



Highlights of [GAO-03-348](#), a report to the Secretary of Education

Why GAO Did This Study

During fiscal year 2002, an estimated 5.8 million people borrowed about \$38 billion in federal student loans. Despite a dramatic reduction in annual default rates on those loans since fiscal year 1990 (from 22.4 to 5.9 percent), the total volume of dollars in default doubled to nearly \$22 billion by fiscal year 2001 from about \$11 billion in fiscal year 1990. During that same period, the total student loans outstanding grew from \$54.1 billion to \$233.2 billion.

The Department of Education's Office of Federal Student Aid (FSA) manages the nation's student financial assistance programs authorized under title IV of the Higher Education Act (HEA). In 1998, Congress amended the HEA and established FSA as a performance-based organization. Among other requirements, the HEA called for FSA to annually develop 5-year plans, issue annual reports, and consult with stakeholders regarding their delivery system. GAO initiated a review to assess FSA's default management efforts and results.

What GAO Recommends

The Secretary of Education and FSA's Chief Operating Officer should (1) produce a 5-year performance plan annually as required by the HEA and (2) prepare and issue reports to the Congress on FSA's performance that are timely and clearly identify whether performance goals were met.

www.gao.gov/cgi-bin/getrpt?GAO-03-348.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Cornelia M. Ashby at (202) 512-8403 or ashbyc@gao.gov.

FEDERAL STUDENT AID

Timely Performance Plans and Reports Would Help Guide and Assess Achievement of Default Management Goals

What GAO Found

FSA's default management goals were mostly to prevent defaults, increase collections, and verify student eligibility, but the agency lacked a plan to guide its efforts. FSA had 39 default management goals for fiscal years 2000 through 2002. However, the goals changed significantly during this period and FSA did not annually prepare 5-year performance plans as required by the HEA.

FSA met or exceeded most goals, but did not prepare timely performance reports. According to our analysis, FSA met or exceeded performance targets for 36 of its 39 default management goals during fiscal years 2000 through 2002. However, FSA did not issue performance reports for fiscal years 2000 and 2001, as required by the HEA. Instead, in December 2002, FSA issued one report for both fiscal years that lists accomplishments, but does not clearly indicate the extent to which goals were or were not met.

Suggestions from survey respondents did not indicate the need for additional goals. While about one-third of the 23 school officials who responded to our survey made suggestions about ways that FSA could better assist them, none of the suggestions indicated the need for additional default management goals. FSA assisted all schools by sharing default management information through symposiums and other media, and provided individual assistance to some schools through visits and telephone calls. Most of the responding officials were generally pleased with FSA's assistance. The suggestions that officials made did not indicate a need for additional goals because they either related to existing goals or addressed operational issues.

Table 1: Total Student Loan Portfolio and Amounts In Default for Fiscal Years 1990–2001 (nominal dollars in billions)

Fiscal Year	Total Federal Family Education Loans (FFEL) and Federal Direct Student (Direct Loans) ^a		
	Outstanding Portfolio	Defaults	Defaults as a Percentage of Outstanding Portfolio
1990	\$54.1	\$10.9	20.1
1991	57.5	12.5	21.7
1992	62.0	13.6	21.9
1993	69.0	12.1	17.5
1994	80.0	12.5	15.6
1995	95.6	20.6	21.5
1996	113.9	18.5	16.2
1997	133.5	21.0	15.7
1998	154.3	24.1	15.6
1999	176.9	25.8	14.6
2000	202.9	21.5	10.6
2001	233.2	21.8	9.4

Source: Department of Education.

Note: The Direct Loan program began disbursing loans in 1994.

^aThe total cumulative dollars in default for FFEL and Direct Loans consist of principal, interest, late fees, and administrative charges. The totals also reflect the amounts collected during the fiscal year.