2018 to FY 2022, the smaller FFEL Guaranteed portfolio declined from $28.1 billion as of September 30, 2018, to $9.9 billion as of September 30, 2022 ($18.2 billion difference). Outstanding principal increased $1.3 billion to $37.6 billion, and the subsidy allowance increased by $5.7 billion to $40.9 billion. Subsidy allowance amounts reduce

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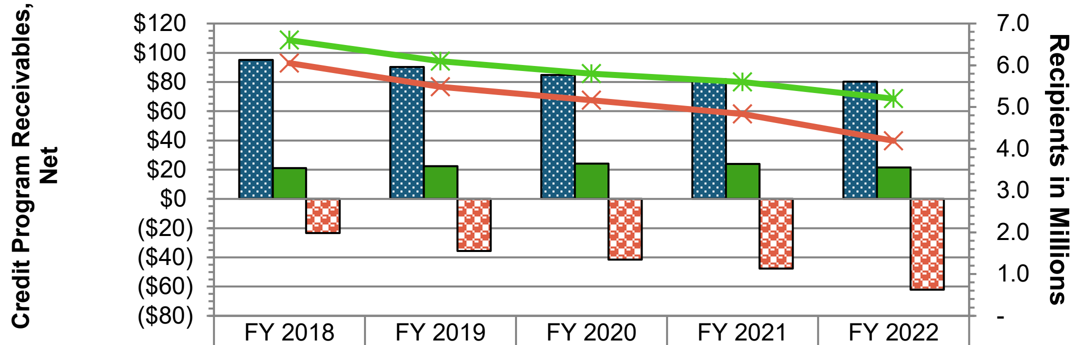
[17] FFEL Guaranteed refers to the FFEL Guaranteed (Non-*ECASLA*) Program; FFEL ECASLA refers to FFEL *ECASLA* Acquired Loan Program

the net receivable balance. There was a decrease in the September 30, 2022, interest receivable of $1.8 billion to $13.2 billion.

The overall impact of changes in the principal, accrued interest, and subsidy components of the FFEL portfolio are shown below in Figure 18.[18] The reduction in FFEL recipients during the period FY 2018–22 also demonstrates the impact of debt consolidations and refinancing on the outstanding portfolio balance.

Figure 18: Components of FFEL Receivables, Net
(Dollars in Billions)

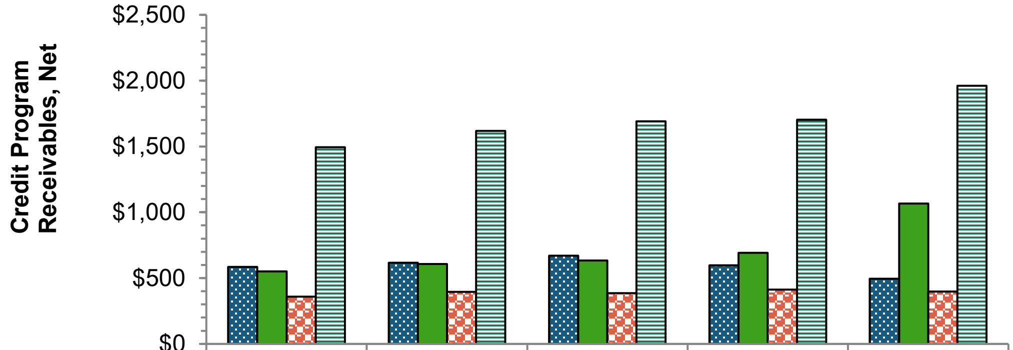


	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Principal	$95.1	$90.2	$84.8	$82.0	$80.3
Accrued Interest	$21.1	$22.3	$24.1	$23.9	$21.6
Allowance for Subsidy	$(23.3)	$(35.7)	$(41.5)	$(47.7)	$(62.1)
Total Receivable	$92.9	$76.8	$67.4	$58.2	$39.8
Total Recipients	6.6	6.1	5.8	5.6	5.2

Other Credit Program Receivables, Net. As shown in Figure 19 below, TEACH Grants, Perkins Loans, and HEAL Loans make up the third segment of Credit Programs Receivable, net that FSA reports on its balance sheet.

[18] Recipients in Millions for FY 2018–19 are based on data published by the FSA Data Center, at **StudentAid.gov/portfolio**. FY 2019 data are taken directly from the NSLDS database. Also, the FY 2018 data published in the *FY 2018 Annual Report*, taken directly from the NSLDS database, have been replaced with data subsequently published by the FSA Data Center.

Figure 19: Other Loan Portfolio
(Dollars in Millions)



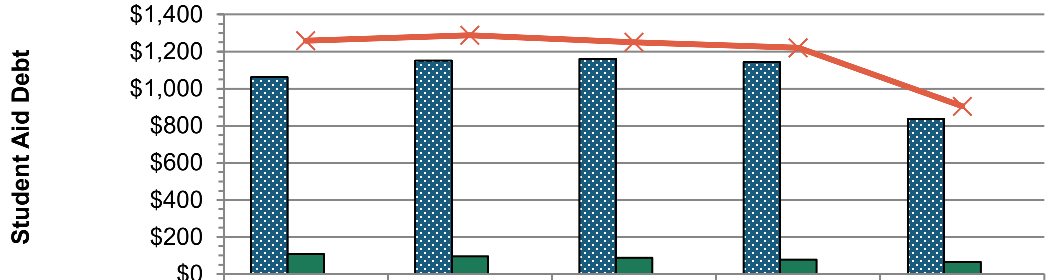
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
TEACH Grant Program	$584.1	$616.0	$669.9	$597.9	$496.0
Perkins Loan Program	$551.0	$607.1	$634.3	$692.2	$1,066.0
HEAL	$359.9	$394.6	$386.0	$412.9	$399.0
Total	$1,495.0	$1,617.7	$1,690.2	$1,703.0	$1,961.0

This segment, known as Other Credit Program Receivables, Net, increased by 31.2% during the past five years, but still accounted for only 0.23% of FSA’s total loan portfolio ($858.3 billion) as of September 30, 2022. Other Credit Program Receivables, net ended FY 2022 with a balance of $1.96 billion, a $258.0 million increase compared to the prior year-end.

Composition of FSA Liabilities. FSA’s liabilities represent probable and measurable future outflows of resources arising from past transactions or events. As of September 30, 2022, FSA had total liabilities of $950.1 billion as compared to $1.2 trillion on September 30, 2021, a decrease of $288.4 billion or 23.3% less than the September 30, 2021, total. This decrease in liabilities is comparable to the 21.5% decrease in FSA’s total assets.

Debt. FSA’s debt associated with loans is the primary component of its liabilities ($950.1 billion), accounting for 95.3% of the total. FSA’s debt balance of approximately $905.0 billion as of September 30, 2022, is 25.9% less than the prior-year amount. As shown in Figure 20, the Direct Loan Program was the principal debt component throughout the FY 2018–22 period and ended FY 2022 with a balance of nearly $837.4 billion, 26.7% less than the prior-year amount, representing 92.5% of total debt.

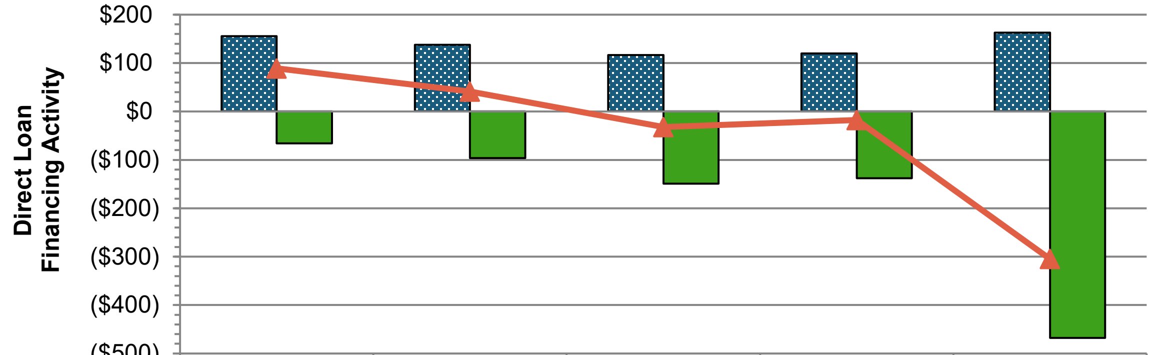
Figure 20: Comparison of Debt
(Dollars in Billions)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Direct Loan Program	$1,061.6	$1,150.6	$1,160.1	$1,142.2	$837.4
FFEL Program	$107.3	$94.7	$89.0	$78.2	$67.0
Other Programs (TEACH)	$0.6	$0.7	$0.7	$0.7	$0.6
Total Debt	$1,258.5	$1,287.5	$1,249.8	$1,221.1	$905.0

FSA borrows funds from Treasury to support the disbursement of new loans, and for the payment of credit program outlays and related costs. FSA then makes repayments after considering its cash position and liability for future cash outflows, as mandated by the *Federal Credit Reform Act of 1990* (*FCRA*). The net impact of these activities on the outstanding debt portfolio are illustrated for the Direct Loan and FFEL Programs in Figures 21 and 22 respectively.

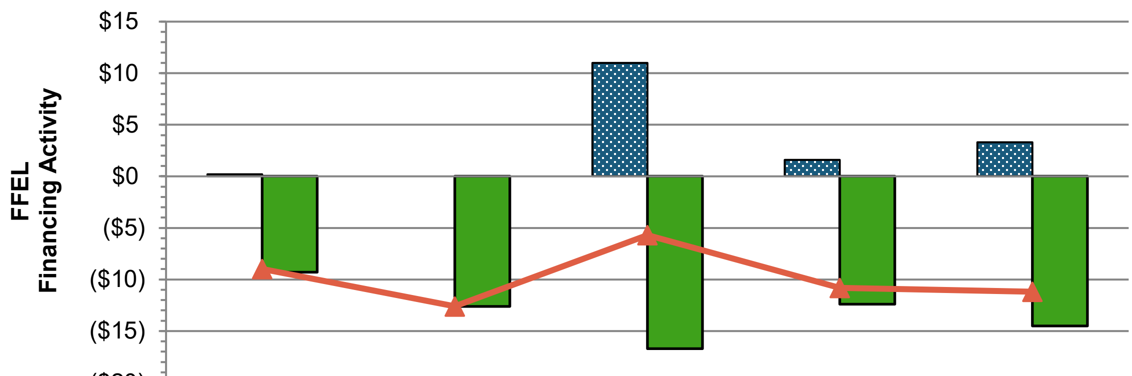
Figure 21: Direct Loan Program Net Financing Activity
(Dollars in Billions)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Borrowing	$155.3	$137.6	$116.9	$120.0	$162.8
Repayments	$(66.2)	$(96.1)	$(148.9)	$(137.9)	$(467.6)
Net Change	$89.1	$41.5	$(32.0)	$(17.9)	$(304.8)

Direct Loan net financing activity (Figure 21) also accounted for most of the overall increase in FSA’s outstanding debt level during the same five years. By comparison, in the absence of any borrowing for new loan disbursements (Figure 22), FFEL-related debt decreased consistently from FY 2018–22. These changes in net financing activity for Direct Loan and FFEL Programs reflect the impact of the *SAFRA Act* on disbursements, interest rate driven loan consolidations, and related changes in estimated subsidy costs.

Figure 22: FFEL Loan Program Net Financing Activity
(Dollars in Billions)

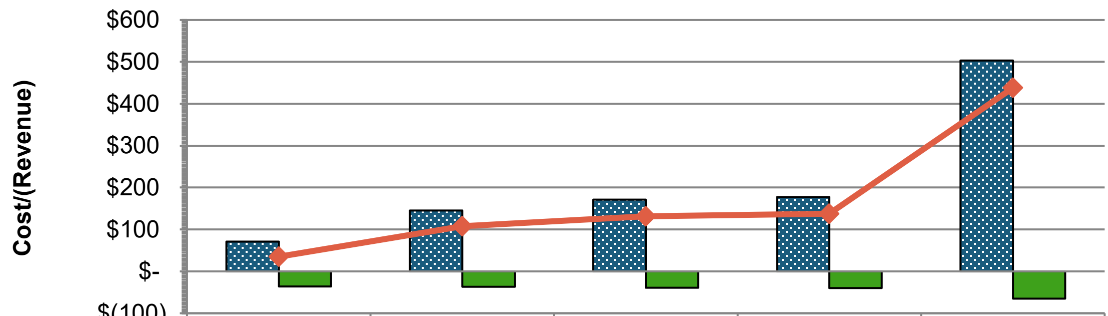


	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Borrowing	$0.2	$-	$11.0	$1.6	$3.3
Repayments	$(9.3)	$(12.6)	$(16.7)	$(12.4)	$(14.5)
Net Change	$(9.0)	$(12.6)	$(5.7)	$(10.8)	$(11.2)

Statement of Net Cost

The Statement of Net Cost is the federal financial statement that presents the net cost of operations for FSA programs. FSA's net cost is the gross cost incurred during its operations less any exchange (i.e., earned) revenues earned from its activities. Gross cost is composed of the cost of credit programs, grant programs, and operating costs. Exchange revenues are primarily interest earned on credit program loans.

Figure 23: Composition of Net Cost
(Dollars in Billions)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Gross Costs	$71.2	$144.9	$171.2	$177.4	$503.0
Earned Revenue	$(36.2)	$(36.8)	$(39.4)	$(39.7)	$(65.1)
Net Costs	$35.0	$108.1	$131.8	$137.7	$437.9

As shown in Figure 23, FSA's earned revenues (mainly interest and fee accruals net of subsidy amortization) increased from $36.2 billion in FY 2018 to $65.1 billion in FY 2022, an overall increase of 79.8% or about 20.0% annually on average. By comparison, FSA's gross costs fluctuated much more widely over the same period, from $71.2 billion in FY 2018 to $503.0 billion in FY 2022, mainly as the result of subsidy-related transactions. As a result, net costs fluctuated also, most notably increasing 1,151.1% from $35.0 billion reported in FY 2018 to $437.9 billion in FY 2022. FSA's FY 2022 total costs exceeded its earned revenues in both FY 2021 and FY 2022, but the margin was greater in FY 2022 by $300.2 billion, of which the Direct Loan program increase of $291.7 billion was increased by the $9.6 billion increase in FFEL net costs and the $1.0 billion decrease in Non-Credit Programs net costs.

For the Direct Loan Program, the $291.7 billion increase in net costs was primarily the result of an increase in gross costs ($314.9 billion). Similarly, the $9.6 billion increase in FFEL Program net costs was mostly the result of a $11.7 billion increase in gross costs.

Both the FFEL Program and Direct Loan Program are mandatory programs whose costs are largely driven by Federal borrowing costs, prevailing interest rates, in-school interest benefits for borrowers, the costs related to borrower defaults, and loan volume demand. The programs are funded by mandatory and indefinite budget authority and therefore do not receive annual appropriations. For more details regarding the inherent difficulty of estimating the impact of these complex factors, please refer to Note 5.

Statement of Changes in Net Position

The Statement of Changes in Net Position presents those amounts that caused the net position section of the Balance Sheet to change from the beginning to the end of the reporting period and is affected by changes in its two components, cumulative results of operations and unexpended appropriations.

FSA's net position as of September 30, 2022, was $27.7 billion, an increase of $20.1 billion compared to the previous September 30, 2021 net position. The difference reflects an increase in the cumulative results of operations by the amount of $19.2 billion, from $(28.7) billion in FY 2021 to $(9.5) billion in FY 2022, of which $12.1 billion of the increase was related to the Direct Loan Program and $7.1 billion was attributable to the FFEL Program. In addition, unexpended appropriations increased by $0.9 billion, of which $0.5 billion were attributable to the combined Perkins Loan and Grants Programs, with the $0.4 billion increase in Direct Loan Program unexpended appropriations accounting for most of the remaining difference.

Statement of Budgetary Resources

The Statement of Budgetary Resources compares the budgetary resources provided with the status or execution of those resources. It also details the composition of the resources and shows the amount of net outlays. Appropriations are available to cover the subsidy cost of each loan program and administrative expenses. Subsidy expense represents the difference between the net present value of expected future cash flows and the face value of each loan portfolio. Appropriation authority is available as needed on a permanent basis to finance costs resulting from loans guaranteed in the years before FY 1992. The Federal Pell Grant Program receives appropriations to cover actual grant disbursements.

This statement shows that as of September 30, 2022, FSA had $824.4 billion in combined total budgetary resources, of which $80.3 billion remained unobligated and unapportioned. This compared to $381.0 billion in budgetary resources twelve months earlier of which $39.8 billion were unobligated and unapportioned. Overall budgetary resources increased by $443.4 billion or 116.3%, primarily as the net result of increases in budgetary resources for the Direct Loan Program ($394.4 billion).

FSA's Net Outlays after Distributed Offsetting Receipts as of September 30, 2022, were $511.2 billion, an increase of $347.0 billion or 211.4% compared to the prior September 30, 2021 amount of $164.2 billion. The Direct Loan Program accounted for a $320.1 billion decrease, with a FFEL increase of $26.3 billion and a $0.6 billion increase attributable to the combined Perkins Loan and Grants Programs.

Limitations of Financial Statements

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Financial Management Highlights

Financial Impact of the Coronavirus Disease 2019

In response to the COVID-19 emergency, Congress enacted the *CARES Act* on March 27, 2020. As part of the *CARES Act*, FSA received $40.0 million to support efforts related to loan forbearance, default collection wage garnishment assistance for student loan borrowers, servicing system modifications, systems support of COVID-19 telework, and hiring of temporary employees. This funding expired on September 30, 2021. The Department was able to obligate most of the total funding that was provided with approximately $58,000 in an available balance that has expired.

The *Coronavirus Response and Relief Supplemental Appropriations Act, 2021*, which was part of the *Consolidated Appropriations Act, 2021*, was signed into law December 2020, and provided additional relief funding in the amount of $30.0 million. In FY 2022, FSA obligated $16.2 million. This funding expired on September 30, 2022. The Department was able to fully obligate the funding that was provided. The *American Rescue Plan Act of 2021*, which was signed into law in March 2021, provided $91.1 million in relief funding. During FY 2022, FSA obligated $44.5 million and carried over approximately a remaining $3.7 million of the appropriated funds into FY 2023.

The *CARES Act* provided emergency relief measures in the Direct Loan program that included suspending loan payments, halting collections on defaulted loans, and setting interest rates to 0% through December 31, 2020. In response, FSA stopped all federal wage garnishments and collection actions for borrowers with federally held loans in default. Emergency relief measures were repeatedly extended and expanded subsequent to the *CARES Act*. On August 24, 2022, the COVID-19 relief measures were extended until the Department is permitted to implement the debt relief program or the litigation is resolved. Payments will restart 60 days later. If the debt relief program has not been implemented and the litigation has not been resolved by June 30, 2023 – payments will resume 60 days after that. The Department will notify borrowers before payments restart.

Analysis of Systems, Controls, and Legal Compliance

FSA adheres to the Government Accountability Office (GAO) published guidance on internal control and recognizes that internal control is an integral part of managing an organization. Internal control includes the plans, methods, and procedures used to meet the organization's missions, goals, and objectives. In carrying out these components of internal control, FSA supports an environment for performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Internal control helps government program managers achieve desired results through effective stewardship of public resources.

Internal controls should provide reasonable assurance that the objectives of the agency are being achieved in the following categories:

- Effective and efficient operations
- Reliability of reporting for internal and external use
- Compliance with applicable laws and regulations[19]

FSA is responsible for establishing and maintaining effective internal control over reporting and financial management systems that meet the objectives of the *Federal Managers' Financial Integrity Act of 1982* and annually assessing the effectiveness and efficiency of its internal controls over operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (OMB Circular A-123). FSA continues to coordinate with the Department and internally to execute these requirements.

Information on the Department's assessment of internal control, inclusive of FSA, is available in the **Analysis of Systems, Controls and Legal Compliance** section of the Department's ***AFR***. This section also includes information regarding the Department's compliance with the *Debt Collection Improvement Act of 1996*, as amended by the *Digital Accountability and Transparency Act of 2014*.

In addition, FSA, working with the Department, conducted its current year assessment of the effectiveness of internal control in accordance with the requirements of OMB Circular A-123, Appendix A, *Management of Reporting and Data Integrity Risk* (OMB Circular A-123, Appendix A). OMB Circular A-123, Appendix A provides requirements to agencies for conducting management's assessment of internal control over reporting. The scope of FSA's assessment focuses on new processes and processes with high-risk profiles that are tested every year. Processes with lower-risk profiles are reviewed and tested on a 4-year cycle. In FY 2022, FSA continued to rely on audits of external service providers conducted by independent public accountants in accordance with Statement on Standards for Attestation Engagements Number 18, Reporting on Controls at a Service Organization.

[19] Government Accountability Office Standards for Internal Control in the Federal Government, GAO-14-704G, September 10, 2014, p.5.

FSA's participation in the Department's implementation of the requirements of OMB Circular A-123, including Appendix A, enables it to continue to build upon its internal control framework. This framework will be used in continuing efforts to monitor and improve internal control. Please refer to the **Analysis of Systems, Controls and Legal Compliance** section of the Department's ***AFR*** for additional information related to management's assurances and disclosures.

Please also refer to the **Analysis of Systems, Controls and Legal Compliance** section of the Department's ***AFR*** for information related to the Department's compliance with the *Federal Financial Management Improvement Act of 1996*.

FSA's financial management systems strategy is formulated and managed as part of the Department's strategy. For details on FSA's financial management systems strategy, please refer to the Financial Management Systems Strategy narrative found in the **Management's Discussion and Analysis** section of the Department's ***AFR***.

Annual Performance Report (Unaudited)

Overview of the Annual Performance Report

The **Annual Performance Report** section of the *FY 2022 Annual Report* provides detailed performance information on FSA's progress in achieving the goals and objectives described in the *FY 2020–24 Strategic Plan*. The subsections of the **Annual Performance Report** are listed and briefly discussed below:

- **Introduction to the Annual Performance Report:** The Introduction to the Annual Performance Report provides an overview of the Annual Performance Report and includes a high-level summary of the *FY 2020–24 Strategic Plan*.

- **Performance Results by Strategic Goal:** This subsection details the results of each overall strategic goal by strategic objective and performance metric. Each strategic objective provides an overview and a performance summary and analysis, including noteworthy progress and focused improvement. Each performance metric includes a table that presents five years of data results, where available, as well as its current target and results. The performance metric section also includes a discussion of the metric definition, data source, and performance period.

- **Fiscal Year 2022 Accomplishments of Federal Student Aid:** This subsection describes additional accomplishments that were not measured by the performance metrics included in the strategic plan but were the result of initiatives that FSA undertook to support the implementation of the strategic plan or legislative changes.

Introduction to the Annual Performance Report

The FSA strategic plan guides FSA toward achieving its vision "To be the most trusted and reliable source of student financial aid, information, and services in the nation." Through the strategic plan, FSA documents the strategic goals, objectives, and performance metrics of the organization. During FY 2022, FSA developed the new *FY 2023–27 Strategic Plan* to align and support the Department's overall strategic goals and objectives, as defined in the Department's *FY 2022–26 Strategic Plan*.

The FSA FY 2022 *Annual Report* provides a detailed view of the past year's goals, challenges, and accomplishments and serves as a close out of FSA's *FY 2020–24 Strategic Plan*.

The FY 2020-24 strategic goals are:

- **Strategic Goal 1:** Empower a High-Performing Organization
- **Strategic Goal 2:** Provide World-Class Customer Experience to the Students, Parents, and Borrowers We Serve
- **Strategic Goal 3:** Increase Partner Engagement and Oversight Effectiveness
- **Strategic Goal 4:** Strengthen Data Protection and Cybersecurity Safeguards
- **Strategic Goal 5:** Enhance the Management and Transparency of the Portfolio

FSA is required, by the PBO-enabling legislation, to report annually its level of performance and the associated results. This section, the *Annual Performance Report*, satisfies this annual reporting requirement. For additional performance-related information—including a more complete discussion of FSA's mission, organization, and performance management—refer to the **Management's Discussion and Analysis** section. To read more about FSA's strategic plans refer to **StudentAid.gov/strategic-planning-and-reporting**.

Performance Results by Strategic Goals, Objectives, and Metrics

In FY 2022, FSA had 38 performance metrics. Of these, 21 metrics were met or exceeded, 9 metrics performed below the target and 1 metric was baselined or did not have an established target. Additionally, 7 metrics were not able to establish a target due to the COVID-19 administrative forbearance period.

The following tables present the performance metric results under the applicable *FY 2020–24 Strategic Objective*. To read more about performance measurement and metric target changes in FY 2022, refer to the **Appendices** section.

Table 11: Strategic Goal 1: Empower a High-Performing Organization

Strategic Objective 1.1:	**Improve employee engagement and workplace inclusion to develop and retain talent, improve employee satisfaction, and engage in effective succession planning.**		
Performance Metrics	**FY 2022 Target**	**FY 2022 Actual**	**Result**
1.1 Improve Federal Employee Viewpoint Survey score: Employee Engagement Index. FSA's scores will improve the first year and continue to increase 1–2% annually.	75%-76%	73.0%	**Not met**
Strategic Objective 1.2	**Expand employee skills and capabilities to support Next Gen FSA.**		
Performance Metrics	**FY 2022 Target**	**FY 2022 Actual**	**Result**
1.2.A Identification, validation, assessment, and prioritization of skill competencies, required grades, and strategic alignment in accordance with the workforce requirements study results.	Update and maintain	Maintained	**Met**
1.2.B Conduct targeted multi-year training based on identified workforce needs.	5% increase over baseline in target training	82.0%	**Met**
1.2.C Perform a training analysis at each performance review period within the fiscal period.	85.0% average course satisfaction assessment rating (SAR) per year	97.0% average course satisfaction assessment rating (SAR) per year	**Met**

Table 12: Strategic Goal 2: Provide a World-Class Customer Experience to the Students, Parents, and Borrowers We Serve

Strategic Objective 2.1:	Ensure that all students can easily access information on federal student aid, apply for federal student aid, and have information on repayment options.		
Performance Metrics	**FY 2022 Target**	**FY 2022 Actual**	**Result**
2.1.A Number of visits (sessions) demonstrating adoption of the updated StudentAid.gov site.	220.0 million	304.8 million	**Met**
2.1.B Percentage of high school seniors submitting the FAFSA.	60.9%	63.0%	**Met**
2.1.C Number of customers submitting the FAFSA via a mobile platform—the myStudentAid mobile app or fafsa.gov.	3.0 million submissions	2.5 million submissions	**Not met**
2.1.D Persistence among first-time filing aid recipients.	81.1%	80.0%	**Not met**
Strategic Objective 2.2:	**Provide seamless, easy, personalized digital interactions equal with top financial institutions in the delivery of financial aid products and services.**		
Performance Metrics	**FY 2022 Target**	**FY 2022 Actual**	**Result**
2.2.A Number of customers checking loan balances via the myStudentAid mobile app.	2.0 million	2.1 million	**Met**
2.2.B Number of borrowers who view their aid summary information on StudentAid.gov.	9.2 million	22.6 million	**Met**
2.2.C Number of users of “Aidan”, the StudentAid.gov virtual assistant.	1,000,000	1,623,550	**Met**
2.2.D Transactional email volume for outreach and communications to customers.	101.6 million	181.1 million	**Met**
2.2.E Recurring campaign email delivery volume for outreach and communications to customers.	35.4 million	49.8 million	**Met**
2.2.F American Customer Satisfaction Index (ACSI) Aid Lifecycle Survey score.	72–74	67.8	**Not met**
2.2.G Customer Satisfaction Survey(s) for StudentAid.gov site and associated tools.	Baseline	3.6	**Baseline**

Strategic Objective 2.3:	Streamline contact center and back-office operations to improve our customers’ integrated experience.		
Performance Metrics	**FY 2022 Target**	**FY 2022 Actual**	**Result**
2.3.A Quality Standard for Average Speed to Answer (ASA) at all Call Centers.	Equal to or less than 60 seconds	334.0 seconds	**Not met**
2.3.B Quality Standard for Abandon Rate (AR) for Incoming Calls at all Call Centers.	Equal to or less than 2%	10.4%	**Not met**
Strategic Objective 2.4:	**Simplify the communication and processes associated with borrower repayment plans.**		
Performance Metrics	**FY 2022 Target**	**FY 2022 Actual**	**Result**
2.4.A Number of borrowers using Make a Payment feature to pay student loans.	N/A	16,782 payments	**N/A**
2.4.B Percentage of borrowers using auto-debit.	N/A	N/A	**N/A**
2.4.C Percentage of users who start and complete the Public Service Loan Forgiveness (PSLF) Help Tool by generating a PSLF form.	34.5%	56.7%	**Met**

Table 13: Strategic Goal 3: Increase Partner Engagement and Oversight Effectiveness

Strategic Objective 3.1:	Provide effective oversight of FSA’s partners utilizing a comprehensive suite of monitoring tools.		
Performance Metrics	**FY 2022 Target**	**FY 2022 Actual**	**Result**
3.1.A FSA will annually conduct an Institutional Review for its participating partners including schools, third-party servicers, and financial institutions.	80.0%	80.0%	**Met**
3.1.B Number of Borrower Defense (BD) applications adjudicated (subject to existing BD regulations).	65,000	86,000	**Met**
Strategic Objective 3.2:	**Strengthen partner engagement and provide effective outreach and assistance.**		
Performance Metrics	**FY 2022 Target**	**FY 2022 Actual**	**Result**
3.2.A FSA will measure institutional participation rates in *Title IV* training and specialized technical assistance programs.	88.0%	94.0%	**Met**
3.2.B FSA will enhance the self-service training resource and informational platform to improve communication with participating partners, including schools, third-party servicers, and financial institutions.	10.0%	29.0%	**Met**
3.2.C Ease of doing business with FSA.	75–77%	76.0%	**Met**

Table 14: Strategic Goal 4: Strengthen Data Protection and Cybersecurity Safeguards

Performance Metrics		FY 2022 Target	FY 2022 Actual	Result
Strategic Objective 4.1:	**Implement business partner and vendor systems that house, manage, and provide systems supporting FSA business processes, outreach and awareness focused on oversight, enforcement, infrastructure, systems, and data.**			
4.1	Increase partner/vendor cybersecurity effectiveness by reducing the total number of FSA system assessment findings by 20% per year.	2,240	19,252	**Not met**
Strategic Objective 4.2:	**Improve student privacy data and cybersecurity controls of Institutions of Higher Education (IHEs) through outreach and communication, to mitigate future cyber-incidents and breaches.**			
Performance Metrics		**FY 2022 Target**	**FY 2022 Actual**	**Result**
4.2.A	Increase Institutions of Higher Education cybersecurity effectiveness by reducing GLBA cybersecurity non-compliance by 20% per year.	126	94	**Met**
4.2.B	Reduce incident reporting time at Institutions of Higher Education.	32.7 days	25.3 days	**Met**
Strategic Objective 4.3:	**Build an effective cybersecurity culture through employee awareness, training and accountability focused on protecting systems and data.**			
Performance Metrics		**FY 2022 Target**	**FY 2022 Actual**	**Result**
4.3	Decrease the number of employee-related cybersecurity events associated with inappropriate use, distribution, or storage of Personally Identifiable Information (PII) and financial information by 20% a year.	1,152	1,738	**Not met**

Table 15: Strategic Goal 5: Enhance the Management and Transparency of the Portfolio

Performance Metrics		FY 2022 Target	FY 2022 Actual	Result
Strategic Objective 5.1:	**Improve the management and transparency of FSA's student loan portfolio performance.**			
5.1.A	Initiate monthly reporting to the public through the FSA data center.	Implement self-service module for reports	Target Not met	**Not met**
5.1.B	Outstanding Direct Loan Portfolio in Current Repayment Status.	N/A	N/A	**N/A**

Strategic Objective 5.2: Provide analytics and operational support for a customer-centric, data-driven, performance-based organization.			
Performance Metrics	**FY 2022 Target**	**FY 2022 Actual**	**Result**
5.2.A Using the Enterprise Risk Management (ERM) Maturity Model, move the organization towards a "Risk Intelligent" position. The model defines organizational progress in the following way: • 1 = Initial; • 2 = Fragmented; • 3 = Integrated; • 4 = Risk Intelligent.	3.0	3.0	**Met**
5.2.B Implementation timeline for FUTURE Act.	Implementation of interface between IRS and FSA, including testing and performance standards	Implemented interface between IRS and FSA; development ongoing with building 5 new FSA systems that will receive, store, and manage FTI	**Met**

Strategic Objective 5.3: Leverage portfolio analytics to drive improved outcomes for customers and taxpayers.			
Performance Metrics	**FY 2022 Target**	**FY 2022 Actual**	**Result**
5.3.A Identify and provide intervention actions for customers at risk of default.	Execute default prevention program—50% customer engagement	Executed default prevention program at full scale	**Met**
5.3.B Default rate by borrower count.	N/A	N/A	**N/A**
5.3.C Percent of borrowers > 90 days delinquent.	N/A	N/A	**N/A**
5.3.D Percentage of borrowers who did not make the first three payments.	N/A	N/A	**N/A**

Strategic Objective 5.4: Increase vendor performance through quality management activities centered on customer service and product delivery.			
Performance Metrics	**FY 2022 Target**	**FY 2022 Actual**	**Result**
5.4 Conduct three vendor examinations annually.	3	3	**Met**

Understanding the Performance Section

This section presents detailed performance results, which include a thorough discussion of progress made to date in achieving the strategic goal and the data used to assess performance.

How to read the performance data included in this section. This section is organized by the five strategic goals. For each strategic goal, this section provides an overview of the goal, lists the associated objectives that support the strategic goal, and details the metrics used to measure performance.

- **Table**: Identifies the performance metric associated with the strategic goal and provides the historical actual results for the four previous fiscal years (if available); the target and actual result for the current fiscal year; and an indicator as to whether FSA met the performance metric for each fiscal year reported. The following is the legend for the performance result indicator included in the table.

Table 16: Performance Result Indicator Legend

Performance Result	Indicator
Performance result met or exceeded the target.	**Met**
Performance result did not meet the target.	**Not met**
Performance result is baselined. Baseline data will provide a historical point of reference to inform program planning such as target setting.	**Baseline**
Performance metric is a new or revised metric and prior year results are not available.	**–**
Performance result is not applicable.	**N/A**

The performance metric results reported are as of fiscal year-end, September 30, 2022, unless otherwise noted. If the required data as of fiscal year-end are not available in time for inclusion in this report, data as of the most recent period available are used. Data as of fiscal year-end may not be available in some instances, where the required data are obtained from external sources including state and private nonprofit GAs, lenders and loan servicers, and grant and loan recipients.

- **Notes:** Identifies trends and data availability.
- **Metric Definition:** Provides a brief explanation of the metric.
- **Data Source:** Provides the source of data required to calculate the actual result for the performance metric and any calculation required to determine the actual result.
- **Period of Performance:** Indicates the time period of the data reference.

Strategic Goal 1: Empower a High-Performing Organization

Goal Leader: Director, Executive Services

Table 17: Goal Objectives

Strategic Goal 1: Empower a High-Performing Organization.	
Strategic Objective No.	**Strategic Objective**
Strategic Objective 1.1	Improve employee engagement and workplace inclusion to develop and retain talent, improve employee satisfaction, and engage in effective succession planning.
Strategic Objective 1.2	Expand employee skills and capabilities to support Next Gen FSA.

Goal Spotlight

For FSA to continue to excel as a high-performing organization and meet the challenges of the current environment, it must invest in the knowledge, skills, and abilities of its employees. To meet the expectations outlined in the *FY 2020–24 Strategic Plan*, it is essential that staff are trained, aligned, and equipped to provide best-in-class customer service while fulfilling the fiduciary responsibilities of the organization.

FSA has assessed its progress in preparing its workforce using four related metrics under Strategic Goal 1. The first metric is derived from the Office of Personnel Management (OPM) Federal Employee Viewpoint Survey (FEVS). The FEVS contains questions designed to measure employees' feelings and attitudes in topic areas such as talent development, leadership, management/supervision, knowledge management, performance culture, employee engagement, and other areas important to creating an effective work environment. FSA focuses on key questions centered on employees' intrinsic work experience, and their relationship with supervisors and organizational leaders. These questions are specifically in the Employee Engagement Index (EEI) within the FEVS.

At the onset of the *FY 2020-24 Strategic Plan* implementation, FSA launched an organizational workforce requirements study to provide FSA with the ability to better forecast human capital needs and inform planning for staff training, transfers, promotions, and talent acquisition. The study, completed in FY 2021, illustrated the connectivity between the competencies for specific positions throughout FSA, and the competencies that are available with the individuals in each job. By working to close the competency gaps both identified in the study, and through other internal observations, FSA has targeted ways to expand organizational skills and capabilities in each business area during FY 2021 and beyond. FSA has been successful in supporting employee growth through a diverse range of development initiatives and training opportunities. In this way, FSA has committed to increase employee performance, engagement, and retention using various learning modalities.

To ensure that the commitment to training and development has been beneficial to both the organization and the employees throughout FY 2022, FSA measured the effectiveness of this work through detailed analysis and evaluation of participants. This analysis has begun to assist

FSA in measuring organizational capability and performance potential. In addition, the relevant existing data has supported internal requests for developmental resources and has allowed leadership to evaluate the return on investment these training initiatives have had on the organization.

Strategic Objective 1.1

Improve employee engagement and workplace inclusion to develop and retain talent, improve employee satisfaction, and engage in effective succession planning.

Overview

FSA remains committed to enabling its organizational success by working towards improvements in the provision of resources, staffing, training, and employee work-life balance. In conjunction with creating an environment with the appropriate tools and programs for staff, FSA is also striving to foster and support a diverse workforce where all employees feel included, connected, and engaged in its mission. In FY 2022, FSA completed the FY 2022 Employee Engagement Action Plan which focused on improving communications throughout the organization, recognizing employee accomplishments, and benchmarking employee engagement to promote a workplace conducive to equity, productivity, and inclusion based on the FY 2021 FEVS results.

The FEVS is a key tool for measuring employee engagement throughout the federal government and within FSA. The FY 2021 FEVS results were made available in March 2022 and FSA Directorates used the data to develop and execute FY 2022 FEVS Employee Engagement action plans to engage employees.

FSA employees have utilized enhanced telework, since March 2020, due to the COVID-19 national emergency. In this remote work setting, FSA has focused on strengthening employee communication channels that provide information and promoting connections with colleagues and leadership. Communication channels provide information and feedback (e.g., The Source Employee Newsletter, which includes a new, regional feature, FSA First Class, Management Services Regional Liaison Newsletter, FSA Communications emails). FSA's quarterly recognition awards, Public Service Recognition Day, FSA Day, and observances such as Constitution Day provided opportunities for employees across the nation to be recognized and connected. Additionally, listening sessions provided situational opportunities for employees to share concerns, views, and suggestions on time sensitive topics that impact wellness such as clarity around telework policy, and civil/racial unrest.

As stated, the leadership within FSA believes that workplace diversity, inclusion, and accessibility are necessary for any organization to reach its full potential. FSA has implemented programming that is aligned with the President's Executive Order 13985 *on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*, by hosting cultural and diversity observances (e.g., Asian Pacific Islander, Pride Month, COO's Fitness Challenge, Wellness events, etc.) and discussing diversity, inclusion, and accessibility strategies in *The Source* employee newsletter. FSA also again actively participated in the ED In Action Annual Summit, sponsored by the ED Diversity and Inclusion Council.

FY 2022 Performance Summary and Analysis

There is one performance metric for this strategic objective. The FY 2022 FEVS survey score data, received in December 2022, will be used towards the FY 2023 FEVS Employee Engagement Action Plan due to the Department at the end of January 2023. The overall

FY 2022 FSA Employee Engagement Index was 73% which is 1% below the FY 2021 FEVS, which was received in the second quarter of FY 2022. The goal for Strategic Objective 1.1 is an increase in the employee engagement score by 1–2% from the previous FEVS EEI.

Key Successes and Opportunities

To achieve this objective, FSA first implemented an enhanced communication campaign to increase employee participation in the FEVS survey. While the participation rate for the FY 2021 FEVS survey declined 17 percentage points, from 72% to 55%, versus the FY 2020 FEVS survey, the EEI strengthened. The COVID-related delay of FY 2021 FEVS (November/December, during FSA's conference and annual holiday season) likely impacted participation, as many employees were busy with the FSA Conference and/or took leave during the first quarter. The FY 2022 FEVS employee participation rate increased from 55% to 67.9%.

Based on data collected from previous years' FEVS surveys, focus groups held July through October, and current year employee engagement action plans, led to notable solutions to employee engagement challenges. This data led to the creation of the Leadership Conversation series, a redesign of the new employee Onboarding program, monthly employee communication with *The Source* newsletter, and weekly communication with the "In Case You Missed It" email campaign. Building on these successful outcomes, and FEVS 2021 data, FSA enhanced its employee engagement and communication strategy, adding informal conversational opportunities such as fireside chats, virtual team hours, team chats, office hours, and Connections Matter.

Succession Planning

FSA launched its first risk-based succession management pilot. FSA, as an organization has an over 30% retirement eligibility rate, and this effort was undertaken to set the stage for full integration of succession management across FSA in FY 2023. Key objectives of the pilot were to:

- Understand the evolving internal and external factors that are driving the rapid change in the work environment.
- Help leadership understand the data analytics associated with workforce competency gaps, diversity & inclusion data profile, succession planning, and their impact on overall performance.
- Develop action learning plans that address identified skill and competency gaps.
- Create a repeatable process that supervisors and managers can use to evaluate talent and enable the development of appropriate contingency, transitional, and succession planning strategies.
- Automate initiative processes and develop a web-based platform that allows user interface and knowledge management capabilities.

As this was a baseline year for the pilot launch, no data was available, but FSA can report success in the following areas:

- Successfully educated across the pilot groups management level on what, how, and impact of proper succession management,
- Received complete buy-in from the pilot group's leadership and management, and
- Successfully integrated human capital data in the pilot group's decision making aiding the business unit in how it views, understands, and makes human capital decisions.

Performance Metric

Performance Metric 1.1. Improve Federal Employee Viewpoint Survey score: Employee Engagement Index. FSA's scores will improve the first year and continue to increase 1–2% annually.

Table 18: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	62.0%	61.0%	70.0%	74.0%	75%–76%	73.0%
Performance Result	**Not met**	**Met**	**Met**	**Met**	**Not met**	

Metric Definition: OPM FEVS measures employees' perceptions of whether, and to what extent, conditions and characteristics of successful organizations are present in their agencies. The Engagement Index assesses the critical conditions conducive for employee engagement (e.g., effective leadership, work which provides meaning to employees, etc.). It is made up of three subfactors: Leaders Lead, Supervisors, and Intrinsic Work Experience.

Data Source: FY 2022 FEVS survey.

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Objective 1.2

Expand employee skills and capabilities to support Next Gen FSA.

Overview

FY 2021 set the baseline for Strategic Objective 1.2. As a result, FY 2022 was the true litmus test for the targets set for various strategic objectives.

For FY 2022, FSA exceeded the 5% increase target set for the fiscal year by training 82% of the workforce through internal and external virtual instructor-led, online self-paced, and hybrid learning and development initiatives and trainings. Through continued collaborative efforts with internal FSA and Department stakeholders and external vendors through learning subscriptions and contractual resources, FSA was able to develop the workforce and exceed the FY 2022 Strategic Objective 1.2 B target by approximately 22% over the outlined target of 67%. In addition, out of the 82% of the workforce trained, 22% of those trained were managers. FSA also had an average 96% completion rate for Department required trainings for FY 2022 (ED Internal Controls, Information Management Requirements, and Cybersecurity and Privacy Awareness Training Courses 1-3). Finally, FSA continued to refine its strategic evaluation program to analyze the quality and benefits of the developmental opportunities. FSA's overall Satisfaction Assessment Rating (SAR) exceeded the baseline target of 85% for the second year in a row by approximately 12% (97.0%).

FY 2022 Performance Summary and Analysis

There are three performance metrics for this strategic objective. All performance metric targets were met.

Key Successes and Opportunities

FSA once again capitalized on the virtual instructor-led, online self-paced, and hybrid learning formats and delivery methods. According to the data, virtual instructor-led (52%) and online self-paced training (42%) remained the predominate modalities in which the workforce engaged for their learning. For online learning, the workforce engaged in self-paced courses offered in FedTalent, the Department's learning management system (LMS) and online learning subscriptions. The courses accessed in FedTalent ranged from FSA recorded or developed training to pre-loaded Skillsoft courses offered through the LMS. Regarding virtual instructor-led learning, FSA was able to deliver reoccurring and new course offerings. A few new course offerings to note are business writing which received funding in FY 2022 after last being offered in FY 2018, the A Day in the Life of the Supervisor course which was one of the last classroom-based courses to be adapted for the virtual environment, FSA Leadership Institute's new Innovative Leadership course, and the mandatory FSA Merit Systems Principles and Prohibited Personnel Practices Training for managers (virtual instructor-led and online self-paced).

To better understand FSA's learning and development needs and provide a more efficient and seamless mechanism to gather and analysis data, FSA developed the FSA Training Database. Through this vehicle, FSA is now able to further dissect its training data and identify trends to inform and drive discussions around learning opportunities, including resources, for future fiscal years. It also provides a platform to help enhance FSA's training evaluation program to continue to understand how learning is being assessed and its impact on employee performance.

FSA continued to train its managers and exceeded the number of managers trained by 22% over the FY 2021's percentage. Managers took advantage of both the virtual instructor-led and self-paced online trainings. Some of the competency areas that managers focused on in FY 2022 were around retirement, financial management, acquisition type topics, professional development, compliance, and supervisory courses. Many of the courses or programs delivered provided supervisory training credit to assist FSA managers in meeting the Department's New and Experienced Supervisory Requirement Training as per the Department's Human Capital Policy 412-1.

FSA held its third annual Employee Learning Week May 16-20, 2022. The theme for this year's initiative was *"The Many Facets of Diversity, Equity, Inclusion and Accessibility"* in support of the Department's and FSA's strategic plan aligned to the President's Executive Order 14035. To deliver this major undertaking, FSA collaborated with a wide range of Department and FSA stakeholders to educate the workforce on Executive Order 14035 and specific DEIA topics and opportunities to improve awareness and workforce performance. The initiative was tremendous success, with more than 88 FSA employees participating and 56% being FSA managers. The Employee Learning Week also contributed to 18% of FSA's second quarter training total.

FSA also delivered two non-supervisory leadership development programs in Quarter 2 and Quarter 3. In February 2022, FSA graduated 14 participants from the Foundations of Leadership Program. This intensive competency-based development program provides high-performing GS 11-13 or equivalent non-supervisory employees with an opportunity to build self-awareness, increase knowledge of FSA programs, engage in problem solving projects and activities, and improve competencies necessary for employees to be successful in leadership roles. The overall program satisfaction rating was 97%. In April/May 2022, Workforce Development Division relaunched the A Day in the Life of a Supervisor course in virtual instructor-led format. This highly experiential non-supervisory employee course was one of the last classroom-based courses adapted over into the virtual format. A total of 11 employees completed the course and the overall course satisfaction rating was 96%.

The Human Capital Group strategized the implementation of strategic workforce planning and management as a practice in FSA to allow and ensure that organization has the right people, with the right skills, in the right place, and at the right time. The goal of this plan was to

- Increase of Workforce Planning Maturity for FSA to address short and long-term staffing needs, be able to identify and quickly place talent in critical mission areas, and to expand staff skills to ensure they can support FSA mission requirements.

The Human Capital Group has used this time to develop a baseline that would allow FSA in FY 2023 to have a greater use case for increased workforce planning and management maturity. This will include:

- Two-to-three-year workforce plan based on organization's strategic vision and business needs

- Staffing plan aligned to business strategy and performance goals including forecasting needs and active involvement in recruitment
- Identified and developed talent pool for key positions/roles
- Competency-based training and development plan that support mission objectives, working with the Workforce Development Division to accomplish
- Continued proactive use of workforce analytics to identify business problems and develop mitigation strategies.

Performance Metrics

Performance Metric 1.2.A. Identification, validation, assessment, and prioritization of skill competencies, required grades, and strategic alignment in accordance with the workforce requirements study results.

Table 19: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	58.2%	100.0%	Update and maintain	Maintained
Performance Result	–	–	Met	Met	Met	

Note: Data not available prior to FY 2020.

Metric Definition: FSA worked with a consultant to conduct a workforce requirements study of the process and drivers (input and output measures) that influence organizational staffing needs. Data was collected through questionnaires and follow-up interviews with managers and subject matter experts of various FSA processes. The study was completed in FY 2021 and illustrated the connectivity between the competencies needed for specific positions throughout FSA, and the competencies that are available with the individuals in each job. By working to close the competency gaps both identified in the study, and through other internal observations, FSA has targeted ways to expand organizational skills and capabilities in each business area during FY 2021 and beyond

Data Source: U.S. Department of Interior Business Center Payroll/Personnel Data, qualitative interview, and resource information from internal FSA sources.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 1.2.B. Conduct targeted multi-year training based on identified workforce needs.

