

# FEDERAL STUDENT AID STRATEGIC PLAN FY 2012–16

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# FEDERAL STUDENT AID

## Strategic Plan Fiscal Years 2012–16

U.S. Department of Education  
Federal Student Aid | 2012



**U.S. Department of Education**

Arne Duncan

*Secretary*

**Federal Student Aid**

James W. Runcie

*Chief Operating Officer*

December 2011

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## Message from the Chief Operating Officer

Dear Federal Student Aid Colleagues, Partners, and Customers:

I am pleased to present Federal Student Aid's (FSA's) Five-Year Strategic Plan. This plan describes Federal Student Aid's strategy for meeting its goals and objectives for fiscal years (FY) 2012–16. Specifically, the plan addresses FSA's efforts to increase customer service for students and families, protect taxpayer interests, develop efficient processes and effective capabilities, and strengthen its performance culture while delivering federal grants, loans, and work-study assistance to America's students. Together these actions represent a key part of the strategy for achieving President Barack Obama's goal for the United States to once again have the highest proportion of college graduates in the world.

Last year's release of Federal Student Aid's Five-Year Strategic Plan (FY 2011–15) introduced a set of goals and objectives stemming from FSA's newly adopted mission, Funding America's Future, One Student at a Time. With this purpose in mind, FSA established goals and objectives focusing on a renewed commitment to its customers—students and their families.

The FY 2012–16 Five-Year Strategic Plan builds on the prior year's plan by clarifying FSA's objectives and updating organizational performance standards to better reflect our progress in meeting the stated objectives. For example, we will increase the scope of the Customer Experience Office to include data management and social media strategy. We will augment our business processes and strengthen our information technology systems to better protect student data. More generally, I am challenging our leadership team to develop new and innovative methods to enhance aid delivery in an effort to improve customer service, streamline operational costs, and increase program integrity.

Updates to our strategic plan were driven by key operational challenges FSA is expected to face in the coming years. These include growth in the size and scope of our business, which will demand commensurate increases in fiscal discipline and innovation in business processes, risk management, and program compliance. In addition, growing postsecondary enrollment, lower levels of per capita discretionary income, and higher educational costs will require increased operational capacity, system integrity, and business efficiency.

FSA remains steadfast in its commitment to improving Title IV administration, increasing access for students, and safeguarding taxpayer interests. I look forward to working with my distinguished colleagues within FSA and from across the federal government and higher education community to achieve our goals to best serve our nation's students and families.

James W. Runcie

Chief Operating Officer





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# 1. OVERVIEW OF FEDERAL STUDENT AID

Federal Student Aid (FSA) plays a central and essential role in the United States' system of postsecondary education. As a principal office of the United States Department of Education (the Department), FSA ensures that all eligible Americans can benefit from federal financial assistance for education or training beyond high school. FSA champions the promise of postsecondary education to all citizens and promotes its value to society.

Under the Higher Education Act (HEA) Amendments of 1998, FSA was transformed into the federal government's first Performance-Based Organization (PBO) to enhance its services through increased flexibility and performance incentives in exchange for greater accountability and results. The PBO legislation directed FSA to integrate disparate systems, improve service to its customers (defined as students, their families, and borrowers), reduce operating costs, and restore integrity to the systems and processes that deliver the Federal Student Aid programs. FSA emphasizes tangible results and efficient performance, as well as the continuous improvement of the processes and systems that support its mission. This plan fulfills Section 141(c)(1) of the HEA, which requires a performance plan for the PBO for the succeeding five years that establishes goals and objectives for the organization be made available to the public. This plan was informed by and shared with those interested parties and identified entities included in Section 141(c)(1)(B) prior to its release.

FSA's mission is student-focused, which drives a vision to be a reliable provider in student financial aid services and postsecondary education information to students. The core values reflect a culture of integrity, excellence, and collaboration — key components in building a high-performing organization (Exhibit 1).

During FY 2010, FSA disbursed approximately \$145 billion in federal aid to nearly 14 million postsecondary students and borrowers (Exhibit 2). These students attend approximately 6,300 institutions of postsecondary education accredited by dozens of agencies. The aid disbursed to students is expected to grow, on average, 5.7 percent per year over the next five years (Exhibit 3).

In order to administer the Title IV programs, FSA is responsible for a range of functions across the student aid lifecycle: educating students and families about the process of obtaining aid, processing millions of student financial aid applications, disbursing billions of dollars in student aid, insuring billions of dollars in existing student loans, enforcing financial aid rules and regulations, servicing millions of student loans, securing repayment from borrowers who have defaulted on their loans, and partnering with schools, financial institutions, and guaranty agencies to prevent program fraud, waste, and abuse. To complete these functions, FSA's FY 2011 discretionary and mandatory appropriation was approximately \$1.083 billion, and the current on-board staff is more



## EXHIBIT 1: FSA's mission and core values





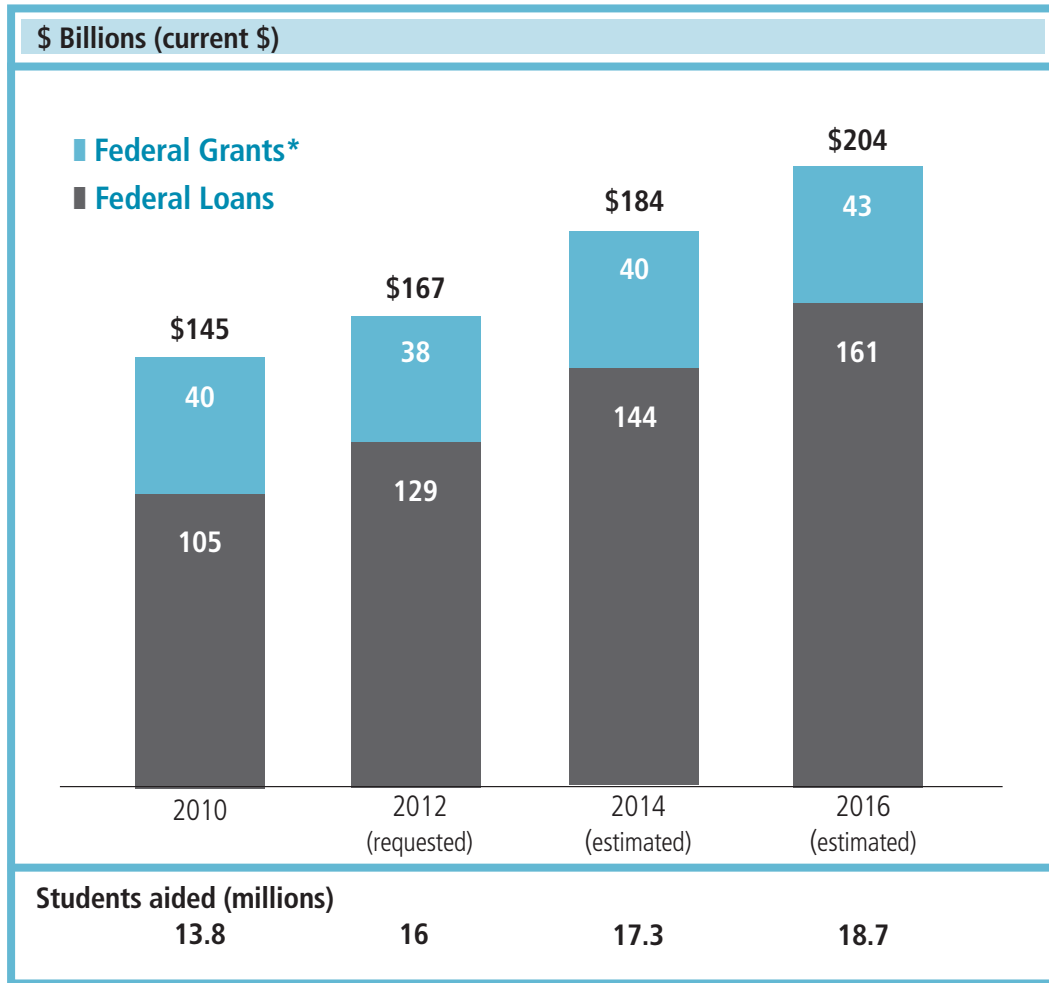
**EXHIBIT 2:** Summary of federal aid disbursed to students, by program  
(Dollars in Millions)

<b>Programs</b>	<b>FY 2010 Aid Disbursed to Students</b>	<b>FY 2009 Aid Disbursed to Students</b>	<b>Difference</b>	<b>Percent Increase/ Decrease</b>
<b>Grant Programs</b>				
Federal Pell Grant Program	\$36,515	\$ 28,213	\$ 8,302	29%
Academic Competitiveness Grants	548	503	45	9%
National Science and Mathematics Access to Retain Talent Grants	384	361	23	6%
The Teacher Education Assistance for College & Higher Education Grants	109	72	37	51%
Federal Supplemental Educational Opportunity Grants	959	959	--	--
Leveraging Educational Assistance Partnerships Program	162	162	--	--
<b>Subtotal Grants</b>	<b>\$ 38,677</b>	<b>\$ 30,270</b>	<b>\$ 8,407</b>	<b>28%</b>
<b>Loan Programs</b>				
Federal Perkins Loan Program	\$ 971	\$ 1,106	\$ -135	-12%
Federal Direct Loan Program	84,703	29,738	54,965	185%
Federal Family Education Loan Program	19,617	66,778	-47,161	-71%
<b>Subtotal Loans</b>	<b>\$ 105,291</b>	<b>\$ 97,622</b>	<b>\$ 7,669</b>	<b>8%</b>
<b>Work-Study Programs</b>				
Federal Work-Study Program	\$ 1,171	\$ 1,417	\$ -246	-17%
<b>Grand Total</b>	<b>\$145,139</b>	<b>\$ 129,309</b>	<b>\$ 15,830</b>	<b>12%</b>

