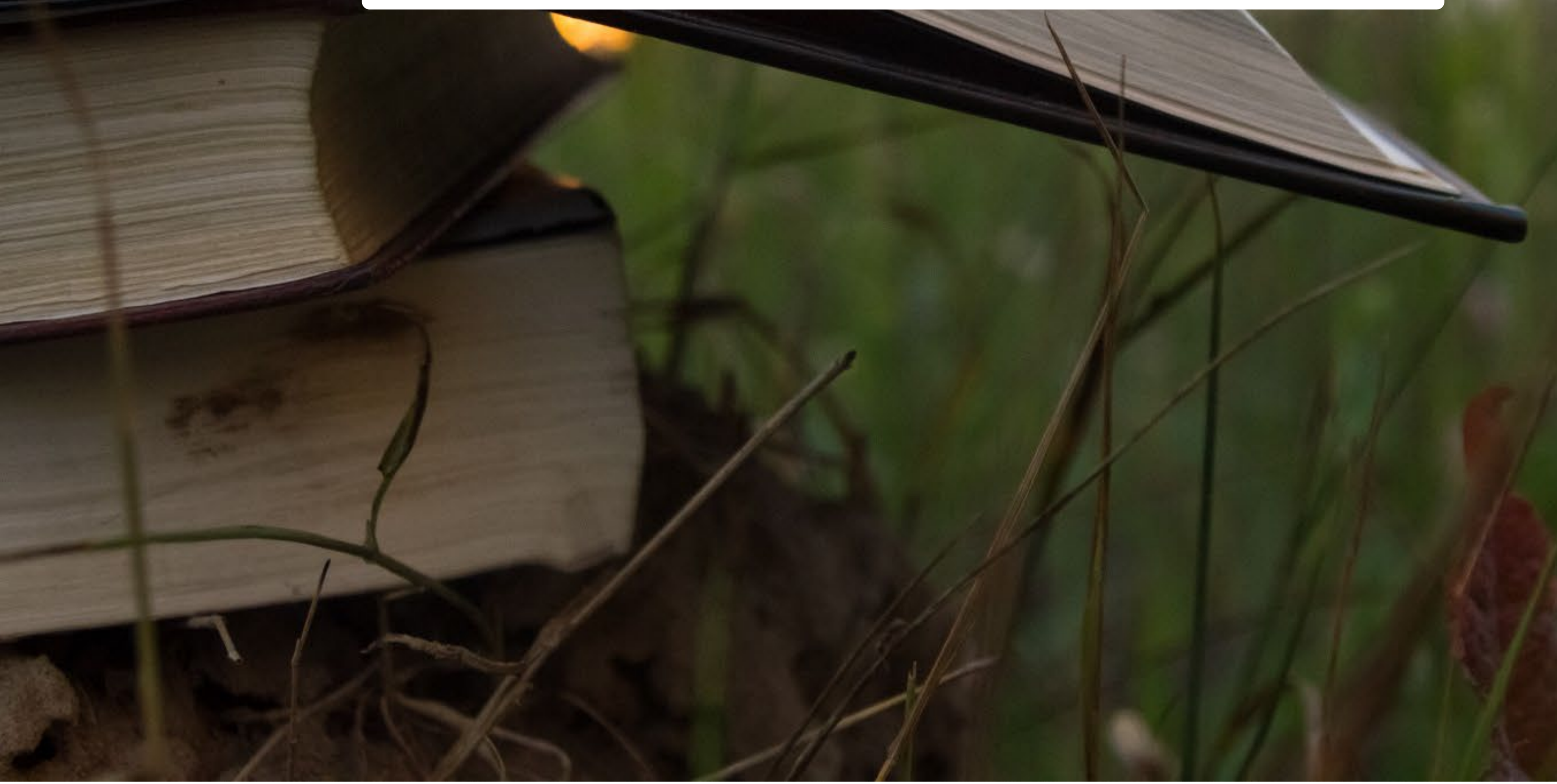
U.S. Department of Education
Office of Inspector General

Federal Student Aid's Performance Measures and Indicators for Returning Borrowers to Repayment

August 14, 2024
ED-OIG/ I23NY0150

Inspection Report



NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. The appropriate Department of Education officials will determine what corrective actions should be taken.

In accordance with Freedom of Information Act (Title 5, United States Code, Section 552), reports that the Office of Inspector General issues are available to members of the press and general public to the extent information they contain is not subject to exemptions in the Act.