Table 20: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	–	62.0%	5% increase over baseline in target training	82.0%
Performance Result	–	–	–	Baseline	Met	

Note: Data not available prior to FY 2021. This performance metric was revised in FY 2021.

Metric Definition: The metric measures the outcome of the targeted training initiatives launched in FY 2021.

Data Source: FedTalent system, FSA staffing reports, training data reports, participant feedback, course attendance and FSA Training Database.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 1.2.C. Perform a training analysis at each performance review period within the fiscal period.

Table 21: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	–	96.0% average course satisfaction assessment rating (SAR) per year	85.0% average course satisfaction assessment rating (SAR) per year	97.0% average course satisfaction assessment rating (SAR) per year
Performance Result	–	–	–	**Met**	**Met**	

Note: Data not available prior to FY 2021.

Metric Definition: This metric measures average course SAR of attended trainings, to analyze the effectiveness of the training or developmental program conducted.

Data Source: Course evaluations, facilitator observations, FSA's Training Database, and Momentive (formerly called SurveyMonkey).

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Goal 2: Provide World-Class Customer Experience to the Students, Parents, and Borrowers We Serve

Goal Leader: Deputy Chief Operating Officer, Office of Student Experience and Aid Delivery

Table 22: Goal Objectives

Strategic Goal 2: Provide World-Class Customer Experience to the Students, Parents, and Borrowers We Serve.	
Strategic Objective No.	**Strategic Objective**
Strategic Objective 2.1	Ensure that all students can easily access information on federal student aid, apply for federal student aid, and have information on repayment options.
Strategic Objective 2.2	Provide seamless, easy, personalized digital interactions equal with top financial institutions in the delivery of financial aid products and services.
Strategic Objective 2.3	Streamline contact center and back-office operations to improve our customers' integrated experience.
Strategic Objective 2.4	Simplify the communication and processes associated with borrower repayment plans.

Goal Spotlight

Digital and Customer Care (DCC) is a key initiative to drive performance towards achieving the strategic goal. Seven significant releases in FY 2022 expanded and improved the features and capabilities of **StudentAid.gov**. In addition to these planned releases, **StudentAid.gov** is often asked to respond quickly to changing or new priorities. FSA used a highly integrated, collaborative approach to lead and manage changes and new priorities with the vision of meeting customer and business needs. These efforts have led to a better user experience, continued strong American Customer Satisfaction Index (ACSI) scores, growth/increase in customer use of **StudentAid.gov** features (tools, forms/applications, content) and advancement of a single, digital "door" for customer engagement with FSA. Significant improvements to the Digital Platform included:

- Redesigned loan entrance and exit counseling,
- Expanded the Aidan virtual assistant's availability to the newly integrated FAFSA form, enabling users on the FAFSA form to ask Aidan questions,
- Updated TEACH products and release of new TEACH Grant Conversion Counseling based on new regulations,
- Integrated the 2021–22 FAFSA form into **StudentAid.gov**, and
- Released the 2022–23 FAFSA form.

FSA implemented several key communications within the Marketing Communications Platform (MCP). These communications enabled the organization to provide important information to its customers, such as filling out their FAFSA forms and identifying resources within **StudentAid.gov**.

Strategic Objective 2.1

Ensure that all students can easily access information on federal student aid, apply for federal student aid, and have information on repayment options.

Overview

Prior to the DCC and Digital Platform efforts, customers had to navigate numerous FSA websites resulting in a disjointed and siloed experience. Leveraging a collaborative approach with a focus on human-centered design, the Digital Platform launched an integrated and improved **StudentAid.gov** website in December 2019. **StudentAid.gov** is FSA's primary customer-facing digital front door for students, parents, and borrowers who need be informed about, apply for, and manage their federal student aid. For this reason, **StudentAid.gov** plays a critical role in supporting the Department's and FSA's strategic goals and priorities. There were multiple technology releases in FY 2022 that expanded and improved the features and capabilities of **StudentAid.gov**. While delivering on planned releases and maintaining overall site operations, FSA also managed evolving administrative priorities which impacted information to be provided to customers while delivering on planned releases and maintaining overall site operations.

Getting students, parents, and counselors around the country focused on increasing completions of the FAFSA form for the 2022–23 academic year remains a top priority. Whether a student is attending a traditional four-year college or university, enrolling in a community college, or opting for a trade or vocational certification, the FAFSA form should be the first step forward for every high school senior in America. FSA encouraged high-school seniors and their families to complete the 2022–23 FAFSA form. FSA worked with individual states, counselors, mentors, and college access professionals on initiatives to improve FAFSA completion rates. The organization posted social media posts related to the FAFSA form and published other digital content including helpful articles on **StudentAid.gov**. FSA engaged local media outlets to raise awareness about the importance of completing the FAFSA form. It is probable that the outreach efforts made by FSA and by colleges and universities to students in their freshman year were more successful due to COVID-19, as students were more of a captive audience than in previous years.

FY 2022 Performance Summary and Analysis

There are four performance metrics for this strategic objective. Two metrics met the annual target, while two metrics did not meet their targets in FY 2022. The 2.1.C metric target was not met. Failure to meet this metric target may be attributed, in part, to the retirement of the myStudentAid mobile app on June 30, 2022. After June 30, 2022, customers could only complete their FAFSA forms via the web, which may have contributed to fewer forms being submitted via a mobile platform.

The 2.1.D metric target was not met. COVID-19 pandemic effects, a tight labor market, rising wages, and continued concern over the cost of college and student loan debt are all outweighing efforts by FSA, the Department, and outside organizations to promote persistence. These issues, among others, negatively impacted our ability to meet this metric. This past year, FSA conducted additional email outreach to first-time FAFSA filers who had not returned to file a FAFSA form for the fall of 2022. This outreach was effective and resulted in an increase in returning student FAFSA filing. However, the increase was not enough to allow FSA to reach its goal, likely due to the impact of the external factors listed above.

Key Successes and Opportunities

Prior to the DCC and Digital Platform, FSA customers had to visit multiple, disconnected websites requiring multiple logins to get the information they needed. Inconsistent branding, a disjointed user experience, and information siloes made it difficult and confusing for customers to find what they were looking for and to take action. To improve customer experience, FSA initiated a human-centered focus to understand customer needs through field research, co-creation, and usability testing to inform its Digital Platform launch and continuous improvement. This initiative achieved the goal of one holistic DCC Design System with shared components to create a consistent user experience across web applications.

StudentAid.gov supports customers and lets them act throughout the student aid lifecycle. Because **StudentAid.gov** is FSA's primary customer website, it must frequently be adapted to meet changing or new priorities. FSA successfully managed these changes and delivered on overall site improvements. The releases in FY 2022 have expanded specific capabilities of the website. The following are several highlights offered to assist borrowers:

- Integration of the FAFSA form
- Implementation of the Income-driven Repayment Self Certification flow

To engage with FAFSA filers effectively, FSA sends out emails each year to FAFSA filers who filed an application the year before. This year, 49.8 million emails were sent out to filers to remind them to file a renewal FAFSA form. These strategies enhanced outreach to local media outlets and to key states about the importance of FAFSA filing which positively impacted increases in the FAFSA filing results in these areas. Social media outreach continued to be a promising method for raising awareness as well. For much of this cycle, FAFSA filing by returning filers exceeded rates of filing for this population when compared to the previous year.

Performance Metrics

Performance Metric 2.1.A. Number of visits (sessions) demonstrating adoption of the updated StudentAid.gov site.

Table 23: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	44.5 million	183.7 million	217 million	241 million	220.0 million	304.8 million
Performance Result	Met	Met	Met	Met	Met	

Metric Definition: StudentAid.gov is FSA's primary customer-facing digital front door for students, parents, and borrowers who need be informed about, apply for, and manage their federal student aid. By focusing on total customer visits, this performance metric helps gauge the success of FSA's efforts to become the most trusted and reliable source for accurate student aid information for Americans nationwide and engage customers in completing critical tasks related to federal student aid.

Data Source: FSA's online platform analytics.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.1.B. Percentage of high school seniors submitting the FAFSA.

Table 24: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	67.4%	65.9%	63.8%	60.87%	60.9%	63.0%
Performance Result	Met	Not met	Not met	Not met	Met	

Metric Definition: A primary goal of FSA is to encourage FAFSA completion among high school seniors.

Data Source: FSA's online platform analytics.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.1.C. Number of customers submitting the FAFSA via a mobile platform—the myStudentAid mobile app or fafsa.gov.

Table 25: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	2.5 million submissions	2.5 million submissions	3.0 million submissions	2.5 million submissions
Performance Result	–	–	**Met**	**Not met**	**Not met**	

Note: Data not available prior to FY 2020. The myStudentAid app was retired on June 30, 2022. Data related to the mobile app was collected only through this date.

Metric Definition: This metric measures FAFSA submissions via a mobile device either through the FAFSA website or the mobile app to help determine customer interest and engagement in using mobile technology to complete online forms.

Data Source: FSA's online platform analytics.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.1.D. Persistence among first-time filing aid recipients.

Table 26: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	82.5%	82.8%	81.0%	81.1%	81.1%	80.0%
Performance Result	**Met**	**Met**	**Not met**	**Met**	**Not met**	

Note: Formerly 5.1.E in FSA FY 2020 Annual Report.

Metric Definition: This metric helps track performance across one of the desired outcomes of federal student aid and its impact on program completion. By following first-time filing aid recipients—such as college freshmen or non-traditional students, into their second year—it is possible to see whether FSA is making improvements in how applicants are translating the aid that they receive into educational persistence

Data Source: Enterprise Data Warehouse and Analytics (EDWA).

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Objective 2.2

Provide seamless, easy, personalized digital interactions equal with top financial institutions in the delivery of financial aid products and services.

Overview

FSA has been working to continuously improve its digital interactions with customers since it initiated this strategic plan, and FY 2022 was a further step in that direction. Aidan, the **StudentAid.gov** virtual assistant, was added to the FAFSA form experience in October 2021. Customers can engage with Aidan within the FAFSA form, finding answers to common troubleshooting questions, help finding next steps after submission, and help with creating a new account on **StudentAid.gov**.

As discussed earlier in this report, FSA onboarded several key communications within the MCP as part of the DCC initiative. These communications enabled FSA to provide important information to its customers, such as filling out their FAFSA forms and resources within **StudentAid.gov**. In FY 2022, FSA communicated with its customers via over 230.8 million transactional and recurring emails. As a result, FSA believes its customers are more informed and engaged with the organization. FSA conducted monthly customer listening sessions to gather, analyze and report on customer behavior, issues, and feedback, where the organization heard directly from customers to inform its work.

Feedback reviewed came from the following channels: web analytics, complaints, social media, virtual assistant, knowledge, contact center, outreach, and customer experience surveys. Attendees from across the organization participated in monthly customer listening meetings, which helps to build understanding and facilitate improvements in response to findings. As a result of this effort, dozens of improvement tickets were created, and business process improvements were made in response to customer listening findings. FSA also implemented a customer feedback management tool during FY 2022. This new tool provides multiple new sources of customer feedback via surveys on **StudentAid.gov**, after interacting with a BPO call center, and within our email campaigns. The tool includes robust reporting and artificial intelligence-driven text analytics, which allows FSA to better analyze customer feedback and information to improve processes in expedited timeframes

FY 2022 Performance Summary and Analysis

There are seven performance metrics for this strategic objective. Five metrics met their annual targets, one metric was baselined, and one metric did not meet its annual target in FY 2022. The target for the metric 2.2.F was not met. The contributing factor for the target not being met is mostly attributed to the score drop to the borrowers surveyed as part of the Multiple Servicer Survey (MSS) associated with loan servicers. Some reasons for the MSS survey score drop include large-scale loan transfers between servicers, the survey including previously excluded borrowers, and the uncertainty around the loan payment pause and widescale loan forgiveness. The MSS survey accounts for a major part of FSA’s weighted ACSI, so if that score drops, it impacts FSA’s ACSI score. The FAFSA survey and In-School survey (drawn from federal student aid recipients) are also calculated within the ACSI score. The FAFSA survey dropped a few points from FY 2021, and the In-School survey had a steady score, but these surveys account for less of the total weighted ACSI score.

Key Successes and Opportunities

FSA launched the myStudentAid mobile app in October 2018 to provide students and families with another option to submit the FAFSA form. However, customers have demonstrated that they prefer to go to **StudentAid.gov** on a mobile device rather than use the myStudentAid mobile app. Additionally, FSA saw a continuing trend with students and parents visiting **StudentAid.gov** on a phone, instead of a desktop computer. The website is mobile-responsive, so the site's webpages fit the screen size and shape of any device, including desktop or laptop computers and mobile devices (e.g., phones and tablets). As a result, the mobile app was retired on June 30, 2022.

StudentAid.gov is FSA's primary customer-facing digital front door for students, parents, and borrowers who need to be informed about, apply for, and manage their federal student aid. FSA has continued to see steady growth in customers viewing their aid information on **StudentAid.gov**. When the administrative forbearance period ends, and the Administration's Student Loan Debt Relief Plan was enacted, FSA anticipates an increase in customers logging in to view their aid information, and borrower exploration of repayment options.

Aidan, the **StudentAid.gov** virtual assistant, was added to the FAFSA form experience in October 2022. Customers can engage with Aidan within the FAFSA form. With these new users generating additional data, the strategy to continue analyzing customer data to drive improvements with content directly based on customer feedback.

The Annual Student Loan Acknowledgment (the Acknowledgment) was developed to provide customers who are planning to accept a federal student loan with important information on borrowing, and their responsibility to repay the loan. The borrowers' experience is customized based on whether they are a new borrower or have current loans. In May 2021, FSA redesigned the Acknowledgment to improve the customer experience based on user feedback and best practices. A new landing page provides customers with three options for a more personalized experience: (1) undergraduate student, (2) graduate student, and (3) parent of an undergraduate student. It was redesigned to present information in smaller, easy-to-understand learning modules. Additionally, the Acknowledgment was made available on the myStudentAid mobile app.

The MCP, as previously discussed, sent over 230.8 million emails in FY 2022 to students, parents, and borrowers. Delivery rates and brand recognition/authority continue to be key pillars that FSA looks out for as it continues to scale and deliver more emails via the tool. FSA is ensuring that data integrations and loading processes, as well as the internet protocol (IP) addresses for sending emails, are performing at optimal levels. As part of the DCC initiative, FSA has continued to onboard several key communications within the MCP. These communications are critical for users as they contain information related to important actions the users need to take on FSA products. Examples of communications that we have onboarded include FAFSA and the PSLF Help Tool.

In the last six months, FSA has focused on continuing to update existing communications and onboarding new communications within our platform. We have updated FAFSA communications and have added new communications and functionality related to Multi-Factor Authentication, which allows users to secure their account. We have also worked on onboarding communications related to Third Party Debt Relief (TPDR), allowing us to provide targeted communications related to suspicious activity on users' accounts and giving users notice to update their login info for increased security. These communications enabled FSA to provide important information to its customers, such as filling out their FAFSA forms and resources within **StudentAid.gov**. These campaigns included FAFSA renewal campaigns (Winter and Fall), as well as upcoming communications that are automated based on certain behavioral criteria determined by FSA and resources. The biggest challenges were the number of email campaigns FSA was sending during the fiscal year along with increasing capacity on the platform. Thus, FSA increased the number of servers available for the platform which in turn increased the number of emails it can send out.

FSA conducted several improvements to include revamping email templates, improving data integrations between MCP and systems, as well as testing and optimization efforts to continuously improve its email communications for its borrowers. The testing and optimization efforts, and revamped template designs, have led to notable improvements to FSA's engagement such as higher open and click rates. In addition, we have ramped up and stood up efforts with Medallia, a survey platform which allows us to receive real time feedback on our email communications. We have created a module for Medallia and have begun to incorporate this into our communications. This real time feedback provides us with the insights to continuously improve our communications and help to prioritize work related to improvements. The revamped templates allowed the emails to match the brand and styling of **StudentAid.gov** and FSA, which enabled more trust and consistency as a trusted source of information. FSA's priority is to continue onboarded communications within the MCP for transactional and recurring campaigns, update data integrations within the MCP to ensure faster data loading and execution, and additional data analysis to evaluate and improve communications based on past performance and industry benchmarks.

FSA recognized that more external communication is preferable so that its customers are up to date with clear and actionable next steps. Several processes are in place to ensure that the organization is sending all emails in an efficient manner:

- Monitoring of the data files, via internal alerts, within the system to make sure FSA is receiving the correct files for its transactional and campaign data loads.
- A team set up to monitor the IPs to make sure that FSA is aware of them being blacklisted to ensure that the organization solves it as soon as possible.
- Ramp-up plans for high volume campaigns to warm the IPs up for delivery and reduce volume load on the servers.

Proactive monitoring of high priority campaigns, as well as the development of a health dashboard for the transactional campaigns are some ways of reducing risk from a delivery perspective. Continuing to develop and improve emails based on industry best standards and design best practices ensure that the organization is reducing the risk on its brand integrity for its communications.

The implementation of a customer feedback management software platform and OMB Circular A-11 compliant surveys were key organizational initiatives that supported this strategic objective in FY 2022. The customer feedback management platform and Circular A-11 surveys were implemented in November 2021. Results are available in real-time and deep dive analyses of survey data are done quarterly for each channel. The platform includes artificial intelligence-driven text analytics that allows FSA to more easily mine feedback for trends and escalate any feedback that warrants action. The procurement of a customer feedback management software platform greatly expands FSA's capacity to both offer surveys across channels, and better analyze structured and unstructured feedback from customers. By putting in this work up-front and dedicating resources to improve it over time, FSA will be automating the analysis of unstructured feedback to get deeper, more relevant insight on customer sentiment, desires, and pain points from their open-ended survey feedback.

Performance Metrics

Performance Metric 2.2.A. Number of customers checking loan balances via the myStudentAid mobile app.

Table 27: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	133,417	1.6 million	2.0 million	2.1 million
Performance Result	–	–	**Met**	**Met**	**Met**	

Note: Data not available prior to FY 2020**.** The myStudentAid mobile app was retired on June 30, 2022. Data related to the mobile app was collected only through this date.

Metric Definition: This metric gauges customer engagement in using the myStudentAid app to view their current aid information. With the improved myStudentAid app, customers can view their loan information within the mobile app.

Data Source: FSA's online platform analytics.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.2.B. Number of borrowers who view their aid summary information on StudentAid.gov.

Table 28: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	7.6 million	13.10 million	9.2 million	22.6 million
Performance Result	–	–	**Baseline**	**Met**	**Met**	

Note: Data not available prior to FY 2020.

Metric Definition: This metric gauges customer engagement in using **StudentAid.gov** to view their current aid information. In February 2020, the Aid Summary feature was delivered on **StudentAid.gov** providing customers with access to summary and detailed aid information such as loan balances or Pell Grant dollars received.

Data Source: FSA's online platform analytics.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.2.C. Number of users of "Aidan", the StudentAid.gov virtual assistant.

Table 29: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	545,763	1,566,488	1,000,000	1,623,550
Performance Result	–	–	Met	Met	Met	

Note: Data not available prior to FY 2020.

Metric Definition: To provide increased self-service options for students, families, and borrowers, this metric helps tracks Aidan's usage. Aidan is a virtual assistant that uses advanced technology—artificial intelligence and natural language processing—to answer the most common questions on federal student aid. Whether customers want to find out about their current loan account balances, learn more about grants, make a payment (pilot), or get help contacting their loan servicer, Aidan is available to help them find an answer.

Data Source: FSA's online platform analytics.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.2.D. Transactional email volume for outreach and communications to customers.

Table 30: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	92.2 million	189.7 million	101.6 million	181.1 million
Performance Result	–	–	Baseline	Met	Met	

Note: Data not available prior to FY 2020. This performance metric was revised in FY 2021.

Metric Definition: This metric measures the transactional emails that are delivered through the internal communications tool. These emails are vital for students, parents, and borrowers to understand updates and notifications regarding their FAFSA application and other important information that needs to be acted on. This metric helps to gauge the health of the email communications and platform in terms of volume and reach.

Data Source: MCP.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.2.E. Recurring campaign email delivery volume for outreach and communications to customers.

Table 31: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	32.2 million	41.7 million	35.4 million	49.8 million
Performance Result	–	–	Baseline	Met	Met	

Note: Data not available prior to FY 2020. This performance metric was revised in FY 2021.

Metric Definition: This metric measures the recurring emails that are delivered through the internal communications tool. Recurring campaigns are defined as communications that FSA sends on a consistent cadence that are not tied to immediate transactional interactions and have a yearly precedence, such as the Renewal campaign reminders. This metric helps to gauge the commitment to consistent and proactive communications.

Data Source: MCP.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.2.F. American Customer Satisfaction Index (ACSI) Aid Lifecycle Survey score.

Table 32: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	70.6	70.0	73.5	71.4	72–74	67.8
Performance Result	Met	Met	Met	Not met	Not met	

Metric Definition: This metric provides a measure of the customer experience across the student aid lifecycle, by accessing customer satisfaction scores from FAFSA filers, from persons enrolled in or attending a post-secondary educational institution, and from borrowers repaying their loans.

Data Source: MSS, FAFSA.gov (housed on [StudentAid.gov](https://studentaid.gov)), and (federal student aid recipients) In-School customer satisfaction survey.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.2.G. Customer Satisfaction Survey(s) for StudentAid.gov site and associated tools.

Table 33: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	No survey developed	Developed Survey	Baseline	3.6
Performance Result	–	–	**Not met**	**Not met**	**Baseline**	

Note: Data not available prior to FY 2020.

Metric Definition: This metric intends to measure customer satisfaction with the **StudentAid.gov** website. These customer satisfaction surveys will assist FSA in developing additional tools and offering website improvements based on customer feedback.

Data Source: FSA customer feedback system.

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Objective 2.3

Streamline contact center and back-office operations to improve our customers' integrated experience.

Overview

FSA is focused on supporting students, families, and borrowers as they navigate the financial aid process. Optimizing the customer service model throughout the student aid lifecycle is critical to this effort and adopting more service-oriented and streamlined approaches at the contact and loan servicing centers help improve the customer's experience. Exceptional customer service will increase FSA's ability to adapt to changing customer needs and ensure that customers easily understand the available options to make informed choices. The first step towards positive outcomes in this area is for loan servicers to provide prompt responses to incoming calls and expedited resolutions of questions. In FY 2022, FSA focused on mitigating risks for servicer operations, as it prepares to return millions of borrowers to repayment. This planning has led to the development of call center tools, technologies, and training to support the efficient management of future call volume. As programmatic and policy decisions are made and impact on this objective becomes clear, FSA will direct operational measures to continuously improve call center performance.

FY 2022 Performance Summary and Analysis

There are two performance metrics for this strategic objective. Neither metric was met. In FY 2022, loan servicers reacted to numerous programmatic changes while posturing for the return of borrowers to repayment. Multiple extensions of the payment pause, coupled with several major student loan program announcements, forced loan servicers to pay careful attention to call center performance to meet expected customer service levels. In addition to extensions of the payment pause in FY 2022, announcements of the Limited PSLF Waiver in October 2021, and of Student Loan Debt Relief in August 2022, caused significant disruption in call volume, impacting overall performance. Without these two programs, servicer performance was in line with stated performance metrics.

Key Successes and Opportunities

Initiatives continue in supporting these performance metrics heading into FY 2023 that were put in place in FY 2022. One specific area is that FSA loan servicers are now contractually required to achieve a 4% abandon rate. Additionally, FSA continues to analyze loan servicer capabilities, identify areas for improvement, and work with servicers to implement action plans to address areas of concern. Broadly, since March 2020, call volumes have been significantly lower across most loan servicers due to the payment pause except for call volumes that impact the servicer who handles the PSLF program or that volume that results based upon large programmatic announcements. In FY 2023, FSA will take positive action in preparing loan servicers for the expected increase in incoming calls based upon impact of debt relief and the return to repayment.

Performance Metrics

Performance Metric 2.3.A. Quality Standard for Average Speed to Answer (ASA) at all Call Centers.

Table 34: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	59.0	24.0 seconds	Equal to or less than 60 seconds	334.0 seconds
Performance Result	–	–	**Met**	**Met**	**Not met**	

Note: Data not available prior to FY 2020.

Metric Definition: The goal of this metric is to ensure FSA's loan servicing vendors (Not-For-Profits (NFPs) and Title IV Additional Servicers (TIVAS)) are providing the best customer service to FSA's borrowers. One way that this is measured is through the Average Speed to Answer rate. This is the average number of seconds it takes a borrower to speak with a customer service representative from the moment a borrower calls to the time a customer service representative answers the call. A higher ASA indicates a longer wait time and may result in a higher call abandon rate or increased call frustration.

Data Source: Federal servicers' quarterly reports.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.3.B. Quality Standard for Abandon Rate (AR) for Incoming Calls at all Call Centers.

Table 35: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	3.6%	0.9%	Equal to or less than 2%	10.4%
Performance Result	–	–	**Not met**	**Met**	**Not met**	

Note: Data not available prior to FY 2020.

Metric Definition: The goal of this metric is to ensure the loan servicing vendors (NFPs and TIVAS) are providing the best customer service to borrowers. One way that this is measured is through the *Annual Report*. This is the average number of calls in which a borrower hangs up (abandons) the call before they speak with a customer service representative. The higher the rate the more borrowers are abandoning a call and likely not getting the information/answers they need.

Data Source: Federal servicers' quarterly reports.

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Objective 2.4

Simplify the communication and processes associated with borrower repayment plans.

Overview

The DCC initiative is the foundational plan for simplifying communication and processes associated with borrower repayment plans and supports the performance metrics utilized for this strategic objective.

FY 2022 Performance Summary and Analysis

There are three performance metrics for this strategic objective. One metric did not have a target due to the administrative forbearance period and a second metric did not have data at the time of publication. The third metric met its target.

The 2.4.B metric which captures the percentage of borrowers using the auto-debit feature for loan repayment could not be measured due to the *CARES Act*, which required the Department to automatically suspend payments on eligible student loans since March 13, 2020. FSA, as well as its Loan Servicers, will continue to promote auto-debit and other benefits (i.e., Income Driven Repayment) through its various methods of borrower communications as customers move out of the *CARES Act* forbearance status and back into repayment.

Key Successes and Opportunities

Due to the unpredictability of the borrowers in repayment that continued to be impacted by the administrative forbearance, no formal target for the Make a Payment metric was set for FY 2022.

The administrative forbearance period has changed borrower behavior and may impact them in using auto-debit to make payments in the future. To respond to this potential behavioral change and to confirm that existing auto debit customers want to continue with automatic payments, FSA and its loan servicers have launched a coordinated engagement plan to encourage borrowers to sign-up or retain auto-debit arrangements.

Limited PSLF Waiver: In early October 2021, the Department announced a change to the PSLF program rules for a limited time. Utilizing the *Health and Economic Recovery Omnibus Emergency Solution Act* (HEROES Act), the “limited PSLF waiver” refers to the time-limited policy changes to PSLF Program rules that allow borrowers to receive credit for past periods of repayment that would otherwise not qualify for PSLF. After the announcement in October 2021, FSA worked across the organization and with its PSLF servicer, FedLoan Servicing and later, MOHELA, to implement these policy changes throughout FY 2022. Additionally, FSA was able to quickly update the PSLF Help Tool in November 2021, to support the flexibilities offered under the limited PSLF waiver. As of mid-August 2022, approximately $15 billion has been forgiven under the limited PSLF waiver for more than 233,000 borrowers. There has also been more than $394 million issued in refunds of borrower payments. In addition to borrowers who have received forgiveness, more than 1 million borrower accounts have received payment count increases.

Further, in FY 2022, FSA engaged in a multi-channel communications campaign with targeted emails, organic social media, paid digital ads, webinars, and SMS messages.

Reconsideration Request Process: On October 13, 2021, the Department entered into a settlement agreement with the American Federation of Teachers AFL-CIO, which included a requirement for the Department to establish an interim reconsideration process for PSLF by April 2022. FSA did not previously have a PSLF reconsideration process until April 2022. The Department has formalized the permanent reconsideration process in the final regulations published on November 1, 2022.

In March 2022, FSA released an online tool for borrowers to submit reconsideration requests for PSLF and Temporary Expanded PSLF (TEPSLF) to support the interim reconsideration process. Additionally, FSA developed standard operating procedures, implemented a customer relationship management tool, and cross-trained FSA staff to review and process the reconsideration requests.

PSLF Employer Search: As part of the DCC Release 5.7, FSA released the *PSLF Employer Search* in July 2022. This look-up functionality allows borrowers to search employers to verify eligibility for PSLF and does not require login with an FSAID. The PSLF Employer Search also helps support borrowers who may benefit from the Limited PSLF Waiver by providing them with the ability to review their employer's eligibility prior to taking steps to consolidate their loans or complete a *Public Service Loan Forgiveness (PSLF) & Temporary Expanded PSLF (TEPSLF) Certification & Application (PSLF form).*

Performance Metrics

Performance Metric 2.4.A. Number of borrowers using Make a Payment feature to pay student loans.

Table 36: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	12,245 payments	22,366 payments	N/A	16,782 payments
Performance Result	–	–	**Met**	**N/A**	**N/A**	

Note: Data not available prior to FY 2020.

Metric Definition: This metric gauges customer interest and engagement in using **StudentAid.gov** to make a student loan payment. In February 2020, the Make a Payment pilot was delivered on **StudentAid.gov** providing customers with loans serviced by Great Lakes or Nelnet (both FSA loan servicers) with the ability to make a standard loan payment on **StudentAid.gov**.

Data Source: DCC Web Logs.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.4.B. Percentage of borrowers using auto-debit.

Table 37: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	24.8%	N/A	N/A	N/A
Performance Result	–	–	**Baseline**	**N/A**	**N/A**	

Note: Data not available prior to FY 2020.

Metric Definition: This metric measures the volume of borrowers that are enrolled in auto-debit. Auto-debit allows borrowers to pay their student loan payments without any effort since the payment is extracted from the borrower's financial institution each time a payment is due, allowing borrowers to make payments in full and on time with minimal effort required. Borrowers who enroll in auto-debit are given a 0.25% reduction on their interest rate.

Data Source: National Student Loan Data System (NSLDS®) database.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 2.4.C. Percentage of users who start and complete the Public Service Loan Forgiveness (PSLF) Help Tool by generating a PSLF form.

Table 38: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	–	34.5%	34.5%	56.7%
Performance Result	–	–	–	Baseline	Met	

Note: Data not available prior to FY 2021. This performance metric was revised in FY 2021.

Metric Definition: The metric tracks borrowers who begin the process of the PSLF Help Tool and start a PSLF form and compares it to those who complete the process by generating a PDF of the PSLF form.

Data Source: Common Origination and Disbursement (COD) Portal.

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Goal 3: Increase Partner Engagement and Oversight Effectiveness

Goal Leader: Deputy Chief Operating Officer, Office of Partner Participation and Oversight

Table 39: Goal Objectives

Strategic Goal 3: Increase Partner Engagement and Oversight Effectiveness.	
Strategic Objective No.	**Strategic Objective**
Strategic Objective 3.1	Provide effective oversight of FSA's partners utilizing a comprehensive suite of monitoring tools.
Strategic Objective 3.2	Strengthen partner engagement and provide effective outreach and assistance.

Goal Spotlight

Strategic Goal 3 is focused on how FSA will assist schools, third-party servicers, and financial institutions to deliver federal student aid, collect borrower payments seamlessly, and safeguard data integrity through oversight and monitoring. FSA will also ensure these institutions understand and comply with *Title IV* requirements and other relevant laws, policies, and procedures.

FSA has gauged its performance in these areas using five metrics. The Office of Partner Participation and Oversight (PPO) uses a comprehensive suite of monitoring tools to ensure schools appropriately administer *Title IV* student financial aid by conducting comprehensive compliance reviews for certification actions, deficient audit resolutions, flagged financial statements, program reviews, method of payment actions, and technical assistance.

Additionally, FSA is committed to continued enhancements in oversight and improving the borrower experience by reducing institutional fraud. An outcome of this effort is demonstrated by the tactical approach for application processing FSA has taken in borrower defense, which has afforded the organization significant progress in resolving the outstanding applications.

Strategic Goal 3 also highlights FSA's responsibility for providing high quality training products and technical assistance services to IHEs, third-party servicers, auditors and participating school business officers through a comprehensive online training system, the FSA Training Center (**fsatraining.ed.gov**). FSA also supports training, outreach, and executive engagement through national, regional, and state level conferences along with focused support for MSIs and under-resourced institutions.

FSA has been responsive in relief efforts for schools through its communications, such as post-disaster emails, which offered key reminders and information on the special resources available to schools and individuals that were impacted by natural disasters.

Strategic Objective 3.1

Provide effective oversight of FSA's partners utilizing a comprehensive suite of monitoring tools.

Overview

PPO performs oversight using a holistic suite of monitoring tools, including comprehensive compliance reviews to ensure a case management approach. FSA is also proactively working to prevent and address institutional fraud through oversight, compliance, and enforcement actions, including through the establishment of a stand-alone Office of Enforcement, which includes the Borrower Defense Group (BDG), Investigations Group, Administrative Actions and Appeals Service Group, and the Resolution and Referral Management Group.

PPO continues to mature existing performance reporting dashboards and develop new data dashboards to empower employees, managers, and senior leaders to make data-driven decisions. During the COVID-19 national emergency, PPO had to adapt the compliance review process to be conducted virtually. These adapted processes and innovations will be assessed for future incorporation and to improve efficiency.

Borrower defense is a type of loan discharge based on a determination that the borrower's school engaged in certain acts or omissions, generally misrepresentations, fraud, or breach of contract that unlawfully caused the borrower to enroll or continue enrollment at the school. FSA is committed to protecting students and borrowers by forgiving of their student loan obligations after conducing legal research and analysis of borrower defense claims. FSA is managing the borrower defense application process and successfully rebuilt and substantially improved collaboration with external partners to support the borrower defense fact-finding process. Process and technology enhancements have also led to improved information sharing with borrower defense applicants, and FSA continues to look for improvements to the borrower defense process.

FY 2022 Performance Summary and Analysis

There are two performance metrics for this strategic objective. Both performance metric targets were met.

Key Successes and Opportunities

PPO has successfully and consistently met and exceeded annual target goals for Strategic Objective 3.1.A. At the end of FY 2022, the School Eligibility and Oversight Service Group (SEOSG) completed 4,819 comprehensive compliance reviews for 6,020 *Title IV* participating partners (80.0%); meeting the annual target goal of 80%. PPO looks forwards to maintaining its record of success in achieving new strategic objectives upon the release of a new five-year performance plan for FY 2023–27 replacing the current *FY 2020–24 Strategic Plan*.

The targets associated with borrower defense were met due to improved collaboration with external partners to support the fact-finding process and a commitment by FSA leadership to establish group findings where possible. BDG's workflow is heavily influenced by external factors including pending litigation, a shifting regulatory framework, and policy implementations. However, the staff continues to adapt to and overcome these factors.

In FY 2022, BDG finalized additional findings of fact and conclusions of law and successfully proposed multiple groups of borrowers for group discharge while simultaneously adjudicating individual cases in a timely manner. As a result, FSA was able to adjudicate over 86,000 individual applications since October 1, 2021 — exceeding the goal of 65,000.

Performance Metrics

Performance Metric 3.1.A. FSA will annually conduct an Institutional Review for its participating partners including schools, third-party servicers, and financial institutions.

Table 40: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	51% of partners reviewed	62.6%	80.0%	80.0%
Performance Result	–	–	**Met**	**Met**	**Met**	

Note: Data not available prior to FY 2020.

Metric Definition: This metric measures the performance of holistic comprehensive compliance reviews of institutions relating to certification actions, deficient audit resolutions, flagged financial statements, program reviews, method of payment actions, and technical assistance

Data Source: Postsecondary Education Participants System (PEPS).

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 3.1.B. Number of Borrower Defense (BD) applications adjudicated (subject to existing BD regulations).

Table 41: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	160,000	65,500	65,000	86,000
Performance Result	–	–	**Met**	**Met**	**Met**	

Note: Data not available prior to FY 2020.

Metric Definition: Borrower defense is a type of federal student loan forgiveness where borrowers may be eligible for forgiveness of their federal student loans if the relevant school attended misled the borrower or engaged in other misconduct in violation of certain laws. FY 2022 actual adjudications include claims approved through individual adjudication or as part of an approved group claim where the Department had received an individual application from a borrower for the school for which the borrower received the discharge. FY 2022 actual adjudications does not include applications adjudicated through the group process for Westwood borrowers who submitted an application against Westwood. The numbers also don’t include discharges provided by the Department using its settlement and compromise authority but based on information gathered through the borrower defense process such as Corinthian. The Department is currently in the process of identifying these borrowers, and this data will be included in FY 2023.

Data Source: Customer Engagement Management System

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Objective 3.2

Strengthen partner engagement and provide effective outreach and assistance.

Overview

FSA has experienced an unprecedented demand for training and support resources due to legislatively driven regulatory and policy changes. FSA provides training and technical assistance through virtual and in-person engagements via the FSA Training Center (**fsatraining.ed.gov**), the Wednesday Webinar training series, the annual FSA Training Conference (FSATC), and regional professional association conferences. FY 2022 saw a small return to in-person technical assistance site visits and a significantly increased use of webinars and training delivered via the FSA Training Center (**fsatraining.ed.gov)**.

Additional training and outreach resources are focused on MSIs and under-resourced institutions and IHE Presidential leadership events. Technical assistance is also provided through the Ask-a-Fed service, Partner Connect/COD customer service representatives, and the Partner Technical Assistance group.

The expansion of FSA's virtual content delivery allowed a larger group of schools with limited travel budgets or staffing to attend the FSATC, state and regional conferences, and the statutorily mandated Fundamentals of *Title IV* Training. In the virtual environment, the attendance at FSA events increased significantly. This metric is highlighted particularly in the number of FSA Training Center users, which was 20,749 unique users, and in the 2021 FSATC (FY 2022 Q1), which hosted more than 15,000 participants in its second virtual session and resolved more than 2,000 individual technical assistance inquiries.

FSA conducted its annual "Ease of Doing Business" survey with its *Title IV* eligible school partners, which is also tracked under this objective. The FY 2022 Ease of Doing Business score is an overall measure of post-secondary educational institution financial aid administrators' assessment of their recent experience interacting with FSA (and its contractors). These interactions include telephone, email, chat, and fax communication regarding FSA's systems and products, and interactions with FSA's policy, training, compliance, and operations staff. The survey is conducted by CFI Group, an independent third-party survey company, and the results are provided to the Department and FSA.

FY 2022 Performance Summary and Analysis

There are three performance metrics for this strategic objective. All performance metric annual targets were met.

Key Successes and Opportunities

In FY 2022, 94% of all *Title IV* eligible institutions participated in training programs or technical assistance. The increase in participation is the result of the methodology used to provide information. Information was provided through training and technical assistance, delivered in a virtual format. The virtual environment continues to allow efficiencies in cost and time, and alleviates staffing barriers to institutional participation in training. The flexibility that the virtual engagement provided FSA is illustrated in the following accomplishments:

- The FSA Training Center (**fsatraining.ed.gov**) provided training and technical assistance to 20,000 unique users. The Ease of Doing Business Survey respondents rated the ease of using the FSA Training center at 76 in its first appearance on the survey.
- The Training and Information Services Group (TISG) provided training to over 15,000 school partners via the Wednesday Webinar series, Regional Conferences, congressionally-mandated Fundamentals of *Title IV* training sessions and other outreach events.
- The Conference Management Group conducted FSA's second FSATC with over 15,000 participants in attendance.

Despites the staffing shortfall, FY 2022 showed improved success over FY 2021.

At the end of FY 2022, there were 413 modules, which was 29% more than FY 2021. The courses focused on the proper administration of *Title IV* programs with offerings that addressed the learning needs of new financial aid office staff through senior institutional leadership.

Performance Metrics

Performance Metric 3.2.A. FSA will measure institutional participation rates in *Title IV* training and specialized technical assistance programs.

Table 42: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	–	88.0%	88.0%	94.0%
Performance Result	–	–	–	Baseline	Met	

Note: Data not available prior to FY 2021. This performance metric was revised in FY 2021.

Metric Definition: Training and technical assistance for this metric is provided and tracked at the individual learner level and tied to their school's Office of Postsecondary Education Identification number (OPEID). As a target, professionals (individual learners) from participating schools will receive outreach and assistance, through self-directed learning modules on the FSA Training Center (**fsatraining.ed.gov**), congressionally-mandated training, the annual FSATC, monthly FSA-led Webinars, regional professional association conferences, Ask-a-Fed queries for individualized technical assistance, and systems-oriented job aids. For the performance period, the majority of training and outreach activities were conducted virtually using Webinar technology as well as via the FSA Training Center.

Data Source: FSA Learning Management System (LMS), PEPS, eZ-Audit, PCnet, FSA Data Center, and NSLDS database.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 3.2.B. FSA will enhance the self-service training resource and informational platform to improve communication with participating partners, including schools, third-party servicers, and financial institutions.

Table 43: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	62.0%	18.0%	10.0%	29.0%
Performance Result	–	–	Baseline	Met	Met	

Note: Data not available prior to FY 2020.

Metric Definition: This metric represents enhancements to the FSA LMS—specifically, additional courses created in FY 2022. It is not only a percentage of self-service courses available— for example, in FY 2021, FSA had 320 modules of training content available. At end of FY 2022, there are 413 modules, which is 29% more than FY 2021. The courses focus on the proper administration of *Title IV* programs with offerings that address the learning needs of new financial aid office staff through senior institutional leadership.

Data Source: FSA LMS.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 3.2.C. Ease of doing business with FSA.

Table 44: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	74.5%	74.0%	71.0%	75.0%	75.0–77.0%	76.0%
Performance Result	**Met**	**Met**	**Not met**	**Met**	**Met**	

Metric Definition: FSA conducts an annual “Ease of Doing Business” survey with its *Title IV* eligible school partners. The survey is conducted by CFI Group, an independent third-party survey company, and the results are provided to the Department and FSA. The FY 2022 Ease of Doing Business Score is an overall measure of post-secondary educational institution financial aid administrators’ assessment of their recent experience interacting with FSA (and its contractors). These interactions include telephone, email, chat, and fax communication regarding FSA’s systems and products, and interactions with FSA’s policy, training, compliance, and operations staff.

Data Source: FY 2022 Schools Partners Survey.

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Goal 4: Strengthen Data Protection and Cybersecurity Safeguards

Goal Leader: Chief Information Officer, Enterprise Technology Directorate

Table 45: Goal Objectives

Strategic Goal 4: Strengthen Data Protection and Cybersecurity Safeguards.	
Strategic Objective No.	**Strategic Objective**
Strategic Objective 4.1	Implement business partner and vendor systems that house, manage, and provide systems supporting FSA business processes, outreach and awareness focused on oversight, enforcement, infrastructure, systems, and data.
Strategic Objective 4.2	Improve student privacy data and cybersecurity controls of Institutions of Higher Education (IHEs) through outreach and communication, to mitigate future cyber-incidents and breaches.
Strategic Objective 4.3	Build an effective cybersecurity culture through employee awareness, training and accountability focused on protecting systems and data.

Goal Spotlight

FSA is committed to continuous cybersecurity improvement through active partner, employee, and IHE, engagement. This has led to process improvements in FY 2022 that provide more visibility into identified cybersecurity and vulnerability risks for each of these systems. This allows FSA management the ability to view and assess system cybersecurity risks on a near real-time basis.

Throughout the fiscal year, FSA engaged with 400 schools to inform, collaborate, and improve the security for the protection of *Title IV* data, to ensure these institutions took the necessary actions needed to protect this shared information. This engagement has led to improvements in outcomes, reduction of risk, and impacted cybersecurity and student data privacy. This highlights FSA's focus on improving the protection of *Title IV* data through increased collaboration with all *Title IV* participating institutions and third-party servicers.

Strategic Objective 4.1

Implement business partner and vendor systems that house, manage, and provide systems supporting FSA business processes, outreach and awareness focused on oversight, enforcement, infrastructure, systems, and data.

Overview

The focus of this strategic objective is on FSA's efforts to increase support for partner institutions and coordination with vendors to provide improved cybersecurity services. This metric measures how well information systems are securely maintained, and how risks associated with compromises and breaches of sensitive information are controlled. This includes systems and services provided by the loan servicers — TIVAS and NFPs, ongoing Next Gen FSA initiative, and the existing legacy information systems.

While the Department's vulnerability management policy allows vulnerabilities to be closed within a specified timeframe based on the criticality of the vulnerability before a Plan of Action and Milestones (POAMs) is required, FSA implemented a more stringent process that requires all known vulnerabilities and findings be documented as POAMs immediately upon identification. This approach ensures visibility of the true security posture and risks associated with it across all levels of FSA management. It also encourages vendors to complete fixes in a timely manner due to more oversight from all levels of FSA management. This helps to ensure that FSA systems become more secure in a timelier manner.

FY 2022 Performance Summary and Analysis

There is one performance measure for this strategic objective. Due to increased Federal mandates (Executive Orders and Binding Operational Directives) and new information systems, FSA did not meet its annual target on this metric. In FY 2022 there were an increased number of business and partner systems enrolled in programs that provided a more real-time view of ongoing system security postures, i.e., Continuous Diagnostics and Mitigation (CDM), and ongoing security authorizations). Subsequently, FSA discovered a higher number of security findings with systems leading to a higher number of plans of action and milestone being created. Although the target was not met, the immediate identification of these issues affords FSA the opportunity to develop strategies to resolve them, and not allow any system to go unfixed and be susceptible to a potential breach in the future. This strategic objective received significant attention and the systems are safer, but the metric was not an effective measure based on the unanticipated actions and systems development that occurred during the year.

Key Successes and Opportunities

The performance measure under this strategic objective is to increase partner/vendor cybersecurity effectiveness by reducing the total number of FSA system assessment findings by 20% per year. The increased number of systems enrolled and participating in the Ongoing Security Authorization program ensured that FSA had a closer to real time view of the maintenance of cybersecurity requirements implemented at the systems. The Ongoing Security Authorization is an assessment program that supports the Authorities to Operate (ATO).

Additionally, for new systems being developed, ATOs were being granted for shorter durations and with strict stipulations that must be met to maintain that ATO in the future.

The key challenges facing this objective were to address the barriers to fully implement mitigating strategies and achieve expected targets, including updating contract language, communicating new or evolving cybersecurity laws and federal requirements, and creating more visibility into the real-time security posture of third-party service providers. FSA launched the following initiatives to respond to these challenges:

- New cybersecurity standards and regulatory compliance requirements increased the scope of the threat landscape and the compliance requirements.
- Enrolled third party service providers in the CDM program,
- Added specific cybersecurity requirements language in contracts for all new systems and updated language in contracts for existing systems, and
- Ensured the appropriate number of subject matter experts support the cybersecurity of FSA systems.

All activities were completed in accordance with the requirements of Executive Order 14028, *Improving the Nation's Cybersecurity*. The success of the information systems to manage risk is reflected in the Department's Cybersecurity Risk Framework Scorecard.

Performance Metric

Performance Metric 4.1. Increase partner/vendor cybersecurity effectiveness by reducing the total number of FSA system assessment findings by 20% per year.

Table 46: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	3,561	3,976	2,240	19,252
Performance Result	–	–	**Not met**	**Not met**	**Not met**	

Note: Data not available prior to FY 2020.

Metric Definition: This metric measures the number of findings discovered during security control assessments, including ongoing security authorization activities, that are indicative of potential cyber security issues leading to a breach of privacy information or the potential compromise of an information system.

Data Source: FSA Enterprise Cybersecurity Group, Department Cybersecurity Assessment and Management Shared Service.

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Objective 4.2

Improve student privacy data and cybersecurity controls of Institutions of Higher Education (IHEs) through outreach and communication, to mitigate future cyber-incidents and breaches.

Overview

To improve student privacy data and cybersecurity controls of IHEs, FSA's strategy for 2022 was contacting IHEs and working with them to establish Corrective Action Plans (CAPs) to ensure compliance objectives were achieved. FSA's strategy and operations have proven effective and have led to notable improvements in outcomes and risk reductions, which will impact cybersecurity and student data privacy now and in the future.

Faster remediation reduces the scope of the incident, improves student privacy and cybersecurity controls, demonstrating stronger data protection and cybersecurity safeguards. To support faster remediation, FSA provided Electronic Announcements and collaborated with IHEs to promote the protection of student data and ensure schools appropriately safeguard information. FSA implemented several actions to effectively communicate cybersecurity information for IHEs to enhance their cybersecurity posture, resulting in improved relationships with IHEs, support their efforts to safeguard information, and a better understanding of the overall cybersecurity posture of IHEs within the education sector.

FSA's future improvements to the current strategies include:

- Deployment of information technology systems to improve interaction with IHEs. These improvements will provide better quality of service, enhance metrics, support trend analysis, and facilitate more effective communications.
- Compliance with the Federal Trade Commission's "Final Rule" amending the Standards for Safeguarding Customer Information, through formulating strategic and operational improvements to the Gramm-Leach-Bliley Act (GLBA) program in FY 2023.
- Work with OGC and OUS to determine appropriate guidance for IHEs to support safeguarding of Federal Tax Information disseminated to IHEs as a result of the *FUTURE Act*.