SOURCE: Department of Education, Budget Summary FY 2011 and FY 2012



**EXHIBIT 3:** Federal student aid disbursed to students:  
FY 2010–16 (Estimated)



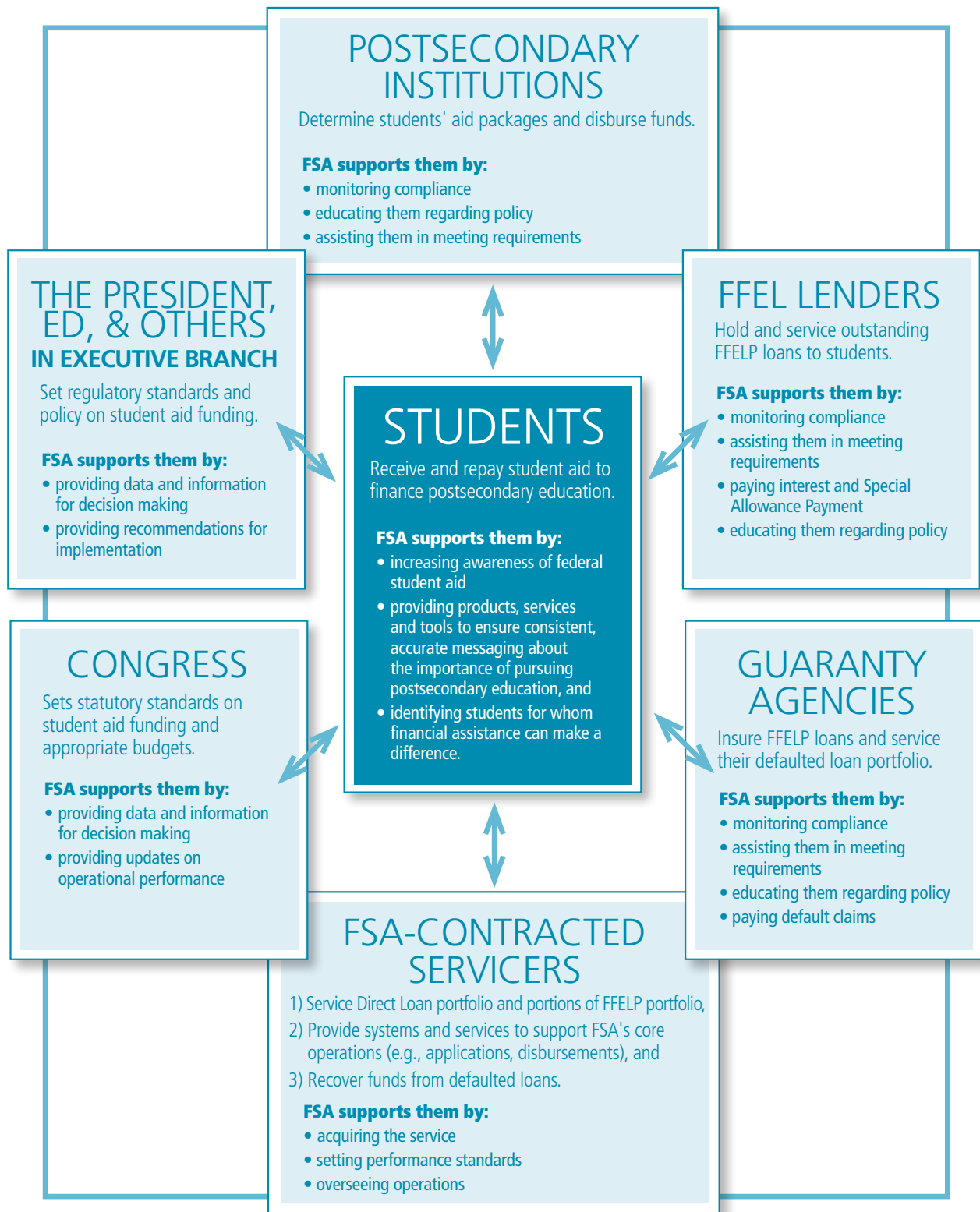
\*Primarily Pell Grants

SOURCE: Department of Education, Budget Summary "Aid Available to Students" FY 2010, 2011 and 2012, and FSA Team Analysis

than 1,200 employees who are based in Washington, D.C., and across 10 regional offices. FSA staff is augmented by contractors, who provide outsourced business operations such as customer service, loan servicing, and collections. In addition, there are other federal agencies, State entities, and secondary markets that support the FSA community. This complex, multifaceted mission requires a range of staff skills and demands coordination by all levels of management in order to meet the needs of the various federal student aid participants (Exhibit 4).



**EXHIBIT 4:** Role of FSA and other participants in federal student aid system



## 2. KEY TRENDS SHAPING FSA'S STRATEGY

### **Trend 1:** The rising cost of attendance for postsecondary education

The cost of attending public four-year institutions has grown at a rate of 6.5 percent per year from 2001 through 2010. The trend is similar across all sectors of postsecondary institutions (Exhibit 5). If this trend continues, the cost of a public education in 2016 will be well over twice the 2001 cost. Even though the law mandates a maximum on grant and loan amounts per student, the increased cost of higher education increases the need for FSA to ensure that eligible borrowers are aware of federal student aid options and are able to finance their education.

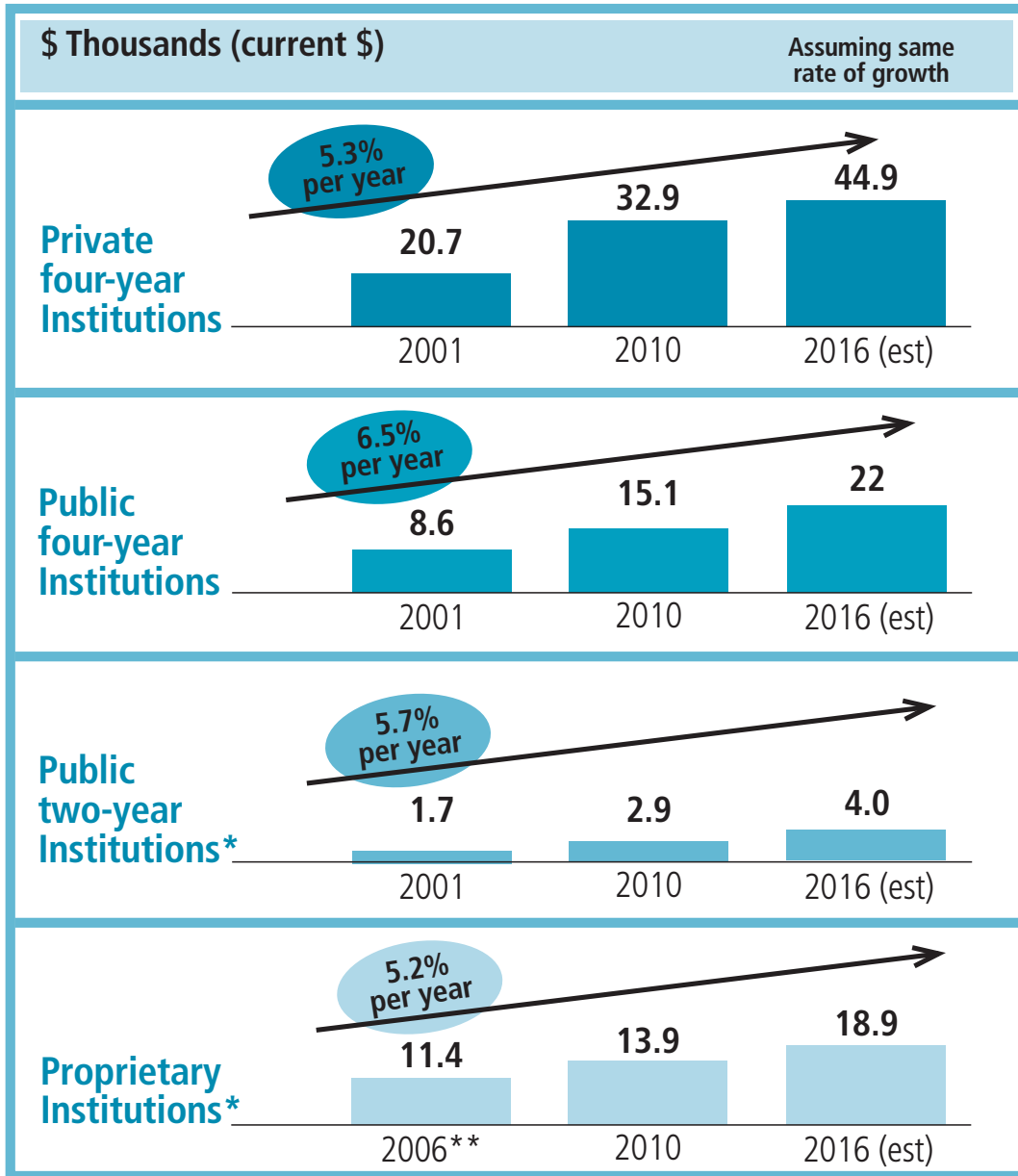
The rising cost of college may make it increasingly difficult for students to access and complete their postsecondary education. In an effort to offer prospective students and parents accurate and accessible data on college, the department now provides postsecondary institutional information about tuition, fees, and net prices (the price of attendance after applying grant and scholarship aid). All information can be accessed through the College Affordability and Transparency Center at <http://collegecost.ed.gov/>. The Center includes information for students, parents, and policymakers about institutional costs at America's colleges and universities. Institutions are listed by the highest and lowest costs of tuition, required

fees, and net prices. Lists of institutions that had the highest increase in tuition, required fees, and net prices are also provided. These lists meet requirements outlined in the Higher Education Opportunity Act (HEOA) and will be updated annually by July 1.

As the cost of attendance goes up, the average indebtedness of today's students is increasing (<http://www.ticas.org/files/pub/classof2009.pdf>). The risk of taking on more debt is even greater to those borrowers who leave school before obtaining a degree or certificate because they are still responsible for repaying any loans received, despite not receiving a degree or certificate. To help borrowers better manage their debt after graduation, federal loan programs offer loan repayment plans designed to meet the specific needs of borrowers. The federal loan programs allow a borrower to choose his or her repayment plan and to switch plans if the borrower's financial situation changes. An important new option is the income-based repayment (IBR) plan. This plan gives borrowers the flexibility to meet their federal student loan obligations without causing undue financial hardship. Each year, a borrower's monthly payments are calculated based on the borrower's adjusted gross income, family size, and the total amount of his or her federal student loans. The maximum repayment period is 25 years and if the loan(s) are not fully repaid within 25 years, the unpaid portion will be discharged.



