Federal Student Aid

Fiscal Year 2023

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

Federal Student Aid
Richard Cordray
Chief Operating Officer

Finance Directorate
Mehul Parekh
Chief Financial Officer

November 16, 2023

This publication is available under Performance Reports located on the Federal Student Aid website at **StudentAid.gov/strategic-planning-reporting**.

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

Federal Student Aid operates on a fiscal year, which begins on October 1 and ends on September 30. Information included in the *Federal Student Aid Annual Report* is based on the fiscal year unless otherwise noted.

Federal Student Aid strives to improve and enhance the content quality, report layout, and public accessibility of its *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**.

Contents

Contents

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Letter from the Chief Operating Officer of Federal Student Aid

Dear Federal Student Aid Community:

Richard Cordray
Chief Operating Officer

Again, I am honored to present the *Federal Student Aid Fiscal Year (FY) 2023 Annual Report* that showcases the work of the U.S. Department of Education (Department) Office of Federal Student Aid (FSA). At FSA, we enable the American dream for millions of students who are pursuing education and training beyond high school. This report highlights our efforts to enhance customer service, boost teamwork, drive efficiency, and advance our workforce capability.

The *Higher Education Act of 1965* authorizes the Department to grant financial assistance that allows broader access to higher education. Our mission statement at FSA, "*Funding America's Future, One Student at a Time*," articulates 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, which also greatly strengthens our nation's productive capacity.

During the COVID-19 pandemic, FSA pioneered innovative ways of conducting business that have produced efficiencies throughout our enterprise. During FY 2023, FSA maintained high productivity by shifting considerable resources and assistance online to serve students, families, and schools more effectively. This year, we provided about $114.1 billion in federal grants, loans, and work-study funds to more than 9.7 million students at approximately 5,400 participating postsecondary schools. FSA worked to transform challenges into opportunities, as our colleagues around the country operated effectively even in a virtual work posture.

While providing access to higher education is core to our mission, we also track the scope of the federal student loan debt portfolio, whose value exceeds $1.6 trillion. This enormous debt load burdens millions of Americans, which has stimulated us to find new innovations in managing our many programs, products, services, and operations. We know access to higher education shapes people's future paths forward, and our decisions matter significantly to our nation's future.

During FY 2023, FSA navigated the final months of the prolonged federal student loan payment pause to ease the transition of borrowers who are returning to repayment. Prior to the October 2023 return to repayment date, FSA had worked closely with our student loan servicers to make sure borrowers had the information and resources they needed to deal with the challenges of returning to repayment on their student loan debt obligations after more than three years of not being required to make payments. This was especially important for borrowers who completed their schooling during the payment pause and must now begin to repay their student loans for the first time ever.

FSA has also unveiled other measures, such as adding new pages to **StudentAid.gov**, our primary customer website, to help borrowers learn about and access loan payment options. This summer, the Department announced the launch of the Saving on A Valuable Education (SAVE) income-driven repayment (IDR) plan, which is one of the most affordable student loan repayment plans ever offered. The SAVE plan has helped many borrowers reduce their monthly payments to as low as $0 and it can prevent loan balances from growing due to unpaid interest. The SAVE Plan will greatly benefit low- and middle-income borrowers, community college students, and borrowers who work in public service. As of September 2023, more than 4 million student loan borrowers had already enrolled in the SAVE plan, with thousands more signing up every day.

Our support for borrowers re-entering repayment includes those who are enrolled in the Fresh Start initiative, which is expected to benefit hundreds of thousands of borrowers. This initiative enrolls previously defaulted borrowers and reverses the negative effects of their default by improving their credit status and providing access to affordable IDR plans.

By the end of FY 2023, FSA had delivered historic levels of targeted student loan debt relief benefitting individuals and their families. We especially made progress on our pledge to fix flaws in the existing loan forgiveness programs. Through late-September 2023, roughly $127 billion in targeted relief had been approved for nearly 3.6 million student loan borrowers. This included nearly $42 billion for almost 855,000 borrowers eligible for forgiveness through IDR by fixing historical inaccuracies in the count of payments that qualify toward forgiveness. Targeted relief efforts also provided nearly $51 billion in loan forgiveness for 715,000 public servants through the Public Service Loan Forgiveness (PSLF) program; $11.7 billion for almost 513,000 borrowers with a total and permanent disability; and $22.5 billion for more than 1.3 million borrowers who were cheated by their schools, saw their schools close abruptly, or were covered by court settlements.

For the past four years, FSA has focused on improving the federal student aid process through the Free Application for Federal Student Aid®, or the FAFSA® form, which students complete to apply for federal grants, work-study assistance, and federal student loans. We have now made it to the home stretch of this complicated, multi-year project. The vast changes we are making to the FAFSA experience are producing a major overhaul of the FAFSA form, processes, and systems culminating in the redesigned 2024–25 FAFSA, expected in December 2023.

These substantial changes were required by two laws passed by Congress: the *Fostering Undergraduate Talent by Unlocking Resources in Education Act* (*FUTURE Act*) in 2019, and the *FAFSA Simplification Act* in 2020. Together they transform how student aid is delivered and simplify how students and families engage with the federal student aid programs. Among other things, the new FAFSA replaces the Expected Family Contribution with the Student Aid Index, revamps the Federal Pell Grant eligibility formula, and allows income information to be obtained directly and automatically from the Internal Revenue Service.

FSA continues to improve its customer service with enhanced **StudentAid.gov** user experience, hands-on partner engagement, and modernized organizational capabilities. One notable upgrade was made to the Federal Student Aid Estimator, which accurately estimates the level of aid for which students and parents are eligible. This tool will prove quite helpful as the new FAFSA form is delivered in December 2023, by helping families engage in advance planning on their financial obligations if they wish to do so.

In the spring of 2023, FSA launched a key update to the PSLF Help Tool to make it much easier for public servants to apply for the program. Borrowers can now digitally sign and submit their PSLF form, identify employers that need to sign their form and send them requests for e-signature, and track the status of their PSLF form in their accounts. As a result, borrowers can now complete the entire application process digitally on **StudentAid.gov**.

FSA also took a major step in April toward modernizing federal student loan servicing by awarding the Next Gen FSA agreements. These contract awards were made through our Unified Servicing and Data Solution (USDS) procurement to develop the infrastructure, training, and procedures to comply with new requirements and meet the needs of approximately 37 million borrowers with federally managed student loans. USDS is the long-term loan servicing solution designed to deliver high-quality customer experience and help reduce delinquency and default.

In FY 2023, FSA continued its drive toward greater school accountability within the federal student aid programs. Schools that engage in wrongdoing are being held responsible for their abuses by our renewed FSA Enforcement Office, which has reinforced our oversight work and helped diminish risks to students and taxpayers. One marker of the revitalized Enforcement Office is that it has helped nearly 1.1 million borrowers get approved for $14.8 billion in loan forgiveness either through borrower defense to repayment or closed school loan discharges. These efforts are giving borrowers relief from their schools' wrongdoing or sudden closure.

In closing, let me recognize the work undertaken by our FSA colleagues this year to respond to several natural disasters—from hurricanes to typhoons, wildfires, floods, and landslides. Our teams helped organize recovery efforts, reached out to those affected, monitored the aftermath of these disasters, and provided the support that schools and students needed to help them recover.

As always, however, we know that FSA has much work to do. We invite you to read this report to learn more about our plans and actions to help this country move confidently into the future.

Sincerely,

Richard Cordray
Chief Operating Officer
Federal Student Aid
United States Department of Education
November 16, 2023

About This Report

FSA, a principal office of the United States (U.S.) Department of Education (Department), 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 2023 Annual Report (Annual Report)* is a comprehensive document that provides an analysis of FSA's financial and program performance results for FY 2023 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 (OMB) 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*

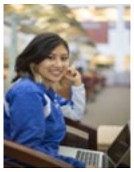
The Department produces the ***U.S. Department of Education FY 2023 Agency Financial Report (AFR)***, which provides a comprehensive view of the Department's stewardship of its resources and includes a summary of the information contained in this *Annual Report.*

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

Overview of the Federal Student Aid Annual Report

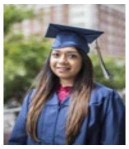
The *Annual Report* is organized into the following sections:

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

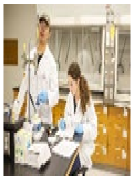


Annual Performance Report
This section discusses the strategic goals included in the *Federal Student Aid Five-Year Strategic Plan for Fiscal Years 2023–27 (FY 2023–27 Strategic Plan)*, its strategic objectives, performance indicator results, and fiscal year accomplishments.

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 Consolidated Balance Sheet, related notes, and the report from the independent auditors.



Other Information
This section includes the unaudited financial statements and related notes, required supplementary information, 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 2023–27 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 2023 Organizational Highlights:** Fiscal Year 2023 Organizational Highlights present 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 2023–27 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 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 2023 Organizational Highlights

Looking Forward at Federal Student Aid

In FY 2023, FSA continued to adjust its operations to align with the administrative priorities and ascend from the lingering impacts the national COVID-19 emergency pressed on the programs authorized by *Title IV of the Higher Education Act of 1965,* as amended by (*Title IV*). While maneuvering in an ever-changing environment, FSA maintained its focus on supporting students, families, and borrowers as they navigate the financial aid process.

FSA implemented customer and stakeholder outreach campaigns that provided repayment options and loan forgiveness information to better inform students and borrowers, resulting in positive repayment outcomes and reduced defaults. These activities included the always-on email campaigns, such as Targeted Early Delinquency Intervention (TEDI), Third-Party Debt Relief (TPDR) scam intervention, and borrower risk at time of disbursement, and aim to reduce future delinquency and default; supporting policymakers at the Department, OMB and Congress with analysis and modeling on options for the repayment process; and generating Direct to Discharge (D2D) files for Public Service Loan Forgiveness (PSLF) and Income-Driven Repayment (IDR) Account Adjustment, which led to full forgiveness for many borrowers and additional months of credit toward forgiveness for many others.

During FY 2023, FSA unveiled new features to support the digital repayment experience on **StudentAid.gov**, including a new IDR application, the new Saving on a Valuable Education (SAVE) IDR plan, a new loan consolidation application, an electronic signature (e-signature) and submission solution for the PSLF form, and the ability to view the status of an IDR application, loan consolidation application, and PSLF form in a customer's dashboard and My Activity.

Additionally, to prevent confusion, FSA added plain-language information which clarifies the SAVE Plan repayment option for student loan borrowers, timelines, and processes to prepare for returning to repayment, details about the limited PSLF waiver, and an introduction to the Fresh Start option for defaulted borrowers.

Federal Student Aid by the Numbers

Figure 1: FSA Net Outlays[1]

FY 2019–23

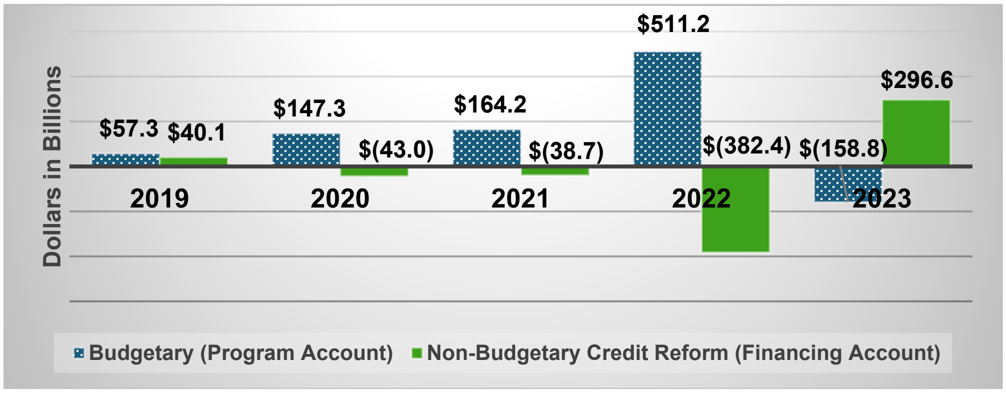


Figure 2: FSA Administrative Budget

FY 2019–23

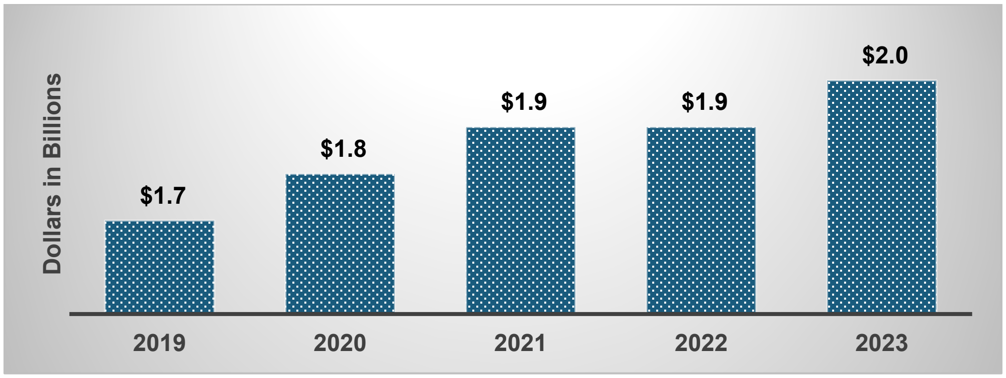
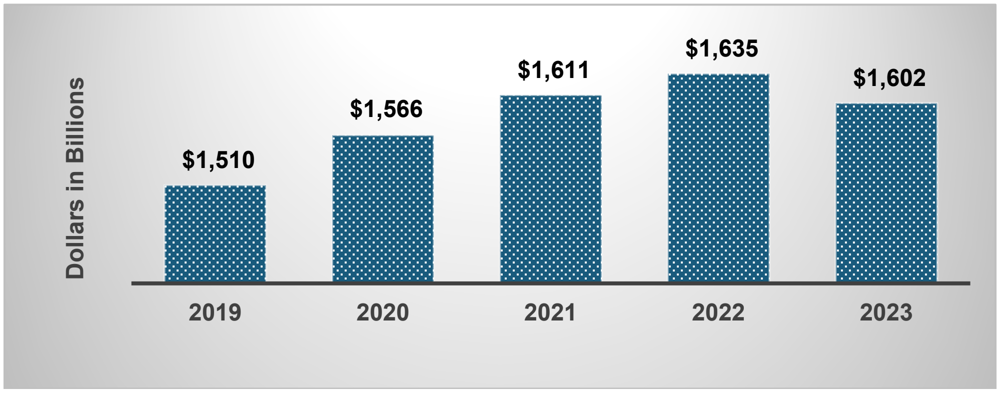


Figure 3: FSA Student Loan Portfolio[2]

FY 2019–23



[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 2019–23

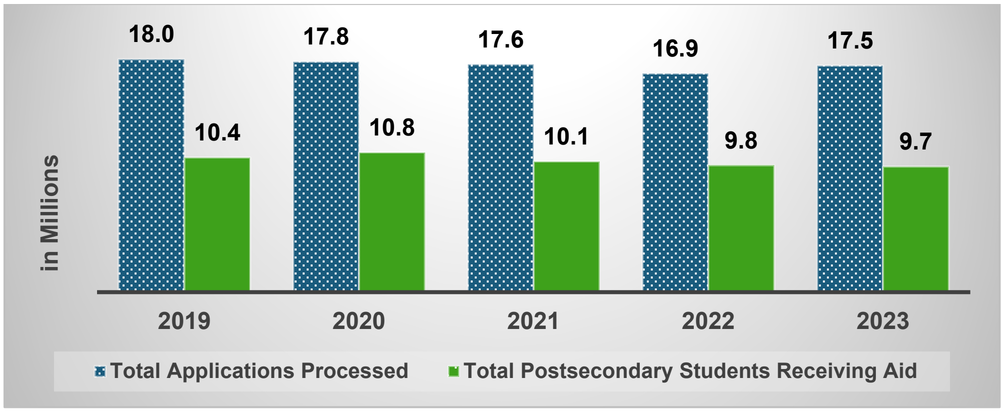


Figure 5: Total Federal Student Aid Delivered

FY 2019–23

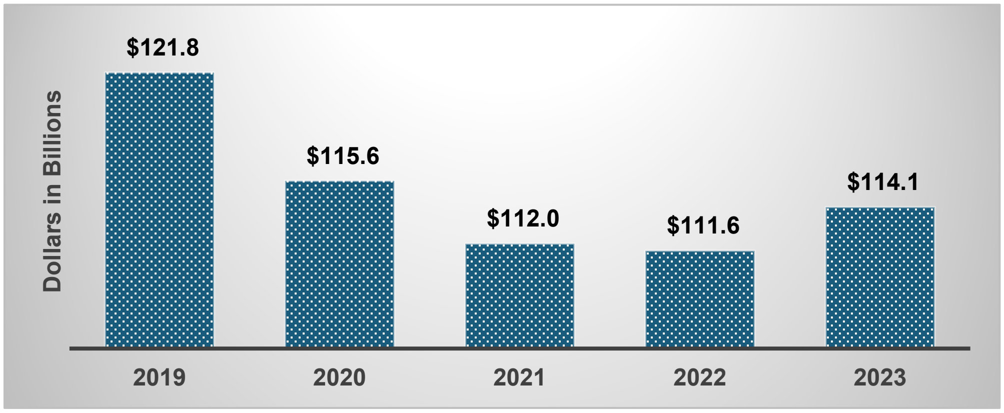
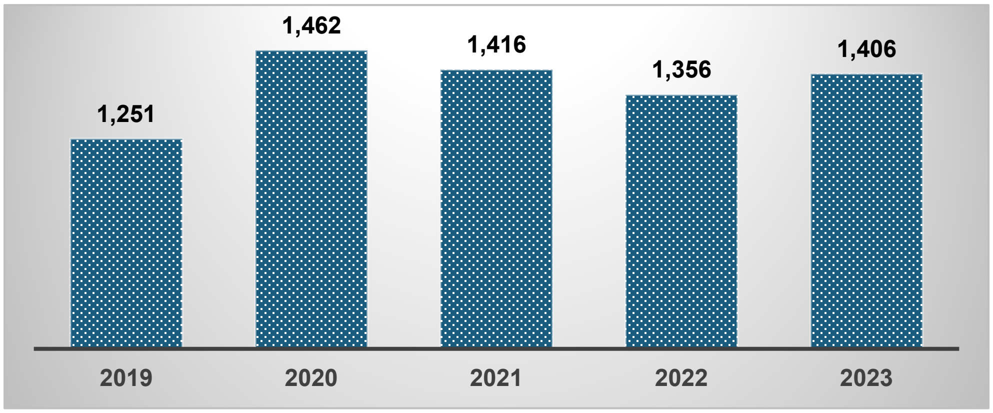


Figure 6: FSA Federal Employees[3]

FY 2019–23



[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 *Higher Education Act of 1965*, as amended (HEA). *Title IV* of the *HEA* specifically 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,
- developing the Free Application for Federal Student Aid® (FAFSA®) form and processing millions of FAFSA forms each year,
- 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,
- informing borrowers about loan forgiveness programs and helping borrowers access the forgiveness for which they are eligible, 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 Performance-Based Organization (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.

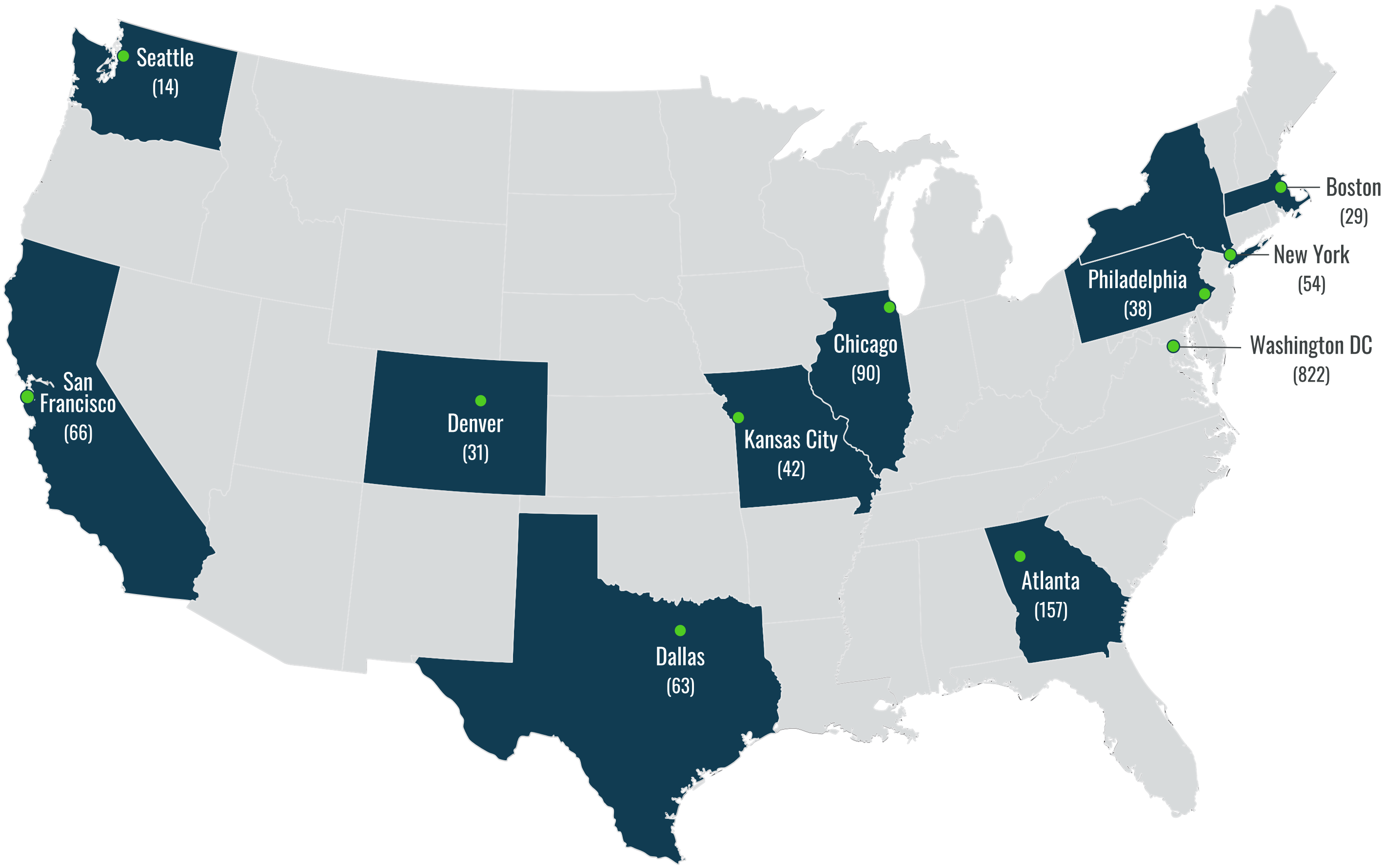
Organizational Structure

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 four 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 2023, FSA operated on an annual administrative budget of approximately $2.0 billion. As of September 30, 2023, FSA was staffed by 1,406 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 regardless of personal interests and hold everyone accountable.
Diversity	Develop a team that is reflective of our nation's diverse tapestry of cultures, backgrounds, geographies, and experiences.
Customer Service	Provide accurate and timely information to customers and support to colleagues, customers, and partners.
Excellence	Strive to deliver effective programs, products, and services by adapting to change and continuously improving business practices and processes.
Respect	Treat individuals with dignity and gratitude by acknowledging their contributions, ideas, and talents.
Collaboration	Coordinate cohesively with colleagues, customers, and partners to produce enterprise-focused solutions.

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 indicators. 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 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.
Fostering Undergraduate Talent by Unlocking Resources for Education Act, 2019	Reauthorized mandatory funding programs for historically black colleges and universities and other minority-serving institutions.
Coronavirus Response and Relief Supplemental Appropriations Act, 2021	Established the 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, and contracted servicers, as well as taxpayers and other federal entities such as Congress and 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 2023, FSA processed more than 17.5 million FAFSA forms, resulting in the delivery of approximately $114.1 billion in *Title IV* aid to more than 9.7 million postsecondary students and their families. These students attended more than 5,400 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 2023 and FY 2022. 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	2023 Aid Disbursed to Students	2022 Aid Disbursed to Students	Difference	Percentage Change
Federal Loan Program				
William D. Ford Federal Direct Loan Program	$ 83,295.3	$ 83,450.6	$ (155.3)	(0.2)%
Federal Grant Programs				
Federal Pell Grant Program	$ 28,689.2	$ 26,129.5	$ 2,559.7	9.8%
Federal Supplemental Educational Opportunity Grant Program	893.8	866.5	27.3	3.2%
The Teacher Education Assistance for College and Higher Education Grant Program	82.1	57.4	24.7	43.0%
Iraq and Afghanistan Service Grant Program	0.6	0.5	0.1	20%
Subtotal Grant Programs	**$ 29,665.7**	**$ 27,053.9**	**$ 2,611.8**	**9.7%**
Federal Work-Study Program				
Federal Work-Study Program	$ 1,150.2	$ 1,106.2	$ 44.0	4.0%
Grand Total	**$ 114,111.2**	**$ 111,610.7**	**$ 2,500.5**	**2.2%**

Federal Loan Programs

In fulfilling its program responsibilities, FSA directly manages or oversees a loan portfolio of more than $1.6 trillion, representing approximately 219.9 million student loans to more than 45.5 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.
- **Direct Unsubsidized Loans:** Federal loans made to undergraduate students and graduate students for which the borrower is fully responsible for paying the interest

[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.

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, 2023, FSA's portfolio of Direct Loans included $1,030.9 billion in credit program receivables, net. In FY 2023, the Department made $83.3 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 $99.7 billion as of September 30, 2023. Of this portfolio, $39.3 billion represented FSA's credit program receivables, net, comprised of $27.5 billion in loans acquired under the *Ensuring Continued Access to Student Loans Act of 2008 (ECASLA)* authorization and $11.8 billion acquired under the "traditional" (Non-ECASLA) guaranteed loan program. In FY 2023, FSA made gross payments of approximately $1.7 billion to lenders for interest and special allowance subsidies and $5.2 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 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

[5] Excludes consolidation loans of $37.8 billion.

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 $388.1 million for FY 2023.

Federal Grant Programs

In fulfilling its responsibility for administering *Title IV* aid, FSA oversaw the disbursement of approximately $29.7 billion in grants to approximately 6.0 million recipients. The following provides a summary for each grant program, including aid disbursed in FY 2023.

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 2023, the Department disbursed approximately $28.7 billion in Federal Pell Grants averaging approximately $4,782 to approximately 6.0 million students. The maximum Federal Pell Grant award was $6,895 in the 2022–23 award year and increased to $7,395 in the 2023–24 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 2023, approximately $893.8 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 2022–23 or 2023–24 TEACH Grant first disbursed on or after October 1, 2022, and before October 1, 2023, the maximum award is $3,772. For any award year 2023–24 TEACH Grant first disbursed on or after October 1, 2023, and before October 1, 2024, 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 2023, there were approximately 2,879 involuntary conversions and 9,250 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 2023, there were approximately 187 reinstatements from loan status back to grant status. In FY 2023, the Department disbursed more than 22,000 grants totaling $82.1 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, 2022, and before October 1, 2023, the maximum award is approximately $6,501. For any award year 2023–24 Iraq and Afghanistan Service Grant first disbursed on or after October 1, 2023, and before October 1, 2024, the maximum award is up to $6,973.49. The Department disbursed approximately $0.6 million to support fewer than 100 awards in FY 2023.

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 2023, approximately $1.2 billion were disbursed through approximately 660,000 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 external and internal factors that influence FSA's operations.	Indicate student aid environment within which FSA must operate. Listed below are key factors that may affect the student aid operational environment. • Legislative mandates that guide FSA's operational priorities. • Priorities set by the Department and FSA leadership. • Input collected through FSA's multiple customer feedback channels. • GAO/OIG recommendations to improve operational efficiencies.
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 2023 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. The key strategic drivers influence the development and implementation of FSA's strategic plan, as well as the development and tracking of performance indicators. The Performance Management section discusses the following:

- FSA's performance management processes,
- FSA's FY 2023–27 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 that are fundamental to the development and execution of the five-year strategic plan.

Figure 9: Strategic Process Building Blocks

Strategic Plan	Organizational framework to execute FSA's vision. The strategic plan is updated annually to reflect changes in organizational strategies, budget, and near-term actions.
Strategic Goals	Long-term goals outlined in the strategic plan that define how FSA will accomplish its mission.
Strategic Objectives	Strategies that FSA executes to achieve its strategic goals.
Performance Indicators	Quantifiable indicators to assess progress in meeting strategic objectives and strategic goals. These indicators 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 2023, FSA used a multifaceted performance management framework to establish goals and communicate, measure, and report performance, including the following elements:

- FSA FY 2023–27 Strategic Plan
- Weekly Organization Briefings
- Executive Management Monthly Report
- FSA Bi-Weekly Report
- Annual Performance Report
- Department's Quarterly and Annual Performance Reviews
- Agency Priority Goals (APGs)

FSA FY 2023–27 Strategic Plan

The *FY 2023–27 Strategic Plan* outlines goals, objectives, and performance indicators 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 best 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 sufficiently defined.

Each strategic goal encompasses objectives and identifies performance indicators to measure FSA's level of success in meeting the strategic goal. For each performance indicator, 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 indicator, while falling short of the target indicates that FSA did not attain the performance indicator.

The *FY 2023–27 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 framework.

Table 6: Strategic Goals and Strategic Objectives for FY 2023–27

Strategic Goal 1	Strategic Objectives
Improve Customer Service and Outcomes for Students and Borrowers	**1.1**: Simplify the student loan repayment process to reduce future delinquency and default rates and improve accessibility of loan forgiveness programs.
	1.2: Enhance the quality of contact center and loan servicing operations, leveraging data to assess progress toward customer service and product delivery standards.
	1.3: Engage with stakeholders to improve delivery of student aid.
	1.4: Address complaints and inquiries regarding financial aid products and services.
Strategic Goal 2	**Strategic Objectives**
Advance Equity and Access to Student Financial Assistance	**2.1:** Enable financial education and empowerment by helping students and families understand the benefits and responsibilities of financing post-secondary education.
	2.2: Simplify the Free Application for Federal Student Aid (FAFSA)®process.
	2.3: Provide accurate, seamless, easy, and customized interactions throughout the student aid lifecycle.
Strategic Goal 3	**Strategic Objectives**
Strengthen Engagement and Accountability for Educational and Financial Institutions	**3.1:** Utilize a comprehensive suite of monitoring tools to oversee participating partners.
	3.2: Build enforcement capabilities, in coordination with federal and state partners, to protect students, families, and taxpayers from deceptive, fraudulent, or harmful practices in the student aid marketplace.
	3.3: Provide inclusive and effective partner outreach, training, and technical assistance.
Strategic Goal 4	**Strategic Objectives**
Increase Workforce and Workplace Capabilities	**4.1:** Promote workplace diversity, equity, inclusion, and accessibility.
	4.2: Attract, develop, and retain an agile workforce that can quickly respond to a changing environment and emerging priorities.
	4.3: Foster an organizational culture that promotes a productive, connected, and engaged workforce, particularly in a hybrid workplace environment.
Strategic Goal 5	**Strategic Objectives**
Boost Operational Efficiency	**5.1:** Strengthen enterprise-wide data analytics and information management to foster a customer-centric, data-driven, performance-based organization.
	5.2: Continuously improve systems, structures, and operations to enhance organizational efficiency and performance.
	5.3: Enhance procurement planning, management, and execution.
	5.4: Improve cybersecurity detection, prevention, and protection ensuring data confidentiality, integrity, and availability.

Weekly Organization Briefings

The Organization Briefings in FY 2023 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 these briefings contributed to the development of the *FY 2023 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 2023-27 Strategic Plan*. The Organization Briefings supported 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.

Executive Management Monthly Report

Throughout FY 2023, FSA measured and analyzed performance based upon performance indicators results outlined in the *FY 2023–27 Strategic Plan*, as well as various internal indicators used for operational management. The analysis of programmatic and operational performance continued to be a transparent process within the organization, executed through monthly performance reports shared with the FSA leadership and management team. Detailed analyses of specified performance indicators were developed, and project leads directly briefed FSA leadership and management team via performance dashboards each month.

FSA Bi-Weekly Report

Throughout FY 2023, the FSA reports on priority initiatives on a regular basis to support engagements between FSA and the Office of the Under Secretary. This reporting mechanism is leveraged as an opportunity for FSA to elevate critical issues and obtain support for key initiatives.

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.

The Department Quarterly and Annual Performance Reviews

The Department conducts quarterly meetings, known as Strategic Plan Progress Reviews (SPPRs), with principal offices on progress towards achieving agency priorities. The SPPR is a quarterly discussion-based review led by the Deputy Secretary, Department Performance Improvement Officer, and 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.

In the Department's new plan, FSA tracks the performance indicators that support 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

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 that agency leadership wants to accomplish within approximately 24 months. In collaboration with OMB, the Department established three APGs for FY 2024 through FY 2025 that align with the Department's *FY 2022–26 Strategic Plan*. FSA's quarterly progress reports are published on **Performance.gov**.

FY 2023 closes out the FY 2022–23 APG. In collaboration with the Department, FSA succeeded in accomplishing the goal, "to provide effective customer service for borrowers to simplify the student loan repayment process and improve loan servicer quality and accuracy to levels at or above 95 percent."

FSA implemented performance benchmarks as part of student loan servicer agreements to improve loan servicer quality, accuracy, and timeliness. FSA was able to realize performance standards and expanded hours of operation for loan servicer call centers to improve the borrower experience and increase borrowers' access to customer service representatives. Lastly, in FY 2023, the new contact center customer feedback surveys continued to inform improvements to systems, tools, and the customer experience.

FSA's FY 2024–25 APG Goal Statement:

By September 30, 2025, the Department will launch the complete IDR capabilities and establish indicators that will monitor and track borrowers' ability to select student loan repayment plans that contribute to a reduced risk of delinquency.

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, which serves as a tool to authenticate the completeness and reliability of the underlying data gathered and used to calculate each performance indicator for the reporting period, including the performance results reported in this *Annual Report*. For each performance indicator, the matrix documents the following: the 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 indicator, and validating and verifying the data gathered.

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

Analysis of Financial Statements

Introduction

This section assists readers in understanding FSA's financial position as reflected in the Balance Sheet and related notes located in the **Financial Section** of this report and FSA's net cost, budgetary resources, and changes in net position as reflected in the unaudited statements and related notes in the **Other Information Section** of this report. The financial analysis section 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's financial statements are prepared in accordance with generally accepted accounting principles, which include established federal accounting standards and reporting requirements. In FY 2023, FSA's consolidated balance sheet was subject to an annual independent audit. FSA received a disclaimer of opinion on the consolidated balance sheet as of September 30, 2023.

FSA has oversight responsibilities for more than $1.6 trillion in federal student loans, of which it directly owns and manages approximately $1.4 trillion. The remaining balance represents non-defaulted FFEL Guaranteed loans held by lenders and Federal Perkins loans held by schools. FSA reports its portfolio of federal student loans on its Balance Sheet under Loans Receivable, Net (see Note 5). Loans Receivable, Net 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, 2023, FSA reported $1,072.5 billion in Loans Receivable, Net after deducting an Allowance for Subsidy of approximately $449.9 billion. Loans Receivable, Net increased 25% from the prior year, which was primarily due to a decrease in the Allowance for Subsidy. The $224.7 billion decrease in the FY 2023 Allowance for Subsidy was due to the Supreme Court's ruling against the Administration's one time student debt relief plan.

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. Assets represent resources available to pay liabilities or satisfy future service needs. Liabilities are amounts FSA owes, the probable and measurable future outflows of resources arising from past transactions or events. The difference between assets and liabilities represents FSA's net position.

The Condensed Balance Sheets presented below provide a summary of significant balances in FSA's Balance Sheets over a five-year period, beginning with FY 2019. The table also shows the percentage change between the prior and current fiscal years as of September 30, 2022 and 2023, respectively. The FY 2022 data appearing in the tables and figures throughout this section were not audited. Figures and tables presented in this section include rounding adjustments to ensure that 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*.

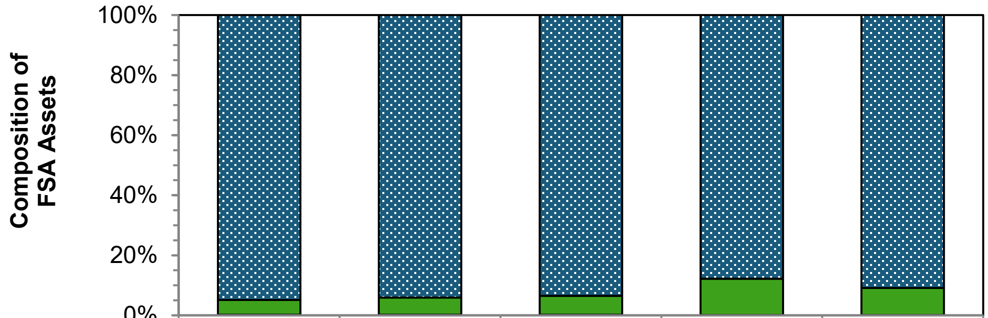
Table 7: Financial Highlights
Condensed Balance Sheets
(Dollars in Billions)

	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)	Difference	Percentage Change[6]
Assets							
Fund Balance with Treasury	$ 62.6	$ 70.3	$ 79.2	$ 118.6	$ 106.87	$ (11.73)	(9.9) %
Credit Program Receivables, Net	1,202.1	1,169.6	1,164.8	858.3	1,072.55	214.25	25%
Remaining Assets	2.2	2.2	2.2	0.9	.84	(.06)	(6.7)%
Total Assets	**$ 1,266.9**	**$1,242.1**	**$ 1,246.1**	**$ 977.8**	**$ 1,180.26**	**$ 202.46**	**20.7%**
Liabilities							
Debt	$ 1,287.5	$1,249.8	$ 1,221.1	$ 905.0	$ 1,188.50	$ 283.50	31.3%
Subsidy due to Treasury General Fund	10.3	3.3	1.5	27.0	1.63	(25.37)	(94.0)%
Remaining Liabilities	14.0	8.4	15.9	18.1	19.34	1.24	6.9%
Total Liabilities	**$ 1,311.8**	**$1,261.4**	**$ 1,238.5**	**$ 950.1**	**$ 1,209.47**	**$ 259.37**	**27.3%**
Net Position							
Unexpended Appropriations	$ 31.4	$ 35.0	$ 36.3	$ 37.3	$ 38.01	$ .71	1.9%
Cumulative Results of Operations	(76.3)	(54.4)	(28.7)	(9.5)	(67.22)	57.72	607.6%
Net Position	**$ (44.9)**	**$ (19.4)**	**$ 7.6**	**$ 27.7**	**$ (29.21)**	**$ (56.91)**	**(205.5)%**
Total Liabilities & Net Position	**$ 1,266.9**	**$1,242.1**	**$ 1,246.1**	**$ 977.8**	**$ 1,180.26**	**$ 202.46**	**20.7%**

The condensed Balance Sheet shows that FSA had total assets of $1,180.26 billion as of September 30, 2023, an increase of $202.46 billion, or 20.7%, over the prior fiscal year. The increase resulted primarily from an increase in Credit Program Receivables, Net of $214.25 billion, combined with a decrease in Fund Balance with Treasury ($11.73 billion). Fund Balance with Treasury and Credit Program Receivables, Net accounted for approximately 99.9% of Total Assets as of September 30, 2023, as illustrated in the Composition of Assets chart (Figure 10). The Comparison of Assets chart (Figure 11) presents changes in these two principal Balance Sheet line items over the past five fiscal years.

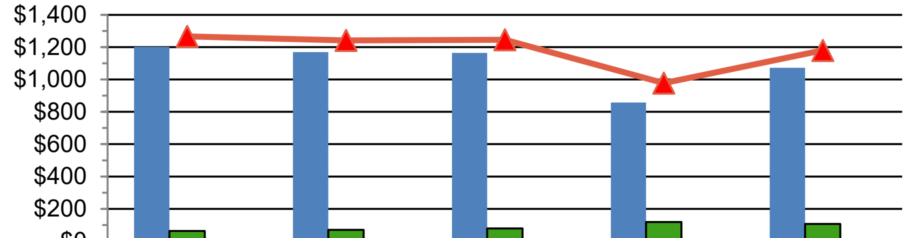
[6] The percentage change is calculated as the difference between FY 2022 and FY 2023, divided by the FY 2022 amount. In some instances, where the current-year amount has an opposite sign to the prior-year amount, the percentage change may be negative even though the annual change is positive (and vice 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.

Figure 10: Composition of Assets[7]



	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
Credit Program Receivables, Net	94.9%	94.2%	93.5%	87.8%	90.9%
Fund Balance with Treasury	4.9%	5.7%	6.3%	12.1%	9.0%
Remaining Assets	0.2%	0.2%	0.2%	0.1%	0.1%

Figure 11: Comparison of Assets
(Dollars in Billions)



	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
Credit Program Receivables, Net	$1,202.1	$1,169.6	$1,164.8	$858.3	$1,072.5
Fund Balance with Treasury	$62.6	$70.3	$79.2	$118.6	$106.9
Remaining Assets	$2.2	$2.1	$2.1	$0.9	$0.8
Total Assets	$1,266.9	$1,242.1	$1,246.1	$977.8	$1,180.2

Credit Program Receivables, Net. FSA's Credit Program Receivables, Net balance of $1,072.5 billion as of September 30, 2023, represents FSA's most important asset category and accounted for approximately 90.9% of Total Assets. FSA reports the total amount under the three major program categories of Direct Loan, FFEL, and Other, as illustrated in Figure 12 below and discussed more fully in the following sections.

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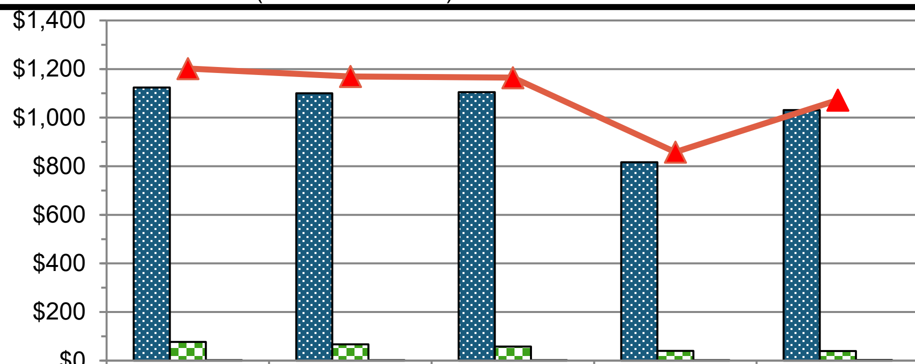
[7] Line items presented in the Figures and Tables throughout this section may include rounding adjustments to reconcile to the total amount being reported.