Collaboration with industry partners, Cybersecurity and Infrastructure Security Agency, and IHEs to assist IHEs in improving their cybersecurity posture.

FY 2022 Performance Summary and Analysis

There are two performance metrics for this strategic objective. Both metrics met their annual targets in FY 2022.

Key Successes and Opportunities

FSA collaborates with IHEs to ensure CAPs are in place to address GLBA Audit non-compliance and encourage IHEs to resolve compliance objectives. FSA's strategy for 2022 was to contact schools, inform them of the GLBA requirements, and track their progress as FSA collaborates with them on CAPs. Risk has been reduced with each cybersecurity requirement met and each CAP achieved. Since October 2022, FSA has worked through the backlog of past year's audits and collaborated with 282 schools to bring into compliance.

FSA's strategy and operations have proven effective and have led to notable improvements in outcomes and risk reductions, which will impact cybersecurity and student data privacy now and in the future. The well-known increase in cybersecurity breaches, ransomware attacks, and supply-chain attacks are external factors beyond the scope of agency efforts which significantly increased the magnitude of the problem being addressed.

The goal of performance metric 4.2.B is to reduce incident reporting time at IHEs. FSA provides Electronic Announcements and collaborates with IHEs to promote the protection of student data and ensure schools appropriately safeguard information. Topics include ransomware, compromised credentials, and data sanitization practices. In FY 2022, FSA implemented several actions to effectively communicate cybersecurity information for IHEs to enhance their cybersecurity posture, as follows:

- Published six Electronic Announcements to the Partner Connect Knowledge Center informing institutions of cybersecurity advisories and announcements
- Provided technical assistance to 49 IHEs in response to breach incidents to cybersecurity safeguards
- Conducted 21 outreach engagements and activities regarding data privacy and information technology security guidance for IHEs
- Launched 2 cyber threat alert campaigns targeting 64 *Title IV* institutions
- Established new Quarterly Cybersecurity Newsletter

As a result, FSA improved relationships with IHEs, supported their efforts to safeguard information, and gained a better understanding of the overall cybersecurity posture of IHEs within the education sector. To improve outcomes and communication, FSA is growing its contact database of IHE Chief Information Officers, Chief Information Security Officers, Information Technology (IT) Directors, and Compliance Officers through internal and external list acquisition.

Performance Metrics

Performance Metric 4.2.A. Increase Institutions of Higher Education cybersecurity effectiveness by reducing GLBA cybersecurity non-compliance by 20% per year.

Table 47: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	177	126	126	94
Performance Result	–	–	**Baseline**	**Met**	**Met**	

Note: Data not available prior to FY 2020.

Metric Definition: This performance metric measures FSA's effectiveness in reducing GLBA cybersecurity non-compliance at IHEs. FY 2020 was the first year that IHEs were required to comply with cybersecurity metrics as part of GLBA annual audits of institutions.

Data Source: The record of GLBA Audits managed by Partner Connect.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 4.2.B. Reduce incident reporting time at Institutions of Higher Education.

Table 48: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	87.5 days	32.7 days	32.7 days	25.3 days
Performance Result	–	–	**Baseline**	**Met**	**Met**	

Note: Data not available prior to FY 2020.

Metric Definition: The target is an indicator of a school's ability to discover potential privacy breaches or cybersecurity incidents, which may impact *Title IV* student or financial information, and report them as required per their agreements.

Data Source: Self-reports from the schools, discovery through media reports, and information derived from internet research activities.

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Objective 4.3

Build an effective cybersecurity culture through employee awareness, training and accountability focused on protecting systems and data.

Overview

As cybercrime becomes more lucrative, the probability of cyber-attacks against FSA assets and employees will increase. It is important to understand the short-term and long-term effects cyberattacks can have against FSA's business and develop a proactive strategy to deal with threat actors. FSA's goal is to promote strong cybersecurity awareness among its employees and contractors, as well as provide information on how to avoid phishing emails and other scam tactics. In FY 2022 FSA educated staff on cyber threats faced and the importance of following procedures correctly.

In addition, FSA and the Department invested in situational awareness training. Overall, employees are becoming more aware when dealing with situations related to cybersecurity. PII incidents between FY 2021 and 2022 while still not meeting objectives the results are showing improvement of awareness. While training helps to mitigate some threats, human error is also a factor needing mitigation. Human errors can be reduced by consistently improving safety nets through well documented processes and investing in comprehensive Data Leakage Prevention (DLP) security strategy and solutions.

FY 2022 Performance Summary and Analysis

FSA did not meet its annual FY 2022 target because the original reference set in FY 2020 was not based on actual data. Per prior recommendations FSA must adjust its target now that we have a baseline. The metric includes DLP of PII leakage blocked by automation, and Security Operations (SecOps) tickets due to employees failing to properly handle PII information. In FY 2022, the number of DLP incidents dropped 34% as compared to prior year. This drop is a significant improvement and positive indicator that FSA users are becoming more aware of cybersecurity and steps they can take to avoid becoming the weakest link. FSA plans to revise its measurement to introduce a more realistic approach to track this strategic objective. This revised approach is to reflect ongoing changes in the environment, deployment of new tools to detect issues with PII, and the need to fine tune policies defining configuration of those tools.

Key Successes and Opportunities

FSA collaborated with the Department to ensure Cybersecurity Awareness Training was provided to FSA. The collaboration extended into tracking employee performance during phishing exercises, and monitoring DLP metrics and Sec Ops tickets related to PII. FSA continuously promoted a culture of cybersecurity in its workplace, including training employees about safe online computing, emphasizing strong passwords, and placing a particular emphasis on tricks related to social engineering. In addition to the 34% drop in DLP incidents as compared to prior year, the organization demonstrated positive resilience in multiple phishing exercises, which means more users consistently reported the phishing as compared to susceptible users. For example, simulated phishing exercise number 6 was sent to 2,196 FSA users email accounts belonging to the Department. These email addresses included 1,355 employees and 841 contractors. 2,091 of 2,196 (95.2%) network users successfully passed the exercise run in August 2022; FSA's target was 90% pass or higher.

In addition, situational awareness was emphasized across the employee base to minimize cybersecurity incidents. Throughout FY 2023 FSA will continue sending out helpful articles covering the latest type of threat, results of phishing exercises, useful tips, and discussing cybersecurity during all-employee meetings. FSA will also remind employees they are the first line of cyber defense and that they are essential to ensuring the confidentiality of sensitive business data. Overall, employees are becoming more aware when dealing with situations related to cybersecurity, and the approach to strengthening employee decision-making will expand through similar efforts in the next fiscal year.

Performance Metrics

Performance Metric 4.3. Decrease the number of employee-related cybersecurity events associated with inappropriate use, distribution, or storage of Personally Identifiable Information (PII) and financial information by 20% a year.

Table 49: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	1,713	2,642	1,152	1,738
Performance Result	–	–	Met	Not met	Not met	

Note: Data not available prior to FY 2020.

Metric Definition: The target is an indicator of employees' ability to properly oversee, store and distribute sensitive privacy and financial information. The actual result includes DLP of PII leakage, and SecOps tickets due to employee failing to properly handle PII information.

Data Source: FSA SecOps, email reports, phishing exercise results, and Office of the Chief Information Officer (OCIO) Data Loss Prevention (DLP) metrics.

FY 2022 Period of Performance: October 2021 through August 2022.

Strategic Goal 5: Enhance the Management and Transparency of the Portfolio

Goal Leader: Deputy Chief Operating Officer, Office of Strategic Measures and Outcomes

Table 50: Goal Objectives

Strategic Goal 5: Enhance the Management and Transparency of the Portfolio.	
Strategic Objective No.	**Strategic Objective**
Strategic Objective 5.1	Improve the management and transparency of FSA’s student loan portfolio performance.
Strategic Objective 5.2	Provide analytics and operational support for a customer-centric, data-driven, performance-based organization.
Strategic Objective 5.3	Leverage portfolio analytics to drive improved outcomes for customers and taxpayers.
Strategic Objective 5.4	Increase vendor performance through quality management activities centered on customer service and product delivery.

Goal Spotlight

The COVID-19 emergency and the relief efforts that FSA immediately implemented have made a significant impact on FSA’s business partners, customers, and the overall student loan program. During FY 2022 FSA has worked to interpret the changes in the environment and their effects on the performance measurements within Goal 5. With the federal student loan portfolio currently surpassing $1.6 trillion, FSA fully understands its fiduciary responsibility to effectively manage the successful student loan debt relief for the millions of borrowers it serves.

FSA has been consistent in its evolution to become a customer-centric and outcome-based organization. FSA will be successful by aiding borrowers in making informed decisions that lessen the burden of debt associated with their education, while maintaining the appropriate access to aid for students and families. This effort has required enhanced analytic, risk management, performance management, and quality management capabilities to provide better outcomes for students and greater value to taxpayers.

The insights gained from the work performed in these areas over the past year will help FSA inform policymakers and taxpayers about the risks and opportunities in the portfolio. This information is also helping to direct both operational and stakeholder interventions, support resource allocation, guide customer-centric decisions, and inform legislative or regulatory changes that will allow for better overall portfolio performance.

Strategic Objective 5.1

Improve the management and transparency of FSA's student loan portfolio performance.

Overview

The FSA Data Center, launched in FY 2009, is the public, online repository of information about the federal student aid programs. The FSA Data Center regularly publishes more than 70 data sets to help internal and external stakeholders understand the impact of the *Title IV* programs. These efforts offer stakeholders timely, accurate and repeatable data reporting which are updated on a monthly, quarterly, or annual basis. By proactively offering access to the information on-line, the FSA Data Center provides transparency into the FSA student portfolio while offering stakeholders the opportunity to self-serve to data about the *Title IV* programs.

Over the last few years, the FSA Data Center has initiated an effort to foster even greater transparency on its website: by replacing static, discrete Excel spreadsheets with a more interactive tool that allows for greater customization for stakeholders looking to interact with FSA's data. This year, FSA deployed new data visualization software in its internal environment to support these efforts.

In addition to the proactive data posted to the FSA Data Center, FSA also receives hundreds of specific data requests each year from interested stakeholders. These requests come from a variety of sources, including media, congressional, researchers, and other stakeholders. Since FY 2013, FSA has utilized a cross-organizational team of data subject matter experts to fulfill and independently validate these requests. FSA expects that some of these annual data requests can potentially be addressed with the implementation of an interactive, self-service dashboard. FSA utilizes these requests to inform future releases to the FSA Data Center. For example, with the introduction of the limited PSLF waiver this year, FSA started publishing a new monthly report on the FSA Data Center to track how many borrowers had been approved for PSLF under the limited waiver.

The ongoing impact of the COVID emergency continued to present challenges in meeting the metrics set forth in this objective. For example, the mandatory administrative forbearance associated with the *CARES Act* legislation, also referred to as the payment pause, was again extended several times during the fiscal year. As a result, most borrowers who were actively repaying their loans have had their loans in a forbearance status since March 2020. As the return to repayment is initiated in FY 2023, FSA will continue to monitor changes in borrower behavior and repayment trends to support the Department with data and analysis to manage the student loan programs in the most efficient manner. Additionally, FSA has developed dedicated methods to monitor the unique circumstances of the early months when the return to repayment program begins.

FY 2022 Performance Summary and Analysis

There are two performance metrics for this strategic objective. One metric did not meet its annual target while the other metric could not provide representative data. Metric 5.1.A did not meet its target to release a self-service module on the FSA Data Center website due to delays in implementing the data visualization software in its warehouse environment. Metric, 5.1.B has an actual result of 100% because it focuses on active repayment. However, during the COVID-19 emergency, this metric has not generated representative or useful results, as the data is inconsequential due to the millions of borrowers currently in an administrative forbearance status. While this metric showed seven years of improvement prior to the pandemic, it will need to undergo a baseline assessment during FY 2023 and/or FY 2024, which will be used to set targets for future years.

Key Successes and Opportunities

In 2022, the Enterprise Data Directorate (EDD) within FSA deployed a new data visualization software in its enterprise data warehouse in preparation for launching a more robust self-service module to continue to expand and improve the FSA Data Center in alignment with stakeholder needs. Since the deployment of the visualization software in August 2022, FSA staff has been testing the self-service module and assessing the necessary steps to deploy the module on the website. In addition to continuing ongoing testing, FSA must secure funding for enterprise licensing to deploy the tool on the website.

While preparing the self-service module for external release, FSA has simultaneously taken steps to train FSA staff to assist with the FSA Data Center reporting to reduce the timeline it takes for creating the monthly and quarterly reports. As a result, subject matter experts within FSA have more time to analyze and understand the impact of the data prior to submitting the data reports to agency clearance, and reports get published on the website more quickly.

During FY 2022, EDD participated in implementing the PSLF Limited Waiver, Income-Driven Repayment (IDR) Waiver, debt relief, bulk BD discharges, and closed school discharges by identifying borrowers and calculating impacts. This work included participating in scoping the borrower outreach as well as modeling options for implementation. EDD also refined the reports that will be run each month for return to repayment that it had begun developing during FY 2020–21 and partnered with other FSA offices and external vendors on leveraging data for borrower outreach campaigns. Additionally, EDD is participating operationally via FSA's targeted early delinquency intervention and always-on outreach campaigns. Transitioning 28 million forbearance borrowers into Active Repayment during the January 2023 timeframe will pose a significant operational and logistical challenge to FSA and, from a data standpoint, it will increase the difficulty to forecast expectations associated with the current performance metrics under this strategic objective.

To mitigate the impact of these changes on the analysis of performance, EDD consults with teams such as FSA Risk Management and the Loan Servicing to incorporate operational timelines and enhancements into analysis of the data These collaboration efforts will also help FSA to re-baseline metrics related to repayment, delinquency, and default after the return to repayment period begins. Several offices, including EDD, will have additional temporary metrics monitoring the return to repayment that can provide additional perspective for metrics such as 5.1.B *Outstanding Direct Loan Portfolio in Current Repayment Status*.

Performance Metrics

Performance Metric 5.1.A. Initiate monthly reporting to the public through the FSA data center.

Table 51: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	56	Reports Standardized and Pilot Completed	Implement self-service module for reports	Target not met
Performance Result	**–**	**–**	**Met**	**Met**	**Not met**	

Note: Data not available prior to FY 2020.

Metric Definition: This metric has a target to implement a self-service module for reports on the FSA Data Center website in FY 2022. While the self-service module was deployed internally in FSA's environment in August 2022, this delay in implementation had an impact on the external rollout of the self-service module. Following the internal implementation, FSA staff began conducting extensive testing of the self-service module which must occur prior to public release. Following the internal deployment, FSA also must now take additional steps to secure funding to support enterprise licensing for use of the module on the FSA Data Center website. These additional steps could not be completed by the September 2022 deadline.

Data Source: FSA data request process and queries.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 5.1.B. Outstanding Direct Loan Portfolio in Current Repayment Status.

Table 52: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	86.5%	86.7%	93.7%	100.0%	N/A	N/A
Performance Result	**Met**	**Met**	**Baseline**	**N/A**	**N/A**	

Metric Definition: During the COVID-19 emergency, this metric has not generated representative or useful results, as the data is inconsequential due to the millions of borrowers currently in an administrative forbearance status. This metric demonstrates an increase or decrease in the percentage of FSA loan portfolio dollars in a current repayment status. Current Repayment is defined as the percentage of Direct Loan principal and interest identified as being in an "active repayment" status. For this metric, loans are defined as being in "active repayment status" if they are current repayment or delinquent and being serviced by a non-default servicer. Active Repayment does not include periods when payments are temporarily suspended (in school/grace or deferment/forbearance), and if they have not been identified as being in non-defaulted bankruptcy, at the default servicer or otherwise excluded (e.g., due to a TPD determination). Direct Loans are further categorized as being "Current" if no more than 30 days have passed since the last payment due date.

Data Source: NSLDS database.

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Objective 5.2

Provide analytics and operational support for a customer-centric, data-driven, performance-based organization.

Overview

FSA has been consistent in its evolution to become a customer-centric and outcome-based organization. FSA will be successful by aiding borrowers in making informed decisions that lessen the burden of debt associated with their education while maintaining the appropriate access to aid for students and families. This effort has required enhanced analytic, risk management, performance management, and quality management capabilities to provide better outcomes for students and greater value to taxpayers.

The insights gained from the work performed in these areas over the past year will help FSA inform policymakers and taxpayers about the risks and opportunities in the portfolio. This information is also helping to direct both operational and stakeholder interventions, support resource allocation, guide customer-centric decisions, and inform legislative or regulatory changes that will allow for better overall portfolio performance.

FY 2022 Performance Summary and Analysis

There are two performance metrics for this strategic objective. Both performance metrics met their annual indicator targets.

Key Successes and Opportunities

FSA's goal is to continually evolve the organization to be risk intelligent, where leadership continually demonstrates a strong commitment to risk management and uses risk in decision-making. Additionally, a risk-intelligent organization uses risk identification and assessment methodologies, tools, and templates that are standardized, understood, and used throughout the organization. Inclusive within this framework, performance is measured against strategic goals and linked to risk and key risk indicators. In FY 2022, the ERM team continued to provide enhanced training, tools, templates, and reports to increase the connection between risk, strategy, and performance. These enhanced products helped FSA to better manage risk across the enterprise and continue to move toward becoming a more risk-intelligent organization. Some specific examples of ERM's accomplishments in support of this performance metric include:

- Reconstituted the Enterprise Risk Management Committee representing collaboration across FSA to understand its enterprise risks. Reestablished Enterprise Risk Portfolio reporting and monitoring of FSA's highest risks.
- Completed risk assessments, risk-based decision documents, and risk alerts to assist FSA in better understanding and managing risk to implement significant initiatives (e.g., *FUTURE Act*, *FAFSA Simplification Act*, Next Gen, Return to Repayment, Debt Relief).
- Worked with key stakeholders across FSA to identify key risks and mitigation activities for all five of FSA's strategic objectives, identified key risk indicators,

and created corresponding dashboard reports to show both qualitative and quantitative risk information.

- Worked collaboratively with FSA and Department stakeholders during the conduct of more than 20 FSA audits and 9 non-FSA audits. Tracked and managed closing evidence for 16 audits across FSA.
- Successfully transitioned the OIG fraud referral process to BPO vendors

Performance Metrics

Performance Metric 5.2.A. Using the Enterprise Risk Management (ERM) Maturity Model, move the organization towards a "Risk Intelligent" position. The model defines organizational progress in the following way:

- 1 = Initial;
- 2 = Fragmented;
- 3 = Integrated;
- 4 = Risk Intelligent.

Table 53: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	1.6	2.5	3.0	3.0
Performance Result	–	–	Met	Met	Met	

Note: Data not available prior to FY 2020.

Metric Definition: The overall target for FY 2022 is to move the organization from Fragmented to a more Integrated organization where leadership understands the importance of risk management and considers it in decision-making. In addition, the metric will move in a positive direction as risk discussions are more structured and occur at varying degrees relating to strategy setting. In an integrated organization, most risks are aligned to strategies, and risk appetite is formally defined and discussed as part of daily decision-making by senior leadership.

Data Source: Stakeholders surveys and ERM Maturity Matrix.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 5.2.B. Implementation timeline for *FUTURE Act*.

Table 54: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	N/A	Developed FAFSA & TPD Simulators, and the FA-DDX interface connection with the IRS	Implementation of interface between IRS and FSA, including testing and performance standards	Implemented interface between IRS and FSA; development ongoing with building 5 new FSA systems that will receive, store, and manage FTI
Performance Result	–	–	N/A	Met	Met	

Note: Data not available prior to FY 2020.

Metric Definition: The *FUTURE Act* was enacted on December 19, 2019. This law allows the Internal Revenue Service (IRS) to disclose certain FTI to the Department for the purposes of providing recertification of income for income-contingent or income-based repayments of student loans; determining discharges of loans based on TPD; and determining the amount of student financial aid under the *HEA*.

The implementation of the *FUTURE Act* requires numerous systems changes and security upgrades in FSA to comply with both IRS security requirements and the provisions of the Act itself. FSA is working closely with more than 100 stakeholders and 15 offices from the Department, the IRS, and Treasury to implement the *FUTURE Act*.

In addition to implementing the *FUTURE Act* Direct Data Exchange (FA-DDX) interface with the IRS, FSA is in the process of developing new applications and infrastructure that will manage and store FTI. These new systems include

- the FTI Infrastructure, a secure cloud environment that will host the applications that manage and store FTI;
- the FTI Module, an application that will leverage FTI to determine continued eligibility for TPD, calculate IDR monthly payment amounts, and calculate the Student Aid Index;
- the FTI Data Mart, an application that will leverage FTI to conduct analyses and forecasts related to the TPD, IDR, and FSA programs;
- the FTI Student Aid Internet Gateway, a mailbox that will securely deliver Institutional Student Information Records to more than 5,000 schools, state agencies, and scholarship organizations; and
- the Safeguards, a combination of operational changes and changes to existing systems (e.g., creation of training modules) that will ensure FSA and the Department is properly protecting federal tax information and complying with applicable Internal Revenue Code (IRC) statutory requirements

FSA plans to continue making progress towards implementing the *FUTURE Act* in FY 2023.

Data Source: N/A

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Objective 5.3

Leverage portfolio analytics to drive improved outcomes for customers and taxpayers.

Overview

FSA has developed, implemented, and maintained data-driven projects used in performing and optimizing customer communications and other customer-level interventions that improve customer outcomes and prevent fraud.

The purpose of objective 5.3 is to highlight FSA's focus on providing data-driven analytics to support borrower decision-making and to demonstrate how targeted engagement can improve outcomes when interventions become necessary. Even with most of the student loan portfolio being in mandatory administrative forbearance, the Default Risk models and TPDR fraud interventions have been in operation throughout FY 2022. The Origination & Disbursement Default Risk model and "always-on" email campaign began in the summer 2021 and have continued operations. "Always-on" means automated interventions are event-driven, such as at the point of FAFSA submission, a disbursement made, or a missed payment, which differs from a normal system notification (i.e., "We've received your FAFSA"). The development of the analytical models reflected under this objective allows FSA to offer proactive support and interventions at various intervals within the student aid lifecycle from an application, to initial borrowing through repayment, to improve overall student loan repayment. Data analytics and risk modeling allow FSA to track customer trends more carefully to improve its ability to understand customer challenges.

The COVID-19 emergency and the *CARES Act's* relief benefits to borrowers with Department managed loans have impacted results for several performance metrics under this objective throughout FY 2022. Virtually 0% of Direct Loans in active repayment as of the end of September 2022 are delinquent, for the reasons discussed in Strategic Objective 5.1. In addition, new Direct Loans have been originated since March 2020. Loans that reached the end of the grace period during the COVID-19 emergency quickly moved to forbearance after entering repayment; similarly, loans that re-enter active repayment during the pandemic from an in-school deferment moved to forbearance. Currently, approximately 400,000 borrowers have asked that their servicers move their loans out of forbearance and into repayment. Should the borrowers subsequently become delinquent in their payments, servicers move these loans back to forbearance. However, borrower payments from Department-serviced borrowers during the pandemic have been received from those whose loans are in forbearance.

FSA has developed a detailed communication plan to remind borrowers of their obligation to resume payments after the payment pause. The organization is also working with oversight agencies and loan servicers to implement strategies to monitor the progress of returning and keeping loans in repayment after the administrative forbearance period ends.

FY 2022 Performance Summary and Analysis

There are four performance metrics for this strategic objective. Only one metric met its annual target as the other three metrics did not generate representative results due to the COVID-19 emergency. Two of these metrics, *Default rate by borrower count* and *Percent of borrowers >*

90-days delinquent, are at 0% because there were no active repayment data to report. Even though both of these two metrics showed five and seven years of improvement respectively prior to the pandemic, they will need to undergo a baseline re-assessment during FY 2023 and/or FY 2024, to set targets for future years. The third affected metric, *Percentage of borrowers who did not make the first three payments*, was a new measure in the *FY 2020–24 Strategic Plan*. While this measure showed promising trends for the three years prior to the pandemic, the metric had never been baselined and FSA will need to develop annual targets.

Key Successes and Opportunities

In the face of large amounts of uncertainty caused by the pandemic, FSA has leveraged data and analytics to keep customers informed in an ever-changing environment and mitigate risks to the *Title IV* programs. FSA has used its IT systems and analytics abilities to implement and optimize communications, helping our customers make informed decisions about their education and finances. These efforts include communications for and implementations of general debt relief, as well as planning for returning to repayment. FSA has produced fraud detection models to help detect and prevent identity theft with the FAFSA, preventing an estimated one billion dollars in fraudulent disbursements. Similarly, FSA has developed models to help protect the integrity of the debt relief implementation through targeted income verification selection.

During different stages of the student aid lifecycle, such as application, disbursement, and repayment, different types of interventions are beneficial. In FY 2022, several examples, where FSA has used analytics to positively impact borrowers, including using modeling to protect FSA against fraudulent actors. In one example, the California mass application scheme, which first emerged in autumn 2021, has been an unprecedented attack on our systems; however, the development and implementation of a model to deny aid to fraudsters have protected more than $1 billion of disbursements to date. A second example of fraud protection, TPDR fraud, identifies unscrupulous actors who contact and convince FSA's borrowers to pay them for services that the government offers for free. The FSA model is leveraged every day to reach out to borrowers at risk of falling victim to these schemes. Currently, FSA has communicated with more than 266,000 borrowers with a total outstanding loan balance of more than $7.4 billion. Specific fraud detection models include:

- Default at Risk Application model allowed FSA to contact 4.6 million applicants through email, always-on and notification interventions including during FY 2022.
- Default at Risk Origination and Disbursement model facilitated FSA in communications to 2.1 million borrowers during FY 2022, including both always-on and notification interventions.

Other modeling initiatives EDD has been working on include modeling data in preparation for the return to repayment. Specifically, the team worked on the targeted early delinquency intervention campaign that will reach out to at-risk borrowers who either miss a payment or successfully make a payment. The team has also been investigating the best time of day to send messages to different customers to increase the likelihood that they will receive, open and act on emails. Other model initiatives include:

- Debt Relief initiative model is being developed by imputing borrower incomes, eligibility, and aid to be forgiven.

- Multiple school modeling efforts include Annual Risk Assessment (for planning of program reviews), Closed School, an Enforcement model, and a student outcome.

Performance Metrics

Performance Metric 5.3.A. Identify and provide intervention actions for customers at risk of default.

Table 55: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	Developed, tested, and deployed two projects	Developed, tested, and deployed two additional projects	Execute default prevention program—50% customer engagement	Executed default prevention program at full scale
Performance Result	–	–	Met	Met	Met	

Note: Data not available prior to FY 2020.

Metric Definition: This metric will track the development, testing, implementation, evaluation, monitoring and updates to Statistical and Machine Learning Models, methodologies, experimental designs, and interventions used in reducing customer risk of negative outcomes such as default. There will be multiple projects wherein models will be developed and deployed for assessing which customers would benefit most from receiving certain interventions such as specific emails, phone calls, skip tracing, and other actions. The benefits shall be measured on a project-by-project basis but will typically consider default-related outcomes as well as costs of performing interventions. This metric will track how many projects exist and what phase of the development lifecycle they are in. Each project will have its own method of measuring its effectiveness once deployed with consideration to its experimental design and goals.

Data Source: FSA's project plans for each individual intervention project.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 5.3.B. Default rate by borrower count.

Table 56: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	N/A	N/A	N/A	N/A
Performance Result	–	–	Baseline	N/A	N/A	

Note: Data not available prior to FY 2020.

Metric Definition: This new metric provides the rate of Direct Loan borrowers entering default. It is a quarterly metric and similar to other repayment metrics, uses a four-quarter rolling average to address seasonal variations that are common in the loan program.

Data Source: NSLDS database.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 5.3.C. Percent of borrowers > 90 days delinquent.

Table 57: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	10.1%	9.8%	4.8%	0.0%	N/A	N/A
Performance Result	**Met**	**Met**	**Baseline**	**N/A**	**N/A**	

Note: At the beginning of the pandemic, Direct Loan servicers cured loans which were delinquent at that time and moved them into forbearance. During *CARES Act*/payment pause, almost all borrowers who were, or would be, actively repaying, have their loans moved into forbearance, and servicers move loans to (or back to) forbearance in cases where borrowers request to opt out of the forbearance but their loans become delinquent, so this metric was not representative or useful during FY 2022.

Metric Definition: This metric calculation is the count of Direct Loan recipients with loans 91–360 days delinquent divided by the count of Direct Loan recipients with delinquencies 0–360 days. In other words, the denominator includes current repayment as well as delinquency. The calculation uses recipient counts, rather than borrower counts, because borrower counts would approximately double system demands. Delinquency rates by recipient count are slightly higher than by borrower count.

Data Source: NSLDS database.

FY 2022 Period of Performance: October 2021 through September 2022.

Performance Metric 5.3.D. Percentage of borrowers who did not make the first three payments.

Table 58: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	N/A	N/A	N/A	N/A
Performance Result	–	–	**Baseline**	**N/A**	**N/A**	

Note: Direct Loan borrowers have not been required to make payments since March 2020, so this metric would not provide representative or useful results.

Metric Definition: This metric tracks the percentage of Direct Loan borrowers who make the first three payments after entering repayment (maturity). FSA will use fiscal year maturity cohorts. The universe of data will exclude military deferments, in-school deferments, and non-defaulted open bankruptcy status, as these are loan statuses where borrowers are not billed and not expected to pay. FSA will employ EDWA's consolidation linking framework in case there are consolidations during a grace period (which are permitted) or early in repayment, so that those borrowers do not "fall out" of the cohort.

Data Source: EDWA servicing data.

FY 2022 Period of Performance: October 2021 through September 2022.

Strategic Objective 5.4

Increase vendor performance through quality management activities centered on customer service and product delivery.

Overview

In FY 2021, FSA set a framework for oversight which put a stronger focus on key performance indicators and service level agreement metrics aimed at delivering more effective outcomes for students and greater value to taxpayers. This framework was the foundation for the shifts in oversight throughout the organization. FSA was able to leverage the work initiated in FY 2021 to pivot into the new landscape in FY 2022.

Both the Vendor Oversight Group (VOG) and Operational Improvement and Oversight (OIO) Directorate have worked collaboratively to progress towards the annual target of three reviews and examinations per year as well as additional oversight measures to ensure top performance from vendors. VOG and OIO met the performance metric again this year and are on track to meet the required reviews again in FY 2023.

FY 2022 Performance Summary and Analysis

There is one performance measure for this strategic objective. In FY 2022, VOG conducted three reviews of loan servicers which included analysis of how they managed specific tasks (e.g., the implementation of *CARES Act*, PSLF, transferring of loans to another servicer). This metric met the annual metric target of three reviews to be completed. All three reviews are final and any recommendations and/or corrective actions are being tracked and monitored.

Key Successes and Opportunities

In late FY 2021, several loan servicers informed FSA that they would not continue their student loan servicing past their current contracts. This action meant that a significant portion of the Direct Loan portfolio would transfer to new servicers. The Vendor Oversight Group was responsible for providing oversight for this process and focused on loan transfer reviews in FY 2022. In FY 2022, VOG reviewed approximately 1.1 million student loans that were transferred (automated and manual). OIO division worked with VOG on developing quick data match analysis, conducting automated data reviews and other oversight activities throughout the massive loan transfer process. The oversight reviews are continuing into FY 2023 and VOG has notified servicers that all identified issues must be resolved with corrective actions.

Another oversight area which continued in FY 2022 is VOG's secret shopper calls. These calls involved VOG staff calling servicing call centers to ask representatives questions related to various topics such as PSLF, *CARES Act* programs, and other pertinent student loan servicing subject matter. VOG conducted approximately 2,700 secret shopper calls in FY 2022. These calls ensure our customers are receiving world class customer care and accurate information about their student loans.

A new, key oversight activity implemented in FY 2022 are targeted monitoring reviews of service level agreements. These are contractually required performance metrics agreed upon in several new contracts with FSA vendors. VOG will be sampling a minimum of 271 borrower accounts (total, not per servicer) for accuracy testing each quarter. These are called our General Account Reviews. There will be an additional review each quarter of “Specialty Programs” with an additional sample of at least 271 borrower accounts to test programs such as Death Discharge, PSLF, TPD, etc. These reviews will be VOG’s focus each quarter since servicer volume allocations are tied to these Service level agreements.

Escalated servicer performance issues and Corrective Actions are managed by Student Experience and Aid Delivery (SEAD) Vendor Management team and VOG. Vendor issues can be identified by SEAD staff or self-reported by contractors. These issues are tracked and discussed with other SEAD stakeholders either in specific meetings for these issues or in other regularly scheduled meetings between SEAD staff. Outstanding vendor performance issues are reviewed regularly by the Vendor Management team and with the servicers and VOG as needed.

Performance Metric

Performance Metric 5.4. Conduct three vendor examinations annually.

Table 59: Performance Metric Results

Fiscal Year	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	–	–	–	6	3	3
Performance Result	–	–	–	Met	Met	

Note: Data not available prior to FY 2021. This performance metric was revised in FY 2021.

Metric Definition: This metric tracks the number of quality assurance reviews conducted by OIO and/or VOG to measure the performance of vendors. The objective is to continuously enhance FSA's oversight and management of FSA vendors by evaluating the efficiency and effectiveness of their compliance with contractual terms and statutory requirements.

Data Source: Internal OIO reports.

FY 2022 Period of Performance: October 2021 through September 2022.

Fiscal Year 2022 Accomplishments of Federal Student Aid

During FY 2022, FSA realized additional accomplishments that were not measured specifically by the performance metrics implemented to measure performance against the *FY 2020–24 Strategic Plan*. Although not measured by FSA performance metrics, these accomplishments are the result of initiatives FSA undertook to support the implementation of the strategic plan or legislative changes. This section describes FSA's additional accomplishments.

FSA realized the following additional accomplishments in support of Strategic Goal 1: *Empower a High-Performing Organization.*

- Federal Student Aid Leadership Institute (FSALI) designed and delivered two new offerings. FSALI - Next Level Up for Team Leads targets emerging leaders. FSALI - Innovative Leadership explores evolving leadership issues impacting FSA's mission and organizational culture.
- Facilities, Security, and Emergency Management (FSEM) has undertaken two initiatives crucial to FSA operations. First, they have been assisting the Department to transition ED PIV cards to the USAccess PIV system. To date, approximately 45% of FSA staff have the new PIV cards. Second, they have developed a move plan for FSA's location at Union Center Plaza (UCP) that centralizes all business units within half of the UCP space, for a more collaborative working environment. This new plan allows for an appropriate amount of telework touchdown space for business units.

FSA realized the following additional accomplishments in support of Strategic Goal 2: *Provide World-Class Customer Experience to the Students, Parents, and Borrowers We Serve.*

- FSA administered the shutdown of Granite State, a federal loan servicer since January 2012. Approximately 1.3 million borrowers were successfully relocated to another servicer with minimal borrower impact or complaints.
- In July 2021, it was announced that FSA would begin waiving verification of most FAFSA Institutional Student Information Record information, with very limited exceptions, in view of challenges and barriers resulting from the ongoing national emergency produced by the pandemic. This positive development helps ensure students have the most straightforward path to getting the financial aid they need to pursue further education by providing over 2 million FAFSA filers relief from verification. In May 2022, that waiver was extended to cover the 2022–23 FAFSA cycle.
- **Limited PSLF Waiver**: On October 6, 2021, the Department announced a change to Public Service Loan Forgiveness (PSLF) program rules for a limited time. Utilizing the *HEROES Act*, the "limited PSLF waiver" refers to the time-limited policy changes to PSLF Program rules that allow borrowers to receive credit for past periods of repayment that would otherwise not qualify for PSLF. After the announcement in early October 2021, FSA worked across the organization and with its PSLF servicer, FedLoan Servicing and later, MOHELA, to implement these policy changes throughout FY 2022. Additionally, FSA was able to quickly update the PSLF Help Tool in November 2021, to support the flexibilities offered under the limited PSLF waiver.

Further, in FY 2022, FSA engaged in a multi-channel communications campaign with targeted emails, organic social media, paid digital ads, webinars, and SMS messages.

- **Reconsideration Request Process:** On October 13, 2021, the Department entered into a settlement agreement with the American Federation of Teachers AFL-CIO, which included a requirement for the Department to establish an interim reconsideration process for PSLF by April 2022. The Department included a permanent reconsideration process in its final regulations for the PSLF program published on November 1, 2022.

  On March 27, 2022, FSA released an online tool for borrowers to submit reconsideration requests for PSLF and Temporary Expanded PSLF (TEPSLF) to support the interim reconsideration process. Additionally, FSA developed standard operating procedures, implemented a customer relationship management tool, and cross-trained FSA staff to review and process the reconsideration requests.

- **PSLF Employer Search:** As part of the DCC Release 5.7, FSA released the PSLF Employer Search in July 2022. This look-up functionality allows borrowers to search employers to verify eligibility for PSLF and does not require login with an FSAID. The PSLF Employer Search also helps support borrowers who may benefit from the Limited PSLF Waiver by providing them with the ability to review their employer's eligibility prior to taking steps to consolidate their loans or complete a *Public Service Loan Forgiveness (PSLF) & Temporary Expanded PSLF (TEPSLF) Certification & Application* (PSLF form).

FSA realized the following additional accomplishments in support of Strategic Goal 3: *Increase Partner Engagement and Oversight Effectiveness.*

- The School Eligibility and Oversight Service Group (SEOSG) conducted oversight reviews for more than 2,400 unique IHEs relating to certification, deficient audit resolutions, flagged financial statements, program reviews, method of payment, and technical assistance.
- SEOSG completed more than 5,450 distinct eligibility actions, including more than 1,150 recertifications and more than 4,300 other institutional eligibility applications.
- SEOSG accomplished this work while also resolving more than 1,970 flagged financial statements and deficient compliance audits, issuing more than 120 Program Review Reports and more than 150 Final Program Review Determinations to IHEs assessing more than $42.7 million in liabilities, and finalizing more than 45 Automatic Closed School Discharge letters to IHEs assessing more than $13.6 million in associated liabilities.
- SEOSG took special actions to issue Provisional Program Participation Agreement (PPPA) Addendums to 24 ACICS-accredited IHEs following the Department's Deputy Secretary's August 19, 2022, decision to deny Accrediting Council for Independent Colleges and Schools' (ACICS's) appeal of an earlier June 2021 decision issued to withdraw recognition of the accrediting agency. The 24 ACICS-accredited IHEs disbursed more than $83.7 million in *Title IV* aid to more than 7,200 students during the 2020-2021 award year.
- Additionally, SEOSG implemented new accountability requirements, including those required by a March 23, 2022, Electronic Announcement requiring IHE owner entities to co-sign Program Participation Agreements and two July 2022 Dear Colleague Letters for IHEs seeking to add or change an accrediting agency.

- The Cohort Default Rates Group (CDR Group) reviewed the FY 2019 Draft Cohort Default Rates (CDRs) and the Official CDRs prior to their releases in February 2022, and September 2022, respectively. The FY 2019 Draft and Official CDRs releases cover more than 5,000 IHEs, GAs, and lenders.
- Upon issuance of draft and official CDRs, an IHE may challenge or appeal the accuracy of the CDR or the underlying data. During FY 2022, the CDR Group received and completed 72 appeals related to the FY 2018 Official CDRs released at the end of September 2021. IHE appeals of the FY 2018 Official CDRs encompassed more than 800 allegations related to the underlying data used to calculate the rates. Following FSA's release of the FY 2019 Draft CDRs in February 2022, the CDR Group received and resolved 19 appeals submitted by IHEs challenging the accuracy of the draft CDR data with more than 60 allegations of incorrect data.
- The Performance Management Group (PMG) released the FY 2022 National Standards for SEOSG's five core business processes, including Financial Analysis, Compliance Audit Resolution, Program Review, Eligibility, and Method of Payment.
- Additionally, PMG resolved more than 745 internal Operational Support Branch Action Requests and answered more than 100 technical questions from the field which led to 36 approved Q&A documents issued providing procedural updates.
- PMG processed more than 175 Financial Responsibility Notifications submitted by IHEs and more than 330 Letters of Credit submitted on behalf of IHEs.
- PMG and SEOSG staff also provided subject matter expertise to support the Department's FY 2022 negotiated rulemaking sessions and proposed regulations and public comment analysis, and they supported and delivered annual FSATC presentations.
- The Clery Group provided expert guidance and analysis regarding school compliance requirements established by the following laws: *The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act* (*Clery Act*); the *Violence Against Women Act* (*VAWA*), the *VAWA Reauthorization Act of 2022* (*VAWA 2022*), and the *Drug-Free Schools and Communities Act Amendments of 1989* (*DFSCA*) including DFSCA's amendments to the *HEA* requiring IHEs to implement Drug and Alcohol Abuse Prevention Programs as a condition of their *Title IV* participation.
- The Clery Group assessed more than 210 media and complaint assessments including 30 complaints submitted by the public and 183 campus-crime media reports. One hundred forty-one of these complaints and media reports warranted further assessment by the Clery Group. These assessments resulted in recommendations either for additional follow-up action, such as technical assistance or program review where warranted, or with recommendations for no further action based on the result of the additional review. Seventy-two media reports reviewed did not include initial information suggestive of an IHE's noncompliance with statutory requirements. The Clery Group extended technical assistance to 25 IHEs in conjunction with the media and complaint assessments.
- Notably, the Clery Group's media and complaint assessment program flagged 35 HBCUs for follow-up outreach in the wake of the bomb threats directed towards their institutions earlier this year. This resulted in 11 HBCUs being offered and 8 accepting focused technical assistance to help improve their preparedness and capabilities to

issue timely warnings to all students, employees, and faculty members regarding credible safety threats.

- Furthermore, the Clery Group reached a significant number of individuals through campus safety and *Clery Act* compliance conferences, trainings, and learning opportunities for IHE officials, public safety professionals, and other stakeholders, and through numerous one-on-one and group technical assistance sessions.
- As part of an internal compliance consultation program, the Clery Group provided feedback on draft findings of noncompliance and proposed final determinations to resolve more than 45 school program reviews and school audits assigned to SEOSG's School Participation Divisions for resolution.
- The Clery Group, together with Department colleagues, is supporting the implementation of new *VAWA 2022* provisions applicable to IHEs including by representing FSA on a new federal interagency "Task Force on Sexual Violence in Education" with counterparts from the Department, the U.S. Department of Justice, and the U.S. Department of Health and Human Services.
- The Clery Group also provided support for the implementation of Section 1507 of *VAWA 2022* requiring the Department to create a standardized, mandatory online campus climate survey tool for IHEs' use in gauging and reporting postsecondary student experiences with domestic violence, dating violence, sexual assault, sexual harassment, and stalking and to support future biannual reporting by the Secretary to Congress.
- The Clery Group began and is continuing a process to transfer and assume a wide range of responsibilities from the Department's Office of the General Counsel to administer the Department's collection and oversight of IHEs' semiannual reporting of foreign gifts and contracts information required by Section 117 of the *HEA*.
- In addition to the new responsibilities, the Clery Group has continued providing direct oversight of *Clery Act*, *VAWA*, *DFSCA*, and *VAWA 2022* requirement through program reviews of IHEs and through active post-review monitoring processes for IHEs with a history of egregious violations.
- The Financial Institution Oversight Service Group (FIOSG) issued 13 oversight reports and determinations covering FFEL Program commercial servicers, lenders, and GAs, and initiated new program reviews of 13 financial institutions who collectively administer and service more than $76 billion dollars in FFEL Program loans out of a combined total portfolio of more than $147 billion in outstanding FFEL Program loans held for more than 5.5 million recipients as of the first quarter of fiscal year 2022.
- Additionally, FIOSG provided operational support and oversight in the development and implementation of the Department's Dear Colleague Letter GEN-21-03 expanding the loan collections pause to include defaulted FFEL Program loans managed by non-federal GAs, including preparation, management review, and finalization of more than 1,000 critical element assessments prepared during FY 2022 providing on-going oversight related to "GA Pause" activities.
- FIOSG carefully monitored GA performance of required actions in the following areas related to the national student loan payment pause:

- pending and completed removals of GAs' trade lines from defaulted borrower credit reports for more than 189,000 defaulted borrowers related to nearly 550,000 loans valued at more than $5.2 billion,
- GAs' retroactive application of 0% loan interest rates to the March 13, 2020, start date of the national student loan payment pause for more than 1.4 million borrowers and nearly 4 million loans of more than $33 billion,
- for improper involuntary collections activity by GAs, and monitoring GAs' repayment to borrowers of more than $69 million in involuntary Treasury Offsets Payments initially diverted from more than 53,000 borrowers owing on more than 154,000 loans totaling more than $1 billion,
- GAs' repayment of more than $107 million in administrative wage garnishments deducted from the paychecks of more than 111,000 borrowers owing on more than 359,000 loans of more than $2.3 billion,
- GAs' fulfillment of borrower-requested refunds totaling more than $6.6 million of voluntary loan payments made by more than 3,100 borrowers towards more than 9,100 loans of more than $60 million,
- GAs' processing of $544 million in refunds for more than 130,000 borrowers who consolidated more than 392,000 loans of more than $3.4 billion,
- GAs' resolution of more than $38 million in refundable collection costs for more than 50,000 borrowers who rehabilitated at least 150,000 FFEL Program loans totaling more than $1.5 billion into Direct Consolidation loans, and
- GAs' Special Mandatory Assignments (SMAs) of defaulted loans in GA portfolios, including SMAs completed for nearly 12,000 borrowers who defaulted on more than 32,000 loans of $281.4 million, and pending SMA submissions for another 260,000 borrowers who defaulted on 732,000 loans of more than $7.2 billion.

- Some GAs, including those for the States of Illinois, Louisiana, Missouri, New Hampshire, New York, and Utah, are in the process of exiting the FFEL Program. FIOSG continues to supervise the transition of GA loan portfolios to approved successors and to assess and manage risks created by changes in the GA sector.
- Given the considerable financial impacts of the Department's Dear Colleague Letter GEN-21-03, GAs were authorized to reimburse themselves for lost revenue from their Federal Student Loan Reserve Fund (Federal Fund) accounts subject to reasonability requirements. FIOSG tracked transfers and request for transfers on a monthly basis. GAs reimbursed themselves from their Federal Fund accounts until some were in a negative financial position. FIOSG timely raised concerns regarding the financial shortfalls these GAs were facing with FSA and Department senior leaders. The Department presented these financial concerns to OMB, which resulted in FIOSG's approval of 26 payment transactions transferring more than $1 billion to 9 GAs in order replenish their Federal Fund accounts to the minimum reserve requirement levels.
- FIOSG has been an active participant in the ongoing development and planned implementation of the "Fresh Start" initiative for defaulted loan borrowers, including providing expert consultations for the development of policy and policy guidance, supporting exploratory research on various policy proposals, and responding to

communications from the FFEL Program loan participants and representatives regarding the "Fresh Start" initiative announced on April 6, 2022.

- FIOSG collaborated with FSA's Project Success team and FSA's senior leaders to prevent the disruption of Project Success funding due to GAs' implementation of Dear Colleague Letter GEN 21-03. FIOSG reviewed and approved quarterly Project Success reimbursement requests from GAs' Federal Fund accounts for Project Success' current phase expenses. FIOSG continues to collaborate with the Department's Office of the Under Secretary, OIG, Institute for Education Statistics, Office of the Chief Data Officer, Chief Economist, and OMB to develop an evaluation plan, operations plan, and agreements for GAs to renew their Project Success participation in future years.
- FIOSG developed and/or implemented updated methodologies for program reviews of: (1) commercial loan servicers' administration of FFEL Program loans; (2) small self-serviced FFEL Program lenders with portfolios less than $5 million; (3) GAs exiting the FFEL Program; (4) GAs continuing their participation in the FFEL Program; (5) default aversion fees; and (6) GAs' administration of Project Success.
- Additionally, FIOSG Lead Reviewers served as subject matters experts for the FIOSG Procedures and Critical Elements with the Performance Management Group. A FIOSG reviewer assisted SEOSG in completing a review related to a closed school that closed and entered bankruptcy in 2005. FIOSG contacted appropriate GAs and obtained data and management attestation relating to the GAs' payment of closed school discharge claims thus allowing SEOSG to close out the review. In another case, a FIOSG reviewer assisted SEOSG and an institution process credit balance checks for two paid in full borrowers who were due a refund. FIOSG conducted skip tracing efforts and research and reached out to appropriate internal contacts and GAs to bring this issue to resolution and have the money appropriately remitted to its owner and aided the institution in resolve and close a program review finding.
- FIOSG staff served as the Department liaison to GAs participating in the FFEL Program "Common Review Initiative (CRI)" and as a non-voting representative to the CRI Governance Council.
- FIOSG participated on bi-monthly FSA Ombudsman calls with all GAs to discuss pending issues.
- FIOSG supported FSA's Next Generation Program Office and venders on changes and updates necessary for the Next Gen system.
- FIOSG developed and presented FSA Organizational briefing materials related to FIOSG's program review function.
- The Partner Eligibility and Oversight Services Directorate (PEOSD) Front Office provided ongoing support, information, technical assistance, and other resources to students, institutions, and borrowers impacted by an upsurge of natural disasters across the southern and midwestern states, Pacific states, and the East Coast, including proactive communications before the disasters struck and communications following the disaster, technical and operational assistance, regulatory and administrative relief and reporting flexibilities. In anticipation of a need to support these efforts, the PEOSD Front Office issued more than 4,000 pre-disaster emails to more than 2,000 institutions communicating the Department's request for advanced preparedness information in the event of hurricanes, wildfires, and other types of cyclical natural disaster risks.