**EXHIBIT 5:** Historical and estimated average costs of attendance, by institution type: Various years



NOTE: Average published tuition, fees, room and board, per annum

\*Room and board not included in calculating averages for public 2-year institutions and proprietary institutions

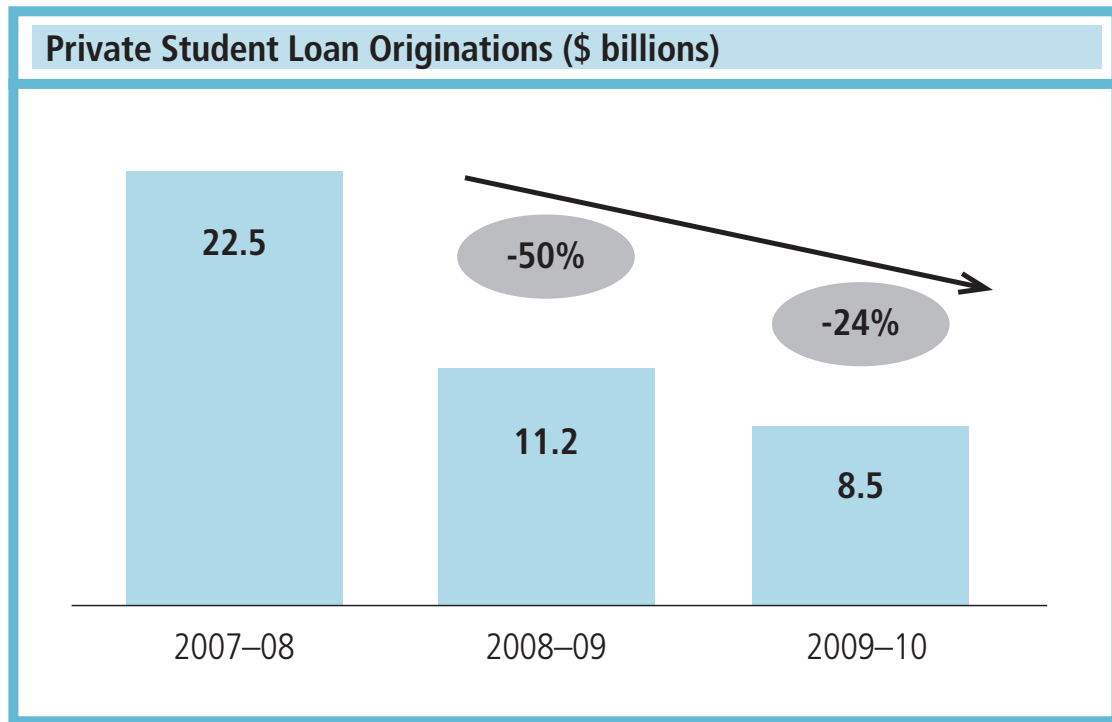
\*\*Data prior to 2006 not available

SOURCE: The College Board, "Trends in College Pricing 2010" (Tables 5B and 1A) estimated 2016 based on trendline





## EXHIBIT 6: Changes in non-federal funding: 2007–10



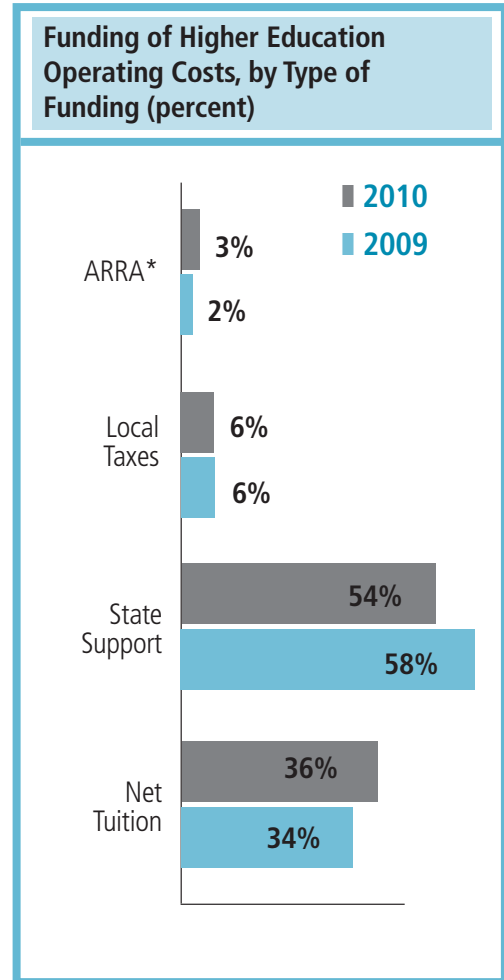
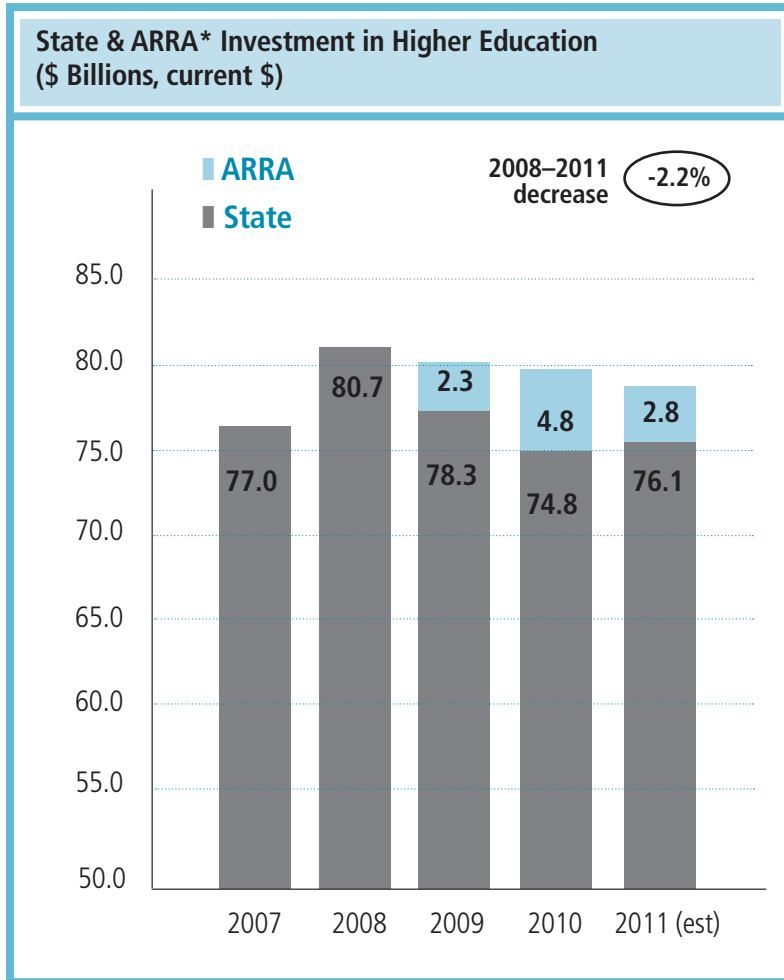
SOURCE: The College Board, "Trends in Student Aid" 2010 (prepared in October 2010)

### Trend 2: The decline in availability of non-federal sources of postsecondary education funding

The need for student aid, from all sources, will continue to increase over the next five years. The availability of non-federal aid and loans has decreased. Private loan originations continue to decline because fewer lenders are willing to make unsecured loans (Exhibit 6). In addition, State support for funding higher education has declined since 2008, reducing the resources postsecondary institutions have to administer Title IV programs. Finally, the American Recovery and Reinvestment Act (ARRA) funds that assisted with the State shortfalls expire in 2012 (Exhibit 7). The overall effect of these factors will likely increase the demand for federal student aid in order to offset these reductions.



**EXHIBIT 7: Decline in State support for higher education: Various years**



\* American Recovery and Reinvestment Act – Sunsets in 2012  
SOURCE: State Higher Education Finance FY 2010, FY 2009 and FY 2008

SOURCE: State Higher Education Finance FY 2010

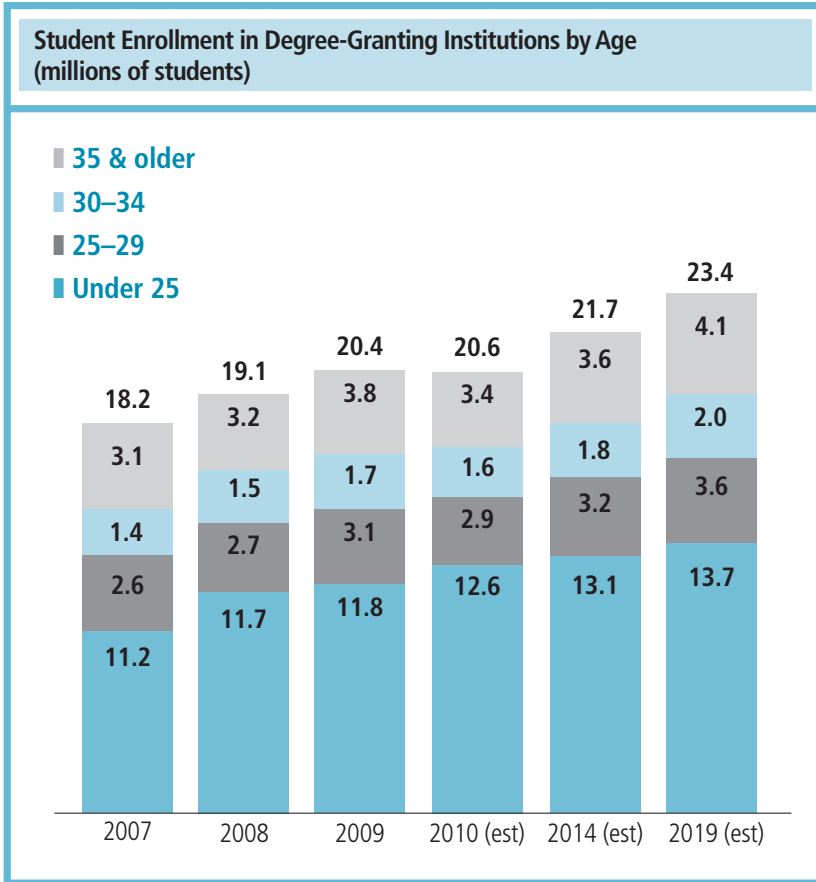
**Trend 3:**  
**Anticipated increase in enrollment**

Despite the rising costs of tuition in recent years, the percent of students enrolling in degree-granting institutions continues to increase. The new "knowledge economy" is creating higher-paid jobs, but most require education beyond high school. A higher salary may incentivize the 61 million individuals who are older than 25 with only high school diplomas to benefit by obtaining a postsecondary education.

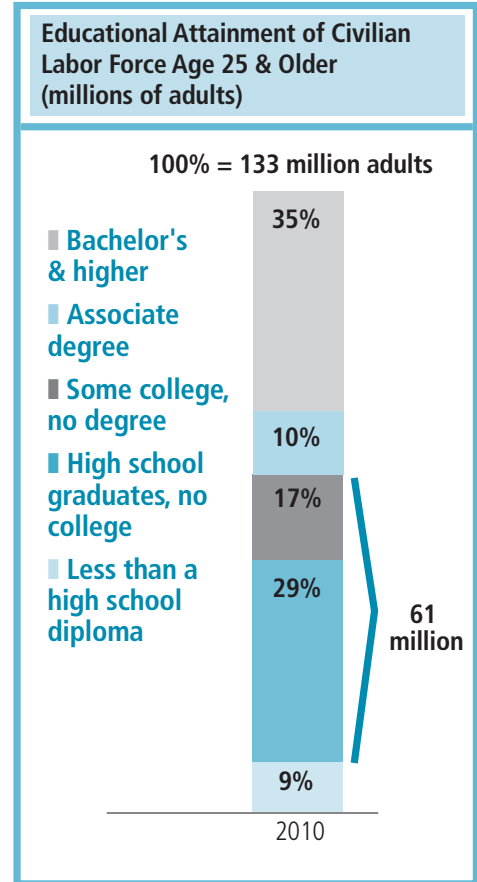
Total postsecondary enrollment is expected to grow 15 percent between 2009 and 2019. Although enrollment growth of nontraditional students has eclipsed that of traditional students, the imbalance is expected to shift. Projected growth between 2009 and 2019 shows traditional student enrollment growing at 16 percent while enrollment for students older than 25 grows at 13 percent (Exhibit 8).