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



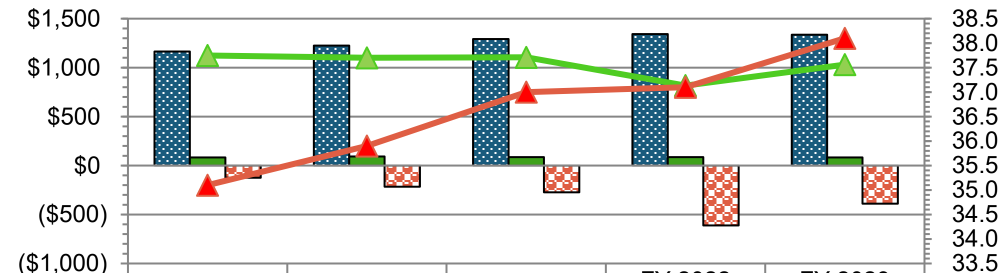
	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
Direct Loan Program	$1,123.7	$1,100.5	$1,104.9	$816.5	$1,030.9
FFEL Program	$76.8	$67.4	$58.2	$39.8	$39.3
Other Programs	$1.6	$1.7	$1.7	$2.0	$2.3
Total Loan Portfolio (Net)	$1,202.1	$1,169.6	$1,164.8	$858.3	$1,072.5

Figure 12 shows that over the five-year period from FY 2019–23, FSA's portfolio of Credit Program Receivables, Net decreased by $129.6 billion. The Direct Loan program accounted for most of this change and decreased by $92.8 billion. Also included in the $129.6 billion decrease was a $37.5 billion reduction in the FFEL portfolio.

The changes 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. Another contributing factor is the FY 2023 decrease in the allowance for subsidy of $224.7 billion and in FY 2022, an increase of $352.7 billion. Additional information on the allowance for subsidy is included in Note 5.

Direct Loan Credit Program Receivables, Net. Direct Loan Credit Program receivables continued to be the largest component of FSA's credit program receivable portfolio in FY 2023. As of September 30, 2023, the $1,030.9 billion Direct Loan portfolio ending balance accounted for 96.1% of FSA's total Credit Program Receivables, Net. The FY 2023 Direct Loan ending balance total includes $1,419.6 billion in principal, interest, and fees, with an allowance for subsidy of $388.7 billion. The FY 2023 $8.8 billion decrease in Direct Loan Receivables (before subsidy cost) was mainly driven by the decrease in the outstanding amount owed by borrowers.

Figure 13: Components of Direct Loan Receivables, Net[8]
(Dollars in Billions)



	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
Principal	$1,164.9	$1,224.8	$1,292.2	$1,341.8	$1,336.2
Accrued Interest	$83.3	$92.1	$86.5	$86.6	$83.4
Allowance for Subsidy	$(124.5)	$(216.4)	$(273.8)	$(611.9)	$(388.7)
Net Receivables	$1,123.7	$1,100.5	$1,104.9	$816.5	$1,030.9
Total Recipients	35.1	35.9	37.0	37.1	38.1

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. The figure shows the number of recipients corresponding to the outstanding loan portfolio at each fiscal year end. Recipients are students who benefit from the federal student loans. In most cases, a recipient is the borrower; however, for Parent PLUS loans, the parent is the borrower, and the student is the recipient. Figure 13 also shows that Direct Loan recipients grew from 35.1 million to 38.1 million over the five-year period.

Table 8 illustrates that from FY 2019 to FY 2023, outstanding principal increased from 103.7% to 129.6% of the net receivable balance, and accrued interest increased from 7.4% to 8.1% of the net receivable balance.

Table 8: Components of Direct Loan Credit Program Receivables, Net by Percentage

Direct Loan Component	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
Principal	103.7%	111.3%	117.0%	164.3%	129.6%
Accrued Interest	7.4%	8.4%	7.8%	10.6%	8.1%
Allowance for Subsidy	(11.1)%	(19.7)%	(24.8)%	(74.9)%	(37.7)%
Net Receivable	100.0%	100.0%	100.0%	100.0%	100.0%

The following is a summary of the COVID-19 emergency relief measures. 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 *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)* became law. The *CARES Act* provided for the above relief 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

[8] Recipient numbers come from the FSA Data Center or NSLDS® database. For more details, refer to Footnote 11.

emergency relief measures were extended through 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, pending the Supreme Court's decision on whether the Department would be permitted to implement the one-time student loan debt relief program. On June 7, 2023, The Department notified borrowers that student loan interest would resume on September 1, 2023, and payments would resume in October 2023.

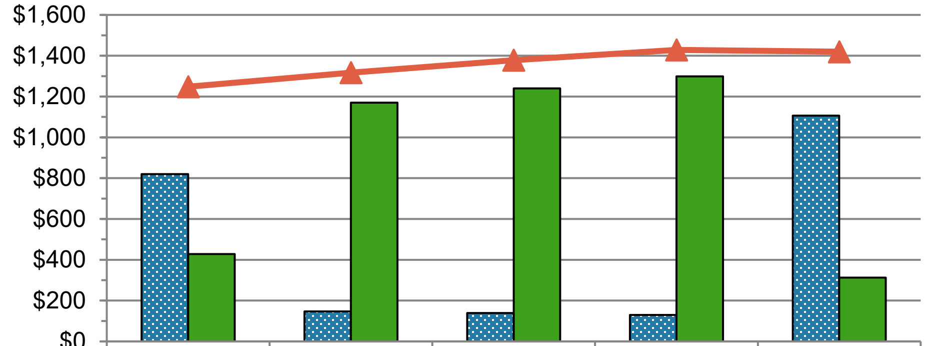
However, repayment of Federal PLUS Loans to parents begins within 60 days of full disbursement unless parents request a deferment from their loan servicer to delay the start of repayment until the end of the six-month grace period after the student graduates or drops below half-time enrollment. Direct PLUS Loans 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.

Figure 14[9] reflects FSA's portfolio of Direct Loans in two main categories based on repayment status. For the purpose of this discussion, 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.[10] 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.

[9] FY 2019 data are taken directly from the NSLDS database.

[10] 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
Principal and Interest Only
(Dollars in Billions)



	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
In Repayment	$820.1	$146.6	$138.8	$129.3	$1,106.8
Not in Repayment	$428.0	$1,170.3	$1,239.7	$1,299.2	$312.8
Total Direct Loan Portfolio	$1,248.1	$1,316.9	$1,378.5	$1,428.5	$1,419.6

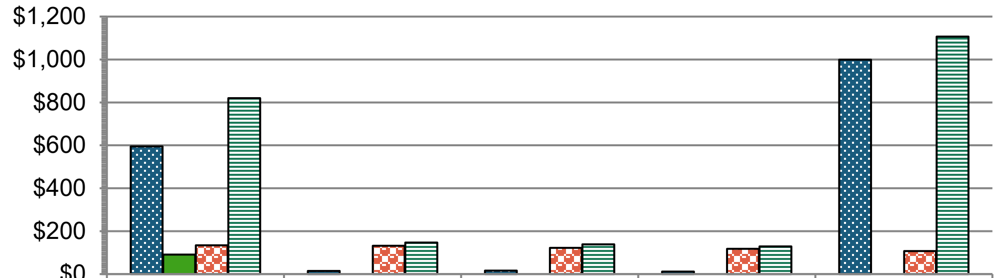
The temporary relief discussed above and beginning on March 20, 2020, resulted in significant and atypical shifts in the “In Repayment” and “Not in Repayment” classifications[11]. The September 30, 2023 balance of loans in repayment of $1,106.8 billion contrasts sharply with the $129.3 billion in repayment as of September 30, 2022. The significant increase in this segment from FY 2022 reflects the impact of the COVID-19 emergency measures and payment pause, which placed most borrowers into administrative forbearance until September FY 2023.

In Figure 15, the Direct Loan portfolio of “In Repayment” principal and interest has been subdivided into three categories, “Current”, “Delinquent”, and “Default/Bankruptcy/Other”. 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”.[12] The status continues to be tracked through the life of the loan until the loan is paid in full or otherwise closed out.

[11] See footnote 10.

[12] 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.

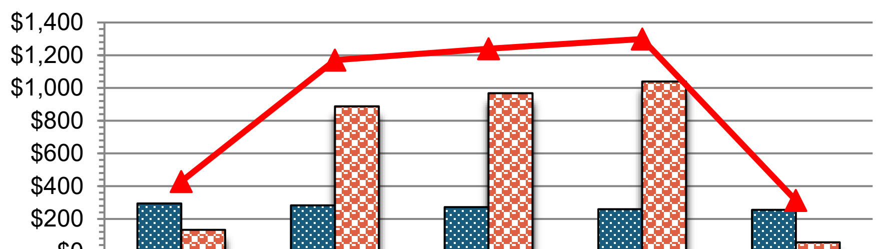
**Figure 15: Direct Loan Portfolio Segment in Repayment by Status[13]
Principal and Interest Only**
(Dollars in Billions)



	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
Current	$594.7	$14.7	$16.2	$11.8	$999.4
Delinquent	$90.9	$0	$0	$0	$0
Default/Bankruptcy/Other	$134.5	$131.9	$122.6	$117.5	$107.4
Total	$820.1	$146.6	$138.8	$129.3	$1,106.8

The portfolio of Direct Loan principal and interest receivables “Not in Repayment” is reflected in Figure 16[14] which subdivides this segment into two categories, “In School, Grace Period, and Education Deferments” and “Forbearance/Noneducation Deferments”. The “In School, Grace Period, and Education Deferments” declined from $259.5 billion in FY 2022 to $255.4 billion in FY 2023. The “Forbearance and Noneducation Deferments” segment decreased from $1,039.7 billion in FY 2022 to $57.4 billion in FY 2023.

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



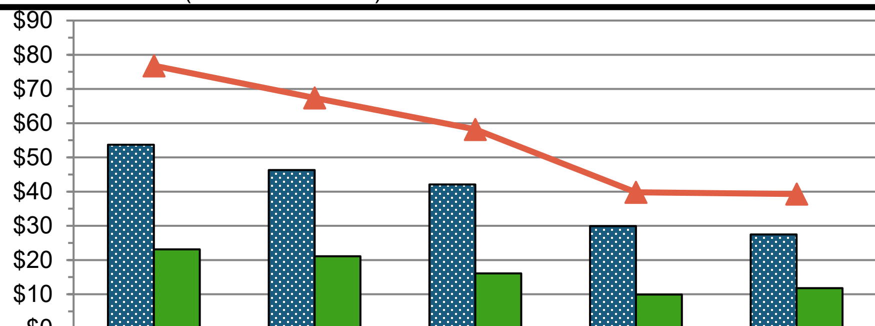
	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
In School, Grace Period, and Education Deferments	$294.8	$282.8	$271.9	$259.5	$255.4
Forbearance and Noneducation Deferments	$133.2	$887.5	$967.8	$1,039.7	$57.4
Total	$428.0	$1,170.3	$1,239.7	$1,299.2	$312.8

[13] See footnote 10.
[14] Ibid.

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*) loan programs, known collectively as the "FFEL Guaranteed" portfolio segment.

Figure 17 illustrates that the FFEL *ECASLA* portfolio segment remains the major component of the total FFEL portfolio of net credit program receivables. This segment decreased from $53.7 billion in FY 2019 to $27.5 billion as of September 30, 2023, primarily as a result of collections of principal and the impact of borrowers consolidating loans under the Direct Loan Program.

Figure 17: Total FFEL Loan Portfolio[15]
(Dollars in Billions)

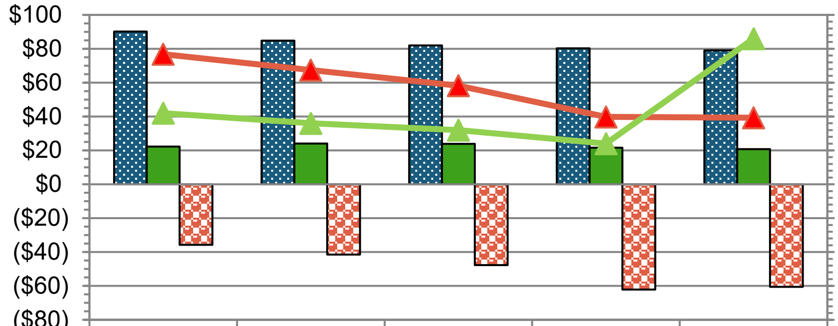


	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
FFEL ECASLA	$53.7	$46.3	$42.1	$29.9	$27.5
FFEL Guaranteed	$23.1	$21.1	$16.1	$9.9	$11.8
Total FFEL Portfolio	$76.8	$67.4	$58.2	$39.8	$39.3

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

FFEL receivables are further broken down into principal, accrued interest, and subsidy components as shown below in Figure 18[16].

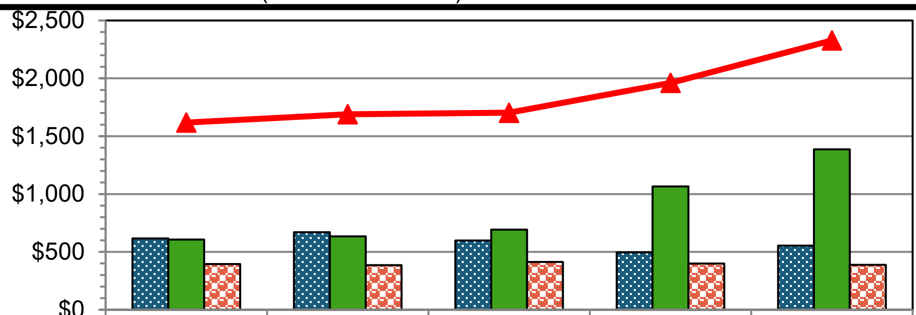
Figure 18: Components of FFEL Receivables, Net
(Dollars in Billions)



	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
Principal	$90.2	$84.8	$82.0	$80.3	$79.0
Accrued Interest	$22.3	$24.1	$23.9	$21.6	$20.8
Allowance for Subsidy	$(35.7)	$(41.5)	$(47.7)	$(62.1)	$(60.5)
Total Receivables	$76.8	$67.4	$58.2	$39.8	$39.3
Total Recipients	6.1	5.8	5.6	5.2	8.3

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 Receivables, Net that FSA reports on its balance sheet.

Figure 19: Other Credit Program Receivables Loan Portfolio
(Dollars in Millions)



	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
TEACH Grant Program	$616.0	$669.9	$597.9	$496.0	$554.0
Perkins Loan Program	$607.1	$634.3	$692.2	$1,066.0	$1,386.0
HEAL Program	$394.6	$386.0	$412.9	$399.0	$388.0
Total	$1,617.7	$1,690.2	$1,703.0	$1,961.0	$2,328.0

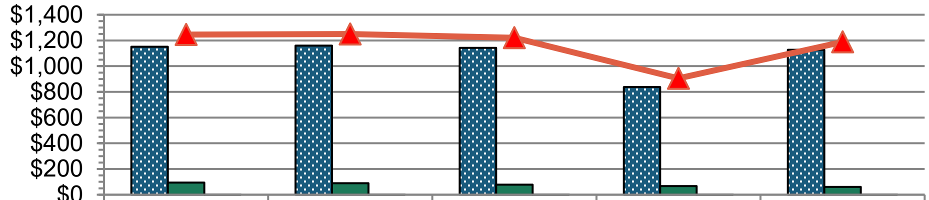
[16] Recipients in Millions for FY 2019 are based on data published by the FSA Data Center, at **StudentAid.gov/portfolio**. FY 2019 data are taken directly from the NSLDS database.

The Other Credit Program Receivables, Net, balance of $2.3 billion in FY 2023 accounted for 0.22% of FSA's total Credit Program Receivables, Net of $1,072.5 billion.

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, 2023, FSA had total liabilities of $1,209.5 billion as compared to $950.1 billion as of September 30, 2022.

Debt. FSA's debt associated with loans is the primary component of its liabilities. FSA's debt balance of approximately $1,188.5 billion as of September 30, 2023, is $283.5 billion greater than the FY 2022 amount. As shown in Figure 20, the Direct Loan Program, with a balance of approximately $1,127.0 billion comprises 94.8% of total debt.

Figure 20: Comparison of Debt
(Dollars in Billions)

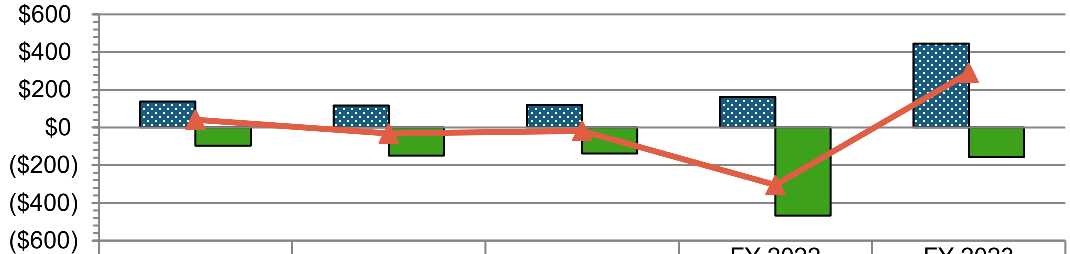


	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
Direct Loan Program	$1,150.6	$1,160.1	$1,142.2	$837.4	$1,127.0
FFEL Program	$94.7	$89.0	$78.2	$67.0	$60.9
Other Programs (TEACH)	$0.7	$0.7	$0.7	$0.6	$0.6
Total Debt	$1,246.0	$1,249.8	$1,221.1	$905.0	$1,188.5

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.

Direct Loan net financing activity (Figure 21) accounted for the $289.5 billion increase in FSA's outstanding debt.

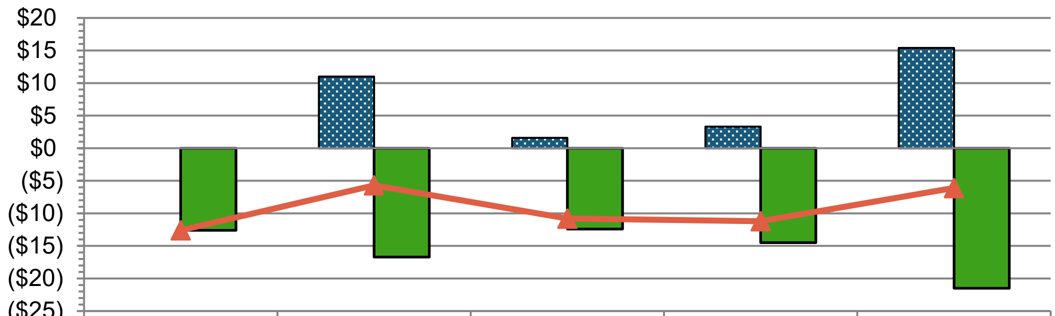
Figure 21: Direct Loan Program Net Financing Activity
(Dollars in Billions)



	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
Borrowing	$137.6	$116.9	$120.0	$162.8	$445.0
Repayments	$(96.1)	$(148.9)	$(137.9)	$(467.6)	$(155.5)
Net Change	$41.5	$(32.0)	$(17.9)	$(304.8)	$289.5

FFEL program net financing activity (Figure 22) accounted for the $6.1 billion decrease in FSA's outstanding debt.

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



	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
Borrowing	$-	$11.0	$1.6	$3.3	$15.4
Repayments	$(12.6)	$(16.7)	$(12.4)	$(14.5)	$(21.5)
Net Change	$(12.6)	$(5.7)	$(10.8)	$(11.2)	$(6.1)

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 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.

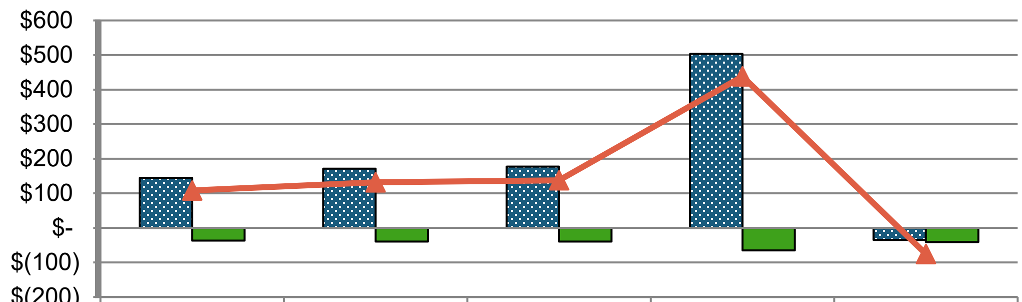
The Statement of Net Cost presented below provides a condensed summary of the significant balances in FSA's Statements of Net Cost over a five-year period, beginning with FY 2019. The table also shows the percentage change between the prior and current fiscal years as of September 30, 2022 and 2023, respectively.

Table 9: Statements of Net Cost
(Summarized)
(Dollars in Billions)

	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)	Difference	Percentage Change[17]
Gross Cost	$144.9	$171.2	$177.4	$503.0	$(34.7)	$(537.7)	(106.9)%
Less: Earned Revenue	(36.8)	(39.4)	(39.7)	(65.1)	(40.8)	24.3	(37.3)%
Net Cost of Operations	**$108.1**	**$131.8**	**$137.7**	**$437.9**	**$(75.5)**	$(513.4)	**(117.2)%**

As shown in Figure 23, FSA's gross costs significantly decreased from $144.9 billion in FY 2019 to ($34.7) billion in FY 2023, primarily as the result of subsidy-related transactions. FSA's earned revenues (mainly interest and fee accruals net of subsidy amortization) increased from ($36.8) billion in FY 2019 to ($40.8) billion in FY 2023. As a result, net cost of operations decreased from $108.1 billion in FY 2019 to ($75.5) billion in FY 2023.

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



	FY 2019	FY 2020	FY 2021	FY 2022 (Unaudited)	FY 2023 (Unaudited)
Gross Costs	$144.9	$171.2	$177.4	$503.0	$(34.7)
Earned Revenue	$(36.8)	$(39.4)	$(39.7)	$(65.1)	$(40.8)
Net Costs	$108.1	$131.8	$137.7	$437.9	$(75.5)

Statement of Changes in Net Position

The Statement of Changes in Net Position presents the 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, 2023, was ($29.2) billion, a decrease of $56.9 billion from the September 30, 2022 net position of $27.7 billion. Cumulative Results of Operations decrease by ($57.7) billion from ($9.5) billion in FY 2022 to ($67.2) billion in FY 2023. In addition, unexpended appropriations increased by $0.71 billion from $37.3 billion in FY 2022 to $38.0 in FY 2023.

[17] Refer to Footnote 6.

Statement of Budgetary Resources

The Statement of Budgetary Resources compares the budgetary resources provided with the status or execution of those resources. The statement details the composition of the resources and 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.

The statement shows that as of September 30, 2023, FSA had $787.4 billion in total budgetary resources as compared with $824.4 billion in budgetary resources as of September 30, 2022. Overall budgetary resources decreased by $37.6 billion.

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. 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. Funding from the CARES Act and *Coronavirus Response and Relief Supplemental Appropriations Act, 2021*, expired September 30, 2021, and September 30, 2022 respectively.

The *American Rescue Plan Act of 2021*, which was signed into law in March 2021, provided $91.1 million in relief funding. During FY 2023, FSA obligated $23 million prior to the *Fiscal Responsibility Act of 2023*, which permanently rescinded unobligated balances.

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 September 30, 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 was permitted to implement the debt relief program or the litigation was resolved. In June 2023, the U.S. Supreme Court did not rule in favor of the debt relief program. As a result, interest on student loans started in September 2023 and payments will begin in October 2023.

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[18]

FSA is responsible for establishing and maintaining effective internal control over reporting and the 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***.

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 2023, 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*.

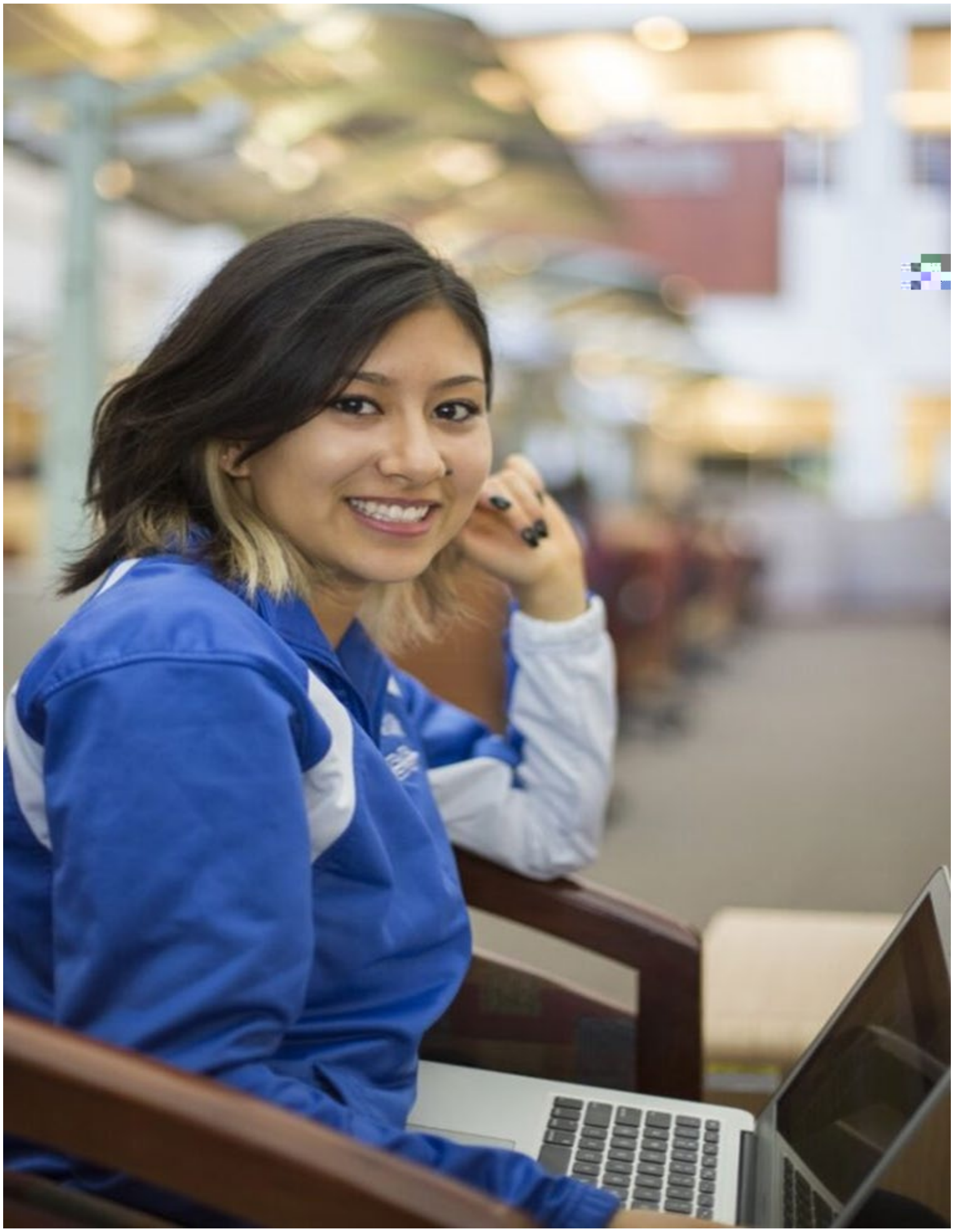
FSA's participation in the Department's implementation of the requirements of OMB Circular A-123, including Appendix A, enables it to continue to build upon its internal control framework. This framework will be used in continuing efforts to monitor and improve internal control. Please

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

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 2023 Annual Report* provides detailed performance information on FSA's progress in achieving the goals and objectives described in the *FY 2023–27 Strategic Plan*. The subsections of the **Annual Performance Report** are listed 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 2023–27 Strategic Plan*.
- **Performance Results by Strategic Goal:** This subsection details the results of each overall strategic goal by strategic objective and performance indicator. Each strategic objective provides an overview and a performance analysis, which includes noteworthy progress and focused improvement. Each performance indicator includes a table that presents five years of data results, where available, as well as its current target and results. The performance indicator section also includes a discussion of the indicator definition and performance period.
- **Understanding the Performance Results**
- **Fiscal Year 2023 Accomplishments of Federal Student Aid:** This subsection describes additional accomplishments that were not measured by the performance indicators 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.” The strategic plan outlines FSA’s strategic goals, objectives, and performance indicators. The *FY 2023 Annual Report* introduces the new *FY 2023–27 Strategic Plan*. This plan was developed to align with and support the Department’s overall strategic goals and objectives, as defined in the Department’s *FY 2022–26 Strategic Plan*.

The FSA FY 2023 *Annual Report* describes the accomplishments, challenges, and future plans to successfully achieve the goals set forth in the five-year strategic plan.

The FY 2023–27 strategic goals are:

- **Strategic Goal 1:** Improve Customer Service and Outcomes for Students and Borrowers
- **Strategic Goal 2:** Advance Equity and Access to Student Financial Assistance
- **Strategic Goal 3:** Strengthen Engagement and Accountability for Educational and Financial Institutions
- **Strategic Goal 4:** Increase Workforce and Workplace Capabilities
- **Strategic Goal 5:** Boost Operational Efficiency

FSA transitioned to the *FY 2020–24 Strategic Plan* to the current strategic plan. This plan enabled the organization to continue to focus on its vision to create a more student-focused, agile, and transparent organization. The plan, *FY 2023–27 Strategic Plan,* ensures that FSA will continue to improve upon its mission while increasing accountability in all areas of organizational performance.

The enactment of *FY 2023–27 Strategic Plan* closes out the *FY 2020–24 Strategic Plan* and realigns the organization priorities to the Department’s strategic current plan. In doing so, FSA continues to focus on its vision to create a more student-focused, agile, and transparent organization. The *FY 2023–27 Strategic Plan* ensures that FSA will continue to achieve its mission while increasing accountability in all areas of organizational performance. FSA will measure performance through a new set of performance indicators, listed in Tables 11-15, which align with the current strategic framework. Appendix A lists the indicators that were discontinued as a part of the old *FY 2020–24 Strategic Plan*.

FSA is required, by the PBO-enabling legislation, to report annually on its level of performance and the associated results. This section, the *Annual Performance Report (APR)*, 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**.

The performance indicators in the table below were continued from the *FY 2020-24 Strategic Plan*. See Appendix A for a listing of all the performance indicators that were discontinued.

Table 10: *FY 2020–24 and FY 2023–27 Strategic Plans* Performance Indicator Crosswalk

Performance Indicator Crosswalk			
FY 2020-24 Plan Performance Metrics		**FY 2023-27 Plan Performance Indicators**	
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.	**4.3.A**	Federal Employee Viewpoint Survey: Employee Engagement Index
2.2.G	Customer Satisfaction Survey(s) for StudentAid.gov site and associated tools.	**2.3.A**	StudentAid.gov Digital Satisfaction
2.4.B	Percentage of borrowers using auto-debit.	**1.1.B**	Percentage of borrowers using auto-debit.
2.4.C	Percentage of users who start and complete the Public Service Loan Forgiveness (PSLF) Help Tool by generating a PSLF form.	**1.1.C**	Percentage of borrowers submitting applications through the PSLF Help Tool.
3.1.A	FSA will annually conduct an Institutional Review for its participating partners including schools, third-party servicers, and financial institutions.	**3.1.A**	Review for participating partners that have been provisionally certified.
3.2.A	FSA will measure institutional participation rates in *Title IV* training and specialized technical assistance programs.	**3.3.A.**	Institutional participation rates in *Title IV* training and specialized technical assistance programs.

Performance Targets by Strategic Goals, Objectives, and Metrics

In FY 2023, FSA had 32 performance indicators. Of these, 14 indicators were met or exceeded, 1 indicator performed below the target, 16 indicators were baselined or did not have an established target and 1 indicator was not available before the publication of this Annual Report.

The following tables present the performance indicators and their respective targets under the applicable *FY 2023–27 Strategic Objective*. To read more about performance measurement and target changes in FY 2023, refer to the **Appendices** section.

Table 11: Strategic Goal 1: Improve Customer Service and Outcomes for Students and Borrowers

Strategic Objective 1.1: Simplify the student loan repayment process to reduce future delinquency and default rates and improve accessibility of loan forgiveness programs.	
Performance Indicators	**FY 2023 Target**
1.1.A Number of borrowers that received loan forgiveness.	Baseline
1.1.B Percentage of borrowers using auto-debit.	Baseline
1.1.C Percentage of borrowers submitting applications through the PSLF Help Tool.	Maintain or increase
Strategic Objective 1.2 Enhance the quality of contact center and loan servicing operations, leveraging data to assess progress toward customer service and product delivery standards.	
Performance Indicator	**FY 2023 Target**
1.2.A Percentage of contractor interactions reviewed that received a passing score.	Baseline
Strategic Objective 1.3 Engage with stakeholders to improve delivery of student aid.	
Performance Indicator	**FY 2023 Target**
1.3.A Surveys to third-party stakeholders.	Implement survey
Strategic Objective 1.4 Address complaints and inquiries regarding financial aid products and services.	
Performance Indicators	**FY 2023 Target**
1.4.A Timeliness of case handling.	Baseline
1.4.B Accuracy of business process operations.	Baseline
1.4.C Accuracy of first-level complaint response.	Baseline

Table 12: Strategic Goal 2: Advance Equity and Access to Student Financial Assistance

Strategic Objective 2.1: Enable financial education and empowerment by helping students and families understand the benefits and responsibilities of financing post-secondary education.	
Performance Indicator	**FY 2023 Target**
2.1.A Overall borrower satisfaction score for online counseling.	Baseline
Strategic Objective 2.2: Simplify the Free Application for Federal Student Aid (FAFSA®) process.	
Performance Indicator	**FY 2023 Target**
2.2.A Customer satisfaction survey score associated with completing the Free Application for Federal Student Aid®.	78
Strategic Objective 2.3: Provide accurate, seamless, easy, and customized interactions throughout the student aid lifecycle.	
Performance Indicators	**FY 2023 Target**
2.3.A StudentAid.gov Digital Satisfaction.	Maintain or increase
2.3.B StudentAid.gov Post-transaction Satisfaction.	Baseline
2.3.C Contract Center Satisfaction.	Baseline
2.3.D Email Campaign Helpfulness.	Baseline

Table 13: Strategic Goal 3: Strengthen Engagement and Accountability for Educational and Financial Institutions

Strategic Objective 3.1: Utilize a comprehensive suite of monitoring tools to oversee participating partners.	
Performance Indicator	**FY 2023 Target**
3.1.A Review for participating partners that have been provisionally certified.	40%
Strategic Objective 3.2: Build enforcement capabilities, in coordination with federal and state partners to protect students, families, and taxpayers from deceptive, fraudulent, or harmful practices in the student aid marketplace.	
Performance Indicator	**FY 2023 Target**
3.2.A Build and implement an FSA Enforcement Strategy that incorporates a risk model for identifying schools that pose risk to students and taxpayers.	Develop strategic plan
Strategic Objective 3.3: Provide inclusive and effective partner outreach, training, and technical assistance.	
Performance Indicator	**FY 2023 Target**
3.3.A Institutional participation rates in *Title IV* training and specialized technical assistance programs.	75-80%

Table 14: Strategic Goal 4: Increase Workforce and Workplace Capabilities

Strategic Objective 4.1: Promote workplace diversity, equity, inclusion, and accessibility.	
Performance Indicators	**FY 2023 Target**
4.1.A Federal Employee Viewpoint Survey Diversity and Inclusion Index: New Inclusion Quotient Index.	Baseline
4.1.B Percentage of qualified new hires and backfills coming from identified underrepresented workforce populations.	Baseline
4.1.C Percentage of underrepresented populations included in organizational talent acquisition, promotion, and development/training activities.	Baseline
4.1.D Percentage of employees participating in formal diversity, equity, inclusion, and accessibility efforts.	10-15% of total employee count
Strategic Objective 4.2: Attract, develop, and retain an agile workforce that can quickly respond to a changing environment and emerging priorities.	
Performance Indicator	**FY 2023 Target**
4.2.A Federal Employee Viewpoint Survey: Intrinsic Work Experience.	Baseline
Strategic Objective 4.3: Foster an organizational culture that promotes a productive, connected, and engaged workforce, particularly in a hybrid workplace environment.	
Performance Indicators	**FY 2023 Target**
4.3.A Federal Employee Viewpoint Survey: Employee Engagement Index.	Maintain or improve by 1%
4.3.B Federal Employee Viewpoint Survey: Leader Lead.	Maintain or improve by 1%
4.3.C Federal Employee Viewpoint Survey: Supervisors.	Maintain or improve by 1%

Table 15: Strategic Goal 5: Boost Operational Efficiency

Strategic Objective 5.1: Strengthen enterprise-wide data analytics and information management to foster a customer-centric, data-driven, performance-based organization.	
Performance Indicators	**FY 2023 Target**
5.1.A The Sum of Annual Data Maturity Assessment (DMA) for DMA Processing Areas.	56
5.1.B Successful maintenance and use of statistical models in *Title IV* operations.	8 total number of new and existing modeling initiatives
5.1.C Implement new Statistical Modeling Initiatives.	2 total number new initiatives
Strategic Objective 5.2: Continuously improve systems, structures, and operations to enhance organizational efficiency and performance.	
Performance Indicator	**FY 2023 Target**
5.2.A Operational Performance.	Investment portfolio aligned to key organizational drivers and current FY enacted appropriation. Investment portfolio achieves 75% of planned milestones. Organization/program risks are documented (Y/N)
Strategic Objective 5.3: Enhance procurement planning, management, and execution.	
Performance Indicators	**FY 2023 Target**
5.3.A Time-duration estimates for procurement-related tasks for use in Program Schedules.	Identify requisite tasks and durations for other procurement methods based upon law, regulation, policy, and historic performance
5.3.B Plan, develop and implement a new investment management process aligning acquisitions, budget, and human capital with program planning.	Planning
Strategic Objective 5.4: Improve cybersecurity detection, prevention, and protection ensuring data confidentiality, integrity, and availability.	
Performance Indicator	**FY 2023 Target**
5.4.A Cybersecurity Maturity-Level (OIG Maturity Levels)	60% at Level 3 or higher

Understanding the Annual Performance Report Section

The Annual Performance Report (APR) highlights FSA's efforts to deliver greater impact through innovation, increasing effectiveness and efficiency, and delivering better customer service along with the Department.[19]

How to read the Annual Performance Report. This section of the Annual Report is organized by FSA's five strategic goals. Each subsection provides an overview of the goal, the associated objectives, and performance indicators that support the strategic goal. Each section is structured in the following order:

- Strategic Goal Spotlight
- Strategic Objective Overview
- Performance Summary and Analysis
- Performance Indicator(s)
- Key Successes and Opportunities

The detail provided for each performance indicator is as follows:

- **Indicator Definition**: Provides a brief explanation of the indicator and explains the factors used to measure the indicator.
- **Period of Performance:** Indicates the time period of the data reference.
- **Table**: Identifies the performance indicator 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 indicator for each fiscal year reported. The following table is the legend for the performance indicator result.

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 indicator is a new or revised indicator and prior year results are not available.	**–**
Performance result is not applicable.	**N/A**

Note: The reported performance indicator results are as of the end of the fiscal year (September 30), unless otherwise noted. Data as of the end of the fiscal year may not be available in some instances, such as when the required data are obtained from external sources including state and private nonprofit guaranty agencies; lenders and loan servicers; and grant and loan recipients.

[19] OMB Circular 11_Part 6

Performance Results by Strategic Goals, Objectives, and Indicators

Strategic Goal 1: Improve Customer Service and Outcomes for Students and Borrowers

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

Table 17: Goal Objectives

Strategic Objective No.	Strategic Objective
Strategic Objective 1.1	Simplify the student loan repayment process to reduce future delinquency and default rates and improve accessibility of loan forgiveness programs.
Strategic Objective 1.2	Enhance the quality of contact center and loan servicing operations, leveraging data to assess progress toward customer service and product delivery standards.
Strategic Objective 1.3	Engage with stakeholders to improve delivery of student aid.
Strategic Objective 1.4	Address complaints and inquiries regarding financial aid products and services.

Goal Spotlight

FSA continues to implement various enhancements that will provide an improved customer experience for students and borrowers, resulting in positive repayment outcomes and reduced defaults.

Signature and Submission

The PSLF Help Tool, available on **StudentAid.gov**, helps borrowers determine whether they are eligible for PSLF, apply for forgiveness, and certify employment. Previously, a borrower would need to use the PSLF Help Tool to determine their eligibility; print and sign the PSLF Form & Temporary Expanded PSLF (TEPSLF) Certification & Application Form; have one or more employers sign the paper form; and submit the completed form by mail, fax, or by uploading their form to the PSLF servicer portal if their loans were already assigned to MOHELA. In April 2023, as part of the 6.2 Digital and Customer Care (DCC) Release, borrowers can, for the first time, fully complete the PSLF application process digitally with the help of the new digital signature and submission components of the PSLF Help Tool. The redesigned tool allows borrowers to:

- sign and submit the PSLF Form digitally on **StudentAid.gov**,
- identify employers that need to sign their PSLF Form and send requests for e-signature via DocuSign,
- track the status of their PSLF Form in their account's Status Center, and

- digitally sign and submit PSLF forms for processing and updates to a borrower's progress with the PSLF program.

PSLF Help Tool

FSA updated the PSLF Help Tool to increase transparency for borrowers and streamline the employer review process for the PSLF Servicer when an employer's eligibility changed over time. With the introduction of the new 'Split' employer eligibility status in the PSLF Help Tool, the Digital Platform will now display 'Undetermined' eligibility statuses for users whose period of employment overlaps with an undetermined period. This new view will allow borrowers to more clearly see which periods of their employment are inapplicable towards their PSLF qualification.

PSLF Regulatory Implementation

On November 1, 2022, the Department published final new regulations governing PSLF in the Direct Loan program. These regulatory changes included updates to the application process, definitions for full-time employment, qualifying employers, and qualifying monthly payments. On July 1, 2023, these new regulations for PSLF became effective and FSA's implementation efforts included updating processes, procedures, systems, and information for borrowers on these changes.

Strategic Objectives and Performance Indicators

Strategic Objective 1.1

Simplify the student loan repayment process to reduce future delinquency and default rates and improve accessibility of loan forgiveness programs.

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

Overview

FSA implemented customer and stakeholder outreach campaigns that provided repayment options and loan forgiveness information to better inform students and borrowers, resulting in positive repayment outcomes and reduced defaults. The campaigns included:

- The always-on email campaigns, such as TEDI, TPDR scam intervention, and borrower risk at time of disbursement aim to reduce future delinquency and default.
- Produced D2D files for PSLF and Account Adjustment, leading to full forgiveness for many borrowers and additional months of credit toward forgiveness for many others.
- Regularly supported policymakers at the Department, OMB, and Congress with analysis and modeling on options for the repayment process.
- Multiple email and short message service (SMS) outreach campaigns focusing on PSLF, return to repayment, Fresh Start, auto-debit, Supreme Court decision, and IDR plans, including the SAVE plan.

Performance Summary and Analysis

There are three performance indicators for this strategic objective. Two performance indicators completed a baseline assessment in FY 2023, which will be used to set targets for future years. One performance indicator met its FY 2023 target.

Performance Indicators

Performance Indicator 1.1.A: Number of borrowers that received loan forgiveness.

Indicator Definition: This performance indicator measures the number of total borrowers who receive loan forgiveness through the PSLF, Borrower Defense, TPD, and IDR Programs. Account Adjustment D2D forgiveness will impact the July 2023–June 2024 results for this Indicator.