- When disasters struck, the PEOSD Front Office issued nearly 700 emails to aid in the recovery efforts of approximately 350 institutions who enrolled approximately 368,000 students who received more than $3.8 billion in *Title IV* funding to attend schools located in geographic areas that were adversely impacted by natural disasters during FY 2022.
- The PEOSD Front Office supported the fulfillment of more than 135 Freedom of Information Act requests, and ensured responses were provided to more than 100 control mail responses to inquiries submitted to senior Department officials by the public and by members of Congress.
- The PEOSD Front Office continued to support the publication of a series of updated data sets, reports, and other information regarding institutional outcomes and financial oversight including quarterly Heightened Cash Monitoring reports, Financial Responsibility Standards Requiring a Letter of Credit Report, Proprietary 90/10 Revenue Percentages Report, Financial Responsibility Composite Scores, and Proprietary Institution Conversions among other items.
- PEOSD Front Office ensured fulfillment of source documents for auditor examination for a variety of federal audits and reviews conducted by the Department’s OIG and the GAO and managed responses to draft report including corrective actions. PEOSD Front Office also supported hiring initiatives throughout the year.
- In October 2021, the Department announced the establishment of an Office of Enforcement within FSA and the hiring of a chief enforcement officer, reporting directly to the chief operating officer. The Office completed hiring of its leadership team and continued hiring in Borrower Defense and Investigations groups.
- BDG successfully recommended, and the Department announced group discharges based on borrower defense findings, covering 875,000 students who attended Corinthian Colleges, Inc., ITT Tech, Marinello Schools of Beauty, and Westwood College. These discharges total $11.4 billion in relief to defrauded students.
- The Administrative Actions and Appeals Services Group initiated dozens of actions against bad actors in the *Title IV* program including 10 recertification denials, 6 PPPA revocations, levying 18 fines totaling $2.3 million, 5 suspensions, 7 debarments, and 2 terminations.
- FSA published its first Enforcement Bulletin warning institutions that the Department will act aggressively when it finds misrepresentations made to servicemembers and veterans by institutions. Enforcement plans additional bulletins to better communicate with outside stakeholders.
- The Investigations Group opened investigations into multiple institutions of higher education related to fraud and deceptive practices and completed multiple related site visits.
- The FSA Training Center (**fsatraining.ed.gov**) provided training and technical assistance to 20,000 unique users. The Ease of Doing Business Survey respondents rated the ease of using the FSA Training center at 76 in its first appearance on the survey.
- TISG provided training to more than 15,000 school partners via the Wednesday Webinar series, Regional Conferences, congressionally-mandated Fundamentals of *Title IV* training sessions and other outreach events.

- The Conference Management Group conducted FSA's second Virtual FSATC with more than 15,000 participants in attendance.
- The Internal/External Communications Group maintained timely operational communications while simultaneously supporting high-profile communication needs for numerous FSA and Department priorities including, but not limited to, preparation for SABER, implementation of Next Gen NSLDS database, consolidation of public CDR information into one website, and creation of a disclaimer statement process through which FSA and the Department agree to publish PDFs until 508 compliance is attained.
- The Partner Technical Assistance Group (PTAG) and the Partner Engagement & Relationship Management Group (PERMG) identified a need for a *Title IV* administration best practices training aimed at new college/university presidents and chancellors. In September, PTAG and PERMG launched FSA's New President's Briefing in a two-part series to share critical information, strategies, and best practices concerning oversight and monitoring of *Title IV* Programs.
- TISG, PTAG and the Partner Connect Help Desk provided technical assistance support to over 2,000 school partners.
- The Minority Serving Under-Resourced Schools Division (MSURSD) provides technical assistance and training to MSIs. This year based on a statistical analysis of MSIs and a predetermined set of data (compliance) points, the MSURSD group was able to lower the number of MSIs with severe compliance issues to the lowest number (17 out of 823 schools) in 7 years.
- PERMG provided leadership and coordination for FSA's session at the 2022 HBCU Annual Conference, which saw 1,232 individuals attending in person along with 1,535 virtual attendees. PERMG also participated in the HBCU Presidential Board of Advisors meeting. Leadership was also provided for the second series of virtual "Birds of a Feather" sessions which included financial aid staff from six institutional segments. An internal interim platform for the Institutional Ombudsman for schools was created to track cases received from schools and FSA enterprise internal partners; a communications plan is being executed to support the full implementation of this new function.
- PPO's managed-systems supported the award of more than $113 billion in federal student aid during the 2020–21 award year.
- A newly re-engineered NSLDS launched on July 24, 2022. The 28+ year old mainframe system was completely re-engineered to now being hosted using virtual machines (midrange servers) into FSA's segregated cloud solution. The NSLDS database holds more than 80 billion records, which amount to over 105 million students, 517 million loans, 176 million grants, and plays a pivotal role in the delivery and management of federal student aid by providing functions such as pre-screening of FAFSA applicants, tracking of enrollment status, and calculations of Cohort Default Rates.
- A government-wide initiative began in 2019 to transition all federal agencies from the use of the DUNS for business transactions with the federal government to a new Unique Entity Identifier (UEI). FSA implemented the new UEI on April 4, 2022. During this transition, FSA worked to ensure all *Title IV* institutions were converted from their traditional DUNS to a new UEI to allow all schools to continue processing their federal awards.

FSA realized the following additional accomplishments in support of Strategic Goal 4: *Strengthen Data Protection and Cybersecurity Safeguards.*

- The FSA Identity and Access Management team in the Technology Directorate recently completed the Global Password Change for StudentAid.gov, FSA ID user accounts in the Person Authentication Service system. Over 22.7 million of our 83 million users have already logged in and changed their passwords.
- FSA IHE Cybersecurity Division established a quarterly Newsletter program to share cybersecurity information and improve relationships with IHEs. The initial newsletter was emailed to over 11,000 IT and Compliance Professionals in the education sector and has since been requested by 1,073 more.
- IHE performed 21 outreach activities including those for Cybersecurity Month and FSA Day. Resolved GLBA audit compliance for 282 schools.
- FSA is investing on a new Services Platform project to gain broader cybersecurity situational awareness. This platform will rely on an Enterprise CMDB, enabling higher speed when responding to incidents, faster response to data calls, automation of workflows (case management), Customer Portal to enhance the quality of support to IHEs, Vulnerability and Risk Management as it pertains to FSA assets.
- The Cybersecurity Operations Division has been very active performing market surveys looking to identify technologies to enable FSA to comply with Executive Order 14028. Identifying technologies is one of multiple steps to move from conceptual ideas to actual implementation of solutions on time. Plenty of work is also happening defining requirements for contract modifications with hosting facilities.

FSA realized the following additional accomplishments in support of Strategic Goal 5: *Enhance the Management and Transparency of the Portfolio.*

- Throughout FY 2022, FSA measured and analyzed performance based upon performance metric results outlined in the *FY 2020–24 Strategic Plan*, as well as various internal metrics used for operational management. The analysis of performance continues to be a transparent process within the organization, executed through weekly performance reports shared with the FSA leadership and management team. Detailed analyses of specified performance metrics are developed and provided to the FSA leadership and management team in the form of dashboards.
- At the end of the fiscal year, the organization was updating 22 dashboards on 12 topics, with 68 visualizations representing approximately 90 metrics on a weekly basis. Areas of focus and metrics were added as FSA identified potential concerns or opportunities for improvement. These dashboards were used to identify and resolve issues that may be affecting organizational performance.
- In FY 2022, the Enterprise Data Directorate (EDD) deployed a new data visualization software in its enterprise data warehouse in preparation for launching a more robust self-service module to continue to expand and improve the FSA Data Center.
- FSA leveraged data and analytics to keep customers informed in an ever-changing environment and mitigate risks to the *Title IV* programs. In FY 2022, there are several examples where FSA has used analytics to positively impact borrowers:

- Regarding TPDR fraud, which is when unscrupulous actors reach out to our borrowers and convince them to pay them for services that the government offers for free – our model is leveraged every day to reach out to our borrowers at risk of falling victim to these schemes.
- The Enterprise Risk Management team continued to provide enhanced training, tools, templates, and reports to increase the connection between risk, strategy, and performance. These enhanced products helped FSA to better manage risk across the enterprise and continue to move toward becoming a more risk intelligent organization.
- Reconstituted the Enterprise Risk Management Committee representing collaboration across FSA to understand its enterprise risks. Reestablished Enterprise Risk Portfolio reporting and monitoring of FSA’s highest risks.

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Additional Reporting Requirements (Unaudited)

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Overview of Additional Reporting Requirements

Additional Reporting Requirements presents the additional reports specifically mandated by the *HEA* to be included in the Annual Report. These required reports are listed below.

- **Legislative and Regulatory Recommendations:** This report details legislative and regulatory recommendations that FSA provided to the Department in support of the Department's regulatory activities.

- **Annual Bonus Awards:** This report discusses executive compensation at FSA in compliance with the legislative requirements under the PBO legislation that created FSA.

- **Report of the Federal Student Aid Ombudsman:** The report discusses the FSA Ombudsman's activities in accomplishing its statutory mission of addressing complaints about *Title IV* financial aid programs.

Legislative and Regulatory Recommendations

One of FSA's mission responsibilities under the law is to provide input on legislative proposals from Congress and from the Administration and to support the Department's regulatory activity. FSA also may suggest legislative or regulatory changes for consideration by the Department's senior policy officials. These recommendations customarily center on improving and simplifying the *Title IV* federal student assistance programs for FSA customers, minimizing administrative costs, and improving program integrity. FSA's recommendations inform the Department's policymaking process, including its activities and decisions related to each year's budget process. FSA provides this input and recommendations by direct contact with colleagues in the various policy offices within the Department, including the Office of the Under Secretary, the Office of Postsecondary Education, and the Office of Planning, Evaluation and Policy Development, at both the senior policy level and at the staff level. During the past year, FSA provided specific recommendations to policy officials on several issues, including:

- Interpreting the provisions of the *Consolidated Appropriations Act, 2021* and the *Consolidated Appropriations Act, 2022*, both of which make significant changes to the requirements for completing the FAFSA; determining a student's eligibility for federal student aid; and calculating Federal Pell Grants,
- Interpreting the provisions of the *Stop Student Debt Relief Scams (STOP) Act*,
- Ending the prohibition on Federal Pell Grants for students incarcerated in federal and state penal institutions and developing regulations for the Department's and states' approval of prison education programs, and
- Supporting the Department's negotiated rulemaking efforts related to gainful employment; financial responsibility; institutional certification; 90/10 requirements; changes in ownership; administrative capability; closed school discharges and discharges for TPD; PSLF; income contingent repayment; and borrower defense to repayment.

Annual Bonus Awards

As required by the *HEA*, the Annual Report includes performance ratings and related awards for FSA senior managers and Senior Executive Service (SES) staff. Included in this section are the number of senior managers and SES staff on board as of the end of FY 2022. However, because FY 2022 performance results were not finalized at the time this report was prepared, the section discusses FY 2021 performance results.

At the end of FY 2022, there were 107 FSA senior managers and 4 SES members. The FSA Executive Committee contained 11 of the 107 senior managers and 1 of the 4 SES members. As members of the FSA Executive Committee, these senior managers reported directly to the COO. The remaining 96 senior managers and 3 SES staff served in a variety of senior positions and capacities within FSA.

The following section discusses FY 2021 performance results.

For performance year 2021, the COO received a rating of Exceptional Results and a performance bonus of $46,000 for his work at FSA.

There were also FY 2021 performance ratings and awards for 5 of the remaining 12 senior managers who were members of the FSA Executive Committee reporting directly to the COO. Seven senior managers were not eligible to receive a performance rating. The composition of ratings for the remaining 4 senior managers and 1 SES member of the FSA Executive Committee achieved a performance rating of Exceptional Results. There were 2 SES members not on the FSA Executive Committee who achieved a performance rating of Exceptional Results.

Award amounts for the FSA Executive Committee ranged from approximately $20,129 to $29,895, depending on the performance rating and level of effort of everyone. Only individuals with performance ratings of High Results Achieved or Exceptional Results achieved were eligible for performance-based awards.

The composition of ratings for the 105 senior managers who did not serve on the FSA Executive Committee last year were as follows: 68 senior managers achieved a performance rating of Exceptional Results; 19 achieved a performance rating of High Results; and 18 achieved a performance rating of Results Achieved.

Award amounts for those senior managers achieving an Exceptional Results rating ranged from $5,915 to $21,163 with a median award of $8,558. Award amounts for those achieving a High Results rating ranged from $4,908 to $5,979 with a median award of $5,624.

For additional information, please refer to: **Higher Education Amendments 1998/sec141**

Report of the Federal Student Aid Ombudsman

Introduction

Established by the *HEA*, the Ombudsman began operations on September 30, 1999. The Ombudsman is responsible for resolving complaints regarding *Title IV* financial aid programs. Pursuant to the *HEA*, the Ombudsman compiles and analyzes data on borrower complaints and makes appropriate recommendations. Additionally, the Ombudsman is required to describe the activities and evaluate the effectiveness of the role during the preceding year.

The Ombudsman Group oversees all complaints submitted directly to FSA, as well as complaints referred by members of Congress, the Department, the CFPB, and other stakeholders. The information included in this report represents the Ombudsman's independent judgment and does not necessarily represent the views of the Department.

Overview of All Cases Received in Fiscal Year 2022

During FY 2022, FSA received 101,516 cases—more than double the number of cases received in FY 2021.[20] Cases may be submitted in a variety of ways, including through FSA's website, by telephone, postal mail, or email.

In general, significant public announcements and improved user experience on **StudentAid.gov** drive traffic to FSA's complaint system. For example, in FY 2016, FSA launched the first iteration of its web-based complaint intake form, which increased intake by more than 10,000 cases the following year.[21] In FY 2019, the announcement of the TEPSLF drove a record number of case submissions.[22]

In October 2021, FSA improved the visibility of its complaint tool, which again drove a large amount of traffic to the complaint system.[23] Then, the Administration announced several policy initiatives, including the Limited PSLF Waiver, the IDR Account Adjustment, and One-Time Debt Relief, which drove record traffic to the **StudentAid.gov** website, and subsequently the complaint portal.[24] The Department also announced its proposed settlement in the *Sweet v.*

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[20] FSA receives multiple types of cases, including complaints (cases in which an individual alleges a problem with the administration of federal financial aid programs or institutions of higher education), disputes (escalated complaints handled by the Ombudsman Group, which most commonly occur when a complainant disagrees with the initial resolution of their case), general inquiries (questions about the operation of federal student aid programs and the use of FSA tools, such as resetting an FSA ID or questions about completing the FAFSA), suspicious activity (reports of suspected fraud within federal financial aid programs), or unassigned cases (cases submitted over the web awaiting categorization by intake agents). During FY 2022, FSA received 89,441 complaints, 511 disputes, 7,777 general inquiries, and 2,040 suspicious activity submissions. At the end of the fiscal year, 1,747 cases were unassigned. Data are current as of October 12, 2022 and reflect the number of cases stored in FSA's case management system as of the date the data was extracted.

[21] U.S. Department of Education, Federal Student Aid Launches Online Feedback System (July 1, 2016), https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2016-07-01/general-subject-federal-student-aid-launches-online-feedback-system.

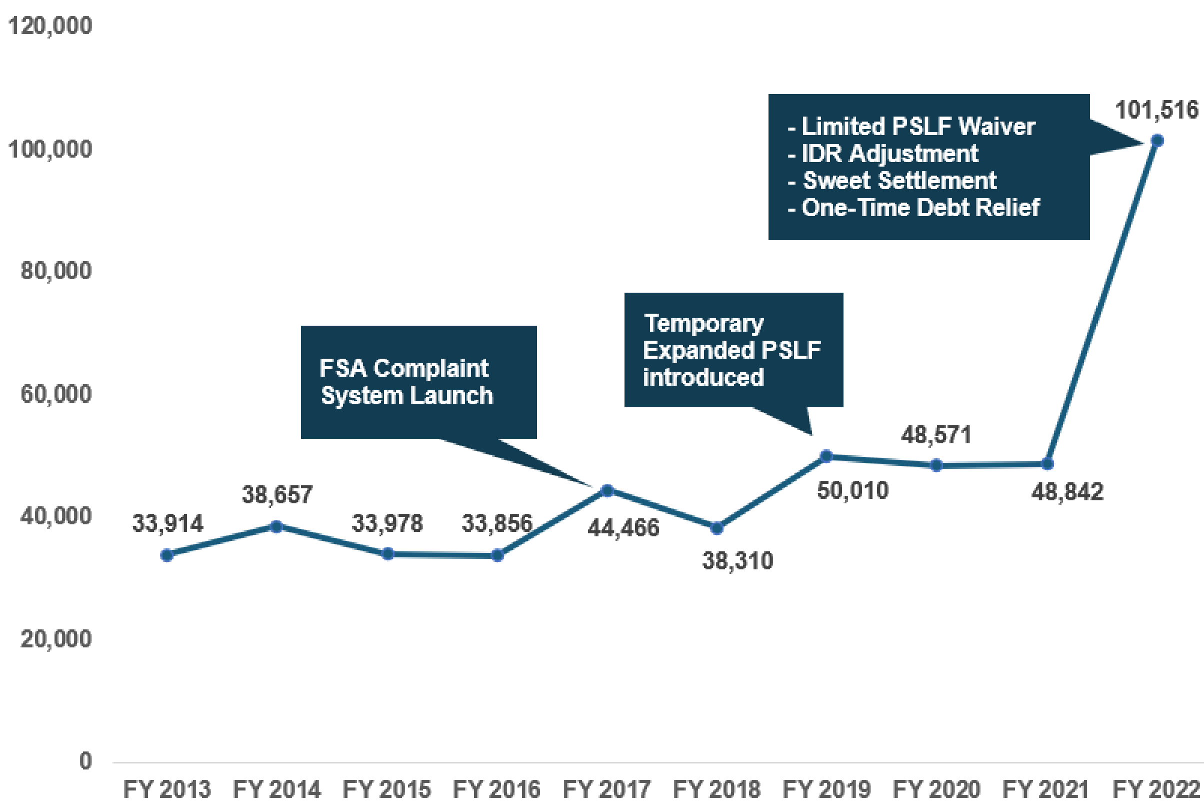
[22] U.S. Department of Education, Temporary Expanded Public Service Loan Forgiveness, https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service/temporary-expanded-public-service-loan-forgiveness (last visited October 20, 2022).

[23] FSA's complaint portal link is now in the header of nearly every page on StudentAid.gov.

[24] Press Release, U.S. Department of Education, U.S. Department of Education Announces Transformational Changes to the Public Service Loan Forgiveness Program, Will Put Over 550,000 Public Service Workers Closer to Loan Forgiveness (October 6, 2021), https://www.ed.gov/news/press-releases/us-department-education-announces-transformational-changes-public-service-loan-

Cardona lawsuit, which prompted a significant number of complaints from students who alleged misconduct by their school.[25]

Figure 24: All Cases Received by Fiscal Year[26]
Total Cases Received: 101,516



Data Limitations

The data discussed in this section reflects the status of cases received in the complaint system at the time of reporting. During the first quarter of FY 2022, as part of FSA's broader effort to

forgiveness-program-will-put-over-550000-public-service-workers-closer-loan-forgiveness; Press Release, U.S. Department of Education, Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs (April 19, 2022), https://www.ed.gov/news/press-releases/department-education-announces-actions-fix-longstanding-failures-student-loan-programs; U.S. Department of Education, The Biden-Harris Administration's Student Debt Relief Plan Explained (last visited October 20, 2022), https://studentaid.gov/debt-relief-announcement.

[25] Press Release, U.S. Department of Education, Statement from U.S. Secretary of Education Miguel Cardona on Sweet Settlement (June 6, 2022), https://www.ed.gov/news/press-releases/statement-us-secretary-education-miguel-cardona-sweet-settlement.

[26] Due to a methodological change, the case count listed in this figure does not match the number reported in previous FSA annual reports. Data in this visualization are current as of October 12, 2022 and reflect the number of cases stored in FSA's case management system on the date the data was extracted. Previous FSA annual reports used a methodology that aggregated the number of cases observed throughout the year, but may not have accounted for cases that were referred or received after the initial observation.

modernize how it engages with aid recipients, FSA transitioned to a BPO vendor model to manage FSA complaints, leading to changes in data collection and categorization.[27]

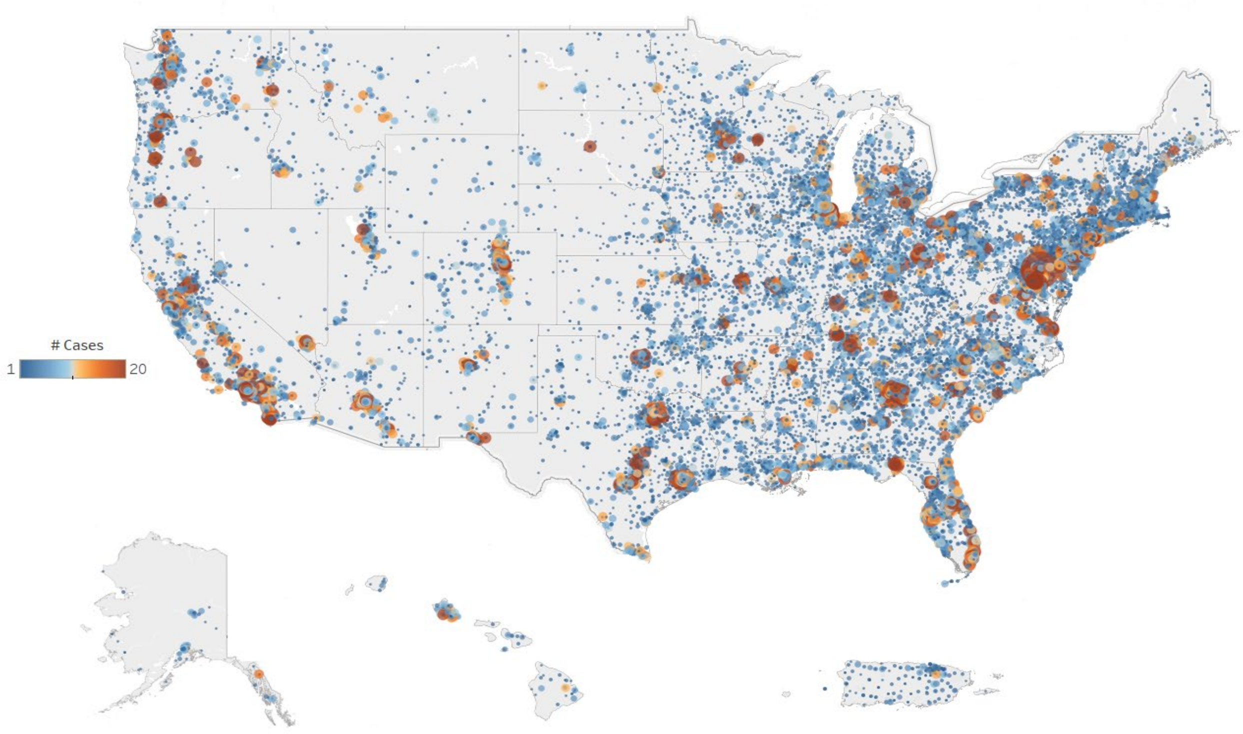
Since January 2022, 94% of FSA complaint system cases were submitted through **StudentAid.gov**. Web-based intake improves the customer experience by giving users more control over their narrative but requires intake agents to perform categorization work after case submission. As a result, web submissions remain unassigned until an agent reads the details of the narrative and completes the FSA categorization. Approximately 2% of cases were unassigned at the time data was analyzed for this report.

Finally, submissions created using the online complaint tool do not present the same categorization options as those maintained internally, so reporting is not uniform. In FY 2023, FSA will update and streamline its complaint system to synchronize the web-based intake form and the internal categorization process.

Demographics of Borrower Complaints

During the fiscal year, borrowers reached out to FSA from across the country. By improving the visibility of FSA's complaint system on **StudentAid.gov**, FSA gained insight into the issues faced by a large cross-section of federal student loan borrowers.

Figure 25: Cases Received by Geographic Location



[27] U.S. Department of Education, Federal Student Aid, Answering the call for customers and partners: The Next Gen FSA Business Process Operations (BPO) vendors (September 22, 2022), https://studentaid.gov/sites/default/files/business-process-operations.pdf.

In reviewing available demographics about complainants, data shows borrowers across every age bracket run into issues navigating loan repayment. However, higher-balance borrowers disproportionately submit complaints about their loan or school. Additionally, borrowers who were enrolled in IDR prior to the federal student loan payment pause submitted a significantly greater number of complaints than borrowers in any other repayment plan.

Figure 26: Select Demographics of Complaint Submissions[28]

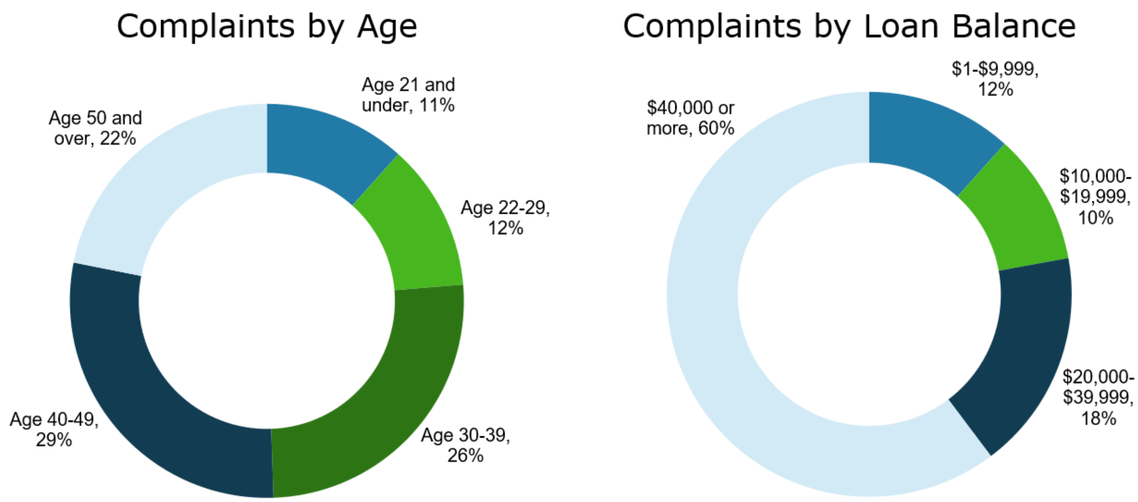


Table 60: Complaints about Repayment by Pre-Pandemic Repayment Plan[29]

REPAYMENT PLAN	NUMBER OF BORROWERS
Standard Plan	3,906
Graduated Plan	2,795
Extended Plan	2,948
IDR Plan	20,244
Other Repayment Plan	895
No Repayment Plan	5,147

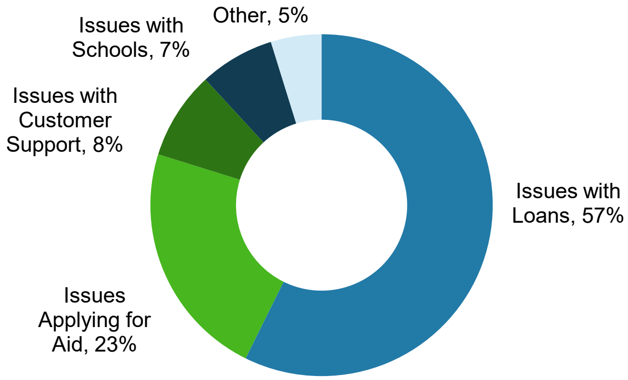
[28] Data in this table are based on complaints received through August 2022 and are matched to data in the NSLDS database using FSA's EDWA tool. This information is limited to complainants who provided identifying information.

[29] This table represents complaints categorized as "repaying student financial aid," "repaying student financial aid-default," "public service loan forgiveness," and "credit reporting." Data is based on complaints received through August 2022 and are matched to data in the NSLDS database using FSA's EDWA tool. This information is limited to complainants who provided identifying information.

Complaints by Topic

Throughout the fiscal year, FSA received nearly 90,000 complaints as borrowers sought to manage their federal aid. The majority of these complaints were related to student loan repayment.

Figure 27: All Complaints Received by Stage of Federal Aid Lifecycle
Total Complaints Received: 89,441



The most common complaint issues related to student loan repayment fall into four categories: general loan repayment issues, problems navigating the PSLF program, repayment issues faced when in default, and credit reporting. Taken together, FSA received 51,268 complaints (57%) about repayment.

Individuals navigating the student aid application process submitted 20,118 complaints (23%), making it the second largest topic by stage of the aid lifecycle. These complaints described problems users encountered when completing the FAFSA form and accessing their FSA ID. FSA received 7,446 complaints (8%) from individuals who had problems with FSA's customer support. Most commonly, these complaints raised issues related to navigation of **StudentAid.gov**, including site error messages and web outages. Additionally, this category includes complaints from individuals who reported a negative interaction with an FSA or student loan servicer customer service agent.

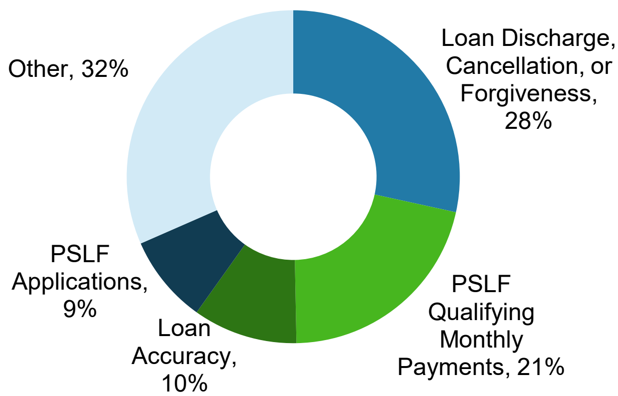
FSA received 6,326 complaints (7%) from students describing issues while enrolled in school, including problems with their school. Topics within this category include cases related to the timing and amount of federal student aid and about school operations after enrollment.

Finally, FSA received 4,283 complaints (5%) about other topics, which include aid eligibility, aid disbursement, and 61 complaints awaiting categorization by intake agents.

Servicing-Related Complaints

The majority of complaints received by FSA during FY 2022 concerned issues related to student loan repayment, with a significant number of complaints related to PSLF. As previously discussed, many of these complaints were driven by the introduction of the Limited PSLF Waiver.

Figure 28: Complaints about Student Loan Repayment by Subcategory[30]
Total Complaints Received: 51,268



This year, the Department expanded the Second Chance Pell experiment—a program designed to facilitate educational attainment and reduce recidivism for incarcerated individuals.[31] This initiative includes access to Fresh Start, which will provide a pathway out of default for federal student loan borrowers.[32] But while the Department is expanding its efforts to help incarcerated students and borrowers, complaints suggest there may still be obstacles faced by this population in attempting to access these benefits. During FY 2022, FSA received more than 300 complaints that mentioned issues related to imprisonment.[33]

These complaints suggest that the logistical barriers faced by incarcerated individuals may impede their ability to access certain benefits and protections—a sentiment echoed in listening sessions about this issue, wherein legal aid organizations described how incarcerated individuals are often prohibited from calling toll free phone numbers, which makes contacting FSA or their servicer difficult. Complaints from borrowers describe the lived reality of this impediment. For example, one borrower described struggling to access even basic information about the loan program:

> *So, I'm in the Department of Corrections. I am in prison at the moment, and I cannot use the internet to get a hold of my loan provider unless it's through the mail. I am interested in learning more about the new student loan relief the Administration is going to approve for anyone that has a student loan. My studentaid.gov portal has my address, but I want to receive mail and other helpful information that I would need and would like for the studentaid.gov to send everything to me in the mail*

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[30] Complaints about "issues with loans," in Figure 27.

[31] Press Release, U.S. Department of Education, U.S. Department of Education Announces Expansion of Second Chance Pell Experiment and Actions to Help Incarcerated Individuals Resume Educational Journeys and Reduce Recidivism (April 26, 2022), https://www.ed.gov/news/press-releases/us-department-education-announces-expansion-second-chance-pell-program-and-actions-help-incarcerated-individuals-resume-educational-journeys-and-reduce-recidivism.

[32] U.S. Department of Education, A Fresh Start for Federal Student Loan Borrowers in Default https://studentaid.gov/announcements-events/default-fresh-start (last visited October 20, 2022). Fresh Start benefits trigger automatically for those who reenroll in school.

[33] Complaint narratives that use the term "prison," "incarcerated," or "jail."

> *since I [cannot] use the internet to access other site only this site that is approved by the Department of Corrections.*[34]

In other complaints, borrowers describe struggling to access Department programs, such as eligibility to have one's loans written off if incarcerated for more than ten years.[35] However, incarcerated borrowers must affirmatively know to ask for this discharge while there is still at least ten years remaining on their sentence. With little or no internet access and limited resources with which to do research about student loans, incarcerated borrowers are unlikely to know how to access this critical relief. As one borrower described:

> *I was incarcerated for over 10 years. I was not able to pay my student loans during that time. While incarcerated, I received a letter from my loan servicer stating I was in default and stating the interest and penalties. The letter also stated that if I was incarcerated for 10 years or longer, I would not be responsible for the loans anymore. Upon release, I contacted the loan servicer and was redirected several times before being informed that I am not eligible for forgiveness.*

Research shows that justice-involved individuals are disproportionately low-income and indebted, and following reentry, debt burdens may increase the likelihood of recidivism.[36] As the Department continues its efforts to promote rehabilitative outcomes for formerly incarcerated borrowers, it should consider operational strategies, like automation, that support access to student loan debt relief and other benefits for these individuals in light of the significant constraints on their ability to access key information or engage with the Department or its servicers.

School-Related Complaints

During FY 2022, FSA received 6,326 cases related to schools. These submissions cover a wide range of issues, including problems with federal student aid eligibility and disbursement to complaints about school operations once enrolled. Separately, borrowers submitted 1,683 complaints about Borrower Defense to Repayment applications, which concerns FSA's process discharging a loan when there is proof a student was misled or defrauded by their school. Those complaints are organized within the category related to student loans.

Borrowers who attended for-profit schools disproportionately submit complaints about their schools, relative to the share of *Title IV* aid funds disbursed for attendance at those schools. The sector accounts for 13% of annual aid volume but represents nearly three times (38%) that share of FSA's identified complaints.[37] In contrast, the public and private, not-for-profit school sectors account for a smaller share of complaints than annual aid volume.

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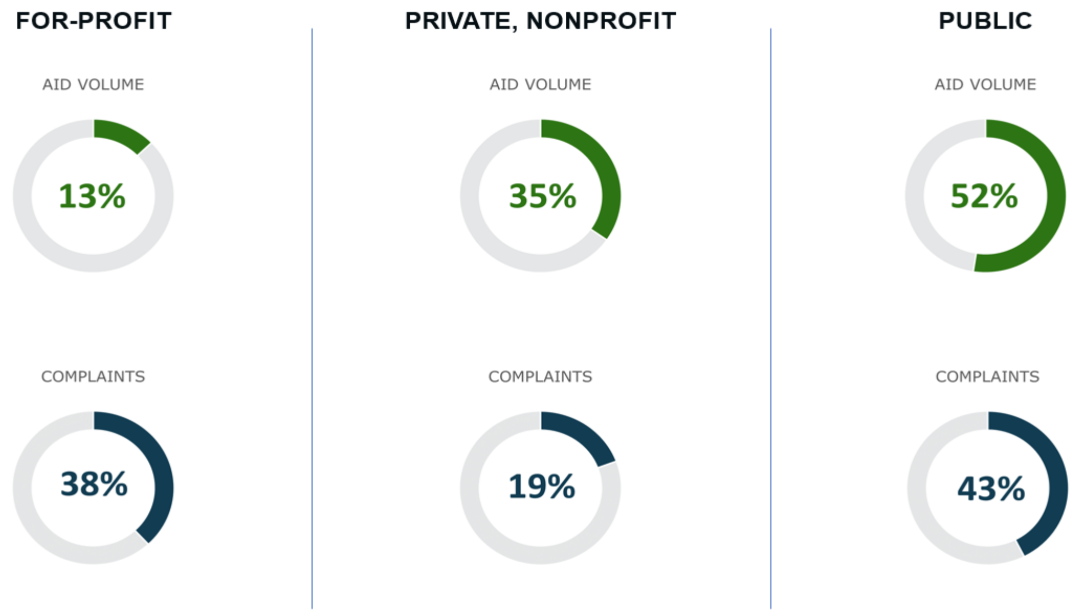
[34] Note that this complaint was received during FY 2022. As of January 2023, a court order was in place preventing the Department from continuing to accept applications related to debt relief.

[35] U.S. Department of Education, Loan Servicing and Collection Frequently Asked Questions, https://fsapartners.ed.gov/fsa-print/faq/1002617 (last visited October 20, 2022).

[36] Anne Harper et. al., *Debt, Incarceration, and Re-entry: a Scoping Review* 46 Am. Journal of Criminal Justice 250, 251, 266 (August 11, 2020), https://link.springer.com/article/10.1007/s12103-020-09559-9; An Assessment of Prisoner Reentry, Legal Financial Obligations and Family Financial Support: A Focus on Fathers; Andrea N. Montes et. al., An Assessment of Prisoner Reentry, Legal Financial Obligations and Family Financial Support: A Focus on Fathers Int J Environ Res Public Health 18 (September 13, 2021), https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8470671/.

[37] This figure details the aid volume by school type disbursed during the 2019-20 school year, the most recent year for which data final is available.

Figure 29: School-Related Complaints by School Sector[38]



Complaints suggest that students who attend for-profit colleges have problems managing unforeseen balances owed to their school, asserting that these balances should be covered by federal aid. They report struggling to come up with out-of-pocket funds at the last minute. These borrowers complain that these charges hamper their ability to complete or progress through their programs. For example, one student writes that her school withheld her degree and threatened collections to settle her debt when she expected to use financial aid to pay tuition:

> *I applied for financial aid to pay for my tuition, which I was approved for. They have yet to apply my financial aid to my $2,187 balance when I was told by a couple different team members in their financial aid dept that they would do a late disbursement in December; here it is February and that has yet to be done. They threatened me with collections if they don't receive their money. I also have yet to receive my degree in the mail as they are holding it hostage until they receive their money.*

On June 22, 2022, the Department announced a proposed settlement in *Sweet v. Cardona* related to the processing of Borrower Defense applications.[39] Since the announcement, FSA continues to receive complaints from borrowers who attended a school in the *Sweet* group but who had never submitted a Borrower Defense application and, are therefore not covered by the settlement. FSA also received numerous complaints from students alleging misconduct by

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[38] FSA received 6,326 complaints from students related to their school; of those, 4,392 were matched to identify the school sector. Calculations by the Enterprise Data Warehouse and Analytics group.

[39] U.S. Department of Education, *Sweet v. Cardona* Settlement, https://studentaid.gov/announcements-events/sweet-settlement (last visited October 20, 2022).

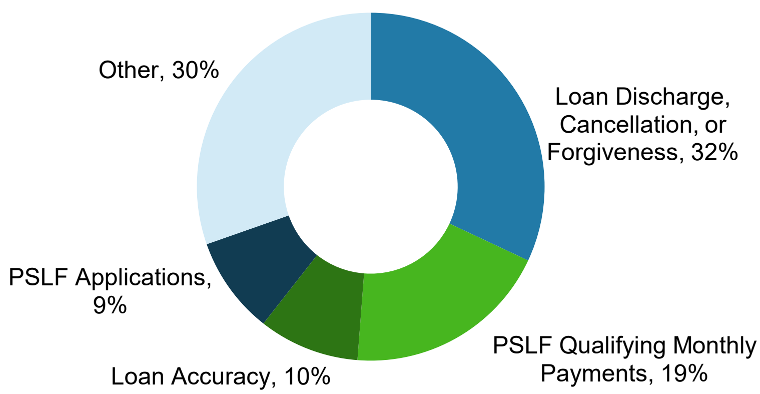
colleges that are not included in the *Sweet* settlement. For example, one borrower described being misled by her school about the employment opportunities of their program:

> *I am a low-income mother of four children. I can't even get a minimum wage job because my college [redacted] used false advertising. I did not know my college does NOT certify me for medical billing and coding until the last three months. They waited to tell me when I as almost done with college. I graduated and [received] a certificate but I did not know that that is not the same as a certified coder and I had not realized how that would affect my job. I can't even get hired as a medical coder because everyone only wants a certified coder.*

Military-Related Complaints

Pursuant to its responsibilities under the *Principles of Excellence*, FSA monitors complaints submitted from service members and military families.[40] During FY 2022, FSA received 3,606 complaints from military borrowers who struggled to manage their loans.

Figure 30: Complaints from Military Borrowers Related to Repayment[41]
Total Complaints Received: 3,606



During the fiscal year, military borrowers submitted complaints describing a wide range of student loan issues stemming from their service. For example, several borrowers described difficulties trying to reach FSA's call centers while deployed because of the time difference. Other borrowers described entering military deferment before deploying, only to return and learn that their loans were in default.[42]

Earlier this year, FSA made it easier for military borrowers to receive PSLF credit for their service by allowing them to submit DD-214 forms in lieu of employer signatures when certifying employment.[43] However, complaints indicate that these borrowers still struggle to certify their

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[40] Executive Order No. 13607, 3 C.F.R. § 13607 (2012), https://obamawhitehouse.archives.gov/the-press-office/2012/04/27/executive-order-establishing-principles-excellence-educational-institutions-serving-service-members.

[41] Complainants are asked whether they are an active member of the military, a veteran, or a dependent of an active member or veteran.

[42] These complaints involved loans that defaulted prior to the payment pause in March 2020.

[43] A DD-214 is certificate of release or discharge from active duty.

service. For example, one borrower described receiving conflicting information about the ability to use a DD-214 form when pursuing PSLF:

> *I am a military veteran trying to apply for PSLF and cannot get clarity on how to certify my military service. Since there's isn't an HR department to call at the US Air Force, I'm not sure whom to ask to certify my previous employment records. I called my servicer . . . who told me I should simply submit my DD-214 (record of service and discharge from military duty). I have since received an email stating that the information cannot be reviewed because I didn't have my employment certified by a person. I have been working on this application, going in circles, for 8 months.*

Early in FY 2022, as part of the Limited PSLF Waiver, the Department announced plans to match federal data to automatically provide military borrowers with credit towards PSLF.[44] It is incumbent on the Department to finalize this data match to provide military borrowers with the full range of federal repayment protections they are entitled to under law yet cannot access because of the unique obstacles imposed by military life.

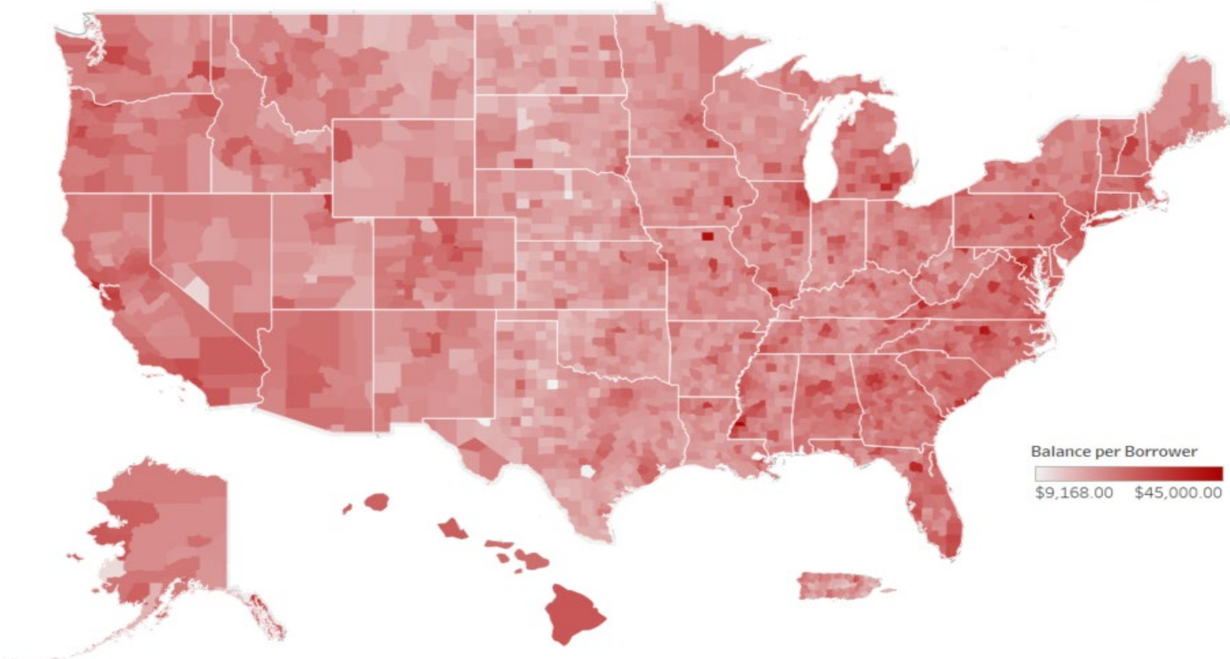
Activities of the Ombudsman

Approximately one in six adults in the United States owes student loan debt, affecting families and communities across the country.[45] To ensure FSA was hearing from all communities affected by student debt, throughout the fiscal year the Ombudsman Group solicited feedback from organizations representing various affinities.

44 Press Release, U.S. Department of Education, Fact Sheet: Public Service Loan Forgiveness (PSLF) Program Overhaul (October 6, 2021), https://www.ed.gov/news/press-releases/fact-sheet-public-service-loan-forgiveness-pslf-program-overhaul.

45 Data assessed prior to One-Time Debt Relief, which may provide relief for as many as 20 million borrowers. Press Release, The White House, FACT SHEET: The Biden-Harris Administration's Plan for Student Debt Relief Could Benefit Tens of Millions of Borrowers in All Fifty States (Sept. 20, 2022), https://www.whitehouse.gov/briefing-room/statements-releases/2022/09/20/fact-sheet-the-biden-harris-administrations-plan-for-student-debt-relief-could-benefit-tens-of-millions-of-borrowers-in-all-fifty-states/. The Census reports 258 million adults in the United States. U.S. Census Bureau, QuickFacts https://www.census.gov/quickfacts/fact/table/US/PST045221 (last visited October 20, 2022).

Figure 31: Average Student Debt per Borrower by County[46]



To promote the visibility of the office and of the many initiatives announced by the Department, the Ombudsman Group increased engagement with a myriad of government, advocacy, and industry stakeholders. During FY 2022, the Ombudsman Group met with state regulators and law enforcement officials, community organizers, trade associations, legal aid organizations, guaranty agencies, private lenders, national advocacy groups, organizations representing service members and veterans, disability advocates, and civil rights groups. The Ombudsman Group also hosted a series of listening sessions with borrowers who struggled to afford income-driven payments to better understand how to assess affordability and competing financial priorities.

During listening sessions with consumer advocates, participants repeatedly highlighted the racial disparities in student loan outcomes. While applauding actions taken by the Administration to improve access to federal student loan programs, including IDR loan forgiveness and PSLF, advocates urged the Department to establish an equity office dedicated to evaluating disparities resulting from student loan policy and operations and improving access to repayment benefits for protected classes. Groups emphasized the need to ensure equity as FSA works to restart payments for millions of student loan borrowers as borrowers of color are at higher risk of delinquency and default.[47]

During listening sessions with industry, participants noted that they are often asked to implement policy on short timelines, resulting in an increased risk to the agency and to

[46] Data as of February 2022, based on the calculations by the Enterprise Data Warehouse and Analytics group. Bexar County, Texas is omitted due to discrepancies in the data.
[47] Ben Miller, *The Continued Student Loan Crisis for Black Borrowers*, Center for American Progress (December 2, 2019), https://www.americanprogress.org/article/continued-student-loan-crisis-black-borrowers/.

borrowers. Industry also asked for more guidance in areas that are subject to interpretation to improve their ability to implement policy.

Amid the various policy initiatives, FY 2022 also saw an unprecedented number of student loan servicing transfers. The Ombudsman Group, in partnership with FSA's VOG, hosted regular meetings with state regulators to facilitate communication and information sharing to ensure a seamless transition for borrowers. The Ombudsman Group continued its student loan roundtable with more than a dozen states that have state-level ombudsman or advocate positions to facilitate sharing information and trends in complaint data.

Finally, in an effort to continually improve the effectiveness of its engagement with third-party stakeholders, the Ombudsman Group developed and launched a survey to measure participants' experiences engaging with FSA.[48] This survey complements ongoing efforts to solicit feedback from students and borrowers and will be incorporated into FSA's latest strategic plan.[49]

Ombudsman Discussion

The following discussion and recommendations are made by the Ombudsman in accordance with the authority established under the *HEA* and informed by thousands of borrower complaints received throughout the year.