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

August 14, 2024

TO: Denise Carter
Acting Chief Operating Officer
Federal Student Aid

FROM: Sean Dawson /s/
Assistant Inspector General for Audit

SUBJECT: Final Inspection Report, "Federal Student Aid's Performance Measures and Indicators for Returning Borrowers to Repayment," Control Number ED-OIG/ I23NY0150

Attached is the subject final inspection report that consolidates the results of our review of Federal Student Aid's performance measures and indicators for returning borrowers to repayment. We have provided an electronic copy to your audit liaison officer. We received your comments in response to our draft report.

U.S. Department of Education policy requires that you submit a corrective action plan within 30 days of the issuance of this report. The corrective action plan should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the findings and recommendations contained in this final report. Corrective actions that your office proposes and implements will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on recommendations that have not been completed after 6 months from the date of issuance.

We appreciate your cooperation during this inspection. If you have any questions, please contact Myra Hamilton at 214-661-9545 or myra.hamilton@ed.gov.

Attachment

U.S. Department of Education, Office of Inspector General

Results in Brief

Federal Student Aid's Performance Measures and Indicators for Returning Borrowers to Repayment

Why the OIG Performed this Work

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in response to the public health and economic crisis caused by the coronavirus pandemic.

Under the CARES Act, the U.S. Department of Education (Department) suspended collections and interest charged on Department-held student loans beginning in March 2020. On June 3, 2023, the Fiscal Responsibility Act of 2023 ended the suspension of payments on Department-held student loans and interest on such loans 60 days after June 30, 2023, with interest on loans beginning to accrue again on September 1, 2023, and payments due starting in October 2023. According to the Federal Student Aid (FSA) Portfolio Summary, there were approximately $1.63 trillion in outstanding loans and 43.4 million total unduplicated recipients as of June 30, 2023.

Our objective was to determine if FSA established performance measures and indicators for returning borrowers to repayment.

What did the OIG Find?

We found that FSA needs to establish effective performance measures and indicators to evaluate its performance for returning borrowers to repayment. While FSA and the Office of the Undersecretary established operational and strategic objectives and operational goals for returning borrowers to repayment, they were not written in specific and measurable terms. In addition, although FSA identified several data metrics as performance measures and indicators for returning borrowers to repayment, they did not include clearly defined targeted percentages, numerical values, milestones, or measurements.

What Is the Impact?

Without effective performance measures and indicators, FSA is unable to assess whether it has made progress toward achieving its goals and objectives or if adjustments are needed to improve its performance. Overall, the lack of effective performance measures and indicators may negatively impact FSA's ability to effectively identify, analyze, and respond to risks related to returning borrowers to repayment.

What Are the Next Steps?

We made three recommendations to the Acting Chief Operating Officer for FSA to establish objectives for returning to repayment in specific and measurable terms, to establish effective quantitative or qualitative performance measures and indicators for returning borrowers to repayment, and to ensure that appropriate control activities are designed and implemented to assess FSA's performance in returning borrowers to repayment.

We provided a draft of this report to FSA for comment FSA agreed with our finding, partially agreed with Recommendations 1.1 and 1.2, and agreed with Recommendation 1.3. We summarize FSA's comments and provide the OIG's responses at the end of the finding. We also provide the full text of the comments at the end of the report (see FSA Comments).

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Introduction

Background

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in response to the public health and economic crisis caused by the coronavirus pandemic. The purpose of the CARES Act was to provide emergency assistance for individuals, families, and businesses affected by the coronavirus pandemic. Under the CARES Act, the U.S. Department of Education (Department) suspended collections and interest charged on Department-held student loans beginning in March 2020. Between August 2020 and November 2022, the Coronavirus pandemic emergency relief measures to suspend student loan repayment were extended eight times.

On June 3, 2023, the Fiscal Responsibility Act of 2023[1] ended the suspension of payments on Department-held student loans and interest on such loans 60 days after June 30, 2023, with interest on loans beginning to accrue again on September 1, 2023, and payments due starting in October 2023. According to the Federal Student Aid (FSA) Portfolio Summary, there were approximately $1.63 trillion in outstanding loans and 43.4 million total unduplicated recipients as of June 30, 2023. The outstanding loans included William D. Ford Federal Direct Loans (Direct Loan), Federal Family Education Loans, and Federal Perkins Loans.

Federal Student Loan Return to Repayment Responsibilities

The Office of the Under Secretary (OUS) and FSA were responsible for managing the process for returning Federal student loan borrowers to repayment after a 42-month payment pause due to the coronavirus pandemic. The OUS was responsible for setting policy and providing overarching strategic direction through inputs from several stakeholders, including FSA. FSA was responsible for implementing the operational process of returning borrowers to repayment and tracking progress. Specifically, the Office of Student Experience and Aid Delivery (SEAD) was charged with providing borrowers the information, tools, and resources on loan repayment to help manage their debt.