Period of Performance: July 2022 through June 2023.

Table 18: Performance Indicator 1.1.A

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	1.32 million
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Performance Indicator 1.1.B: Percentage of borrowers using auto-debit**.**

Indicator Definition: This performance indicator measures the percentage of borrowers actively enrolled in auto-debit repayments. The numerator is the number of borrowers who are in a repayment status that the *Title IV* Additional Servicers (TIVAS) and Not-For-Profits (NFPs) report with the auto-debit bill type. The denominator is the total number of borrowers in the repayment plan universe: statuses of repayment, deferment, and forbearance. Bill type is reported with repayment plan, repayment term, and similar elements. Restricting to only repayment/delinquency status would be self-selecting, as borrowers using auto-debit are more likely to pay on-time. In any case, Return to Repayment will greatly reduce the numbers of borrowers in forbearance and will facilitate increases in auto-debit usage in coming years.

Period of Performance: Point in time, June 30 annually.

Table 19: Performance Indicator 1.1.B

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	24.8%	N/A	N/A	Baseline	20.9%
Performance Result	**N/A**	**Baseline**	**N/A**	**N/A**	**Baseline**	

Note: This indicator was paused during FY 2021–22 due to the COVID-19 pandemic. It was restarted and baseline in FY 2023.

Performance Indicator 1.1.C: Percentage of borrowers generating applications through the PSLF Help Tool.

Indicator Definition: This performance indicator measures the percentage of borrowers who start a PSLF form and save a completed PSLF form. The numerator is the number of authenticated users that initiate a PSLF form via the PSLF Help Tool. The denominator is the total number of authenticated users that generate a completed PSLF Form via the Help Tool.

Period of Performance: October 2022 through September 2023.

Table 20: Performance Indicator 1.1.C

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	34.5%	56.7%	Maintain or increase	60.5%
Performance Result	**N/A**	**N/A**	**Baseline**	**Met**	**Met**	

Key Successes and Opportunities

The limited PSLF waiver opportunity was introduced in FY 2022 on October 6, 2021, and ended on October 31, 2022. Beginning November 1, 2022, the “normal” program requirements resumed for PSLF and TEPSLF. In FY 2023, FSA implemented wind down efforts for the limited PSLF waiver with procedures, processes, updates to borrower communications, and reporting. While the limited PSLF waiver ended on October 31, 2022, borrowers are still receiving updates to their PSLF payment counts and forgiveness as PSLF forms are processed. As of mid-July 2023, more than 662,000 borrowers have been identified for $45.6 billion in forgiveness under the limited PSLF waiver.

With the introduction of PSLF e-signature and submission during FY 2023, FSA expects to see a continued increase in users who access the PSLF Help Tool and concluding the process by generating a completed PSLF form. The introduction of the e-signature and submission process has been the key driver in the increase for FY 2023.

Note that the limited PSLF waiver period (October 6, 2021 – October 31, 2022) caused a significant increase in the traditional Help Tool initiation volume.

Strategic Objective 1.2

Enhance the quality of contact center and loan servicing operations, leveraging data to assess progress toward customer service and product delivery standards.

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

Overview

FSA faced significant changes to the Direct Loan portfolio when contracted partners exited the program. These contract partners were responsible for servicing federal student loans by providing contact center operations, back-office processing (e.g., collecting payments and processing applications), and other administrative support associated with maintaining a federal student loan. In addition, there were several high-risk, high-profile regulations, and policy changes introduced, such as the FAFSA modernization, simplification, and IRS Financial Transaction data sharing initiative, IDR forgiveness policy, Fresh Start, and Return to Repayment for more than 40 million borrowers. As a result, FSA was responsible for overseeing, tracking, and remediating millions of federal student loans for each of these events. Oversight groups within FSA, with finite resources, were responsive to these events and implemented oversight methodologies to review borrower and loan status and servicers' process and outcomes to ensure regulations and requirements were being met and followed. FSA preciously set a framework for oversight which put a stronger focus on key performance indicators and contractual 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.

Performance Summary and Analysis

There is one performance indicator for this strategic objective. This performance indicator completed a baseline assessment in FY 2023, which will be used to set targets for future years.

In FY 2023, FSA's Vendor Oversight Group (VOG) conducted several thousand customer interaction quality monitoring for four Direct Loan servicing call centers. Due to staffing shortages and a substantial increase of call volume related to the Debt Relief program, Fresh Start, return to repayment, and the new SAVE Plan, the effective sample size for interaction quality monitoring was not reached. These customer interaction quality monitoring reviews are labor-intensive. These reviews require staff to listen and score borrower calls, review borrower accounts in loan servicer systems, thoroughly annotate the call, and conduct any follow-up actions that are needed to ensure the customer service representative properly handled the call. All customer interaction quality monitoring reviews conducted are final and all recommendations and/or corrective actions are being tracked and monitored.

Performance Indicator

Performance Indicator 1.2.A Percentage of contractor interactions reviewed that received a passing score.

Indicator Definition: The indicator measures the percentage of contractor interactions that were reviewed and received a passing score (95%) as defined in their Service Level Agreements.

Period of Performance: October 2022 through September 2023.

Table 21: Performance Indicator 1.2.A

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	98.1%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

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 meant that a significant portion of the Direct Loan portfolio would transfer to new servicers. The VOG was responsible for providing oversight for this process and focused on loan transfer reviews in FY 2022 and FY 2023.

In FY 2023, VOG finalized remediation plans for millions of student loans that were transferred (automated and manual) and closed out the transfers in September 2023. The oversight reviews were finalized in FY 2023 and, more than 500 transfer related issues were identified, remediated, and closed. VOG notified servicers of the final status through final reports.

In preparation of borrowers returning to repayment status, VOG conducted more than 900 secret shopper calls. Secret shopper calls involve VOG staff calling servicing call centers to ask representatives questions related to program changes, such as IDR plans and the new SAVE program, direct discharge on IDR and PSLF, along with other topics germane to return to repayment. VOG shared the results of the secret shopper calls with the FSA internal stake holders as well as the servicers.

In addition to all the oversight activities that VOG performed in FY 2023, VOG also prepared oversight activities for Return to Repayment in the fourth quarter of FY 2023. The team documented borrower and collaborative external partners concerns including IDR questions regarding payment calculations, due dates, and borrower defense status.

Targeted monitoring reviews of Servicing Level Agreements (SLAs) were implemented in FY 2022 and effectuated in FY 2023. The SLAs are contractual required performance criteria agreed upon by FSA vendors. These performance measures are intended to motivate vendors to provide high levels of service for FSA's customers. They also facilitate FSA in holding vendors accountable when performance falls short of expectations.

Escalated servicer issues where the item(s) are to be reported in VOG's Analytics, Compliance, Evaluation and Remediation System (ACERS), or as CAP referrals. ACERS items are also topics of discussion in touchpoints with vendors. Outstanding ACERS issues are reviewed regularly by the Vendor Management team and with the servicers and VOG as needed. There are multiple meeting forums where ACERS and CAPS are reviewed and discussed.

Strategic Objective 1.3

Engage with stakeholders to improve delivery of student aid.

Strategic Objective Leader: Ombudsman, Office of the Ombudsman

Overview

FSA's authorizing statute mandates consultation with stakeholders regarding their degree of satisfaction with the federal student aid delivery system, including aid disbursement, school satisfaction, and loan repayment. It also requires that FSA solicit stakeholder suggestions to improve federal aid delivery. The Ombudsman Office's Stakeholder Engagement Group helps to satisfy this obligation by regularly meeting with a variety of stakeholders in the form of listening sessions, briefings, and webinars. The group solicits feedback on the stakeholder experience by surveying meeting participants about key metrics.

- During FY 2023, the Stakeholder Engagement Group held more than 100 meetings with stakeholders, including state attorneys general, state student loan ombudsmen, legal aid organizations, research organizations, consumer advocacy groups that represent students and borrowers, civil rights groups, trade associations, and more.
- Following each listening session, the Stakeholder Engagement Group invited participants to complete a survey that collected feedback on FSA's delivery of student financial aid, as well as on its strengths, areas for improvement, responsiveness, and accessibility. During FY 2023, FSA received 23 responses to the survey. In assessing FSA's responsiveness to feedback, listening and valuing input, and accessibility, respondents rated the agency 8 out of 10.
- In late FY 2023, the Stakeholder Engagement Group updated the survey to better capture actionable feedback from stakeholders that identify areas in need of improvement. In FY 2024, the group will launch the new survey and explore methods to increase the response rate.

Performance Summary and Analysis

There is one performance indicator for this strategic objective. The performance indicator was baselined this performance year, which will be used to set targets for future years. Additionally, as the Stakeholder Engagement Group expands its efforts in outreach and financial literacy, it will implement new, targeted measurements to evaluate the effectiveness of those efforts.

Performance Indicator

Performance Indicator 1.3.A Surveys to third-party stakeholders.

Indicator Definition: This performance indicator measures the satisfaction of stakeholders in FSA's solicitation of their opinions, priorities, and view of the delivery of *Title IV* aid.

Period of Performance: October 2022 through September 2023.

Table 22: Performance Indicator 1.3.A

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Implement Survey	Survey Implemented
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Met**	

Note: The revised survey was completed in September 2023 and will be launched in FY 2024.

Key Successes and Opportunities

- The Stakeholder Engagement Group developed a new stakeholder engagement tracking system, which will be implemented in FY 2024 and will increase transparency on the number and type of engagements and stakeholder responses. The system will also centralize the data used to complete the annual performance report.
- During FY 2023, the Stakeholder Engagement Group expanded its engagement with underserved communities, including military families, communities of color, and persons with disabilities. In FY 2024, the group will work to expand its reach to ensure additional constituencies have their voice heard, including persons living in rural communities and LGBTQ+ students and borrowers.
- The survey of stakeholders is an inherently limited metric because it only collects opinions from those stakeholders who have an existing relationship with FSA through the Stakeholder Engagement Group. As such, survey results may provide an inflated view of FSA's delivery efforts (e.g., the survey only asks about accessibility to those who have access). In FY 2024, the Stakeholder Engagement Group intends to partner with FSA's Organizational Health and Impact team to robustly evaluate which populations are not well-represented through existing channels. The teams will explore opportunities to build out those relationships with the goal of identifying disconnects between *Title IV* program policy and its delivery.

Strategic Objective 1.4

Address complaints and inquiries regarding financial aid products and services.

Strategic Objective Leader: Ombudsman, Office of the Ombudsman

Overview

The Student Loan Ombudsman is an independent, statutory role, established in part to resolve complaints from student and borrowers. As such, the Ombudsman Office manages FSA's complaint system and directly handles escalated complaints from students and borrowers. The FSA Ombudsman works with a range of *Title IV* stakeholders, including loan servicers, Business Process Operations (BPO) vendors, other FSA business units, consumer advocates, and most importantly, student loan borrowers, to both resolve individual complaints and ensure FSA is reducing barriers that may impede student and borrower success.

In general, complaints received through the FSA complaint system are first routed to the entity against which the complaint is filed for an initial review and response. If the student or borrower is unsatisfied with that response, he or she may escalate the complaint to the Ombudsman Office for further review.

To achieve FSA strategic goal 1.4 and fulfill the Ombudsman's statutory obligations, the Ombudsman Office performed four functions in FY 2023:

- Dispute resolution – the investigation and resolution of individual, escalated complaints;
- Complaint research and analysis – the evaluation of complaint trends to inform identification of systemic breakdowns, organizational priorities, and recommendations for improvements;
- Complaint quality management – the oversight of the FSA complaint system and associated vendors to ensure a positive customer experience; and
- Stakeholder engagement – the promotion of FSA's resources, including the availability of the Ombudsman, within communities as a trusted resource for students and borrowers, and soliciting feedback about ways to improve the *Title IV* aid experience.

The Ombudsman Office is integrated with the broader FSA NextGen strategy to enhance the complaint management system and process. Beginning in October 2021, FSA made significant improvements to the visibility of its complaint tool, which resulted in a substantial increase in complaint submissions. That same year, as part of FSA's effort to modernize how it engages with aid recipients, it transitioned to a BPO vendor model. This transition included modifications to the intake, routing, and resolution of complaints. As a result of these changes, FSA developed specific performance metrics to assess the timeliness, quality, and accuracy of complaint handling operations beginning in FY 2023.

Performance Summary and Analysis

There are three performance indicators for this strategic objective. During FY 2023, these three indicators established baseline assessments which will be used to set targets for future years.

Performance Indicators

Performance Indicator 1.4.A Timeliness of case handling.

Indicator Definition: This performance indicator measures the number of cases that were closed in a timely manner.

Period of Performance: October 2022 through September 2023.

Table 23: Performance Indicator 1.4.A

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	78%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Note: FSA's goal is to close 95% of cases within 60 calendar days. In FY 2023, FSA closed 115,335 cases. Of those cases, 78% (90,327) met the 60-day case closure timeliness requirement. Of the 22% (25,008) that did not meet timeliness requirements, 54% (13,599) were processed by MOHELA. The high number of cases not meeting the requirement may be attributed, in part, to a backlog of complaints related to the limited PSLF waiver Program which ended in October 2022. Additionally, borrowers faced delays in receiving timely responses to their complaints following servicing transfers, particularly where receiving-servicers delayed loading account data onto their systems. FSA understands the importance of timely case closure and the Ombudsman monitors case timeliness regularly through both the Quality Management Program and regular reviews of Ombudsman staff casework.

Performance Indicator 1.4.B Accuracy of business process operations.

Indicator Definition: This performance indicator measures the accuracy with which Business Process Operations (BPO) populate the data fields and route the cases within Salesforce.

Period of Performance: October 2022 through September 2023.

Table 24: Performance Indicator 1.4.B

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	58%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Note: Due to resource constraints, specifically staffing shortages, the Ombudsman Office was unable to operationally stand up its internal quality management (QM) program until August 2023. The program is designed to establish, monitor, and evaluate the quality of vendor engagement and services across the complaint lifecycle. FSA's quality management program was able to fully perform one accuracy review of BPO vendors in FY 2023. To complete the review, FSA selected a sample of BPO cases and evaluated vendor performance in categorizing and triaging incoming cases. Because a case category and subcategory can change during the casework process, FSA limited sample selection to only cases categorized and worked by BPO vendors. The QM Group then selected a random sample of 1% of annual cases only worked by BPOs (747 cases) to review for accuracy. The QM Group also completed a 10% secondary quality review of the sample to ensure staff accurately evaluated the BPO vendor.

The QM Group determined that the BPO accuracy rate was 58%, meaning BPOs miscategorized cases approximately 42% of the time, which leads to significant issues in data quality and delayed responses to borrowers. During the review, FSA determined that several gaps to accurately measure and evaluate the quality of BPO and vendor performance exist. Specifically, the categories have not been updated to align with the current FSA operational environment, which is designed around task-based contracting. Combined with the overly cumbersome interface of the complaint system, the task-based pricing model prioritizes volume and speed over accuracy, which may result in BPO agents opting for the easiest-to-select category rather than the most accurate category.

Performance Indicator 1.4.C Accuracy of first-level complaint response.

Indicator Definition: This performance indicator measures the quality and accuracy of the complaint responses provided by FSA vendors.

Period of Performance: October 2022 through September 2023.

Table 25: Performance Indicator 1.4.C

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	32.1%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Note: As stated above, FSA did not implement the Ombudsman QM program until August 2023. FSA's quality management program completed one accuracy review of BPO vendors in FY 2023. To complete the review, FSA selected a sample of closed BPO and Direct Loan Servicer cases and evaluated vendor performance using a pre-established scorecard. During the review, FSA determined the scorecard does not meet the operational needs and performance expectations of the Ombudsman and will be revamped in early FY 2024. Going forward, FSA will continue to review for vendor accuracy and will develop additional monitoring and evaluation tools and an accountability framework that reflects the updated scorecard.

The QM Group sampled 154 BPO and 251 Direct Loan servicer closed cases during the month of September to review for quality. The QM Group determined that 63.6% of the BPO cases sampled did not meet the passing score of 85%, and 70.5% of servicer cases did not meet the passing score of 85%. Further, the QM group identified that in the main quality category, "Issue Resolution," was far below the target quality metrics.

A quality assurance score of 85% is based on the industry standard for quality assurance in customer satisfaction for call center monitoring and is utilized to gauge and lower the probability of customers reentering the FSA complaint system due to poor experience with issue resolution. Our current QA scoring evaluates services provided based on defined customer experience and case review compliance metrics. While the small sample size described above limits FSA's ability to infer trends or make holistic assessments about vendor performance, the findings did provide enough data to determine that prior quality monitoring efforts lacked the necessary rigor to establish appropriate interventions to the improve customer service experience.

Key Successes and Opportunities

In April 2023, FSA completed a systematic review of customer complaints processed by BPO vendors and determined that further improvements and enhancements to the complaint system were necessary to effectively respond to customer complaints and meet performance indicators. As a result, FSA initiated a multi-phase improvement effort which includes modernizing the complaint system operational flow, insourcing significant portions of complaint handling from BPO vendors to FSA, and establishing a quality management program to ensure accountability where vendors engage with customer complaints. FSA believes these improvements will resolve a long-standing organizational risk of outsourcing escalated complaint handling to vendors, improve customer response quality, decrease the number of reopened complaints, and reduce the annual operating costs associated with BPO vendors.

FSA is investing in modernizing its complaint case management and processing system, called the Feedback and Dispute Management System (FDMS). FSA has a longstanding goal of establishing a single point of entry for its customers. Therefore, to the greatest extent possible, the technical aspects of operations are housed in FSA's DCC system. FDMS is an independent "line of business" within the DCC platform. The first phase of the FDMS modernization effort is scheduled to be implemented in March 2024 and will include the automatic routing of complaint cases based on customer category selections. User-testing shows that automatic routing will improve case routing accuracy, while simultaneously reducing BPO operational costs. Additional improvements to case categorization, case layout, and internal workflows are planned for FY 2024, however remain contingent upon resource availability.

In addition to insourcing complaint processing, FSA has transitioned key complaint handling functions from BPOs to FSA staff. Since 2015, the Ombudsman Office has outsourced complaint research and resolution to vendors. FSA has identified this outsourcing as a risk to the agency, particularly in the BPO environment where vendors are often the same entities against which a customer is complaining. In June 2023, FSA began insourcing specific case types – escalations, disputes, and control mail – from BPO vendors to FSA staff. FSA believes insourcing complaint work will significantly increase the accuracy and quality of responses and improve the borrower experience. As of July 2023, all new escalated complaints were assigned to FSA staff and BPO vendors were only processing previously assigned cases. A second phase of case type insourcing will begin in FY 2024.

To support the monitoring and oversight of Strategic Objective 1.4, the Ombudsman instituted a Quality Management (QM) program in FY 2023 to promote and improve response quality and reduce the number of complaint escalations. The QM Group has identified multiple challenges with the current scorecard and oversight process and will make improvements in FY 2024.

The QM Group's challenges with the existing quality and accuracy analysis include:

- Preliminary analysis of the September sample revealed that the existing scorecard weights metrics in a manner that does not promote quality customer service. For example, a vendor could appropriately access the complaint system, but fail to substantively respond to the customer, and still receive a passing score. As a result, the vendor would be deemed to have satisfied the SLA, but FSA would not have achieved its customer service goals.

- An 85% quality score metric is not required within current SLAs but should be maintained to align with industry best practices and to ensure quality issue resolution and lower the probability of a customer reentering the FSA complaint system. Without increased performance standards for complaint handling, vendors will not prioritize investing in complaint resolution.
- Current analysis is based on a small sample size, and not significant to show trends or make assumptions about future vendor output. The analysis was significant enough, however, to reveal gaps with FSA's current scoring mechanism.

The QM Group will review an average of 500 case categorizations monthly and provide feedback and additional training to BPO vendors based on results. The sample will be monitored and adjusted when necessary to ensure a representative sample of the case population is consistently reviewed. Operationally, FSA will conduct monthly meetings with vendors to review issues, discuss opportunities for improvement, provide instruction to address frequent pain point areas, and develop additional guidance documents to correct case categorization issues. Additionally, as mentioned above, the Ombudsman Office is working to streamline the complaint system interface to improve vendors' ability to timely and accurately address complaints.

Strategic Goal 2: Advance Equity and Access to Student Financial Assistance

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

Table 26: Goal Objectives

Strategic Objective No.	Strategic Objective
Strategic Objective 2.1	Enable financial education and empowerment by helping students and families understand the benefits and responsibilities of financing post-secondary education.
Strategic Objective 2.2	Simplify the Free Application for Federal Student Aid (FAFSA®) process.
Strategic Objective 2.3	Provide accurate, seamless, easy, and customized interactions throughout the student aid lifecycle.

Goal Spotlight

Digital and Customer Care is a key initiative to drive performance towards achieving the strategic goal. Four significant releases in FY2023 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 customer satisfaction 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 include:

- Released the 2023-24 FAFSA form with FAFSA Simplification updates.
- Released the Student Loan Debt Relief Application in support of the Administration's student debt relief plan. While the Supreme Court issued a decision blocking the Department from moving forward with this plan, the application demonstrated FSA's ability to rapidly deliver a customer-focused and effective form.
- Updated the PSLF Help Tool to provide borrowers with e-signature and submission functionality.
- Released new IDR application that integrates with IRS' Federal Tax information capability and supports borrower enrollment in the new SAVE IDR plan.
- Updated Borrower Defense, PSLF, and TEPLSF forms based on regulatory changes.
- Provided borrowers with the ability to view the status of their IDR application, loan consolidation application, and PSLF form in their Dashboard and My Activity.

In addition to the updates to the Digital Platform, 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 planning for returning to student loan payments.

Strategic Objectives and Performance Indicators

Strategic Objective 2.1

Enable financial education and empowerment by helping students and families understand the benefits and responsibilities of financing post-secondary education.

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

Overview

StudentAid.gov is FSA's primary customer-facing website that provides critical information and tools for students, families, and borrowers as they prepare and plan for college, apply for and receive federal student aid, and repay student loans. For this reason, StudentAid.gov plays a critical role in supporting the Department's and FSA's strategic goals and priorities. FSA supported multiple releases in FY 2023 that expanded and improved the features and capabilities of StudentAid.gov.

Performance Summary and Analysis

There is one performance indicator for this strategic objective. Overall borrower satisfaction score for online counseling measure baselined its annual indicator target.

Performance Indicator

Performance Indicator 2.1.A: Overall borrower satisfaction score for online counseling.

Indicator Definition: This performance indicator will measure borrower comprehension and satisfaction with the different online counseling (i.e., Annual Student Loan Acknowledgement, Entrance Counseling, Exit Counseling, Teacher Education Assistance for College and Higher education (TEACH), and Parent Loan for Undergraduate Students (PLUS) Credit Counseling).

Period of Performance: October 2022 through September 2023.

Table 27: Performance Indicator 2.1.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	90
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Key Successes and Opportunities

FSA paid close attention to user feedback in reviews pertaining to the various online counseling tools found on **StudentAid.gov** and their functionality (Annual Student Loan Acknowledgment, Entrance Counseling, Exit Counseling, TEACH, and Parent Loan for Undergraduate Students (PLUS) Credit Counseling). Based on the feedback FSA received, FSA continues to improve these counseling tools by enhancing the user experience and clearly communicating the information presented to borrowers. FSA's commitment to producing high-quality tools is evident by the positive feedback and exceptional scores received from valued users, as reflected in this year's annual report.

Strategic Objective 2.2

Simplify the Free Application for Federal Student Aid (FAFSA®) process.

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

Overview

Getting students, parents, and counselors around the country focused on increasing completions of the FAFSA form for the 2023–24 academic year remains a top priority for FSA. 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 the United States. FSA encouraged high-school seniors and their families to complete the 2023–24 FAFSA form. FSA worked with individual states, counselors, mentors, and college access professionals on initiatives to improve FAFSA completion rates.

FSA 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.

Performance Summary and Analysis

There is one performance indicator for this strategic objective. The customer satisfaction survey score associated with completing the FAFSA measure met its annual indicator target in FY 2023.

Performance Indicator

Performance Indicator 2.2.A: Customer satisfaction survey score associated with completing the Free Application for Federal Student Aid®.

Indicator Definition: This performance indicator measures the applicant's satisfaction with completing the Free Application for Federal Student Aid®.

Period of Performance: October 2022 through September 2023.

Table 28: Performance Indicator 2.2.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	78	80
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Met**	

Key Successes and Opportunities

Through customer listening sessions, questions from customers via Aidan (chatbot), and survey responses, FSA heard loudly that customers were struggling to find their Student Aid Report (SAR). As a result, FSA moved the “View SAR” button to be the first option on the My FAFSA page.

Additional changes made as a result of customer listening include changing the order of the "Renew My FAFSA Form" and "Start a New FAFSA Form" buttons, making it more intuitive to renew the form (and thereby answer fewer questions), ensuring that unauthenticated users have a better user experience by providing a more direct route to the FAFSA form once they have logged in, and providing additional guidance to students who are experiencing housing insecurity on how to apply for federal aid.

Strategic Objective 2.3

Provide accurate, seamless, easy, and customized interactions throughout the student aid lifecycle.

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

Overview

FSA has continued to monitor and improve the customer channels across the student aid lifecycle. Channels that we have worked on include **StudentAid.gov**, our contact process operations (BPO) vendors, and Marketing Communications Platform (MCP). FSA continued to consolidate and improve services on **StudentAid.gov**, make data-informed improvements to our BPO operations, and deliver key customer outreach campaigns and communications at scale. By leveraging insights based on available data (as well as customer listening and usability research), FSA has been able to make informed decisions on our features and communications.

Performance Summary and Analysis

There are four performance indicators for this strategic objective. One measure (2.3.A StudentAid.gov Digital Satisfaction) met the annual indicator target. Three measures (2.3.B StudentAid.gov Post-transaction Satisfaction, 2.3.C Contact Center Customer Satisfaction, and 2.3.D Email Campaign Helpfulness) were baseline for the FY 2023 annual performance year. FSA expects to meet or exceed these indicators in the following year based on improvements that have been made to key customer flows in FY 2023, such as the IDR application and loan consolidation application. The Email Campaign Helpfulness consisted of high priority and time sensitive communications. FSA informed our borrowers on updates and reminders regarding returning to repayment, IDR plans, debt relief, as well as the pages and information that may be relevant to our students, parents, and borrowers. A good portion of the larger campaigns were around Return to Repayment and IDR Plans which may adversely affect scores.

Performance Indicator

Performance Indicator 2.3.A: StudentAid.gov Digital Satisfaction.

Indicator Definition: This performance indicator measures customers' overall satisfaction with [StudentAid.gov](https://studentaid.gov).

Period of Performance: October 2022 through September 2023.

Table 29: Performance Indicator 2.3.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	No survey developed	Developed survey	3.6	Maintain or increase	72
Performance Result	**N/A**	**Not met**	**Not met**	**Baseline**	**Met**	

Note: For 2.3.A, FSA will still ask customers for their satisfaction on a 5-point scale; however, for reporting purposes, FSA will then convert the score to 0-100 using the following formula: Formula: x = ((Y/100)*4) + 1 x = 1-5 scale# Formula: Y = ((x - 1)/4)*100 Y = 0-100 scale#. The FY 2022 converted version will be 66. Based on the converted score, FSA met the target for FY 2023.

Performance Indicator 2.3.B: StudentAid.gov Post-transaction Satisfaction.

Indicator Definition: This performance indicator measures customers' overall satisfaction after completing a transaction on [StudentAid.gov](https://studentaid.gov).

Period of Performance: October 2022 through September 2023.

Table 30: Performance Indicator 2.3.B Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	83
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Performance Indicator 2.3.C Contact Center Customer Satisfaction.

Indicator Definition: This performance indicator measures customers' overall satisfaction based on their interactions with FSA contact centers that are operated by BPO vendors.

Period of Performance: October 2022 through September 2023.

Table 31: Performance Indicator 2.3.C Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	71
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Performance Indicator 2.3.D Email Campaign Helpfulness.

Indicator Definition: This performance indicator measures the helpfulness of FSA's email campaigns as rated by customers who receive campaign emails.

Period of Performance: October 2022 through September 2023.

Table 32: Performance Indicator 2.3.D Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	79
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Key Successes and Opportunities

StudentAid.gov Digital and Post Transaction Satisfaction: StudentAid.gov and the products it supports leverage customer feedback through surveys, usability testing, and other mechanisms to inform improvements. In FY 2023, many improvements were made to StudentAid.gov that improved the user experience. The following are some highlights:

- Updated the PSLF Help Tool to provide borrowers with e-signature and submission functionality.
- Released new IDR application that integrates with IRS' Federal Tax information capability and supports borrower enrollment in the new SAVE IDR plan.
- Provided borrowers with the ability to view the status of their IDR application, loan consolidation application, and PSLF form in their Dashboard and My Activity.
- Improved website navigation.
- Delivered more than 120 smaller improvements.

As a result of these improvements, StudentAid.gov saw a significant improvement in its digital satisfaction score from last year increasing from 66 to 72, and it maintained its high post transaction satisfaction score.

Contact Center Customer Satisfaction: 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 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 following are some highlights:

- The overall trend for customer experience scores remained strongly positive with satisfaction improving 3 points (on 100-point scale) from the prior fiscal year.
- Agent performance, time on the phone, and trust in information provided continued to score strongly.

- Reduced hours of operation from April 2023, BPO's continued to successfully handle customer interactions with a positive experience.

FSA has observed opportunities for improvement such as our ability to deliver training to BPO agents to optimize customer satisfaction and resolution in all channels of service. Additionally, FSA frequently engages with BPO vendors to ensure escalation of regular or recurring issues to provide guidance on assistance with customer interactions, which provide clarity to the customer and improved information exchange.

Email Campaign Helpfulness: One of the main priorities for the Marketing and Communications Team was Debt Relief and Return to Repayment information. FSA informed its borrowers on updates and reminders regarding debt relief, as well as the pages and information that may be relevant to the students, parents, and borrowers. FSA had several opportunities to utilize some of the actionable customer feedback to make improvements to its email such as, incorporating clarifying and relevant information for the borrowers regarding repayment information. One area of opportunity that FSA can do as it relates to the Return to Repayment emails would be its larger communications. Based on feedback from borrowers, the main items that they would like to see is around personalization and segmentation. FSA will look to see if there are any additional data points that it has at its disposal to make the communications more relevant in the future.

FSA sent out several communications promoting the renewal of FAFSA applications for the fiscal year. One of the top goals for the communications is to increase the awareness of the 2023–24 FAFSA, as well as encourage borrowers to complete the form. FSA's efforts with the Winter Renewal campaign have proven successful with a combined score of 84/100 for email helpfulness.

One area of opportunity that FSA can look at is around the seasonality of FAFSA campaigns beyond the Fall and Winter student aid deadlines. One of the campaigns that FSA has sent was sent closer to the Spring period, which may be too late given some of the major state deadlines have passed. One way that the organization can improve is to see if it can align the Spring Renewal sends closer to major deadlines to encourage and remind borrowers on renewing their FAFSA if they have not already.

Strategic Goal 3: Strengthen Engagement and Accountability for Educational and Financial Institutions

Goal Leaders: Deputy Chief Operating Officer, Office of Partner Participation and Oversight (Strategic Objectives 3.1 and 3.3)
FSA Chief Enforcement Officer (Strategic Objective 3.2)

Table 33: Goal Objectives

Strategic Objective No.	Strategic Objective
Strategic Objective 3.1	Utilize a comprehensive suite of monitoring tools to oversee participating partners.
Strategic Objective 3.2	Build enforcement capabilities, in coordination with federal and state partners to protect students, families, and taxpayers from deceptive, fraudulent, or harmful practices in the student aid marketplace.
Strategic Objective 3.3	Provide inclusive and effective partner outreach, training, and technical assistance.

Goal Spotlight

Strategic Goal 3 is focused on how FSA assists schools, third-party servicers, and financial institutions to deliver federal student aid and safeguard data integrity. FSA provides training and technical assistance, as well as conducts oversight, monitoring, and enforcement to ensure these institutions understand and comply with *Title IV* requirements and other relevant laws, in addition to the terms of their Partner Participation Agreements. FSA has gauged its performance in these areas using three performance indicators that target each strategic objective. FSA has met or exceeded each of its Goal 3 strategic objective performance indicators for FY 2023.

FSA's Office of Partner Participation and Oversight (PPO) is responsible for administering a program of eligibility, certification, financial analysis, and oversight of schools participating in *Title IV* programs. PPO used a comprehensive suite of monitoring tools to ensure schools appropriately administered *Title IV* programs by conducting comprehensive compliance reviews for certification actions, deficient audit resolutions, flagged financial statements, program reviews, method of payment actions, and technical assistance. In FY 2023, FSA's School Eligibility and Oversight Service Group (SEOSG) conducted oversight reviews for more than 2,130 educational institutions.

FSA is committed to continuing to build its investigative and enforcement capabilities. The 2021 reestablishment of a stand-alone Enforcement Office, led by a chief enforcement officer reporting directly to the Chief Operating Officer, was the first step in a re-dedicated effort at FSA to further prioritize school oversight and accountability. Since then, FSA has built that office through the hiring of additional high-quality staff, expanded the capacity to conduct investigations and adjudicate borrower defense claims, developed a data-driven model to assess risk and inform the allocation of enforcement resources, and enhanced its communications with schools using tools such as Enforcement Bulletins. FSA has also deepened coordination with state and federal enforcement partners to protect borrowers, their families, taxpayers, and the *Title IV* program while safeguarding public investment in higher education.

Strategic Goal 3 also highlights FSA's responsibility for providing high quality training products and technical assistance services to Institutions of Higher Education (IHEs), third-party servicers, auditors, and participating school business officers. Its extensive online training system, the FSA Training Center **(fsatraining.ed.gov),** provided training and technical assistance services to more than 28,000 individual staff from more than 4,500 IHEs. This represents 84% of all *Title IV* participating institutions. FSA also supported training, outreach, and executive engagement through national, regional, and state level conferences along with focused support for minority-serving institutions (MSIs) and under-resourced institutions.

FSA has continued to be responsive in disaster 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.

The remainder of this section provides additional details of FSA's efforts in accomplishing Strategic Goal 3 to Strengthen Engagement and Accountability for Educational and Financial Institutions.

Strategic Objective 3.1

Utilize a comprehensive suite of monitoring tools to oversee participating partners.

Strategic Objective Leader: Director, Partner Eligibility and Oversight Services, Office of Partner Participation and Oversight

Overview

To safeguard *Title IV* funds on behalf of students and taxpayers, FSA provides an effective, compliant student aid delivery process and a program of partner oversight and monitoring. These efforts are aimed at reducing program risks by monitoring the performance of participating partners such as schools, third-party servicers, and financial institutions, as well as assessing their compliance with program participation requirements. FSA performs this oversight by using a comprehensive suite of monitoring tools to review participating partner compliance. The expansive set of monitoring tools includes:

- *Title IV* compliance audit reviews and resolutions
- Institution financial health ratio analyses and periodic financial reporting reviews
- *Title IV* program reviews encompassing assessments of administrative capability, policies, and procedures
- Calculation and distribution of cohort default rates
- Comprehensive Compliance Reviews (CCRs)

Performance Summary and Analysis

There is one performance indicator for strategic objective 3.1. FSA measures its performance through its use of Comprehensive Compliance Reviews (CCRs) to evaluate participating educational institutions that are experiencing potential problems in the administration and management of *Title IV* funds. Reviews are triggered by oversight events such as recertification, initial applications, reinstatement of *Title IV* eligibility, deficient annual audits, flagged annual financial statements, and risk-based program review candidate assessments. Strategic Objective 3.1 measures FSA’s completion of CCRs to evaluate high-risk partners as defined by their provisional certification status. In FY 2023, there were 889 institutions in a provisionally certified status. FSA conducted CCRs on 591 of those representing 66.5 percent of provisionally certified institutions.

Performance Indicator

Performance Indicator 3.1.A: Review for participating partners that have been provisionally certified.

Indicator Definition: This indicator measures the completion rate of holistic comprehensive compliance reviews of provisionally certified institutions.

Period of Performance: October 2022 through September 2023.

Table 34: Performance Indicator 3.1.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	51%	62.6%	80%	40%	66.5%
Performance Result	**N/A**	**Met**	**Met**	**Met**	**Met**	

Note: To assess FSA's progress toward achieving Strategic Objective 3.1 during the *FY 2023–27 Strategic Plan* period, FSA established cumulative annual targets for completing CCRs for all provisionally certified partners. The annual target goal during the first year of the *FY 2023–27 Strategic Plan* was for FSA to complete CCRs for at least 40% of provisionally certified partners during FY 2023. For the second and third fiscal years of the *FY 2023–27 Strategic Plan*, FSA's annual target goals are to complete CCRs for 60% of provisionally certified partners during FY 2024 and 80% during FY 2025. FSA intends to complete CCRs for 90% of provisionally certified partners during FY 2026 and 100 percent by the end of FY 2027.

Key Successes and Opportunities

FSA far exceeded the FY 2023 annual target goal for completing CCRs on at least 40% of provisionally certified partners during the first year of the *FY 2023-27 Strategic Plan* period. FSA's strong performance ensured that more than 65 percent of provisionally certified partners received a Comprehensive Compliance Review during FY 2023. This ensured that FSA maintained greater attention and focus on its provisionally certified partners as these institutions may pose greater risk. This result also provides a margin against potential adversity in future fiscal years while FSA:

- deploys new enabling technologies and implements new regulations,
- launches new programs and capabilities to deliver additional types of *Title IV* oversight such as for the proposed Gainful Employment regulations,
- navigates challenging shortfalls in requested appropriations and staffing levels, and
- manages staffing challenges related to retirements and other planned change within the Department.

Strategic Objective 3.2

Build enforcement capabilities, in coordination with federal and state partners to protect students, families, and taxpayers from deceptive, fraudulent, or harmful practices in the student aid marketplace.

Strategic Objective Leader: Chief Enforcement Officer, Enforcement Office

Overview

Since the Enforcement Office (Enforcement) was reestablished in 2021, Enforcement has been proactively working to build additional investigative and enforcement capabilities to bolster oversight of schools and their service providers. The goal of these efforts is to identify and address conduct that is deceptive, fraudulent, or otherwise violates the laws and regulations governing the *Title IV* program, and that imposes significant costs on students, families, and taxpayers. The stand-alone Enforcement Office includes the Borrower Defense Group (BDG), the Investigations Group (Investigations), the Administrative Actions and Appeals Service Group (AAASG), and the Resolution and Referral Management Group (RRMG).

Enforcement is responsible for certain FSA core work, including certain statutory, regulatory, judicially, and otherwise-required duties and functions. This includes proper and timely resolution of student complaints (through RRMG), initiation and timely resolution of investigations where appropriate (through Investigations), proper and timely resolution of referrals for adverse and administrative actions (through AAASG), and proper and timely resolution of borrower defense applications (through BDG).

In addition, Enforcement developed and is implementing a strategic plan to inform the build of the office. This plan includes five strategic imperatives including:

- **BUILD.** Build and grow a robust, dedicated, and modern Enforcement Office within FSA, capable of meeting the demands of the ever-changing higher education community and risk landscape.
- **PROTECT.** Develop and employ the full range of Enforcement's authorities to deter predatory institutional and individual misconduct, strengthen oversight of high-risk institutions, improve institutional and individual accountability, and provide resolution or relief, where appropriate, for those harmed by predatory misconduct.
- **PRIORTIZE AND MODERNIZE.** Efficiently utilize resources and prioritize activities through the use of modern technology and data-driven approaches to our work.
- **PARTNER.** Maximize and share resources, capabilities, and expertise through partnership and collaboration, including within Enforcement, FSA, and the Department and with other state/federal enforcement agencies and partners.
- **COMMUNICATE.** Enhance communication and transparency of Enforcement's authorities and activities with the public, policymakers, the higher education community, and other stakeholders.

Performance Summary and Analysis

There is one performance indicator for this strategic objective. The performance indicator target was met. The FSA Enforcement Strategic Plan, developed in FY 2023, guides Enforcement's priorities and resource allocation, and is contributing to the build of an effective and resilient office.

Performance Indicator

Performance Indicator 3.2.A: Build and implement an FSA Enforcement Strategic Plan that incorporates a risk model for identifying schools that pose risk to students and taxpayers.

Indicator Definition: Identify and provide a Strategic Plan to guide and inform the work and priorities of the Enforcement Office.

Period of Performance: October 2022 through September 2023.

Table 35: Performance Indicator 3.2.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Develop Strategic Plan	Strategic Plan completed
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Met**	

Key Successes and Opportunities

In addition to developing a strategic plan, Enforcement has completed several initiatives in support of the plan's strategic imperatives including:

Build:

- Enforcement onboarded 26 new staff in FY 2023.
- Enforcement implemented a plan to update policies and procedures that guide the office's work.

Protect:

- Enforcement opened new investigations into schools and their service providers where risk indicators suggested potential violations.
- Enforcement developed a robust suite of investigative tools, including a secret shopper program and a tip line.
- Enforcement developed findings to support BDG discharges and common findings related to schools.

Prioritize and Modernize:

- Enforcement developed a data-driven model to assess risk of violations that could impose significant harm to students, families, and taxpayers.

- Enforcement integrated FSA complaint data into its risk scoping.

Partner:

- Enforcement strengthened FSA's relationships with federal and state partners, including the Federal Trade Commission, Consumer Financial Protection Bureau, Department of Defense, Department of Veterans Affairs, and state attorneys general through the Principles of Excellence Working Group pursuant to Executive Order 13607, *Establishing Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members*.
- Enforcement entered into information sharing agreements with partners, where appropriate and supported by a common interest in investigations of potential legal, regulatory, and contractual violations arising under agencies' respective authorities.

Communicate:

- Enforcement updated the Borrower Defense webpage with substantive information about the borrower defense application and process to help potentially impacted borrowers understand how to file an application.
- Enforcement issued four public bulletins in FY 2023.
- The first bulletin announced a new avenue for knowledgeable sources to submit tips and information directly to the Enforcement Office about potential violations of the laws and regulations governing the federal student aid programs.
- The second bulletin announced that FSA will use secret shoppers as an additional tool to monitor schools' *Title IV* compliance. Secret shoppers will evaluate recruitment, enrollment, financial aid, and schools' other practices to help identify potentially deceptive or predatory practices used to recruit and enroll students.
- The third bulletin clarified that nondisclosure agreements that prohibit or limit employee communication with the Department violate *Title IV* regulations.
- The fourth bulletin reminded schools to ensure programs are properly accredited before disbursing funds.

In meeting the annual target goal for Strategic Objective 3.2.A, Enforcement encountered several challenges and opportunities including:

- Difficulty hiring staff quickly enough to meet requirements including increased investigations and implementation of the *Sweet v. Cardona* settlement. To supplement and speed-up the hiring process, Enforcement assigned attorneys as subject matter experts to assist Human Resources (HR) with screening applicants for the substantive and educational experience requirements for hundreds of applications. FSA also contracted with a vendor to provide a dedicated HR resource to further mitigate this problem.
- Uncertainty regarding the Department's authority to require individuals to provide oral testimony under oath. This is currently being reviewed and considered to enhance effective oversight.

Strategic Objective 3.3

Provide inclusive and effective partner outreach, training, and technical assistance.