Introduction

For decades, the availability of federal student aid has opened a pathway to economic mobility for low- and middle-income families by making higher education more accessible. From Federal Pell Grants to student loans, the federal student aid system offers access to higher education for families who lack other means to pay for school.[50] When students and families must use loans to cover the cost of college, the federal student loan safety net promises affordability and eventually loan forgiveness to ensure that student debt does not negate one of the intended benefits of higher education—economic mobility and financial security for those who pursue it.[51]

Due to ongoing and systemic wealth and income disparities, people of color are more likely to take on debt to pay for college and earn lower wages throughout their careers. The student loan safety net is crucial to their achieving economic mobility and financial stability.[52] However, a growing body of data, including borrower complaints, shows that the student loan safety net

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[48] Office of Management and Budget, Executive Office of the President, OMB Control No. 1845-0045, Generic Clearance for Federal Student Aid Customer Satisfaction Surveys and Focus Groups Master Plan (2022).

[49] U.S. Department of Education., DRAFT: Federal Student Aid FY 2023-2027 Strategic Plan (September 9, 2022) at 18, https://studentaid.gov/sites/default/files/FY202327StrategicPlanDraft.pdf.

[50] U.S. Government Accountability Office., College Access and Affordability, https://www.gao.gov/college-access-and-affordability (last visited October 20, 2022).

[51] President Lyndon B. Johnson, Remarks at Southwest Texas State College Upon Signing the Higher Education Act of 1965 (November 8, 1965) (transcript available through University of California, Santa Barbara American Presidency Project, https://www.presidency.ucsb.edu/documents/remarks-southwest-texas-state-college-upon-signing-the-higher-education-act-1965) (stating that the Higher Education Act "a high school senior anywhere . . . can apply to any college . . . a not be turned away because his family is poor. . . ."); Congressional. Research. Service., R43351, The Higher Education Act (HEA): A Primer (2021) at 1, https://sgp.fas.org/crs/misc/R43351.pdf.

[52] *See, e.g.*, Shelley Stewart III, et. al., McKinsey Global Institution, Harvard Business Review, Closing the job mobility gap between black and white Americans (July 14, 2021), https://www.mckinsey.com/mgi/overview/in-the-news/closing-the-job-mobility-gap-between-black-and-white-americans.

may not be meeting the needs of communities of color. In fact, it may be the inverse. As one researcher notes, "[Black young adults] have made significant gains in educational attainment but don't have the wealth profile to match. This disparity appears to stem from the educational debt acquired to pursue their education."[53]

As the following sections will discuss, at each stage of the student aid lifecycle, the higher education finance model disproportionately fails families of color. Collectively, these failures perpetuate disparities in student and borrower outcomes and may ultimately widen the racial-wealth gap. If policymakers wish to restore the promise of higher education and the pathway to the middle class for all, they should examine the student loan safety net through an equity lens and consider expanding existing programs to ensure more equitable outcomes for student loan borrowers.

Background

Research shows that systemic racism in financial markets leaves families of color with less wealth to pull from to fund higher education, driving them to disproportionately rely on student loans compared to their white peers.[54] Then, labor market inequities and disparities in servicing outcomes lead borrowers of color to disproportionately struggle during repayment.[55] This cycle continues through generations, and many parents of color are still paying down their own student loans as they take on debt for their children's college educations.[56]

The student loan safety net should, in theory, offer a path to mitigate some of these disparities. For example, public service employees, who are disproportionately people of color, can have their student debt forgiven after ten years through PSLF.[57] However, complaints from students and borrowers demonstrate how the safety net often fails to account for the lived reality of families of color and how they access federal aid and manage their finances. The following discussion reviews three examples in which students, borrowers, and families of color may be disproportionately burdened by their student loan debt during the financial aid lifecycle—

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[53] Fenaba Addo, Federal Reserve Bank of St. Louis, Parents' Wealth Helps Explain Racial Disparities in Student Loan Debt (March 29, 2018), https://www.stlouisfed.org/publications/in-the-balance/2018/parents-wealth-helps-explain-racial-disparities-in-student-loan-debt.

[54] According to the 2019 Survey of Consumer Finance, the median white family has nearly eight times the wealth as the median Black family ($188,200 compared to $24,100). Neil Bhutta et. al., Board of Governors of the Federal Reserve System, FEDS Notes, Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances, (September 28, 2020), https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.html.

[55] *See e.g.*, Louise Seamster and Raphaël Charron-Chénier, Predatory Inclusion and Education Debt: Rethinking the Racial Wealth Gap, 4 Social Currents (2017), https://journals.sagepub.com/doi/10.1177/2329496516686620; Joanna Pearl, *Driving Inequity: Are IDR's Documentation Requirements Hurting Borrowers of Color?* (October 1, 2021), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3933430; "Black workers [are] currently concentrated in low-wage jobs, underrepresented in higher-paying occupations, and paid less than white workers on average within the same occupation categories, especially in managerial and leadership roles." Stewart *supra* note 51.

[56] Tiara Moultrie, *Student Loan Cancellation Should Include Federal Parent PLUS Loans to Low-Income Parents*, The Century Found. (May 31, 2022), https://tcf.org/content/commentary/student-loan-cancellation-should-include-federal-parent-plus-loans-to-low-income-parents/; *see generally* Jason N. Houle and Fenaba R. Addo, Racial Disparities in Student Debt and the Reproduction of the Fragile Black Middle Class, 5 Sociology of Race and Ethnicity at 1 (2018), http://static1.1.sqspcdn.com/static/f/1212067/27958796/1533219065950/HouleAddo2018.pdf?token=Jy0agSqP%2Bh7dFG7%2BIfUGJTiI%2Buw%3D ("student debt may be a new mechanism of wealth inequality that creates fragility in the next general of the black middle class.").

[57] "During 2008–10, 21.2% of all Black workers are public employees, compared with 16.3% of non-Black workers. Both before and after the onset of the Great Recession, African Americans were 30% more likely than other workers to be employed in the public sector." Steven C. Pitts, Black Workers and the Public Sector, University of California, Berkeley Laboratory Center (April 4, 2011), https://laborcenter.berkeley.edu/black-workers-and-the-public-sector/.

accessing aid through college-sponsored accounts, managing loan repayment amidst Chapter 7 or Chapter 13 bankruptcy, and paying for their children's education through Parent PLUS loans—and offers solutions to promote more equitable outcomes.

College-Sponsored Accounts

When students take out loans to pay for school, they often receive a credit balance to cover living expenses during the school year.[58] Many colleges and universities choose to contract with third-party financial services providers to disburse credit balances to students, and these companies may offer students the option to establish bank accounts and debit cards as a way to access federal aid funds throughout the year.[59] Additionally, colleges and universities may partner with financial institutions to market certain general purpose school-branded bank accounts and credit products. This market is commonly referred to as "campus cards" or "college-sponsored accounts."

Recent research by the CFPB found that many of these college-sponsored accounts charge higher fees than similar account products from other financial institutions.[60] Additionally, the CFPB found that these companies charge students attending MSIs higher fees than those imposed on students attending non-MSI public and private, not-for-profit universities.[61]

While Department regulations require that students be provided the option to have their funds disbursed to an account of their choosing,[62] aggressive marketing tactics and imprimaturs of college endorsements often drive students into more expensive accounts.[63] Complaints suggest that students may effectively be faced with two unsatisfactory choices—pay fees to access their own federal aid, or struggle to access their aid at all. For example, one student attending a MSI complained:

> *My school uses [bank] deposit to distribute their funds when previously I have had my funds deposited directly to my account from [my school]. [Bank] is a predatory banking company that is holding my funds hostage unless I sign up for their checking account. Meanwhile, while I can't have the money I have borrowed and need to pay interest on, I won't be able to pay my rent or credit card because this [bank] is holding my money hostage unless I sign up for their predatory checking account.*

When students are driven into these expensive accounts, it may cause financial shock that could derail their educational pursuits by limiting their ability to cover basic living expenses.[64]

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[58] Federal aid, including federal student loans, are disbursed to schools. Schools deduct tuition and fees from the aid package, and then disburse the remainder to the student to use towards textbooks, living expenses, and other college costs. U.S. Department of Education, Federal Student Aid, Receiving Financial Aid, https://studentaid.gov/complete-aid-process/receive-aid (last visited October 20, 2022).

[59] Consumer Financial Protection Bureau, *Annual Report to Congress: College banking and credit card agreements* ("2022 Report") (October 2022) at 3, https://files.consumerfinance.gov/f/documents/cfpb_college-banking-report_2022.pdf.

[60] *Id. at* 5; Consumer Financial Protection Bureau, *Annual Report to Congress: Student banking* ("2016 Report") (December 2016) at 2, https://files.consumerfinance.gov/f/documents/2016_cfpb_student_banking_report.pdf.

[61] Consumer Financial Protection Bureau *supra* note 58 at 29.

[62] 34 C.F.R § 668.164(d)(4).

[63] 2022 Report *supra* note 58 at 29; 2016 Report *supra* note 59.

[64] *See, e.g.*, Karole Dachelet et al, Investing in Student Completion: Overcoming Financial Barriers to Retention Through Small-Dollar Grants and Emergency Aid Programs (December 2015), http://wihopelab.com/publications/Investing-in-Student-Completion-

This burden may be disproportionately borne by students of color, who face higher account fees[65] and less financial flexibility[66] than their white peers.

In conjunction with the CFPB's findings on campus-sponsored accounts, the Department released a Dear Colleague Letter to colleges and universities explaining that it was "aware of certain practices that may pose risks or excessive costs to students." [67] The Department committed to monitoring these agreements for compliance with the Department's cash management rules, which require that schools only partner with account providers that offer products that are in the best financial interest of students.

However, requirements for college-sponsored accounts can go further—policymakers can expressly ban disparate pricing models and fee structures across school sectors.[68] Additionally, enforcement efforts should examine whether disparate product structures, features, or terms across school sectors are consistent with Department regulations. Both approaches would promote more equitable product offerings and leave more money in the pockets of students of color. Additionally, market participants that use these accounts as loss leaders would still find value in establishing these relationships with schools and students—even without imposing fees.[69]

Bankruptcy

Experts have long called for bankruptcy reforms that reevaluate the treatment of student loans.[70] Legislators could reconsider statutes that impose heightened standards on debtors seeking to discharge their student loans. While the Administration has taken action to promote a more just approach to student debt in bankruptcy,[71] policymakers could do more to improve access to various student loan repayment programs to borrowers with loans in a bankruptcy status.[72] For example, a borrower cannot accrue credit towards income-driven repayment loan

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WI-Hope_Lab.pdf; Kevin Kruger et al., Landscape Analysis of Emergency Aid Programs (2016), http://postsecondary.gatesfoundation.org/wpcontent/uploads/2016/11/Landscape-Analysis-of-Emergency-Aid-Programs.pdf.

[65] 2022 Report *supra* note 58 at 3.

[66] University of Chicago, UChicago News, Financial distress can hinder success of academically prepared minority students, study finds, (September 9, 2015), https://news.uchicago.edu/story/financial-distress-can-hinder-success-academically-prepared-minority-students-study-finds.

[67] U.S. Department of Education, Dear Colleague Letter GEN-22-14, Cash Management – Tier One and Tier Two Arrangements (October 13, 2022), https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2022-10-13/cash-management-tier-one-and-tier-two-arrangements.

[68] Regulators can also have an impact through better enforcement of laws prohibiting discrimination in financial services. For example, earlier this year, the CFPB revised its interpretation of Unfair, Deceptive, and Abusive Acts and Practices to include discriminatory conduct as an unfair practice. Many states have laws prohibiting unfair practices. Given the concentration of financial institutions in the college-sponsored account market, regulators should review whether these actors are offering products equitably across their portfolios.

[69] Frederick Reichheld et al., *The Hidden Advantages of Customer Retention*, 12 Journal of Retail Banking 4 (1990).

[70] *See e.g.,* Oversight of Bankruptcy Law and Legislative Proposals Before the U.S. House Judiciary Subcommittee on Antitrust, Commercial and Administrative Law (June 25, 2019), https://www.law.uci.edu/news/in-the-news/2019/jimenez-bankruptcy-testimony.html; Dalié Jiménez, A Tortuous History: The Student Loan Exception to Discharge (April 2014), https://ssrn.com/abstract=3544267; Aaron N. Taylor, Undo Undue Hardship: An Objective Approach to Discharging Federal Student Loans in Bankruptcy, Journal of Legislation 38 J. Legis. (2012), https://heinonline.org/HOL/P?h=hein.journals/jleg38&i=195.

[71] U.S. Department of Justice, Justice Department and Department of Education Announce a Fairer and More Accessible Bankruptcy Discharge Process for Student Loan Borrowers (November 17, 2022), https://www.justice.gov/opa/pr/justice-department-and-department-education-announce-fairer-and-more-accessible-bankruptcy.

[72] U.S. Department of Education, PSLF Waiver Offers Way to Get Closer to Loan Forgiveness, https://studentaid.gov/announcements-events/pslf-limited-waiver (last visited October 20, 2022). "Can I get payment counts for time I spent in bankruptcy or in default? No, time spent in bankruptcy status does not count as time in repayment nor does it count towards the various forbearance exceptions."

forgiveness or PSLF while his or her loans are in a bankruptcy forbearance, despite Chapter 13 filers making payments required by the bankruptcy process that essentially function as income-driven payments.[73]

Individual consumers may file for bankruptcy under either Chapter 7 or Chapter 13 of the bankruptcy code. While Chapter 7 bankruptcy protections are available to all borrowers who earn less than the median income for their state, research shows that the average Chapter 7 filer earns an income that would qualify them for a low- or zero-dollar payment under income-driven repayment plan.[74] When a borrower enters Chapter 7 bankruptcy, their student loans are placed in an automatic bankruptcy forbearance for the duration of the bankruptcy proceeding.[75] During the stay, interest continues to accrue and even if the borrower could afford to make payments, bankruptcy attorneys report that servicers generally do not accept them. As a result, many borrowers exit Chapter 7 with even higher student loan balances than before and complain about how these stays derail their efforts to earn loan forgiveness.

Borrowers similarly struggle under a Chapter 13 bankruptcy, where they must make payments comprised of the entirety of their disposable income to a trustee, and the trustee distributes payments to creditors.[76] However, because student loans are placed in a bankruptcy forbearance, any payments made by the trustee would not count towards IDR loan forgiveness or PSLF. As a result, borrowers in bankruptcy may make up to five years of extra payments as compared to solvent borrowers before being able to access PSLF or IDR loan forgiveness.

> *I have been making payments while in a Chapter 13 bankruptcy, but my account is suspended, so the payments are not being counted towards my loan forgiveness. The bankruptcy will be in effect until May 2023 (60 months of payments). I would like the payments to qualify for PLSF since I'm making the payment.*

Bankruptcy protections are disproportionately exercised by people of color,[77] and in particular, black women[78]—a population that already struggles unequally during student loan repayment.[79] Bankruptcy policies therefore have outsized, if unintended, consequences for borrowers of color. For example, approximately 70% of low-income Black Chapter 13 filers do not achieve a bankruptcy discharge, as compared to 50% of low-income white filers.[80] Not only do student

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[73] *But see* U.S. Department of Education, *Chapter 13 Plan Non-Standard Section Template for Student Loan IDR Plans During Bankruptcy* (2018). In 2018, the Department drafted model language that can be used by borrowers during Chapter 13 bankruptcy to maintain IDR enrollment.

[74] Jonathan Fisher, Center for Economic Studies, *Who Files for Personal Bankruptcy in the United States?* (September 2017) at 10, 29, https://www2.census.gov/ces/wp/2017/CES-WP-17-54.pdf.

[75] 34 C.F.R § 682.402(f)(2); 34 C.F.R.§ 682.402(f)(5)(ii).

[76] U.S. Courts, "Chapter 13, Bankruptcy Basics", https://www.uscourts.gov/services-forms/bankruptcy/bankruptcy-basics/chapter-13-bankruptcy-basics.Generally, federal student loan debt owned by the Department of Education is an unsecured, non-priority debt, however "some judges allow student loan borrowers to give priority to their student loans during the Chapter 13 plan."; National Consumer Law Center., Student Loan Borrower Assistance, "Bankruptcy", https://www.studentloanborrowerassistance.org/bankruptcy/ (last visited October 20, 2022).

[77] Fisher, *supra* note 73 at 10.

[78] Pamela Foohey et. al., *Portraits of Bankruptcy Filers*, 56 Georgia Law Review, 573, 579 (2022). https://digitalcommons.law.uga.edu/glr/vol56/iss2/3; Fisher, *supra* note 73 at 10.

[79] Kevin Miller, *Deeper in Debt*, American Association of University Women (March 2020), https://www.aauw.org/app/uploads/2020/03/DeeperinDebt-nsa.pdf.

[80] Paul Kiel and Hannah Fresques, *Data Analysis: Bankruptcy and Race in America*, ProPublica.org (September 27, 2017), https://projects.propublica.org/graphics/bankruptcy-data-analysis. Note that the data does not make clear whether these discharges include student debt—a consumer may achieve a discharge on his or her debts, but student loans may be excluded.

loan payments made during bankruptcy not count towards student loan forgiveness, but borrowers are left with the same debt burden as when they started and even less ability to pay.[81] This effect is particularly notable for borrowers of color, who research shows return to repayment more financially vulnerable than before filing for bankruptcy.[82]

The goal of bankruptcy is to provide a financial "fresh start" and "a new opportunity in life"[83]—yet current treatment of student loans may leave bankruptcy filers, and especially borrowers of color, even further behind as it stymies their progress towards loan forgiveness. Policymakers should consider expressly counting time spent in bankruptcy towards PSLF and IDR loan forgiveness as a means to promote more equitable student loan outcomes while complying with bankruptcy stay requirements.[84]

Parent PLUS Loans

Note to readers: This section was drafted in October 2022, prior to the Department's updates to the scope of the One-Time IDR Adjustment. In January 2023, the Department expanded the IDR Adjustment to include Parent PLUS loans.[85]

As of July 2022, 3.6 million borrowers owed $106.3 billion in Parent PLUS loans owned by the Department.[86] Parent PLUS loans are one of the more costly loan products offered by the federal student loan program—these loans have higher interest rates and origination fees than Direct subsidized and unsubsidized loans and have less flexibility in repayment.[87] While Parent PLUS loans may have been originally intended as a way for high-asset, low-liquidity families to pay for school, research shows that the reality of who is taking out these loans is quite different. In fact, the high costs of Parent PLUS loans are disproportionately borne by families of color, who have less wealth to pull from to pay for school and therefore rely on Parent PLUS loans to bridge the gap between the cost of attendance and other federal aid offerings.[88]

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[81] Paul Kiel and Hannah Fresques, *How the Bankruptcy System Is Failing Black Americans*, (September 27, 2017), https://features.propublica.org/bankruptcy-inequality/bankruptcy-failing-black-americans-debt-chapter-13 ("And when their cases are dismissed, debtors are often in worse straits, because as they struggled to make payments, the interest on their unpaid debts continued to mount. Once the refuge of bankruptcy is gone, the debt floods back larger than ever. They've borne the costs of bankruptcy — attorney and filing fees, a seven-year flag on their credit reports — without receiving its primary benefit.").

[82] *See id*.; Houle and Addo, *supra* note 55 at 3, 4; Racial Disparities in Student Debt and the Reproduction of the Fragile Black Middle Class, 5 Sociology of Race and Ethnicity at 3 (2018), http://static1.1.sqspcdn.com/static/f/1212067/27958796/1533219065950/HouleAddo2018.pdf?token=Jy0agSqP%2Bh7dFG7%2BIfUGJTiI%2Buw%3D.

[83] U.S. Courts, *Bankruptcy*, https://www.uscourts.gov/services-forms/bankruptcy (last visited October 20, 2022); *Local Loan Co. v. Hunt,* 292 U.S. 234, 244 (1934).

[84] In late 2022, the Department announced new PSLF regulations that include a "hold harmless" provision for borrowers during periods of forbearance. This would allow borrowers an opportunity to gain PSLF credit for certain periods of forbearance and deferment. *See* U.S. Department of Education, Fact Sheet: Charting the Path Forward for Public Service Loan Forgiveness (October 31, 2022), https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/futureofpslffactsheetfin.pdf.

[85] U.S. Department of Education, *Income-Driven Repayment Account Adjustment*, https://studentaid.gov/announcements-events/idr-account-adjustment (last visited January 13, 2023).

[86] U.S. Department of Education, Federal Student Aid Data Center, *Federal Student Aid Portfolio By Loan Type*, https://studentaid.gov/data-center/student/portfolio.

[87] Casey Goldvale et. al., Georgetown Center on Poverty and Inequality, *Unrepayable Debt How Economic, Racial, & Geographic Inequality Shape the Distribution of Parent PLUS Loans* (September 2022) at 4, https://www.georgetownpoverty.org/wp-content/uploads/2022/09/UnrepayableDebt-September2022.pdf.

[88] For example, one study found that parents of students who attend HBCUs are nearly three times as likely to use Parent PLUS loans to pay for school. Sruthi Darbhamulla and Kimberly Jin, *What Does Data Tell Us About Parents Borrowing at HBCUs?,* Medill News Service (October 12, 2019), https://feed.georgetown.edu/access-affordability/hbcu-families-disproportionately-carry-parent-plus-loans/.

Over the last decade, the share of low-income families of color who took out Parent PLUS loans increased dramatically.[89] As one study shows, “the share of black Parent PLUS borrowers whose families have so little wealth or income that their expected family contribution . . . is zero rose from 15% in 2008 to an astonishing 42% in 2018.”[90] In another study, researchers found that “the adverse effects of Parent PLUS loans on borrowers with fewer economic resources are inextricably linked with racialized disparities in wealth and education.”[91]

These higher-cost loans also lack the repayment flexibility found with other federal student loans. For example, Congress prohibited Parent PLUS loan borrowers from enrolling in an IDR plan. If parent borrowers consolidate their loans, the only IDR plan available to them is income-contingent repayment, which sets payments twice as high as most other IDR plans.[92] Complaints show that Parent PLUS borrowers are struggling to afford repayment and are subjected to the same servicing breakdowns as other borrowers.

The high costs, servicing failures, and policy exclusions have culminated in expensive loans for families well into retirement (that is, if they can retire).[93] The fallout for families of color is notable—according to one study, “ten years after starting repayment, the parents who received Parent PLUS loans and had children attending the top colleges for Black enrollment still owe on average 96% of their principal, compared to 47% among those whose children attended the top colleges for white enrollment.”[94] If these parents default, they risk having their wages garnished and Social Security benefits offset—an outcome that, again, disproportionately affects borrowers of color.

Policymakers can address the inequities faced by families of color by providing more fundamental reforms to Parent PLUS loans. For example, the Limited PSLF Waiver expired on October 31, 2022, but similar relief could be offered to Parent PLUS borrowers through the IDR Adjustment, currently slated to take effect in mid-2023. Additionally, policymakers should consider steps to address the unaffordable options facing some parents seeking to finance postsecondary education, including more financial aid and more affordable repayment options.

Conclusion

Without additional robust interventions, the cycle of inequity in higher education finance is doomed to repeat itself generation after generation. The student loan safety net has the infrastructure to provide much-needed relief to borrowers and communities of color, but it must be expanded to effectively meet the needs of the intended beneficiaries. Until then, student debt will continue drive disparities that negate the benefits of a college education.

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[89] Goldvale, *supra* note 86 at 4; Peter Granville, The Century Foundation, *Parent PLUS Borrowers: The Hidden Casualties of the Student Debt Crisis* (May 31, 2022), https://tcf.org/content/report/parent-plus-borrowers-the-hidden-casualties-of-the-student-debt-crisis/?session=1&agreed=1.

[90] Granville, *id.*

[91] Goldvale, *supra* note 86 at 5.

[92] Parent PLUS loans only qualify for income contingent repayment, the least generous IDR plan. 34 C.F.R. § 682.215(a)(2), 34 § 685.209(a)(ii), (b), (c)(ii); U.S. Department of Education, *Direct PLUS Loans are federal loans that parents of dependent undergraduate students can use to help pay for college or career school*, https://studentaid.gov/understand-aid/types/loans/plus/parent (last visited October 22, 2022).

[93] Granville, *supra* note 88.

[94] *Id.*

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Financial Section
(Fiscal Year 2022 Unaudited)

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Overview of the Financial Section

This section provides a financial presentation of FSA's stewardship and accountability for its resources. The financial statements are followed by the accompanying notes to the financial statements, required supplementary information, and the Independent Auditors' Report. The subsections are listed and briefly discussed below:

- **Financial Statements:** The Financial Statements consist of the following comparative statements: Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources.

- **Notes to the Financial Statements:** The Notes to the Financial Statements provide a description of significant accounting policies and detailed information on select financial statement line items. The Notes also include information that supports the computation of the various financial statement activities.

- **Required Supplementary Information (Unaudited):** The unaudited Required Supplementary Information presents the Combining Statements of Budgetary Resources by Program.

- **Independent Auditors' Report:** The Independent Auditors' Report presents the audit report issued by the Independent Auditors. The subsection also includes the Office of Inspector General Audit Transmittal Letter, and Management's Response to the Audit.

Financial Statements

FSA prepares the following comparative financial statements: the Consolidated Balance Sheets, the Consolidated Statements of Net Cost, the Consolidated Statements of Changes in Net Position, and the Combining Statements of Budgetary Resources. These statements are prepared pursuant to the requirements of the Chief Financial Officers Act of 1990, the Government Management Reform Act, and OMB Circular A-136; and demonstrate FSA's accountability and stewardship of the resources entrusted to it.

Below is a brief description of the principal financial statements included in this section:

- **Consolidated Balance Sheets:** The Consolidated Balance Sheets present, as of a specific time, the amount of resources FSA has to use or distribute (assets), the amounts owed by FSA (liabilities) and the difference between the two (net position).
- **Consolidated Statements of Net Cost:** The Consolidated Statements of Net Cost present the annual cost of agency operations. The gross cost less any offsetting revenue is used to determine the net cost.
- **Consolidated Statements of Changes in Net Position:** The Consolidated Statements of Changes in Net Position report the accounting activities, including changes to Cumulative Results of Operations and Unexpended Appropriations that caused the change in net position during the reporting period.
- **Combining Statements of Budgetary Resources:** The Combining Statements of Budgetary Resources report the budgetary resources that were made available to FSA, the status of those resources at fiscal year-end, along with the outlays of budgetary resources.

Consolidated Balance Sheets

United States Department of Education
Federal Student Aid
Consolidated Balance Sheets
As of September 30, 2022 and 2021
(Dollars in Millions)

	FY 2022 (Unaudited)	FY 2021
Assets (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 118,636	$ 79,163
Other Assets (Note 4)	1	1
Total Intragovernmental	118,637	79,164
Other than Intragovernmental:		
Loans Receivable, Net (Note 5)		
Direct Loan Program	816,514	1,104,851
FFEL Program	39,802	58,246
Other Credit Programs for Higher Education	1,961	1,703
Cash and Other Monetary Assets	725	1,913
Other Assets (Note 4)	179	263
Total Other than Intragovernmental	859,181	1,166,976
Total Assets	**$ 977,818**	**$ 1,246,140**
Liabilities (Note 6)		
Intragovernmental:		
Debt Associated with Loans (Note 7)		
Direct Loan Program	$ 837,440	$ 1,142,195
FFEL Program	66,995	78,254
Other Credit Programs for Higher Education	571	667
Accounts Payable	1	1
Other Liabilities:		
Subsidy Due to Treasury (Note 8)	26,965	1,513
Guaranty Agency Funds Due to Treasury	725	1,913
Other Liabilities (Note 9)	1,076	701
Total Intragovernmental	933,773	1,225,244
Other than Intragovernmental:		
Accounts Payable	4,199	4,344
Loan Guarantee Liabilities (Note 5)	10,655	7,496
Other Liabilities:		
Accrued Grant Liabilities	1,431	1,419
Other Liabilities (Note 9)	34	31
Total Other than Intragovernmental	16,319	13,290
Total Liabilities	**$ 950,092**	**$ 1,238,534**
Net Position		
Unexpended Appropriations	$ 37,259	$ 36,338
Cumulative Results of Operations	(9,533)	(28,732)
Total Net Position	**$ 27,726**	**$ 7,606**
Total Liabilities and Net Position	**$ 977,818**	**$ 1,246,140**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Net Cost

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United States Department of Education
Federal Student Aid
Consolidated Statements of Net Cost
For the Years Ended September 30, 2022 and 2021
(Dollars in Millions)

	FY 2022 (Unaudited)	FY 2021
Program Costs		
INCREASE POSTSECONDARY VALUE BY FOCUSING ON EQUITY STRATEGIES TO ADDRESS ACCESS TO AFFORDABILITY, COMPLETION, AND POST-ENROLLMENT SUCCESS		
Direct Loan Program		
Gross Costs	$ 445,958	$ 131,088
Earned Revenue	(58,831)	(35,673)
Net Cost of Direct Loan Program	**$ 387,127**	**$ 95,415**
FFEL Program		
Gross Costs	$ 28,553	$ 16,898
Earned Revenue	(5,163)	(3,095)
Net Cost of FFEL Program	**$ 23,390**	**$ 13,803**
Other Credit Programs for Higher Education		
Gross Costs	$ 204	$ 149
Earned Revenue	(1,106)	(955)
Net Cost of Other Credit Programs for Higher Education	**$ (902)**	**$ (806)**
Non-Credit Programs		
Gross Costs	$ 28,257	$ 29,247
Earned Revenue	-	(1)
Net Cost of Non-Credit Programs	**$ 28,257**	**$ 29,246**
Net Program Costs	**$ 437,872**	**$ 137,658**
Total Program Gross Costs	**$ 502,972**	**$ 177,382**
Total Program Earned Revenue	**(65,100)**	**(39,724)**
Net Cost of Operations (Note 10 & 13)	**$ 437,872**	**$ 137,658**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Position

United States Department of Education
Federal Student Aid
Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2022 and 2021
(Dollars in Millions)

	FY 2022 (Unaudited)		FY 2021	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	**$ (28,732)**	**$ 36,338**	**$ (54,427)**	**$ 35,038**
Appropriations Received	-	543,768	-	173,095
Appropriations Transferred - In/Out	-	(13)	-	-
Other Adjustments (Rescissions, etc.)	-	(1,424)	-	(566)
Appropriations Used	541,410	(541,410)	171,229	(171,229)
Imputed Financing from Costs Absorbed by Others	14	-	14	-
Negative Subsidy Transfers, Downward Subsidy Re-estimates, and Other	(84,353)	-	(7,890)	-
Net Cost of Operations	(437,872)	-	(137,658)	-
Net Change	**$ 19,199**	**$ 921**	**$ 25,695**	**$ 1,300**
Net Position	**$ (9,533)**	**$ 37,259**	**$ (28,732)**	**$ 36,338**

The accompanying notes are an integral part of these statements.

Combined Statements of Budgetary Resources

United States Department of Education
Federal Student Aid
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2022 and 2021
(Dollars in Millions)

	FY 2022 (Unaudited)		FY 2021	
	Budgetary	**Non-Budgetary Credit Reform Financing Accounts**	**Budgetary**	**Non-Budgetary Credit Reform Financing Accounts**
Budgetary Resources				
Unobligated Balance from Prior Year Budget Authority (Net) (Note 12)	$ 20,921	$ 21,923	$ 16,988	$ 20,473
Appropriations (Discretionary and Mandatory)	539,874	2,759	172,332	239
Borrowing Authority (Discretionary and Mandatory) (Note 12)	-	178,546	-	128,739
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	28	60,322	142	42,050
Total Budgetary Resources	**$ 560,823**	**$ 263,550**	**$ 189,462**	**$ 191,501**
Status of Budgetary Resources				
New Obligations and Upward Adjustments (Total)	$ 542,540	$ 198,205	$ 171,476	$ 169,693
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	14,212	-	14,397	-
Unapportioned, Unexpired Accounts	733	65,345	1,930	21,808
Unexpired Unobligated Balance, End of Year	$ **14,945**	$ **65,345**	$ **16,327**	$ **21,808**
Expired Unobligated Balance, End of Year	3,338	-	1,659	-
Unobligated Balance, End of Year (Total)	**$ 18,283**	**$ 65,345**	**$ 17,986**	**$ 21,808**
Total Status of Budgetary Resources	**$ 560,823**	**$ 263,550**	**$ 189,462**	**$ 191,501**
Outlays, Net				
Outlays, Net (Discretionary and Mandatory)	$ 539,829		$ 170,470	
Distributed Offsetting Receipts (-) (Note 12)	(28,595)		(6,296)	
Agency Outlays, Net (Discretionary and Mandatory) (Note 12 & 13)	**$ 511,234**		**$ 164,174**	
Disbursment, Net (Total) (Mandatory)		**$ (382,399)**		**$ (38,680)**

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Notes to the Financial Statements

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Notes to the Financial Statements for the Years Ended, September 30, 2022 and September 30, 2021

Note 1. Summary of Significant Accounting Policies

Reporting Entity and Programs

Federal Student Aid (FSA) was created as a Performance Based Organization (PBO) within the U.S. Department of Education (the Department) in 1998, as a result of amendments to the *Higher Education Act of 1965* (HEA), from previously existing Department student financial assistance program offices. FSA operates under the PBO mandate to develop a management structure driven by strong incentives to manage for results. FSA's primary goal is to assist lower-income and middle-income students in overcoming the financial barriers that make it difficult to attend and complete postsecondary education.

FSA is a component of the U.S. government. For this reason, some of the assets and liabilities reported by FSA may be eliminated for government-wide reporting. These financial statements should be read with the realization that they are for a component of the U.S. government.

Federal Student Loan Programs. FSA and the Department administer the William D. Ford Federal Direct Loan (Direct Loan) Program, the Federal Family Education Loan (FFEL) Program, the Health Education Assistance Loan program (HEAL), and the Federal Perkins Loan program to help students and their families finance the costs of postsecondary education. A direct loan is any debt instrument issued to the public by the federal government. A FFEL loan guarantee is a guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a borrower to a non-federal lender.

The Direct Loan Program, added to the HEA in 1993 by the *Student Loan Reform Act of 1993*, authorizes FSA to make loans through participating schools to eligible undergraduate and graduate students and their parents. The Direct Loan Program offers four types of loans: Stafford, Unsubsidized Stafford, Parent Loan for Undergraduate Students (PLUS), and Consolidation Loans. Evidence of financial need is required for an undergraduate student to receive a subsidized Stafford loan. The other three loan programs are available to borrowers at all income levels. Loans can be used only to meet qualified educational expenses.

The FFEL Program, authorized by the HEA, operates through state and private nonprofit guaranty agencies that provide loan guarantees on loans made by private lenders to eligible students with reinsurance and interest subsidies provided by the Department. The SAFRA Act, which was included in the *Health Care and Education Reconciliation Act of 2010* (HCERA), stated that no new FFEL loans would be made effective July 1, 2010. FFEL Program receivables include defaulted FFEL loans and acquired FFEL loans. Acquired FFEL loans include student loan assets acquired using temporary authority provided in the *Ensuring Continued Access to Student Loans Act of 2008* (ECASLA). ECASLA gave FSA temporary authority to purchase FFEL loans and participation interests in those loans. FSA implemented three activities under this authority: loan purchase commitments; purchases of loan participation interests; and a put, or forward purchase commitment, with an Asset-Backed Commercial Paper (ABCP) Conduit. This authority expired after September 30, 2010; as a result, loan purchase commitments and purchases of loan participation interests concluded. However, under the terms of the Put Agreement with the conduit, ABCP Conduit activity ceased operations in January 2014. (See Notes 5 and 10)

Grant Programs. FSA and the Department manage numerous grant programs, which provide financial aid, that in most cases does not need to be repaid to students with financial need. The largest of these programs is the Federal Pell Grant (Pell Grant) program, which provides need-based grants to low-income undergraduate and certain post baccalaureate students that promotes access to postsecondary education. Other grant programs include Federal Work-Study Program, Federal Supplemental Educational Opportunity Grants (FSEOG), Teacher Education Assistance for College and Higher Education (TEACH) Grants, and Iraq and Afghanistan Service grants. (See Note 10)

COVID-19. COVID-19 relief legislation and administrative actions provided support for student loan borrowers by temporarily suspending nearly all federal loan payments, interest free. FSA also stopped all federal wage garnishments and collection actions for borrowers with federally held loans in default. Funding for the student loan repayment was provided through indefinite appropriations. (See Notes 5 and 11)

Other regulatory flexibilities and incentives provided to help students through COVID-19 include:

- Federal Supplemental Educational Opportunity Grants to provide emergency aid to students.
- Continuation of work-study payments, even if students can no longer work on-site.
- Pell Grants, financial aid, and loans originated for the spring 2020 term, which students who have had to leave college campuses will not have to pay back. Moreover, none of this aid will count against students' financial aid lifetime limits.
- Waiving satisfactory academic progress requirements to help ensure that students do not lose academic standing and the ability to receive federal financial student aid.
- Tax credits that incentivize employers to help pay for student loans.

Basis of Accounting and Presentation

These financial statements were prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources of FSA as required by the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*. The financial statements were prepared from the books and records of the Department and FSA, in accordance with Generally Accepted Accounting Principles (GAAP) accepted in the United States for federal entities, issued by the Federal Accounting Standards Advisory Board (FASAB), and the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, as revised. These financial statements are different from the financial reports prepared by the Department pursuant to OMB directives that are used to monitor and control FSA's use of budgetary resources.

The accounting structure of federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

Transactions and balances among FSA funds have been eliminated from the consolidated financial statements.

Accounting standards require all reporting entities to disclose that accounting standard practices allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Accounting for Federal Credit Programs

FSA's accounting for its loan and loan guarantees is based on the requirements of the *Federal Credit Reform Act of 1990* (FCRA). The purpose of the FCRA is to record the lifetime subsidy cost of direct loans and loan guarantees, in present value terms, at the time the loan is disbursed (subsidy). Components of subsidy costs for loans and guarantees include defaults (net of recoveries); contractual payments to third-party, private loan collectors who receive a set percentage of amounts collected; and, as an offset, origination and other fees collected. For direct loans, the difference between interest rates incurred by FSA on its borrowings from the U.S. Department of Treasury (Treasury) and interest rates charged to particular borrowers is also subsidized (or may provide an offset to subsidy if FSA's rate is less).

Under the FCRA, subsidy cost is estimated using the net present value of future cash flows to and from FSA. In accordance with the FCRA, credit programs either estimate a subsidy cost to the government (a "positive" subsidy), breakeven (zero subsidy cost), or estimate a negative subsidy cost. Negative subsidy occurs when the estimated cost of providing loans to borrowers from Treasury borrowing, collection costs and loan forgiveness is less than the value of collections from borrowers for interest and fees, in present value terms.

Subsidy cost is an estimate of the present value cost of providing direct loans but excludes the administrative costs of issuing and servicing the loans. FSA estimates subsidy expense using a set of econometric and financial models, as well as cash flow models.

FSA estimates subsidy costs annually for new loans disbursed in the current year; updates to the previous cost estimates for outstanding loans disbursed in prior years (subsidy re-estimates); and updates to previous cost estimates based on new legislation or other government actions that change the terms of existing loans (loan modifications) that alter the estimated subsidy cost and the present value of outstanding loans. Loan modifications can also include modification adjustment gains and losses to account for the difference between the discount rate used to calculate the cost of the modification and the interest rate at which the cohort pays or earns interest.

The subsidy cost of direct loan and loan guarantee programs are budgeted and tracked by the fiscal year in which the loan award is made or the funds committed. Such a grouping of loans or guarantees is referred to as a "cohort." A cohort is a grouping of direct loans obligated or loan guarantees committed by a program in the same year even if disbursements occur in subsequent years.

In order to account for the change in the net present value of the loan portfolio over time, the subsidy cost is amortized each year. Amortization accounts for the differences in interest rates, accruals, and cash flows over the life of a cohort, ensuring that cost is reflected in subsidy estimates and re-estimates. Amortization of subsidy is calculated as the difference between interest received from borrowers and Treasury (on uninvested funds) and interest paid to Treasury on borrowings.

The FCRA establishes the use of financing, program, and Treasury General Fund receipt accounts for loan guarantees committed and direct loans obligated after September 30, 1991.

- Financing accounts borrow funds from Treasury, make direct loan disbursements, collect fees from lenders and borrowers, pay claims on guaranteed loans, collect principal and interest from borrowers, earn interest from Treasury on any uninvested funds, and transfer excess subsidy to Treasury General Fund receipt accounts. Financing accounts are presented separately in the combined statements of budgetary resources (SBR) as non-budgetary credit reform accounts to allow for a clear distinction from all other budgetary accounts. This facilitates reconciliation of the SBR to the Budget of the United States Government.
- Program accounts receive and obligate appropriations to cover the positive subsidy cost of a direct loan or loan guarantee when the loan is approved and disburses the subsidy cost to the financing account when the loan is issued. Program accounts also receive appropriations for administrative expenses.
- Treasury General Fund receipt accounts receive amounts paid from financing accounts when there are negative subsidies for new loan disbursements or downward re-estimates of the subsidy cost of existing loans. (See Notes 12 and 13)

FSA records an obligation each year for direct loan awards to be made in a fiscal year based on estimates of schools' receipt of aid applications. FSA advances funds to schools based on these estimates.

Half of all loan awards are issued in the fourth quarter of the fiscal year. Loans awarded are typically disbursed in multiple installments over an academic period. As a result, loans may be disbursed over multiple fiscal years. Loan awards may not be fully disbursed due to students leaving or transferring to other schools. FSA's obligation estimate may also not reflect the actual amount of awards made. Based on historical averages, FSA expects approximately 7.7 percent of the amount obligated for new loan awards will not be disbursed.

When a loan is placed in deferment or forbearance, loan repayment is temporarily suspended with the length of postponement different for each borrower. Interest accrues while a loan is in deferment or forbearance. Loans are cancelled if a person dies, meets disability requirements, or occasionally through the bankruptcy courts. Loans are also cancelled through the Public Service Loan Forgiveness (PSLF) program, which forgives the remaining balance on a Direct Loan after 120 qualifying monthly payments are made. These payments must be made under a qualifying repayment plan while working full-time for a qualifying employer. In addition, FSA offers income driven repayments plans under which borrowers may receive forgiveness of the remaining balance of their loans after 20 or 25 years under certain rules.

Budgetary Terms

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to FSA by law and help ensure compliance with the law.

Budgetary resources are amounts that are available to incur and liquidate obligations in a given year. FSA's budgetary resources include unobligated balances of resources from prior years and new resources, which include appropriations, authority to borrow from Treasury, and spending authority from collections. Obligations are legally binding agreements that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Borrowing authority is an indefinite budgetary resource authorized under the FCRA. This resource, when realized, finances the unsubsidized portion of the Direct Loan, FFEL, and other loan programs. In addition, borrowing authority is requested to cover the cost of the initial loan disbursement as well as any related negative subsidy to be transferred to Treasury General Fund receipt accounts. Treasury prescribes the terms and conditions of borrowing authority and lends to the financing account amounts as appropriate. Amounts borrowed, but not yet disbursed, are included in uninvested funds and earn interest. Treasury uses the same weighted average interest rates for both the interest charged on borrowed funds and the interest earned on uninvested funds. Treasury sets a different fixed interest rate to be used for each loan cohort once the loans are substantially disbursed. FSA may carry forward borrowing authority to future fiscal years if cohorts are disbursing loans. All borrowings from Treasury are effective on October 1 of the current fiscal year, regardless of when FSA borrowed the funds, except for amounts borrowed to make annual interest payments.

Authority to borrow from Treasury provides most of the funding for disbursements made under the Direct Loan program, FFEL, and other loan programs. Subsidy and administrative costs of the programs are funded by appropriations. Borrowings are repaid using collections from borrowers, fees, and interest on uninvested funds.

Unobligated balances represent the cumulative amount of budgetary resources that are not obligated and that remain available for obligation under law, unless otherwise restricted. Resources expiring at the end of the fiscal year remain available for five years, but only for upward adjustments of prior-year obligations, after which they are canceled and may not be used. Resources that have not expired at year-end are available for new obligations, as well as upward adjustments of prior-year obligations. Funds are appropriated on an annual, multiyear, or no-year basis. Appropriated funds expire on the last day of availability and are no longer available for new obligations. Amounts in expired funds are unavailable for new obligations but may be used to adjust previously established obligations.

Permanent Indefinite Budget Authority. The Direct Loan, FFEL, and other loan programs have permanent indefinite budget authority through legislation. Parts B, Federal Family Education Loan Program, and D, Federal Direct Student Loan, of the HEA pertain to the existence, purpose, and availability of permanent indefinite budget authority for these programs.

Reauthorization of Legislation. Funds for most FSA programs are authorized, by statute, to be appropriated for a specified number of years, with an automatic one-year extension available under Section 422 of the General Education Provisions Act. Congress may continue to appropriate funds after the expiration of the statutory authorization period, effectively reauthorizing the program through the appropriations process. The current President's Budget presumes all programs continue in accordance with congressional budgeting rules.

Outlays are the liquidation of obligations that often takes the form of an electronic funds transfer. Outlays are reported on the SBR net of offsetting collections and distributed offsetting receipts.

Offsetting collections and offsetting receipts are generally amounts collected from (1) business-like transactions with the public or (2) intragovernmental transfers. Offsetting collections usually may be used by FSA once received without further legislation whereas offsetting receipts must be appropriated to be used.

Offsetting receipts and offsetting collections both "offset" or reduce outlays. Offsetting collections reduce outlays at the expenditure account level, whereas offsetting receipts generally reduce outlays at the agency or Government-wide level. Offsetting receipts can be either "distributed" or "undistributed," with distributed offsetting receipts shown on the SBR reducing agency outlays and undistributed offsetting receipts reducing Government-wide outlays (and not shown on the SBR).

Budgetary transactions are included as outlays or receipts in the Budget and ultimately affect the budget deficit or surplus, whereas non-budgetary amounts are a means of financing and do not affect the deficit or surplus. Non-budgetary amounts include the non-budgetary financing account amounts for direct loan and loan guarantee programs shown on the SBR. Financing accounts reflect program cash flows as distinct from credit "program" accounts, which are budgetary accounts that reflect the subsidy cost of the programs. (See Note 12)

Entity and Non-Entity Assets

Assets are classified as either entity or non-entity assets. Entity assets are those that FSA has authority to use for its operations. Non-entity assets are those held by FSA but not available for use in its operations. FSA non-entity assets are offset by liabilities to third parties and have no impact on net position. FSA combines its entity and non-entity assets on the balance sheets and discloses its non-entity assets in the notes. (See Note 2)

Fund Balance with Treasury

The Fund Balance with Treasury includes amounts available to pay current liabilities and finance authorized purchases, as well as funds restricted until future appropriations are received. Treasury processes cash receipts and cash disbursements for FSA. FSA's records are reconciled with Treasury's records. (See Note 3)

Accounts Receivable

Accounts receivable are amounts due to FSA from other federal agencies (intragovernmental) and the public (other than intragovernmental). Other than intragovernmental receivables result from overpayments to recipients of grants and other financial assistance programs, and disputed costs resulting from audits of educational assistance programs. Amounts due from federal agencies result from reimbursable agreements entered into by FSA with other agencies to provide various goods and services. Accounts receivable are reduced to net realizable value by an allowance for uncollectible amounts. The estimate of an allowance for loss on uncollectible accounts is based on FSA's experience in the collection of receivables and an analysis of the outstanding balances. (See Note 4)

Cash and Other Monetary Assets

Cash and other monetary assets are the federal government's interest in the program assets held by state and nonprofit FFEL Program guaranty agencies (guaranty agencies' federal funds). Section 422A of the HEA required FFEL guaranty agencies to establish federal student loan reserve funds. Guaranty agencies' federal funds include initial federal start-up funds, receipts of federal reinsurance payments, insurance premiums, guaranty agency share of collections on defaulted loans, investment income, administrative cost allowances, and other assets.

The balance of guaranty agencies' federal funds represents consolidated reserve balances of the 18 guaranty agencies based on the guaranty agency financial reports that each agency submits annually to FSA. Although FSA and the guaranty agencies operate on different fiscal years, all guaranty agencies are subject to an annual audit. A year-end valuation adjustment is made to adjust FSA's balances to comply with federal accounting principles and disclose funds held outside of Treasury.

Guaranty agencies' federal funds are classified as other than intragovernmental non-entity assets and are offset by a corresponding liability due to Treasury on FSA's balance sheets. The funds are held by the guaranty agencies but can only be used for certain specific purposes listed in FSA's regulations. The guaranty agencies' federal funds are the property of the U.S. and are reflected in the *Budget of the United States Government*. Payments made to FSA from guaranty agencies' federal funds through a statutory recall or agency closures represent capital transfers and are returned to Treasury's General Fund. (See Note 2)

Loan Receivables, Net and Loan Guarantee Liabilities

The financial statements reflect FSA's estimate of the long-term subsidy cost of direct and guaranteed loans in accordance with the FCRA. Loans and interest receivable are valued at their gross amounts less an allowance for the present value of amounts not expected to be recovered, and thus having to be subsidized—called an "allowance for subsidy." The difference between the gross amount and the allowance for subsidy is the present value of the cash flows to, and from, FSA that are expected from receivables over their projected lives. Similarly, liabilities for loan guarantees are valued at the present value of the cash outflows from FSA less the present value of related inflows. The estimated present value of net long-term cash outflows of FSA for subsidized costs is net of recoveries, interest supplements, and offsetting fees.