Actions to Support Borrowers

Prior to the enactment of the Fiscal Responsibility Act of 2023, the Department and FSA performed several activities that were intended to alleviate probable issues for returning borrowers to repayment. This included ongoing borrower communication on

[1] Public Law 118-5.

the suspension of payments, informing servicers of changing Income Driven Repayment (IDR) Plan instructions, and implementing pandemic-related flexibilities for servicers and borrowers to help borrowers prepare for the return to making payments on their loans.

The Department and FSA planned several initiatives to help borrowers manage their student loans, including a plan to prevent defaults and delinquencies. One of the initiatives was Fresh Start, a temporary program the Department created that is in effect until September 30, 2024, to help borrowers with defaulted Federal student loans. Fresh Start enabled borrowers with defaulted Federal student loans to return to repayment without any past due balance and protects borrowers from involuntary collection efforts and costly collection fees. A new IDR plan called the Saving on a Valuable Education (SAVE) provides nearly all student borrowers with more affordable monthly payments than other IDR plans.[2] To help borrowers transition into repayment, FSA also created a temporary on-ramp period through September 30, 2024. This on-ramp period protects borrowers from some consequences of late, missed, or partial payments. While payments will be due and interest will accrue during the on-ramp period, interest will not capitalize at the end of the period. Borrowers will not be reported to credit bureaus, be considered in default, or referred to collection agencies for late, missed, or partial payments during the on-ramp period.

[2] In a ruling dated July 18, 2024, the Eighth Circuit Court of Appeals blocked the Department from operating its SAVE plan.

Finding. FSA Needs to Establish Effective Performance Measures and Indicators to Evaluate its Performance for Returning Borrowers to Repayment

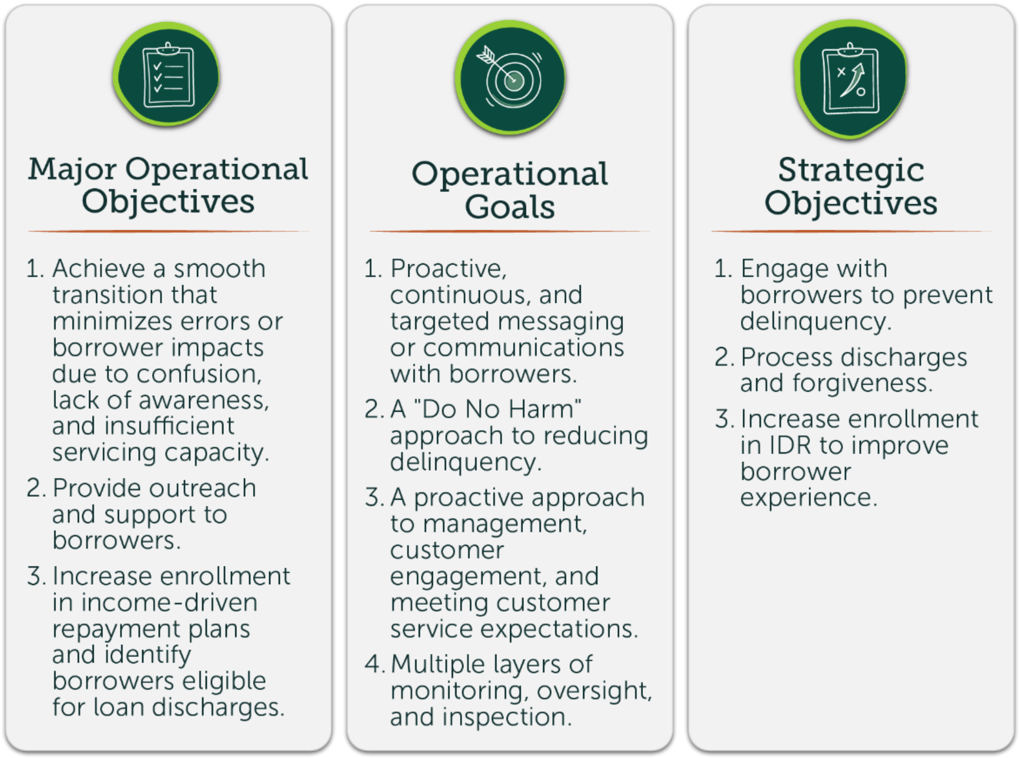
FSA and OUS established operational and strategic objectives and operational goals for returning borrowers to repayment. However, these objectives were not written in specific and measurable terms so that performance towards meeting the objectives could be assessed. In addition, FSA identified several data metrics as their performance measures and indicators for returning borrowers to repayment. However, FSA did not establish clearly defined targeted percentages, numerical values, milestones, or measurements that can be used to assess a level or degree of performance. As a result, these data metrics were not effective performance measures and indicators for returning borrowers to repayment. Therefore, FSA is unable to assess whether it has made progress toward achieving its goals and objectives or if adjustments are needed to improve its performance.