Strategic Objective Leader: Director of Partner Outreach and Communication, Office of Partner Participation and Oversight

Overview

FSA has experienced an unprecedented demand for training and support resources due to legislatively driven regulatory and policy changes. FSA has risen to that challenge by redesigning and reengineering its offerings for 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 2023 saw a small return to in-person technical assistance site visits and a significantly increased use of webinars and training delivered virtually via the FSA Training Center. Additional training and outreach resources have focused on minority serving institutions (MSIs), under-resourced institutions and Institutions of Higher Education (IHE) presidential leadership events. Technical assistance is also provided through the Ask-a-Fed service, Partner Connect/ Common Origination and Disbursement (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 and/or limited staffing to attend the FSATC, state and regional conferences, and the statutorily mandated Fundamentals of *Title IV* Training.

Performance Summary and Analysis

There is one performance indicator for this strategic objective: participation rates. Training, technical assistance and outreach activities exceeded the annual indicator targets for FY 2023. Of note, the FSA Training Center provided training and technical assistance services to more than 28,000 individual staff from more than 4,500 Institutions of Higher Education (IHEs). This represents 84% of all Title IV Participating institutions.

Performance Indicator

Performance Indicator 3.3.A: Institutional participation rates in *Title IV* training and specialized technical assistance programs.

Indicator Definition: This performance indicator measures the percentage of institutions participating in training and technical assistance programs using the Office of Postsecondary Education Identification (OPEID) of the school.

Period of Performance: October 2022 through September 2023.

Table 36 Performance Indicator 3.3.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	88.0%	94.0%	75-80%	84%
Performance Result	**N/A**	**N/A**	**Baseline**	**Met**	**Met**	

Note: The 84% reflects FSA's method of counting an OPEID number once regardless of the number of events attended using that OPEID or the number of people from an institution who attend different events using the same OPEID.

Key Successes and Opportunities

FSA's success in meeting this objective is due to its focus on creating more instructionally sound virtual events allowing for more participation. FSA recognizes that virtual events do not always offer the same level of satisfaction as a face-to-face event and therefore will strive to re-incorporate some face-to-face or hybrid events when possible, if resources are available. Opportunities also exist through the development of self-directed learning modules as well as new systems being developed and implemented that allow for single sign-on. Single sign-on is expected to ease partner access and reduce entry errors.

Strategic Goal 4: Increase Workforce and Workplace Capabilities

Goal Leader: Director, Executive Services

Table 37: Goal Objectives

Strategic Objective No.	Strategic Objective
Strategic Objective 4.1	Promote workplace diversity, equity, inclusion, and accessibility.
Strategic Objective 4.2	Attract, develop, and retain an agile workforce that can quickly respond to a changing environment and emerging priorities.
Strategic Objective 4.3	Foster an organizational culture that promotes a productive, connected, and engaged workforce, particularly in a hybrid workplace environment.

Goal Spotlight

In any industry or sector, an organization's most important asset is its talent. FSA strives to be a model federal employer, creating an environment where individuals maximize their potential and teams collectively move the agency forward. Achieving FSA's mission requires attracting, developing, and retaining a skilled and agile workforce. To continue to excel as a high-performing organization and meet the challenges of the current environment, FSA must invest in the knowledge, skills, and abilities of its employees. To meet the expectations outlined in the *FY 2023–27 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.

Following unprecedented flexibility and a mindset shift in how we work during the global pandemic, FSA's future workplace environment offers new opportunities and calls for different ways to connect and engage employees. A hybrid workplace, with some employees working in an office while others work remotely, can facilitate broad connectivity but may also introduce risks to work-life balance. FSA will leverage data to assess and track progress, including using results from the annual 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.

Strategic Objective 4.1

Promote workplace diversity, equity, inclusion, and accessibility.

Strategic Objective Leader: Director, Diversity, Equity, Inclusion, and Accessibility

Overview

Organizations with strong diversity, equity, inclusion, and accessibility (DEIA) initiatives are more likely to have employees that are more engaged, with higher levels of trust, and increased job satisfaction while also improving work productivity. FSA is committed to attracting, retaining, and developing a workforce that is representative of the communities it serves, and creating more positive experiences for employees, customers, and stakeholders. In FY 2023, FSA took the following steps toward meeting this objective:

- In alignment with Executive Order 14035, *Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce* and the Department's strategic plan, FSA hired a DEIA Director to lead its DEIA efforts.
- In FY 2023, there were four monthly special emphasis programs that focused on Black History Month, Women's History Month, Asian-American Pacific Islander Month and Pride Month.
- Workforce Development Division developed the Power Users Learning Series for Employees (PULSE) Program to provide staff with the necessary tools and strategies to close skill gaps using a peer-to -peer learning approach.
- Initiated the FSA VOICE program this year. The intent of the program is to provide a platform for them to voice their opinions, innovative ideas, and responses to some FEVS questions to continue to improve the efficiency and effectiveness of operations in the agency.

In the upcoming fiscal year, FSA will consult with the Department's Chief Diversity Officer and OPM's DEIA office to ensure initiatives are in alignment with the Department's DEIA strategic plan and Executive Order 14035. The DEIA Director will collaborate with leadership, the Human Capital Group, the Workforce Development Division, across business units, and with Workforce Relations Division to engage the union to develop DEIA initiatives that promote an inclusive and diverse workplace that is equitable and accessible to all.

Performance Summary and Analysis

Because this strategic objective is new, three indicators will serve as a baseline for future success measurements. Performance indicator 4.1.D was established, but the target goal was not met.

FEVS data from the FY 2023 FEVS survey needed for this report will not be available until sometime after January 2024. However, preliminary FY 2023 data were available and used for comparative analysis to FEVS FY 2022 data for this report.

Performance Indicator

Performance Indicator 4.1.A: Federal Employee Viewpoint Survey Diversity and Inclusion Index: New Inclusion Quotient Index.

Indicator Definition: The Federal Employee Viewpoint Survey DEIA Index (formerly New Inclusion Quotient Index) is a composite score of measures of diversity, equity, inclusion, and accessibility from the FEVS survey.

Period of Performance: October 2022 through September 2023.

Table 38: Performance Indicator 4.1.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	73%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Note: The Federal Employee Viewpoint Survey data for FY 2023 has not been released. These data are typically not reported until November of the fiscal year in which the survey is given. Preliminary data for 2023 were used for this analysis.

Performance Indicator 4.1.B: Percentage of qualified new hires and backfills coming from identified underrepresented workforce populations.

Indicator Definition: This indicator assesses promotion of workforce diversity by measuring the percentage of qualified new hires and backfills coming from underrepresented workforce populations. Underrepresented populations in the workforce are defined as racial/ethnic minorities and disabled individuals, independent of race or ethnicity.

Period of Performance: October 2022 through September 2023.

Table 39: Performance Indicator 4.1.B Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	37%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Note: Currently, it is not possible to delineate between new hires and backfills; however, a method is being developed to capture and report this data in the future.

Performance Indicator 4.1.C: Percentage of underrepresented populations included in organizational talent acquisition, promotion, and development/training activities.

Indicator Definition: This indicator measures the percentage of underrepresented populations in either leadership or competency training programs.

Period of Performance: October 2022 through September 2023.

Table 40: Performance Indicator 4.1.C Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline	36%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Performance Indicator 4.1.D: Percentage of employees participating in formal diversity, equity, inclusion, and accessibility efforts.

Indicator Definition: Results from formal DEIA efforts will measure participation and attendance in offered events, such as the monthly special emphasis programs.

Period of Performance: October 2022 through September 2023.

Table 41: Performance Indicator 4.1.D Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	10-15% of total employee count	8%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Not met**	

Key Successes and Opportunities

- Special emphasis programs were held in FY 2023. Attendance at the monthly programs ranged from 90 participants at the Women's History Month event to 148 participants at the Black History Month event. On average, 8% of FSA employees attended these special emphasis programs which does not fall within the target range of 10-15%.
- A key success was the Workforce Development Division, the DEIA Director, and the Acquisitions Team collaboration to secure DEIA training and development courses to support FSA's DEIA training and education plan.
- FSA has an opportunity to revise some of the key metrics to ensure the validity of its performance measures.

Strategic Objective 4.2

Attract, develop, and retain an agile workforce that can quickly respond to a changing environment and emerging priorities.

Strategic Objective Leader: Director, Human Capital Group

Overview

In accordance with the Presidential Management Agenda priorities and strategies that "Federal agencies must attract, hire, develop, and empower talented individuals who are well suited and well prepared to face the challenges the government faces, both in the near and long term," the Human Capital Group (HCG) continues to execute initiatives that facilitate FSA's human capital management (HCM) practices, which have been adjusted to what is becoming the new normal—hybrid workforce environments. In FY 2020, the global COVID-19 pandemic changed FSA's workplace, recruitment outreach efforts, talent development, and work-life balance. However, the agency's long-standing HR policies evolved to reflect and keep pace with these changes. Some of these adjustments included the expansion of telework, the implementation of remote work, and change in workforce expectations.

To meet the expectations outlined in the *FY 2023–27 Strategic Plan*, FSA continues to strive in its effort to build and sustain a technological-savvy and innovative workforce in an ecosystem of the right people, engaged with the right processes and platforms all while supported in a culture focused on the future of work in a high-performing, highly rewarding, safe, diverse, and inclusive environment. FSA recognizes it is essential that staff are well-trained, aligned, and equipped to provide best-in-class customer service while fulfilling the fiduciary responsibilities of the organization.

Performance Summary and Analysis

There is one performance indicator for this strategic objective. The indicator completed the baseline assessment in FY 2023, which will be used to set targets for future years.

In FY 2022–23, the HCG, Human Capital & Employee Initiatives (HCEI) team continued its efforts to comply with the agency-wide initiative to implement strategic workforce planning. Workforce planning and analytics is the process of discovering, interpreting, and communicating meaningful patterns in workforce-related data to inform decision-making and improve performance. It is not only about data analysis but also about change management generating meaningful insights to drive behavioral change and increase organizational effectiveness.

HCEI partnered with key stakeholders within the Department, HCG and FSA to ensure that qualitative and quantitative baseline outcomes were met. HCEI conducted the introduction of and preliminary workforce planning activities within the business unit of PPO.

Performance Indicator

Performance Indicator 4.2.A: Federal Employee Viewpoint Survey: Intrinsic Work Experience.

Indicator Definition: OPM Federal Employee Viewpoint Survey (FEVS) measures employees' perceptions of whether, and to what extent, conditions and characteristics of successful organizations are present in their agencies. The Federal Employee Viewpoint Survey score within the Employee Engagement Index, specifically Intrinsic Work Experience will be the one of the key indicators to assess progress towards the objective.

Period of Performance: October 2022 through September 2023.

Table 42: Performance Indicator 4.2.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Baseline.	76%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Note: The Federal Employee Viewpoint Survey data for FY 2023 has not been released. Results are typically not reported until November of the fiscal year in which the survey is given. Preliminary data for FY 2023 were used for this analysis.

Key Successes and Opportunities

- HCG/HCEI effectively introduced and implemented stages 1-3 of the Office of Personnel Management (OPM) strategic workforce maturity model within PPO. These efforts also included an in-depth creation of a human capital analytical dashboard (with heat maps) of PPO’s workforce that provides current and projected workforce needs. It also demonstrates demographic data related to staffing patterns.
- FSA achieved a 77% training participation rate which will serve as a baseline for FY 2024. Training courses in the areas of supervisory/leadership development, data literacy, acquisitions, and IT were among the main categories in which training was taken.
- The Performance Confidence Index (PCI) a metric in the Federal Employee Viewpoint Survey, will be used next year to measure the hiring and talent management components described above. The PCI assesses the extent to which employees believe their organization has an outstanding competitive future, based on innovative, high-quality products and services that are highly regarded by the marketplace. The PCI is an average of the responses for the five items: Employees in my work unit meet the needs of our customers; Employees in my work unit contribute positively to my agency’s performance; Employees in my work unit produce high-quality work; Employees in my work unit adapt to changing priorities; and Employees in my work unit achieve our goals.
- The OPM Annual Time-to-Hire Metrics measures the time to hire and will be used as a basis for measuring success in hiring

Strategic Objective 4.3

Foster an organizational culture that promotes a productive, connected, and engaged workforce, particularly in a hybrid workplace environment.

Strategic Objective Leader: Director, Organizational Development

Overview

FSA remains committed to enabling its organizational success by working towards fostering an organizational culture that promotes a productive, connected, and engaged workforce in a hybrid workplace environment. In conjunction with creating an environment with the appropriate tools and programs for staff, FSA is also striving to foster and support a culture where all employees feel engaged, included, informed, and connected to its mission. In FY 2023, FSA completed the 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 productivity.

The FEVS is a key tool that can be used to measure employee engagement throughout the federal government including FSA. The FY 2022 FEVS results were made available in December of 2022. The data was used to develop and execute plans to improve employees' engagement in the productivity and efficiency of the agency. Currently the agency is operating in a hybrid form. For this practice to succeed, FSA must remain focused on strengthening employee communication channels. Communication platforms 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 developed a new program which combines FEVS focus groups and the innovation programs. The program was held this past spring with a total of 205 participants in 21 focus groups. The VOICE Focus Groups have helped FSA leadership identify underlying problems and work toward forming solutions to create a productive, connected, and engaged workforce.

Performance Summary and Analysis

There are three performance indicators for this strategic objective: employee engagement, communication, and collaboration, which were derived from the preliminary results of the FY 2023 FEVS survey score data. Results from the FY 2022 FEVS survey score data, received in December 2022, were used to create the FY 2023 FEVS Employee Engagement Action Plan and the performance indicators for the FY 2023 FEVS.

Performance Indicator 4.3.A compared the overall FY 2022 FEVS FSA EEI with the FY 2023 FEVS EEI. The target for Performance Indicator 4.3 A is an increase in the employee engagement score by 1–2% from the previous FEVS EEI which was met this year. The performance indicators for 4.3.B and 4.3.C are new. The FY 2023 FEVS data were used to set baselines.

Performance Indicator

Performance Indicator 4.3.A: Federal Employee Viewpoint Survey: Employee Engagement Index.

Indicator Definition: OPM FEVS measures employees' perceptions of whether, and to what extent, conditions and characteristics of successful organizations are present in their agencies. The EEI 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.

Period of Performance: October 2022 through September 2023.

Table 43: Performance Indicator 4.3.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	61%	70%	74%	73%	Maintain or improve by 1%	75%
Performance Result	**Met**	**Met**	**Met**	**Not met**	**Met**	

Note: The FEVS data for FY 2023 has not been released. The data is typically not reported until November of the fiscal year in which the survey is given. Preliminary data for FY 2023 was used for this analysis.

Performance Indicator 4.3.B: Federal Employee Viewpoint Survey: Communication.

Indicator Definition: Responses to three questions in FY 2023 FEVS were used to develop this indicator: Question 58: “Information is openly shared in my organization”, Question 66: “Managers promote communication among different work units”, and Question 68: “How satisfied are you with the information you receive from management on what's going on in your organization”.

Period of Performance: October 2022 through September 2023.

Table 44: Performance Indicator 4.3.B Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Maintain or improve by 1%	61%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Note: The FEVS data for FY 2023 has not been released. Results are typically not reported until November of the fiscal year in which the survey is given. Preliminary data for FY 2023 was used for this analysis.

Performance Indicator 4.3.C: Federal Employee Viewpoint Survey: Collaboration.

Indicator Definition: Results from two questions in the FY 2023 FEVS were used to develop this indicator: Question 15: “I can make decisions about my work without getting permission first”, and Question 18: “Employees in my work unit share job knowledge.”

Period of Performance: October 2022 through September 2023.

Table 45: Performance Indicator 4.3.C Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Maintain or improve by 1%	84%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Baseline**	

Note: The Federal Employee Viewpoint Survey data for FY 2023 has not been released. The data is typically not reported until November of the fiscal year in which the survey is given. Preliminary data for 2023 was used for this analysis.

Key Successes and Opportunities

- FSA implemented an enhanced communication campaign to increase employee participation in the FEVS. The FY 2023 participation rate was identical to the FY 2022 FEVS which stands at 68%.
- Action plans and focus groups were developed to address challenge areas from previous FEVS surveys.

Strategic Goal 5: Boost Operational Efficiency

Goal Leader: Director of Strategy and Performance, Office of Strategic Measures and Outcomes

Table 46: Goal Objectives

Strategic Objective No.	Strategic Objective
Strategic Objective 5.1	Strengthen enterprise-wide data analytics and modernize information management to foster a customer-centric, data-driven, performance-based organization.
Strategic Objective 5.2	Continuously improve systems, structures, and operations to enhance organizational efficiency and performance.
Strategic Objective 5.3	Enhance procurement planning, management, and execution.
Strategic Objective 5.4	Improve cybersecurity detection, prevention, and protection ensuring data confidentiality, integrity, and availability.

Goal Spotlight

Strengthening enterprise-wide data analytics and information management is essential for fostering a customer-centric, data-driven, performance-based organization. For FSA, this means using data to better understand the needs of students and families, develop products and services that better meet those needs, make more informed decisions about how to allocate resources and improve operations, measure the impact of its programs and services, and improve the overall performance of the agency. FSA has used data analytics to develop and implement interventions that have helped borrowers make informed decisions about education and finances and protected the agency from fraud. FSA has also completed the Annual Data Maturity Assessment (DMA) and achieved a score of 57, meeting its target for the year. The DMA has been used to fulfill a critical role in driving data-driven decision-making and to ensure that FSA is effectively leveraging data as a strategic asset. By continuing to invest in data analytics and information management, FSA can become a more customer-centric, data-driven, and performance-based organization. This will allow the agency to better serve its customers and achieve its mission of ensuring that all eligible students and families have access to federal student aid.

The Finance Directorate worked to continuously improve the financial systems, structures, and operations through a variety of avenues. Leveraging tools developed in the federal government, detection and prevention of improper payments was expanded over a larger population. Strategic use of small business contracts helped manage risks of cost overages leading to overall savings over the next five years.

In FY 2023, the Acquisitions Directorate accomplished initiatives to promote greater teamwork, collaboration, and efficient resource planning/management across the organization. It prepared and distributed a list of all procurement-related tasks and durations necessary to timely execute a full and open competition. The tasks and durations account for statutory, regulatory, policy, etc. requirements and guidance, as well as historic performance. Access to this information facilitates advance program planning, prevents gaps in service, and helps promote better procurement planning and execution. This enables program and project managers to begin their planning activities earlier to ensure an effective and efficient beginning to, or transition of, programmatic needs being met by contract support thereby reducing FSA's risk. The Acquisitions Directorate continues to explore creating additional task and duration lists for other than full and open competitions in support of continuous process improvement.

A commitment to cybersecurity enhances the confidentiality, integrity, and availability of student and borrower data. Upholding and enforcing rigorous cybersecurity standards enables FSA to better achieve its mission. Through a review of the cybersecurity posture of our information systems, FSA has adopted a phased approach to upgrading existing FSA systems to incorporate multi-factor authentication, block malicious/suspicious activity, and facilitate incident response. These changes are to better protect borrower data, prevent identity theft, and ensure continuity of service.

In FY 2023, the Chief Information Officer led FSA's activities that directly contributed to the Department's highest ever Federal Information Security Modernization Act of 2014 (FISMA) audit score and an "A", one of only three Federal Agencies, on the most recent Federal Information Technology Acquisition Reform Act scorecard.

In addition to the above, the Technology Directorate Cyber Operations Division lead the way on the following:

- Maintained an average cybersecurity risk scorecard nearly 28% above the Department average while securely operating 82% of the Departments High Value Assets. The scores validate the investment and resources FSA expends to ensure the customers can access systems and their personal data is well protected.
- Heavily leveraged low code cloud solutions to automate business practices, provide better internal controls, increase managements insight into critical activities, and reduce the resource requirements ensuring the successful delivery of IT and cybersecurity capabilities.

Strategic Objective 5.1

Strengthen enterprise-wide data analytics and information management to foster a customer-centric, data-driven, performance-based organization.

Strategic Objective Leader: Chief Data Officer, Enterprise Data Office

Overview

There are three performance indicators for this strategic objective. The first indicator pertains to FSA's score in the Department's Annual Data Maturity Assessment (DMA). The DMA, launched in 2020, is administered by the Department's Chief Data Officer for all Department principal offices. The DMA provides a comprehensive framework of data management practices organized into key categories that allows for the benchmarking of capabilities, the identification of strengths and gaps, and the leveraging of data assets to improve business performance. Conducting the DMA provides an understanding of data maturity relative to subsequent measurements. The DMA fulfills a critical role in driving data-driven decision-making and ensuring that data is effectively leveraged as a strategic asset.

The process areas evaluated in the assessment vary; the most recently completed assessment (2022) covered 18 process areas within the following seven categories:

- Data Management Strategy and Oversight
- Data Quality
- Data Operations
- Data Management
- Systems and Architecture
- Knowledge and Skills
- Customer Support and Engagement

The second two performance indicators for this strategic objective both pertain to FSA data modeling efforts. FSA has developed, implemented, and maintained large-scale data models to perform and optimize customer communications and other customer-level interventions that improve customer outcomes, prevent fraud, and assess school related risks. A single model can touch millions of customers and cost billions of dollars each year.

Performance Summary and Analysis

There are three performance indicators for this strategic objective. One indicator did not have results and two indicators met their target for FY 2023. FSA's DMA score has increased and is above the target. The targets for models in maintenance and development were also met.

Performance Indicator

Performance Indicator 5.1.A: The Sum of Annual Data Maturity Assessment (DMA) for DMA Processing Areas.

Indicator Definition: This performance indicator measures the sum of assessed scores of the 20 key data process areas in the Annual DMA.

Period of Performance: October 2022 through September 2023.

Table 47: Performance Indicator 5.1.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	56	N/A
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	

Note: The result for this indicator for FY 2023 was unavailable at the time of publication of FY 2023 Annual Report. The table above reflects the target based on the results for FY 2022.

Performance Indicator 5.1.B: Successful maintenance and use of statistical models in Title IV operations.

Indicator Definition: This performance indicator measures the successful development, maintenance, and use of statistical models in *Title IV* operations to promote better outcomes for customers.

Period of Performance: October 2022 through September 2023.

Table 48: Performance Indicator 5.1.B Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	8 total number of new and existing modeling initiatives	8
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Met**	

Performance Indicator 5.1.C: Implement new Statistical Modeling Initiatives.

Indicator Definition: This performance indicator measures the successful development and use of statistical models in *Title IV* operations to promote better outcomes for customers.

Period of Performance: October 2022 through September 2023.

Table 49: Performance Indicator 5.1.C Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	2 total number new initiatives	**2**
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Met**	

Key Successes and Opportunities

FSA's DMA scores have improved every year since the assessments began in FY 2020. In FY 2022, FSA scored a 57 across 18 process areas, exceeding the target score by one. This was up from the FY 2021 score of 56, which was achieved across 19 process areas. FSA's highest scores in FY 2022 were in the areas of 'Data Management Strategy and Oversight' and 'Systems and Architecture'. The 'Systems and Architecture' Process Area score increased with the completion of data capture from decommissioned private collection agencies (PCAs) and servicers for archival and retention purposes.

Each year, FSA focuses on the key data initiatives consistent with our priorities. The FY 2023 focus is on 'Data Quality' (aligned with the Federal Processing System (FPS) initiative to standardize FAFSA demographic data, including personally identifiable information (PII), across *Title IV* systems). FSA is on track to achieve its planned objective for further score improvement in FY 2023.

FSA uses statistical models to support borrower decision-making and 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 remained in operation throughout FY 2023. The Origination and Disbursement Default Risk model and "always-on" email campaign began in the summer 2021 and have continued in 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.

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 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 more than an estimated $1.0 billion dollars in fraudulent disbursements.

FSA has been developing and maintaining models to assess school related risk. During this fiscal year these models have undergone significant maintenance and development to support their display in the Partner Connect School Health Dashboard. The new dashboard will empower FSA to proactively manage school risks and make informed decisions. It will help to align employee efforts with our strategic goals by providing transparency, enhancing communication, and promoting data-driven decision-making.

During different stages of the student aid lifecycle, such as application, disbursement, and repayment, different types of interventions are beneficial. In FY 2023, there are several examples wherein FSA 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 fall 2021, has been an unprecedented attack on the organization's systems; however, the development and implementation of a model to deny aid to fraudsters have protected more than $1 billion of disbursements to date and a quarter of a billion during FY 2023. 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 419,000 borrowers with a total outstanding loan balance of more than $10.7 billion.

In the future, FSA will provide incentives to enhance servicing to 'at risk' customers. To implement these incentives, FSA has developed a model to assess borrower default risk that could be leveraged to determine which customers a servicer should consider 'at risk'.

Specific customer outreach models include:

- Default at Risk Application model allowed FSA to contact 7.7 million applicants through email, always-on and notification interventions including during FY 2023.
- Default at Risk Origination and Disbursement model facilitated FSA in communications to 3.5 million borrowers during FY 2023, including both always-on and notification interventions.

Strategic Objective 5.2

Continuously improve systems, structures, and operations to enhance organizational efficiency and performance.

Strategic Objective Leader: Chief Financial Officer, Finance Directorate

Overview

The FSA Finance Directorate assessed and improved delivery of financial management and supported investment decisions effectively to drive FSA's mission. In FY 2023, the Finance Directorate initiated the following activities to support improving the system, structures, and operations to enhance organizational efficiency and performance:

- **Complied with applicable laws, regulations, and policies.**
    - Implement Secured Overnight Financing Rate (SOFR) system functionality to replace the London Inter-Bank Offered Rate (LIBOR) with the SOFR.
    - Implement Treasury Report on Receivables (TROR) Phase III functionality enhancements to improve data integrity and FSA's reporting capability to Treasury.
- **Continuously initiated financial system improvements, structures, and operations.**
    - Upgrade the Financial Management System (FMS) Oracle Electronic Business Signature from version 12.2.11 to version 12.2.12 (Point Upgrade) to modernize FMS and mitigate risks for cybersecurity incidents and unplanned costs related to unforeseen system issues.
    - Execute FMS contract recompete and award for operations and maintenance support services. The Finance Directorate procured a small-business vendor in support of the Department's small business targets, reduced risks of cost overages by utilizing a Firm Fixed Price contract model and realized significant cost savings of more than $1.5 million per year and nearly $10 million in the next five years for FSA. This savings was determined by the difference between the forecasted budget amount and final award amount of the contract.
    - Continue to support Unified Servicing and Data Solution (USDS) and servicing initiatives.
    - Continue to improve cybersecurity detection, prevention, and protection through compliance with FSA and Federal Cybersecurity initiatives and mandates.
    - Use of the Department of Treasury's Do Not Pay (DNP) capability (a no-cost, robust analytics tool) to help detect and prevent improper payments made to vendors, grantees, loan recipients, and beneficiaries through sophisticated data matches against 19 validation databases. The databases that are included in the DNP can be found at https://fiscal.treasury.gov/DNP/
    - Payment "Bundling". Implementation of a payment bundling initiative to require servicers to consolidate multiple refund payments to one borrower into one payment to meet a Treasury mandate to reduce the number of checks disbursed by Education and improve payment integrity.

- **Delivery of planning and budget execution.**
  - Timely planned and executed on $1.9 billion of FY 2023 funding in support of USDS and other core operations across the various business units at FSA.
  - Lapsed less than 1% of prior year funds during the fiscal year end closeout.

Performance Summary and Analysis

There is one performance indicator for this strategic objective. By improving delivery of financial management and support of investment decisions, FSA can efficiently and effectively deliver organizational mission requirements.

Performance Indicator

Performance Indicator 5.2.A: Operational Performance.

Indicator Definition: This performance indicator measures the effectiveness of the organization's financial planning and budget execution processes, management of financial systems, and compliance with applicable laws, regulations, and policies.

Period of Performance: October 2022 through September 2023.

Table 50: Performance Indicator 5.2.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Investment portfolio aligned to key organizational drivers and current fiscal year enacted appropriation. Investment portfolio achieves 75% of planned milestones. Organization/program risks are documented (Y/N)	Y
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Met**	

Key Successes and Opportunities

In FY 2023, the Finance Directorate assessed and improved the delivery of the financial management by working closely with the Acquisitions Directorate and the Human Resource Office. The decisions to modernize FMS helped to significantly mitigate the increased risks from cybersecurity incidents. Continued deliberate use of federal tools, contract vehicles and focus on operational and process improvements will help FSA engage in more customer-centric and outcome-based activities.

Strategic Objective 5.3

Enhance procurement planning, management, and execution.

Strategic Objective Leader: Executive Director, Acquisitions Directorate

Overview

FSA relies on a multitude of contracts and thousands of vendor employees to deliver its mission. Achieving the program requirements, objectives, and outcomes requires a comprehensive plan. Drawing on industry-leading practices, FSA will enhance its acquisition strategies, develop requirements consistent with customer and partner expectations, and execute contractual instruments and other agreements that yield exceptional services and outcomes in a secure manner. By aligning FSA's efforts regarding program and project planning, acquisition planning, budget formulation, and human resource management, FSA will be well-positioned to provide exceptional student aid experiences for borrowers and their families. These efforts will also enhance our engagements with our partners and other financial and educational institutions that contribute to the student aid experience. Collaboration and coordination across FSA will help streamline procurement-related processes and procedures.

Through FSA's requirements definition processes, program office staff will identify and clearly articulate key program objectives and outcomes for contracts. Critical enhancements include conducting market research with industry; engaging in acquisition planning as part of the investment management process; identifying key performance indicators, acceptable service levels/performance metrics, and methodologies for determining program outcomes for inclusion in contractual instruments; and supporting both internal and external reviews and examinations to assess vendor performance. These improvements will enhance the quality of products and services procured, permit greater oversight and accountability of vendors, promote effective communication with stakeholders, leverage economic efficiencies with enterprise-focused solutions, improve FSA's cybersecurity posture, increase socio-economic achievements, and lead to better outcomes for customers and partners.

Performance Summary and Analysis

There are two performance indicators for this strategic objective. This objective refers to procurement planning, management, and execution as it is addressed across the Federal Government; meaning, the planning, management, and execution of programmatic needs via procurement actions.

Performance Indicator

Performance Indicator 5.3.A: Time-duration estimates for procurement-related tasks for use in Program Schedules.

Indicator Definition: This performance indicator captures the time-duration estimates necessary to complete all procurement-related tasks, included in the Procurement Acquisition Lead Time (PALT) associated with meeting programmatic needs through an acquisition. As defined by the Federal Government, PALT is the time from date of solicitation issuance through the date of award. The Acquisitions Directorate, when fully staffed, will strive to execute procurements more efficiently than the Government's standard without subjecting FSA to greater risk or sacrificing quality.

Period of Performance: October 2022 through September 2023.

Table 51: Performance Indicator 5.3.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Identify requisite tasks and durations for other procurement methods based upon law, regulation, policy, and historic performance	Completion of FSA Acquisitions Directorate Collaboration Site
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Met**	

Note: The Acquisitions Directorate established a collaboration site to provide FSA partners real-time access to contracts-related information (where do we stand with our socio-economic achievements, competition, expiring contracts, active contracts, list of required procurement package contents, etc.) The Acquisitions Directorate added another element to the site—a list of procurement tasks and duration for a full-and-open competition. The intent is for program managers to leverage this list as they are creating/revising programmatic schedules. This planning tool should ultimately improve the program manager's ability to manage a program/project's timeline.

Performance Indicator 5.3.B: Plan, develop and implement a new investment management process aligning acquisitions, budget, and human capital with program planning.

Indicator Definition: This performance indicator will allow improvement to internal processing timelines for execution of contractual instruments and delivery of program needs.

Period of Performance: October 2022 through September 2023.

Table 52: Performance Indicator 5.3.B Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	Planning	Planning
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Met**	

Key Successes and Opportunities

In FY 2023, the Acquisitions Directorate, Finance Directorate, and Human Resource Office met frequently to brainstorm a new investment management process. These business units will continue to discuss and plan, as well as solicit input from other business units in the organization in preparation for the creation and roll-out of this new investment management process. The Acquisitions Directorate simultaneously led the initiative to begin consolidating multiple data calls of historically duplicate data elements into a single request under the annual Acquisition Plan development. The annual Acquisition Plan includes the list of programmatic needs planned to be met via a procurement action during the following fiscal year. In FY 2023, members of the Finance Directorate, Technology Directorate, Acquisitions Directorate, Enterprise Program Management Office, and Human Resources Office were all included in the Acquisition Plan process to capture information to support budget and spend planning, information technology planning, program/project planning, human capital planning, procurement planning, and internal and external reporting requirements.

Strategic Objective 5.4

Improve cybersecurity detection, prevention, and protection ensuring data confidentiality, integrity, and availability.

Strategic Objective Leader: Chief Information Officer, Technology Directorate

Overview

FISMA requires FSA's Inspector General audit cybersecurity every year throughout the Department. FSA is audited on its NIST Cybersecurity Framework functions of: Identify, Protect, Detect, Respond, and Recover.

Performance Summary and Analysis

There is one performance indicator for this strategic objective. The measure met its annual indicator target.

Performance Indicator

Performance Indicator 5.4.A: Cybersecurity Maturity-Level (OIG Maturity Levels).

Indicator Definition: This performance indicator measures the agencies' progress toward achieving compliance with the five major FISMA categories (Identify, Protect, Detect, Respond, and Recover) that strengthen Federal cybersecurity, including implementing the Administration's priorities and best practices.

Period of Performance: October 2022 through September 2023.

Table 53: Performance Indicator 5.4.A Results

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
	Actual	Actual	Actual	Actual	Target	Actual
Performance	N/A	N/A	N/A	N/A	60% at Level 3 or higher	100%
Performance Result	**N/A**	**N/A**	**N/A**	**N/A**	**Met**	

Key Successes and Opportunities

The FY 2022 Federal Information Security Modernization Act of 2014 (FISMA) audit was the first time in the history of the Department that an "effective" rating, which is the highest overall outcome for a cybersecurity program, was achieved. In FY23's audit that rating was exceeded with another "effective" score and overall higher numeric scores than the previous years.

During FY 2023 several major initiatives contributed to the effective score:

FSA's Technology Directorate started the Advanced Analysis Group (AAG) as a fusion concept to amplify the output of several competencies within the FSA Security Operations Center (SOC). AAG brings together senior cybersecurity subject matter experts, threat intelligence specialists, and threat Hunt capabilities together in a cooperative environment to create and share actionable cybersecurity intelligence across the FSA and school organizations.

Contributions to the technical solution the highest administration priority to provide Student Aid Debt Relief. The debt relief initiative allowed 25 million borrowers to quickly submit relief forms from anywhere in the world. The Cyber Operations Division was actively to define the security architecture, perform pen testing, assist with issue resolution, and monitoring the service post deployment. This work received excellent reviews from the end users as well as news media. (*New York Times:* ***https://www.nytimes.com/2022/10/23/opinion/student-loan-debt-relief-application-process.html***)

Other significant accomplishments include priority focus on Student Aid and Borrower Eligibility Reform (SABER) related systems (Federal Tax Information (FTI) – Infrastructure, Module, and Data Mart) and risk assessments activities leading to “Authority to Operate (ATO).” This allows enhanced customer service by securely accessing and consuming FTI data from IRS to simplify and reduce the customer processing time for FAFSA applications.

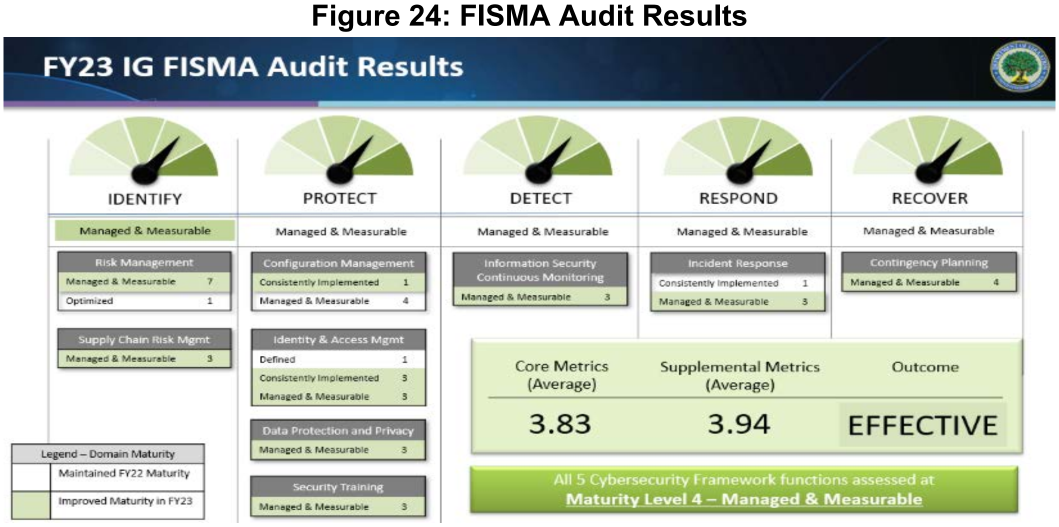
Results:

- All five Cybersecurity Framework functions assessed at Maturity Level 4 – Managed and Measurable.
- FY 2023’s score improved in ten areas over FY 2022

Initiatives to improve the scores in FY 2024:

- Expand efforts to implement the capabilities described in Executive Order 14028, *Improving the Nation's Cybersecurity*.
- Implement automation for configuration management, software asset management, IT operations management, and integrated cybersecurity risk identification and management.
- Provide a cybersecurity information and incident reporting portal to automate for Institutions of Higher Education (IHEs) to securely share threat and cybersecurity incidents. Automate ticket generation for some use cases at the SOC.

Figure 24: FISMA Audit Results



Fiscal Year 2023 Accomplishments of Federal Student Aid

During FY 2023, FSA realized additional accomplishments that were not measured specifically by the performance indicators implemented to measure performance against the *FY 2023–27 Strategic Plan*. Although not measured by FSA performance indicators, 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: *Improve Customer and Outcomes for Students and Borrowers.*

- Introduced new features to support user questions within the Virtual Assistant for key administration programs such as the Debt Relief program, PSLF, Fresh Start, and return to repayment. Users can now find the status of their PSLF application within the Virtual Assistant window.
- Introduced new features to support the digital repayment experience on Student.Aid.gov, including a new IDR application, the new SAVE IDR plan, a new loan consolidation application, an e-signature and submission solution for the PSLF form, and the ability to view the status of an IDR application, loan consolidation application, and PSLF form in a customer's dashboard and My Activity.
- Launched the Student Loan Debt Relief application in support of the Administration's student debt relief plan. While the Supreme Court issued a decision blocking the Department from moving forward with this plan, the application demonstrated FSA's ability to rapidly deliver a customer-focused and effective form.
- Added plain-language information to **StudentAid.gov** to explain the SAVE Plan repayment option for student loan borrowers, timelines, and processes to prepare for returning to repayment, details about the limited PSLF waiver, and an introduction to the Fresh Start option for defaulted borrowers.
- As part of the DCC effort, FSA onboarded and updated several key communications within the Marketing Communications Platform as part of the DCC initiative. These communications enabled FSA to provide important information to its customers. Email communications that FSA updated as part of this effort include the PSLF Help tool, Federal Tax information Module, and IDR related emails.

FSA realized the following additional accomplishments in support of Strategic Goal 2: *Advance Equity and Access to Student Financial Assistance.*

- Released the 2023-24 FAFSA form with FAFSA Simplification updates.
- Implemented two-factor verification when customers log in to **StudentAid.gov** to provide enhanced security.
- With the Marketing Communications Platform, FSA must be able to execute personalized and relevant communications at a crucial time where our students, parents, and borrowers need to have the most up-to-date status on our major programs and

efforts. This includes Return to Repayment, FAFSA application completions, and the introduction of the new SAVE plan. In addition to sending prioritized campaigns, we have also onboarded critical transactional communications that allow our borrowers to understand the status of their applications and other important programs.

FSA realized the following additional accomplishments in support of Strategic Goal 3: *Strengthen Engagement and Accountability for Educational and Financial Institutions.*

- SEOSG conducted oversight reviews for more than 2,130 educational institutions relating to certification, deficient audit resolutions, flagged financial statements, program reviews, method of payment, and technical assistance.
- Through Sept. 25, 2023, SEOSG completed 5,406 distinct eligibility actions, which included 1,214 recertification applications and 4,192 other institutional eligibility applications. SEOSG accomplished this work while resolving more than 2,130 flagged financial statements and deficient compliance audits, issuing 99 Program Review Reports and 75 Final Program Review Determinations assessing more than $38.7 million in liabilities. SEOSG also finalized Automatic Closed School Discharge letters asserting $1,569,557 in liabilities on seven closed schools.
- SEOSG continued its monitoring of schools accredited by the Accrediting Council for Independent Colleges and Schools (ACICS) and their compliance with new requirements imposed after the Department's decision to withdraw recognition of the accrediting agency. ACICS-accredited educational institutions must submit enrollment reports every month, provide disclosures to students, submit a teach-out plan and a plan for records retention and reporting, discontinue enrolling new students into any educational program that cannot be finished within the 18-month period, provide students with access to educational records and transcripts, and provide financial protection to the Department.
- Additionally, SEOSG continued to implement program participation accountability requirements, including requirements for owner entities to co-sign Partner Participation Agreements (PPAs) and a March 1, 2023, electronic announcement clarifying when the Department would require individuals to sign PPAs in a personal capacity.
- The Financial Institution Oversight Service Group (FIOS) initiated 18 new program reviews of financial institutions during FY 2023.
- During FY 2023, FIOS issued 33 oversight reports and determinations to FFEL Program commercial servicers, lenders, and GAs. Of those, FIOS issued 28 Final Program Review Determinations to financial institutions who collectively administered and serviced more than $85 billion dollars in FFEL Program loans during FY 2023. FIOS also developed and implemented updated methodologies for its program review processes.
- FSA's FIOS provided oversight of GAs, commercial lenders, and lender servicers who administer outstanding commercially held FFEL Program loans. At the start of FY 2023, that portfolio included more than $129 billion in outstanding FFEL Program loans held for nearly 5 million FFEL Program borrowers.
- FIOS provided operational support in the continued implementation of the Department's Dear Colleague Letter GEN-21-03 expanding the loan collections pause to defaulted FFEL Program loans managed by non-federal GAs. FIOS performed weekly reviews of all participating GAs' compliance with financial metrics, resulting in more than 780 critical

element assessments. FIOS also ensured GAs' trade lines were removed from defaulted borrower credit reports, 0% loan interest rates were retroactively applied, involuntary collections ceased, Treasury Offsets were returned to borrowers, administrative wage garnishments were addressed, refunds owed to borrower were paid, and loans subject to Special Mandatory Assignments were transferred.