The loan guarantee liabilities represent the net present value of all future cash flows from currently insured FFEL loans, including claim payments, interest assistance, allowance payments, and recoveries from assigned loans. Guaranteed loans that default are initially turned over to guaranty agencies for collection. Defaulted FFEL loans are accounted for as assets and reported at their net present value, similar to direct loans, although they are legally not direct student loans. Credit program receivables, net includes defaulted FFEL loans owned by FSA and held by FSA or guaranty agencies. In most cases, after approximately four years, defaulted guaranteed loans not in repayment are turned over by the guaranty agencies to FSA for collection.

FFEL Program receivables include purchased loans and other interests acquired under an expired program. The cash flows related to these receivables include collections on purchased loans and other activities, including transfers of re-estimated subsidy. The cash flows of these authorities also include inflows and outflows associated with the underlying or purchased loans and other related activities, including any positive or negative subsidy transfers.

Capitalization of interest occurs as a result of various initiatives such as loan consolidations. As a result, interest receivable is reduced, and loan principal is increased. (See Note 5)

Property and Equipment, Net and Leases

FSA has very limited acquisition costs associated with buildings, furniture, and equipment as all federal and contractor staff are housed in leased buildings. The Department and FSA also lease information technology and telecommunications equipment, as part of a contractor-owned, contractor-operated services contract. Lease payments associated with this equipment have been determined to be operating leases and, as such, are expensed as incurred. The noncancellable lease term is one year, with the Department holding the right to extend the lease term by exercising additional one-year options. (See Note 4)

Liabilities

Liabilities represent actual and estimated amounts to be paid as a result of transactions or events that have already occurred.

- Liabilities are classified as covered by budgetary resources if budgetary resources are available to pay them. Credit program liabilities funded by permanent indefinite appropriations are also considered covered by budgetary resources.
- Liabilities are classified as not covered by budgetary resources when congressional action is needed before they can be paid. Although future appropriations to fund these liabilities are likely, it is not certain that appropriations will be enacted to fund these liabilities.
- Liabilities not requiring appropriated budgetary resources include those related to deposit funds, Subsidy Due to Treasury General Fund for Future Liquidating Account Collections (pre-1992 loan guarantee programs), and Federal Perkins Loan program balances due to be repaid to the Treasury General Fund. (See Note 6)

Debt Associated with Loans

FSA borrows from Treasury to provide funding for the Direct Loan, FFEL, and other credit programs for higher education. The liability to Treasury from borrowings represents unpaid principal at year-end. FSA repays the principal based on available fund balances. Interest rates are based on the corresponding rate for 10-year Treasury securities and are set for those borrowings supporting each cohort of loans once the loans for that cohort are substantially disbursed. Interest is paid to Treasury on September 30. (See Note 7)

Subsidy Due to Treasury

FSA must transfer to the Treasury General Fund all excess funding resulting from downward re-estimates of credit program loans that are subject to FCRA requirements. This excess funding is included in the liability for subsidy due to Treasury and will be transferred to Treasury in the succeeding fiscal year upon receipt of authority from OMB. Subsidy due to Treasury also includes future liquidating account collections (estimated collections in excess of estimated outlays) for FSA's pre-1992 FFEL and HEAL loans that, when collected, will also be transferred to the Treasury General Fund. (See Note 8)

Accounts Payable

Accounts payable include amounts owed by FSA for goods and services received from other entities and scheduled payments transmitted but not yet processed. Other than intragovernmental accounts payable to the public primarily consists of in-process grant and loan disbursements, including an accrued liability for schools that have disbursed loans before requesting funds. (See Note 9)

Accrued Grant Liabilities

Some grant recipients incur allowable expenditures as of the end of an accounting period but have not been reimbursed by FSA. FSA accrues liabilities for these allowable expenditures. The liability amounts are estimated using a combination of historical data and a statistical sample survey of current unliquidated balances.

Personnel Compensation and Other Employee Benefits

Annual, Sick, and Other Leave. The liability for annual leave, compensatory time off, and other vested leave is accrued when earned and reduced when taken. Each year, the accrued annual leave account balance is adjusted to reflect current pay rates. Sick leave and other types of nonvested leave are expensed as taken. Annual leave earned but not taken, within established limits, is funded from future financing sources.

Retirement Plans and Other Retirement Benefits. Employees participate in either the Civil Service Retirement System (CSRS), a defined benefit plan, or the Federal Employees Retirement System (FERS), a defined benefit and contribution plan. For CSRS employees, FSA contributes a fixed percentage of pay.

FERS consists of Social Security, a basic annuity plan, and the Thrift Savings Plan. FSA and the employee contribute to Social Security and the basic annuity plan at rates prescribed by law. In addition, FSA is required to contribute to the Thrift Savings Plan a minimum of 1 percent per year of the basic pay of employees covered by this system, match voluntary employee contributions up to 3 percent of the employee's basic pay, and match one-half of contributions between 3 percent and 5 percent of the employee's basic pay. For FERS employees, FSA also contributes the employer's share of Medicare.

Contributions for CSRS, FERS, and other retirement benefits are insufficient to fund the programs fully and are subsidized by the Office of Personnel Management (OPM). FSA imputes its share of the OPM subsidy, using cost factors provided by OPM, and reports the full cost of the programs related to its employees in FSA's Statements of Net Cost. These OPM imputed costs are offset by imputed financing sources from costs absorbed by others in FSA's Statements of Changes in Net Position.

Federal Employees' Compensation Act. The *Federal Employees' Compensation Act* (FECA) (Pub. L. 103-3) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from FSA for these paid claims.

The FECA liability consists of two elements. The first element, accrued FECA liability, is based on claims paid by DOL but not yet reimbursed by FSA. FSA reimburses DOL for claims as funds are appropriated for this purpose. In general, there is a two- to three-year period between payment by DOL and reimbursement to DOL by FSA. As a result, FSA recognizes an intragovernmental liability, not covered by budgetary resources, for the claims paid by DOL that will be reimbursed by FSA.

The second element, actuarial FECA liability, is the estimated liability for future benefit payments and is recorded as an other than intragovernmental liability, not covered by budgetary resources. The actuarial FECA liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. DOL determines the actuarial FECA liability annually, as of September 30, using an actuarial method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value. (See Notes 6 and 9)

Imputed Costs

Services are received from other federal entities at no cost or at a cost less than the full cost to FSA. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by FSA are recognized as imputed cost in the Statements of Net Cost and are offset by imputed revenue in the Statements of Changes in Net Position. Such imputed costs and revenues relate to employee benefits. However, unreimbursed costs of services other than those related to employee benefits are not included in FSA's financial statements.

Net Cost

Net cost consists of gross costs and earned revenue. Major components of FSA's net costs include credit program subsidy expense, credit program interest revenue and expense, and grant expenses. Administrative overhead costs are allocated to loan and non-credit programs based on number of applications processed, number of loans serviced, dollar amount of loan originations, cost of school compliance actions, and the cost to collect defaulted loans. (See Note 10)

Credit Program Subsidy Expense. Subsidy expense is an estimate of the present value cost of providing loans, excluding the administrative costs of issuing and servicing the loans. To estimate subsidy expense, FSA must project lifetime cash flows associated with loans disbursed in a specific fiscal year (i.e., the loan cohort). FSA projects these lifetime cash flows using a set of econometric and financial models, as well as cash flow models. FSA estimates subsidy expenses annually for new loans disbursed in the current year; updates the previous cost estimates for outstanding loans disbursed in prior years (subsidy re-estimates); and updates previous cost estimates based on changes to terms of existing loans (loan modifications). Loan modifications include actions resulting from new legislation or from the exercise of administrative discretion under existing law, which directly or indirectly alters the estimated subsidy cost of outstanding direct loans (or direct loan obligations). The change in book value of direct loans resulting from a modification and the cost of modification will normally differ due to the use of different discount rates or the use of different measurement methods. Any difference between the change in book value and the cost of modification is recognized as a modification adjustment transfer gain or a modification adjustment transfer loss. (See Notes 5 and 10)

Credit Program Interest Revenue and Expense. FSA recognizes other than intragovernmental interest revenue when interest is accrued on Direct Loan Program loans, defaulted and acquired FFEL loans, and outstanding principal for other loan programs. Interest due from borrowers is accrued at least monthly and is satisfied upon collection or capitalization into the loan principal. Federal interest revenue is recognized on the unused fund balances with Treasury in the financing accounts.

Federal interest expense is recognized monthly on the outstanding borrowing from Treasury (debt) used to finance direct loan and loan guarantee programs. Accrued interest to Treasury is paid on September 30. The interest rate for federal interest expense is the same as the rate used for federal interest revenue.

Interest expense equals interest revenue plus administrative fees accrued for all credit programs due to subsidy amortization. Subsidy amortization is required by the FCRA and accounts for the difference between interest expense and revenue cash flows. For direct loans, the allowance for subsidy is adjusted with the offset to interest revenue. For guaranteed loans, the liability for loan guarantees is adjusted with the offset to interest expense. (See Note 10)

Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances, except for federal credit financing and liquidating funds and trust funds. Cumulative results of operations represent the net difference since inception between (1) expenses and (2) revenues and financing sources.

Taxes

FSA is a federal entity and is not subject to federal, state, or local taxes. Therefore, no provision for income taxes is recorded.

Use of Estimates

FSA and Department management are required to make certain estimates while preparing consolidated financial statements in conformity with GAAP. These estimates are reflected in the assets, liabilities, net cost, and net position of the financial statements and may differ from actual results. FSA's estimates are based on management's best knowledge of current events, best available data, economic assumptions, historical experiences, and other assumptions that are believed to be reasonable under the circumstances. Significant estimates reported on the financial statements include: allocation of administrative overhead costs; allowance for subsidy and subsidy expense for direct, defaulted guaranteed and acquired loans; the liability for loan guarantees; and grant liability and advance accruals. (See Notes 4, 5, 9, and 10)

FSA's estimates for credit reform programs are calculated using a series of assumption models that are updated using a statistically valid sample of National Student Loan Data System (NSLDS®) data, data from the Debt Management and Collection System (DMCS), and economic assumptions provided by the Office of Management and Budget. Actual results may differ from those assumptions and estimates. Differences between actual results and these estimates may occur in the valuation of credit program receivables and liabilities for loan guarantees under guidelines in the FCRA. FSA recognizes the sensitivity of credit reform modeling. Slight changes in modeling methodology or data used to derive assumptions can produce largely varied results. FSA therefore continually reviews its model factors and statistical modeling techniques to reflect the most accurate credit program costs possible in its annual financial statements. FSA updates its assumption models in accordance with its model update plan, which takes into consideration statutory or new program requirements, major changes to the model structure or methodology, and data updates. This level of granularity in the modeling methodology is essential to the financial reporting and budgeting processes so that FSA can forecast the costs of various program options when making policy decisions. (See Note 5)

Note 2. Non-Entity Assets

(Dollars in Millions)

	2022 (Unaudited)		2021	
	Intragovernmental	Other than Intragovernmental	Intragovernmental	Other than Intragovernmental
Non-Entity Assets				
Loans Receivable, Net	$ -	$ 1,066	-	693
Cash and Other Monetary Assets	-	725	-	1,913
Accounts Receivable, Net	-	5	-	4
Total Non-Entity Assets	**-**	**1,796**	**-**	**2,610**
Entity Assets	118,637	857,385	79,164	1,164,366
Total Assets	**$ 118,637**	**$ 859,181**	**$ 79,164**	**$ 1,166,976**

FSA's FY 2022 assets are predominantly entity assets (99.8 percent), leaving the small portion of assets remaining as non-entity assets. Other than intragovernmental non-entity assets primarily consist of guaranty agency reserves (40.4 percent), reported as cash and other monetary assets, and Federal Perkins Loan program loan receivables (59.4 percent), reported as loan receivables, net. The corresponding liabilities for these non-entity assets are reflected in various accounts, including intragovernmental accounts payable, Guaranty Agencies' Federal Funds due to Treasury, and other liabilities. (See Note 9)

Note 3. Fund Balance with Treasury

(Dollars in Millions)

	2022 (Unaudited)			2021		
	COVID-19 Funds	All Other Funds	Total	COVID-19 Funds	All Other Funds	Total
Status of Funds						
Unobligated Balance						
Available	$ 3	$ 14,209	$ 14,212	$ 54	$ 14,343	$ 14,397
Unavailable	-	68,691	68,691	-	23,484	23,484
Obligated Balance, Not Disbursed	75	78,030	78,105	91	82,851	82,942
Authority Temporarily Precluded from Obligation	-	(721)	(721)	-	(396)	(396)
Borrowing Authority Not Yet Converted to Fund Balance with Treasury (Note 12)	-	(41,651)	(41,651)	-	(41,264)	(41,264)
Total Fund Balance with Treasury	**$ 78**	**$ 118,558**	**$ 118,636**	**$ 145**	**$ 79,018**	**$ 79,163**

Available unobligated balances represent amounts that are apportioned for obligation in the current fiscal year. Unavailable unobligated balances represent amounts that are not apportioned for obligation during the current fiscal year and expired appropriations no longer available to incur new obligations. Total unavailable unobligated balance ($68.7 billion) differs from unapportioned and expired amounts on the SBR ($69.4 billion) due to the Guaranty Agencies' Federal Funds ($0.7 billion).

In FY 2022 and FY 2021, $289 million and $38 million, respectively of unused funds from canceled appropriations were returned to Treasury. Such balances are excluded from the amount reported as Fund Balance with Treasury in accordance with Treasury guidelines. (See Note 12)

Note 4. Other Assets

(Dollars in Millions)

	2022 (Unaudited)		2021	
	Intragovernmental	Other than Intragovernmental	Intragovernmental	Other than Intragovernmental
Accounts Receivable, Net	$ 1	$ 169	$ 1	$ 225
Advances to Others and Prepayments	-	-	-	33
Property and Equipment, Net	-	5	-	5
Other	-	5	-	-
Total Other Assets	**$ 1**	**$ 179**	**$ 1**	**$ 263**

Changes in property and equipment balances were as follows.

Property and Equipment
(Dollars in Millions)

	Acquisition Value	Accumulated Depreciation	Net
2022 (Unaudited)			
Balance Beginning of the Year	$ 128	$ (123)	$ 5
Balance At End of Year	**$ 128**	**$ (123)**	**$ 5**
2021			
Balance Beginning of the Year	$ 128	$ (123)	$ 5
Balance At End of Year	**$ 128**	**$ (123)**	**$ 5**

Note 5. Loan Receivables, Net and Loan Guarantee Liabilities

Loan Receivables
(Dollars in Millions)

	Principal	Accrued Interest	Allowance for Subsidy	Net
2022 (Unaudited)				
Direct Loan Program	$ 1,341,770	$ 86,663	$ (611,919)	$ 816,514
FFEL Program	80,262	21,599	(62,059)	39,802
Other Credit Programs for Higher Education	2,167	465	(671)	1,961
Total Loans Receivable	**$ 1,424,199**	**$ 108,727**	**$ (674,649)**	**$ 858,277**
2021				
Direct Loan Program	$ 1,292,214	$ 86,501	$ (273,864)	$ 1,104,851
FFEL Program	82,009	23,902	(47,665)	58,246
Other Credit Programs for Higher Education	1,879	293	(469)	1,703
Total Loans Receivable	**$ 1,376,102**	**$ 110,696**	**$ (321,998)**	**$ 1,164,800**

The federal student loan programs provide students and their families with the funds to help meet postsecondary education costs. Funding for these programs is provided through permanent indefinite budget authority. The emergency relief measures provided by Congress and the Administration in response to the COVID-19 pandemic were recorded as loan modifications and are described in each of the programs below. Per OMB guidance, loan modifications were calculated using the President’s Budget formulation discount rates.

As the net loans receivable represents the net present value of future cash flows, it is not necessarily representative of the proceeds that might be expected if these loans were sold on the open market. The net loans receivable increased by $306.5 billion during FY 2022 because of activity identified in the following table.

Reconciliation of Loan Receivables, Net

(Dollars in Millions)

	Direct Loan Program	Defaulted FFEL Guaranteed Loans	Acquired FFEL Loans	Other Credit Programs for Higher Eduction	Total
2022 (Unaudited)					
Beginning Balance of Loans Receivable, Net	**$ 1,104,851**	**$ 16,138**	**$ 42,108**	**$ 1,703**	**$ 1,164,800**
Add Loan Disbursements:					
New Loan Disbursements	83,451	-	-	57	83,508
Consolidations	36,939	-	-	-	36,939
Add Defaulted Loan Claim Payments	-	3,680	-	-	3,680
Less Principal, Interest, and Fee Payments Received:					
Principal	(41,283)	(1,172)	(2,163)	(35)	(44,653)
Interest	(2,561)	(14)	(309)	(6)	(2,890)
Fees	(1,613)	-	-	-	(1,613)
Add Interest Accruals	(564)	(1,153)	(117)	(1)	(1,835)
Less Loans Written Off:					
Principal	(23,416)	(1,974)	(786)	(67)	(26,243)
Interest	(1,886)	(865)	(160)	(8)	(2,919)
Fees	(1)	(1)	-	-	(2)
Allowance for Subsidy	25,303	2,840	946	75	29,164
Add Amortization of Net Interest:					
Interest Revenue on Uninvested Funds	(7,631)	-	(290)	(4)	(7,925)
Interest Revenue from the Public	564	-	117	1	682
Administrative Fees	(5)	-	-	-	(5)
Interest Expense on Borrowing	30,589	-	1,334	18	31,941
Positive Subsidy Transfers	(10,827)	-	-	(31)	(10,858)
Negative Subsidy Transfers	3,535	-	-	-	3,535
Upward Subsidy Re-Estimate	(14,563)	-	(26)	(83)	(14,672)
Downward Subsidy Re-Estimate	36,500	-	2,031	4	38,535
Loan Modifications	(400,055)	-	(12,817)	(67)	(412,939)
Other:					
Other Adjustments to Allowance for Subsidy	147	(6,593)	27	(116)	(6,535)
Other Non-Cash Reconciling Items	(960)	(955)	(24)	521	(1,418)
Ending Balance of Loans Receivable, Net	**$ 816,514**	**$ 9,931**	**$ 29,871**	**$ 1,961**	**$ 858,277**

When Department-held loans are written off, the unpaid principal and interest are removed from the gross amount of loans receivable, along with an offsetting amount charged to the allowance for subsidy. Prior to the write off transaction, the estimated uncollectible amounts are provided for in the subsidy cost allowance through the subsidy cost estimate, re-estimates, or loan modifications. Therefore, the write off transactions do not affect the net loan receivable or expenses.

Other adjustments to allowance for subsidy for defaulted FFEL guaranteed loans shown in the table above includes the Department’s allocation of current year subsidy re-estimates and modifications to the allowance for subsidy for Department-held defaulted FFEL guaranteed loans.

What follows is additional analysis of the activity, costs, and adjustments for each of the loan programs.

Direct Loan Program. The federal government makes loans directly to students and parents through participating institutions of higher education under the Direct Loan Program. Direct Loans are originated and serviced through contracts with private vendors.

Direct Loan Program loan receivables include defaulted and nondefaulted loans owned and held by FSA. Of the $1,428.4 billion in gross loan receivables, as of September 30, 2022, $85.8 billion (6.0 percent) in loan principal was in default and had been transferred to FSA's defaulted loan servicer, compared to $91.5 billion (6.6 percent) as of September 30, 2021.

Direct Loan Program Loan Disbursements by Loan Type
(Dollars in Millions)

	2022 (Unaudited)	2021
Stafford	$ 15,728	$ 18,325
Unsubsidized Stafford	45,486	44,146
PLUS	22,237	20,824
Consolidation	36,939	21,508
Total Disbursements	**$ 120,390**	**$ 104,803**

The allocation of disbursements for the first three loan types is estimated based on historical trend information.

Student and parent borrowers may prepay existing loans without penalty through a new consolidation loan. Under the FCRA and requirements provided by OMB regulations, the retirement of direct loans being consolidated is considered a collection of principal and interest. This receipt is offset by the disbursement related to the newly created consolidation loan.

Underlying direct or guaranteed loans, performing or nonperforming, are paid off in their original cohort; new consolidation loans are originated in the cohort in which the new consolidation loan was obligated. Consolidation activity is taken into consideration in establishing subsidy rates for defaults and other cash flows. The cost of new consolidations is included in subsidy expense for the current-year cohort; the effect of prepayments on existing loans could contribute to re-estimates of prior cohort subsidy costs. The net receivables include estimates of future prepayments of existing loans through consolidations; they do not reflect subsidy costs associated with anticipated future consolidation loans.

Direct loan consolidations were $36.9 billion during FY 2022 and $21.5 billion during FY 2021. The effect of the early payoff of the existing loans—those being consolidated—is recognized in the future projected cash flows associated with that cohort.

Direct Loan Program Interest Expense and Revenues (See Note 10)

(Dollars in Millions)

	2022 (Unaudited)	2021
Interest Expense on Treasury Borrowing	$ 30,589	$ 32,957
Total Interest Expense	**$ 30,589**	**$ 32,957**
Interest Revenue From the Public	(564)	(459)
Interest Revenue on Uninvested Funds	7,631	4,230
Administrative Fees	5	32
Amortization of Subsidy	23,517	29,154
Total Revenues	**$ 30,589**	**$ 32,957**

Direct Loan Program Subsidy Expense

(Dollars in Millions)

	2022 (Unaudited)	2021
Subsidy Expense for Direct Loans Disbursed in the Current Year		
Interest Rate Differential	$ 24,653	$ 19,844
Defaults, Net of Recoveries	353	606
Fees	(1,644)	(1,603)
Other	(16,070)	(17,259)
Total Subsidy Expense for Direct Loans Disbursed in the Current Year	**7,292**	**1,588**
Modifications and Re-Estimates		
Loan Modifications		
Modification Adjustment Transfer Gain	(28,242)	(2,716)
Modification Adjustment Transfer Loss	2,483	182
Loan Modifications	425,814	70,812
Total Loan Modifications	**400,055**	**68,278**
Net Upward/(Downward) Subsidy Re-Estimates		
Interest Rate Re-estimates	(1,652)	(6,221)
Technical and Default Re-estimates	(20,285)	30,246
Total Net Upward/(Downward) Subsidy Re-estimates	**(21,937)**	**24,025**
Total Modifications and Re-estimates	378,118	92,303
Direct Loan Subsidy Expense	**$ 385,410**	**$ 93,891**

Subsidy Expense for Direct Loans Disbursed in the Current Year. The two major components of the total subsidy expense for direct loans disbursed in the current year (subsidy transfers) are Interest Rate Differential and Other Components. Interest Rate Differential is attributable to the difference between the borrowers' interest payments due to FSA and the FSA's estimated cost to finance the direct loan on a present value basis. The Other Components of subsidy transfers primarily consists of contract collection costs, program review collections, fees, and loan forgiveness.

Loan Modifications. Loan modifications for the Direct Loan Program for FY 2022 included the following:

- Broad-Based Debt Relief. To address the financial harms of the pandemic by smoothing the transition back to repayment and helping borrowers at highest risk of delinquencies or default once payments resume, the Department provided broad-based debt relief. Borrowers with loans held by the Department who received a Pell Grant in college and meet the specified income limits are eligible for up to $20,000 in debt relief, while non-Pell Grant recipients who meet the specified income limits are eligible for up to $10,000 in relief. Applications for this debt relief launched on October 17, 2022. This action resulted in an upward modification cost of $361.0 billion in the Direct Loan Program. There was a net negative $23.7 billion modification adjustment transfer associated with this modification, bringing the total FY 2022 modification cost for the Direct Loan Broad-Based Debt Relief to $337.3 billion.

- Loan Deferral Extension. In FY 2022, the administration extended the student loan repayment deferrals through December 31, 2022[95]. The extended relief for borrowers resulted in an upward modification cost of $48.4 billion. There was a net positive $0.2 billion modification adjustment transfer associated with this modification, bringing the total FY 2022 modification cost for the student loan repayment deferrals to $48.6 billion.
- PSLF Waiver. The PSLF Program removes the burden of student debt on public servants by cancelling loans after 10 years of payments while the borrower is in public service. Temporary changes were made to the program through a Limited PSLF Waiver to allow student borrowers to get credit for payments made while working for a qualifying employer, regardless of loan type or repayment plan. The Waiver, which ran through October 31, 2022, applies to borrowers with Direct Loans, those who have already consolidated into the Direct Loan Program, and those with other types of federal student loans who submit a consolidation application into the Direct Loan Program while the waiver is in effect. These temporary changes have resulted in an upward modification cost of $10.1 billion in the Direct Loan Program. There was a net negative $1.0 billion modification adjustment transfer associated with this modification, bringing the total FY 2022 modification cost for the Direct Loan Program PSLF Waiver to $9.1 billion.
- Income-Driven Repayment (IDR) Waiver one time account adjustment. Borrowers on most IDR plans are entitled to forgiveness after 20 years of payments and depend on FSA and its servicers to accurately track their progress toward relief. However, FSA's review of IDR payment-tracking procedures revealed significant flaws that suggested borrowers had been missing out on progress toward IDR forgiveness. To address past issues with IDR payment counting, the IDR Waiver allowed any borrower who made IDR-qualifying payments to count toward IDR, regardless of repayment plan. Any borrower who made the required number of payments for IDR forgiveness based on this payment-count revision would receive loan forgiveness automatically, and months spent in deferment prior to 2013 would count toward forgiveness as well. These changes resulted in an upward modification cost of $16.4 billion during FY 2022 in the Direct Loan Program. There was a net negative $2.3 billion modification adjustment transfer associated with this modification, bringing the

[95] Subsequent to the end of FY 2022, the Administration announced an additional extension of the student loan repayment deferrals. (See Note 15)

total FY 2022 modification cost for the Direct Loan Program IDR Waiver to $14.1 billion.

- Shift to Business Process Operations (BPO). The holder of defaulted federal student debt has historically entered into contracts with Private Collection Agencies (PCAs) to collect on defaulted student loans. FSA transitioned PCA services to new Business Process Operations (BPO) contracts in FY 2022, which is estimated to result in lower costs for future defaulted student loan collection activities. This action resulted in a downward modification cost (savings) of $10.1 billion in the Direct Loan Program. There was a net positive $1.0 billion modification adjustment transfer associated with this modification, bringing the total FY 2022 modification cost (savings) for the Direct Loan Program shift to business process operations to $9.1 billion.

Net Upward Subsidy Re-Estimates for All Prior Year Loan Cohorts. The Direct Loan Program subsidy re-estimate decreased subsidy expense in FY 2022 by $21.9 billion. Re-estimated costs only include cohorts that are 90 percent disbursed (i.e., cohort years 1994–2021). The re-estimate reflects the assumption updates and other changes described below.

In addition to the major assumption updates described below, the re-estimate reflects several other assumption updates, including loan volume, enter repayment rates, and Teacher Loan Forgiveness.

- Non-IDR Discharges. FSA updated the assumption to reflect changes made in recent cycles, including adjustments made for Covid-related Return of Title IV Fund claims, the VA-match and SSA-match TPD adjustments, and the change to a 30-year distribution. One addition in this update cycle was for an expected increase in closed school discharges. The combined effect of these updates led to a new upward re-estimate of $2.9 billion.
- IDR Model Changes. FSA completed a standard IDR data update. The income calibration used in the IDR model was updated to use more of the available data from NSLDS. The calibration was done by the risk groups used in the model. Doing so resulted in a smaller calibration for some groups (especially graduate students), which contributed significantly to savings for this component. Data on inflation, interest rates, and the poverty line were adjusted to reflect the latest current data, as well as OMB's most recent forecasts. Several smaller technical updates were made to improve the accuracy and functioning of the IDR model, including the handling of payments during the COVID-19 payment pause and calculating the percentage of debt allocated to the borrower when jointly repaying with the borrower’s spouse. The combined effect of these updates led to a net downward re-estimate of $24.0 billion.
- Deferment and Forbearance. FSA updated actual deferment and forbearance rates for FY 2021 and calibrated FY 2022 and FY 2023 rates using data from FSA on borrower payments made during the period of repayment deferral. The combined effect of these changes led to a net upward re-estimate of $2.6 billion.
- Collections. FSA updated the data and calibrated FY 2022 collection rates to reflect the extension of the repayment deferral. The combined effect of these changes led to a net downward re-estimate of $1.7 billion.

- Default. In addition to the adjustments for the extension of the student loan repayment deferrals, FSA updated the data and incorporated actual unemployment rates from the Bureau of Labor Statistics and projected unemployment rates from OMB. The combined effect of these changes led to a net upward re-estimate of $3.0 billion
- Repayment Plan Selection. FSA incorporated new repayment plan data through FY 2021. This update led to a downward re-estimate of $3.0 billion.
- 2021 Cohort Assumption Changes. The technical re-estimate cannot reflect the impacts of certain assumption changes applicable to the current year loan cohort until the following fiscal year per OMB guidance. The current year's re-estimate includes a net upward adjustment of $7.7 billion for these current-year assumption changes attributable to the FY 2021 cohort.
- Interest on the Re-Estimate. Interest on re-estimates is the amount of interest that would have been earned or paid by each cohort on the subsidy re-estimate if the re-estimated subsidy had been included as part of the original subsidy estimate. The interest on the re-estimate calculated on the overall subsidy re-estimate resulted in a net downward re-estimate of $0.4 billion.
- Interactive Effects. The re-estimate includes a net upward re-estimate of $7.4 billion attributed to the interactive effects of the assumption changes described above. Each assumption described above is run independently. The interactive effect is a result of combining all assumptions together to calculate
- Discount Rates. The rates are used to calculate the NPV of the cash flows to create subsidy rates. Adjustments to the 2020 and 2021 cohorts were calculated. All other cohorts are actual. The combined effect of these changes led to a net downward re-estimate of $16.6 billion.

Direct Loan Subsidy Rates—Cohort 2022

	Interest Differential	Defaults	Fees	Other	Total
Stafford	22.42%	0.83%	-1.06%	-14.21%	7.98%
Unsubsidized Stafford	23.21%	0.60%	-1.06%	-20.50%	2.25%
PLUS	10.39%	0.39%	-4.23%	-20.70%	-14.15%
Consolidation	18.83%	-0.70%	0.00%	6.40%	24.53%
Weighted Average Total	**20.04%**	**0.19%**	**-1.31%**	**-12.86%**	**6.06%**

*The Other component reflects costs associated with loan cancelations and the interactive effects of payment plans on the components of subsidy.

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior-year cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

The subsidy costs of FSA's student loan programs, especially the Direct Loan Program, are highly sensitive to changes in actual and forecasted interest rates. The formulas for determining program interest rates are established by statute; the existing loan portfolio has a mixture of borrower and lender rate formulas. Interest rate projections are based on probabilistic interest rate scenario inputs developed and provided by OMB.

Direct Loan Program Reconciliation of Allowance for Subsidy
(Dollars in Millions)

	2022 (Unaudited)	2021
Beginning Balance of Allowance for Subsidy	**$ 273,864**	**$ 216,404**
Total Subsidy Expense for Direct Loans Disbursed in the Current Year	7,292	1,588
Adjustments		
Loan Modifications	400,055	68,278
Fees Received	1,611	1,562
Loans Written Off	(25,303)	(8,354)
Subsidy Allowance Amortization	(23,517)	(29,154)
Other Activities	(146)	(485)
Ending Balance of Allowance for Subsidy Before Re-Estimates	**633,856**	**249,839**
Net Upward/(Downward) Subsidy Re-Estimates	(21,937)	24,025
Ending Balance of Allowance for Subsidy	**$ 611,919**	**$ 273,864**

The estimation process used to determine the amount of positive or negative subsidy expense each fiscal year, and subsequently the cumulative taxpayer cost of the program (allowance for subsidy), is subject to various external risk factors that often show strong interdependence with one another. These risks include uncertainty about changes in the general economy, changes in the legislative and regulatory environment, and changing trends in borrower performance related to contractual cash flows within the loan programs.

Due to the complexity of the Direct Loan Program, there is inherent projection risk in the process used for estimating long-term program costs. As stated, some uncertainty stems from potential changes in student loan legislation and regulations because these changes may fundamentally alter the cost structure of the program. Operational and policy shifts may also affect program costs by causing significant changes in borrower repayment timing. Actual performance may deviate from estimated performance, which is not unexpected given the long-term nature of these loans (cash flows may be estimated up to 40 years), and the multitude of projection paths and possible outcomes. The high percentage of borrowers in IDR plans has made projection of borrower incomes a key input for the estimation process. This uncertainty is directly tied to the macroeconomic climate and is another inherent program element that displays the interrelated risks facing the Direct Loan program. FSA utilizes the best data available with modeling techniques that have been examined over time by several outside entities. Management has confidence over the estimates by using several different tools to analyze cost estimates. Re-estimates on the loan portfolio are performed twice a year ensuring that the most up to date data and models are used.

Loans written off result from borrowers having died, becoming disabled, or having a loan approved for discharge in bankruptcy or other type of discharge, including borrower defense discharges. The interest rate re-estimate reflects the cost of finalizing the Treasury borrowing rate to be used for borrowings received to fund the disbursed portion of the loan awards obligated.

Federal Family Education Loan Program. FFEL was established in fiscal year 1965 and is a guaranteed loan program. As a result of the *SAFRA Act*, no new FFEL loans have been made since July 1, 2010. Federal guarantees on FFEL program loans and commitments remain in effect for loans made before July 1, 2010, unless they were sold to FSA through an ECASLA authority (acquired FFEL loans), consolidated into a direct loan, or otherwise satisfied, discharged, or canceled.

FFEL Guaranteed Loans Outstanding
(Dollars in Billions)

		2022 (Unaudited)
Outstanding Principal of Guaranteed Loans, Face Value	$	98.6
Amount of Outstanding Principal Guaranteed	$	98.6

As of September 30, 2022, the total principal value of guaranteed loans outstanding and the amount of that principal which is guaranteed is approximately $98.6 billion.

Additionally, the FFEL program guarantees outstanding interest balances. As of September 30, 2022, the interest balances outstanding for guaranteed loans held by lenders was approximately $4.2 billion.

FSA’s total FFEL program guarantees (principal and interest) are approximately $102.8 billion as of September 30, 2022. Of the total guaranteed amount, FSA would expect to pay a smaller amount to the guaranty agencies. The guarantee rates range from 75 to 100 percent of the principal and interest balance depending on the type of claim, when the loan was made, and the guaranty agency's claim experience. For purposes of disclosing FSA’s total risk exposure for FFEL guarantees, the highest reimbursement rate of 100 percent is assumed.

Defaulted and acquired FFEL loans are accounted for as assets as shown in the following table.

FFEL Program Loan Receivables
(Dollars in Millions)

	Principal	Accrued Interest	Allowance for Subsidy (Present Value)	Net
2022 (Unaudited)				
DEFAULTED FFEL GUARANTEED LOANS				
FFEL GSL Program (Pre-1992)	$ 3,310	$ 4,966	$ (7,940)	$ 336
FFEL GSL Program (Post-1991)	34,298	8,226	(32,929)	9,595
Total Defaulted FFEL Guaranteed Loans	**37,608**	**13,192**	**(40,869)**	**9,931**
ACQUIRED FFEL LOANS				
Loan Purchase Commitment	14,189	2,593	(7,945)	8,837
Loan Participation Purchase	27,181	5,461	(12,952)	19,690
ABCP Conduit	1,284	353	(293)	1,344
Total Acquired FFEL Loans	**42,654**	**8,407**	**(21,190)**	**29,871**
FFEL Program Loan Receivables	**$ 80,262**	**$ 21,599**	**$ (62,059)**	**$ 39,802**
2021				
DEFAULTED FFEL GUARANTEED LOANS				
FFEL GSL Program (Pre-1992)	$ 3,638	$ 5,739	$ (8,418)	$ 959
FFEL GSL Program (Post-1991)	32,612	9,302	(26,735)	15,179
Total Defaulted FFEL Guaranteed Loans	**36,250**	**15,041**	**(35,153)**	**16,138**
ACQUIRED FFEL LOANS				
Loan Purchase Commitment	15,238	2,716	(4,822)	13,132
Loan Participation Purchase	29,178	5,776	(7,316)	27,638
ABCP Conduit	1,343	369	(374)	1,338
Total Acquired FFEL Loans	**45,759**	**8,861**	**(12,512)**	**42,108**
FFEL Program Loan Receivables	**$ 82,009**	**$ 23,902**	**$ (47,665)**	**$ 58,246**

FFEL Program Subsidy Expense

(Dollars in Millions)

	2022 (Unaudited)	2021
Loan Modification Costs		
FFEL Guaranteed Loan Program		
Net Modification Adjustment Transfer (Gain)/Loss	$ (979)	$ (302)
Loan Modifications	10,813	3,164
Total FFEL Guaranteed Loan Program Loan Modifications	**9,834**	**2,862**
Loan Purchase Commitment		
Net Modification Adjustment Transfer (Gain)/Loss	(319)	-
Loan Modifications	4,454	1,069
Total Loan Purchase Commitment Loan Modifications	**4,135**	**1,069**
Loan Participation Purchase		
Net Modification Adjustment Transfer (Gain)/Loss	(604)	-
Loan Modifications	9,286	1,879
Total Loan Participation Purchase Loan Modifications	**8,682**	**1,879**
Total Loan Modification Costs	**22,651**	**5,810**
Upward/(Downward) Subsidy Re-Estimates		
FFEL Loan Guarantee Program	1,391	7,226
Loan Purchase Commitment	(428)	208
Loan Participation Purchase	(1,577)	397
Total FFEL Program Subsidy Re-Estimates	**(614)**	**7,831**
FFEL Program Subsidy Expense	**$ 22,037**	**$ 13,641**

Loan Modifications. Loan modifications for the FFEL Loan program for FY 2022 included the following:

- Broad-Based Debt Relief. To address the financial harms of the pandemic by smoothing the transition back to repayment and helping borrowers at highest risk of delinquencies or default once payments resume, the Department provided broad-based debt relief. Borrowers with loans held by the Department who received a Pell Grant in college and meet the specified income limits are eligible for up to $20,000 in debt relief, while non-Pell Grant recipients who meet the specified income limits are eligible for up to $10,000 in relief. Applications for this debt relief launched on October 17, 2022. This action resulted in an upward modification cost of $18.1 billion in the FFEL Program. There was a net negative $2.0 billion modification adjustment transfer associated with this modification, bringing the total FY 2022 modification cost for the FFEL Broad-Based Debt Relief to $16.1 billion.
- Loan Deferral Extension. In FY 2022, the administration extended the student loan repayment deferrals for Department-held loans through December 31, 2022[96]. The extended relief for borrowers resulted in an upward modification cost of $5.8 billion. There was a net positive $0.1 billion modification adjustment transfer associated with this modification, bringing the total FY 2022 modification cost for the student loan repayment deferrals to $5.9 billion.

[96] Subsequent to the end of FY 2022, the Administration announced an additional extension of the student loan repayment deferrals. (See Note 16)

- Support for the Federal Student Loan Reserve Fund. FSA authorized the Guaranty Agencies to reimburse themselves from the Federal Fund for lost revenue that resulted from the student loan repayment deferrals. The reimbursements cover the share of what the Guaranty Agencies would have collected during the pandemic but for the suspension. This relief for the Guaranty Agencies resulted in an upward modification cost of $1.1 billion.
- Shift to Business Process Operations. The holder of defaulted federal student debt has historically entered into contracts with PCAs to collect on defaulted student loans. FSA transitioned PCA services to new BPO contracts in FY 2022, which is estimated to result in lower costs for future defaulted student loan collection activities. This action resulted in a downward modification cost (savings) of $0.6 billion in the FFEL Loan Program.
- Shift of FFEL Special Allowance to SOFR. For the purposes of Special Allowance Payment calculations on certain FFEL Program loans, lenders or beneficial owners were given the option to substitute the 1-month London Interbank Offered Rate (LIBOR) for the 3-month commercial paper rate. However, as LIBOR is expected to be discontinued by June 2023, lenders and servicers in the FFEL Program have begun switching to the Secured Overnight Financing Rate (SOFR), permitted by the Consolidated Appropriations Act of 2022. This shift resulted in an upward modification cost of $0.2 billion.

Net Upward/(Downward) Subsidy Re-estimates. The total FFEL subsidy re-estimate decreased subsidy expense in FY 2022 by $0.6 billion. The net upward re-estimates in the FFEL Program were due primarily to updated IDR model changes in the Loan Purchase Commitment and Loan Participation Purchase programs.

Reconciliation of Liabilities for Loan Guarantees

(Dollars in Millions)

	2022 (Unaudited)	2021
Beginning Balance of Post-1991 FFEL Loan Guarantee Liability	**$ 7,252**	**$ 884**
Adjustments		
Loan Modifications	9,834	2,862
Interest Supplements Paid	(351)	(348)
Claim Payments to Lenders	(3,657)	(2,613)
Fees Received	780	1,014
Interest on Accumulation on the Liability Balance	(223)	(863)
Other Activities	(4,617)	(910)
Net Upward Subsidy Re-Estimates	1,391	7,226
Ending Balance of Post-1991 FFEL Loan Guarantee Liability	**10,409**	**7,252**
Pre-1992 FFEL Liquidating Account Liability for Loan Guarantees	-	-
FFEL Liabilities for Loan Guarantees	**10,409**	**7,252**
HEAL Liabilities for Loan Guarantees	246	244
Total Liabilities for Loan Guarantees	**$ 10,655**	**$ 7,496**

Other activity includes negative special allowance collections, collections on defaulted FFEL loans, guaranty agency expenses, and loan cancellations due to death, disability, or bankruptcy.

Allowance for Subsidy Reconciliation for Acquired FFEL Loans
(Dollars in Millions)

	Loan Purchase Commitment	Loan Participation Purchase	ABCP Conduit	Total
2022 (Unaudited)				
Beginning Balance of Allowance for Subsidy	**$ 4,822**	**$ 7,316**	**$ 374**	**$ 12,512**
Adjustments				
Loan Modifications	4,135	8,682	-	12,817
Subsidy Allowance Amortization	(331)	(787)	(43)	(1,161)
Loans Written Off	(251)	(658)	(37)	(946)
Other Activities	(2)	(24)	(1)	(27)
Ending Balance of Allowance for Subsidy Before Re-estimates	**8,373**	**14,529**	**293**	**23,195**
Net Downward Subsidy Re-Estimates	(428)	(1,577)	-	(2,005)
Ending Balance of Allowance for Subsidy	**$ 7,945**	**$ 12,952**	**$ 293**	**$ 21,190**
2021				
Beginning Balance of Allowance for Subsidy	**$ 4,102**	**$ 6,424**	**$ 434**	**$ 10,960**
Adjustments				
Loan Modifications	1,069	1,879	-	2,948
Subsidy Allowance Amortization	(424)	(952)	(42)	(1,418)
Loans Written Off	(136)	(424)	(16)	(576)
Other Activities	3	(8)	(2)	(7)
Ending Balance of Allowance for Subsidy Before Re-estimates	**4,614**	**6,919**	**374**	**11,907**
Net Upward Subsidy Re-Estimates	208	397	-	605
Ending Balance of Allowance for Subsidy	**$ 4,822**	**$ 7,316**	**$ 374**	**$ 12,512**

Other Credit Programs for Higher Education
(Dollars in Millions)

	Principal	Accrued Interest	Allowance for Subsidy (Present Value)	Net
2022 (Unaudited)				
Federal Perkins Loans	$ 997	$ 368	$ (299)	$ 1,066
TEACH Program Loans	790	71	(365)	496
HEAL Program Loans	380	26	(7)	399
Total	**$ 2,167**	**$ 465**	**$ (671)**	**$ 1,961**

	Principal	Accrued Interest	Allowance for Subsidy (Present Value)	Net
2021				
Federal Perkins Loans	$ 708	$ 197	$ (212)	$ 693
TEACH Program Loans	783	70	(256)	597
HEAL Program Loans	388	26	(1)	413
Total	**$ 1,879**	**$ 293**	**$ (469)**	**$ 1,703**

Federal Perkins Loan Program. Loans made through the Federal Perkins Loan program were low-interest federal student loans for undergraduate and graduate students with exceptional financial needs. Schools made these Perkins loans to their students and are responsible for servicing the loans throughout the repayment term. Borrowers who undertake certain public, military, or teaching service employment are eligible to have all or part of their loans cancelled.

The Perkins Loan program was a revolving loan program where the loan repayments collected from former students were used to make new loans to current students. FSA provided most of the capital used by schools to make these loans to eligible students. Participating schools provided the remaining program funding. In some statutorily defined cases, funds were provided by FSA to reimburse schools for loan cancellations. The above schedule includes only Perkins loans that were assigned to FSA when schools discontinued their participation in the program. For these assigned Perkins loans, collections of principal, interest, and fees, net of amounts paid to cover contract collection costs totaled $393 million and $79 million for FY 2022 and FY 2021, respectively.

The *Federal Perkins Loan Program Extension Act of 2015* (Extension Act) eliminated the authorization for schools to make new Perkins loan disbursements as of September 30, 2017, and ended all Perkins loan disbursements by June 30, 2018. Before the authority for new Perkins loans ended, collections made by the schools would go back into each school's Perkins fund to be used to make more loans. Schools are required to return to FSA the federal share of any excess beyond what is needed (excess liquid capital).

Schools are not required to liquidate and close out their programs now that no new Perkins loans are being made. Schools continue to take in collections and are required to return the federal share of the capital that is collected to FSA on an annual basis. Schools returned $689 million and $850 million to FSA in FY 2022 and FY 2021, respectively, for the federal share of collected cash.

Schools will continue to service outstanding Perkins loans to recover the money they contributed to their Perkins funds for as long as it is feasible to do so or until the eventual wind-down of their portfolios. Schools that liquidate and close out their programs must transfer any outstanding portfolio to FSA and liquidate any final cash. Most recent data from the 2022-2023 reporting year shows a $2.6 billion outstanding principal balance on Perkins loans held by schools, and FSA's equity interest on this portfolio is $2.2 billion.

The amounts collected by FSA annually for defaulted Perkins loans and for the return of the federal share of schools' Perkins capital contributions are returned to the Treasury General Fund. (See Note 12)

TEACH Grant Program. FSA awards annual grants of up to $4,000 to eligible undergraduate and graduate students who agree to serve as full-time mathematics, science, foreign language, bilingual education, special education, or reading teachers at high-need schools for four years within eight years of graduation. The maximum lifetime grant for students is $16,000 for undergraduate programs and $8,000 for graduate programs. For students failing to fulfill the service requirement, the grants are converted to Direct Unsubsidized Stafford Loans. The program is operated as a loan program under the FCRA for budget and accounting purposes since grants can be converted to direct loans.

Loan modifications for the TEACH Program for FY 2022 included the following:

- Broad-Based Debt Relief. This action resulted in an upward modification cost of $55 million in the TEACH Program for Department-hold TEACH Program loans. There was a net negative $4 million modification adjustment transfer associated with this modification, bringing the total FY 2022 modification cost for the TEACH Broad-Based Debt Relief to $51 million.
- Loan Deferral Extension. In FY 2022 the administration extended the student loan repayment deferrals through December 31, 2022[97] for Department-held TEACH Program loans. The extended relief for borrowers resulted in an upward modification cost of $16 million. There was a net positive $1 million modification, bringing the total FY 2022 modification for student loan repayment deferrals to $17 million.
- Shift to Business Process Operations. This action resulted in a downward modification cost (savings) of $2 million in the TEACH Program.

TEACH Subsidy Rates—Cohort 2022

	Interest Differential	Defaults	Fees	Other	Total
Subsidy Rates	79.33%	-0.14%	0.00%	-36.62%	42.57%

*The Other component reflects costs associated with loan cancelations and the interactive effects of payment plans on the components of subsidy.

HEAL Program. FSA assumed responsibility in FY 2014 for the HEAL program and the authority to administer, service, collect, and enforce the program. The HEAL program is structured as required by the FCRA. A liquidating account is used to record all cash flows to and from the government resulting from guaranteed HEAL loans committed before 1992. All loan activity for 1992 and beyond is recorded in corresponding financing accounts. In FY 2022 the administration extended the student loan repayment deferrals through December 31, 2022[98]. The extended relief for borrowers resulted in an upward modification cost of $1.5 million. There was a net negative $0.1 million modification adjustment transfer associated with this modification, bringing the total modification cost to $1.4 million.