**EXHIBIT 8:** Student enrollment by age: Various years; and total civilian labor force age 25 and older, by level of educational attainment: 2010



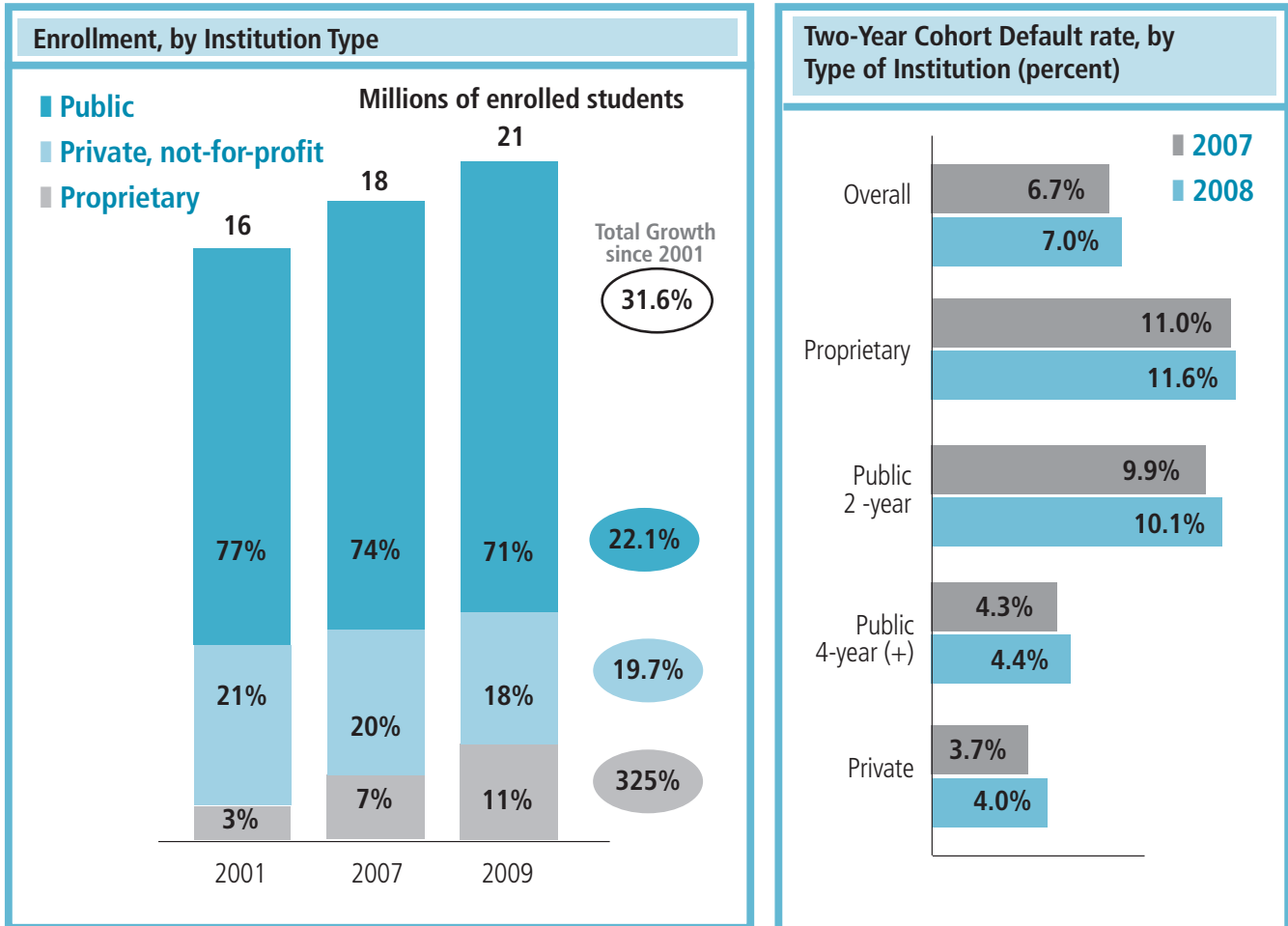
NOTE: Details may not sum to total due to rounding  
 SOURCE: Digest of Education Statistics: 2010 Table 199 (Projections from 2010 through 2019)



SOURCE: Bureau of Labor Statistics, Labor Force Statistics, Table 7, last accessed 3/4/2011  
<http://www.bls.gov/cps/cpsaat7.pdf>



**EXHIBIT 9:** Enrollment and cohort default rate, by type of institution: Various years



Note: The sum of percentages may not total 100 percent because of rounding.  
 Source: NCES, Department of Education (2001 and 2007), and Integrated Postsecondary Education System (IPEDS), Fall 2009

Source: U.S. Department of Education, FSA Office, Direct Loan and Federal Family Education Loan Program, 'Institutional Default Rate Comparison of FY 2006, 2007, 2008 Cohort Default Rates,' last updated September 13, 2010. <http://www2.ed.gov/offices/IOSEAP/defaultmanagement/instates.html>, last accessed February 28, 2011.

## Trend 4: Increase in enrollment at two-year and proprietary institutions, and distance learning.

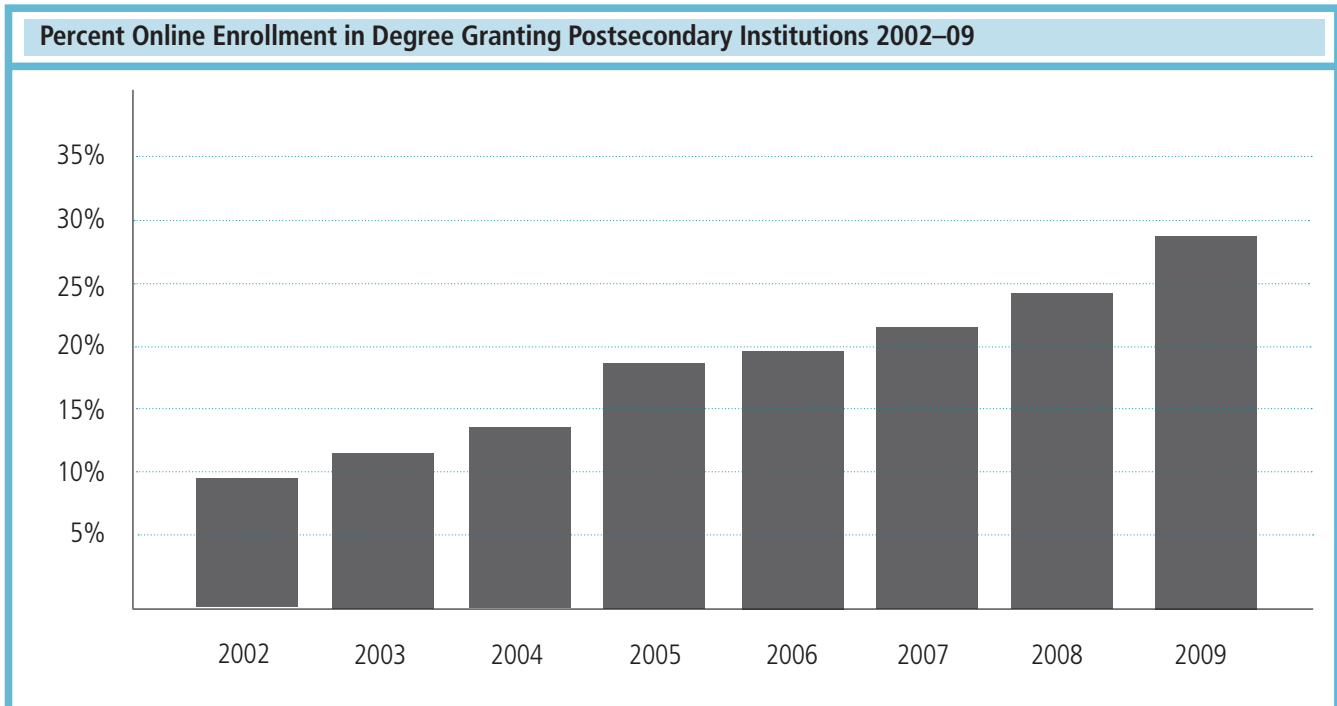
Proprietary and two-year institutions play an increasingly important role in addressing some of our country's most pressing challenges — global workforce competition and an increased demand for a highly skilled labor force, to

name a few. The growth in enrollments at proprietary and two-year institutions has soared in recent years. This dramatic increase has produced its own unique set of challenges, including higher student loan default rates (Exhibit 9).

Distance learning is creating a new trend in the way college students attend classes and earn their degrees because of the flexibility, convenience, and growing acceptance of online courses. Besides the advantages for