- FIOS continued 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 Federal Fund accounts subject to reasonability requirements. During FY 2023, FIOS standardized the process to include quarterly transfers, which resulted in 48 transfers totaling $554M to 13 GAs.
- FIOS continued to support the Department's "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.
- FIOS was an active participant in the implementation and operation of Project Success, including approval of quarterly Project Success reimbursement requests from guaranty agencies, conducting program reviews, and random testing of expenses submitted for reimbursement of Project Success.
- Additionally, FIOS provided subject matter expertise within PPO, FSA, and the Department. FIOS staff served as the Department liaison to guaranty agencies participating in the FFEL Program "Common Review Initiative (CRI)" and as a non-voting representative to the CRI Governance Council. FIOS participated on bi-monthly FSA Ombudsman calls with all guaranty agencies to discuss pending issues.
- FSA's Cohort Default Rates Group (CDR Group) reviewed the FY 2020 Draft Cohort Default Rates (CDRs) and the Official CDRs prior to their releases in Feb. 2023, and Sept. 2023, respectively. The FY 2020 Draft and Official CDR releases cover more than 5,000 educational and financial institutions.
- After draft and official CDRs are issued, institutions may challenge the accuracy of the loan data used to calculate a CDR or appeal of CDR consequences. During FY 2023, the CDR Group processed four "Uncorrected Data Adjustment" appeals encompassing seven allegations of data inaccuracies in the FY 2019 Official CDRs released at the end of Sept. 2022. Following FSA's Feb. 2023 release of the FY 2020 Draft CDRs, the CDR Group received and resolved 33 challenges submitted by schools questioning the accuracy of the draft CDR data with 361 allegations of incorrect data being used in the calculation.
- The student loan payment pause has reduced the national cohort default rate for FY 2020 to 0%. Historically, CDRs have served as a valuable compliance tool for FSA to assess school eligibility to participate in the Direct Loan and Federal Pell Grant Programs. The FY 2020 Official CDR is based on number of borrowers who entered repayment on a student loan during FY 2020 and the number of those borrowers who were in default on one or more of their student loans as of Sept. 30, 2022. As a result of the student loan payment pause, which began effective March 13, 2020, nearly all student loan borrowers were protected against the risk of student loan default. For the

FY 2020 Official CDRs, more than 3.8 million student loan borrowers entered repayment while fewer than 200 borrowers defaulted on commercially held FFEL Program student loans that were excluded from the student loan payment pause.

- The Performance Management Group (PMG) supported FSA's Partner Eligibility and Oversight Services Directorate (PEOSD), and other PPO directorates, groups, divisions, and branches through the development and review of policy, procedure development and refinement, training, documenting business procedures, providing subject matter expertise for internal and external audits, and the resolution of difficult matters. During FY 2023, PMG resolved 318 internal Operational Support Branch Action Requests, and resolved more than 150 technical questions from compliance teams and issued Formal Q&A procedural documents as necessary.
- During FY 2023 PMG processed 110 Financial Responsibility Notifications submitted by educational institutions and 335 Letters of Credit providing more than $583 million in financial protection to the Department.
- PMG staff also provided subject matter expertise to support the Department's FY 2023 negotiated rulemaking sessions and proposed regulations and public comment analysis, and they supported and delivered annual FSA Training Conference presentations.
- FSA's Partner Eligibility and Oversight Services Directorate (PEOSD) Front Office provided ongoing support, information, and other resources including post-disaster communications, technical and operational assistance, regulatory and administrative relief, and reporting flexibilities, to students, institutions, and borrowers impacted by an upsurge of natural disasters across the southern and midwestern states, Pacific states and territories, and the East Coast.
- During the FY 2023 fiscal year, PEOSD ensured the delivery of responsive documents for more than 125 Freedom of Information Act (FOIA) requests for information concerning the Department's compliance oversight and monitoring activities for eligible postsecondary education institutions and ensured responses were provided to more than 120 inquiries submitted to senior Department officials by the public and by members of Congress through the Department's controlled mail processes.
- PEOSD aided in the recovery efforts of 1,672 campuses who enrolled approximately 2.24 million students who received more than $21.9 billion in *Title IV* funding to attend schools located in geographic areas that were adversely impacted by 35 natural disasters during FY 2023. A total of 3,344 emails and on-site assistance were delivered in conjunction with the Federal Emergency Management Agency and the U.S. Department of Health and Human Services.
- PEOSD 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 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 the draft report including corrective actions.

- The Clery Group assessed 117 media and complaint assessments, including 11 complaints submitted by the public and 106 campus-crime media reports. Thirty (30) of these complaints and media reports warranted further assessment by the Clery Group. The assessments performed 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. Eighty-seven (87) media reports reviewed did not include initial information suggestive of school noncompliance with statutory requirements. The Clery Group extended technical assistance to ten schools in conjunction with the media and complaint assessments.
- 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 40 school program reviews and school audits assigned to SEOSG's School Participation Divisions for resolution.
- The Clery Group, together with Department colleagues, supported the implementation of new *Violence Against Women Act* (VAWA) *2022* provisions applicable to educational institutions including by representing Federal Student Aid on the federal interagency “Task Force on Sexual Violence in Education” with counterparts from the U.S. Departments of Education, Justice, and Health and Human Services. The Clery Group also significantly contributed to the November 30, 2022 "Interagency Task Force on Sexual Violence in Education 90-Day Report" submitted to Congress. The Clery Group also continued to provide support for the implementation of Section 1507 of *VAWA 2022* requiring the Department to create a standardized, mandatory online campus climate survey tool for schools' 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 provided expert guidance and analysis regarding school violations of 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 Higher Education Act (HEA) requiring educational institutions to implement a Drug and Alcohol Abuse Prevention Program as a condition of their participation in the *Title IV*, HEA programs.
- To support school compliance efforts, the Clery Group engages with educational institutions, professional associations, and other stakeholders to provide training and technical assistance. During FY 2023, the Clery Group delivered authoritative training and guidance to a wide number of school officials and public safety professionals who attended national and regional public safety conferences and workshops. The Clery Group also provided guidance in one-on-one and group technical assistance sessions.
- The Clery Group recently assumed a wide range of responsibilities from the Department’s Office of the General Counsel to administer the Department’s collection and oversight of postsecondary institutions’ semiannual reporting of foreign gifts and contracts information required by Section 117 of the HEA. In addition to these new responsibilities, the Clery Group has continued providing direct oversight of *Clery Act*, *VAWA*, *DFSCA*, and *VAWA 2022* requirements through program reviews of educational institutions and through active post-review monitoring processes for schools with a history of egregious violations.

- FSA was responsible for many communication efforts with our partners in *Title IV* programs. These efforts included notifications on THE new Student Aid Internet Gateway Enrollment Agreements, creation of a Federal Tax Information (FTI)-Specific Mailbox, information on the software required to receive 2024-25 ISIRs (May – December 2023), the 2024-25 FAFSA Launch and Prison Education Programs (June 2021 – December 2023 and Beyond), the EDExpress 2024-25 Modernization (August 2023 – Early 2024), the 2023 Virtual FSA Training Conference (August – December 2023), the FY 2020 CDR Release (September 2023) and Foreign School Information Page updates (September 2023).
- FSA's Training Conference (FSATC) was held virtually from November 29 – December 2, 2022. All sessions were pre-recorded and aired live. There were 13,645 participants representing 2,973 unique institutions. These institutions were responsible for disbursing more than $97 billion in *Title IV* aid, which represents nearly 88% of all *Title IV* aid disbursed and an average of $32 million in aid per institution. The FSA training conference included 38 sessions offering the latest information on policy and operations and seven Virtual Exhibit Hall stations. The Virtual Exhibit Hall was rebranded and offered at a time where there were no competing sessions. This resulted in an increase in attendance over previous years.
- FSA's Partner Technical Assistance Group (PTAG) conducted briefings for Presidents and Chancellors during the summer of 2023. These sessions highlighted the role of executive leaders and best practices for oversight and monitoring of *Title IV* programs, along with improved awareness of *Title IV* administration and its importance. One hundred forty-eight (148) leaders participated. PTAG also developed additional specialty training for Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), Minority Serving Institutions (MSIs), and community colleges. These trainings were designed to strengthen administrative capability and reduce compliance and audit findings. There were five sessions with 1,087 participants. Our Virtual *Title IV* Technical Assistance provided a proactive approach to identifying the unique service needs of MSI's and aids required to ensure their continued participation in all *Title IV* programs. Lastly, PTAG designed and coordinated virtual Birds of a Feather Engagement Sessions designed to provide financial aid administrators an opportunity to share ideas, strategies, and challenges associated with the administration of *Title IV* programs. These sessions provided excellent opportunities for the Department/FSA to receive feedback, ideas, and suggestions regarding current and proposed regulations, policy, and legislative guidance.
- The Project Success program was extended for three years for Phase III. The program continued to provide services in collaboration with guarantee agencies to 213 minority serving institutions. Services included but were not limited to internships, tutoring, coaching, emergency grant aid to support student retention, persistence, and graduation rates.
- FSA's Partner Engagement and Relationship Management Group presented an in-person session on Better FAFSA Better Future/Federal Update in Puerto Rico and the Better FAFSA Better Future/ American Indian Higher Education Consortium Presidents Meeting in Nashville, TN. They also coordinated four FSA Chief Operating Officer's College and University visits (Montgomery College, University of District of Columbia, Northern Virginia Community College) that offered opportunities for increased awareness and engagement around issues of importance to these institutions. The

summer also afforded FSA an opportunity to attend and present at the United Negro College Fund UNITE Summit 2023 which brings together industry thought leaders, HBCU and Predominantly Black Institution leaders, educators, researchers, advocates, students, and practitioners to learn, share ideas, build connections, and transform institutions. Most recently, FSA attended and developed and presented content at the Annual National Historically Black Colleges and Universities (HBCUs) Week Conference that provides a forum to exchange information and share innovations among and between institutions. Stakeholders include federal agencies, private sector companies and philanthropic organizations.

- Earlier in this document, information was provided pertaining to the achievement of Strategic objective 3.3 regarding outreach and training for *Title IV* program participants. To further explain what has already been discussed, FSA provided 11 virtual Better FAFSA Better Future webinars in support of the FAFSA simplification and SABER legislation to more than 56,000 participants in the months of June and July 2023. The FSA Training Center (**fsatraining.ed.gov**) provided training and technical assistance services to more than 28,000 individual staff representing more than 4,500 Institutions of Higher Education (IHEs). This represents 84% of all *Title IV* Participating institutions. FSA provided the following: attendance at seven in-person regional conferences, seven virtual Wednesday Webinars, Ask-a-Fed in-person support to the National Association of Student Financial Aid Administrators (NASFAA) annual conference including the mandated Fundamentals of *Title IV* training, new school training site visits and recertification training. Training and technical assistance services were provided to 68,385 participants as of September 15, 2023.
- Partner Participation and Oversight's managed systems has supported the award of more than $111 billion in *Title IV* funds for the Direct Loans, Federal Grants, and Campus based programs during the 2021-22 award year. Combined loans and grants were provided to approximately 9.9 million aid recipients.
- This fiscal year saw work on multiple Partner Connect system releases, both implemented and underway. FSA devoted a significant amount of time to support the development of the Partner Connect system release which, when fully implemented, will modernize FSA's partner interactions. Activities included requirements development, system design aspects, design review, user acceptance testing, and post-implementation activities.
- The Partner Management and Support Services (PMSS) Change Management team approved 497 Change Request (CR) packages for requirements, solution, and cost estimation for projects across FSA. This represents a record number of CRs. Approximately 97% of the change requests processed were completed within the established processing timelines from visioning to placing the CR under contract.
- PMSS successfully oversaw 39 releases and 98 service packs for 9 systems.
- Reconciled HEAL Online Processing System (HOPS) data; conducted an analysis of reporting differences between HOPS system data and servicer reporting data. The case level review included review of more than 700 loans across 3 servicers that identified discrepancies that date back as far as 20 years. The difference was approximately $3.2 million from Quarter 1 of FY 2022. Once deployed, those loans were reconciled with the new system functionality.

- The PMSS team successfully completed several new sequencing views for PPO and the broader FSA organization. Sequencing illustrates the replacement and/or enhancement of legacy functionality with modernization efforts and flags any gaps, discrepancies, conflicts in timing, contract dates, Systems of Records Notices, funding, key Authorities to Operate, risks and decisions, and open discussion points. These new sequencing views included:
  - Partner Connect & Participation Management Contingency View
  - SABER FAFSA Award Year 24/25 Partner Communications and Training View
  - FAFSA FPS Snapshot View (formerly known as the 'Near Term View')
  - *Title IV* Origination & Disbursement (TIVOD) Modernization View
  - FAFSA Process System
  - IDR
  - Priority Program View
  - Federal Tax Information (FTI)-Data Mart
  - Safeguard projects
- The COD system implemented the following key changes:
  - Streamlined functionality for borrowers to apply for IDR plans—as part of the administration's new SAVE Plan.
  - Created new functionality for institutions to report individual-level campus-based data for the Federal Work-Study program.
  - Created new functionality to restore Pell Grant eligibility for students who received an eligible loan discharge on or after July 1, 2017.
- The Program Contract Management Division successfully executed several new Computer Matching Agreements and Memorandums of Understanding (MOUs) with the Federal Communication Commission which saved FSA $107,000 in Operations and Maintenance costs and $58,000 in development.
- The team implemented the Limited PSLF Waiver which allowed a temporary change such that borrowers were able to receive credit for past periods of repayment that otherwise wouldn't qualify for PSLF.
- The PMSS Directorate assisted with the Better FAFSA Better Future Roadmap - An implementation timeline of resources, guidance, and training materials about the redesigned 2024-25 FAFSA® form.
- During FY 2023, the National Student Loan Data System (NSLDS):
  - Completed two runs of the Income Driven Repayment (IDR) Direct to Discharge Forgiveness files totaling 1.6 million loans impacting 854,000 borrowers.
  - Modified processing and reporting of IDR applications to support the SABER/Federal Tax Information initiatives as well as creating a new interface to support IDR auto recertification which goes live in December 2023.

- Created a new Application Programming Interface with the Digital Customer Care platform to provide a better customer experience to users on **StudentAid.gov** as they view the status of their IDR applications.
- Completed FSA's annual exchange with the Department of Defense to assist in identification of military borrowers eligible for the 0% rate benefit.

- New software and user interface have been developed for launch in EDExpress. This deployment addresses several longstanding requests from the user community, as well as implements several changes for FAFSA Simplification and IRS 1070 FTI protection.
- Managed program office acquisition support for two Federal Student Aid systems: the HEAL/HOPS, Postsecondary Education Participants System (PEPS), and PEPS Full and Open/Bridge Contract.
- Supported the *Title IV* Origination & Disbursement (TIVOD) Modernization Program to secure the new acquisition vehicle for NSLDS, COD, Customer Service, and Enterprise Data Management Analytics Platform Services (EDMAPS).
- FSA's Participation Management team:
  - Updated Student Aid Internet Gateway (SAIG) Agreement/FT Mailboxes EA.
  - Implemented system enhancements for FPS integration and FTI.
  - Partnered with FSA's Enterprise Data Office to implement a plan to allow for Partner Connect reports to be produced from the Enterprise Data Warehouse after Partner Connect 2.0 goes live. This will greatly streamline the production of reports and allow for significantly more comprehensive, timely, and accurate reports.
  - Developed new data visualizations in both Tableau and Power BI, including a dashboard to provide a single source for vetting schools and an enhanced funding summary dashboard.
- FSA has taken significant actions arising from the work of the Investigations Group, including denying one school's application to continue participating in the *Title IV* program based upon findings of significant fraud and misconduct, and ensuring that five law schools stopped enrolling students in unaccredited programs using *Title IV* funds and repaid liabilities accordingly.
- FSA prepared to implement the Department's new borrower defense regulation, which was effective July 1, 2023, but then was enjoined by a federal court in FY2023. To prepare to implement this regulation, the Borrower Defense Group (BDG) underwent an extensive process to update technologies and create new application forms. This process included two periods of public notice where external stakeholders could provide feedback and BDG incorporated or responded to all comments.
- BDG met all FY 2023 adjudication deadlines in the Sweet v. Cardona settlement. BDG worked with other FSA stakeholders to identify the approximately 200,000 Class Members eligible for Exhibit C relief under the settlement. BDG also adjudicated the applications from Class Members due in FY 2023 plus additional Class Member applications totaling approximately 40,000 total. These applications include those pending with the Department for the longest, including those filed between 2015 and 2017.

- FSA also announced a group discharge based upon Borrower Defense findings and common findings related to 3 schools and resulting in discharges totaling $239 million in relief to more than 10,900 defrauded students in FY 2023. This included BDG adjudicating more than 4,800 post-Class applications which has resulted in both approvals and denials, including the first denial letters sent to borrowers since 2017.
- AAASG completed more than 40 actions resulting from significant violations of *Title IV* program requirements or serious harm to the programs including completing 12 loss of eligibility actions (seven recertification denials, three losses of eligibility for foreign graduate medical programs, and two PPA revocations), 18 fine actions for more than $1 million, and 14 debarment or suspension actions against individuals. In addition to completed actions, AAASG also initiated three loss of eligibility actions (two recertification denials and one emergency/termination action), five fine actions for nearly $2.7 million, and three debarment actions against individuals.
- AAASG, following referrals from SEOSG and the Investigations Group, settled with 17 schools to recover nearly $2.4 million in improperly disbursed funds for ineligible *Title IV* programs or students.
- As part of FSA's collaboration on enforcement and oversight matters, AAASG provided concurrence to SEOSG's School Participation Divisions' issuance of 40 school program compliance reports including findings of noncompliance identified in Program Review Reports, Final Program Review Determination, or Final Audit Determination, one approval of a reinstatement application, and two denials of initial certification applications.
- AAASG assisted in the resolution of 12 Final Audit Determination or Final Program Review Determination appeals totaling more than $4.3 million in liability payments.
- RRMG reviewed and resolved 5,635 student or borrower complaint cases against their institutions of higher education including 740 cases regarding the Grant Disbursement (Pay Out) Process at the school, 721 cases regarding the Loan Disbursement (Pay Out Process) at the school and 669 cases regarding Financial Allegations (Tuition and Fee Charges). Each case represents a student or borrower who had an issue, problem, or concern that FSA helped them to resolve.

FSA realized the following additional accomplishments in support of Strategic Goal 4: *Increase Workforce and Workplace Capabilities.*

- Workforce Development Division initiated the Power Users Learning Series for Employees (PULSE) Program to provide staff with the necessary tools and strategies to close skill gaps using a peer-to-peer learning approach.
- In alignment with the Department, FSA hired its first Director of DEIA to lead the agency's diversity, equity, inclusion, and accessibility efforts. By hiring a dedicated member to manage these initiatives, FSA is in alignment with Executive Order 14035 and the Department's DEIA Strategic plan.

- The Workforce Development Division, the new DEIA Director, and the Acquisitions team collaborated to acquire DEIA training development courses to support FSA's DEIA training and education plan.

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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 *FAFSA Simplification Act* that will be implemented for the 2024-25 award year, including significant changes to the need analysis process and calculation of student eligibility for Pell Grants;
- Interpreting the provisions of the *Stop Student Debt Relief Scams* (STOP) Act and the J*oint Consolidation Loan Separation Act*;
- Providing technical assistance to Congress regarding options for allowing Pell Grant eligibility for students enrolled in short-term programs;
- Supporting the Department's negotiated rulemaking efforts related to gainful employment and financial transparency; financial responsibility; institutional certification; 90/10 requirements; changes in ownership; administrative capability; PSLF; IDR plans; and student loan forgiveness.

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 2023. However, because FY 2023 performance results were not finalized at the time this report was prepared, the section discusses FY 2022 performance results.

At the end of FY 2023, there were 111 FSA senior managers and 7 SES members. The FSA Executive Committee contained 10 of the 111 senior managers and 2 of the 7 SES members. As members of the FSA Executive Committee, these senior managers reported directly to the COO. The remaining 101 senior managers and 5 SES staff served in a variety of senior positions and capacities within FSA.

The following section discusses FY 2022 performance results.

The FY 2022 performance rating and bonus for the COO are pending. For FY 2021, the COO received a rating of Exceptional Results and a performance bonus of $46,000 for his work at FSA.

The composition of ratings for the remaining 10 senior managers and 1 SES member of the FSA Executive Committee achieved a performance rating of Exceptional Results. There were 3 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 $9,999 to $26,162, 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 96 senior managers who did not serve on the FSA Executive Committee last year were as follows: 54 senior managers achieved a performance rating of Exceptional Results; 26 achieved a performance rating of High Results; and 16 achieved a performance rating of Results Achieved.

Award amounts for those senior managers achieving an Exceptional Results rating ranged from $7,117 to $9,999 with a median award of $9,042. Award amounts for those achieving a High Results rating ranged from $4,181 to $6,111 with a median award of $5,879.

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

Report of the Federal Student Aid Ombudsman

Introduction

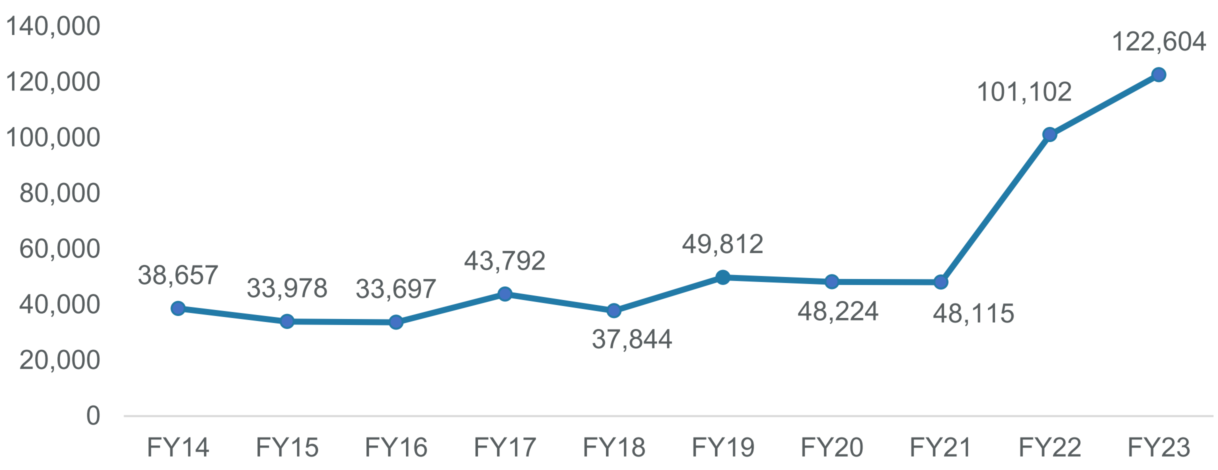
Established by the HEA, the Ombudsman began operations on September 30, 1999. The Ombudsman is responsible for resolving complaints regarding *Title IV* financial aid programs. Pursuant to the HEA, the Ombudsman compiles and analyzes data on borrower complaints and makes appropriate recommendations.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

The Office of the Ombudsman oversees all complaints submitted directly to FSA, as well as complaints referred by the White House, Congress, the Department, the Consumer Financial Protection Bureau, state attorneys general, regulators, 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 2023

During FY 2023, FSA received 122,604 complaints—a 21% increase over the record number of complaints received in FY 2022.[20] Complaints were submitted in a variety of ways, including by FSA's website, telephone, postal mail, or email.

Figure 25: All Complaints Received by Fiscal Year



[20] The FSA complaint system organizes public submissions into 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 Office of the Ombudsman, which most commonly occur when a complainant disagrees with the initial resolution of their case), general inquiries (reports about the operation of federal student aid programs and the use of FSA tools), suspicious activity (reports of suspected fraud within federal financial aid programs), or unassigned cases (cases submitted over the web awaiting categorization by intake agents). Functionally, the Office of the Ombudsman does not distinguish between case types when reporting on the topics addressed in public submissions and this section refers to all cases as complaints. Data are current as of October 5, 2023, and reflect the number of cases stored in FSA's case management system as of the date the data was extracted. FSA stopped collecting "positive feedback" cases in FY 2022.

In general, public announcements and visibility on **StudentAid.gov** drive traffic to FSA's complaint system. For example, during FY 2016, FSA launched the first iteration of its web-based complaint intake form; complaint intake increased by more than 10,000 cases during its first full year of operations. In FY 2019, the announcement of the TEPSLF again drove a record number of complaint submissions.[21]

In October 2021, FSA improved the visibility of its complaint tool, which has driven elevated traffic to the system.[22] In addition, the Administration announced several policy initiatives, including the limited PSLF waiver, the IDR Account Adjustment, and pandemic-related Debt Relief, which drove record traffic to the **StudentAid.gov** website, and subsequently to the complaint portal.[23] The Department also announced its proposed settlement in the *Sweet v. Cardona* lawsuit, which prompted a significant number of complaints from students who alleged misconduct by their school(s).[24]

During FY 2023, students and borrowers submitted complaints when they struggled to access the various repayment programs announced over the last two years, including the limited PSLF waiver, new IDR plan, SAVE. Additionally, borrowers submitted complaints about delays in loan discharges and forgiveness, expressing frustration that their loans were not discharged prior to payments resuming after the end of the COVID-19 payment pause.

Recommendations from the Ombudsman to address operational deficiencies have been shared directly with the FSA COO and Department's leadership.

Data Limitations

The data analyzed in this section reflects the status of complaints received at the time of reporting. During FY 2022, as part of FSA's broader effort to modernize how it engages with aid recipients, FSA transitioned to a BPO vendor model to manage FSA complaint intake, leading to changes in data collection and categorization.[25]

During FY 2023, 91% of complaints were submitted through **StudentAid.gov**; web-based intake improves the customer experience by giving users more control over their narrative. However, the system currently requires intake agents to perform categorization work to route complaints to the correct entity or FSA business unit for resolution. The online complaint tool does not present users with the same categorization options as those maintained internally, so reporting is not uniform. The stage of the student aid lifecycle information presented in this report does

[21] The number of cases increased by 10,095 by FY 2016 and FY 2017 (See Figure 25)

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

[23] 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-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.

[24] 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.

[25] 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.

not necessarily reflect the selections of intake agents; where possible, it aligns with the selections made by students, borrowers, and aid applicants upon submission.

In FY 2024, FSA plans to update and streamline its complaint system to assign complaints based on the selections made by users on the intake form. It will also update the categorization options presented to students, borrowers, and aid applicants so they can more accurately communicate their issues. These improvements will allow FSA to report in more detail on customer selections and will remove the need for vendors to perform categorization.

To accurately report on topics of interest, the Ombudsman Office reviewed samples of complaints about student loans (including those from military-connected borrowers), schools, and the FAFSA process. A sample population was identified by filtering on internal and external categories to align with the stage of the student aid lifecycle; complaints reviewed were selected randomly within each population. The report analyzed 10,738 complaints related to student loans, including 698 complaints from members of the military, 2,875 complaints related to schools, and 300 complaints related to the FAFSA process.[26]

Complaint topics and subtopics were assigned based on an independent review of each complaint. Complaint narratives and associated records, including the NSLDS, the COD database, and, where available, servicer data, were analyzed to determine the underlying cause of the complaint. Note that complaint topics and subtopics are distinct from online and internal complaint categorization options.

Demographics of Borrower Complaints

As part of FSA's commitment to understanding the equity impacts of the *Title IV* system, the Office of the Ombudsman is beginning to explore disparities in who is accessing FSA's complaint system. This section explores differences in complainants by race and income. However, since the complaint system does not collect a complainant's race or income, the report uses publicly available U.S. census tract data from the U.S. Census Bureau to approximate these characteristics. Due to case address limitations, 98,204 complaints out of the 122,604 complaints for FY 2023 were matched to a U.S. census tract.[27]

During the fiscal year, borrowers reached out to FSA from every U.S. state and territory. By ensuring that FSA's complaint system is accessible on **StudentAid.gov**, FSA gained insight into the issues faced by a large cross-section of federal student loan borrowers. Complaint volume was more concentrated in higher population areas and in cities with a higher proportion of public sector workers. There were also complaints from borrowers who lived outside the United States, borrowers who lived on military bases, incarcerated borrowers, and unhoused

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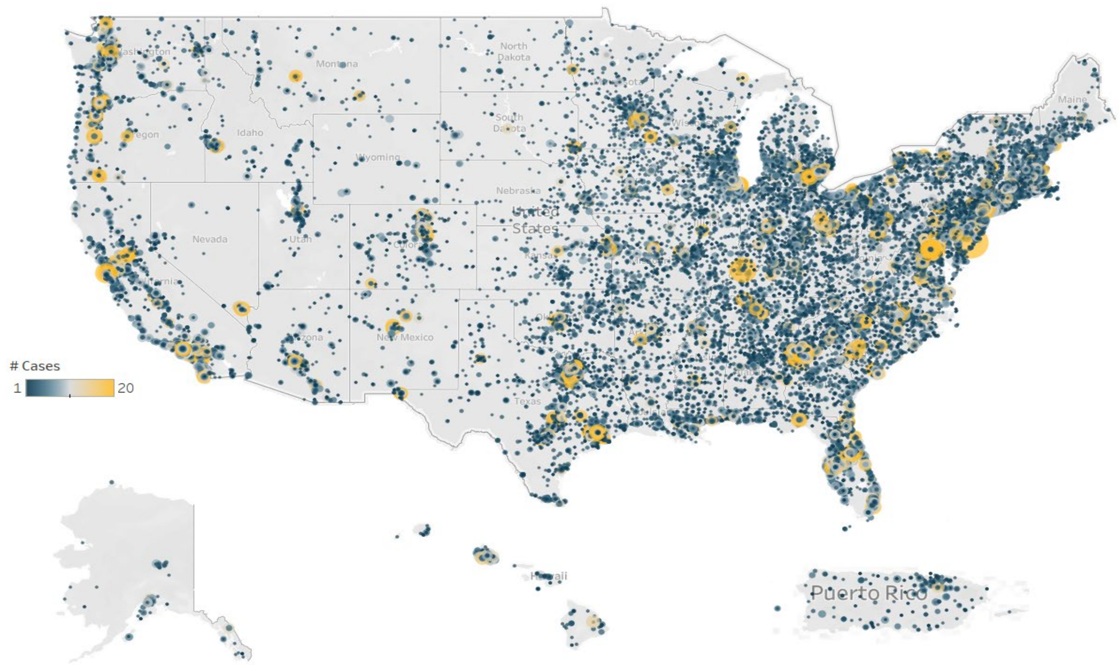
[26] The number of complaints selected for each stage of the student aid lifecycle align with FSA's *FY 2023-27 Strategic Plan*, which, under objective 1.4, directs the Ombudsman to monitor issues that affect student and borrower outcomes. The Ombudsman reviewed 15% of monthly volume of complaints about schools and student loans. Within applying for aid, the Ombudsman reviewed subset of complaints related to the FAFSA in advance of implementation of the *FAFSA Simplification Act*. The *FY 2023 – 27 Strategic Plan* is available at https://studentaid.gov/sites/default/files/FY202327StrategicPlan.pdf

[27] The U.S. Census Geocoder (https://geocoding.geo.census.gov/geocoder/) was used to match census tracts to only those cases with viable physical addresses from all U.S. states and Puerto Rico. Because the report uses 2021 American Community Survey (ACS) 5-year Estimates for data analysis (the most recent ACS five-year estimates available), the case addresses were matched to 2021 ACS addresses, even though the geocoder may have more recent addresses. This is a possible reason why some of the case addresses were not viable. Other reasons for non-viable addresses were missing addresses, foreign addresses, misspelled addresses, and Post Office Boxes.

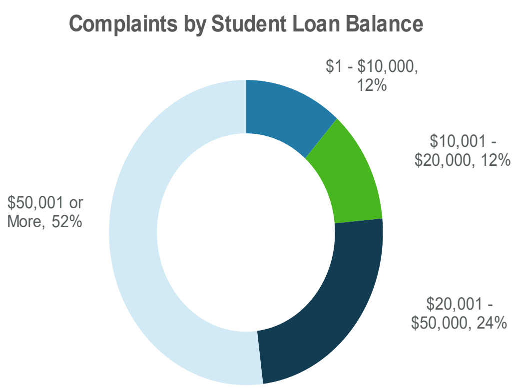
borrowers, each group of whom presents different challenges with respect to the ongoing communication that is required to resolve complaints.

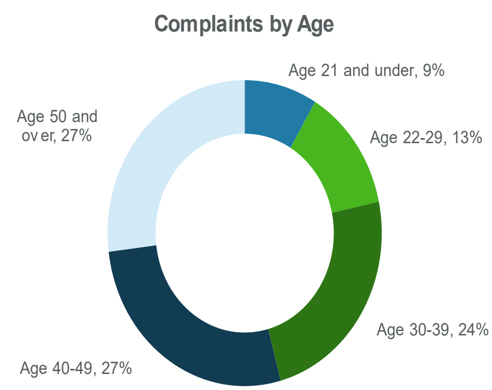
Figure 26: Complaints by Geographic Location[28]



Demographics available in the case record show that borrowers of all ages complained to FSA. Other demographics show submission rate differences. For example, higher-balance borrowers disproportionately submit complaints about their loan or school.

Figure 27: Select Demographics of Complaint Submissions[29]





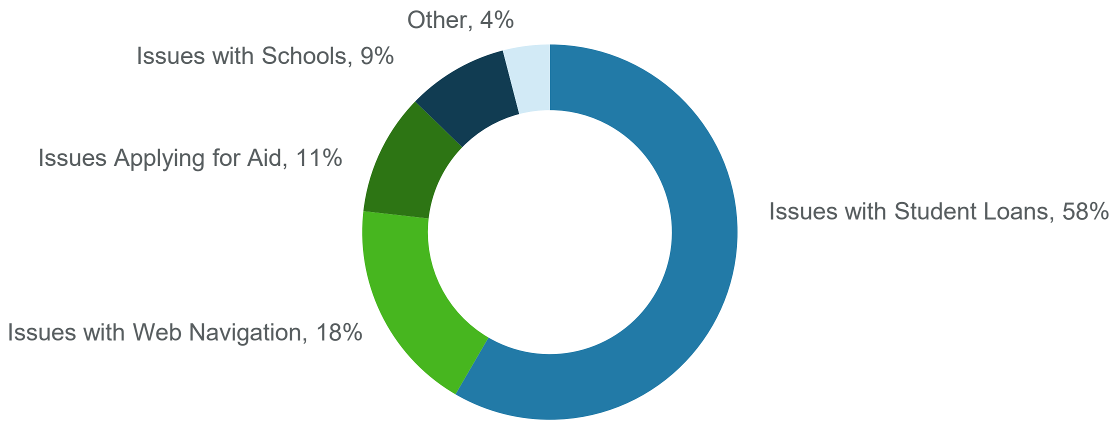
[28] The map uses borrowers' zip codes to show geographic location. Complaints that were not made directly by the borrower and complaints without a U.S. zip code were not included.

[29] 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.

Complaints by Topic

Throughout the fiscal year, FSA received 122,604 complaints from students and borrowers seeking to manage their federal aid. Most complaints (71,588 complaints, 58%) were related to student loan repayment. The second most common complaint theme (22,554 complaints, 18%) related to web navigation problems, including reports of a website outage or site error messages while conducting business on **StudentAid.gov**. FSA received 12,834 complaints (11%) from individuals navigating the student aid application process, followed by 10,675 complaints (9%) from individuals reporting problems with their school(s).

Figure 28: All Complaints Received by Stage of Federal Aid Lifecycle



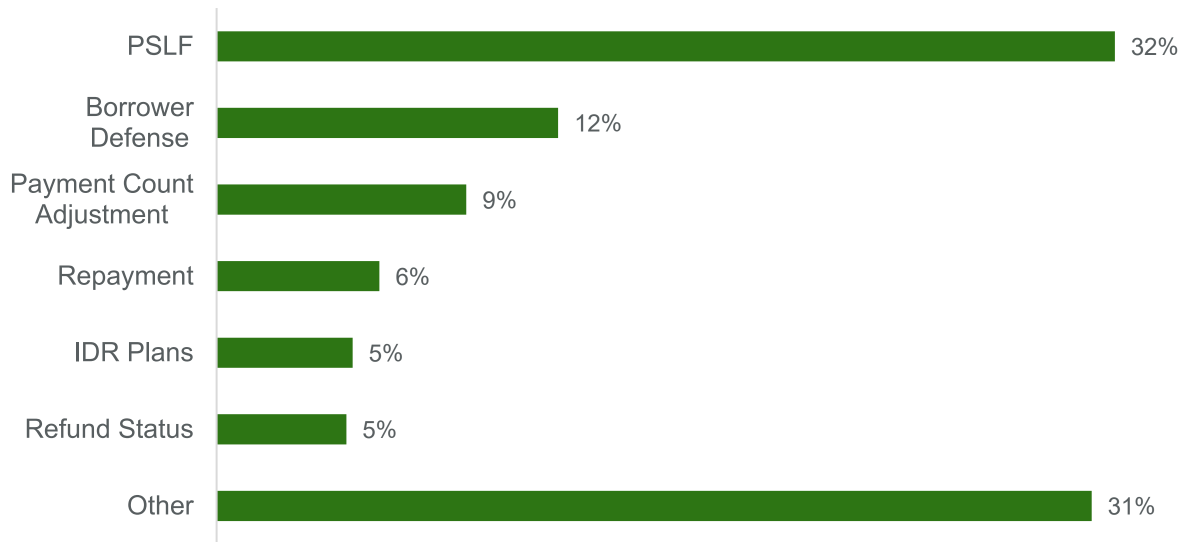
Finally, FSA received 4,953 complaints (4%) about other topics, including complaints about debt relief scams, aid disbursement, and negative interactions with customer service agents. At the time of reporting, 901 complaints were still awaiting categorization by intake agents.

Servicing-Related Complaints

During FY 2023, complaints most commonly described issues related to student loan repayment and servicing breakdowns. Complaints described how borrowers struggled to navigate loan forgiveness and discharge opportunities or manage their loans as the COVID-19 payment pause ended. Nearly one-third of identified complaints (32%) concerned PSLF; many of these complaints were from borrowers who struggled to access the benefits of the limited PSLF waiver. Borrowers also submitted complaints about delays receiving expected discharges under Borrower Defense to Repayment (12%), followed by concerns related to the IDR Payment Count Adjustment (9%).

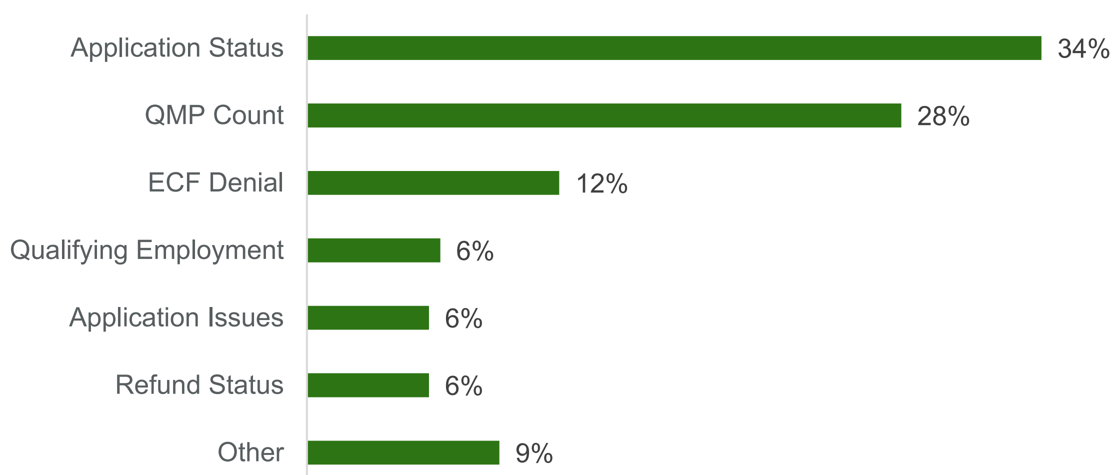
The COVID-19 payment pause ended In August 2023. The return to repayment spurred a surge of complaints in the closing months of the fiscal year as borrowers complained about problems they encountered with their loans (6%) or about enrolling in and recertifying IDR plans (5%). Finally, borrowers complained about delays or unfulfilled requests for refunds of voluntary payments made during the payment pause (5%).

Figure 29: Complaints About Student Loans by Topic[30]



The limited PSLF waiver period ended in October 2022. However, complaints from borrowers who took the necessary steps to qualify for the waiver indicate that they are still struggling to access the limited PSLF waiver benefits. More than 60% of borrowers who submitted complaints about PSLF complained about pending applications (34%) or Qualifying Monthly Payment counts (28%). Almost one-quarter of complaints were about unexpected Employer Certification Form denials (12%), problems documenting qualifying employment (6%), or issues with the PSLF application (6%). Finally, 6% of complaints were about delays and disputes regarding refunds for payments made beyond the required 120 (6%).

Figure 30: PSLF Complaints by Subtopic[31]



[30] This figure reports10,738 complaints reviewed; See Data Limitations section for methodological description.

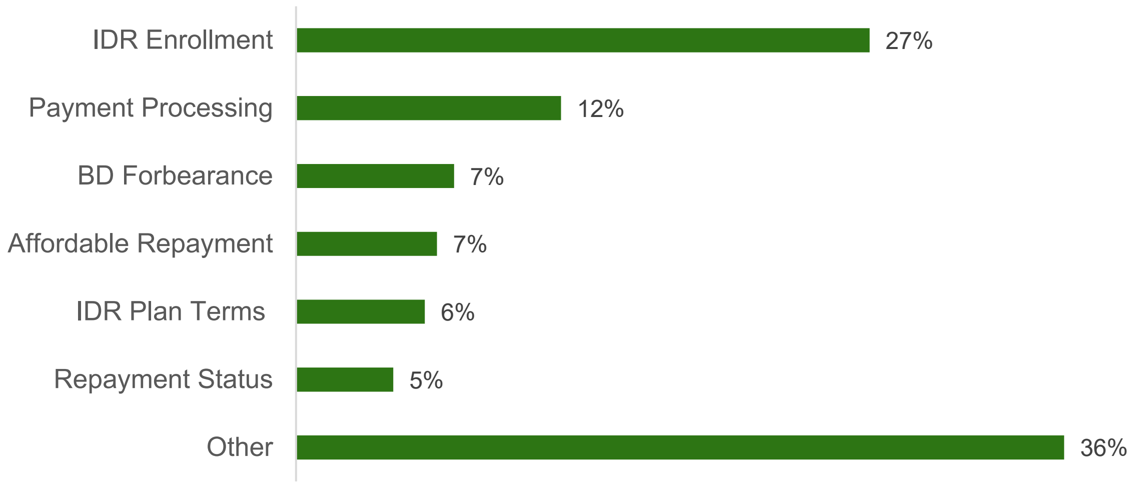
[31] This figure reports 3,453 PSLF complaints identified as a subset of the 10.738 servicing-related complaints reviewed by Ombudsman staff.

Borrowers who submitted PSLF applications during the waiver period faced backlogs or inaction on their pending applications. For example, one PSLF borrower awaiting servicing transfer was told that the PSLF servicer had no account information more than a year after application approval:

> *In 2021, I submitted all of my PSLF paperwork. In July 2022 the servicer changed to MOHELA. Since that time - one full year - they have made ZERO progress on my application. At this point, my application has been in process for nearly 2 years, which I find indefensible. I have called MOHELA multiple times. I have requested an expedited review. Nothing ever changes.*

During the final two months of the year, borrowers submitted complaints about return to repayment. These complaints concerned IDR enrollment (27%), issues making payments (12%), difficulty accessing forbearance while waiting for discharge under Borrower Defense to Repayment (BD) (7%), trouble setting affordable repayment (7%), concern about the terms and eligibility of IDR plans (6%) and reports of being placed in the wrong repayment status (5%).