[97] Subsequent to the end of FY 2022, the Administration announced an additional extension of the student loan repayment deferrals. (See Note 16)
[98] Subsequent to the end of FY 2022, the Administration announced an additional extension of the student loan repayment deferrals. (See Note 16)

Note 6. Liabilities Not Covered by Budgetary Resources

Liabilities Not Covered

(Dollars in Millions)

	2022 (Unaudited)		2021	
	Intragovernmental	Other than Intragovernmental	Intragovernmental	Other than Intragovernmental
Liabilities Not Covered By Budgetary Resources				
Unfunded Leave	$ -	$ 20	$ -	$ 19
FECA Liabilities	-	1	-	1
Total Liabilities Not Covered By Budgetary Resources	**-**	**21**	**-**	**20**
Liabilities Not Requiring Budgetary Resources				
Subsidy Due to Treasury General Fund	513	-	1,209	-
Federal Perkins Loan Program	1,057	-	682	-
Miscellaneous Receipt, Deposit Funds and Clearing Accounts	15	-	16	-
Total Liabilities Not Requiring Budgetary Resources	**1,585**	**-**	**1,907**	**-**
Total Liabilities Covered By Budgetary Resources	932,188	16,298	1,223,337	13,270
Total Liabilities	**$ 933,773**	**$ 16,319**	**$ 1,225,244**	**$ 13,290**

Note 7. Debt Associated with Loans

(Dollars in Millions)

	Beginning Balance	Borrowing	Repayments	Accrued Interest	Ending Balance
2022 (Unaudited)					
Direct Loan Program	$ 1,142,195	$ 162,823	$ (467,578)	$ -	$ 837,440
FFEL Program	78,254	3,283	(14,542)	-	66,995
Other Credit Programs for Higher Education	667	56	(152)	-	571
Total Debt Associated with Loans	**$ 1,221,116**	**$ 166,162**	**$ (482,272)**	**$ -**	**$ 905,006**
2021					
Direct Loan Program	$ 1,160,099	$ 119,950	$ (137,854)	$ -	$ 1,142,195
FFEL Program	88,986	1,630	(12,362)	-	78,254
Other Credit Programs for Higher Education	722	96	(151)	-	667
Total Debt Associated with Loans	**$ 1,249,807**	**$ 121,676**	**$ (150,367)**	**$ -**	**$ 1,221,116**

FSA borrows from Treasury's Bureau of the Public Debt to fund the disbursement of new loans and the payment of credit program outlays and related costs. During FY 2022, debt decreased 25.9 percent from $1,221.1 billion in the prior year to $905.0 billion. FSA makes periodic principal payments, after evaluating the cash position and liability for future outflows in each program and pays interest, as mandated by the FCRA.

Approximately 92.5 percent of FSA's debt, as of September 30, 2022, is attributable to the Direct Loan program. Most of the new borrowing activity for the year was designated for funding new direct loan disbursements.

FSA also borrows from Treasury for activity in the Other Credit Programs for Higher Education. During FY 2022, TEACH net borrowing was $(96) million, as repayments to Treasury were greater than borrowing. This was used for the advance of new grants and repayments of principal made to Treasury.

Note 8. Subsidy Due to Treasury

(Dollars in Millions)

	2022 (Unaudited)	2021
Credit Program Downward Subsidy Re-estimates		
Direct Loan Program	$ 23,101	$ 303
FFEL Program	3,351	1
Total Credit Program Downward Subsidy Re-estimates	**26,452**	**304**
Future Liquidating Account Collections		
FFEL Program	513	1,209
Total Future Liquidating Account Collections	**513**	**1,209**
Total Subsidy Due to Treasury General Fund	**$ 26,965**	**$ 1,513**

Note 9. Other Liabilities

(Dollars in Millions)

	2022 (Unaudited)		2021	
	Intragovernmental	Other than Intragovernmental	Intragovernmental	Other than Intragovernmental
Federal Perkins Loan Program	$ 1,057	$ -	$ 682	$ -
Miscellaneous Receipt, Deposit Funds and Clearing Accounts	15	-	16	-
Accrued Funded Payroll and Leave	-	12	-	11
Accrued Unfunded Annual Leave	-	20	-	19
Employer Contributions and Payroll Taxes Payable	4	1	3	-
FECA Liabilities	-	1	-	1
Total Other Liabilities	**$ 1,076**	**$ 34**	**$ 701**	**$ 31**

Note 10. Net Cost

Gross Costs and Exchange Revenue by Program

(Dollars in Millions)

2022 (Unaudited)	
INCREASE POSTSECONDARY VALUE BY FOCUSING ON EQUITY STRATEGIES TO ADDRESS ACCESS TO AFFORDABILITY, COMPLETION, AND POST-ENROLLMENT SUCCESS	
Direct Loan Program	
Gross Cost	
Credit Program Interest Expense	$ 30,589
Subsidy Expense	413,652
Administrative Expenses	1,717
Earned Revenue	
Subsidy Expense	(28,242)
Interest & Administrative Fees	(7,072)
Subsidy Amortization	(23,517)
Net Cost of Direct Loan Program	**387,127**
FFEL Program	
Gross Cost	
Credit Program Interest Expense	3,202
Subsidy Expense	24,216
Subsidy Amortization (Guaranteed Loans)	(223)
Guaranty Agencies	1,193
Administrative Expenses	165
Earned Revenue	
Subsidy Expense	(2,179)
Interest & Administrative Fees	(1,818)
Subsidy Amortization (Acquired FFEL Loans)	(1,161)
Guaranty Agencies	(5)
Net Cost of FFEL Program	**23,390**
Other Credit Programs for Higher Education	
Gross Cost	
Credit Program Interest Expense	18
Subsidy Expense	183
Administrative Expenses	3
Earned Revenue	
Subsidy Expense	(4)
Interest & Administrative Fees	(5)
Subsidy Amortization	(13)
Other	(1,084)
Net Cost of Other Credit Programs for Higher Education	**(902)**
Non-Credit Programs	
Gross Cost	
Grants	28,102
Other	155
Earned Revenue	-
Net Cost of Non-Credit Programs	**28,257**
Net Program Costs	**437,872**
Total Program Gross Costs	**502,972**
Total Program Earned Revenue	**(65,100)**
Net Cost	**$ 437,872**

Gross Costs and Exchange Revenue by Program

(Dollars in Millions)

	2021
EXPAND POSTSECONDARY OPPORTUNITIES, IMPROVE OUTCOMES TO FOSTER ECONOMIC OPPORTUNITY, AND PROMOTE PRODUCTIVE CITIZENRY	
Direct Loan Program	
Gross Cost	
Credit Program Interest Expense	$ 32,957
Subsidy Expense	96,607
Administrative Expenses	1,524
Earned Revenue	
Subsidy Expense	(2,716)
Interest & Administrative Fees	(3,803)
Subsidy Amortization	(29,154)
Net Cost of Direct Loan Program	**95,415**
FFEL Program	
Gross Cost	
Credit Program Interest Expense	3,538
Subsidy Expense	14,000
Subsidy Amortization (Guaranteed Loans)	(863)
Guaranty Agencies	79
Administrative Expenses	144
Earned Revenue	
Subsidy Expense	(359)
Interest & Administrative Fees	(1,257)
Subsidy Amortization (Acquired FFEL Loans)	(1,418)
Guaranty Agencies	(61)
Net Cost of FFEL Program	**13,803**
Other Credit Programs for Higher Education	
Gross Cost	
Credit Program Interest Expense	22
Subsidy Expense	126
Administrative Expenses	1
Earned Revenue	
Subsidy Expense	(2)
Interest & Administrative Fees	(4)
Subsidy Amortization	(18)
Other	(931)
Net Cost of Other Credit Programs for Higher Education	**(806)**
Non-Credit Programs	
Gross Cost	
Grants	29,117
Other	130
Earned Revenue	(1)
Net Cost of Non-Credit Programs	**29,246**
Net Program Costs	**137,658**
Total Program Gross Costs	**177,382**
Total Program Earned Revenue	**(39,724)**
Net Cost	**$ 137,658**

Credit Program Interest Expense and Revenues

(Dollars in Millions)

	Gross Interest Expense	Subsidy Amortization			Gross Interest and Administrative Fee Revenue		Subsidy Amortization					
	Intragovern-mental	Other than Intragovern-mental	Net Interest Expense		Intragovern-mental	Other than Intragovern-mental	Other than Intragovern-mental	Net Revenue				
2022 (Unaudited)												
Direct Loan Program	$ 30,589	$ -	$ 30,589		$ 7,631	$ (559)	$ 23,517	$ 30,589				
FFEL Program	3,202	(223)	2,979		1,935	(117)	1,161	2,979				
Other Credit Programs for Higher Education	18	-	18		-	5	13	18				
Total	**$ 33,809**	**$ (223)**	**$ 33,586**		**$ 9,566**	**$ (671)**	**$ 24,691**	**$ 33,586**				
2021												
Direct Loan Program	$ 32,957	$ -	$ 32,957		$ 4,230	$ (427)	$ 29,154	$ 32,957				
FFEL Program	3,538	(863)	2,675		1,326	(69)	1,418	2,675				
Other Credit Programs for Higher Education	22	-	22		-	4	18	22				
Total	**$ 36,517**	**$ (863)**	**$ 35,654**		**$ 5,556**	**$ (492)**	**$ 30,590**	**$ 35,654**				

Interest expense equals interest revenue plus administrative fees accrued for all credit programs due to subsidy amortization. Subsidy amortization is required by the FCRA and accounts for the difference between interest expense and revenue cash flows. For direct loans, the allowance for subsidy is adjusted with the offset to interest revenue. For guaranteed loans, the liability for loan guarantees is adjusted with the offset to interest expense.

Due to the COVID-19 relief actions to temporarily suspend nearly all required federal student loan payments and set borrower interest rates to zero percent, no new interest revenues were recognized in FY 2021 and FY 2022. However, interest adjustments and reapplication activities are included in the current year’s other than intragovernmental interest in the schedule above. Adjustments and reapplications cause loan activity during the period between the original effective date and the new processing date to be reversed and reposted. As a result, interest accrued in a prior year is reversed and typically reposted. The amount of interest reposted can be different than the original amount depending on the purpose of the adjustment and whether the adjustment or reapplication caused an increase or decrease to the principal balance as of the original effective date. These adjustments and reapplications resulted in net negative FY 2021 and FY 2022 interest revenues for the Direct Loan Program and the FFEL Program.

Grant Expenses

(Dollars in Millions)

	2022 (Unaudited)	2021
Pell Grants	$ 26,983	$ 26,852
Federal Work-Study Program	668	1,145
Federal Supplemental Educational Opportunity Grants	451	1,120
Total	**$ 28,102**	**$ 29,117**

Pell Grants – Provides need-based grants to students to promote access to postsecondary education. Grant amounts are dependent on: the student's expected family contribution; the cost of attendance (as determined by the institution); the student's enrollment status (full-time or part-time); and whether the student attends for a full academic year or less. Pell Grants are the single largest source of grant aid for postsecondary education.

Federal Work-Study Program – Provides funds by formula to enable eligible institutions to offer employment to students based on financial needs. The program is available to full-time or part-time students and encourages community service work. The work is often related to the student's course of study. This program is administered by the schools that participate in the Federal Work-Study program. Hourly earnings under this program must be at least the federal minimum wage. Federal funding, in most cases, pays 75 percent of a student's hourly wage, with the remaining 25 percent paid by the employer.

Federal Supplemental Education Opportunity Grants – Provides funds by formula to enable eligible institutions to offer grants to students based on need. Federal grants distributed under this program are administered directly by the financial aid office at each participating school.

Note 11. COVID-19 Activity

(Dollars in Millions)

	Unobligated Balance from Prior Year Budget Authority (Net)	Appro-priations	Obligated	Unobligated	Outlays	Transfers to General Fund	Net Costs (See Note 10)
2022 (Unaudited)							
COVID-19 Direct Appropriations							
Student Aid Administration	$ 64	$ -	$ 61	$ 3	$ 66	$ -	$ 68
COVID-19 Indirect Appropriations							
Loan Deferral Extension	-	55,343	55,343	-	55,343	916	54,427
Support for FSLRF	-	1,091	1,091	-	1,091	24	1,067
PSLF Waiver	-	10,152	10,152	-	10,152	997	9,155
IDR Waiver	-	16,443	16,443	-	16,443	2,365	14,078
Broad-Based Debt Relief	-	379,596	379,596	-	379,596	26,117	353,479
Total COVID-19 Indirect Appropriations	**-**	**462,625**	**462,625**	**-**	**462,625**	**30,419**	**432,206**
Total COVID-19 Activity	**$ 64**	**$ 462,625**	**$ 462,686**	**$ 3**	**$ 462,691**	**$ 30,419**	**$ 432,274**
2021							
COVID-19 Direct Appropriations							
Student Aid Administration	$ 23	$ 121	$ 91	$ 54	$ 8	$ -	$ 8
COVID-19 Indirect Appropriations							
Loan Deferral Extension	-	56,209	56,209	-	56,209	3,066	53,143
Total COVID-19 Indirect Appropriations	**-**	**56,209**	**56,209**	**-**	**56,209**	**3,066**	**53,143**
Total COVID-19 Activity	**$ 23**	**$ 56,330**	**$ 56,300**	**$ 54**	**$ 56,217**	**$ 3,066**	**$ 53,151**

The COVID-19 relief legislation and administrative actions also provided support for student loan borrowers by:

- Proposing broad-based debt relief to address the financial harms of the pandemic by smoothing the transition back to repayment and helping borrowers at the highest risk of delinquencies or default once payments resume. Applications for this debt relief launched on October 17, 2022.
- Suspending nearly all federal student loan payments through December 31, 2022, interest free.
- Authorizing Guaranty Agencies to reimburse themselves from the Federal Student Loan Reserve Fund for lost revenue that resulted from student loan repayment deferrals. This reimbursement covers the share of what a guaranty agency might have reasonably collected during the pandemic, but for the suspension.
- Making temporary changes to the PSLF program through a Limited PSLF Waiver to allow student borrowers to get credit for payments made while working for a qualifying employer, regardless of loan type or repayment plan.
- Addressing issues with IDR payment counting by allowing any borrower who made IDR-qualifying payments to count toward IDR, regardless of repayment plan.

Funding for each of these actions was provided through indefinite appropriations, and the cost impacts were recorded as loan modifications. These COVID-19 loan modifications are a component of a subsidy expense that reduced the overall credit program loan receivable balances. (See Notes 5 and 10)

In addition, other COVID-19 relief provided to student loan borrowers included the following:

- FSA stopped all federal wage garnishments and collection actions for borrowers with federally held loans in default.
- FSA provided relief for certain borrowers who received student loan discharges due to total and permanent disability. Unless it is through a process with the VA, borrowers receiving this discharge are, by regulation, subject to a three-year monitoring period during which they must provide FSA with information about their earnings from employment. Per regulation, borrowers whose earnings exceed certain thresholds and borrowers who do not meet certain other criteria will have their loans reinstated. FSA provided relief to ensure no borrowers are at risk of having their loans reinstated, meaning they would have to repay their debt—for failure to provide earnings information during the COVID-19 emergency. This change was made retroactive to March 13, 2020, the start of the COVID-19 national emergency.
- FSA requested a waiver from the Small Business Administration to immediately help nearly 30,000 small business owners in the Paycheck Protection program who faced difficulties because they were delinquent or in default on a federal student loan.

Note 12. Statements of Budgetary Resources

The SBR compares budgetary resources with the status of those resources. As of September 30, 2022, budgetary resources were $824.4 billion and net agency outlays were $511.2 billion. As of September 30, 2021, budgetary resources were $381.0 billion and net agency outlays were $164.2 billion.

Net Adjustments to Unobligated Balances Brought Forward

(Dollars in Millions)

	2022 (Unaudited)		2021	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Prior Year Unobligated Balance, End of Year (Total)	**$ 17,986**	**$ 21,808**	**$ 16,378**	**$ 22,549**
Recoveries of Prior Year Unpaid Obligations	3,030	14,486	739	16,676
Borrowing Authority Withdrawn	-	(11,997)	-	(13,566)
Actual Repayments of Debt, Prior-Year Balances	-	(2,615)	-	(5,444)
Actual Capital Transfers to the Treasury General Fund	(79)	-	(93)	-
Canceled Authority	(289)	-	(38)	-
Downward Adjustments of Prior-Year Paid Delivered Orders	274	241	3	257
Other Differences	(1)	-	(1)	1
Unobligated Balance from Prior Year Budget Authority (Net)	**$ 20,921**	**$ 21,923**	**$ 16,988**	**$ 20,473**

During the periods ended September 30, 2022, and September 30, 2021, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2021, and October 1, 2020. These adjustments include, among other things, recoveries of prior year unpaid obligations that result from downward adjustments of undelivered orders that were obligated in a prior fiscal year.

Unused Borrowing Authority

(Dollars in Millions)

	2022 (Unaudited)	2021
Beginning Balance - Unused Borrowing Authority	**$ 41,264**	**$ 47,768**
Current Year Borrowing Authority	178,546	128,739
Funds Drawn from Treasury	(166,162)	(121,677)
Borrowing Authority Withdrawn	(11,997)	(13,566)
Ending Balance - Unused Borrowing Authority	**$ 41,651**	**$ 41,264**

FSA is given authority to draw funds from Treasury to finance the Direct Loan, FFEL, and other loan programs. Unused borrowing authority is a budgetary resource and is available to support obligations for these programs. FSA periodically reviews its borrowing authority balances in relation to its obligations resulting in the withdrawal of unused amounts.

Undelivered Orders at the End of the Period

(Dollars in Millions)

	2022 (Unaudited)		2021	
	Intragovern-mental	With the Public	Intragovern-mental	With the Public
Unpaid	$ 88	$ 72,611	$ 80	$ 77,558
Paid	-	479	-	1,286
Undelivered Orders	**$ 88**	**$ 73,090**	**$ 80**	**$ 78,844**

Undelivered orders represent the amount of goods and/or services ordered that have not been actually or constructively received. The paid amount includes any orders that may have been prepaid or advanced but for which delivery or performance has not yet occurred.

Distributed Offsetting Receipts

(Dollars in Millions)

	2022 (Unaudited)	2021
Negative Subsidies and Downward Re-estimates of Subsidies:		
Direct Loan Program	$ 27,334	$ 4,809
FFEL Program	546	589
HEAL Program	-	25
TEACH Program	5	3
Total Negative Subsidies and Downward Re-estimates of Subsidies	**27,885**	**5,426**
Repayment of Perkins Loans and Capital Contributions	707	866
Other	3	4
Distributed Offsetting Receipts	**$ 28,595**	**$ 6,296**

Distributed offsetting receipts are amounts that FSA collects that are used to offset or reduce FSA's budget outlays. FSA's outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts.

Most of the distributed offsetting receipts line item on the SBR represents amounts paid from the Direct Loan Program and FFEL Program financing accounts to Treasury General Fund receipt accounts for downward current fiscal year executed subsidy re-estimates and negative subsidies.

Reconciliation of SBR to Budget of the United States Government

(Dollars in Millions)

(Unaudited)	Budgetary Resources	New Obligations and Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statements of Budgetary Resources	**$ 380,963**	**$ 341,169**	**$ 6,296**	**$ 164,174**
Expired Funds	(1,825)	(166)	-	-
FFEL Guaranty Agency Amounts Included in the President's Budget	3,837	3,837	-	-
Distributed Offsetting Receipts	-	-	-	6,296
Other	1	-	-	-
Budget of the United States Government [1]	**$ 382,976**	**$ 344,840**	**$ 6,296**	**$ 170,470**

[1] Amounts obtained from the Appendix, Budget of the United States Government, FY 2023

The FY 2024 President's Budget, which presents the actual amounts for the year ending September 30, 2022, has not been published as of the issue date of these financial statements. The FY 2024 President's Budget is scheduled for release in February 2023 and will be made available on OMB's website. The table above reconciles the FY 2021 SBR to the FY 2023 President's Budget (FY 2021 actual amounts) for budgetary resources, new obligations and upward adjustments, distributed offsetting receipts, and net outlays.

Reconciling differences exist because the President's Budget excludes expired funds. Additionally, the President's Budget includes a public enterprise fund that reflects the gross obligations by the FFEL Program for the estimated activity of the consolidated federal fund of the guaranty agencies. Ownership by the federal government is independent of the actual control of the assets. Since the actual operation of the federal fund is independent from FSA's direct control, budgetary resources and new obligations and upward adjustments are estimated and disclosed in the President's Budget to approximate the gross activities of the combined federal fund. Amounts reported on the SBR for the federal fund are compiled by combining all guaranty agencies' annual reports to determine a net valuation amount for the federal fund.

Note 13. Reconciliation of Net Cost to Net Outlays

(Dollars in Millions)

	2022 (Unaudited)			2021		
	Intragovern-mental	Other than Intragovern-mental	Total	Intragovern-mental	Other than Intragovern-mental	Total
Net Cost	**$ 24,372**	**$ 413,500**	**$ 437,872**	**$ 31,106**	**$ 106,552**	**$ 137,658**
Components of Net Cost Not Part of Budgetary Outlays:						
Year-End Credit Reform Subsidy Accrual Re-Estimates	-	16,954	16,954	-	(28,399)	(28,399)
Loan Modification Adjustment Transfers	-	27,665	27,665	-	2,837	2,837
Increase/(Decrease) in Assets:						
Loans Receivables, Net (Non-FCRA)	-	(250)	(250)	-	(170)	(170)
Other Assets	-	(33)	(33)	1	5	6
(Increase)/Decrease in Liabilities:						
Accounts Payable	-	40	40	(1)	(99)	(100)
Loan Guarantee Liabilities (Non-FRCA)	-	-	-	-	(2)	(2)
Other Liabilities	321	(14)	307	180	(367)	(187)
Financing Sources:						
Imputed Costs	(14)	-	(14)	(14)	-	(14)
Total Components of Net Cost Not Part of Budgetary Outlays	**307**	**44,362**	**44,669**	**166**	**(26,195)**	**(26,029)**
Components of Budget Outlays Not Part of Net Cost:						
Effect of Prior-Year Credit Reform Subsidy Re-estimates	-	28,399	28,399	-	52,571	52,571
Total Components of Budget Outlays Not Part of Net Cost	**-**	**28,399**	**28,399**	**-**	**52,571**	**52,571**
Miscellaneous Items:						
Other Loan Activities (Non-FCRA)	(76)	-	(76)	(89)	-	(89)
Non-Entity Activity	370	-	370	63	-	63
Total Miscellaneous Items	**294**	**-**	**294**	**(26)**	**-**	**(26)**
Budgetary Agency Outlays, Net			**$ 511,234**			**$ 164,174**

This reconciliation explains the relationship between FSA's net cost and its net outlays. Reconciling items result from transactions that did not result in a current period outlay but did result in a current period cost, and current period outlays that did not result in a current period cost.

Disbursements for new FCRA loans and collections of principal and interest on existing FCRA loans are recorded in nonbudgetary credit reform financing accounts. These disbursements and collections are reported on the Statement of Budgetary Resources as disbursements, net, and not as agency outlays, net. Since these disbursements and collections affect neither net cost of operations nor agency outlays, net, they are excluded from this reconciliation as are any increases or decreases in the FCRA loan receivable balances.

The two major reconciling differences, both associated with FSA's FCRA loan programs, are for Year-End Credit Reform Subsidy Accrual Re-estimates (current-year subsidy accrual costs) and Effect of Prior-Year Credit Reform Subsidy Re-estimates (current-year budget subsidy costs).

- Current-year subsidy accrual costs are the portion of the current-year loan subsidy re-estimates not impacting the current year outlays.
- Current-year budget subsidy costs are current year indirect appropriations provided to fund subsidy costs accrued in the prior year. This includes the portion of the current year's executed President's Budget re-estimates not included in this year's net cost subsidy expense.

Note 14. Commitments and Contingencies

FSA discloses contingencies where any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred in accordance with FASAB Standard No. 5, Accounting for Liabilities of the Federal Government. The following commitments are amounts for contractual arrangements that may require future financial obligations.

Future Minimum Lease Payments
(Dollars in Millions)

2022 (Unaudited)			2021		
2023	$	19	2022	$	19
2024		13	2023		19
2025		9	2024		19
2026		5	2025		19
2027		5	2026		20
After 2027		6	After 2026		20
Total	**$**	**57**	**Total**	**$**	**116**

FSA leases from GSA all or a portion of privately owned and publicly owned buildings in 11 cities. The table above presents the estimated future minimum lease payments for these privately and publicly owned buildings. The decrease in the estimated future minimum lease payments is due to anticipated releases of building and floor rentals.

Guaranty Agencies

FSA may assist guaranty agencies experiencing financial difficulties. FSA has not done so in FY 2022 or 2021 and does not expect to in future years. No provision has been made in the financial statements for potential liabilities.

Litigation and Other Claims

The Department is involved in various lawsuits incidental to its operations. In the opinion of management, the ultimate resolution of pending litigation will not have a material effect on FSA's financial position. As appropriate, the Department would seek recovery from Treasury's Judgment Fund for any loss in litigation that may occur. The Judgment Fund is a permanent, indefinite appropriation available to pay judgments against the government if appropriated funds cannot be used.

The cost of loan forgiveness related to borrower defense claims reflected in the accompanying financial statements is limited to loans originated through September 30, 2022. The final disposition of claims filed and those yet to be filed from loans originated before September 30, 2022, is not expected to have a material impact on these financial statements.

Other Matters

Some portion of the current-year financial assistance expenses (grants) may include funded recipient expenditures that are subsequently disallowed through program review or audit processes. In the opinion of management, the ultimate disposition of these matters will not have a material effect on the FSA's financial position.

NOTE 15. Subsequent Events

On November 10, 2022, a U.S. District Court in Texas issued an order to vacate the program for Broad-Based Debt Relief that was previously adopted by the U.S. Secretary of Education and announced on August 24, 2022. On November 14, 2022, the U.S. Court of Appeals for the Eighth Circuit stayed the Department's implementation of the same program pending an appeal by six states of their case challenging the relief, on which the Department had prevailed in a U.S. District Court. The U.S. Department of Education subsequently requested a stay of both decisions, and ultimately sought stays as well as a hearing on the merits from the Supreme Court of the United States. Those stay requests were denied, but the Supreme Court of the United States granted certiorari and has agreed to hear both cases and to address both questions of standing and the Department's authority to provide the debt relief. The Department is confident in its position in these matters before the Court.

On November 22, 2022, the Department announced that it would be extending the existing pause on student loan repayments through a period which would be largely determined by the court cases mentioned previously. The pause has been extended until 60 days after the Department is permitted to implement the program or the litigation is resolved. If the program has not been implemented and the litigation has not been resolved by June 30, 2023, payments will resume 60 days after that.

Required Supplementary Information (Unaudited)

United States Department of Education
Federal Student Aid
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2022
(Dollars in Millions)

	Combined		Health Education Assistance Loans	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority (Net) (Note 12)	$ 20,921	$ 21,923	$ -	$ 8
Appropriations (Discretionary and Mandatory)	539,874	2,759	15	-
Borrowing Authority (Discretionary and Mandatory) (Note 12)	-	178,546	-	-
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	28	60,322	2	19
Total Budgetary Resources	**$ 560,823**	**$ 263,550**	**$ 17**	**$ 27**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total) (Note 12)	$ 542,540	$ 198,205	16	2
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	14,212	-	-	-
Unapportioned, Unexpired Accounts	733	65,345	1	25
Unexpired Unobligated Balance, End of Year	**$ 14,945**	**$ 65,345**	**$ 1**	**$ 25**
Expired Unobligated Balance, End of Year	3,338	-	-	-
Unobligated Balance, End of Year (Total)	**$ 18,283**	**$ 65,345**	**$ -**	**$ 25**
Total Status of Budgetary Resources	**$ 560,823**	**$ 263,550**	**$ 17**	**$ 27**
Outlays, Net (Discretionary and Mandatory)	$ 539,829		$ 14	
Distributed Offsetting Receipts (-) (Note 12)	(28,595)		-	
Agency Outlays, Net (Discretionary and Mandatory) (Notes 12 & 13)	**$ 511,234**		**$ 14**	
Disbursements, Net (Total) (Mandatory)		**$ (382,399)**		**$ (17)**

United States Department of Education
Federal Student Aid
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2022
(Dollars in Millions)

	Direct Student Loan Program		Teach Program	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority (Net) (Note 12)	$ 1,100	$ 2,094	$ 15	$ -
Appropriations (Discretionary and Mandatory)	474,122	2,482	176	1
Borrowing Authority (Discretionary and Mandatory) (Note 12)	-	175,201	-	61
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	-	33,515	-	50
Total Budgetary Resources	**$ 475,222**	**$ 213,292**	**$ 191**	**$ 112**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total) (Note 12)	$ 474,121	$ 187,571	$ 176	$ 104
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	-	-	-	-
Unapportioned, Unexpired Accounts	-	25,721	-	8
Unexpired Unobligated Balance, End of Year	**$ -**	**$ 25,721**	**$ -**	**$ 8**
Expired Unobligated Balance, End of Year	1,101	-	15	-
Unobligated Balance, End of Year (Total)	**$ 1,101**	**$ 25,721**	**$ 15**	**$ 8**
Total Status of Budgetary Resources	**$ 475,222**	**$ 213,292**	**$ 191**	**$ 112**
Outlays, Net (Discretionary and Mandatory)	$ 473,445		$ 172	
Distributed Offsetting Receipts (-) (Note 12)	(27,337)		(5)	
Agency Outlays, Net (Discretionary and Mandatory) (Notes 12 & 13)	**$ 446,108**		**$ 167**	
Disbursements, Net (Total) (Mandatory)		**$ (348,983)**		**$ (105)**

United States Department of Education
Federal Student Aid
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2022
(Dollars in Millions)

	Federal Family Education Loan Program		Perkins Loans and Grants	Administrative Funds
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Budgetary
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority (Net) (Note 12)	$ 1,916	$ 19,821	$ 17,759	$ 131
Appropriations (Discretionary and Mandatory)	34,896	276	28,630	2,035
Borrowing Authority (Discretionary and Mandatory) (Note 12)	-	3,284	-	-
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	39	26,738	(13)	-
Total Budgetary Resources	**$ 36,851**	**$ 50,119**	**$ 46,376**	**$ 2,166**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total) (Note 12)	$ 36,123	$ 10,528	$ 30,016	$ 2,088
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	-	-	14,147	65
Unapportioned, Unexpired Accounts	728	39,591	4	-
Unexpired Unobligated Balance, End of Year	**$ 728**	**$ 39,591**	**$ 14,151**	**$ 65**
Expired Unobligated Balance, End of Year	-	-	2,209	13
Unobligated Balance, End of Year (Total)	**$ 728**	**$ 39,591**	**$ 16,360**	**$ 78**
Total Status of Budgetary Resources	**$ 36,851**	**$ 50,119**	**$ 46,376**	**$ 2,166**
Outlays, Net (Discretionary and Mandatory)	$ 36,082		$ 28,114	$ 2,002
Distributed Offsetting Receipts (-) (Note 12)	(546)		(707)	-
Agency Outlays, Net (Discretionary and Mandatory) (Notes 12 & 13)	**$ 35,536**		**$ 27,407**	**$ 2,002**
Disbursements, Net (Total) (Mandatory)		**$ (33,294)**		

United States Department of Education
Federal Student Aid
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2021
(Dollars in Millions)

	Combined		Health Education Assistance Loans	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority (Net) (Note 12)	$ 16,988	$ 20,473	$ -	$ 7
Appropriations (Discretionary and Mandatory)	172,332	239	3	-
Borrowing Authority (Discretionary and Mandatory) (Note 12)	-	128,739	-	25
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	142	42,050	2	5
Total Budgetary Resources	**$ 189,462**	**$ 191,501**	**$ 5**	**$ 37**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total) (Note 12)	$ 171,476	$ 169,693	$ 2	$ 28
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	14,397	-	-	-
Unapportioned, Unexpired Accounts	1,930	21,808	3	9
Unexpired Unobligated Balance, End of Year	**$ 16,327**	**$ 21,808**	**$ 3**	**$ (9)**
Expired Unobligated Balance, End of Year	1,659	-	-	-
Unobligated Balance, End of Year (Total)	**$ 17,986**	**$ 21,808**	**$ -**	**$ 9**
Total Status of Budgetary Resources	**$ 189,462**	**$ 191,501**	**$ 5**	**$ 37**
Outlays, Net (Discretionary and Mandatory)	$ 170,470		$ -	
Distributed Offsetting Receipts (-) (Note 12)	(6,296)		25	
Agency Outlays, Net (Discretionary and Mandatory) (Notes 12 & 13)	**$ 164,174**		**$ (25)**	
Disbursements, Net (Total) (Mandatory)		**$ (38,680)**		**$ 23**

United States Department of Education
Federal Student Aid
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2021
(Dollars in Millions)

	Direct Student Loan Program		Teach Program	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority (Net) (Note 12)	$ 1,195	$ 669	$ 14	$ 1
Appropriations (Discretionary and Mandatory)	129,733	182	152	-
Borrowing Authority (Discretionary and Mandatory) (Note 12)	-	127,015	-	69
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	-	35,348	-	40
Total Budgetary Resources	**$ 130,928**	**$ 163,214**	**$ 166**	**$ 110**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total) (Note 12)	$ 129,733	$ 161,134	$ 152	$ 109
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	-	-	-	-
Unapportioned, Unexpired Accounts	-	2,080	-	1
Unexpired Unobligated Balance, End of Year	**$ -**	**$ 2,080**	**$ -**	**$ 1**
Expired Unobligated Balance, End of Year	1,195	-	14	-
Unobligated Balance, End of Year (Total)	**$ 1,195**	**$ 2,080**	**$ 14**	**$ 1**
Total Status of Budgetary Resources	**$ 130,928**	**$ 163,214**	**$ 166**	**$ 110**
Outlays, Net (Discretionary and Mandatory)	$ 130,045		$ 153	
Distributed Offsetting Receipts (-) (Note 12)	(4,813)		3	
Agency Outlays, Net (Discretionary and Mandatory) (Notes 12 & 13)	**$ 125,232**		**$ 150**	
Disbursements, Net (Total) (Mandatory)		**$ (27,743)**		**$ (74)**

United States Department of Education
Federal Student Aid
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2021
(Dollars in Millions)

	Federal Family Education Loan Program		Perkins Loans and Grants	Administrative Funds
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Budgetary
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority (Net) (Note 12)	$ 1,948	$ 19,796	$ 13,765	$ 66
Appropriations (Discretionary and Mandatory)	9,892	57	30,577	1,976
Borrowing Authority (Discretionary and Mandatory) (Note 12)	-	1,630	-	-
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	139	6,657	-	1
Total Budgetary Resources	**$ 11,979**	**$ 28,140**	**$ 44,342**	**$ 2,043**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total) (Note 12)	$ 9,992	$ 8,422	$ 29,632	$ 1,965
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	64	-	14,269	64
Unapportioned, Unexpired Accounts	1,923	19,718	4	1
Unexpired Unobligated Balance, End of Year	**$ 1,987**	**$ 19,718**	**$ 14,273**	**$ 65**
Expired Unobligated Balance, End of Year	-	-	437	13
Unobligated Balance, End of Year (Total)	**$ 1,987**	**$ 19,718**	**$ 14,710**	**$ 78**
Total Status of Budgetary Resources	**$ 11,979**	**$ 28,140**	**$ 44,342**	**$ 2,043**
Outlays, Net (Discretionary and Mandatory)	$ 9,836		$ 28,633	$ 1,803
Distributed Offsetting Receipts (-) (Note 12)	589		866	-
Agency Outlays, Net (Discretionary and Mandatory) (Notes 12 & 13)	**$ 9,247**		**$ 27,767**	**$ 1,803**
Disbursements, Net (Total) (Mandatory)		**$ (10,886)**		

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Independent Auditors' Report

Office of Inspector General Audit Transmittal

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

January 23, 2023

Richard Cordray
Chief Operating Officer
Federal Student Aid
Washington, D.C. 20202

Dear Mr. Cordray:

The enclosed Independent Auditors' Report (report) covers Federal Student Aid's (FSA) consolidated financial statements for fiscal years 2022 and 2021 to comply with the Higher Education Amendments of 1998. The report should be read in conjunction with FSA's financial statements and notes to fully understand the context of the information contained therein.

We engaged the independent certified public accounting firm KPMG LLP (KPMG) to audit the consolidated financial statements of FSA as of September 30, 2022, and 2021, and for the years then ended. The contract requires that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget bulletin, *Audit Requirements for Federal Financial Statements.*

Results Presented in the Independent Auditors' Report

KPMG reports:

- A disclaimer of opinion on the fiscal year 2022 consolidated financial statements because KPMG has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
- The fiscal year 2021 consolidated financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.
- One material weakness in internal control over financial reporting:
    - Controls over the Relevance and Reliability of Underlying Data Used in Credit Reform Estimates Need Improvement.
- Two significant deficiencies in internal control over financial reporting:
    - Information Technology Controls Need Improvement, and
    - Entity Level Controls Need Improvement.

400 MARYLAND AVENUE, S.W., WASHINGTON, DC 20202-1510

Promoting the efficiency, effectiveness, and integrity of the Department's programs and operations.

KPMG is responsible for the auditors' report dated January 23, 2023, and the conclusions expressed therein. We do not express opinions on FSA's financial statements or internal control over financial reporting, or conclusions on compliance and other matters.

We appreciate the cooperation given KPMG and my office during the engagement. If you have any questions or would like to discuss the report, please contact me at (202) 245-6900, or your staff may contact Bryon S. Gordon, Assistant Inspector General for Audit, at (202) 245-6051 or through e-mail at Bryon.Gordon@ed.gov.

Sincerely,

Sandra D. Bruce
Inspector General

Enclosure

Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General
United States Department of Education

Chief Operating Officer
Federal Student Aid:

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion on Fiscal Year 2022 Consolidated Financial Statements

We were engaged to audit the consolidated financial statements of Federal Student Aid (FSA), which comprise the consolidated balance sheet as of September 30, 2022, and the related consolidated statements of net cost and changes in net position, and combined statement of budgetary resources for the year then ended, and the related notes to the consolidated financial statements.

We do not express an opinion on the accompanying consolidated financial statements of FSA as of and for the year ended September 30, 2022. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the fiscal year 2022 consolidated financial statements.

Opinion on Fiscal Year 2021 Consolidated Financial Statements

We have audited the consolidated financial statements of FSA, which comprise the consolidated balance sheet as of September 30, 2021, and the related consolidated statements of net cost and changes in net position, and combined statement of budgetary resources for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of FSA as of September 30, 2021, and its net cost, changes in net position, and budgetary resources for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Disclaimer of Opinion on Fiscal Year 2022 Consolidated Financial Statements

During fiscal year 2022, the United States Department of Education announced broad-based debt relief for certain of its student loan borrowers under the Direct Loan and Federal Family Education Loan (FFEL) programs. Management estimated the subsidy costs stemming from the broad-based debt relief as of September 30, 2022. However, management was unable to provide adequate evidential matter to support certain key assumptions used to estimate the subsidy costs. As a result of this matter, we were unable to determine whether any adjustments to the balance sheet might have been necessary with respect to the fiscal year 2022 Loans Receivable, Net – Direct Loan Program; Loans Receivable, Net – FFEL Program; Subsidy Due to Treasury; Loan Guarantee Liabilities; the related balances in the consolidated statements of net cost and changes in net position; and related notes to the consolidated financial statements.

Basis for Opinion on Fiscal Year 2021 Consolidated Financial Statements

We conducted our audit of the fiscal year 2021 consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of FSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the fiscal year 2021 consolidated financial statements.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the fiscal year 2022 Annual Report to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Except as explained in the Basis for Disclaimer of Opinion paragraph, in performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information as of and for the year ended September 30, 2022 in accordance with GAAS because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph. We do not express an opinion or provide any assurance on the information.

We have applied certain limited procedures to the required supplementary information as of and for the year ended September 30, 2021 in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the fiscal year 2021 basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit FSA's consolidated financial statements as of and for the year ended September 30, 2022, we considered FSA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of FSA's internal control. Accordingly, we do not express an opinion on the effectiveness of FSA's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Exhibits, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Exhibit A, *Controls over the Relevance and Reliability of Underlying Data Used in Credit Reform Estimates Need Improvement*, to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Exhibit B, *Information Technology Controls Need Improvement* and *Entity Level Controls Need Improvement*, to be significant deficiencies.

Report on Compliance and Other Matters

In connection with our engagement to audit FSA's consolidated financial statements as of and for the year ended September 30, 2022, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests

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disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

We also performed tests of FSA's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which FSA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the consolidated financial statements, instances of noncompliance or other matters may have been identified and reported herein.

FSA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on FSA's response to the findings identified in our engagement and described in Exhibit C. FSA's response was not subjected to the other auditing procedures applied in the engagement to audit the consolidated financial statements and, accordingly, we express no opinion on the response.

Our response to FSA's response is included in Exhibit D.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FSA's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
January 23, 2023

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Exhibit A

Material Weakness

Controls over the Relevance and Reliability of Underlying Data Used in Credit Reform Estimates Need Improvement

Background:

The material weakness under this section is related to FSA's Direct and FFEL student loan portfolios.

FSA is required to perform interest rate and technical re-estimates (commonly referred to as estimates) of the subsidy costs of its direct loan and guaranty programs as of September 30 every year.

During fiscal year 2022, the United States Department of Education (the Department) announced changes to its student loan programs, including broad-based debt relief for borrowers meeting certain criteria (eligible borrowers). Management estimated the subsidy costs stemming from the broad-based debt relief as of September 30, 2022. Management's estimate used data and assumptions related to a take-up rate, among other assumptions. The take-up rate assumption represents how many eligible borrowers are expected to apply for debt-relief, hence considered a key assumption for estimating the impact of broad-based debt relief on the financial statements. This assumption is used as an input in the Income Driven Repayment (IDR), Collections, and Death, Disability & Bankruptcy (DD&B) assumptions.

These assumptions are included in the estimates calculated using the Department's internally developed cash flow model, the Student Loan Model (SLM). The SLM utilizes assumptions based on internally sourced data elements from Information Technology systems to generate future cash flows. These future cash flows are then input into the format required by the Office of Management and Budget (OMB) Credit Subsidy Calculator (CSC), a required present value discount tool for agencies with credit reform programs, to produce the subsidy cost estimate.

Condition:

Management's internal controls were not properly designed at an appropriate level of precision to address the relevance and reliability of the underlying data used to develop the take-up rate assumption used in the various loan program estimates. In addition, management did not design sufficiently precise controls over the relevance and reliability of certain data used in other key assumptions for the SLM cash flow model to develop the subsidy cost estimates.

Cause/Effect:

Management's risk assessment process was not sufficient to identify the relevance and reliability of the underlying data used in significant assumptions for the estimates, including the take-up rate assumption, as a risk that required additional controls. As a result, the documentation over the subsidy cost estimates in the financial statements was not supportive to evidence the estimate calculations. Inadequate controls over the relevance and reliability of the underlying data used to develop the estimate calculations increases the risk that the financial statements could be materially misstated.

Criteria:

The following criteria were considered in the evaluation of the material weakness presented in this exhibit:

- The Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (the Green Book), Principle No. 6, *Management should define objectives clearly to enable the identification of risks and define risk tolerances;* Principle No. 10, *Design Control Activities*; Principle No. 13, *Use Quality Information*.

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- FASAB Technical Release No. 6, *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act – Amendments to Technical Release No. 3 Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reforms Act*, Paragraph 20.

Recommendation:

We recommend that management:

1. Design and implement controls that require the validation of the relevance and reliability of underlying data used in developing the assumptions related to the subsidy cost estimates. Such review should be documented and maintained.

Exhibit B

Significant Deficiencies

A. Information Technology Controls Need Improvement

The following control deficiencies in the areas of Information Technology (IT) logical access, security management, segregation of IT duties, application change management, and computer operations are related to both the Department and FSA systems.

Conditions:

In prior years, we reported a significant deficiency related to the Department and FSA's IT controls due to persistent unmitigated IT control deficiencies. During FY 2022, the FSA management demonstrated progress implementing corrective actions to remediate some prior-year deficiencies, such as oversight of service organization controls. However, the Department management and FSA management have not fully remediated prior-year deficiencies related to logical access administration, separated and transferred user access removal, user access reviews and recertification, and configuration management. New and existing IT control deficiencies related to security management, access controls, segregation of IT duties, application change management, and computer operations for the Department's core financial management system, three of FSA's financial and mixed systems, and two access management support systems are as follows:

Department:

1. Weakness in IT logical access controls: New and separated contractors were not consistently and accurately tracked including inconsistent reporting of start and termination dates. Further, the account controls were not consistently followed for the Department's core financial management system. Specifically:
    a. documentation supporting the completed security awareness training for new and modified users could not be provided;
    b. evidence supporting complete and accurate access reviews and recertifications was not provided or retained;
    c. password controls were not designed to meet the Department's requirements; and
    d. the Department's requirement for the use and monitoring of generic and shared accounts was not met for all accounts.
2. Weakness in IT application change management and patch management controls: The application change management and patch management policies and processes were not consistently followed for the Department's core financial management system in accordance with Department policy. The Department was unable to provide sufficient evidence supporting tracking, security assessment, and approval for certain application changes and patches.
3. Weakness in IT computer operations controls: Changes to the job processing tool and schedules were not centrally tracked and were made directly in production. Finally, the use and monitoring of generic and shared accounts for the job scheduling tool did not follow the Department's requirements.

FSA:

1. Weakness in IT security management controls: Plan of Action and Milestone (POA&M) closure documentation for FSA systems did not always address the root cause of the deficiencies, thereby increasing the potential of IT control deficiencies reoccurring in the future.

B-1

2. Weakness in IT logical access controls: The access control processes were not consistently followed for three FSA systems and two access control support systems. Evidence supporting complete and accurate access listings and evidence supporting new, modified, or separated users could not be provided or was provided with missing required information and/or approvals; evidence supporting complete and accurate access reviews and recertifications was not provided or retained; and the Department's requirement for two-factor authentication was not met for all internal system users.

3. Weaknesses in IT controls related to the segregation of IT duties: For one FSA system, users with developer access had access greater than read-only to the system's production environment or update access to the production and development environments.

4. Weakness in IT application change management controls: The application change management process was not consistently followed for one FSA system. FSA was unable to provide a complete and accurate population of application changes. Also, documentation for a selection of changes contained inaccuracies in recorded testing and migration dates.

Cause/Effect:

There was a lack of effective monitoring controls by the Department and FSA to ensure:

1. Corrective actions to remediate prior-year conditions and associated causes are fully implemented, as well as verifying and validating that these corrective actions were effectively addressing the weakness with adequately documented supporting evidence.

2. Systems and support processes consistently adhered to documented agency-wide policies and procedures for the financial and mixed systems hosted and managed by FSA and the Department.

3. The established logical access control process is followed and requests and related evidence for new, modified, or separated users were retained, documented completely and accurately, and approved.

4. Complete and accurate access reviews are performed to detect and mitigate the risk of unauthorized accounts, access that is not commensurate with job responsibilities or least privilege, and access permissions not being revoked timely.

5. Password controls are designed to meet the Department's requirements.

6. The requirements for the use and monitoring of generic and shared accounts controls are followed and enforced.

7. Segregation of duties and least privilege principles are followed and enforced.

8. The established change process and patch management process are followed.

9. The established process for job processing changes is followed and the requirements for the use and monitoring of generic/shared accounts controls for the job scheduling tool are followed and enforced.

10. The established computer operations process detects and/or prevents unauthorized changes to the job processing tool and schedules within the core financial system environment.

Ineffective IT controls increases the risk of unauthorized use, disclosure, disruption, modification, or destruction of information, and information systems that could impact the integrity and reliability of information processed in the associated applications which may lead to misstatements of the financial statements.

Criteria:

The following criteria were considered in the evaluation of the significant deficiency presented in this exhibit:

- The Departmental Directive OCIO 3-112, *Cybersecurity Policy*.
- Department Information Technology (IT) System Access Control Standard.
- EDCAPS System Security Plan (SSP) control requirements.
- EDCAPS Configuration Management Plan (CMP).
- Department Information Technology System and Information Integrity (SI) standard policy section 2.2 control SI-2, *Flaw Remediation*.
- EDCAPS Patch Management Plan, section 4.7 *Patch Maintenance*.
- Department Baseline Cybersecurity Standard, OCIO-STND-01, dated September 23, 2021, Section 3.15, *Acceptable Use*.
- The Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (the Green Book), Principle No. 3.08 *Assignment of Responsibility and Delegation of Authority*, Principle No. 4, *Demonstrate Commitment to Competence*, Principle No. 7, *Identify, Analyze, and Respond to Risks*, Principle No. 8.07 *Response to Fraud Risks*, Principle No. 10.03, *Design of Appropriate Types of Control Activities*, Principle No. 10.12 *Segregation of Duties*, Principle No. 10.3 *Design of Appropriate Types of Control Activities*, Principle No. 11, *Design Activities for the Information System*, Principle No. 13, *Use Quality Information*, Principle No. 16, *Perform Monitoring Activities*.
- Federal Information Processing Standards (FIPS) 200, *Minimum Security Requirements for Federal Information and Information Systems.*
- National Institute of Standards and Technology Special Publication 800-53, Security and Privacy Controls for Federal Information Systems and Organizations, Revision 5, specifically security control requirements PM-4 *Plan of Action and Milestone*, AC-2 *Account Management*, AC-5 *Separation of Duties*, AC-6 *Least Privilege*, AT-3 *Role-based Training*, AT-4 *Training records*, CM-3 *Configuration Change Control*, and SI-2 *Flaw Remediation*.