**EXHIBIT 10:** Percent of students taking classes online: 2002–09



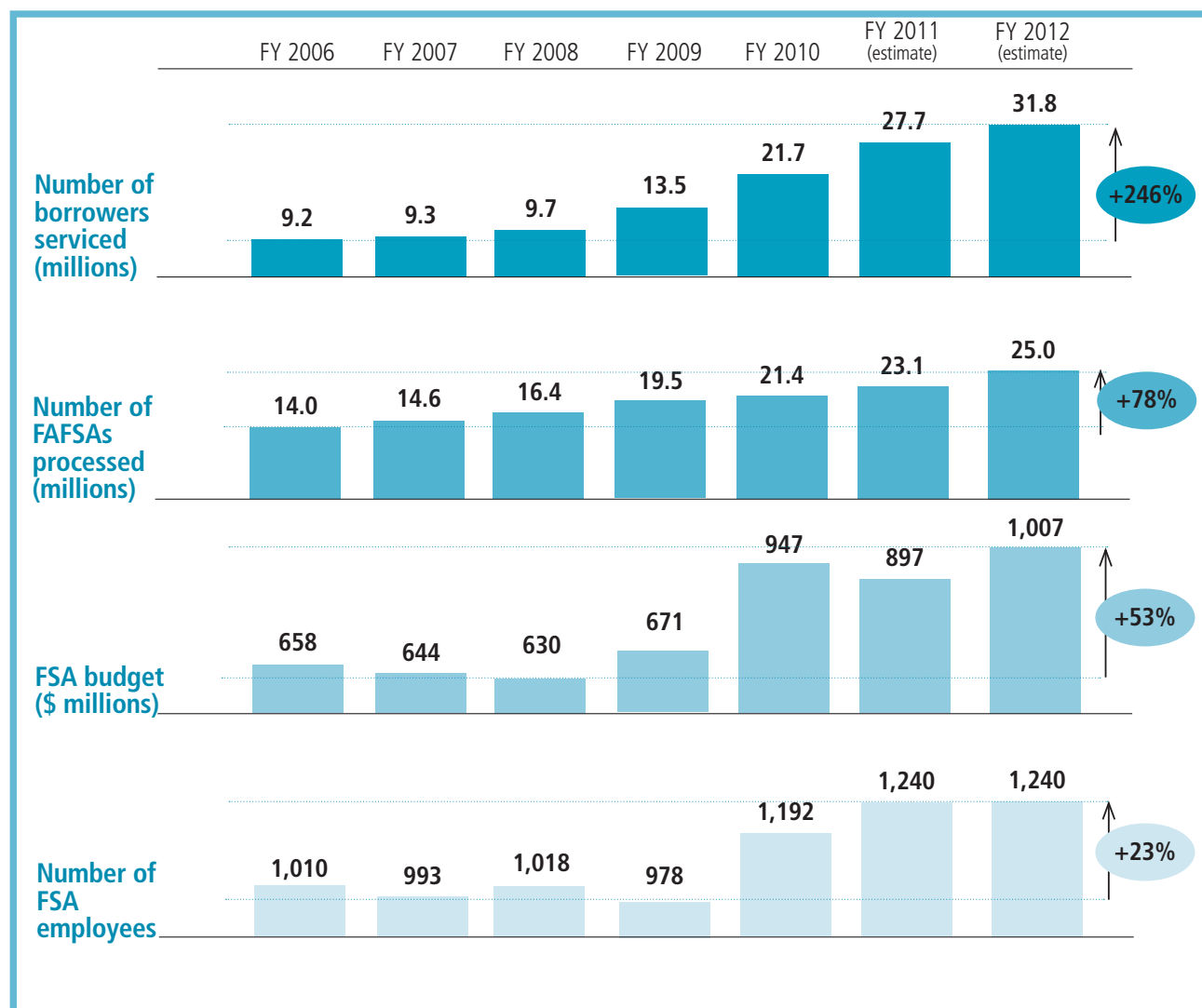
*Note: Captures proportion of students taking at least one online class compared to total enrollment.*

*Source: The Sloan Consortium, Class Differences: Online Education in the United States, 2010*

students, institutions use distance learning to address State budget cuts and space shortages. During 2006–2007, there were more than 11,200 college-level programs designed to be completed exclusively online. Sixty-six percent of these programs offered degrees and 34 percent offered certificates (<http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2009044>). More recent data shows that in 2009, nearly 30 percent of students took at least one online course, nearly three times the percent in 2002 (Exhibit 10).



**EXHIBIT 11:** Changes in FSA workloads and resources: FY 2006–10 and estimated for 2011–12



NOTE: Percentages based on actual numbers, unrounded.  
SOURCE: Federal Student Aid, program files

## Trend 5: Increased role of the federal government in providing funding for postsecondary education

The trends already discussed and the projected increase of student loan borrowers and aid applications will increase FSA's responsibilities and workload; however, the workforce is not expected to increase at the same pace (Exhibit 11). For example, by the end of 2012, the number of borrowers

serviced by FSA is expected to increase 246 percent from the FY 2006 baseline. The number of aid applications is expected to grow by approximately 80 percent. During FY 2012, FSA's budget and on-board staff are projected to increase by approximately 53 percent and 23 percent respectively. The increase in FSA's budget is the result of transitioning to 100 percent Direct Loans. Even though there are increased costs for this program each year, the Congressional Budget Office estimated the shift to direct lending would save \$67 billion over 10 years.

# 3. FSA'S STRATEGIC GOALS AND OBJECTIVES

First published in the FY 2011–15 Strategic Plan, FSA's five strategic goals are unchanged in this Five-Year Strategic Plan. Each strategic goal encompasses several objectives which provide further guidance on how FSA will achieve the goals. In developing this Five-Year Strategic Plan, FSA confirmed the strategic goals defined last year and clarified objectives that align with the Mission Statement, Vision, and Core Values adopted last year. FSA's mission will continue to be the same; however, the means to success and the measurements that will be used will change based on lessons learned.





## FSA Strategic Goals and Objectives

### **Provide superior service and information to students and borrowers**

- Take a data-driven approach to better understand our customers and develop insights from these customers
- Reach out to potential students more effectively to expand access to postsecondary education
- Aggregate and distribute information on the costs and benefits of postsecondary education programs and on funding options to improve financial literacy and support the customers' decision-making
- Identify students for whom financial assistance can make a difference in completing a degree or credential and develop a plan to support the president's 2020 college completion goal
- Enhance customer-facing processes to improve the customer experience

### **Work to ensure that all participants in the system of funding postsecondary education serve the interests of students, from policy to delivery**

- Improve FSA's support, communications, and processes for postsecondary and financial institutions
- Provide ideas, data and analyses to inform policymakers about opportunities and challenges in postsecondary education funding
- Support system participants in implementing legislative, regulatory, executive, and other requirements

### **Develop efficient processes and effective capabilities that are among the best in the public and private sectors**

- Deliver funds to students accurately, efficiently, and promptly to create high levels of customer satisfaction
- Strengthen FSA's Information Technology (IT) function to achieve systems modernization and active management of technology to ensure that FSA delivery systems are secure and privacy of personal information is maintained
- Continuously refine and manage FSA's acquisition strategy and contract performance to realize cost savings and operating efficiencies, and mitigate risk
- Improve the organizational capacity to anticipate and manage external change
- Enhance the risk management organization, systems, and processes
- Develop a methodology to measure and track cost reductions to increase efficiency and productivity
- Build stronger business management capabilities and increase operational transparency to improve cross-functional coordination

### **Ensure program integrity and safeguard taxpayers' interests**

- Improve quality control and reduce errors, waste, fraud, abuse, and mismanagement in the delivery of Title IV aid
- Manage funds owed to the Department and provide transparency about student aid portfolio risk exposure

### **Strengthen FSA's performance culture and become one of the best places to work in the federal government**

- Improve the integrity of core human capital processes to attract, develop and retain talented FSA employees from diverse backgrounds; help them achieve their full performance potential and recognize their contribution to FSA's mission
- Further develop a student-centric culture among all managers and employees that will fully deliver on FSA's mission, vision, and strategy



## **Strategic Goal A:** Provide superior service and information to students and borrowers.

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FSA's mission is to ensure that all eligible individuals benefit from federal student aid. In order to achieve this goal, FSA goes to great lengths to increase awareness about the availability of student financial assistance. Through expansion of its products, services, and tools, FSA provides consistent, accurate postsecondary information.

### **Objective 1:** Take a data-driven approach to better understand our customers and develop insights from these customers.

FSA filled the position of Chief Customer Experience Officer (CCEO) in 2010. One of the first efforts of the CCEO was to establish the Customer Analytics Group (CAG). This group gathers, analyzes, and reports on FSA customer behavior, issues, and feedback. The CAG helps to ensure that FSA policies and programs are data-driven, analyzing data contained in customer surveys as well as other sources of data on customers from across the student aid lifecycle.

In the near future, the CAG will develop collaborative relationships to obtain data, research, and reports through which the CAG can better assess its customers and their needs to better support college access and completion. The CAG will also develop a system of customer segmentation that will identify student/family/influencer profiles and needs through the analysis of customer geographic, demographic, and behavioral data. The CAG will analyze data on student repayment trends, and help develop data-driven strategies for reducing the number of defaults from across its customer base. The CAG will also work to develop Free Application for Federal Student Aid (FAFSA) completion goals that support President Obama's 2020 college completion goal.

By analyzing data from all sources, the CAG will work to improve the customer experience for students and families across the student aid lifecycle. In addition, the CAG will provide data to other FSA business units to ensure

appropriate risk assessment and program management, and provide monthly and quarterly customer reporting to FSA's senior leadership.

### **Objective 2:** Reach out to potential students more effectively to expand access to postsecondary education.

As part of FSA's new customer engagement strategy, FSA will take advantage of new communication tools including social media to listen, monitor, and engage with customers. FSA will measure and report results from these efforts to track trends and aggregate relevant conversations. FSA will have additional insights and information to inform future development and improvements to its products and services.

### **Objective 3:** Aggregate and distribute information on the costs and benefits of postsecondary education programs and on funding options to improve financial literacy and support the customers' decision-making.

With increased tuition costs, it is critical that future student aid recipients have the best information available to support their decision-making. The Department and FSA are continuing efforts to provide students and their families with data they can use to better inform their choice for higher education. Beginning July 1, 2011, prospective students began to receive additional information from career and vocational colleges. Schools with gainful employment programs — those programs that are required to lead to gainful employment in a recognized occupation — will report certain information about their students, including the median loan debt incurred by students who completed the program, the tuition and fees the institution charges a student, and the job placement rate for students completing the program, among other information. Institutions with gainful employment programs are required to disclose these details in promotional materials and on their websites. Additionally, the Department is developing plans to post this information on its own site. By increasing students' understanding of the relative financial value of different degree programs and funding options, FSA can help students make informed decisions in order



to receive the maximum benefits from their education and become well positioned to repay their loans.

#### **Objective 4:**

**Identify students for whom financial assistance can make a difference in completing a degree or credential and develop a plan to support the president's 2020 college completion goal.**

The economy and job market require that more workers than ever develop skills and master knowledge beyond the high school level. Although progress has been made over the years to increase participation and graduation levels for all individuals, work needs to continue to address the gaps for low-income students and non-traditional students. Increasing completion rates and the number of graduates is a priority of President Obama's administration, as evidenced by the president's 2020 goal to have the highest proportion of college graduates in the world. FSA's continuing work on the recently created FAFSA Completion Project supports this initiative. The goal of this project is to increase FAFSA submissions by students from populations who are traditionally underrepresented in postsecondary education, for example, first generation, African-American, and Latino students, as well as students from low-income families. The correlation between FAFSA completion and college enrollment is strong. The Educational Longitudinal Survey (ELS) indicates that 56.9 percent of the high school seniors complete a FAFSA, and 90 percent of those who complete a FAFSA enroll in postsecondary education. In collaboration with key stakeholders in Albuquerque, Boston, Philadelphia, Detroit, St. Louis, and Baltimore, the FSA project team established 26 centers and trained 360 volunteers who participated in more than 180 FAFSA completion events. The project team will expand its efforts to additional cities in 2012. FSA also expects to expand a pilot program launched in 2010 which provided FAFSA completion data to 20 entities across the country so each entity could focus its resources on students who did not complete the application as part of their comprehensive college and career readiness strategy. In the future, this program will include an additional 100 sites. These efforts undertaken by FSA support the president's vision of postsecondary attainment for all Americans.

#### **Objective 5:**

**Enhance customer-facing processes to improve the customer experience.**

FSA has significantly simplified the FAFSA by reducing the number of questions by approximately 30 percent; in addition applicants also have the ability to retrieve tax data directly from the Internal Revenue Service (IRS) in order to import that data directly into the application. Future FAFSA simplification plans would assist in reducing improper payments within the Pell Grant program by allowing for a more customized interaction with the IRS Data Retrieval tool to encourage increased usage and more accurate data for determining eligibility for Title IV aid.