Figure 31: Return to Repayment Complaints by Subtopic[32]



During the summer of 2023, FSA redesigned its IDR application to be more user-friendly and to allow borrowers to automatically transfer tax information from the IRS. This change provided borrowers with their expected payment upon completion of the application.

Borrowers submitted complaints to FSA describing their struggles to access affordable payments including delays processing approved IDR applications, calculation errors that left them with unaffordable bills, difficulties setting up auto-debit and/or making payments, being switched to non-requested repayment plans, payment due dates that preceded the restart of payments, and untenable call wait times when they attempted to verbally apply for IDR or report an error. One borrower wrote:

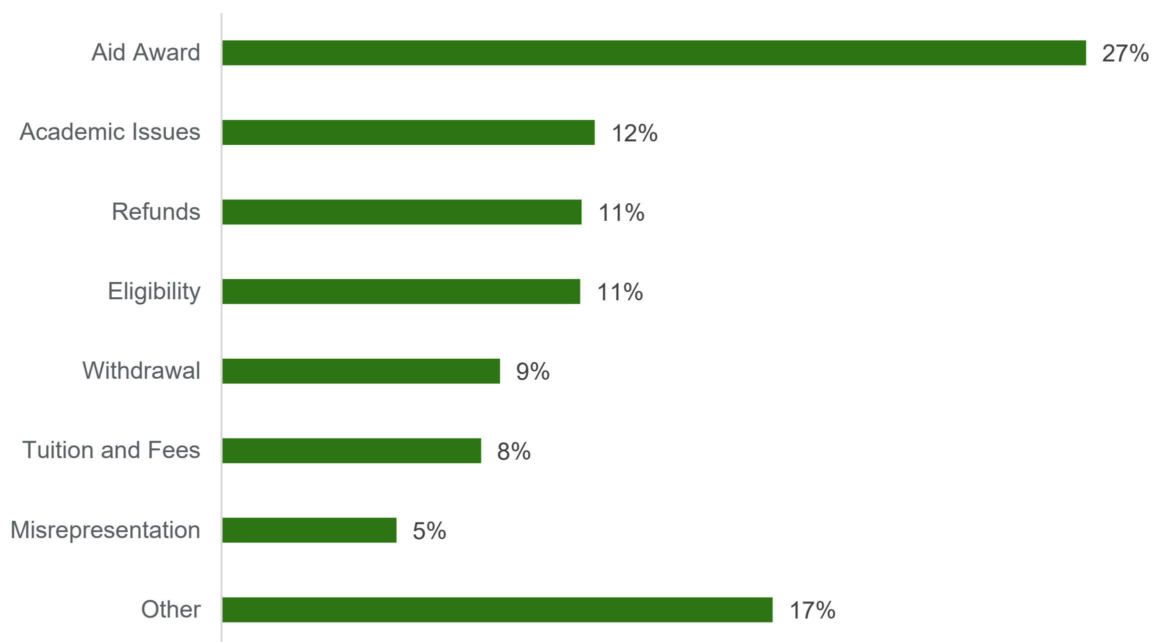
[32] This figure reports 877 complaints about return to repayment submitted during final two months of the fiscal year and identified as a subset of the 10.738 servicing-related complaints reviewed by Ombudsman staff.

I applied for the SAVE program with my servicer, Ed Financial, 8/24/23. My [FSA] account says that [the] application was processed on 8/25/23. … [N]o changes have been made to my amount due. I have called their contact number several times but have been unable to speak to anyone. ***Today's wait time was 303 minutes.*** *That's over 5 hours. That is unreasonable and burdensome. I have tried live chat to no avail.* ***My current amount due says $861. I am a single mother with 3 dependents who live with me and I make approximately $3000/month.*** *There is NO WAY this is feasible, reasonable, fair or anything. At the very least, I should be able to communicate with my loan servicer and get my loans switched from standard repayment plan to something that is reasonable and affordable.*

School-Related Complaints

During FY 2023, FSA received 10,675 school-related complaints. These submissions covered a wide range of issues related to school operations after enrollment. A review of a sample of school-related complaints demonstrates the most common issues reported by students. More than one-quarter of the sampled complaints concerned the timing and amount of aid awards (27%)

Figure 32: School Complaints by Topic



Students complained that schools did not clearly explain school charges and out-of-pocket costs, sometimes impairing their ability to progress, attend, and succeed in class. One student enrolled in a predominantly online, public school wrote:

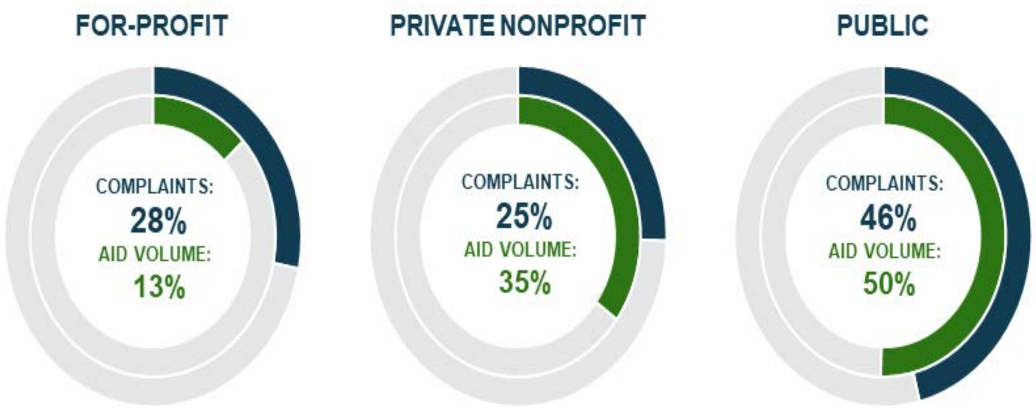
My school has blocked my ability to use my financial aid. All my documents have been submitted. ***Last semester, they told me I would have $0 to pay, but by the end of the semester, they said I owed $491.*** *They keep changing what I owe and what I can use from my aid. I have no idea how to plan.* ***When these problems***

***happen, I must stop school. They also block me from completing my classes**. I can't submit work and do not get the education they promised. They still expect payment when they do this. Release my financial aid and tell me the correct amount that I need to pay per semester. Allow me to complete my course.*

The second-most common topic concerned academic issues (12%), including reports of problems involving their school's degree requirements or academic policies and administration, followed by concerns about aid eligibility (11%) and the timing and amount of refunds (11%). Students also complained about withdrawal (9%), including school charges and the return of aid, about tuition and fee charges (8%), and that their school made false or misleading statements prior to enrollment (5%).[33]

Students who attended for-profit schools disproportionately submitted complaints about their schools relative to the share of *Title IV* aid funds disbursed to those schools. The for-profit sector accounts for 13% of annual aid volume but represents more than double (28%) that share of FSA's identified complaints. In contrast, the public and private, not-for-profit school sectors account for a smaller share of complaints than annual federal aid volume.

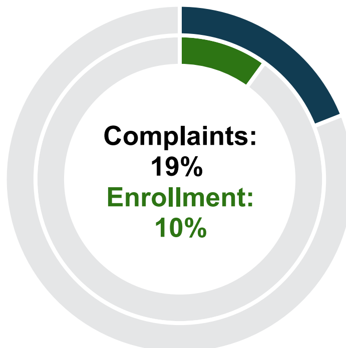
Figure 33: School-Related Complaints and Federal Aid Volume by School Sector[34]



In addition to the sector imbalance, FSA received a disproportionate number of complaints from predominantly online schools. FSA received 1,872 complaints (19%) about schools where more than 80% of students are enrolled exclusively online. In contrast, these schools accounted for only 10% of enrollment in *Title IV*-eligible schools during the 2021-22 school year, the most recent year data was available.

[33] The Office of the Ombudsman Office reviewed 2,875 likely school-related complaints. This visualization does not include 666 complaints primarily from former students about school misconduct as they sought discharge under borrower defense to repayment.
[34] The Office of the Ombudsman matched school complaints by sector using the Integrated Postsecondary Education Data System for the 2021-22 school year, the most recent year for which final data are available. Aid volume information was reported by the FSA Data Center (Award Year Summary by School Type) for the 2020-21 school year, the most recent year for which data are available.

Figure 34: School-Related Complaints about Predominantly Online Schools Compared with Share of Total Enrollment



While FSA does not track the enrollment modality of students who submit complaints, many complaints from students attending predominantly online schools suggest that students struggle to interact with those who administer relevant programs at their school(s) in this format. These complaints describe an environment where students must await response from financial advisors or supervisors to answer questions or to process enrollment changes. A student enrolled in a predominantly online college writes:

> *I'm getting no return calls from financial aid supervisor for over a week now. I'm trying to speak with the supervisor to review my aid, what I will be receiving and when. Although I was sent an email a couple of weeks ago of a breakdown of my aid/tuition, I do not understand what I'm looking at. The school has [Supplemental Education Opportunity Grants] and I'd like to understand why I wasn't considered for the grant given my circumstances. According to the university, I have a student loan as well but that isn't shown on my FSA account and I don't know much about that either. There's a lot of numbers and it's intimidating. I'm very confused and am getting no response from the school. Before I get much further into this, I feel this needs to be addressed.*

Another student enrolled in a predominantly online school complained about difficulty processing a withdrawal request and attached documentation to the complaint, showing the request had been submitted more than a month prior to the withdrawal date reported to FSA in NSLDS:

> *[School Name] took over $1,700.00 from my student loan account AFTER I had withdrawn IN WRITING and left a message with my "student advisor." My email was acknowledged, yet they took the funds anyway and are trying to collect additional money from me. … Anything taken by [school name] after March 2022 [should be] returned by them and my student loan balanced lowered to reflect that reduced amount.*

FSA received school complaints about more than 2,000 institutions of higher education.[35] Students submitted 1,676 complaints (17 percent) about the 20 schools with the most complaint

[35] This number does not include cases where school information was not logged upon intake.

volume during the year. Many of the top 20 schools listed had the highest student enrollment for the most recent year data is available; other schools listed received more complaints than expected for their enrollment size.[36]

Table 54: Number of Complaints by School from Top 20 by Volume[37]

School	No. of Complaints
University of Phoenix	162
Liberty University	134
Post University	130
Southern New Hampshire University	115
Grand Canyon University	113
Strayer University	109
Capella University	97
Colorado Technical University	96
Walden University	80
Rutgers University	80
Western Governors University	66
Florida Agricultural and Mechanical University	61
American InterContinental University	61
Florida Career College	57
Purdue University Global	56
Arizona State University Campus Immersion	55
South University	53
Hussian College	52
National University	50
Full Sail University	49

Applying for Aid Complaints

During FY 2023, FSA received 12,834 cases related to applying for aid. These cases fall into three broad categories: issues incurred while completing and submitting the FAFSA form, problems creating or logging in to **StudentAid.gov** using an FSA ID, and complaints about the FAFSA customer experience.[38]

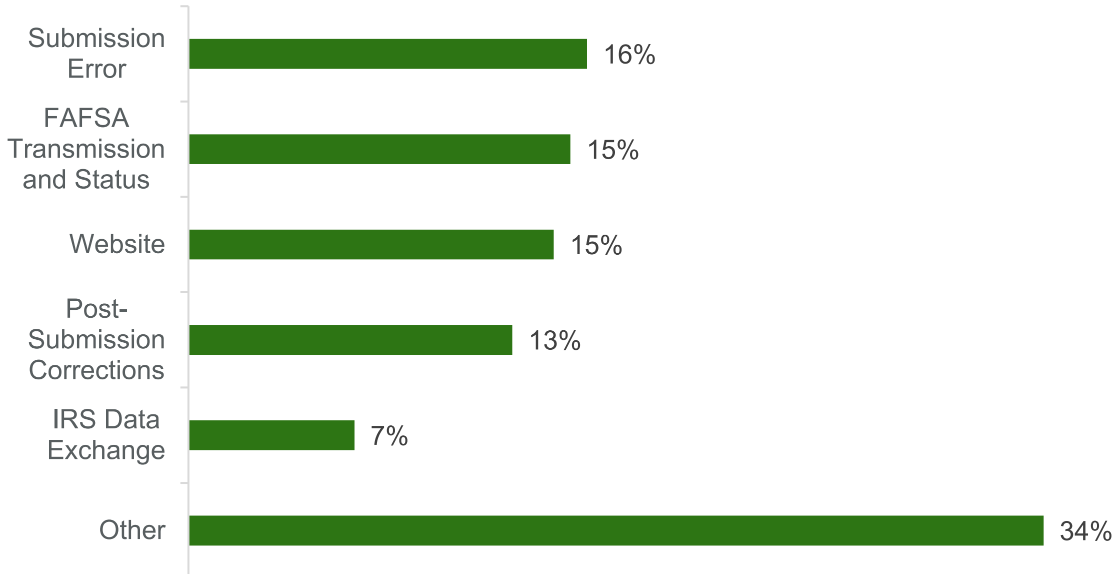
A review of a sample of complaints related to the FAFSA process found that the most common topic was about the inability to sign and submit the FAFSA form (16 percent), which typically occurs when an error has been identified somewhere on the form. Most applicants expressed confusion about how to resolve errors, while some did not seem to understand that an error prevented signature.

[36] Narratives discussed in this section pertain to one of the top 20 schools by complaint volume.

[37] School complaints were aggregated by OPEID and the names were matched using the Integrated Postsecondary Education Data System for the 2021-22 school year, the most recent year for which final data are available.

[38] Of the 12,834 cases related to applying for aid, FSA received 7,879 complaints about the FAFSA process, 4,227 complaints about the FSA ID, 677 complaints about the FAFSA customer experience, and 51 complaints awaiting categorization.

Figure 35: Complaints About the FAFSA by Topic[39]



Applicants also commonly complained about the status or transmission of a completed FAFSA to their school (15%), web outages that prevented access to the FAFSA form (15%), and trouble or confusion while correcting a FAFSA (13%). A smaller share of applicants complained about problems transmitting income data from the IRS (7%). The remaining one-third (34%) of applicants complained about other topics.

Throughout the aid application complaints, students and parents complained about the complexity of the FAFSA form and their frustration with the process:

> *I have been correcting these complicated questions on the FAFSA form since 2020 for my child. It is terrible for someone with low income to fill out FAFSA form. Please provide better guidance for people.*

—

> *This form is the most confusing and least user friendly to ever exist. Every single year I have filled this out it I feel confused, stressed, and frustrated with how long it takes and how inconvenient it is for parent information.*

FSA will introduce a streamlined FAFSA for the 2024-25 award year as part of the *FAFSA Simplification Act*.[40]

[39] This figure reports on a sample of 300 complaints about the FAFSA. Percentages do not add up to 100% due to rounding.

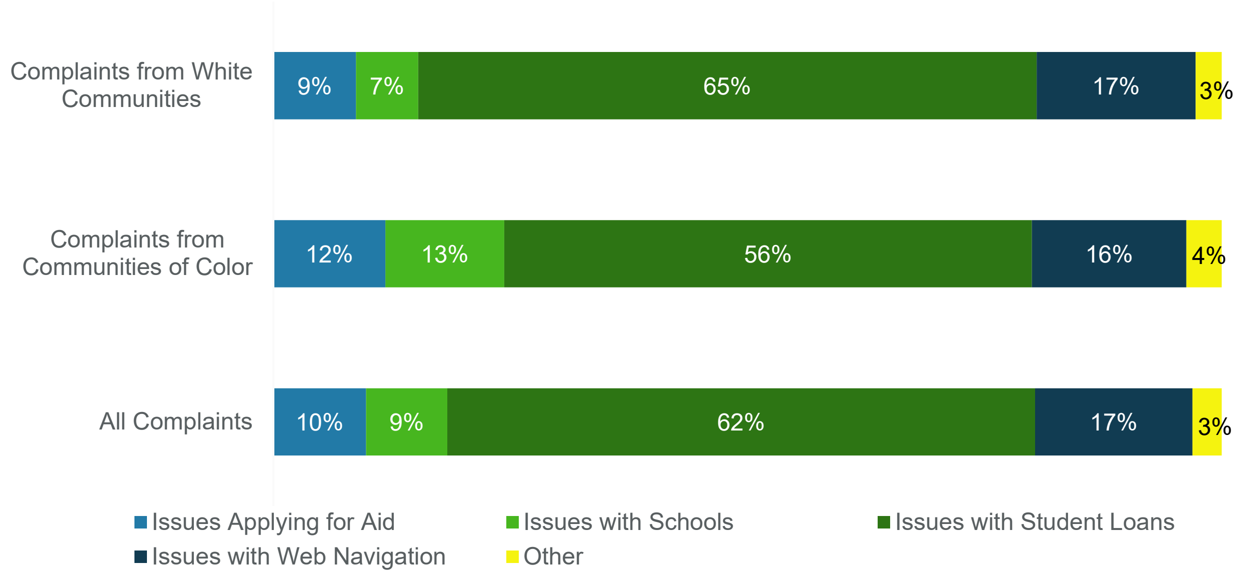
[40] US Department of Education, "What is the FAFSA Simplification Act?", available at StudentAid.gov/help-center/answers/article/fafsa-simplification-act.

Complaints from Underserved Communities

Each year, the Ombudsman Office examines the complaints received from underserved populations to identify potential gaps in aid delivery and make recommendations for service improvements.

Nearly 100,000 complaints were matched to U.S. Census Bureau census tract data to assess differences in complaints based on the community where a student, borrower, or aid applicant lives. The analysis found that borrowers from communities of color disproportionately complained about the earlier stages of the financial aid lifecycle compared to other borrowers. One-in-four people who lived in communities of color complained about issues applying for aid (12 percent) or schools (13 percent). Meanwhile, 9 percent of people from majority-White communities complained about applying for aid and 7 percent complained about schools.[41]

Figure 36: Complaints by Stage of Federal Aid Lifecycle and Race/Ethnicity of Borrower's Community[42]



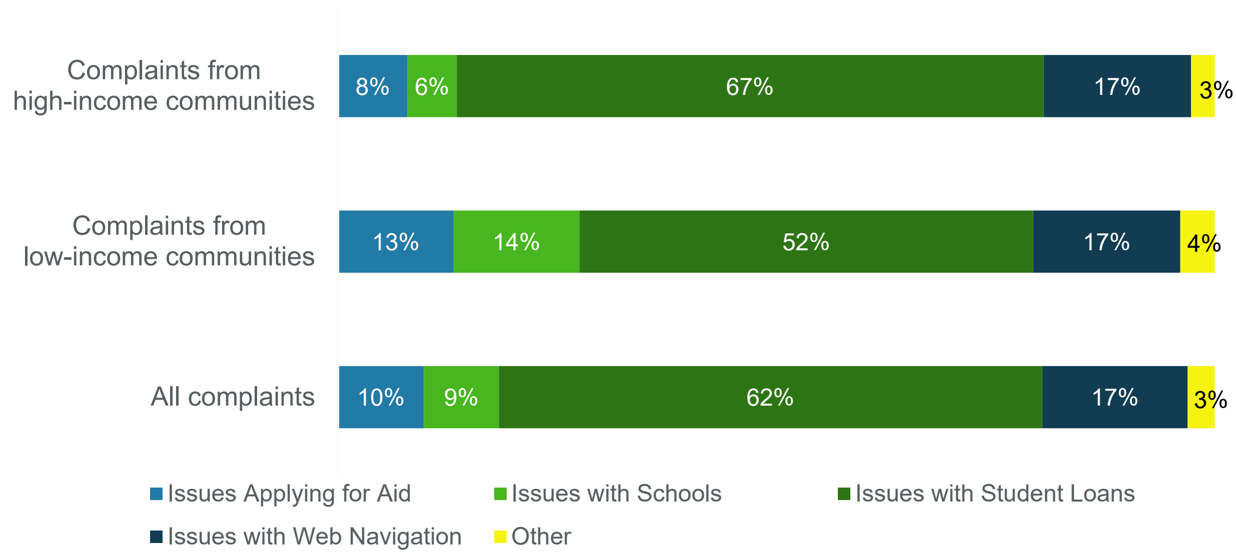
There was also a notable difference in complaints between borrowers from low-income communities and high-income communities. Borrowers who lived in low-income communities complained about applying for aid and schools at a higher rate than those from high-income communities. Complaints about applying for aid accounted for 8 percent of complaints from high-income communities and 13 percent from low-income communities. Complaints about

[41] Communities of color are defined as census tracts where a majority of residents identified as either one or a combination of: Black or African-American only, American Indian or Alaska Native only, Asian only, Native Hawaiian or Other Pacific Islander only, Some Other Race only, Two or More Races, and Hispanic or Latino ethnicity (any race). Majority White communities are census tracts where a majority of residents identified as White only. Of the 98,204 cases that were matched to a census tract, 98,114 had ACS race and ethnicity data.

[42] Source: Descriptive analysis of 98,114 complaints that were matched to census tracts with available race and ethnicity data from the ACS 2021 5-Year Estimates of BO3002: Hispanic or Latino Origin by Race table. Percentages do not add up to 100 percent due to rounding.

schools accounted for just 6 percent of complaints from high-income communities and 14 percent from low-income communities.[43]

Figure 37: Complaints by Stage of Federal Aid Lifecycle and Income Level of Borrower's Community[44]



Complaints from Military-Affiliated Borrowers

Pursuant to its responsibilities under the *Principles of Excellence*, FSA monitors complaints submitted from service members and military families.[45] During FY 2023, FSA received 7,536 complaints from military-affiliated borrowers; of those nearly two-thirds (62 percent) concerned issues managing student loans.

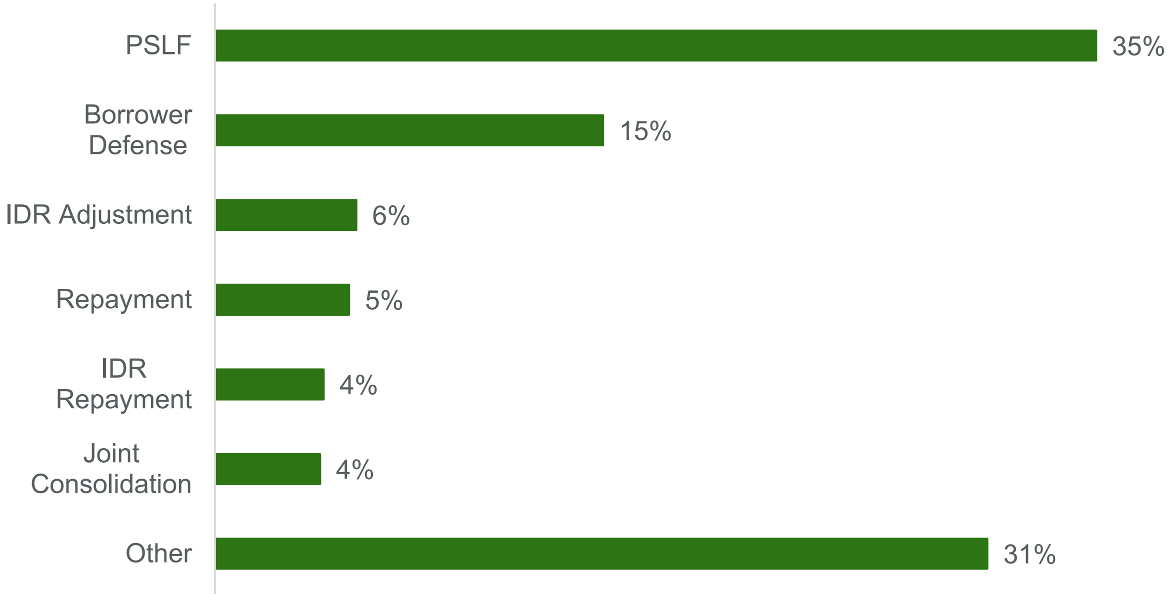
During the fiscal year, military-related borrowers submitted complaints describing a wide range of student loan issues. A review of these complaints identified that more than one-third (35 percent) concerned PSLF, followed by Borrower Defense to Repayment (15 percent), the IDR Account Adjustment (6 percent), general repayment issues (5 percent), IDR plans (4 percent), and limitations imposed on borrowers of joint consolidation loans (4 percent).

[43] The report uses the lower and upper quartile of household median income by census tract to determine low- and high-income communities. Low-income communities are defined as census tracts where a majority of residents have a median household income of less than $48,679 (the 25th highest median income of all U.S. census tracts). High-income communities are defined as census tracts where a majority of residents have a median household income of $90,000 or more (the 75th highest median income of all U.S. census tracts). The U.S. Census Bureau defines household income as "pretax cash income of the householder and all other people 15 years old and older in the household." Of the 98,204 cases that were matched to a census tract, 97,765 had ACS median income data.

[44] Source: Descriptive analysis of 97,765 complaints that were matched to census tracts with available household median income data from the ACS 2021 5-Year Estimates of S1903: Median Income in The Past 12 Months (in 2021 Inflation-Adjusted Dollars) table. Percentages do not add up to 100 percent due to rounding.

[45] Executive Order No. 13607, 3 C.F.R. § 13607 (2012), https://www.federalregister.gov/documents/2012/05/02/2012-10715/establishing-principles-of-excellence-for-educational-institutions-serving-service-members-veterans. Complainants are able to log their affiliation as an active member of the military, a veteran, or a dependent of an active member or veteran.

Figure 38: Military-Related Complaints About Student Loans by Topic



Military-affiliated borrowers had trouble accessing forgiveness and discharge opportunities, which impact their ability to engage in military and civilian life and access benefits earned through their service.[46] For example, one borrower seeking an approved loan discharge under Borrower Defense to Repayment described the negative effects of a protracted wait for discharge:

> *[My l]oans should not be in repayment status, loans should be discharged due to [my schools] both being sued and shutdown. I received a notice in November 2022 from the Department of Education in regards to my loans being discharged for the reasons above and falling off of my credit reports. Instead, I keep receiving emails in reference to updating the repayment plan before October 2023. … This has negatively affected me for years. I have not been able to use my VA home loan due to my poor credit score and I am basically surviving on VA Comp/Pen.*

[46] See CFPB blog post, “Time is running out for student loan servicers to help servicemembers with student loans get debt relief,” available at: https://www.consumerfinance.gov/about-us/blog/time-is-running-out-for-student-loan-servicers-to-help-servicemembers-with-student-loans-get-debt-relief/.

Incarcerated Students and Borrowers

In July 2023, people in prison officially regained eligibility for Pell Grants under the new Prison Education Program regulation.[47] As colleges and universities roll out their new programs in 2024 and beyond, hundreds of thousands of incarcerated students could eventually gain access to higher education. However, higher education access remains in jeopardy for those with defaulted student loans from before their incarceration. In FY 2023, the Ombudsman Office heard from currently and formerly incarcerated borrowers and students, college program staff, advocacy organizations, and other stakeholders about the challenges of rehabilitating the defaulted loans of incarcerated borrowers—a required step for Pell Grant eligibility. The Ombudsman Office also received 145 complaints from currently and formerly incarcerated borrowers.[48] These sources offer insights into the challenges of managing student loans in prison.

Incarcerated borrowers struggle to manage their loans because of the restrictions on their access to the internet, email, phone, and mail. As a result, most incarcerated borrowers end up in default. These borrowers commonly complain about the quality of customer service they receive from servicers, and they lament their inability to prevent default, despite their best efforts.

> *Unfortunately, my loans went into default when I was incarcerated. . . . I could not receive any kind of bill while in custody. . . . When I was released from prison . . . I found it extremely difficult to find a job with a felony conviction on my record. [M]y wages . . . were garnished and I talked to someone at [my servicer] where my loan was held and found out my loan amount had ballooned up to more than $120,000 from $40,000; I was told the difference was from collection fees over the years and interest. I don't understand how this is even legal . . . There is no way I can ever repay the current loan amount. . . .*

Many of the incarcerated and formerly incarcerated complainants are not actually student loan borrowers; they are identity theft victims.[49] A typical complainant of this nature alleges that while incarcerated, an unknown perpetrator stole their personal information to take out loans and Pell Grants in their name at a college they never attended. The complainants are often unaware of the aid disbursements until after release from prison when they get collections calls, run credit reports, or attempt to apply for financial aid. The Department and its contracted servicers assist these complainants to get the fraudulent financial aid off their accounts. Using the identities of incarcerated people to steal federal financial aid money is a well-documented scam, and more efforts are needed to combat this specific form of identity theft, particularly because it poses

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[47] U.S. Department of Education, (GEN-23-05) Eligibility of Confined or Incarcerated Individuals to Receive Pell Grants (March 29, 2023), https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2023-03-29/eligibility-confined-or-incarcerated-individuals-receive-pell-grants.

[48] This also includes complaints from students who complained about being incorrectly flagged as incarcerated and complaints from employees of college prison programs who complained about various aspects of program administration.

[49] In 2023, the Department of Education finalized new regulations to streamline the false certification and identity theft process. See: https://www.ed.gov/news/press-releases/education-department-releases-final-regulations-expand-and-improve-targeted-debt-relief-programs

such grave risks to the Administration's goals of re-integrating formerly incarcerated borrowers into employment, housing, and participation in civil society.[50]

To address the issues faced by incarcerated borrowers, the Department launched several initiatives in FY 2023. First, because of the barriers identified by stakeholders related to calling toll-free phone numbers in prison,[51] the Default Resolution Group established a new phone number available to incarcerated borrowers to promote accessibility. Second, FSA published a factsheet on how incarcerated borrowers can use the Fresh Start initiative to get out of default or get their loans written off.[52] This fact sheet is a critically important first step towards communicating the benefits associated with Fresh Start since all defaulted borrowers who fail to register for Fresh Start will be returned to collection after August 2024. Third, FSA began an initiative to work directly with correctional facilities to reduce the barriers to information access and communication for incarcerated borrowers. These efforts—and more—demonstrate the Department's commitment to improving outcomes for incarcerated borrowers.

Activities of the Ombudsman

The Ombudsman Office's Stakeholder Engagement Group (SEG) facilitates three activities—engagement, outreach, and financial literacy—to support FSA's mission, as well as its responsibilities under various laws to increase awareness about *Title IV* programs and solicit feedback on opportunities for improvement. SEG effectuates the principles of accessibility, high-quality customer service, and responsive government through a variety of engagements, including listening sessions, webinars, meetings, and outreach efforts. In addition, SEG uses stakeholder feedback to lead initiatives aimed at improving outcomes for financial aid recipients, especially student loan borrowers from historically underserved populations. This section provides examples of SEG's most impactful work from FY 2023 and outlines programmatic goals for FY 2024.

Engagement

FSA has a statutory obligation to consult with stakeholders and to solicit their feedback to improve the federal student aid system.[53] To ensure FSA hears from diverse communities, throughout the fiscal year, SEG worked to enhance existing relationships and create new connections with leaders in government, advocacy, industry, and the higher education community.

Throughout the fiscal year, SEG coordinated listening sessions with stakeholders to hear feedback about the federal student aid system.

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[50] For example, see: Press Release, United States Attorney's Office Central District of California, Three Women Indicted for Alleged Scheme that Used Prison Inmates' Identities to Fraudulently Obtain Federal Student Loans (March 3, 2023), https://www.justice.gov/usao-cdca/pr/three-women-indicted-alleged-scheme-used-prison-inmates-identities-fraudulently-obtain#:~:text=LOS%20ANGELES%20%E2%80%93%20Three%20women%20were,obtain%20federal%20student%20loans%20totaling

[51] Student Borrower Protection Center, Collection at all Costs: Examining the Intersection of Mass Incarceration and the Student Debt Crisis (July 2022), https://protectborrowers.org/wp-content/uploads/2022/08/Collection-at-All-Costs_Final.pdf.

[52] U.S. Department of Education, (LOANS-23-08) Fact Sheet on Fresh Start Available for Confined or Incarcerated Borrowers (September 6, 2023), https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-09-06/fact-sheet-fresh-start-available-confined-or-incarcerated-borrowers

[53] 20 U.S.C. § 1018(c)(3).

Across several listening sessions with consumer advocates, stakeholders highlighted the problem of language accessibility on FSA's websites and forms. In particular, stakeholders requested more Spanish-language materials, that materials be written in plain language, and that information be made easier to find on **StudentAid.gov**. As a result of this feedback, FSA translated the IDR website and the PDF application form into Spanish. Consumer groups continue to push for a Spanish-language online version of the SAVE application, and for more multi-language outreach materials with return to repayment content.

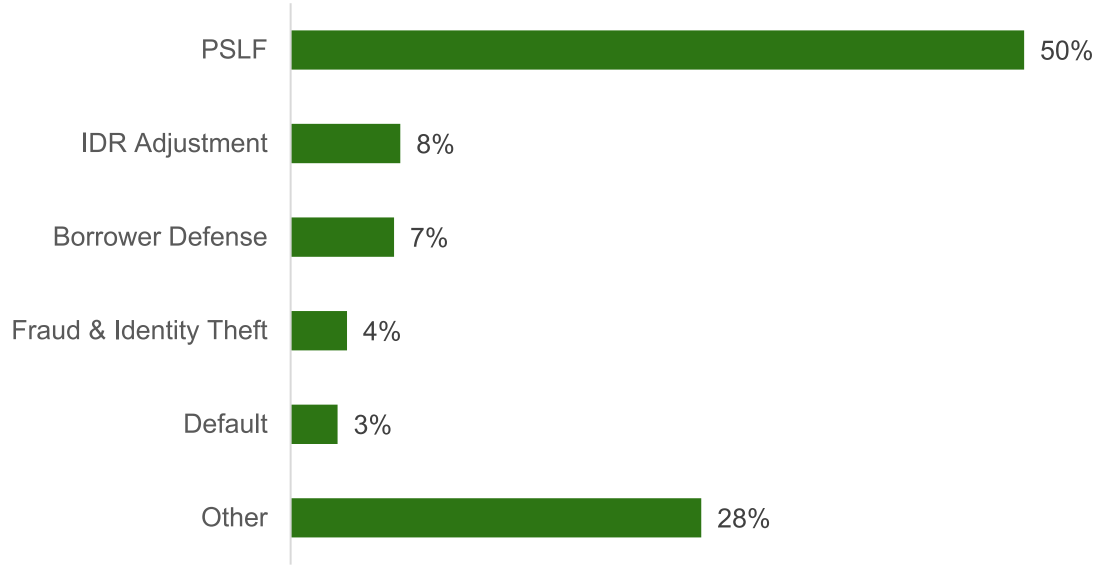
SEG held a listening session about joint spousal consolidation loans with representatives from legal aid organizations, consumer advocacy groups, and a coalition of borrowers who faced obstacles with uncooperative former spouses or who were victims of domestic abuse. Stakeholders identified how implementation delays of the *Joint Consolidation Loan Separation Act of 2022* resulted in commercial FFEL borrowers having to pay on loans that may have qualified for forgiveness if not for being jointly consolidated. In response, FSA created a process to give commercial FFEL borrowers the option to request a forbearance pending the separation of their loans.[54] Consumer groups and attorneys general offices described how despite this work, these borrowers still do not have a path to separate their loans and many had been denied administrative forbearance at the servicer level when payments resumed in September 2023. Further, advocates and state attorneys general explained that these borrowers have yet to receive sufficient communication about initiating separation requests ahead of the one-time IDR account adjustment.

State agencies are critical partners to FSA, and during FY 2023, SEG worked with state ombudsman offices, attorneys general, state regulators, state corrections agencies, and more. SEG met monthly with each of the 15 state-level ombudsman offices or the state official equivalent to exchange information about borrower complaints, outreach efforts, and FSA's student loan programs. The partnerships with these offices result in direct complaint resolution and new opportunities to collaborate. For example, SEG partnered with Washington state's ombudsman office to create PSLF informational materials for state employees. Similarly, SEG shared 8,781 student debt relief scam complaints with attorneys general in 44 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. SEG convened 15 follow up meetings with a subgroup of these offices to assist as they leveraged FSA's complaint data to open investigations, send cease and desist letters to scammers, and improve their educational materials about third-party debt relief scams.

In each of these engagements, SEG invites students, borrowers, state officials, legal aid attorneys and others to submit complaints directly to Ombudsman Office. In total, the office handled 466 complaints during FY 2023 that originated from SEG engagements. In addition to finding resolutions for the complainants, the Ombudsman Office uses these complaints to identify systemic problems and issues that require additional outreach and education.

[54] https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-07-19/joint-consolidation-loan-separation-act-forbearance-guidance

Figure 39: Stakeholder Complaints by Topic



Outreach

In addition to its engagement work, SEG conducts direct outreach to students and borrowers through educational webinars. These outreach efforts, while generally smaller than other FSA outreach work, focus on communities that are traditionally underserved by FSA's broader communications channels. To supplement FSA's other efforts, SEG prioritizes creating customized content to better meet the communications needs of its target audiences.

During FY 2023, SEG presented information about forgiveness programs and return to repayment to a variety of audiences, including university systems, AmeriCorps employees and alumni, borrowers working in PSLF-eligible sectors, borrowers affected by school misconduct or closure, borrowers impacted by natural disasters, and others, collectively reaching more than ten thousand students and borrowers.

SEG also hosted meetings with stakeholders to highlight the launch of new programs and products. For example, FSA met with state ombudsman offices, FFEL servicers, and guarantors to highlight the new digital application forms for PSLF and IDR, which make it easier for borrowers to apply for these forgiveness programs. SEG and SEAD also participated in fireside chats with legal aid organizations to discuss the implementation of Fresh Start. These efforts ensure that community partners have the best available information about FSA's programs to serve their constituents.

Financial Literacy

Students and families make many high-stakes decisions regarding higher education such as whether to continue education beyond high school, the type of institution to attend, and how to pay for higher education. The choices are complex. For many, paying for higher education involves taking on debt.

FSA embraces the opportunity and obligation to equip students with information and resources to help them make informed financial decisions before, during, and after college. FSA can provide these resources both directly to students and families as well as collaborate with schools and other partners, especially other federal agencies. Federal-partner relationships are enhanced through Department's role in the Treasury Department's Financial Literacy and Education Commission. According to the Commission's report on Best Practices for Financial Literacy and Education, effectively engaging students and providing clear, timely, and customized information about student borrowing could be key to reducing poor financial outcomes.[55]

The Ombudsman Office's SEG has been tasked with defining FSA's financial literacy strategy, which targets financial decisions during the student lifecycle and categorized as follows:

- **Prepare**: FSA will identify and execute initiatives to assist students and families in exploring postsecondary institutions, comparison shopping based on programs of study, and understanding the true cost of attendance. Applying for financial aid and completing the FAFSA and deciding when, whether and in whose name to borrow money are important concepts to understand when preparing to attend college or career school.
- **Succeed**: In addition to making choices about higher education and how to pay for it, students make many other important decisions during college such as opening a bank account, using a credit card, understanding the value of budgeting, and more. Building knowledge and good financial habits has proven to be a contributing factor for students to succeed and complete their program of study. FSA will focus on supporting its school partners with financial literacy education resources and sharing best practices as they endeavor to create financially capable Americans.
- **Repay**: Student loans are often the only means by which students can pursue higher education, therefore it is crucial that students understand their loan options and obligations well in advance of when repayment takes place. Repaying student loans is one of the many financial decisions that students are faced with as they transition into the workplace. FSA will continue its financial literacy education efforts to reach borrowers directly, support the work of loan servicers, and engage with stakeholders such as schools and third-party organizations that have relationships and direct influence on borrowers.

Looking Ahead

In FY 2024, SEG will build upon engagement with underserved communities identified in FY 2023 by prioritizing additional underserved communities, including incarcerated borrowers, service members, military families, older Americans, borrowers with disabilities, students and borrowers living in rural communities, and members of the LGBTQ+ community.

SEG will continue to capitalize on existing relationships, disseminating critical student loan updates via these relationships, and seek their support in identifying community organizations

[55] See: U.S. Financial Literacy and Education Commission, *Best Practices for Financial Literacy and Education at Institutions Of Higher Education*, available at https://home.treasury.gov/system/files/136/Best-Practices-for-Financial-Literacy-and-Education-at-Institutions-of-Higher-Education2019.pdf

that reach underserved students and families. SEG will also provide quarterly webinars on timely federal student aid topics.

Further, SEG will timely communicate concerning trends and issues to those within FSA responsible for addressing solutions. SEG will continue to seek complaint resolutions and use those complaints to identify systemic problems and issues that require additional outreach and education.

Through its financial literacy work, SEG looks forward to continuing to collaborate with stakeholders through webinars about paying for college and the impacts of student debt. In FY 2024, SEG will harness National Financial Capability month to bring together state and federal partners to share best practices for teaching personal finance and the merits of FAFSA completion. Finally, SEG will host listening sessions with postsecondary institutions that offer peer-to-peer financial counseling and provide resources and information to institutions that are seeking assistance on financial literacy education.

Financial Section (Unaudited)

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Overview of the Financial Section

This section includes the consolidated Balance Sheet and related notes and the Independent Auditors' Report. The subsections are listed below:

- **The Consolidated Balance Sheet.**
- **Notes to the Consolidated Balance Sheet**. The Notes to the Consolidated Balance Sheet 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.
- **Report of the Independent Auditors**. The Report of the Independent Auditors 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.

Consolidated Balance Sheet

United States Department of Education
Federal Student Aid
Consolidated Balance Sheet
As of September 30, 2023
(Dollars in Millions)

		FY 2023 (Unaudited)
Assets (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$	106,868
Other Assets (Note 4)		1
Total Intragovernmental		106,869
Other than Intragovernmental:		
Loans Receivable, Net (Note 5)		
Direct Loan Program		1,030,912
FFEL Program		39,314
Other Credit Programs for Higher Education		2,328
Cash and Other Monetary Assets		564
Other Assets (Note 4)		279
Total Other than Intragovernmental		1,073,397
Total Assets	**$**	**1,180,266**
Liabilities (Note 6)		
Intragovernmental:		
Debt Associated with Loans (Note 7)		
Direct Loan Program	$	1,127,011
FFEL Program		60,896
Other Credit Programs for Higher Education		598
Accounts Payable		1
Other Liabilities:		
Subsidy Due to Treasury (Note 8)		1,630
Guaranty Agency Funds Due to Treasury		564
Other Liabilities (Note 9)		1,398
Total Intragovernmental		1,192,098
Other than Intragovernmental:		
Accounts Payable		3,585
Loan Guarantee Liabilities (Note 5)		11,197
Other Liabilities:		
Accrued Grant Liabilities		2,563
Other Liabilities (Note 9)		35
Total Other than Intragovernmental		17,380
Total Liabilities	**$**	**1,209,478**
Commitments and Contingencies (Note 10)		
Net Position		
Unexpended Appropriations	$	38,009
Cumulative Results of Operations		(67,221)
Total Net Position	**$**	**(29,212)**
Total Liabilities and Net Position	**$**	**1,180,266**

The accompanying notes are an integral part of this statement.

Notes to the Consolidated Balance Sheet

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Notes to the Consolidated Balance Sheet for the Year Ended, September 30, 2023

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. The Consolidated Balance Sheet should be read with the realization that it is 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 non-federal 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. 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. 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 Note 5)

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.