Recommendations:

We recommend that the Department:

1. Evaluate, develop, and implement a formal process to track and report all new and separated contractors.
2. Ensure separated contractors are off-boarded and system personnel are notified in a timely manner to disable or remove access to IT resources.
3. Provide training and oversight to the Department's personnel with on/off-boarding responsibilities to help ensure new/separated contractors are properly tracked.
4. Update access review procedures to require the reviewers to verify the access lists received to be used in the performance of the access reviews is complete and accurate and not modified prior to commencing the access reviews.
5. Identify and implement a process for the reviewer to validate the population generated for review is complete and accurate.
6. Enforce established access authorization controls and ensure all requirements are met prior to granting system access.

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7. Formally perform and document the periodic reviews of all database user accounts in accordance with Department policy to confirm access is current, authorized, and commensurate with job responsibilities.

8. Ensure the application and database server access reviews include the verification of access privileges assigned to the user accounts are commensurate with job responsibilities and follow the concept of least privilege.

9. Ensure the database and server layers comply with the disabling of inactive accounts and account lockout duration password setting requirements, as required by Department policy.

10. Adhere to the SSP control requirements and avoid the use of generic and shared accounts. If generic and shared accounts are required, obtain a formal risk acceptance and develop a policy and procedure to:
    - Authorize the use of these accounts by approved personnel,
    - Control who can access the generic/shared accounts and those sensitive actions performed by the accounts are logged and reviewed every time the accounts are used, and
    - Require that generic/shared accounts' passwords are changed each time approved personnel separate or transfer from the Department.

We recommend that FSA:

11. Implement a process to evaluate the magnitude of impact, likelihood of occurrence, and nature of the deficiency in order to tailor the corrective actions to remediate the risk and address the root cause. Further, update guidance to ensure that quality reviews over the POA&M closure documentation are conducted to confirm the noted deficiencies are fully addressed to help prevent future reoccurrences.

12. Formally develop and implement a quality control review process to ensure that logical access control processes are followed completely and accurately to validate logical access requests, reviews, and recertifications.

13. Ensure segregation of duties and least privilege principles are adhered to when granting user access to prevent users from having the ability to develop and/or change application code and having update access to the environment where the final tested and approved changes are staged prior to migration to the production environment; and prevent users with access to develop code from having update access to the production environment.

14. Evaluate and update the access review control process based on risk and enforce segregation of duties.

15. Reconcile the list of users' roles and responsibilities per the identity and access software tools to the lists that reside in each system accessed by such users.

16. Update access review procedures to require the reviewer to verify the access list, received to be used in the performance of the access reviews, is complete and accurate and not modified prior to commencing the access reviews.

17. Enforce established access authorization controls and ensure all requirements are met prior to granting access to systems.

18. Ensure a complete and accurate population of application changes is provided. Formally develop and implement a quality control review process to ensure that the application change control process is followed and consistently and accurately documented.

B. Entity Level Controls Need Improvement

The Department and FSA are continually seeking ways to improve accountability in achieving the entity's mission. A key factor in improving accountability in achieving an entity's mission is to implement an effective internal control system. The control environment sets the tone of an organization by influencing the control consciousness of its personnel. It is also the foundation for all components of internal control, providing discipline and structure. The Department and FSA need to address weaknesses in its entity-wide control environment as we have observed, through our procedures, two entity-wide control environment conditions in the areas of risk assessment and monitoring activities that have a pervasive influence on the effectiveness of controls.

Conditions:

1. Risk Assessment- The Department and FSA's entity level controls were not designed and implemented appropriately in order to define objectives related to the financial reporting process to enable the identification of risks, define risk tolerances and identified processes and controls responsive to those risks.

2. Monitoring Activities- The Department and FSA's entity level controls were not designed and implemented appropriately in order to remediate identified internal control deficiencies in a timely manner.

Cause/Effect:

1. Risk assessment considerations address the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. Specifically, inadequate risk assessment throughout the Department and FSA, prevented the proper identification and analysis of certain risks related to the financial reporting process at the Department and FSA, and from designing appropriate risk responses.

2. Monitoring activities considerations address management's processes to establish and implement operations that assess the quality of performance over time and promptly resolve the findings of audits and other reviews. Specifically, insufficient monitoring has prevented the Department and FSA from ensuring that corrective action plans are implemented, and control deficiencies are remediated timely.

The conditions noted above contributed to the control deficiencies described earlier in the report and could lead to other weaknesses in internal control over financial reporting.

Criteria:

The following criteria were considered in the evaluation of the significant deficiency presented in this Exhibit:

- GAO Standards for Internal Control in the Federal Government (Green Book) Principle 6, *Management should define objectives clearly to enable the identification of risks and define risk tolerances*.
- GAO Standards for Internal Control in the Federal Government (Green Book) Principle 17, *Management should remediate identified internal control deficiencies on a timely basis.*

Recommendations:

We recommend that management implement the following to improve the effectiveness of entity-level controls:

1. Improve the risk assessment process at the financial statement assertion level and at the process level to ensure the department is appropriately defining objectives to enable the identification of risks and define risk tolerances.

2. Implement key monitoring controls to ensure that corrective action plans are implemented to timely remediate control deficiencies identified. In addition, increase oversight, review, and accountability over the process among various offices and directorates within the Department and FSA.

Exhibit C

Management's Response

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

DATE: January 20, 2023

TO: Bryon S. Gordon
Assistant Inspector General for Audit

FROM: Richard Lucas
Chief Financial Officer
Richard J Lucas

SUBJECT: DRAFT INDEPENDENT AUDITORS' REPORT
Fiscal Years 2022 and 2021 Financial Statements (ED-OIG/A22FS0065)

We appreciate the opportunity to respond to the draft audit report and would like to thank the Office of Inspector General audit team for their partnership and support during the annual audit of Federal Student Aid's (FSA's) financial statements.

FSA concurs with the two significant deficiencies and partially concurs with the material weakness and will take appropriate action to address the audit recommendations. FSA takes its fiscal responsibilities seriously, and we continue to have a high degree of confidence in the integrity of our programs and financial operations.

At the end of the fiscal year, FSA took on the challenge of integrating a brand new program into its financial portfolio. Notwithstanding the inherent risks and challenges that come with implementing a new program of this scope and magnitude, we believe we did so carefully and thoughtfully with strong and supported financial analysis. We will make it a priority to address the items raised in the audit feedback as we strive to return to an unmodified opinion in the future.

Please find attached management's response to the FY 2022 Independent Auditors' Draft Report of FSA's Consolidated Financial Statements.

Please contact William Truitt, Director, Financial Management Group, at william.truitt@ed.gov with any questions or comments.

Material Weakness

Controls over the Relevance and Reliability of Underlying Data Used in Credit Reform Estimates Need Improvement

Sound financial management is an integral part of FSA's efforts to deliver services and administer programs. We are confident in the integrity of our programs and financial operations and their ability to ensure that taxpayer funds are spent appropriately and effectively. These efforts include ensuring that effective internal controls are in place for the underlying data that is relied upon in financial analyses.

The Department develops and maintains a Student Loan Model (SLM), which is used to produce the official estimates of the cost of federal student loan programs published in the President's Budget and the Department's Agency Financial Report. The model is revised at least two times per year using updated data and economic assumptions. It has been in use in its current form since 1998 and is based on two decades of rigorous analysis and independent validation by third party contractors as well as the Office of Management and Budget (OMB) and other parties. The model has been audited by multiple, independent financial statement auditors, undergone OMB Circular A-123 reviews, and been the focus of several GAO engagements.

For 20 consecutive years, the Department and FSA have earned unmodified (i.e., clean) audit opinions, confirming that the Department's and FSA's previous financial statements were presented fairly, in all material respects, and conform with generally accepted accounting principles. These reviews have fueled continuous improvement in the model's methodology to ensure the Department's cost estimates are as accurate as possible. Improvements to the underlying data, assumptions, and methodology are in line with best practices across the federal government, and all improvements and major assumptions are reviewed and approved by Department leadership, per its exhaustive and rigorous governance process.

Over the past three years, the Department and FSA have managed a series of vital steps to address challenges facing students and borrowers due to the Covid-19 pandemic and resulting national emergency. One of those was the new broad-based debt relief program, which required that the Department estimate the take-up of the benefit among eligible borrowers and integrate this variable into the agency loan estimates. The Department developed its estimate based upon relevant research literature, the Department's own extensive experience of take-up rates from a variety of benefit programs, take-up rates from means-tested programs operated by other federal agencies, and consultation with internal and external experts.

The Department's cost estimate was reviewed by both management at the Department and the Office of Management and Budget (OMB), consistent with existing policies and procedures for modifications. The cost estimate was approved, and appropriate budgetary resources were made available through the OMB apportionment process per OMB Circular A-11. The processes and controls used to validate assumptions were properly designed and consistent with estimates used in previous years, but the Department does acknowledge that controls may not have operated as intended due to the lack of strictly comparable other federal benefit programs.

The Department and FSA will leverage the audit feedback as input into the next round of SLM business process and internal control reviews and will implement appropriate actions to further improve the SLM process, including the methodology for assessing take-up rates. Specifically, we will assess the efficacy of controls in place and make appropriate changes as needed.

Significant Deficiencies

A. Information Technology Controls Need Improvement

The security of our IT systems is critical and a high priority for the agency. The Department and FSA have taken the following actions to make improvements in this area and will leverage the audit feedback to make additional changes.

During fiscal year 2022, FSA closed prior year IT findings pertaining to controls over account management, service organizations, user access, and passwords in various systems supporting financial reporting.

The Department recently awarded a new Identity, Credential, and Access Management contract. The vendor has developed strategic solutions for logical access control deficiencies and is responsible for optimizing existing practices that include: single sign on capabilities, separation of duties, and privileged access management for newly onboarded and departing users.

In fiscal year 2022 the Department achieved a cybersecurity level 4 maturity rating, managed and measurable, which is considered operating at an effective level of security by the Federal Information Security Modernization Act (FISMA) of 2014.

The Department, through the American Rescue Plan and Technology Modernization Funds, was successfully awarded $20 million dollars in fiscal year 2022. These funds allowed the Department to develop and incrementally implement a zero-trust architecture plan across all offices while modernizing cybersecurity technologies, ultimately helping the Department carry out its mission and provide a more secure and less burdensome user experience for employees and the public.

B. Entity Level Controls Need Improvement

The Department has taken the following actions to make improvements in this area and will leverage the audit feedback to continue in this direction.

FSA analyzed the business processes and transactions underlying material financial statement line items, performed a qualitative risk assessment of those processes including the results of the Department's risk assessment of ED's student loan model and subsidy estimation processes, and considered those results in testing internal controls. FSA also performed additional control testing over batch job processing in the system that provided key data for the loan subsidy model. In addition, FSA implemented additional monitoring and reporting processes to increase oversight and accountability for the resolution of audit and review findings, including escalation of extension requests to FSA executive management.

The Department will continue to review all processes impacting entity level controls and implement additional improvements accordingly.

Exhibit D

Auditors' Response to Management's Response

We acknowledge FSA's response to our Independent Auditors' Report, presented in Exhibit C and noted that FSA partially concurred with the material weakness included in our report presented in Exhibit A. We evaluated management's response and have determined that the material weakness in internal control over financial reporting is appropriate. As noted in Exhibit A, management's controls were not designed at a sufficient level of precision to address the relevance and reliability of the aforementioned data used in the subsidy cost estimates.

Other Information (Unaudited)

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Other Information

Summary of Financial Statement Audit and Management Assurances

The following table provides a summarized report of FSA's financial statement audit.

Audit Opinion: Disclaimer of Opinion

Restatement: No

Table 61: Summary of Financial Statement Audit

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	1	1	0	1	1

For details on the management assurances related to the FSA programs, please refer to the **Analysis of Systems, Controls and Legal Compliance** discussion in the Management's Discussion and Analysis section of this document as well as the **Summary of Financial Statement Audit and Management Assurances** located in the Other Information section of the Department's ***AFR***.

Management Challenges

For details on FSA Management Challenges, please refer to the **Office of Inspector General's Management and Performance Challenges for Fiscal Year 2023 Executive Summary** found in the Other Information section located within the Department's ***AFR.***

Payment Integrity

Payment Integrity Information Act Reporting

The *Payment Integrity Information Act of 2019* (Pub. L. 116-117) requires federal agencies to report information annually on improper payments and unknown payments to the President and Congress. For improper payment and unknown payment information, FSA's activities are part of an overall Departmental integrated reporting effort and reported on **paymentaccuracy.gov**. Additional information on the Department's payment integrity program can be found in the Department's ***AFR***.

In FY 2022, the Federal Pell Grant and Direct Loan Programs are the FSA programs identified as susceptible to significant improper payments and OMB designated high priority programs. FSA continues to place additional emphasis on these important programs as required by OMB guidance to ensure payment integrity and minimize improper payments and unknown payments. The methodologies used to estimate Federal Pell Grant and Direct Loan improper payments and unknown payments are described on the Department's **improper payments website**. Details on FSA's Federal Pell Grant and Direct Loan sampling and estimation methodologies, improper payment and unknown payment estimates, root causes, and corrective actions can be found at **paymentaccuracy.gov**.

Appendices (Unaudited)

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Appendix A: Performance Metrics and Target Changes

Appendix A includes any modifications made to the strategic plan. These modifications include revisions or discontinuation of performance metrics, as well as changes to the performance metric targets that were made during the strategic plan annual update.

In FY 2022, no revisions were made to the performance metrics or targets due to the close-out of the current strategic plan and the expected implementation of a new strategic plan in FY 2023

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Appendix B: Data Validation and Verification Matrix

Appendix B provides data validation and verification information for all performance metrics included within the five Strategic Goals of the current FSA strategic plan.

Strategic Goal 1: Empower a High-Performing Organization

Table 62: Performance Data Validation and Verification for Metric 1.1

Performance Metric 1.1	Improve Federal Employee Viewpoint Survey score: Employee Engagement Index. FSA's scores will improve the first year and continue to increase 1–2% annually.
Data Source	FY 2022 FEVS survey.
Data Validation and Verification	OPM has been conducting FEVS since 2002 and maintains a 100 percent accuracy rate for employee security and data integrity. One limitation is that the survey results are provided in real time, and there is at least a one quarter delay in receipt by agencies. This may limit the true interpretation of the data, in that leadership changes, employee attrition and a shift in organizational priorities may impact the relevance of the data. FSA will continue using tools such as pulse surveys and focus group data to assist with employee engagement and other organizational improvements based on feedback.

Table 63: Performance Data Validation and Verification for Metric 1.2.A

Performance Metric 1.2.A	Identification, validation, assessment, and prioritization of skill competencies, required grades, and strategic alignment in accordance with the workforce requirements study results.
Data Source	U.S. Department of Interior Business Center Payroll/Personnel Data, qualitative interview, and resource information from internal FSA sources.
Data Validation and Verification	Data from FSA's internal personnel system provided an organizational resource picture (i.e., the number of staff onboard by organization, occupation, grade, and/or other attributes) for approximately 1,225 positions, or roughly 85% of the FSA workforce in the study baseline. Front offices were not included in the analysis based on nature of their work, small sizes, and standard staffing patterns. The required number of staff per organizational business unit, from which specific staffing needs can be computed, was generated from a staffing dashboard developed by FSA's contractor. The needs or staffing gap computation utilizes current staffing onboard and required staffing determined by the study to derive a numeric and percentage staffing gaps for each organizational element covered by the study. The Study results can also be used to assist FSA with tools that will enable tracking of full-time equivalent staff and financial execution (i.e., average onboard staffing and aggregate salaries over the course of a fiscal year). This calculation, in conjunction with the staffing gap computation, will provide a more accurate picture of FSA's requirements and capabilities beyond the historical onboard staffing snapshots that have typically been produced.

Table 64: Performance Data Validation and Verification for Metric 1.2.B

Performance Metric 1.2.B	Conduct targeted multi-year training based on identified workforce needs.
Data Source	FedTalent system, FSA staffing reports, training data reports, participant feedback, course attendance and FSA Training Database.
Data Validation and Verification	FedTalent, the Department of Education’s learning management system, was used as the primary source to track individual and cumulative training completion data. Courses, whether virtual instructor-led or self-paced, are placed in the LMS. Course completions are also tracked through participant self-certification by a course code provided to and submitted by participants or checkbox marker, learning platform attendance records, or facilitator attendance records. The data is integrated from FedTalent into FSA’s Training Database to calculate and verify statistics like percentage of employees trained, types of trainings attended, modality of training, and number of initiatives delivered by FSA.

Table 65: Performance Data Validation and Verification for Metric 1.2.C

Performance Metric 1.2.C	Perform a training analysis at each performance review period within the fiscal period.
Data Source	Course evaluations, facilitator observations, FSA Training Database, and Momentive (formerly called SurveyMonkey).
Data Validation and Verification	FSA used the FSA Training Database, an internal training data analysis and validation tool, and Momentive to collect, track and compare data across training iterations to identify various performance trends. FSA courses used various assessment instruments and data sets such as formative and summative data collection mechanisms, Kirkpatrick Level evaluations, participant anecdotal feedback, and after-action briefings/reports. To gauge participant knowledge within these specified trainings and allow for the application of learning to address real-life situations or leadership problems/challenges Kirkpatrick Level evaluations were administered during and/or post-training. For the managerial trainings and developmental programs directed at enhancing leadership competencies, action-based learning through individual activities, group capstone projects, and/or course Level 1 evaluations were used. The limitations of the data are the inability to sync various databases and data sources into one platform to allow for a seamless migration and calculation of data. The FSA Training Database was developed as an interim stopgap mechanism; a long-term solution must be identified to ensure training trends and target areas of need are fully captured.

Strategic Goal 2: Provide World-Class Customer Experience to the Students, Parents and Borrowers We Serve

Table 66: Performance Data Validation and Verification for Metric 2.1.A

Performance Metric 2.1.A	Number of visits (sessions) demonstrating adoption of the updated StudentAid.gov site.
Data Source	FSA's online platform analytics.
Data Validation and Verification	The data is an absolute number so no calculation and methodology are performed. The indicator is a direct reflection of the data platform analytics. FSA constantly monitors the analytics platform to ensure the system is secure and the query results are consistent. The indicator value is based on the number of visits (as opposed to unique visitors or page views). FSA operational systems have procedures in place to address potential data quality issues. The process for querying system data is consistent and disciplined. A separate data analyst from a different office within FSA validates the accuracy of the query and the resulting data and validates any anomalous data. The Customer Analytics Group is responsible for the primary calculation of the indicator as well as the technical validation of the indicator, which is done by reviewing for accuracy the query used to pull the data.

Table 67: Performance Data Validation and Verification for Metric 2.1.B

Performance Metric 2.1.B	Percentage of high school seniors submitting the FAFSA.
Data Source	FSA's online platform analytics.
Data Validation and Verification	FSA operational systems have procedures in place to address potential data quality issues. The process for querying system data is consistent and disciplined. A separate data analyst from a different office within FSA validates the accuracy of the query and the resulting data and validates any anomalous data. Queries and calculations are simultaneously conducted on data from previous years by FSA's Business Intelligence Team to ensure technical definitions remain consistent. The Customer Analytics Group is responsible for the primary calculation of the indicator as well as the technical validation of the indicator, which is done by reviewing for accuracy the query used to pull the data and all calculations made with the data. The data is pulled from the FSA's Central Processing System. Finally, the Financial Reporting and Analysis Branch is responsible for ensuring that documentation is complete and archived. These calculations also restrict the application period to the first nine months of the application cycle (through the close of the fiscal year) rather than the entire 18 months. Since most applicants, including high school seniors, file their FAFSA prior to the start of the upcoming academic year (usually before fiscal year end), this decision better aligns the performance indicator with the fiscal year where most of the performance occurred.

Table 68: Performance Data Validation and Verification for Metric 2.1.C

Performance Metric 2.1.C	Number of customers submitting the FAFSA via a mobile platform—the myStudentAid mobile app or fafsa.gov.
Data Source	FSA's online platform analytics.
Data Validation and Verification	The data is an absolute number so no calculation and methodology are performed. The indicator is a direct reflection of the data platform analytics. FSA constantly monitors the analytics platform to ensure the system is secure and the query results are consistent. FSA operational systems have procedures in place to address potential data quality issues. The process for querying system data is consistent and disciplined. A separate data analyst from a different office within FSA validates the accuracy of the query and the resulting data and validates any anomalous data. The Customer Analytics Group is responsible for the primary calculation of the indicator as well as the technical validation of the indicator, which is done by reviewing for accuracy the query used to pull the data.

Table 69: Performance Data Validation and Verification for Metric 2.1.D

Performance Metric 2.1.D	Persistence among first-time filing aid recipients.
Data Source	EDWA.
Data Validation and Verification	Data results are ascertained through standardized system queries. These queries are used to rerun and match calculations for earlier cycles as part of the verification and validity assessment.

Table 70: Performance Data Validation and Verification for Metric 2.2.A

Performance Metric 2.2.A	Number of customers checking loan balances via the myStudentAid mobile app.
Data Source	FSA's online platform analytics.
Data Validation and Verification	The data is an absolute number as the number of customers checking their loan balances, so no calculation and methodology are performed. This metric is a direct reflection of the data platform analytics. FSA monitors to ensure the system is secure and the query results are consistent. FSA operational systems have procedures in place to address potential data quality issues. The process for querying system data is consistent and disciplined. A separate data analyst from a different office within FSA validates the accuracy of the query and the resulting data and validates any anomalous data. The Customer Analytics Group is responsible for the primary calculation of the metric as well as the technical validation of the metric, which is done by reviewing for accuracy the query used to pull the data.

Table 71: Performance Data Validation and Verification for Metric 2.2.B

Performance Metric 2.2.B	Number of borrowers who view their aid summary information on StudentAid.gov.
Data Source	FSA’s online platform analytics.
Data Validation and Verification	The data is an absolute number as the value is based on the number of users (as opposed to sessions or page views), so no calculation and methodology are performed. This metric is a direct reflection of the data platform analytics. FSA monitors to ensure the system is secure and the query results are consistent. FSA operational systems have procedures in place to address potential data quality issues. The process for querying system data is consistent and disciplined. A separate data analyst from a different office within FSA validates the accuracy of the query and the resulting data and validates any anomalous data. The Customer Analytics Group is responsible for the primary calculation of the metric as well as the technical validation of the metric, which is done by reviewing for accuracy the query used to pull the data.

Table 72: Performance Data Validation and Verification for Metric 2.2.C

Performance Metric 2.2.C	Number of users of “Aidan,” the StudentAid.gov virtual assistant.
Data Source	FSA’s online platform analytics.
Data Validation and Verification	This metric is a direct reflection of the data platform analytics. FSA monitors to ensure the system is secure and the query results are consistent. The total users are defined as individuals that interact with Aidan beyond the initial greeting button prompt provided to customers. An FSA contractor performs a two-step validation of the Aidan data in the DCC Tableau system prior to sharing with FSA.

Table 73: Performance Data Validation and Verification for Metric 2.2.D

Performance Metric 2.2.D	Transactional email volume for outreach and communications to customers.
Data Source	MCP.
Data Validation and Verification	There is no calculation necessary for this metric. It is reported by the MCP system. Several data analysts pull the system data, and a data analyst validates the numbers.

Table 74: Performance Data Validation and Verification for Metric 2.2.E

Performance Metric 2.2.E	Recurring campaign email delivery volume for outreach and communications to customers.
Data Source	MCP.
Data Validation and Verification	There is no calculation necessary for this metric. It is reported by the MCP system. Several data analysts pull the system data, and a data analyst validates the numbers.

Table 75: Performance Data Validation and Verification for Metric 2.2.F

Performance Metric 2.2.F	American Customer Satisfaction Index (ACSI) Aid Lifecycle Survey score.
Data Source	MSS, FAFSA.gov (housed on StudentAid.gov), and (federal student aid recipients) In-School customer satisfaction survey.
Data Validation and Verification	Traditionally, the ACSI survey has been conducted annually for FSA's major programs. The index provides a national, cross-industry, cross-sector economic indicator, using widely accepted methodologies to obtain standardized customer satisfaction information. Survey scores are indexed on a 100-point scale. The ACSI scores for application, in-school experience, and servicing are weighted by the utilization of each process/service and the intensity of the service provided. This metric is a direct reflection of the data collected through the ACSI Aid Life Cycle Survey. FSA monitors to ensure the system is secure and the query results are consistent. This metric is calculated by using weighted customer satisfaction scores from the Multiple Servicer Survey, FAFSA.gov and the In-School customer satisfaction survey. Several data analysts pull the data, and a data analyst validates the numbers.

Table 76: Performance Data Validation and Verification for Metric 2.2.G

Performance Metric 2.2.G	Customer Satisfaction Survey(s) for StudentAid.gov site and associated tools.
Data Source	FSA customer feedback system.
Data Validation and Verification	This metric intends to measure customer satisfaction with the StudentAid.gov website. These customer satisfaction surveys will assist FSA in developing additional tools and offering website improvements based on customer feedback.

Table 77: Performance Data Validation and Verification for Metric 2.3.A

Performance Metric 2.3.A	Quality Standard for Average Speed to Answer (ASA) at all Call Centers.
Data Source	Federal servicers' quarterly reports.
Data Validation and Verification	The verification and validation of performance by the nondefault federal student loan servicers is conducted by FSA and includes (but is not limited to): (1) review and validation of federal servicer reports; (2) ongoing/recurring quality assurance discussion with federal servicers; (3) site visits to federal servicer call center sites; and (4) documented on-phone ("mystery caller") evaluations of services. Because the agency directive is succinct and builds on current contractor operational capabilities, FSA does not anticipate anomalous data or issues with implementation. However, in cases where verification and validation detect anomalies that suggest less-than-complete information, FSA will address any deficiencies through direct contact with federal servicers, requests for information, audits, site visits, and/or other assessment measures of performance, as applicable.

Table 78: Performance Data Validation and Verification for Metric 2.3.B

Performance Metric 2.3.B	Quality Standard for Abandon Rate (AR) for Incoming Calls at all Call Centers.
Data Source	Federal servicers' quarterly reports.
Data Validation and Verification	The verification and validation of performance by the nondefault federal student loan servicers is conducted by FSA and includes (but is not limited to): (1) review and validation of federal servicer reports; (2) ongoing/recurring quality assurance discussion with federal servicers; (3) site visits to federal servicer call center sites; and (4) documented on-phone ("mystery caller") evaluations of services. Because the agency directive is succinct and builds on current contractor operational capabilities, FSA does not anticipate anomalous data or issues with implementation. However, in cases where verification and validation detect anomalies that suggest less-than-complete information, FSA will address any deficiencies through direct contact with federal servicers, requests for information, audits, site visits, and/or other assessment measures of performance, as applicable.

Table 79: Performance Data Validation and Verification for Metric 2.4.A

Performance Metric 2.4.A	Number of borrowers using Make a Payment feature to pay student loans.
Data Source	DCC Web Logs.
Data Validation and Verification	No calculation is necessary as the data is an absolute number reported to FSA from the DCC Web Logs. This figure represents the number of student loan payments made on [StudentAid.gov](https://studentaid.gov). FSA is unable to provide the unique number of customers who made payments. A separate data analyst pulls the data and then a different analyst pulls the data independently to validate the accuracy of the information and any anomalous data.

Table 80: Performance Data Validation and Verification for Metric 2.4.B

Performance Metric 2.4.B	Percentage of borrowers using auto-debit.
Data Source	NSLDS® database.
Data Validation and Verification	Enrollment in auto debit is reported by federal loan servicers to the NSLDS database. Accuracy of that data is validated by FSA using NSLDS monitoring techniques. NSLDS queries will provide the volume of borrowers enrolled in Automatic Direct Debit (auto debit) and the total volume of borrowers in repayment. The auto debit volume will be divided by the total borrowers in repayment volume and rounded to 1/10th percent to calculate auto debit percentage. NSLDS queries and calculations are validated by FSA's Data Review Team for accuracy.

Table 81: Performance Data Validation and Verification for Metric 2.4.C

Performance Metric 2.4.C	Percentage of users who start and complete the Public Service Loan Forgiveness (PSLF) Help Tool by generating a PSLF form.
Data Source	COD Portal
Data Validation and Verification	The source of the data is on the COD Portal and provided by an FSA contract resource. The contractor assists with the monitoring of PSLF Help Tool usage and which form is generated based on customer interaction with the PSLF Help Tool.

Strategic Goal 3: Increase Partner Engagement and Oversight Effectiveness

Table 82: Performance Data Validation and Verification for Metric 3.1.A

Performance Metric 3.1.A	FSA will annually conduct an Institutional Review for its participating partners including schools, third-party servicers, and financial institutions.
Data Source	PEPS.
Data Validation and Verification	Metric calculations are based on data extracts from the data system. The data extracts are subject to quality checks and validation. After data are compiled, a staff member reviews the queries and formulas to ensure proper functioning and correct counting reviews/schools. Since PPO may perform more than one compliance review of an institution during a fiscal year, the data are de-duplicated to ensure an institution is counted only once. The count of unduplicated institutions for whom PPO performed a compliance review is compared with an unduplicated count of participating institutions to calculate the actual percentage for this performance metric.

Table 83: Performance Data Validation and Verification for Metric 3.1.B

Performance Metric 3.1.B	Number of Borrower Defense (BD) applications adjudicated (subject to existing BD regulations).
Data Source	Customer Engagement Management System.
Data Validation and Verification	Weekly production data is derived from the borrower defense case management platform which tracks progress and status of borrower defense applications through intake, adjudication, borrower notification, and loan servicer documentation on effectuated loan relief, where applicable. Weekly data verification reviews are coordinated among the business unit and FSA's enterprise data office. This production data is reported in weekly performance metrics evaluated by FSA and Department Senior Leadership.

Table 84: Performance Data Validation and Verification for Metric 3.2.A

Performance Metric 3.2.A	FSA will measure institutional participation rates in Title IV training and specialized technical assistance programs
Data Source	FSA LMS, PEPS, eZ-Audit, PCnet, FSA Data Center, and NSLDS database.
Data Validation and Verification	The activity is primarily a manual count (e.g., manual inbox count of Ask-a-Fed email inquiries), but FSA does remove duplicate OPEIDs to ensure its participation rate is non-duplicative. OPEID is self-reported by users of the training system. Reports run in the LMS (**fsatraining.ed.gov**) identify users of the site. The report is exported to Excel and manipulated to remove users without an OPEID and duplicate OPEIDs. The Federal Student Aid Training Center registrant data is also received from the conference team. Data is pulled from CVENT for registrants at state and regional association conferences where TISG staff presented. This data is merged with the LMS data to produce a list of OPEIDs who have received training. To minimize errors, the assessment process consists of batch loading the performance data in excel spreadsheets from the source databases into the Salesforce assessment tool. The quality of the data is impacted because not all instances of technical assistance and support have been tracked historically by FSA. Data collection from multiple systems using differing demographic points (e.g., user reported school name variances, branch campus OPEID v Main Campus) and manual counts of user emails can affect the consistency of the information used for analysis.

Table 85: Performance Data Validation and Verification for Metric 3.2.B

Performance Metric 3.2.B	FSA will enhance the self-service training resource and informational platform to improve communication with participating partners, including schools, third-party servicers, and financial institutions.
Data Source	FSA LMS.
Data Validation and Verification	This performance metric is a numerical count of changes within a defined electronic training environment. The TISG tracks additions, modifications, and removals within the FSA Training Center (**fsatraining.ed.gov**).

Table 86: Performance Data Validation and Verification for Metric 3.2.C

Performance Metric 3.2.C	Ease of doing business with FSA.
Data Source	FY 2022 Schools Partners Survey.
Data Validation and Verification	This performance metric is based on calculations from CFI Group. The FSA project officer verifies the FY 2022 School Partners survey scores for the Ease of Doing Business with FSA metric and coordinated validation through FSA Data Review Team. The survey contractor collects this data and calculates the results and presents findings and conclusions to FSA.

Strategic Goal 4: Strengthen Data Protection and Cybersecurity Safeguards

Table 87: Performance Data Validation and Verification for Metric 4.1

Performance Metric 4.1	Increase partner/vendor cybersecurity effectiveness by reducing the total number of FSA system assessment findings by 20% per year.
Data Source	FSA Enterprise Cybersecurity Group, Department Cybersecurity Assessment and Management Shared Service.
Data Validation and Verification	The data for this performance metric is provided by the assessments conducted and utilized by the OCIO for the Department's monthly cybersecurity scorecard. Data is verified through the assessment process as defined by the National Institute of Standards and Technology, the Department, and FSA guidance. The plan of action and milestone is a description of the vulnerability findings using the National Vulnerability Database.

Table 88: Performance Data Validation and Verification for Metric 4.2.A

Performance Metric 4.2.A	Increase Institutions of Higher Education cybersecurity effectiveness by reducing GLBA cybersecurity non-compliance by 20% per year.
Data Source	The record of GLBA Audits managed by Partner Connect.
Data Validation and Verification	The performance metric is a numerical count of the cybersecurity related audit findings. The finding count is provided by the Partner Connect staff and verified against the findings posted in eZ-Audit by the Technology Directorate.

Table 89: Performance Data Validation and Verification for Metric 4.2.B

Performance Metric 4.2.B	Reduce incident reporting time at Institutions of Higher Education.
Data Source	Self-reports from the schools, discovery through media reports, and information derived from internet research activities.
Data Validation and Verification	The calculation of this performance metric is from the date, hour, and minute that the school detected the event to the time that FSA receives the report. In the event the school does not provide the information, the time is calculated from the time FSA discovers the cybersecurity incident and the time that FSA is able to contact the appropriate school point of contact at the institution. The data is verified through a manual audit process comparing the security event report received from the school and the data discovered through incident response process with the data within SecOps.

Table 90: Performance Data Validation and Verification for Metric 4.3

Performance Metric 4.3	Decrease the number of employee-related cybersecurity events associated with inappropriate use, distribution, or storage of Personally Identifiable Information (PII) and financial information by 20% a year.
Data Source	FSA SecOps, email reports, phishing exercise results, and OCIO DLP metrics.
Data Validation and Verification	The performance metric is a numerical count of events-based exercise results and actual incident reports over time. The data is validated through a manual review of automated reports from SecOps, which provide the test results for the cybersecurity exercises administer to employees.

Strategic Goal 5: Enhance the Management and Transparency of the Portfolio

Table 91: Performance Data Validation and Verification for Metric 5.1.A

Performance Metric 5.1.A	Initiate monthly reporting to the public through the FSA data center.
Data Source	FSA data request process and queries
Data Validation and Verification	FSA leverages a data request process to ensure queries are written by one subject matter expert and validated separately by a second subject matter expert to help ensure consistency and accuracy. Queries used to produce FSA Data Center reports are required to go through this data request process. Subject matter experts also review results prior to publication to help identify any potential areas of concern.

Table 92: Performance Data Validation and Verification for Metric 5.1.B

Performance Metric 5.1.B	Outstanding Direct Loan Portfolio in Current Repayment Status.
Data Source	NSLDS database.
Data Validation and Verification	The calculation uses the rounded results appearing in the FSA Data Center’s Direct Loan Delinquency report. The fiscal year metric is a moving average of the four quarters. It is the outstanding principal and interest balance of “current” Direct Loans in the active repayment status divided by the total principal and interest balance of Direct Loans in an active repayment status at the non-default servicers. FSA validated the report when it was implemented, and subject matter experts review the results each month to assess data quality and initiate efforts to diagnose and resolve any anomalies.

Table 93: Performance Data Validation and Verification for Metric 5.2.A

Performance Metric 5.2.A	Using the Enterprise Risk Management (ERM) Maturity Model, move the organization towards a “Risk Intelligent” position. The model defines organizational progress in the following way: • 1 = Initial; • 2 = Fragmented; • 3 = Integrated; • 4 = Risk Intelligent.
Data Source	Stakeholders’ surveys and ERM Maturity Matrix.
Data Validation and Verification	The Risk Maturity Matrix is directly linked to the Committee of Sponsoring Organizations of the Treadway Commission ERM Framework, Enterprise Risk Management: Integrating with Strategy and Performance. The data is derived from surveys to stakeholders throughout the organization and is compiled and assessed against the ERM Maturity Matrix. The evaluation and validation of data is subjective within guidelines established by the model.

Table 94: Performance Data Validation and Verification for Metric 5.2.B

Performance Metric 5.2.B	Implementation timeline for *FUTURE Act.*
Data Source	N/A
Data Validation and Verification	The FUTURE Act team continues to work closely with other offices within the Department, the IRS, and Treasury to establish a FUTURE Act implementation schedule. While the team has established a notional implementation schedule, all offices continue to work on critical dependencies to finalize the implementation schedule. Variances to the schedule caused by these dependences will impact the quality of the implementation timeline. The FUTURE Act team also works closely with the ERM Office to monitor any risks and limitations.

Table 95: Performance Data Validation and Verification for Metric 5.3.A

Performance Metric 5.3.A	Identify and provide intervention actions for customers at risk of default.
Data Source	FSA's project plans for each individual intervention project.
Data Validation and Verification	This performance metric will leverage high-level project data as its source: the project plans FSA uses for each individual intervention project, and possibly include specific measures to be determined on a project-by-project basis. The projects within the default prevention definition are expected to use new interventions and actions to reduce customer risks, therefore it is necessary to first collect data on customer outcomes given they have received the new interventions and actions to support Contextual Bandits model training. Different methodologies for initially collecting data have been designed and implemented in a reusable fashion. Contextual Bandits models have been designed to further collect required model training data, incorporating experimental design into the model development process. Data collected from projects for use in creating and updating models has a high probability of bias due to impacts from COVID-19, especially when analyzing outcomes of default, based on the CARES Act forbearance.

Table 96: Performance Data Validation and Verification for Metric 5.3.B

Performance Metric 5.3.B	Default rate by borrower count.
Data Source	NSLDS database.
Data Validation and Verification	The metric leverages a report that is used for several other purposes, including the public-facing FSA Data Center. The report methodology was validated through FSA's Data Request Team in 2015. Because the nature of this metric is to compare to same quarter of earlier years and to calculate rolling four-quarter averages, this helps facilitate spotting anomalies. FSA also continues to monitor overall performance of the federal loan servicers to identify any areas where errors have occurred and notifies servicers of results and corrective actions as needed. By design, the data directorate is separated from the servicers' staff and systems, so there is currently no direct communication between EDD and loan servicers to verify servicer reporting. For this reason, the data directorate worked with the servicer monitoring team during FY 2020 and FY 2021 to address reporting issues identified.

Table 97: Performance Data Validation and Verification for Metric 5.3.C

Performance Metric 5.3.C	Percent of borrowers > 90 days delinquent.
Data Source	NSLDS database.
Data Validation and Verification	The calculation uses the rounded results appearing in the FSA Data Center’s Direct Loan Delinquency report. The fiscal year metric is a moving average of the four quarters. This allows FSA to account for changes relating to seasonality and indirect factors that could be false indicators of change. FSA also continues to monitor overall performance of the federal loan servicers to identify any areas where errors have occurred and notifies servicers of results and corrective actions as needed.

Table 98: Performance Data Validation and Verification for Metric 5.3.D

Performance Metric 5.3.D	Percentage of borrowers who did not make the first three payments.
Data Source	EDWA servicing data.
Data Validation and Verification	EDWA receives data from the Direct Loan servicers over the Student Aid Internet Gateway connection/interface. Each Direct Loan servicer reports weekly, and not all on the same day. The Direct Loan servicers report on different days of the week to manage FSA’s operational burden. FSA monitors overall performance of the federal loan servicers to identify any areas where errors have occurred and notifies servicers of results and corrective actions as needed.

Table 99: Performance Data Validation and Verification for Metric 5.4

Performance Metric 5.4	Conduct three vendor examinations annually.
Data Source	Internal OIO reports.
Data Validation and Verification	The performance metric is calculated by the number of completed quality assurance reviews for all loan servicers.

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Appendix C: Glossary of Acronyms and Terms

Acronym	Description
A	
ABCP Conduit	Asset-Backed Commercial Paper Conduit
ACICS	Accrediting Council for Independent Colleges and Schools
the Acknowledgment	Annual Student Loan Acknowledgment
ACSI	American Customer Satisfaction Index
AFR	*U.S. Department of Education FY 2022 Agency Financial Report*
Annual Report	*Federal Student Aid Fiscal Year (FY) 2022 Annual Report*
APG	Agency Priority Goal
AR	Abandon Rate
ASA	Average Speed to Answer
ATO	Authorities to Operate
B	
BD	Borrower Defense
BDG	Borrower Defense Group
Borrower Defense	Borrower Defense to Repayment
BPO	Business Process Operations
C	
CAP	Corrective Action Plan
CARES Act	*Coronavirus Aid, Relief, and Economic Security Act*
CDM	Continuous Diagnostics and Mitigation
CDR	Cohort Default Rate
CISA	Cybersecurity and Infrastructure Agency
Clery Act	*Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act*
COD	Common Origination and Disbursement
Congress	U.S. Congress
COO	Chief Operating Officer
COVID-19	Coronavirus Disease 2019

Acronym	Description
C	
CRI	Common Review Initiative
CSRS	Civil Service Retirement System
D	
DCC	Digital Customer Care
DDB	Death, Disability, and Bankruptcy
DEIA	Diversity, Equity, Inclusion, and Accessibility
the Department	U.S. Department of Education
DFSCA	*Drug-Free Schools and Communities Act Amendments of 1989*
Direct Loan	William D. Ford Federal Direct Loan
DLP	Data Leakage Prevention
DMCS	Debt Management and Collection System
DOL	U.S. Department of Labor
E	
ECASLA	*Ensuring Continued Access to Student Loans Act of 2008*
EDD	Enterprise Data Directorate
EDWA	Enterprise Data Warehouse and Analytics
EEI	Employee Engagement Index
ERM	Enterprise Risk Management
Executive Order 14028	Executive Order 14028, *Improving the Nation's Cybersecurity*
Executive Order 14035	Executive Order 14035, *Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce*
F	
FA-DDX	*FUTURE Act* Direct Data Exchange interface
FAFSA®	Free Application for Federal Student Aid®
FAFSA Simplification Act	*Free Application for Federal Student Aid (FAFSA) Simplification Act*
FASAB	Financial Accounting Standards Advisory Board
FCRA	*Federal Credit Reform Act of 1990*
FECA	*Federal Employees' Compensation Act*
Federal Fund	Federal Student Loan Reserve Fund

Acronym	Description
F	
FERS	Federal Employees Retirement System
FEVS	Federal Employee Viewpoint Survey
FFEL	Federal Family Education Loan
FIOSG	Financial Institution Oversight Service Group
FSA	Federal Student Aid
FSALI	Federal Student Aid Leadership Institute
FSATC	Federal Student Aid Training Conference
FSEM	Facilities, Security, and Emergency Management
FSEOG	Federal Supplemental Educational Opportunity Grant
FTI	Federal Tax Information
FUTURE Act	*Fostering Undergraduate Talent by Unlocking Resources for Education Act*
FY	Fiscal Year
FY 2022–26 Strategic Plan	*Department of Education Strategic Plan for Fiscal Year 2022–26*
FY 2020–24 Strategic Plan	*Federal Student Aid: Strategic Plan Fiscal Years 2020–24*
G	
GA	Guaranty Agency
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GLBA	*Gramm-Leach-Bliley Act*
GPRA Modernization Act	*Government Performance and Results Modernization Act of 2010*
H	
HBCU	Historically Black College or University
HCERA	*Health Care and Education Reconciliation Act of 2010*
HEA	*Higher Education Act of 1965,* as amended
HEAL	Health Education Assistance Loan
HEROES Act	*Health and Economic Recovery Omnibus Emergency Solution Act*

Acronym	Description
I	
IDR	Income Driven Repayment
IHE	Institution of Higher Education
IP	Internet Protocol
IRS	Internal Revenue Service
IT	Information Technology
L	
LMS	Learning Management System
M	
MCP	Marketing Communications Platform
Met	Performance result met or exceeded target
MSI	Minority-Serving Institution
MSS	Multiple Servicer Survey
MSURSD	Minority-Serving Under-Resourced Schools Division
N	
N/A	Performance result is not applicable because the performance metric was not developed, the performance metric was not implemented, or the required data were not available in time for inclusion.
Next Gen FSA	Next Gen Federal Student Aid
NFP	Not-For-Profit
Not met	Performance result did not meet target
NSLDS®	National Student Loan Data System
O	
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OIO	Operational Improvement and Oversight Directorate
OMB	U.S. Office of Management and Budget
OMB Circular A-11	OMB Circular A-11, *Preparation, Submission and Execution of the Budget, Part 6, Section 260*
OMB Circular A-123	OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*

Acronym	Description
O	
OMB Circular A-123, Appendix A	OMB Circular A-123, Appendix A, Management of Reporting and Data Integrity Risk
OMB Circular A-136	OMB Circular A-136, *Financial Reporting Requirements*
OPEID	Office of Postsecondary Education Identification
OPM	U.S. Office of Personnel Management
P	
Partner Connect	FSA Partner Connect
PAYE	Pay As You Earn
PBO	Performance-Based Organization
PCA	Private Collection Agency
Pell Grant	Federal Pell Grant Program
PEOSD	Partner Eligibility and Oversight Services Directorate
PEPS	Postsecondary Education Participants System
PERMG	Partner Engagement & Relationship Management Group
PII	Personally Identifiable Information
PLUS	Parent Loan for Undergraduate Students
PMG	Performance Management Group
POAM	Plan of Action and Milestones
PPPA	Provisional Program Participation Agreement
PPO	Office of Partner Participation and Oversight
President's Budget	*Budget of the United States Government*
PS	Project Success
PTAG	Partner Technical Assistance Group
Pub. L	Public Law
PSLF	Public Service Loan Forgiveness
S	
SABER	Student Aid & Borrower Eligibility Reengineering
SAR	Satisfaction Assessment Rating
SBR	Statement of Budgetary Resources
SEAD	Office of Student Experience and Aid Delivery

Acronym	Description
S	
Secretary	Secretary of Education
SecOps	Security Operations
SEOSG	School Eligibility and Oversight Service Group
SES	Senior Executive Service
SMA	Special Mandatory Assignment
SPPR	Strategic Planning Performance Review
STOP Act	*Stop Student Debt Relief Scams Act of 2019*
Sweet Settlement	*Sweet v. Cardona Settlement*
T	
TEACH Grant	Teacher Education Assistance for College and Higher Education Grant
TEPSLF	Temporarily Expanded Public Service Loan Forgiveness
TISG	Training and Information Services Group
Title IV	*Title IV of the Higher Education Act of 1965*, as amended
TIVAS	*Title IV* Additional Servicers
TPD	Total and Permanent Disability
TPDR	Third Party Debt Relief
Treasury	U.S. Department of the Treasury
U	
UEI	Unique Entity Identifier
UCP	Union Capital Plaza
V	
VAWA	*The Violence Against Women Act*
VAWA 2022	*VAWA Reauthorization Act of 2022*
VOG	Vendor Oversight Group

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Appendix D: Availability of the FSA Report

The *Federal Student Aid Fiscal Year 2022 Annual Report* and the *Annual Reports* from prior years are available on the following websites:

- **FSA: StudentAid.gov/strategic-planning-reporting**
- **The Department: http://www.ed.gov/about/reports/annual/index.html**

The *Federal Student Aid: Strategic Plan, Fiscal Years 2020–24* and prior years' strategic plans are also available at **StudentAid.gov/strategic-planning-reporting**.

Stay connected to Federal Student Aid through social media:

- Visit the FSA website: **StudentAid.gov**
- Like FSA on Facebook : **Facebook.com/federalstudentaid**
- Follow FSA on Twitter : **@FAFSA**
- Follow FSA on Instagram : **instagram.com/federalstudentaid/**
- Follow FSA on LinkedIn : **linkedin.com/company/federalstudentaid**
- Find FSA on YouTube : **YouTube.com/user/federalstudentaid**

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Acknowledgments

The *FSA FY 2022 Annual Report* was prepared with the energies and talents of many Federal Student Aid employees. To these dedicated individuals, the Chief Operating Officer and Chief Financial Officer would like to offer their sincere appreciation and recognition.

In particular, we would like to recognize the following Federal Student Aid offices for their contributions:

- Finance Directorate.
- Strategic Planning and Reporting Directorate.
- Office of the Ombudsman.
- Office of Strategic Communications.
- COO Front Office.

We also offer our sincerest thanks and acknowledgement to the staff of the following other offices within the Department of Education for their contributions:

- Office of Finance and Operations.
- Budget Service.
- Office of the Secretary.
- Office of Legislation and Congressional Affairs.
- Office of Chief Information Officer.

We would also like to acknowledge the Office of Inspector General and KPMG LLP for the professional manner in which they conducted the audit of the FY 2022 Financial Statements.

The *Federal Student Aid FY 2022 Annual Report*

Federal Student Aid
A Principal Office of the U.S. Department of Education
Finance Directorate
January 2023

Federal Student Aid

An OFFICE *of the* U.S. DEPARTMENT *of* EDUCATION