To comply with the Obama administration's Executive Order 3571, Streamlining Service Delivery and Improving Customer Service, issued April 27, 2011, FSA is working to consolidate 14 student-facing websites into one Integrated Student View (ISV) that serves students throughout the student aid lifecycle, from awareness and application to repayment. ISV will be part of a larger integrated student experience initiative that will eventually include social media and mobile applications. Additionally, efforts are under way to streamline and improve publications based on customer feedback and plain language standards.

### **Strategic Goal B:**

**Work to ensure that all participants in the system of funding postsecondary education serve the interests of students, from policy to delivery.**

FSA plays a vital role within the system of funding postsecondary education in the United States. While the Office of Postsecondary Education (OPE) within the Department is responsible for matters related to postsecondary policy and regulation development, FSA works closely with OPE, other offices within the Department, and Congress to inform policy related to student financial assistance. FSA also works with the postsecondary community: It provides oversight and



support to postsecondary institutions; interacts with students and their families; and coordinates the activities of different contractors, including servicers and private collection agencies.

**Objective 1:**  
Improve FSA's support, communications, and processes for postsecondary and financial institutions.

FSA works closely with postsecondary institutions to provide millions of students with federal student aid. Successful student aid delivery depends on FSA's ability to work well with its institutional, financial, and State partners to support them with technical assistance and provide adequate oversight to ensure that participants are complying with program requirements. FSA will work to ensure that all participants in the postsecondary education funding system can easily access the information they need to support their role. FSA will work with all participants to provide data and share knowledge to lead to improvements in the quality of higher education and postsecondary financing options. These activities will strengthen FSA's relationships and ensure that its institutional, financial, and State partners are functioning at their best in the service of FSA's customers.

**Objective 2:**  
Provide ideas, data, and analyses to inform policymakers about opportunities and challenges in postsecondary education funding.

The PBO legislation included in the HEA contains a provision that requires the Secretary of Education to request the advice of, and work in cooperation with, FSA's Chief Operating Officer to develop regulations, policies, administrative guidance, or procedures affecting the information systems administered by the PBO and other functions performed by the PBO. FSA's senior management works closely with other Department officials and offices in preparation for any legislative or regulatory recommendations. FSA's recommendations focus on ways to improve service and ensure the integrity of the federal student assistance programs. They may also include other recommendations based upon FSA's ongoing processes, interactions, and oversight.

In FY 2011 FSA created a central information management office in order to increase the organization's capacity to manage and coordinate FSA data. This office will ensure accurate, timely, consistent, and repeatable data by standardizing data element definitions, queries, and reports, as well as integrating data across disparate systems. This office will also help increase cross-training and core skills of key data personnel at FSA. Strengthening this office will yield better insights about system improvements that can increase FSA's capacity to provide data and share knowledge to improve the financial aid programs and the quality of education.

**Objective 3:**  
Support system participants in implementing legislative, regulatory, executive, and other requirements.

One of FSA's major roles is to coordinate and monitor the activity of federal, State, nonprofit, and private entities involved in federal student aid delivery. Last year's transition to 100 percent Direct Loans was successfully completed largely because of the preparation, training, and technical assistance provided by FSA. FSA also successfully expanded the origination capacity in the Common Origination and Disbursement (COD) system and other Direct Loan applications to accommodate the increased workload. Separate from those accomplishments, FSA awarded four new contracts in June 2009 to Title IV Additional Servicers (TIVAS) to provide additional servicing capacity for Direct Loans as well as loans purchased by the Department under the authority granted the Secretary in the Ensuring Continued Access to Student Loans Act (ECASLA). These servicers are currently servicing more than 13 million borrowers who have Direct Loans and Department-held FFEL Program loans. In addition to TIVAS, FSA is working with more than 20 not-for-profit (NFP) servicers that are expected to begin servicing Direct Loans over the next 18 months. The first NFP began receiving its initial allocation of 100,000 borrower accounts in October 2011. To ensure an orderly implementation, FSA plans to bring up approximately three entities per quarter beginning in January 2012 until all entities are fully operational. In addition, FSA will continue to employ all communication resources, as well as provide training and technical assistance, to fully inform and engage FSA's partners and stakeholders.



## **Strategic Goal C:** Develop efficient processes and effective capabilities that are among the best in the public and private sectors.

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The primary responsibility of FSA is to deliver the right amount of aid, to the right students, at the right time. FSA is continually exploring opportunities to improve the delivery system's accuracy and efficiency.

### **Objective 1:** Deliver funds to students accurately, efficiently, and promptly to create high levels of customer satisfaction.

FSA is committed to ensuring its federal student aid delivery services are prompt, accurate, and professional. FSA plans to streamline or simplify current systems and processes in support of this commitment. Initiatives in progress or under consideration for the next few years include:

- an enhanced online origination tool to provide schools with more efficient and flexible student aid processing options;
- a streamlined and more efficient application process for campus-based funds;
- a new platform for the Teacher Cancellation Directory that will provide a consistent and more readily available resource for borrowers and loan servicers; and
- an expanded COD system — currently limited to Pell Grants and Direct Loans — that will also include the campus-based programs. This will improve funds control for FSA while giving schools more timely access to consolidated financial reports on all federal student aid activity.

### **Objective 2:** Strengthen FSA's Information Technology (IT) function to achieve systems modernization and active management of technology to ensure that FSA delivery systems are secure and privacy of personal information is maintained.

FSA spent the last year restructuring the approach to IT security. By looking beyond the trusted conveniences of traditional security, FSA began the implementation of Two-Factor Authentication, which combines something you know (such as a username and password) with something you have (a credential such as a token or card). This will greatly strengthen FSA data security while reducing the complexity of verifying online identities and transactions for employees, customers, and partners. It is delivered as a secure, cloud-based service. More than 1,000 tokens were distributed to FSA employees who remotely access FSA data. In addition, vendors are under contract for system modifications of COD, National Student Loan Data System (NSLDS), Central Processing System (CPS), Access and Identity Management System (AIMS), Project Management (PM), and the Student Aid Internet Gateway (SAIG). When fully implemented, these system modifications will enable the unique identification of all authorized users accessing FSA systems. Two-Factor Authentication will improve FSA's overall security posture by reducing the threat of intrusion from malicious activities such as keyloggers. This is a global initiative encompassing more than 60,000 users at postsecondary and financial institutions.

The Target State Vision (TSV) depicts FSA's future state as envisioned for the next five to seven years from a variety of business and technical perspectives. It provides a long-term vision to drive investments, prioritization, and sequencing to meet the requirements of FSA's Five-Year Strategic Plan. The TSV is designed to help synchronize the investment plans and priorities across FSA, and provide timely information to support other annual processes, such as budgeting, capital planning, and business and technology decision-making. The TSV was previously updated in 2007 and will be refreshed on at least an annual basis moving forward. The TSV represents a cost-effective approach to refine the organizational direction and priorities as they adjust to the constantly changing business environment.





The Integrated Partner Management (IPM) project is one initiative included in FSA's TSV. Its main goal is to modernize and integrate the partner management operations of FSA's business, and significantly improve partner interactions and support. The partner management functions include eligibility, enrollment, and oversight processes used by institutions, servicers, lenders, and guaranty agencies. Classified as a multiyear reengineering project, IPM will eventually replace five legacy applications, including Application for Approval to Participate in Federal Student Aid programs (eApp), Lender Application (LAP), Electronic Records Management (ERM), eZ-Audit (Financial Statements and Compliance Audit Submissions functionality), and the Postsecondary Education Participants System (PEPS). The development of IPM will help reduce the risk of failure by these antiquated legacy systems that are currently beyond their life cycle. IPM will provide improved information security through a single point of enrollment and access for Title IV partners. It will improve program integrity as it employs modernized and scalable system platforms to improve the overall efficiency in receiving and processing information from partners.

**Objective 3: Continuously refine and manage FSA's acquisition strategy and contract performance to realize cost savings and operating efficiencies, and mitigate risk.**

FSA uses contracted vendors for customer service, application processing, loan and grant origination and disbursement, loan servicing and collections, system applications, and infrastructure developments, as well as administrative functions. With 85 percent of FSA's administrative budget allocated to vendors, it is essential that FSA optimize the services obtained in these private-public partnerships. Late in FY 2010, FSA launched the Enterprise Strategic Acquisition Plan (ESAP) project to further this objective. The ESAP project includes several component efforts: FSA Contracts Analysis, Benchmarking / Best Practices Surveys, and Enterprise Strategic Acquisition Plan. The initial phase of the project is complete, and FSA performed a baseline review of FSA's acquisition environment that resulted in recommendations and an implementation plan for developing FSA's strategic acquisition maturity. The ESAP provides a roadmap to move to more modular systems and contracting structure.

When fully implemented, this approach will address the business objectives FSA needs to deliver on the mission and support the Strategic Plan goals. FSA will first establish the control and governance capabilities required for a strategic acquisition plan to be accepted. FSA will use upcoming expiring contracts to analyze existing consolidated operations and identify opportunities to build improved requirements into new agreements that will support the new service-oriented objectives.

**Objective 4: Improve the organizational capacity to anticipate and manage external change.**

The environment in which FSA delivers financial aid and related services to students changes quickly, due to external events including new legislation, administration initiatives, economic cycles, and technological changes. FSA's success in meeting future demands relies in large part on its ability to anticipate and adapt to external variables.

Regulations under the HEA were published in the fall of 2010 and the summer of 2011 to create new eligibility measures for programs that must prepare students for gainful employment in recognized occupations. FSA has developed a comprehensive plan to implement system and process changes that are driven by these new regulations. FSA established a Gainful Employment Steering Committee comprised of senior officials in FSA that works closely with the Department's policy and legal offices. FSA also created several cross-functional teams that work with FSA's contractors and other Department offices to support the accurate and on-time implementation of the gainful employment regulations. These efforts will continue beyond initial implementation in 2012 to make any needed improvements and enhancements.

**Objective 5: Enhance the risk management organization, systems, and processes**

Fulfilling FSA's broad responsibilities to students, families, borrowers, and higher education partners comes with a wide range of risks. Robust risk management, from operational risk to credit risk, is crucial for FSA to ensure the organization maintains the highest standards of



professionalism and operational excellence. Although FSA recently took steps to centralize key risk responsibilities and made progress in identifying and assessing different types of risks across the organization, there are opportunities for continued improvement. The need is particularly acute for managing the risks throughout the distributed network of partners through which FSA delivers federal student aid.