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.
- Authorizing Guaranty Agencies to reimburse themselves from the Federal Student Loan Reserve Fund for lost revenue that resulted from student loan repayment deferrals.
- Making temporary changes to the PSLF program to allow student borrowers to get credit for payments made while working for a qualifying employer.
- Addressing issues with IDR payment counting.

Funding for these actions was provided through indefinite appropriations.

Other regulatory flexibilities and incentives provided to help students through COVID-19 include:

- Stopping all federal wage garnishments and collection actions for borrowers with federally held loans in default.
- 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

The Consolidated Balance Sheet was prepared to report the financial position of FSA, as required by the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*. The Consolidated Balance Sheet was 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. This Consolidated Balance Sheet is different from the Consolidated Balance Sheet prepared by the Department.

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 Balance Sheet.

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 (expense) 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.

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.
- 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.

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 for all loan types except subsidized Direct Loans. 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 repayment plans under which borrowers may receive forgiveness of the remaining balance of their loans after 10, 20 or 25 years under certain rules.

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 15 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 United States and are reflected in the *President's Budget*. 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. FSA does not own real property for the use of its staff. FSA leases office space from the General Services Administration (GSA). The lease contracts with GSA for privately and publicly owned buildings are operating leases.

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 Notes 4 and 10)

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, as well as payments not yet processed. Other than intragovernmental accounts payable to the public includes in-process grant and loan disbursements.

Accrued Grant Liabilities

FSA records grant expenses as grantees drawdown funding on their available grant balances. Some grant recipients incur allowable expenditures as of the end of an accounting period but have not yet drawn on their available balances to be 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. Some grantees drawdown funding in advance of incurring grant expenditures. A statistical estimate is made for these advance drawdowns and is recorded as other than intragovernmental advances (see Note 4).

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. (See Notes 6 and 9)

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)

Net Position

The components of net position are classified on the Department's Consolidated Balance Sheet as follows:

Unexpended Appropriations. Unexpended Appropriations is the portion of the Department's appropriations received that are represented by undelivered orders or are unobligated.

Cumulative Results of Operations. Cumulative Results of Operations represents the accumulated net difference since inception between (1) expenses and (2) revenues and financing sources.

Taxes

FSA is part of 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 the Consolidated Balance Sheet in conformity with GAAP. These estimates are reflected in the assets, liabilities, and net position of the Consolidated Balance Sheet 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 and 5)

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)

	2023 (Unaudited)	
	Intragovernmental	Other than Intragovernmental
Non-Entity Assets		
Loans Receivable, Net	$ -	$ 1,386
Cash and Other Monetary Assets	-	564
Accounts Receivable, Net	-	6
Total Non-Entity Assets	**-**	**1,956**
Entity Assets	106,869	1,071,441
Total Assets	**$ 106,869**	**$ 1,073,397**

FSA's FY 2023 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 (28.8 percent), reported as cash and other monetary assets, and Federal Perkins Loan program loan receivables (70.9 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)

	2023 (Unaudited)
Appropriated Funds	$ 41,082
Revolving Funds	65,774
Special Funds	9
Covid-19 Funds	3
Total Fund Balance with Treasury	**$ 106,868**

In FY 2023, $297 million 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.

Note 4. Other Assets

(Dollars in Millions)

	2023 (Unaudited)	
	Intragovernmental	Other than Intragovernmental
Accounts Receivable, Net	$ 1	$ 277
Advances to Others and Prepayments	-	2
Property and Equipment, Net	-	-
Total Other Assets	**$ 1**	**$ 279**

Note 5. Loan Receivables, Net and Loan Guarantee Liabilities

Loans Receivable

(Dollars in Millions)

	2023 (Unaudited)			
	Principal	Accrued Interest	Allowance for Subsidy	Net
Direct Loan Program	$ 1,336,158	$ 83,439	$ (388,685)	$ 1,030,912
FFEL Program	78,991	20,840	(60,517)	39,314
Other Credit Programs for Higher Education	2,490	559	(721)	2,328
Total Loans Receivable	**$ 1,417,639**	**$ 104,838**	**$ (449,923)**	**$ 1,072,554**

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.

What follows is additional analysis 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 $1,419.6 billion in gross loan receivables, as of September 30, 2023, $76.5 billion (5.4 percent) in loan principal was in default and had been transferred to FSA’s defaulted loan servicer.

Direct Loan Program Loan Disbursements by Loan Type
(Dollars in Millions)

	2023 (Unaudited)
Stafford	$ 15,671
Unsubsidized Stafford	44,878
PLUS	23,928
Consolidation	37,792
Total Disbursements	**$ 122,269**

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 $37.8 billion during FY 2023. 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 Subsidy Rates—Cohort 2023 (Unaudited)

	Interest Differential	Defaults	Fees	Other	Total
Stafford	24.63%	1.99%	-1.06%	-11.39%	14.17%
Unsubsidized Stafford	26.89%	1.81%	-1.06%	-16.16%	11.48%
PLUS	12.91%	1.20%	-4.23%	-16.56%	-6.68%
Consolidation	26.33%	0.20%	0.00%	7.01%	33.54%
Weighted Average Total	**23.89%**	**1.21%**	**-1.29%**	**-8.19%**	**15.62%**

*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.

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)

	2023 (Unaudited)
Outstanding Principal of Guaranteed Loans, Face Value	$ 80.6
Amount of Outstanding Principal Guaranteed	$ 80.6

As of September 30, 2023, the total principal value of guaranteed loans outstanding and the amount of that principal which is guaranteed is approximately $80.6 billion.

Additionally, the FFEL program guarantees outstanding interest balances. As of September 30, 2023, the interest balances outstanding for guaranteed loans held by lenders was approximately $3.8 billion.

FSA's total FFEL program guarantees (principal and interest) are approximately $84.4 billion as of September 30, 2023. 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)

	2023 (Unaduited)			
	Principal	Accrued Interest	Allowance for Subsidy (Present Value)	Net
DEFAULTED FFEL GUARANTEED LOANS				
FFEL GSL Program (Pre-1992)	$ 3,208	$ 5,029	$ (8,014)	$ 223
FFEL GSL Program (Post-1991)	37,829	8,044	(34,253)	11,620
Total Defaulted FFEL Guaranteed Loans	**41,037**	**13,073**	**(42,267)**	**11,843**
ACQUIRED FFEL LOANS				
Loan Purchase Commitment	13,083	2,490	(8,204)	7,369
Loan Participation Purchase	23,673	4,939	(9,879)	18,733
ABCP Conduit	1,198	338	(167)	1,369
Total Acquired FFEL Loans	**37,954**	**7,767**	**(18,250)**	**27,471**
FFEL Program Loan Receivables	**$ 78,991**	**$ 20,840**	**$ (60,517)**	**$ 39,314**

Liabilities for Loan Guarantees
(Dollars in Millions)

	2023 (Unaudited)
Post-1991 FFEL Loan Guarantee Liability	$ 11,084
Pre-1992 FFEL Liquidating Account Liability for Loan Guarantees	(138)
FFEL Liabilities for Loan Guarantees	**10,946**
HEAL Liabilities for Loan Guarantees	251
Total Ending Balance for Liabilities for Loan Guarantees	**$ 11,197**

Other Credit Programs for Higher Education
(Dollars in Millions)

	2023 (Unaudited)			
	Principal	Accrued Interest	Allowance for Subsidy (Present Value)	Net
Federal Perkins Loans	$ 1,313	$ 467	$ (394)	$ 1,386
TEACH Program Loans	809	67	(322)	554
HEAL Program Loans	368	25	(5)	388
Total	**$ 2,490**	**$ 559**	**$ (721)**	**$ 2,328**

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 $343 million for FY 2023.

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 $521 million to FSA in FY 2023 for the federal share of collected cash.

Beginning with the 2023 reporting year, as part of the wind-down of the Federal Perkins Loan Program, the Secretary began requiring schools to assign to FSA all Perkins Loans that have been in default for more than two years for which there have been no current collections. While the mandatory assignment policy has driven more schools to liquidate, the majority of schools are continuing to service existing portfolios to recover the money they contributed to their Perkins funds and will do so for as long as it is feasible 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 2024-25 FISAP shows a $1.6 billion outstanding principal balance on Perkins loans held by schools and FSA's equity interest on this portfolio is $1.4 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.

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.

TEACH Subsidy Rates—Cohort 2023 (Unaudited)

	Interest Differential	Defaults	Fees	Other	Total
Subsidy Rates	76.72%	1.56%	0.00%	-32.63%	45.65%

*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.

Note 6. Liabilities Not Covered by Budgetary Resources

(Dollars in Millions)

	2023 (Unaudited) Intragovernmental	2023 (Unaudited) Other than Intragovernmental
Liabilities Not Covered By Budgetary Resources		
Unfunded Leave	$ -	$ 21
FECA Liabilities	1	1
Total Liabilities Not Covered By Budgetary Resources	**1**	**22**
Liabilities Not Requiring Budgetary Resources		
Subsidy Due to Treasury General Fund	529	-
Federal Perkins Loan Program	1,377	-
Miscellaneous Receipt, Deposit Funds and Clearing Accounts	16	1
Total Liabilities Not Requiring Budgetary Resources	**1,922**	**1**
Total Liabilities Covered By Budgetary Resources	1,190,175	17,357
Total Liabilities	**$ 1,192,098**	**$ 17,380**

Note 7. Debt Associated with Loans

(Dollars in Millions)

	2023 (Unaudited)
Direct Loan Program	$ 1,127,011
FFEL Program	60,896
Other Credit Programs for Higher Education	598
Total Debt Associated with Loans	**$ 1,188,505**

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. 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 94.8 percent of FSA's debt, as of September 30, 2023, is attributable to the Direct Loan program.

Note 8. Subsidy Due to Treasury

(Dollars in Millions)

	2023 (Unaudited)
Credit Program Downward Subsidy Re-estimates	
Direct Loan Program	$ 585
FFEL Program	516
Total Credit Program Downward Subsidy Re-estimates	**1,101**
Future Liquidating Account Collections	
FFEL Program	529
Total Future Liquidating Account Collections	**529**
Total Subsidy Due to Treasury General Fund	**$ 1,630**

Note 9. Other Liabilities

(Dollars in Millions)

	2023 (Unaudited)	
	Intragovernmental	Other than Intragovernmental
Federal Perkins Loan Program	$ 1,377	$ -
Miscellaneous Receipt, Deposit Funds and Clearing Accounts	16	1
Accrued Funded Payroll and Leave	-	11
Accrued Unfunded Annual Leave	-	21
Employer Contributions and Payroll Taxes Payable	4	1
FECA Liabilities	1	1
Total Other Liabilities	**$ 1,398**	**$ 35**

Note 10. 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)

2023 (Unaudited)	
2024	$ 14
2025	11
2026	11
2027	11
2028	11
After 2028	11
Total	**$ 69**

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 2023 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, 2023. The final disposition of claims filed and those yet to be filed from loans originated before September 30, 2023, is not expected to have a material impact on these financial statements.

Independent Auditors’ Report

Office of Inspector General Audit Transmittal

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

November 16, 2023

The Honorable Miguel Cardona
Secretary of Education
Washington, D.C. 20202

Richard Cordray
Chief Operating Officer
Federal Student Aid
Washington, D.C. 20202

Dear Secretary Cardona and Mr. Cordray:

The enclosed Independent Auditors’ Report (report) covers the consolidated balance sheet of Federal Student Aid (FSA) as of September 30, 2023, and the related notes (the consolidated financial statement), to comply with the Higher Education Amendments of 1998. The report should be read in conjunction with FSA’s consolidated financial statement 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 statement of FSA as of September 30, 2023. 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.* Following is a summary of the results reported in the Independent Auditors’ Report.

Report on the Audit of the Consolidated Financial Statement

Disclaimer of Opinion

- KPMG has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion because of unresolved errors KPMG identified in the underlying data used to calculate the subsidy re-estimates for FSA’s direct loan and loan guaranty programs.

Report on Internal Control Over Financial Reporting

Material Weakness (Exhibit A)

- Controls over the Relevance and Reliability of Underlying Data Used in Credit Reform Estimates Need Improvement.

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Promoting the efficiency, effectiveness, and integrity of the Department’s programs and operations.

Office of Inspector General Audit Transmittal

Significant Deficiencies (Exhibit B)

- Information Technology Controls Need Improvement, and
- Entity Level Controls Need Improvement.

Report on Compliance and Other Matters

The results of KPMG's tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*.

In connection with the contract, the Office of Inspector General reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the consolidated financial statement in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on FSA's consolidated financial statement or internal control over financial reporting, or conclusions on compliance and other matters. KPMG is responsible for the report dated November 16, 2023, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

We appreciate the cooperation given KPMG and my office during the audit. If you have any questions or would like to discuss the report, please contact me at (202) 245-6900.

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

Secretary
United States Department of Education

Chief Operating Officer
Federal Student Aid:

Report on the Audit of the Consolidated Financial Statement

Disclaimer of Opinion

We were engaged to audit the consolidated balance sheet of the Federal Student Aid (FSA) as of September 30, 2023, and the related notes (the consolidated financial statement).

We do not express an opinion on the accompanying consolidated financial statement of FSA. 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 consolidated financial statement.

Basis for Disclaimer of Opinion

During fiscal year 2023, we identified errors in the underlying data used to develop assumptions used to calculate the subsidy re-estimates for FSA's direct loan and loan guaranty programs. Management was unable to determine the extent of the impact of these issues on the balance sheet and related notes. As a result of this matter, we are unable to determine whether any adjustments to the balance sheet might have been necessary with respect to the fiscal year 2023 Loan Receivables, Net – Direct Loan Program; Loan Receivables, Net – Federal Family Education Loan (FFEL) Program; Subsidy Due to Treasury; Loan Guarantee Liabilities; Unexpended Appropriations; Cumulative Results of Operations; and the related notes.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the fiscal year 2023 Agency Financial Report to provide additional information for the users of its consolidated financial statement. Such information is not a required part of the consolidated financial statement 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 Statement

Management is responsible for the preparation and fair presentation of the consolidated financial statement 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 the consolidated financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statement

Our responsibility is to conduct an audit of FSA's consolidated financial statement in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this consolidated financial statement.

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.

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 statement. Such information is the responsibility of management and, although not a part of the basic consolidated financial statement, 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 statement in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information 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.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit FSA's consolidated financial statement as of September 30, 2023, 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 statement, 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 statement 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 statement as of September 30, 2023, 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 statement. 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the consolidated financial statement, other 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 statement and, accordingly, we express no opinion on the response.

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.
November 16, 2023

3

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 of the subsidy costs (commonly referred to as subsidy re-estimates) of its direct loan and loan guaranty programs as of September 30 every year.

These subsidy re-estimates are calculated using an internally developed cash flow model, the Student Loan Model (SLM). The SLM utilizes assumptions based on internally sourced data elements from Information Technology (IT) systems. The future cash flow outputs generated from the SLM are 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 re-estimates.

Condition:

Management did not design and implement sufficiently precise controls over the relevance and reliability of certain data used in key assumptions for the SLM.

Cause/Effect:

Management's risk assessment process was not sufficient to identify the risk related to the relevance and reliability of the underlying data used in significant assumptions for the subsidy re-estimates. Additionally, management did not sufficiently communicate errors in the underlying data internally to those responsible for calculating the subsidy re-estimates. Inadequate controls over the relevance and reliability of the underlying data used to develop the subsidy re-estimates led to errors which increases the risk that the balance sheet and related notes 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 6, *Define Objectives and Risk Tolerances;* Principle No. 10, *Design Control Activities*; Principle No. 13, *Use Quality Information*; Principle No. 14, *Communicate Internally*.
- FASAB Technical Release 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 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 re-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 United States Department of Education (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 2023, FSA management demonstrated progress implementing corrective actions to remediate some prior-year deficiencies, such as change and configuration management 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, configuration management, and computer operations. New and existing IT control deficiencies related to security management, access controls, and segregation of IT duties for the Department's core financial management system, three of FSA's financial and mixed systems, and one identity and access management support system are as follows:

Department:

1. Deficiencies in IT security management controls: System deficiencies, including those identified during external audits, for the Department's core financial management system were not documented in Plan of Action and Milestones (POA&M) and tracked in the security management tool, as required by Department policies and guidance.

2. Deficiencies in IT logical access controls: Access controls for new and separated contractors were not consistently and accurately performed, including the inconsistent reporting of start and termination effective dates. Further, the access 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 for two of three of the Department's financially relevant applications was not met for all accounts.

3. Deficiencies in IT controls related to the segregation of IT duties: For one of the Department's core financial management systems, users with developer access had access greater than read-only to the system's production environment.

4. Deficiencies in IT application change management and patch management controls: The application change management and patch management policies and controls were not consistently followed for the Department's core financial management system in accordance with Department policy. The Department did not provide sufficient evidence supporting tracking, security assessment, and approval for certain application changes and patches.

B-1

5. Deficiencies in IT computer operations controls: Controls over computer operations were not properly designed and implemented. Specifically,

    a. changes to the job processing and scheduling tools were not centrally tracked;

    b. changes were made directly in the production environment; and

    c. the use and monitoring of generic and shared accounts for the job scheduling tool did not follow the Department's requirements.

FSA:

1. Deficiencies in IT security management controls: Management did not effectively operate corrective action, remediation, and quality review controls for IT security weaknesses. Specifically, Plan of Action and Milestone (POA&M) closure documentation for three FSA systems and one identity and access management system did not always address the root cause of the deficiencies, thereby increasing the potential of IT control deficiencies reoccurring in the future.

2. Deficiencies in IT logical access controls: The access control processes were not consistently followed for three FSA systems and one identity and access management system. Specifically,

    a. evidence supporting complete and accurate access listings and evidence supporting new, modified, or separated users was not provided or was provided with missing required information and/or approvals;

    b. unauthorized access was provisioned and/or access was provisioned without adhering to the least privileged principle;

    c. evidence supporting complete and accurate access reviews and recertification controls was unavailable or was retained; and

    d. FSA's requirement for multi-factor authentication control was not implemented for all internal system users.

Cause/Effect:

Management has not performed effective risk assessments and there was a lack of effective monitoring controls over the effectiveness of designed control activities by the Department and FSA to ensure the following:

1. All system deficiencies, including those identified during external audits, have a documented POA&M and are tracked in the required security management tool. Additionally, 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 the Department and FSA.

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.
- Department IT Identification and Authentication (IA) Standard.
- EDCAPS System Security Plan (SSP) control requirements.
- FMS 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.
- Office of the Chief Information Officer (OCIO), Information Assurance Services (IAS) Plan of Action and Milestones, Standard Operating Procedures (SOP), Version 2.8 dated July 7, 2022, Section 1.4 *POA&M Management* and Section 4.7 *CAP POA&M Workflow*.
- Cybersecurity Policy, Departmental Directive ACSD-OCIO-004, section V. *Responsibilities*.
- Information Technology (IT) System Security Assessment and Authorization (CA) Standard dated January 31, 2023, Section 2.4 *CA-5 Plan of Action and Milestones (POA&M) (P, L, M, H and Control Overlay)*.
- IT Program Management (PM) Standard dated January 31, 2023, section 2.4 *PM-4 Plan of Action and Milestones Process (P, Deployed Organization-Wide)*.
- The Green Book, Principle No. 2, *Exercise Oversight Responsibility*, Principle No. 3 *Establish Structure, Responsibility, and Authority*, Principle No. 4, *Demonstrate Commitment to Competence*, Principle No. 7, *Identify, Analyze, and Respond to Risks*, Principle No. 8 *Assess Fraud Risk*, Principle No.10, *Design Control Activities*, Principle No. 11, *Design Activities for the Information System*, Principle No. 13, *Use*

Quality Information, Principle No.16, *Perform Monitoring Activities,* Principle No.17, *Evaluate Issues and Remediate Deficiencies*.

- 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 CA-5 *Plan of Action and Milestones*, PM-4 *Plan of Action and Milestone Process*, AC-2 *Account Management*, AC-5 *Separation of Duties*, AC-6 *Least Privilege*, AT-3 *Role-based Training*, AT-4 *Training records*, IA-2 *Identification and Authentication (Organizational Users);* CM-3 *Configuration Change Control*, and SI-2 *Flaw Remediation*.

Recommendations:

We recommend that the Department:

1. Improve the risk assessment process over IT to help ensure the Department is appropriately defining objectives to enable the identification of risks and associated controls to help mitigate the risks.
2. Communicate control issues and/or weaknesses through established tools and relevant reporting lines to the appropriate parties on a timely basis to enable prompt evaluation and resolution of the issues and/or weaknesses.
3. Evaluate, design, and implement controls to track and report all new and separated contractors.
4. Ensure separated contractors are off-boarded and system personnel are notified in a timely manner to disable or remove access to IT resources.
5. Provide training and oversight to the Department's personnel with on/off-boarding controls to help ensure new/separated contractors are properly tracked.
6. Update access review procedures to require the reviewers to verify the access lists received to be used in the performance and operation of the access reviews is complete and accurate and not modified prior to commencing the access reviews.
7. Identify, design, and implement controls requiring a reviewer to validate the population generated for review is complete and accurate.
8. Enforce established access authorization controls and ensure all requirements are met prior to granting system access. 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.
9. Ensure the application and database server access review controls include the verification of access privileges assigned to the user accounts are commensurate with job responsibilities and follow the concept of least privilege.
10. Ensure the database and server layer controls comply and operate with the disabling of inactive accounts and account lockout duration password setting requirements, as required by Department Policy.
11. 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:
    a. Authorize the use of these accounts by approved personnel,

b. 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

c. Require that generic/shared accounts' passwords are changed each time approved personnel separate or transfer from the Department.

We recommend that FSA:

12. Design and implement improvements for the risk assessment process over IT to help ensure the FSA is appropriately defining objectives to enable the identification of risks and associated controls to help mitigate the risks.

13. Design and implement controls 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.

14. 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.

15. Ensure segregation of duties and least privilege principles are adhered to when granting user access.

16. Evaluate and update the access review controls based on risk and enforce segregation of duties.

17. Reconcile the list of users' roles and responsibilities from the identity and access software tools to the lists that reside in each system accessed by such users.

18. Update access review policies and controls 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.

19. Enforce the operation of established access authorization controls and ensure all requirements are met prior to granting access to systems.

B. Entity Level Controls Need Improvement

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. FSA needs 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- FSA's entity level controls were not designed and implemented appropriately in order to define objectives related to financial reporting processes to enable the identification of risks, define risk tolerances and identify controls responsive to those risks.

2. Monitoring Activities- 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. Inadequate risk assessment throughout FSA prevented the proper identification and analysis of certain risks related to the financial reporting process at FSA, and from designing appropriate risk responses.

2. Insufficient monitoring prevented FSA from implementing corrective action plans and remediating control deficiencies timely.

The conditions noted above contributed to the control deficiencies described earlier in Exhibits A and B.A 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:

- The Green Book Principle 6, *Define Objectives and Risk Tolerances*.
- The Green Book Principle 17, *Evaluate Issues and Remediate Deficiencies*.

Recommendations:

We recommend that management:

1. Improve the risk assessment process at the financial statement assertion level and at the process level to ensure FSA 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 FSA.

Other Information (Unaudited)

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Overview of the Other Information Section

This section includes the consolidated Statement of Net Cost, consolidated Statement of Changes in Net Position and the combined Statement of Budgetary Resources and related notes. It also includes Required Supplementary Information, a summary of the financial statement audit, links to the Management Assurance and Management Challenges sections located in the ***AFR***, and the Payment Integrity section. The subsections are listed below:

- **Unaudited Financial Statements:** The unaudited financial statements consist of the following statements: Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources.
- **Notes to the unaudited Financial Statements:** The notes to the unaudited 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 includes the Combining Statement of Budgetary Resources by Program.
- **Summary of the Financial Statement audit**
- **Management Assurance**
- **Management Challenges**
- **Payment Integrity Section**

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Consolidated Statement of Net Cost

United States Department of Education
Federal Student Aid
Consolidated Statement of Net Cost
For the Year Ended September 30, 2023
(Dollars in Millions)

		FY 2023 (Unaudited)
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 (Surpluses)	$	(78,781)
Earned Revenue		(35,917)
Net Cost (Surplus) of Direct Loan Program	**$**	**(114,698)**
FFEL Program		
Gross Costs	$	11,848
Earned Revenue		(3,994)
Net Cost of FFEL Program	**$**	**7,854**
Other Credit Programs for Higher Education		
Gross Costs	$	34
Earned Revenue		(891)
Net Cost (Surplus) of Other Credit Programs for Higher Education	**$**	**(857)**
Non-Credit Programs		
Gross Costs	$	32,198
Earned Revenue		-
Net Cost of Non-Credit Programs	**$**	**32,198**
Net Program Costs (Surplus)	**$**	**(75,503)**
Total Program Gross Costs (Surplus)	**$**	**(34,701)**
Total Program Earned Revenue		**(40,802)**
Net Cost of Operations (Surplus) (Note 15)	**$**	**(75,503)**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

United States Department of Education
Federal Student Aid
Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2023
(Dollars in Millions)

	FY 2023 (Unaudited)	
	Cumulative Results of Operations	**Unexpended Appropriations**
Beginning Balances	**$ (9,533)**	**$ 37,259**
Appropriations Received	-	198,383
Appropriations Transferred - In/Out	-	(16)
Other Adjustments (Rescissions, etc.)	-	(736)
Appropriations Used	196,881	(196,881)
Imputed Financing from Costs Absorbed by Others	25	-
Negative Subsidy Transfers, Downward Subsidy Re-estimates, and Other	(330,097)	-
Net Cost of Operations	75,503	-
Net Change	**$ (57,688)**	**$ 750**
Net Position	**$ (67,221)**	**$ 38,009**

The accompanying notes are an integral part of these statements.

Combined Statement of Budgetary Resources

United States Department of Education
Federal Student Aid
Combined Statement of Budgetary Resources
For the Year Ended September 30, 2023
(Dollars in Millions)

	FY 2023 (Unaudited) Budgetary	FY 2023 (Unaudited) Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority (Net) (Note 17)	$ 19,342	$ 27,552
Appropriations (Discretionary and Mandatory)	190,593	7,355
Borrowing Authority (Discretionary and Mandatory) (Note 17)	-	472,192
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	437	69,940
Total Budgetary Resources	**$ 210,372**	**$ 577,039**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	$ 196,156	$ 522,896
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	11,193	-
Unapportioned, Unexpired Accounts	526	54,143
Unexpired Unobligated Balance, End of Year	**$ 11,719**	**$ 54,143**
Expired Unobligated Balance, End of Year	2,497	-
Unobligated Balance, End of Year (Total)	**$ 14,216**	**$ 54,143**
Total Status of Budgetary Resources	**$ 210,372**	**$ 577,039**
Outlays, Net		
Outlays, Net (Discretionary and Mandatory)	188,368	
Distributed Offsetting Receipts (-) (Note 17)	(347,189)	
Agency Outlays, Net (Discretionary and Mandatory) (Note 17 & 18)	**$ (158,821)**	
Disbursment, Net (Total) (Mandatory)		**$ 296,603**

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, and Combined Statement of Budgetary Resources

Notes to the Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, and Combined Statement of Budgetary Resources for the Year Ended, September 30, 2023 (Unaudited)

Note 11. Other Accounting Policies

Basis of Accounting and Presentation

These financial statements were prepared to report the net cost of operations, changes in net position, and budgetary resources of the Department, as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994.

These 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 A-136, Financial Reporting Requirements, as revised. For FY 2023, FSA elected to present these financial statements as unaudited and include them in the Other Information section. These financial statements are different from the financial reports prepared by the Department pursuant to OMB directives.

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.

Subsidy Cost and Budgetary Accounting for Federal Credit Programs

Under the FCRA, subsidy cost is estimated using the net present value of future cash flows to and from the Department. 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. The Department estimates subsidy costs 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 costs 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.

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.

Promissory notes are signed when schools reach individual agreements with borrowers and the schools subsequently report each disbursement of advanced funds to FSA. A new promissory note is usually not required for students in the second or later year of study.

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. The Department's obligation estimate may also not reflect the actual amount of awards made. Based on historical averages, the Department expects approximately 7.8 percent of the amount obligated for new loan awards will not be disbursed.

Budgetary Terms

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to the Department 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, 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 to fund subsequent increases to the estimated future costs of the loan programs. 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 Department 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 the Department 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 loan and loan guarantee programs shown on the SBR. Financing accounts reflect program cash flows as distinct from credit “program” accounts, which are budgetary and reflect the subsidy cost of the programs.

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 costs 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 less 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.

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.

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.

Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances, except for amounts in financing accounts, liquidating accounts, and trust funds. Cumulative results of operations represent the net difference since inception between (1) expenses and (2) revenues and financing sources.

Use of Estimates

FSA and Department management is required to make certain estimates while preparing consolidated financial statements in conformity with GAAP. These estimates are reflected in the net cost and net position of the financial statements and may differ from actual results. The Department'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 Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position include: allocation of Department administrative overhead costs; and subsidy expense for direct, defaulted guaranteed, and acquired loans. (See Notes 13 and 15)

Note 12. Property and Equipment

Changes in property and equipment balances were as follows.

Property and Equipment

(Dollars in Millions)

	2023 (Unaudited)		
	Acquisition Value	Accumulated Depreciation	Net
Balance Beginning of the Year	$ 128	$ (123)	$ 5
Dispositions	(5)	-	(5)
Balance At End of Year	**$ 123**	**$ (123)**	**$ -**

Note 13. Credit Program Subsidy Expense and Reconciliations of Loans Receivable, Allowance for Subsidy, and Liabilities for Loan Guarantees

The net loans receivable increased by $214.3 billion during FY 2023 as a result of activity identified in the following table.

Reconciliation of Loan Receivables, Net
(Dollars in Millions)

	2023 (Unaudited)				
	Direct Loan Program	Defaulted FFEL Guaranteed Loans	Acquired FFEL Loans	Other Credit Programs for Higher Eduction	Total
Beginning Balance of Loans Receivable, Net	**$ 816,514**	**$ 9,931**	**$ 29,871**	**$ 1,961**	**$ 858,277**
Add Loan Disbursements:					
New Loan Disbursements	84,477	-	-	82	84,559
Consolidations	37,792	-	-	-	37,792
Add Defaulted Loan Claim Payments	-	4,605	-	-	4,605
Less Principal, Interest, and Fee Payments Received:					
Principal	(42,123)	(364)	(766)	(43)	(43,296)
Interest	(2,147)	(18)	(276)	(8)	(2,449)
Fees	(1,656)	-	1	-	(1,655)
Add Interest Accruals	3,180	80	(969)	9	2,300
Less Loans Written Off:					
Principal	(83,789)	(1,984)	(2,986)	(55)	(88,814)
Interest	(4,990)	(201)	(92)	(5)	(5,288)
Fees	-	(41)	-	-	(41)
Allowance for Subsidy	88,779	2,226	3,078	60	94,143
Add Amortization of Net Interest:					
Interest Revenue on Uninvested Funds	(6,266)	-	(261)	(5)	(6,532)
Interest Revenue from the Public	(3,180)	-	970	(9)	(2,219)
Administrative Fees	2	-	(1)	-	1
Interest Expense on Borrowing	28,234	-	1,159	17	29,410
Positive Subsidy Transfers	(18,392)	-	-	(29)	(18,421)
Negative Subsidy Transfers	2,109	-	-	-	2,109
Upward Subsidy Re-Estimate	(58,932)	-	(5,808)	(35)	(64,775)
Downward Subsidy Re-Estimate	(12,466)	-	(1,634)	11	(14,089)
Loan Modifications	204,156	-	5,181	38	209,375
Other:					
Other Adjustments to Allowance for Subsidy	851	793	252	(107)	1,789
Other Non-Cash Reconciling Items	(1,241)	(3,184)	(248)	446	(4,227)
Ending Balance of Loans Receivable, Net	**$ 1,030,912**	**$ 11,843**	**$ 27,471**	**$ 2,328**	**$ 1,072,554**

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 for each of the loan programs.

Direct Loan Program

Direct Loan Program Reconciliation of Allowance for Subsidy

(Dollars in Millions)

	2023 (Unaudited)
Beginning Balance of Allowance for Subsidy	**$ 611,919**
Total Subsidy Expense for Direct Loans Disbursed in the Current Year	16,283
Adjustments	
Loan Modifications	(204,156)
Fees Received	1,660
Loans Written Off	(88,779)
Subsidy Allowance Amortization	(18,790)
Other Activities	(850)
Ending Balance of Allowance for Subsidy Before Re-Estimates	**317,287**
Net Upward/(Downward) Subsidy Re-Estimates	71,398
Ending Balance of Allowance for Subsidy	**$ 388,685**

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. The Department 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.

Direct Loan Program Subsidy Expense

(Dollars in Millions)

	2023 (Unaudited)
Subsidy Expense for Direct Loans Disbursed in the Current Year	
Interest Rate Differential	$ 27,937
Defaults, Net of Recoveries	1,196
Fees	(1,625)
Other	(11,225)
Total Subsidy Expense for Direct Loans Disbursed in the Current Year	**16,283**
Modifications and Re-Estimates	
Loan Modifications	
Modification Adjustment Transfer Gain	(7,683)
Modification Adjustment Transfer Loss	6,590
Loan Modifications	(203,063)
Total Loan Modifications	**(204,156)**
Net Upward/(Downward) Subsidy Re-Estimates	
Interest Rate Re-estimates	2,093
Technical and Default Re-estimates	69,305
Total Net Upward/(Downward) Subsidy Re-estimates	**71,398**
Total Modifications and Re-estimates	(132,758)
Direct Loan Subsidy Expense	**$ (116,475)**

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 FSA's estimated cost to finance the direct loan on a present value basis. The Other component 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 2023 included the following:

- **Loan Deferral Extension.** In FY 2023, the administration extended the student loan repayment deferrals through August 31, 2023. The extended relief for borrowers resulted in an upward modification cost of $23.2 billion. There was a net positive $0.1 billion modification adjustment transfer associated with this modification, bringing the total FY 2023 modification cost for the Direct Loan Program student loan repayment deferrals to $23.3 billion.

- **Borrower Defense to Repayment and Arbitration.** The Department developed regulations to create a fair path for borrowers to receive a discharge if their colleges lied or took advantage of them. The regulations established a process for group claims based on common evidence, to provide for full relief of loans and refund of payments made, stop interest accrual within a certain period upon granting a forbearance related to a claim, establish timeframes for resolving a claim, and establish a reconsideration process for denied borrower defense claims. These changes resulted in an upward modification cost of $4.2 billion. There was a net negative $0.1 billion modification adjustment transfer associated with this modification, bringing the total modification cost to $4.1 billion.

- **PSLF.** The PSLF Program removes the burden of student debt on public servants by canceling loans after 10 years of public service. The Department updated the PSLF application process and expanded the types of payments considered to qualify toward loan cancellation and described the types of qualifying employment. The updates included features of the limited-time PSLF waiver related to the treatment of specific deferments and forbearances and payments made prior to consolidation. A provision was included that allows individuals who work as contractors for a qualifying employer in a position or providing services that, under applicable State law, cannot be filled or provided by a direct employee of the qualifying employer, to receive PSLF. These changes resulted in an upward modification cost of $4.0 billion. There was a net positive $0.1 billion modification adjustment transfer associated with this modification, bringing the total modification cost to $4.1 billion.
- **Total and Permanent Disability Discharges.** The Department streamlined the application process, eliminated the 3-year post discharge income monitoring period, and expanded the Social Security Administration categories that qualify for the discharge. These changes resulted in an upward modification cost of $4.3 billion. There was a net positive $0.1 billion modification adjustment transfer associated with this modification, bringing the total modification cost to $4.4 billion.
- **Closed School Discharge.** The Department expanded the automatic discharge process for borrowers that attended a college that closed and clarified the treatment for borrowers that re-enroll in comparable programs. These changes resulted in an upward modification cost of $3.4 billion. There was a net positive $0.3 billion modification adjustment transfer associated with this modification, bringing the total modification cost to $3.7 billion.
- **Interest Capitalization.** Interest capitalization occurs when accrued interest is added to the principal balance of the loan, so that future interest accrues on a higher amount. The Department eliminated interest capitalization wherever it is not required by statute. This change resulted in an upward modification cost of $3.4 billion. There was a net positive $0.1 billion modification adjustment transfer associated with this modification, bringing the total modification cost to $3.5 billion.
- **IDR Saving on a Valuation Education (SAVE) Plan.** The Department published a Final Rule to revise the existing Revised Pay-As-You-Earn (REPAYE) repayment plan, which may also be referred to as the SAVE plan. These changes resulted in an upward modification cost of $70.9 billion. There was a net negative $0.5 billion modification adjustment transfer associated with this modification, bringing the total modification cost to $70.4 billion.
- **Broad Based Debt Relief Reversal.** A downward modification was calculated to reverse the inclusion of student loan debt relief from the baseline subsidy cost as a

result of the Supreme Court's ruling on Biden v. Nebraska on June 30, 2023. These changes resulted in a downward modification cost of $319.4 billion. There was a net negative $0.5 billion modification adjustment transfer associated with this modification, bringing the total modification cost (savings) to $319.9 billion.

- **Fresh Start/On Ramp.** Fresh Start is a one-time temporary program that offers special benefits for borrowers with defaulted federal student loans. In addition to Fresh Start, the President announced that the Department is instituting a 12-month "on-ramp" to repayment, running from October 1, 2023, to September 30, 2024, so that financially vulnerable borrowers who miss monthly payments during this period are not considered delinquent, reported to credit bureaus, placed in default, or referred to debt collection agencies. These actions resulted in an upward modification cost of $2.9 billion. There was a net negative $0.7 billion modification adjustment transfer associated with this modification, bringing the total modification cost to $2.2 billion.

Net Upward/Downward Subsidy Re-Estimates for All Prior Year Loan Cohorts. The Direct Loan Program subsidy re-estimate increased subsidy expense in FY 2023 by $71.4 billion. Re-estimated costs only include cohorts that are 90 percent disbursed (i.e., cohort years 1994–2022). 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.** The Department updated the assumption to include a standard data update with data from NSLDS that included an update to closed school discharges and PSLF waiver discharges for borrowers not enrolled in IDR. The primary adjustment to the model this cycle was removing adjustments to the rates for total permanent disability and projecting those factors from the actuals in the data. The combined effect of these updates led to a net upward re-estimate of $29.9 billion.
- **IDR Model Changes.** The Department completed a standard IDR data update that included updates for defaults and collections, updated poverty guidelines, and revised inflation rates provided in OMB's economic assumption package. This cycle also featured an update to the deferment and forbearance rates in the IDR model to account for updated projections based on servicing guidelines that suggest that there may be many fewer forbearances in IDR in the future as well as adjustments for retroactive changes implemented regarding past forbearances. The combined effect of these updates led to a net upward re-estimate of $26.5 billion.
- **Deferment and Forbearance.** The Department updated deferment and forbearance rates for fiscal years 2023 and prior with updated forecasted rates. Economic assumptions were updated for unemployment rate, and fiscal years 2020 through 2023 were updated for actual payments made by students during the repayment deferral period using data from FSA. The combined effect of these changes led to a net downward re-estimate of $2.3 billion.
- **Collections.** The Department updated FY 2023 collection rates to reflect the extension of the repayment deferral, along with other technical changes. The combined effect of these changes led to a net upward re-estimate of $16.4 billion.

- **Default.** The default assumption was updated to include forecasted rates that spread future defaults more evenly across future fiscal years at the end of the Fresh Start period. The effect of these changes led to a net downward re-estimate of $0.6 billion.
- **Repayment Plan Selection.** The Department incorporated new repayment plan data through FY 2022 and updated the repayment plan assumption for cohorts prior to FY 2020. This update led to a net upward re-estimate of $6.4 billion.
- **2022 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 $0.2 billion for these current-year assumption changes attributable to the FY 2022 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 upward re-estimate of $16.8 billion.
- **Interactive Effects.** The re-estimate includes a net downward re-estimate of $18.2 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 the final re-estimate.
- **Discount Rates.** The rates are used to calculate the NPV of the cash flows to create subsidy rates. Adjustments to the 2021 and 2022 cohorts were calculated. All other cohorts are actual. The combined effect of these changes led to a net upward re-estimate of $0.8 billion.

Direct Loan Program Interest Expense and Revenues

(Dollars in Millions)

	2023 (Unaudited)
Interest Expense on Treasury Borrowing	$ 28,234
Total Interest Expense	**$ 28,234**
Interest Revenue From the Public	3,180
Interest Revenue on Uninvested Funds	6,266
Administrative Fees	(2)
Amortization of Subsidy	18,790
Total Revenues	**$ 28,234**

Federal Family Education Loan Program.

Reconciliation of Liabilities for Loan Guarantees
(Dollars in Millions)

	2023 (Unaudited)
Beginning Balance of Post-1991 FFEL Loan Guarantee Liability	**$ 10,409**
Adjustments	
Loan Modifications	1,018
Interest Supplements Paid	(1,706)
Claim Payments to Lenders	(4,593)
Fees Received	601
Interest on Accumulation on the Liability Balance	(88)
Other Activities	1,160
Net Upward Subsidy Re-Estimates	4,283
Ending Balance of Post-1991 FFEL Loan Guarantee Liability	**11,084**
Pre-1992 FFEL Liquidating Account Liability for Loan Guarantees	(138)
FFEL Liabilities for Loan Guarantees	**10,946**
HEAL Liabilities for Loan Guarantees	251
Total Liabilities for Loan Guarantees	**$ 11,197**

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)

	2023 (Unaudited)			
	Loan Purchase Commitment	Loan Participation Purchase	ABCP Conduit	Total
Beginning Balance of Allowance for Subsidy	**$ 7,945**	**$ 12,952**	**$ 293**	**$ 21,190**
Adjustments				
Loan Modifications	(1,808)	(3,373)	-	(5,181)
Subsidy Allowance Amortization	(317)	(1,500)	(50)	(1,867)
Loans Written Off	(485)	(2,529)	(64)	(3,078)
Other Activities	(19)	(225)	(12)	(256)
Ending Balance of Allowance for Subsidy Before Re-estimates	**5,316**	**5,325**	**167**	**10,808**
Net Upward Subsidy Re-Estimates	2,888	4,554	-	7,442
Ending Balance of Allowance for Subsidy	**$ 8,204**	**$ 9,879**	**$ 167**	**$ 18,250**

FFEL Program Subsidy Expense

(Dollars in Millions)

	2023 (Unaudited)
Loan Modification Costs	
FFEL Guaranteed Loan Program	
Net Modification Adjustment Transfer (Gain)/Loss	$ 302
Loan Modifications	716
Total FFEL Guaranteed Loan Program Loan Modifications	**1,018**
Loan Purchase Commitment	
Net Modification Adjustment Transfer (Gain)/Loss	39
Loan Modifications	(1,847)
Total Loan Purchase Commitment Loan Modifications	**(1,808)**
Loan Participation Purchase	
Net Modification Adjustment Transfer (Gain)/Loss	61
Loan Modifications	(3,434)
Total Loan Participation Purchase Loan Modifications	**(3,373)**
Total Loan Modification Costs	**(4,163)**
Upward/(Downward) Subsidy Re-Estimates	
FFEL Loan Guarantee Program	4,283
Loan Purchase Commitment	2,888
Loan Participation Purchase	4,554
Total FFEL Program Subsidy Re-Estimates	**11,725**
FFEL Program Subsidy Expense	**$ 7,562**

Loan Modifications. Loan modifications for the FFEL Loan program for FY 2023 included the following:

- **Loan Deferral Extension.** In FY 2023, the administration extended the student loan repayment deferrals through August 31, 2023. The extended relief for borrowers resulted in an upward modification cost of $2.6 billion for the FFEL Program student loan repayment deferrals.
- **Broad Based Debt Relief Reversal.** A downward modification was calculated to reverse the inclusion of student loan debt relief from the baseline subsidy cost as a result of the Supreme Court’s ruling on Biden v. Nebraska on June 30, 2023. These changes resulted in a downward modification cost of $13.6 billion. There was a net positive $0.7 billion modification adjustment transfer associated with this modification, bringing the total modification cost (savings) to $12.9 billion.
- **Fresh Start/On Ramp.** Fresh Start is a one-time temporary program that offers special benefits for borrowers with defaulted federal student loans. In addition to Fresh Start, the President announced that the Department is instituting a 12-month "on-ramp" to repayment, running from October 1, 2023, to September 30, 2024, so that financially vulnerable borrowers who miss monthly payments during this period are not considered delinquent, reported to credit bureaus, placed in default, or referred to debt collection agencies. These actions resulted in an upward modification cost of $3.2 billion. There

was a net negative $0.2 billion modification adjustment transfer associated with this modification, bringing the total modification cost to $3.0 billion.