Over the next five years, FSA will work to strengthen the central risk management function, while developing enterprise-wide systems and processes for identifying, quantifying, monitoring, and mitigating risks. FSA will increase central oversight of all risk functions within the organization and develop clear lines of communication between service area risk functions and the risk organization in order to enhance risk-management practices and ensure comprehensive risk-management coverage across FSA's ecosystem. FSA also will continue to build on the risk identification and assessment processes completed to date, to quantify and prioritize all risks, and to develop systems and processes for regularly monitoring and mitigating identified risks.

**Objective 6:**  
Develop a methodology to measure and track cost reductions to increase efficiency and productivity.

FSA established standards for measuring cost reductions in FY 2011. Now the standards for measuring cost reductions are being communicated across FSA so all employees understand the methodology and have the opportunity to identify and act on process improvements. Once this process becomes fully implemented and practiced in FSA, it will result in clear and consistent identification and reporting of cost savings, cost avoidance, increased collections, and productivity gains. By tracking and reporting on these positive financial outcomes, FSA is fostering benchmarking and creating the incentive for all employees and stakeholders to improve its processes.

**Objective 7:**  
Build stronger business management capabilities and increase operational transparency to improve cross-functional coordination.

FSA revitalized the Investment Review Board to provide

a foundation that ensures FSA has an appropriate project management model. Building upon that foundation, FSA implemented a project portfolio management discipline in FY 2011. This included developing objective business drivers to guide consistent decisions on how FSA will allocate its project investment budget to maximize benefits. In the coming years, the project portfolio management discipline will be regularly modified — including ongoing review and adjustment of FSA's business drivers — based on observations, project delivery data, and project stakeholder feedback.

FSA also implemented a standard methodology of project management and oversight that will provide for the consistent, effective management and delivery of projects. In addition, the improved project reporting at the enterprise and individual project level provides FSA's managers greater transparency with large-scale projects.

To support further advancement in these project management disciplines, FSA will establish a cross-functional panel whose focus will be to track the project methodology success, provide training and guidance on its use, and refine the framework as FSA's capabilities grow.

## **Strategic Goal D:** Ensure program integrity and safeguard taxpayers' interests.

Because FSA oversees in excess of \$134 billion in annually disbursed aid and oversees a loan portfolio valued at more than \$812 billion, safeguarding taxpayer resources requires accurate oversight and management. FSA continues to innovate and look beyond today's standards to efficiently and effectively manage taxpayer resources and minimize program costs across all of its activities.

**Objective 1:**  
Improve quality control and reduce errors, waste, fraud, abuse, and mismanagement in the delivery of Title IV aid.

To achieve this goal FSA must ensure that the right amount of grants and loans are correctly disbursed. FSA conducts





ongoing, extensive system edits, reviews, and analysis to not only confirm individuals receive the grants and loans they qualify for, but also to build public confidence that FSA is properly managing resources and program dollars. Because FSA has a wide array of programs, each with unique objectives, eligibility requirements, and payment methods, it is important to continue to improve quality control. In part to help reduce improper payments due to inaccurate information, FSA implemented the Internal Revenue Service (IRS) data retrieval pilot last year. This pilot enables Title IV student aid applicants and parents of dependent applicants to transfer certain tax return information from an IRS website directly to their “FAFSA on the Web” (FOTW) application. FSA will continue to explore ways to facilitate detection of errors, based on the results of the FAFSA/IRS Data Statistical Study. These enhancements, coupled with improved error detection, should allow FSA to further reduce improper payments.

FSA is committed to strengthening program compliance and risk assessment activities that affect all institutions participating in the Title IV programs, especially those identified as needing attention or improvement. For example, FSA continuously updates program review procedures, including those for online schools, to ensure all programs maintain compliance. In addition, FSA considers market tools and financial analysis from industry experts to better monitor publicly traded institutions. These measures will mitigate risks and target oversight resources efficiently to support students pursuing meaningful degrees and certificates.

Over the next few years, FSA will develop strategies to support compliance initiatives for under-resourced institutions and to improve compliance processes at all institutions. The country’s economic situation has contributed to some of the nation’s most under-resourced institutions being at risk of losing their Title IV aid eligibility due to lack of financial resources that threatens their ability to maintain operations. As part of a White House Initiative for HBCUs, FSA is working closely with other offices within the Department to establish a framework to assess under-resourced institutions and provide more proactive support.

## **Objective 2:**

**Manage funds owed to the Department and provide transparency about student aid portfolio risk exposure.**

The thorough process implemented to bring not-for-profit (NFP) servicers on board to service loans, as well as their careful monitoring once they are brought up, will allow FSA to better manage funds owed to the Department. In addition to this process, FSA established the Risk Management Group last year to better identify, understand, and mitigate enterprise risks, including risks to the student aid portfolio. This group works closely with Department offices to share information and data sources, and provides systematic reporting and thought leadership to oversight entities and policy makers to allow them credible and supportable insight when making and modifying policies. The Portfolio Performance Management Group, a part of the Risk Management Group, will focus on data gathering and analysis to better understand and manage FSA’s growing student aid portfolio.

## **Strategic Goal E: Strengthen FSA’s performance culture and become one of the best places to work in the federal government.**

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FSA achieved substantial improvement in operational performance since its transformation into a PBO. Despite achieving a successful transition to Direct Loans, the most recent employee survey indicates that FSA employees feel strongly about the organization’s mission, but they do not feel empowered or encouraged. About 25 percent of current FSA employees are eligible for retirement by FY 2015, at a time when fewer resources will be available. In order to meet the performance challenges facing FSA, it is critical for FSA to find innovative ways to ensure that its workforce is high-performing and customer-focused. Much of this challenge comes at a time when FSA’s human capital processes are still being reengineered as a strong foundation to support a performance culture.



The objectives supporting this goal will strengthen and support FSA's most important asset — its workforce. FSA has plans to continue to improve its core human capital processes, such as hiring, training, performance evaluation, and recognition, to ensure that formal mechanisms are in place to support an improved performance culture. FSA employees have the passion to make FSA a more student-focused organization that delivers aid to help students realize their goals and become productive members of society. FSA has assertive plans and innovative program designs it believes can make a difference in how employees perceive and engage their work. However, in a time of decreasing resources and increasing unfunded mandates, major challenges remain about how best to leverage innovation to continue with high results. FSA must find ways to fund key human capital support areas, such as management best practices, employee core skills training, and promising employee programs, like FSA *First Class*, the principal vehicle that FSA uses to engage its employees in meaningful programming and dialogue about improving both FSA culture and the overall employee experience. Critical investments will be needed to support the human capital infrastructure to send a clear and intentional message that employees are an integral component of the FSA financial aid delivery ecosystem.

**Objective 1:**  
Improve the integrity of core human capital processes to attract, develop, and retain talented FSA employees from diverse backgrounds; help them achieve their full performance potential and recognize their contribution to FSA's mission.

During FY 2011, FSA increased its on-board staff to more than 1,240 employees. Additional staff were needed for project and risk managers, members of the acquisition team, and IT specialists. Many of these employees were hired with professional certification requirements that call for an investment in training to keep their skills current. Other staff must be kept abreast of new program requirements. The percentage of the workforce eligible to retire will reach 25 percent, and the percentage of FSA managers eligible to retire will reach 23 percent, both by FY 2015. Given funding shortages, staffing levels may remain flat in the near future.

During FY 2012 and beyond, FSA will continue to implement strategic hiring system improvements, and strengthen overall integrity of the human capital programs and systems. FSA will use or build partnerships with the Department's Office of Management and other organizations offering professional development opportunities, especially for its supervisors, aspiring supervisors, and its acquisition, financial management, and technology workforce. FSA will continue to work with the Department on implementing its recently redesigned performance evaluation system, REsults ACHieved (REACH), and to encourage FSA managers to provide ongoing, productive feedback to employees on their job performance and development. FSA will also build on the new FY 2011 non-monetary awards program for managers, "Beyond the Call," and will expand the array of opportunities to encourage engagement and recognize excellent employee performance.

**Objective 2:**  
Further develop a student-centric culture among all managers and employees that will fully deliver on FSA's mission, vision, and strategy.

According to the employee survey, FSA employees remain intensely dedicated to serving students and uphold a sharp focus on monitoring and adapting to external changes. However, in addition to increasing the focus on students, the survey results highlight other areas for improvement that will affect this result, including the need to improve trust in senior leadership and accountability. FSA employees have indicated a desire to move away from bureaucracy and silos and toward a more open environment characterized by trust and empowerment. FSA needs to unlock the full potential of its staff to deliver truly superior service to students. During the coming years, FSA will continue to experiment with social and other types of media to engage employees and keep the satisfaction of customers, students, and borrowers as a driver to everything they do.

# 4. PERFORMANCE GOALS

FSA's strategic goals, objectives and initiatives will significantly improve the organization's future performance and achievement of its mission. FSA will measure the success of its strategic goals against the following performance measures.

For strategic goal A, provide superior service and information to students and borrowers, the success outcome would be an increased percentage of potential students applying for federal student aid for an award year and their satisfaction with FSA's services. For the application, FSA will look at groups by segments: (1) traditional high school senior students (number of first-time filers who are age 18 or younger, divided by the total number of high school graduates from the most recent high school academic year reported by the National Center for Education Statistics); (2) students ages 19–24 (number of first-time filers who are ages 19–24 and have not attended college, divided by the number of 19- to 24-year-olds who have completed high school and have not attended college as of the fall of the prior year reported by the most recent School Enrollment Supplement, Current Population Survey); and (3) nontraditional students (number of first-time filers who are age 25 or older and have not attended any college, divided by the number of people in the workforce age 25 and older and have not attended college as of the most current Bureau of Labor Statistics Workforce data). In addition, given the increased focus on most-needy and

least-served students, FSA will measure completion of FAFSA applications for low-income students (number of first-time filers who are age 18 or younger and who are from households with incomes that are 150 percent or less of the poverty level, divided by the number of high school graduates from households with incomes that are 150 percent or less of the poverty level as reported by the most recent School Enrollment Supplement, Current Population Survey). For all metrics, except first-time filers who are age 25 or older, FSA aims to maintain or improve every year. The number of first-time filers ages 25+ actually declined in the 2010–11 cycle from the prior cycle (2009–10) by approximately 4 percent. Applications during the prior cycle may have peaked as the unemployment rate rose sharply. Consequently, FSA does not expect the FY 2011 result to be sustainable and has lowered the target for FY 2012.

To measure overall customer satisfaction level throughout the student aid lifecycle, FSA also will calculate a weighted score for the American Customer Satisfaction Index (ACSI) surveys for (1) applicants, measured by the average responses received from January through September each year; (2) students in school, measured in July each year; and (3) borrowers in repayment, measured by the average responses received quarterly, July through June each year. This metric will measure how FSA is improving in terms of streamlined processes for customer interaction and the accessibility of information FSA provides to its customers



on its websites and in other materials. FSA's goal is to continue to improve the aggregate ACSI score by FY 2015.

For strategic goal B, work to ensure that all participants in the system of funding postsecondary education serve the interests of students, from policy to delivery, FSA conducts a survey with postsecondary institutions and partners every quarter to gauge the "ease of doing business with FSA." FSA aims to maintain or improve the score year after year (July through June timeframe). FSA also will measure the delinquency rate of borrowers (average number of borrowers who are 91–270 days delinquent in the year ending June 30 each year, divided by average number of borrowers in repayment for the year). FSA aims to maintain or improve the delinquency rate for the next five years.

For strategic goal C, develop efficient processes and effective capabilities that are among the best in the public and private sectors, FSA will measure two unit costs: (1) the cost for delivering aid per applicant (total direct cost to process FAFSAs and originate aid in the year ending June 30, divided by the number of original FAFSAs processed in the year); FSA expects the cost for aid delivery to increase due to increased operation and maintenance costs as a result of FAFSA simplification efforts and increased tiered pricing for originations; and (2) cost for servicing borrowers (total direct costs for servicing in the year ending June 30, divided by the average number of borrowers in servicing for the year). FSA expects the cost for servicing borrowers to increase as a result of the transfer out of low marginal cost accounts from the Common Services for Borrowers (CSB) servicer to the new NFP loan servicers and the maturation of the loan portfolio (i.e., more accounts in repayment status vs. in-school status). Both of these factors result in higher-priced structures because of differences in the negotiated average contractual unit costs that are based on different borrower statuses (e.g., in-school, in-grace\current repayment, deferment\forbearance, and delinquency).

For strategic goal D, ensure program integrity and safeguard taxpayers' interest, FSA will look at its performance on managing three measures:

(1) improper payments that occur when funds go to the wrong recipient, the recipient receives the incorrect

amount of funds, documentation is not available to support a payment, or the recipient uses funds in an improper manner; FSA will use the same methodology and targets for the strategic plan that FSA is developing for OMB;

(2) default rate, defined as the average balance of loans that are 270 days or more past due serviced by FSA and its debt collection service in the year ending June 30 each year, divided by the average balance of loans serviced by FSA during the year (excluding loans that are in the in-school/in-grace loan status). FSA will aim to maintain or improve the rates for the next five years; and

(3) collection rate, defined as the total amount of principal collected on both current and defaulted debt in the year ending June 30 each year, divided by the average amount of collectible principal outstanding for the year, excluding principal owed by borrowers who are in the in-school/in-grace statuses. This metric measures FSA's success in collecting on its outstanding portfolio of roughly \$443 billion in Direct Loans, government-held FFEL and Perkins loans, and unassigned FFEL defaulted loans. In establishing a baseline and targets for future years, FSA will need to assess the impact of economic fluctuations; changes in the nature of the government-held portfolio under 100 percent Direct Loans; and trends in the use by borrowers of options such as income-based or other flexible repayment plans, deferments, and forbearances, all of which can reduce or delay repayment amounts. Over the next year, FSA will analyze these issues and develop appropriate targets for this metric.

For strategic goal E, strengthen FSA's performance culture and become one of the best places to work in the federal government, FSA will use an FSA Morale Index, which was developed from a subset of questions from the annual Government-wide View Point Survey (percent of positive responses to survey available September each year). FSA expects the Index to improve or remain constant during the next five years.

The year-by-year performance metrics and measures are presented below (Exhibit 12). This performance construct will allow FSA stakeholders to monitor progress against each objective and strategic goal, and allow FSA to report the same in its annual performance report.



**EXHIBIT 12: FSA's year-by-year performance goals: FY 2012–16**

Performance Metric	FY 2011 baseline	GOALS				
		FY 2012 targets	FY 2013 targets	FY 2014 targets	FY 2015 targets	FY 2016 targets
A1 % of first-time FAFSA filers among HS seniors	52.0%	>=52%	No lower than previous year			
A2 % of first-time FAFSA filers aged 19–24 among those in population that are HS graduates, no college	27%	>=27%	No lower than previous year			
A3 % of first-time FAFSA filers among workforce aged 25+, HS graduates, no college*	3.8%	>=3.6%	No lower than previous year			
A4 % of first-time FAFSA filers among low-income students	57%	>=57%	No lower than previous year			
A5 Customer Satisfaction Score (ACSI)	78	78	78	78	79	79
B1 Ease of Doing Business School Survey (1–100 Scale)	72	>=72	No lower than previous year			
B2 Percent of Borrowers > 90 Days Delinquent	9.9%	<=10%	No higher than previous year			
C1 Aid Delivery Costs per Application	\$9.89	\$10.90	Expect increases due to operating and maintenance costs as a result of FAFSA simplification and higher tiered pricing for originations			
C2 Loan Servicing Costs per Borrower	\$18.15	\$19.64	Expect increases as portfolio matures and NFPs come on line. FSA will provide additional targeting information in the next plan update			
D1 Improper Payment Rate	N/A	Set baseline	TBD	TBD	TBD	TBD
D2 Direct Loan Default Rate	11.3%	<=11.3%	No higher than previous year			
D3 Collection Rate	N/A	Set baseline	TBD	TBD	TBD	TBD
E1 FSA Morale Index (Subset of Questions from Government-wide View Point Survey) – % of positive responses to survey (does not include neutral responses)	58%	58%	No lower than previous year			

\*The number of first-time filers ages 25+ actually declined in the 2010–11 cycle from the prior cycle (2009–10) by about 4%. Applications during the prior cycle may have peaked as the unemployment rate rose sharply. Consequently, we do not expect the FY 2011 result to be sustainable and have lowered the target for FY 2012.

# 5. INTERNAL CAPABILITIES



This year, FSA identified the top six internal capabilities needed to achieve the goals and objectives identified in the Strategic Plan. In order to foster a high-performance organization, FSA will focus on the

development of these capabilities through a strategic human resources approach that also aspires to create a supportive organizational environment.

CAPABILITY	DESCRIPTION
A. Technology	<ul style="list-style-type: none"><li>• The ability to successfully and efficiently develop applications that support FSA's business, and to provide a reliable, modern and secure IT infrastructure.</li></ul>
B. Acquisition & vendor management	<ul style="list-style-type: none"><li>• The ability to determine when and where to acquire external services, identify business needs, solicit and negotiate the contract, and manage the relationship with and performance of vendors.</li></ul>
C. Risk management	<ul style="list-style-type: none"><li>• The ability to identify, measure, monitor, and mitigate potential risks across the major risk types (e.g., operational, strategic, and student aid portfolio), and integrate them into day-to-day operations.</li></ul>
D. Human capital	<ul style="list-style-type: none"><li>• The ability to recruit, develop, motivate, retain and reward highest-quality staff in a timely, responsive, and efficient manner.</li></ul>
E. Customer insights	<ul style="list-style-type: none"><li>• The ability to successfully collect, analyze, and use customer data to inform decision-making to improve customer-related outcomes across FSA.</li></ul>
F. Strategic innovation	<ul style="list-style-type: none"><li>• The ability to set strategic direction, and to facilitate and track the transformation process towards elected strategic objectives.</li></ul>



# 6. RELATIONSHIP TO THE DEPARTMENT OF EDUCATION'S STRATEGIC PLAN

FSA's goals are drawn from the Department's overall strategic goals and direction. More specifically, FSA is currently a part of both Goal 1 — Postsecondary Education, Career-Technical Education, and Adult Education, and Goal 6 — U. S. Department of Education Capacity, of the draft Department of Education's Strategic Plan: FY 2011–14. Goal 1 relates to increasing college access, completion, and quality by strengthening postsecondary education and lifelong learning opportunities, and Goal 6 relates to improving the organizational capacities of the Department to implement the Strategic Plan. During each cycle of the FSA's annual performance plan, FSA will update specific initiatives and measures that support the goals established in the Department of Education's Strategic Plan.



# 7. EXTERNAL RISK FACTORS AND POTENTIAL CHALLENGES

The following are key factors, external to FSA, which may affect achievement of FSA's goals and undermine its progress in implementing its strategy. FSA must monitor and respond to:

## Budget constraints

FSA creates its Congressional Justification based on meeting the needs of processing aid applications, originating and disbursing financial aid, servicing student loans, and fulfilling additional initiatives. Any reduction from the requested level in the Congressional Justification requires FSA to prioritize activities to first meet core operations. This prioritization may result in suspending certain initiatives until funds become available in the future.

## Personally identifiable information

FSA and its partners handle personally identifiable information (PII), such as Social Security numbers and tax income information of family members. The challenge is to protect PII while increasing accessibility to appropriate information. While FSA is working diligently to upgrade its IT security, there is a continuous threat of exposure of PII to unintended audiences.

## Continued economic uncertainty

Funding for postsecondary education is being cut across the country, making access to postsecondary education potentially more difficult for many, and increasing the importance of the awareness and availability of federal

funding. In addition, the effects of the economy can alter FSA's operating and program costs.

## Increased need for transparency

As detailed in the Open Government Directive issued by the Director of the Office of Management and Budget (OMB) in December 2009, transparency is a cornerstone of an open government. This administration is committed to making federal expenditures of taxpayer dollars transparent to the public by providing readily accessible, complete, accurate, and usable federal spending data. Such tracking and analysis allow both the public and public officials to gauge the effectiveness of expenditures and to modify spending patterns as necessary to achieve the best possible results.

## Natural disasters and catastrophic events

A catastrophic environmental event, such as a hurricane, could change FSA's responsibilities. In the past, FSA has responded to such events and addressed the specific need for additional aid to those students facing crisis. Similar unforeseen events could have an unanticipated impact on FSA's operations.

# 8. EVALUATING PROGRESS

FSA uses a variety of methods and tools to evaluate its progress. FSA continues to build and improve on the collection of data, research, and analysis to inform management decisions. Information from

across the organization is used to improve the day-to-day administration of our business. The following chart lists some of the significant evaluations, a description of these evaluations, and the timeframe for completion (Exhibit 13).

**EXHIBIT 13:** Performance evaluation tools

EVALUATION	DESCRIPTION	COMPLETED
Organization Performance Review	Provides an assessment of organizational performance across major initiatives, human capital, acquisition management, etc.	Quarterly
FSA Enterprise Dashboard	Provides a monthly assessment of the organization's priority investments.	Monthly
Best Places to Work	Provides a comprehensive assessment of employee satisfaction and commitment across federal agencies.	Annually
Annual Report to Congress	Reports on the performance of the PBO, including an evaluation of the extent to which the PBO met the goals and objectives contained in the five-year performance plan for the preceding year. It also includes FSA's financial statements which are prepared in accordance with established federal accounting standards and are subject to an annual independent audit.	Annually

# 9. MOVING FORWARD

This five-year strategic plan is designed to help FSA achieve its mission to assist students through postsecondary education and be a provider of the most trusted and reliable postsecondary financial aid information and services in the nation. FSA will use this plan as the foundation for discussion and decision-making at every level of the organization. In addition, FSA will align its resources to achieve the defined goals and priorities over the next five years.



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