- **Support for the Federal Student Loan Reserve Fund.** The Department authorized the Guaranty Agencies to reimburse themselves from the Federal Fund for lost revenue that resulted from the student loan repayment deferrals during the Fresh Start period. 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 $0.7 billion.

Net Upward/Downward Subsidy Re-estimates. The total FFEL subsidy re-estimate increased subsidy expense in FY 2023 by $11.7 billion. The net upward re-estimates in the FFEL Program were due primarily to increased non-IDR discharges in the Loan Purchase Commitment and Loan Participation Purchase programs.

Other Credit Programs for Higher Education

TEACH Grant Program.

Loan Modifications. Loan modifications for the TEACH Program for FY 2023 included the following:

- **Loan Deferral Extension.** In FY 2023, the administration extended the student loan repayment deferrals through August 31, 2023. The extended relief for borrowers resulted in an upward modification cost of $9.2 million in the TEACH Program. There was a net positive $0.1 million modification adjustment transfer associated with this modification, bringing the total modification cost to $9.3 million.
- **Broad Based Debt Relief Reversal.** A downward modification was calculated to reverse the inclusion of student loan debt relief from the baseline subsidy cost as a result of the Supreme Court’s ruling on Biden v. Nebraska on June 30, 2023. These changes resulted in a downward modification cost of $51.1 billion. There was a net positive $1.8 billion modification adjustment transfer associated with this modification, bringing the total modification cost (savings) to $49.3 billion.
- **Fresh Start/On Ramp.** Fresh Start is a one-time temporary program that offers special benefits for borrowers with defaulted federal student loans. In addition to Fresh Start, the President announced that the Department is instituting a 12-month "on-ramp" to repayment, running from October 1, 2023, to September 30, 2024, so that financially vulnerable borrowers who miss monthly payments during this period are not considered delinquent, reported to credit bureaus, placed in default, or referred to debt collection agencies. These actions resulted in an upward modification cost of $1.9 billion. There was a net negative $0.4 billion modification adjustment transfer associated with this modification, bringing the total modification cost to $1.5 billion.
- **IDR Saving on a Valuation Education (SAVE) Plan.** The Department published a Final rule to revise the existing Revised Pay-As-You-Earn (REPAYE) plan, which may also be referred to as the SAVE plan. The SAVE plan is available to student borrowers with a FFEL loan that has been converted into a Direct Consolidation Loan that is in good standing. These changes resulted in an upward modification cost of $0.9 billion.

HEAL Program.

Loan Modifications. Loan modifications for the HEAL Program for FY 2023 included the following:

- **Loan Deferral Extension.** In FY 2023, the administration extended the student loan repayment deferrals through August 31, 2023. The extended relief for borrowers resulted in an upward modification cost of $0.9 million in the HEAL Program.

Note 14. Roll-Forward of Debt Associated with Loans

(Dollars in Millions)

	2023 (Unaudited)				
	Beginning Balance	Borrowing	Repayments	Accrued Interest	Ending Balance
Direct Loan Program	$ 837,440	$ 445,038	$ (155,467)	$ -	$ 1,127,011
FFEL Program	66,995	15,438	(21,537)	-	60,896
Other Credit Programs for Higher Education	571	99	(72)	-	598
Total Debt Associated with Loans	**$ 905,006**	**$ 460,575**	**$ (177,076)**	**$ -**	**$ 1,188,505**

Most of the $445.0 billion new Direct Loan Program borrowing activity for the year was designated for funding downward modifications. Principal repayments during FY 2023 for the Direct Loan Program totaled $155.5 billion.

During FY 2023, TEACH net borrowing was used for the advance of new grants and repayments of principal made to Treasury.

Note 15. Net Cost

Gross Costs and Exchange Revenue by Program

(Dollars in Millions)

2023 (Unaudited)	
INCREASE POSTSECONDARY VALUE BY FOCUSING ON EQUITY STRATEGIES TO ADDRESS ACCESS TO AFFORDABILITY, COMPLETETION, AND POST-ENROLLMENT SUCCESS	
Direct Loan Program	
Gross Cost	
Credit Program Interest Expense	$ 28,234
Subsidy Expense	(108,792)
Administrative Expenses	1,777
Earned Revenue	
Subsidy Expense	(7,683)
Interest & Administrative Fees	(9,444)
Subsidy Amortization	(18,790)
Net Cost (Surplus) of Direct Loan Program	**(114,698)**
FFEL Program	
Gross Cost	
Credit Program Interest Expense	3,261
Subsidy Expense	7,920
Subsidy Amortization (Guaranteed Loans)	(88)
Guaranty Agencies	580
Administrative Expenses	175
Earned Revenue	
Subsidy Expense	(358)
Interest & Administrative Fees	(1,306)
Subsidy Amortization (Acquired FFEL Loans)	(1,867)
Guaranty Agencies	(463)
Net Cost of FFEL Program	7,854
Other Credit Programs for Higher Education	
Gross Cost	
Credit Program Interest Expense	17
Subsidy Expense	16
Administrative Expenses	1
Earned Revenue	
Interest & Administrative Fees	(14)
Subsidy Amortization	(3)
Other	(874)
Net Cost (Surplus) of Other Credit Programs for Higher Education	**(857)**
Non-Credit Programs	
Gross Cost	
Grants	32,011
Other	187
Earned Revenue	-
Net Cost of Non-Credit Programs	**32,198**
Net Program Costs (Surplus)	**(75,503)**
Total Program Gross Costs (Surplus)	**(34,701)**
Total Program Earned Revenue	**(40,802)**
Net Cost (Surplus)	**$ (75,503)**

Credit Program Interest Expense and Revenues
(Dollars in Millions)

	2023 (Unaudited)						
	Gross Interest Expense	Subsidy Amortization	Net Interest Expense	Gross Interest and Administrative Fee Revenue		Subsidy Amortization	Net Revenue
	Intragovern-mental	Other than Intragovern-mental		Intragovern-mental	Other than Intragovern-mental	Other than Intragovern-mental	
Direct Loan Program	$ 28,234	$ -	$ 28,234	$ 6,266	$ 3,178	$ 18,790	$ 28,234
FFEL Program	3,261	(88)	3,173	2,276	(970)	1,867	3,173
Other Credit Programs for Higher Education	17	-	17	5	9	3	17
Total	**$ 31,512**	**$ (88)**	**$ 31,424**	**$ 8,547**	**$ 2,217**	**$ 20,660**	**$ 31,424**

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 suspend nearly all required federal student loan payments and set borrower interest rates to zero percent until August 31, 2023, new interest revenues were only recognized for part of FY 2023. Interest adjustments and reapplication activities are also 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 2023 interest revenue for the FFEL Program.

Grant Expenses
(Dollars in Millions)

	2023 (Unaudited)
Pell Grants	$ 29,714
Federal Work-Study Program	1,214
Federal Supplemental Educational Opportunity Grants	1,083
Total	**$ 32,011**

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. 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 16. COVID-19 Activity

(Dollars in Millions)

	2023 (Unaudited)						
	Unobligated Balance from Prior Year Budget Authority (Net)	Appro-priations	New Obligations and Upward Adjustments of Prior Year Obligations	Unobligated	Outlays	Transfers to General Fund	Net Costs (See Note 11)
COVID-19 Direct Appropriations							
Student Aid Administration	$ 26	$ -	$ 23	$ 3	$ 57	$ -	$ 57
COVID-19 Indirect Appropriations							
Loan Deferral Extension	-	26,084	26,084	-	26,084	197	25,887
Broad Based Debt Relief Reversal	-	5,318	5,318	-	5,318	338,176	(332,858)
Fresh Start/On Ramp	-	6,047	6,047	-	6,047	849	5,198
Support for FSLRF	-	670	670	-	670	-	670
Total COVID-19 Indirect Appropriations	**-**	**38,119**	**38,119**	**-**	**38,119**	**339,222**	**(301,103)**
Total COVID-19 Activity	**$ 26**	**$ 38,119**	**$ 38,142**	**$ 3**	**$ 38,176**	**$ 339,222**	**$ (301,046)**

The COVID-19 relief legislation and administrative actions provided support for student loan borrowers during FY 2023 by suspending nearly all federal student loan payments through August 31, 2023, interest free. Funding for 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 13)

Note 17. Statements of Budgetary Resources

The SBR compares budgetary resources with the status of those resources. As of September 30, 2023, budgetary resources were $787.4 billion and net agency outlays were $158.8 billion.

Net Adjustments to Unobligated Balances Brought Forward
(Dollars in Millions)

	2023 (Unaudited)	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Prior Year Unobligated Balance, End of Year (Total)	**$ 18,283**	**$ 65,345**
Recoveries of Prior Year Unpaid Obligations	1,373	10,078
Borrowing Authority Withdrawn	-	(6,871)
Actual Repayments of Debt, Prior-Year Balances	-	(41,205)
Actual Capital Transfers to the Treasury General Fund	(5)	-
Canceled Authority	(297)	-
Downward Adjustments of Prior-Year Paid Delivered Orders	2	202
Other Differences	(14)	3
Unobligated Balance from Prior Year Budget Authority (Net)	**$ 19,342**	**$ 27,552**

During the year ended September 30, 2023, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2022. These adjustments included, among other things, recoveries of prior year unpaid obligations that resulted from downward adjustments of undelivered orders that were obligated in a prior fiscal year.

Unused Borrowing Authority
(Dollars in Millions)

	2023 (Unaudited)
Beginning Balance - Unused Borrowing Authority	**$ 41,651**
Current Year Borrowing Authority	472,192
Funds Drawn from Treasury	(460,575)
Borrowing Authority Withdrawn	(6,871)
Ending Balance - Unused Borrowing Authority	**$ 46,397**

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)

	2023 (Unaudited)	
	Intragovern-mental	With the Public
Unpaid	$ 76	$ 81,783
Paid	-	916
Undelivered Orders	**$ 76**	**$ 82,699**

Undelivered orders represent the amount of goods and/or services ordered that have not been actually or constructively received. Paid amounts include 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)

		2023 (Unaudited)
Negative Subsidies and Downward Re-estimates of Subsidies:		
Direct Loan Program	$	332,029
FFEL Program		14,546
TEACH Program		63
Total Negative Subsidies and Downward Re-estimates of Subsidies		**346,638**
Repayment of Perkins Loans and Capital Contributions		548
Other		3
Distributed Offsetting Receipts	**$**	**347,189**

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, downward modifications, and negative subsidies.

Reconciliation of the SBR to the Budget of the United States Government

(Dollars in Millions)

		Budgetary Resources		New Obligations and Upward Adjustments (Total)		Distributed Offsetting Receipts		Net Outlays
Combined Statements of Budgetary Resources	**$**	**824,373**	**$**	**740,745**	**$**	**28,595**	**$**	**511,234**
Expired Funds		(4,602)		(1,265)		-		-
FFEL Guaranty Agency Amounts Included in the President's Budget		-		-		-		-
Distributed Offsetting Receipts		-		-		-		28,595
Other		2		(1)		-		1
Budget of the United States Government [1]	**$**	**819,773**	**$**	**739,479**	**$**	**28,595**	**$**	**539,830**

[1] Amounts obtained from the Appendix, Budget of the United States Government, FY 2024

The FY 2025 President's Budget, which presents the actual amounts for the year ending September 30, 2023, has not been published as of the issue date of these financial statements. The FY 2025 President's Budget is scheduled for release in February 2024 and will be made available on OMB's website. The table above reconciles the FY 2022 SBR to the FY 2024 President's Budget (FY 2022 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.

Budgetary Status of Fund Balance with Treasury

(Dollars in Millions)

	2023 (Unaudited)		
	COVID-19 Funds	All Other Funds	Total
Status of Funds			
Unobligated Balance			
Available	$ 3	$ 11,190	$ 11,193
Unavailable	-	56,602	56,602
Obligated Balance, Not Disbursed	-	87,675	87,675
Authority Temporarily Precluded from Obligation	-	(2,205)	(2,205)
Borrowing Authority Not Yet Converted to Fund Balance with Treasury	-	(46,397)	(46,397)
Total Fund Balance with Treasury	**$ 3**	**$ 106,865**	**$ 106,868**

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.

Note 18. Reconciliation of Net Cost to Net Outlays

(Dollars in Millions)

	2023 (Unaudited)		
	Intragovern-mental	Other than Intragovern-mental	Total
Net Cost	**$ 23,116**	**$ (98,619)**	**$ (75,503)**
Components of Net Cost Not Part of Budgetary Outlays:			
Year-End Credit Reform Subsidy Accrual Re-Estimates	-	(66,061)	(66,061)
Loan Modification Adjustment Transfers	-	688	688
Property and Equipment Disposals and Revaluations	-	(5)	(5)
Increase/(Decrease) in Assets:			
Loans Receivables, Net (Non-FCRA)	-	205	205
Other Assets	-	4	4
(Increase)/Decrease in Liabilities:			
Accounts Payable	-	(167)	(167)
Loan Guarantee Liabilities (Non-FRCA)	-	137	137
Other Liabilities	(327)	(1,134)	(1,461)
Financing Sources:			
Imputed Costs	(25)	-	(25)
Total Components of Net Cost Not Part of Budgetary Outlays	**(352)**	**(66,333)**	**(66,685)**
Components of Budget Outlays Not Part of Net Cost:			
Effect of Prior-Year Credit Reform Subsidy Re-estimates	-	(16,954)	(16,954)
Total Components of Budget Outlays Not Part of Net Cost	**-**	**(16,954)**	**(16,954)**
Miscellaneous Items:			
Other Loan Activities (Non-FCRA)	(1)	-	(1)
Non-Entity Activity	322	-	322
Total Miscellaneous Items	**321**	**-**	**321**
Budgetary Agency Outlays, Net			**$ (158,821)**

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 19. 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.

United States Department of Education
Federal Student Aid
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2023
(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)	$ 19,342	$ 27,552	$ -	$ 25
Appropriations (Discretionary and Mandatory)	190,593	7,355	13	-
Borrowing Authority (Discretionary and Mandatory)	-	472,192	-	-
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	437	69,940	1	2
Total Budgetary Resources	**$ 210,372**	**$ 577,039**	**$ 14**	**$ 27**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	$ 196,156	$ 522,896	$ 12	$ 2
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	11,193	-	-	-
Unapportioned, Unexpired Accounts	526	54,143	2	25
Unexpired Unobligated Balance, End of Year	**$ 11,719**	**$ 54,143**	**$ 2**	**$ 25**
Expired Unobligated Balance, End of Year	2,497	-	-	-
Unobligated Balance, End of Year (Total)	**$ 14,216**	**$ 54,143**	**$ 2**	**$ 25**
Total Status of Budgetary Resources	**$ 210,372**	**$ 577,039**	**$ 14**	**$ 27**
Outlays, Net (Discretionary and Mandatory)	$ 188,368		$ 11	
Distributed Offsetting Receipts (-)	(347,189)		-	
Agency Outlays, Net (Discretionary and Mandatory)	**$ (158,821)**		**$ 11**	
Disbursements, Net (Total) (Mandatory)		**$ 296,603**		**$ (13)**

United States Department of Education
Federal Student Aid
Combining Statement of Budgetary Resources
For the Year Ended September 30, 2023
(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)	$ 729	$ 23,149	$ 17,247	$ 174
Appropriations (Discretionary and Mandatory)	12,057	762	30,504	2,034
Borrowing Authority (Discretionary and Mandatory)	-	15,438	-	-
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	436	12,081	(61)	61
Total Budgetary Resources	**$ 13,222**	**$ 51,430**	**$ 47,690**	**$ 2,269**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	$ 12,625	$ 27,065	$ 35,343	$ 2,191
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	31	-	11,145	17
Unapportioned, Unexpired Accounts	566	24,365	(42)	-
Unexpired Unobligated Balance, End of Year	**$ 597**	**$ 24,365**	**$ 11,103**	**$ 17**
Expired Unobligated Balance, End of Year	-	-	1,244	61
Unobligated Balance, End of Year (Total)	**$ 597**	**$ 24,365**	**$ 12,347**	**$ 78**
Total Status of Budgetary Resources	**$ 13,222**	**$ 51,430**	**$ 47,690**	**$ 2,269**
Outlays, Net (Discretionary and Mandatory)	$ 12,141		$ 30,734	$ 2,085
Distributed Offsetting Receipts (-)	(14,546)		(548)	-
Agency Outlays, Net (Discretionary and Mandatory)	**$ (2,405)**		**$ 30,186**	**$ 2,085**
Disbursements, Net (Total) (Mandatory)		**$ 9,058**		

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Summary of the Financial Statement Audit

The following table provides a summarized report of FSA's financial statement audit.

Audit Opinion: Disclaimer

Restatement: No

Table 55: Summary of Financial Statement Audit

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	1	1	0	1	1

Management Assurances

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 2024 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 2023, 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**.

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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 indicator targets that were made during the strategic plan annual update.

In FY 2023, FSA closed out the *FY 2020–24 Strategic Plan* and implemented the new *FY 2023–27 Strategic Plan*. Performance metrics, now referred to as performance indicators that were continued to be tracked using the same methodology in the current Strategic Plan are listed in the *Annual Performance Report*. The performance metrics that are no longer tracked are listed below with the final results.

Table 56: FY 2020-24 Strategic Plan Performance Metrics and Results

Performance Metrics		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.	Maintained	**Met**
1.2.B	Conduct targeted multi-year training based on identified workforce needs.	82.0%	**Met**
1.2.C	Perform a training analysis at each performance review period within the fiscal period.	97.0% average course satisfaction assessment rating (SAR) per year	**Met**
2.1.A	Number of visits (sessions) demonstrating adoption of the updated StudentAid.gov site.	304.8 million	**Met**
2.1.B	Percentage of high school seniors submitting the FAFSA.	63.0%	**Met**
2.1.C	Number of customers submitting the FAFSA via a mobile platform—the myStudentAid mobile app or fafsa.gov.	2.5 million submissions	**Not met**
2.1.D	Persistence among first-time filing aid recipients.	80.0%	**Not met**
2.2.A	Number of customers checking loan balances via the myStudentAid mobile app.	2.1 million	**Met**
2.2.B	Number of borrowers who view their aid summary information on StudentAid.gov.	22.6 million	**Met**
2.2.C	Number of users of “Aidan”, the StudentAid.gov virtual assistant.	1,623,550	**Met**
2.2.D	Transactional email volume for outreach and communications to customers.	181.1 million	**Met**
2.2.E	Recurring campaign email delivery volume for outreach and communications to customers.	49.8 million	**Met**

Performance Metrics	FY 2022 Actual	Result
2.2.F American Customer Satisfaction Index (ACSI) Aid Lifecycle Survey score.	67.8	**Not met**
2.2.G Customer Satisfaction Survey(s) for StudentAid.gov site and associated tools.	3.6	**Baseline**
2.3.A Quality Standard for Average Speed to Answer (ASA) at all Call Centers.	334.0 seconds	**Not met**
2.3.B Quality Standard for Abandon Rate (AR) for Incoming Calls at all Call Centers.	10.4%	**Not met**
2.4.A Number of borrowers using Make a Payment feature to pay student loans.	16,782 payments	**N/A**
3.1.B Number of Borrower Defense (BD) applications adjudicated (subject to existing BD regulations).	86,000	**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.	29.0%	**Met**
3.2.C Ease of doing business with FSA.	76.0%	**Met**
4.1 Increase partner/vendor cybersecurity effectiveness by reducing the total number of FSA system assessment findings by 20% per year.	19,252	**Not met**
4.2.A Increase Institutions of Higher Education cybersecurity effectiveness by reducing GLBA cybersecurity non-compliance by 20% per year.	94	**Met**
4.2.B Reduce incident reporting time at Institutions of Higher Education.	25.3 days	**Met**
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.	1,738	**Not met**
5.1.A Initiate monthly reporting to the public through the FSA Data Center.	Target Not met	**Not met**
5.1.B Outstanding Direct Loan Portfolio in Current Repayment Status.	N/A	**N/A**

Performance Metrics	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	**Met**
5.2.B Implementation timeline for FUTURE Act.	Implemented interface between IRS and FSA; development ongoing with building 5 new FSA systems that will receive, store, and manage FTI	**Met**
5.3.A Identify and provide intervention actions for customers at risk of default.	Executed default prevention program at full scale	**Met**
5.3.B Default rate by borrower count.	N/A	**N/A**
5.3.C Percent of borrowers > 90 days delinquent.	N/A	**N/A**
5.3.D Percentage of borrowers who did not make the first three payments.	N/A	**N/A**
5.4 Conduct three vendor examinations annually.	3	**Met**

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Appendix B: Data Validation and Verification Matrix

Appendix B provides data validation and verification information for all performance indicators included within the five Strategic Goals of the current FSA strategic plan.

Strategic Goal 1: Improve Customer Service and Outcomes for Students and Borrowers

Table 57: Performance Data Validation and Verification for Metric 1.1.A

Performance Indicator 1.1.A	Number of borrowers that received loan forgiveness.
Data Source	Enterprise Data Warehouse Analytics (EDWA).
Data Validation and Verification	Measured by the total number of borrowers approved to receive loan forgiveness, which includes TPD, PSLF, and IDR adjustments. Validation to be conducted via the FSA Data Request Team process with verification conducted by the PSLF program team. The indicator leverages two reports that are 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. This experience helps facilitate spotting anomalies. FSA also continues to monitor overall performance of the federal loan servicers to identify any areas where reporting errors have occurred and notifies servicers of results and corrective actions as needed. By design, the data office is separated from the servicers' staff and systems, so there is currently no systematic way to verify servicer reporting. For this reason, the data directorate partners with the servicer monitoring team to investigate, identify and solution, if possible, any reporting issues identified.

Table 58: Performance Data Validation and Verification for Metric 1.1.B

Performance Metric 1.1.B	Percentage of borrowers using auto-debit.
Data Source	National Student Loan Data System (NSLDS)
Data Validation and Verification	Enrollment in auto debit is reported by federal loan servicers to the NSLDS. 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.

Table 59: Performance Data Validation and Verification for Metric 1.1.C

Performance Metric 1.1.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.

Table 60: Performance Data Validation and Verification for Metric 1.2.A

Performance Metric 1.2.A	Percentage of contractor interactions reviewed that received a passing score.
Data Source	FSA Vendor Management/Vendor Oversight and Program Accountability (VOPA)
Data Validation and Verification	Measured by the percentage of contractor interactions reviewed that received a passing score. Validation and verification to be conducted by different FSA Customer Analytics Group members.

Table 61: Performance Data Validation and Verification for Metric 1.3.A

Performance Metric 1.3.A	Surveys to third-party stakeholders.
Data Source	Forthcoming survey
Data Validation and Verification	TBD

Table 62: Performance Data Validation and Verification for Indicator 1.4.A

Performance Indicator 1.4.A	Timeliness of case handling
Data Source	Salesforce (Feedback Dispute Management System (FDMS))
Data Validation and Verification	The data for this performance indicator is provided by the Ombudsman office and validated by the Office of Strategic Measures and Outcomes (SMO) Enterprise Performance Intelligence and Collaboration team.

Table 63: Performance Data Validation and Verification for Indicator 1.4.B

Performance Indicator 1.4.B	Accuracy of business process operations
Data Source	Salesforce
Data Validation and Verification	The data for this performance indicator is provided by Salesforce and analyzed by the Ombudsman office. Data will be verified by the BPO team in accordance with applicable SLAs.

Table 64: Performance Data Validation and Verification for Indicator 1.4.C

Performance Indicator 1.4.C	Accuracy of first-level complaint response
Data Source	Responses uploaded into Salesforce
Data Validation and Verification	Quality reviews will be conducted by the Ombudsman office, in conjunction with the BPO team and Vendor Oversight Group. Data will be verified by the BPO team and Vendor Oversight in accordance with applicable SLA.

Strategic Goal 2: Advance Equity and Access to Student Financial Assistance

Table 65: Performance Data Validation and Verification for Metric 2.1.A

Performance Metric 2.1.A	Overall borrower satisfaction score for online counseling
Data Source	Medallia
Data Validation and Verification	The data for this performance indicator is pulled from Medallia data portal using a standardized query. The Customer Analytics Group staff member pulls the data, and another Customer Analytics Groups staff member validates the data.

Table 66: Performance Data Validation and Verification for Metric 2.2.A

Performance Metric 2.2.A	Customer satisfaction survey score associated with completing the FAFSA.
Data Source	Free Application for Federal Student Aid® customer satisfaction survey currently administered by FSA’s Customer Analytics Group and CFI Group (Independent Research Firm)
Data Validation and Verification	The data for this performance indicator is provided by the contractor and is verified by the Free Application for Federal Student Aid® product team.

Table 67: Performance Data Validation and Verification for Indicator 2.3.A

Performance Indicator 2.3.A	StudentAid.gov Digital Satisfaction
Data Source	Medallia
Data Validation and Verification	The data for this performance indicator is pulled from Medallia data portal using a standardized query. The Customer Analytics Group staff member pulls the data, and another Customer Analytics Groups staff member validates the data.

Table 68: Performance Data Validation and Verification for Indicator 2.3.B

Performance Indicator 2.3.B	StudentAid.gov Post-transaction Satisfaction
Data Source	Medallia
Data Validation and Verification	The data for this performance indicator is pulled from Medallia data portal using a standardized query. The Customer Analytics Group staff member pulls the data, and another Customer Analytics Groups staff member validates the data.

Table 69: Performance Data Validation and Verification for Indicator 2.3.C

Performance Indicator 2.3.C	Contact Center Customer Satisfaction
Data Source	Medallia
Data Validation and Verification	The data for this performance indicator is pulled from Medallia data portal using a standardized query. The Customer Analytics Group staff member pulls the data, and another Customer Analytics Groups staff member validates the data.

Table 70: Performance Data Validation and Verification for Metric 2.3.D

Performance Metric 2.3.D	Email Campaign helpfulness
Data Source	Medallia
Data Validation and Verification	The data for this performance indicator is pulled from Medallia data portal using a standardized query. The Customer Analytics Group staff member pulls the data, and another Customer Analytics Groups staff member validates the data.

Strategic Goal 3: Strengthen Engagement and Accountability for Educational and Financial Institutions

Table 71: Performance Data Validation and Verification for Metric 3.1.A

Performance Metric 3.1.A	Review for participating partners that have been provisionally certified
Data Source	Postsecondary Education Participants System and the Partner Connect system.
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 Office of Partner Participation and Oversight (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 Office of Partner Participation and Oversight (PPO) performed a compliance review is compared with an unduplicated count of participating institutions to calculate the actual percentage for this performance indicator.

Table 72: Performance Data Validation and Verification for Metric 3.2.A

Performance Metric 3.2.A	Build and implement an FSA Enforcement Strategy that incorporates a risk model for identifying schools that pose risk to students and taxpayers
Data Source	Internal Enforcement Strategic Plan
Data Validation and Verification	The progress will be measured internally through the Enforcement Strategic Plan.

Table 73: Performance Data Validation and Verification for Metric 3.3.A

Performance Metric 3.3.A	institutional participation rates in *Title IV* training and specialized technical assistance programs
Data Source	FSA Training Center, Postsecondary Education Participation System, Salesforce, Federal Student Aid Training Center (FSATC) registration, and the FSA Data Center.
Data Validation and Verification	Office of Postsecondary Education Identification (OPEID) is self-reported by users of the Learning Management System. Reports run in the Learning Management System (fsatraining.ed.gov) identify individual users of the site. Technical assistance participation is determined through the Salesforce tool used by PTAG, MSURSD and Partner Engagement & Relationship Management Group (PERM). Escalated technical assistance requests are tracked manually through the Ask A Fed Mailbox. Federal Student Aid Training Conference registrant data is also received from the (Registration system) used across FSA. The combined reports are exported to Excel and manipulated to remove users without an Office of Postsecondary Education Identification (OPEID) and duplicate Office of Postsecondary Education Identification (OPEID)s. All data is merged with the Learning Management System data to produce a list of Office of Postsecondary Education Identification (OPEID)s who have received training. 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 Office of Postsecondary Education Identification (OPEID) v Main Campus) and manual counts of user emails can affect the consistency of the information used for analysis.

Strategic Goal 4: Increase Workforce and Workplace Capabilities

Table 74: Performance Data Validation and Verification for Metric 4.1.A

Performance Metric 4.1.A	Federal Employee Viewpoint Survey Diversity, Equity, Inclusion, and Accessibility (DEIA) Index
Data Source	Federal Employee Viewpoint Survey New Inclusion Quotient Index
Data Validation and Verification	The data will come from Federal Employee Viewpoint Survey results conducted by U.S. Office of Personnel Management (OPM) since 2002. OPM maintains a 100 percent accuracy rate for employee security and data integrity.

Table 75: Performance Data Validation and Verification for Metric 4.1.B

Performance Metric 4.1.B	Percent of underrepresented workforce population from qualified candidates resulting in new hires and backfills.
Data Source	Monster, Oracle Business Intelligence Enterprise Edition (OBIEE), and LinkedIn
Data Validation and Verification	Acquisition and development indicators will come from the Human Capital Group, specifically the Office of Strategy, Planning, and Transformation and the Operations Team. HCG will track data and provide educational awareness from a HCM/WFP perspective on how the targets may be addressed.

Table 76: Performance Data Validation and Verification for Metric 4.1.C

Performance Metric 4.1.C	Percentage of underrepresented populations denoted in organizational talent acquisition, promotion, and development/training activities.
Data Source	Monster, Oracle Business Intelligence Enterprise Edition (OBIEE), and FedTalent
Data Validation and Verification	Acquisition and development indicators will come from the Human Capital Group, specifically the Office of Strategy, Planning, and Transformation, Workforce Development Division, Executive Services, and the Operations Team. HCG will track data and provide educational awareness from a HCM/WFP perspective on how the targets may be addressed.

Table 77: Performance Data Validation and Verification for Metric 4.1.D

Performance Metric 4.1.D	Percentage of employees engaged annually in formal Diversity, Equity, Inclusion, and Accessibility efforts.
Data Source	FSA First Class 1 (mailbox) and attendance number captured via Microsoft Teams or roster
Data Validation and Verification	Diversity, Equity, Inclusion, and Accessibility participation results will come from Organization Development and Executive Services Group (counting unique participants)

Table 78: Performance Data Validation and Verification for Indicator 4.2.A

Performance Indicator 4.2.A	Federal Employee Viewpoint Survey: Intrinsic Work Experience
Data Source	Federal Employee Viewpoint Survey Employee Engagement Index, Workforce Transformation Tracking System (WTTS) and F (FPPS)
Data Validation and Verification	The data for the Workforce planning Maturity Model and U.S. Office of Personnel Management (OPM) Annual Time to Hire Metrics will come from the Human Capital Group, specifically the Office of Strategy, Planning, and Transformation and the Operations Team.

Table 79: Performance Data Validation and Verification for Indicator 4.3.A

Performance Indicator 4.3.A	Federal Employee Viewpoint Survey: Employee Engagement Index
Data Source	Federal Employee Viewpoint Survey Employee Engagement Index
Data Validation and Verification	The data will come from Federal Employee Viewpoint Survey results conducted by U.S. Office of Personnel Management (OPM) since 2002.OPM maintains a 100 percent accuracy rate for employee security and data integrity.

Table 80: Performance Data Validation and Verification for Indicator 4.3.B

Performance Indicator 4.3.B	Federal Employee Viewpoint Survey: Leaders Lead
Data Source	The average of questions for communications from the FEVS OPM survey.
Data Validation and Verification	The data will come from Federal Employee Viewpoint Survey results conducted by U.S. Office of Personnel Management (OPM) since 2002. OPM maintains a 100 percent accuracy rate for employee security and data integrity. The validation of data should be a second entity to review the FEVS source for the questions relating to communications and averaging the scores.

Table 81: Performance Data Validation and Verification for Indicator 4.3.C

Performance Indicator 4.3.C	Federal Employee Viewpoint Survey: Supervisors
Data Source	Federal Employee Viewpoint Survey Employee Engagement Index score and subfactor score for Supervisors.
Data Validation and Verification	The data will come from Federal Employee Viewpoint Survey results conducted by U.S. Office of Personnel Management (OPM) since 2002.OPM maintains a 100 percent accuracy rate for employee security and data integrity.

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

Table 82: Performance Data Validation and Verification for Metric 5.1.A

Performance Metric 5.1.A	The Sum of Annual Data Maturity Assessment (DMA) for DMA Processing Areas.
Data Source	Annual Data Maturity Assessment
Data Validation and Verification	The data for this performance indicator is provided by an FSA self-assessment which is reviewed, modified, and certified by the US Department of Education Office of the Chief Data Officer (OCDO).

Table 83: Performance Data Validation and Verification for Indicator 5.1.B

Performance Indicator 5.1.B	Successful maintenance and use of statistical models in *Title IV* operations
Data Source	Enterprise Data Warehouse and Analytics (EDWA)
Data Validation and Verification	The data for this performance indicator is provided by the Statistical Research and Modeling Office in FSA’s Enterprise Data Office.

Table 84: Performance Data Validation and Verification for Indicator 5.1.C

Performance Indicator 5.1.C	Implement new statistical modeling initiatives
Data Source	Enterprise Data Warehouse and Analytics (EDWA)
Data Validation and Verification	The data for this performance indicator is provided by the Statistical Research and Modeling Office in FSA’s Enterprise Data Office.

Table 85: Performance Data Validation and Verification for Metric 5.2.A

Performance Metric 5.2.A	Operational performance.
Data Source	From Finance for FSA Spend Plan: IAC scoring workbook, IAC communications, IAC meeting minutes, IAC/IRB/LC presentation materials, COO decision memoranda. From SMO Project Management or Project Investment Owners for Portfolio Performance - TBD
Data Validation and Verification	Measured by the results of the Investment Advisory Committee (IAC) FY 2022 Investment prioritization exercise to finalize an FSA spend plan. IAC members independently reviewed more than 200 project initiatives (known as Budget Initiative Requests) across the FSA enterprise and ranked using a scoring methodology based on 4 key organizational drivers. The FY 2022 ranking was used as a baseline to align the FY 2023 Investment portfolio to 3 potential funding scenarios (straight-line, and with 2 funding increases) to have a final recommendation on budgetary items in preparation for an enacted FY 2023 appropriation. New FY 2023 project initiatives were evaluated and scored using the established methodology and factored into the overall Investment portfolio ranking. The final FY 2023 Investment portfolio was approved in March 2023 to align with the FY23 enacted appropriation. Validation and verification can be confirmed through the various FY 2023 portfolio prioritization process artifacts. Performance of the Investment portfolio to reach FY 2023 target measured by: TBD

Table 86: Performance Data Validation and Verification for Metric 5.3.A

Performance Metric 5.3.A	Prepare time-duration estimates for procurement-related tasks for use in Program Schedules.
Data Source	FSA Acquisitions Directorate
Data Validation and Verification	Federal Procurement Data System – Next Generation (FPDS-NG)

Table 87: Performance Data Validation and Verification for Metric 5.3.B

Performance Metric 5.3.B	Plan, develop and implement a new investment management process aligning acquisitions, budget, and human capital with program planning
Data Source	FSA’s Acquisitions Directorate, Finance Directorate, and other Business Units
Data Validation and Verification	Strategic Measures and Outcomes (Enterprise Program Management Office)

Table 88: Performance Data Validation and Verification for Metric 5.4.A

Performance Metric 5.4.A	Cybersecurity Maturity-Level (OIG Maturity Levels)
Data Source	Yearly Inspector General FISMA Reporting Metrics and Quarterly Self-Assessments
Data Validation and Verification	Comparison of Current Yearly Inspector General FISMA Reporting Metrics with prior year and the results of the self-assessments.

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Appendix C: Glossary of Acronyms and Terms

Acronym	Description
A	
AAASG	Administrative Actions and Appeals Service Group
AAG	Advanced Analysis Group
ABCP Conduit	Asset-Backed Commercial Paper Conduit
ACERS	Analytics, Compliance, Evaluation, and Remediation System
ACICS	Accrediting Council for Independent Colleges and Schools
ACS	American Community Survey
ACSI	American Customer Satisfaction Index
AFR	*U.S. Department of Education FY 2023 Agency Financial Report*
Annual Report	*Federal Student Aid Fiscal Year (FY) 2023 Annual Report*
APG	Agency Priority Goal
AR	Abandon Rate
ASA	Average Speed to Answer
ASLA	Annual Student Loan Acknowledgment
ATO	Authorities to Operate
B	
Baseline	Performance result is baselined. Baseline data will provide a historical point of reference to inform program planning such as target setting
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*
CDR	Cohort Default Rate
Clery Act	*Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act*

Acronym	Description
COD	Common Origination and Disbursement
Congress	U.S. Congress
COO	Chief Operating Officer
COVID-19	Coronavirus Disease 2019
CR	Change Request
CRI	Common Review Initiative
CSRS	Civil Service Retirement System
D	
DCC	Digital Customer Care
D2D	Direct to Discharge
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
DMA	Data Maturity Assessment
DMCS	Debt Management and Collection System
DNP	Do Not Pay
DOL	U.S. Department of Labor
E	
ECASLA	*Ensuring Continued Access to Student Loans Act of 2008*
EDMAPS	Enterprise Data Management Analytics Platform Services
EDWA	Enterprise Data Warehouse and Analytics
EEI	Employee Engagement Index
Enforcement	Enforcement Office
e-signature	Electronic signature
Executive Order 13607	Executive Order 13607, *Establishing Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members*
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*

Acronym	Description
F	
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*
FDMS	Feedback and Dispute Management System
FECA	*Federal Employees' Compensation Act*
Federal Fund	Federal Student Loan Reserve Fund
FERS	Federal Employees Retirement System
FEVS	Federal Employee Viewpoint Survey
FFEL	Federal Family Education Loan
FIOS	Financial Institution Oversight Service
FISMA	*Federal Information Security Modernization Act of 2014*
FMS	Financial Management System
FPS	Federal Processing System
FSA	Federal Student Aid
FSATC	Federal Student Aid Training Conference
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*
FY 2023–27 Strategic Plan	*Federal Student Aid Five-Year Strategic Plan for Fiscal Years 2023–27*
G	
GA	Guaranty Agency
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office

Acronym	Description
GLBA	*Gramm-Leach-Bliley Act*
GPRA Modernization Act	*Government Performance and Results Modernization Act of 2010*
H	
HBCU	Historically Black College or University
HCEI	Human Capital and Employee Initiatives Team
HCERA	*Health Care and Education Reconciliation Act of 2010*
HCG	Human Capital Group
HCM	Human Capital Management
HEA	*Higher Education Act of 1965,* as amended
HEAL	Health Education Assistance Loan
HOPS	Heal Online Processing System
HR	Human Resources
I	
IDR	Income Driven Repayment
IHE	Institution of Higher Education
Investigations	Investigations Group
IP	Internet Protocol
IRS	Internal Revenue Service
IT	Information Technology
L	
LIBOR	London Inter-Bank Offered Rate
M	
MCP	Marketing Communications Platform
Met	Performance result met or exceeded target
MSI	Minority-Serving Institution
MSURSD	Minority-Serving Under-Resourced Schools Division
N	
NASFAA	National Association of Student Financial Aid Administrators
N/A	Performance result is not applicable because the performance indicator was not developed, the performance indicator was not

Acronym	Description
	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	
OIG	Office of Inspector General
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*
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
PMSS	Partner Management and Support Services
PBO	Performance-Based Organization
PCA	Private Collection Agency
PCI	Performance Confidence Index
PULSE	Power Users Learning Series for Employees
Pell Grant	Federal Pell Grant Program
PEOSD	Partner Eligibility and Oversight Services Directorate
PEPS	Postsecondary Education Participants System
PII	Personally Identifiable Information
PLUS	Parent Loan for Undergraduate Students
PMG	Performance Management Group
PMSS	Partner Management and Support Services

Acronym	Description
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
Q	
QM	Quality Management
S	
SABER	Student Aid and Borrower Eligibility Reform
SAR	Student Aid Report
SAVE	Saving on A Valuable Education
SBR	Statement of Budgetary Resources
SEAD	Office of Student Experience and Aid Delivery
Secretary	Secretary of Education
SecOps	Security Operations
SEG	Stakeholder Engagement Group
SEOSG	School Eligibility and Oversight Service Group
SES	Senior Executive Service
SLA	Service Level Agreement
SMA	Special Mandatory Assignment
SMS	Short Message Service
SOC	Security Operations Center
SOFR	Secured Oversight Financing Rate
SPPR	Strategic Planning Performance Review
STOP Act	*Stop Student Debt Relief Scams Act of 2019*
Sweet Settlement	*Sweet v. Cardona Settlement*
T	
TCU	Tribal Colleges and Universities
TEACH Grant	Teacher Education Assistance for College and Higher Education Grant

Acronym	Description
TEDI	Targeted Early Delinquency Intervention
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
TIVOD	Title IV Origination & Disbursement
TPD	Total and Permanent Disability
TPDR	Third Party Debt Relief
Treasury	U.S. Department of the Treasury
TROR	Treasury Report on Receivables
U	
U.S.	United States
USDS	Unified Servicing and Data Solution
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 2023 Annual Report* and the *Annual Reports* from prior years are available on the following websites:

- **FSA: StudentAid.gov**
- **The Department: ed.gov/about/reports**

The *Federal Student Aid: Strategic Plan, Fiscal Years 2023–27* and prior years' strategic plans are also available at **StudentAid.gov**.

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 X: **@FAFSA**
- Follow FSA on Instagram: **instagram.com/federalstudentaid**
- Follow FSA on LinkedIn: **linkedin.com/company/federal-student-aid**
- Find FSA on YouTube: **YouTube.com/user/federalstudentaid**

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The *Federal Student Aid FY 2023 Annual Report*

Federal Student Aid
A Principal Office of the U.S. Department of Education
Finance Directorate
November 2023

Federal Student Aid

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