Establishing Objectives and Goals for Return to Repayment

According to OUS and FSA officials, there were three major operational objectives for returning borrowers to repayment. To assist with meeting these objectives, FSA focused on the various approved programs that help student loan borrowers, such as the Public Service Loan Forgiveness, SAVE, and IDR plans. FSA also implemented borrower outreach, such as the Targeted Early Delinquency Intervention (TEDI) program, to assist borrowers with transitioning back to repayment. The TEDI program is used to mitigate delinquency for borrowers returning to repayment. Through TEDI, FSA targets borrowers who miss a payment during the first months of repayment and borrowers at elevated risk for missing payments with specific communications about how to get support and return to making payments on their loans. FSA plans to analyze the results of using different communication methods to determine which communications were the most effective in reaching borrowers and to improve its messaging while transitioning borrowers back to repayment.

FSA developed four operational goals for returning borrowers to repayment that aligned with the three major objectives. FSA plans to monitor its goals by tracking engagements with borrowers, reviewing the processing status of the IDR applications and monitoring secret shopper results and borrower complaints. Using FSA’s operational goals as a foundation, OUS collaborated with FSA to identify the strategic objectives used to guide FSA actions at the start and throughout the returning to repayment process. See the Figure for the operational objectives and goals and the strategic objectives.

Figure. Operational Objectives, Operational Goals and Strategic Objectives for Returning Borrowers to Repayment



According to the Government Accountability Office's *Standards for Internal Control in the Federal Government* (GAO Green Book) 6.02, 6.03, and 6.04, "[m]anagement defines objectives in specific and measurable terms…. Specific terms are fully and clearly set forth so they can be easily understood. Measurable terms allow for the assessment of performance toward achieving objectives." The operational and strategic objectives for returning borrowers to repayment were not defined in specific terms as they did not clearly identify who is to achieve the objectives, how the objectives will be achieved, or a time frame for achievement. **Error! Bookmark not defined.** The operational objectives were not defined in measurable terms so that performance towards meeting the objectives could be assessed. Objectives with terminology such as a "smooth transition" and "better borrower experience" require subjective judgement in evaluating the performance toward achieving those objectives.

FSA's Performance Measures and Indicators

FSA established several data metrics it associated with returning borrowers to repayment. However, these data metrics are not effective performance measures and indicators that can be used to assess a level or degree of performance.

In a crosswalk, FSA stated that its identified data metrics were its performance measures and indicators for returning borrowers to repayment. Each data metric is connected to one or more strategic or operational objectives. FSA plans to collect borrower and servicer data on an ongoing basis for the selected data metrics. The data metrics include, but are not limited to, total portfolio in repayment, portfolio by loan status, delinquency borrower count and dollar amount by number of days, and IDR application by debt size.

FSA's performance measures do not include a clearly defined targeted percentage, numerical value, milestone, or a measure that can be used to assess a level or degree of performance. For example, for the metric "total portfolio in repayment by loan status," FSA provided the information found in the table. However, these raw numbers do not include the baseline value from which performance is measured and do not establish a specific measurable target or performance indicator.

Table. Example from FSA's Monthly Return to Repayment Portfolio Report, November 2023

Month	Total Borrower Count in Repayment Status[3]
September 2023	27,737,255
October 2023	17,157,215
November 2023	15,725,997

According to the GAO Green Book 6.07, when defining objectives,

> Management determines whether performance measures for the defined objectives are appropriate for evaluating the entity's performance in achieving those objectives. For quantitative objectives, performance measures may be a targeted percentage or numerical value. For qualitative objectives, management may need to design performance measures that indicate a level or degree of performance, such as milestones.

[3] Borrower count data based on the table "Total Portfolio in Repayment, Deferment, Forbearance or Past Due by Current Detailed Loan Status" in FSA's Monthly Return to Repayment Portfolio Report dated November 2023.

According to the Office of Management and Budget (OMB) Circular A-11, a "target" is defined as a quantifiable or otherwise measurable characteristic typically expressed as a number that tells how well or at what level an agency or one of its components aspires to perform.[4] In setting and communicating targets, where available, agencies should include the baseline value from which the target change is calculated.

According to the GAO Green Book 10.01 and 10.03, management should design control activities to achieve objectives and respond to risks. Examples of control activities include management (1) establishing and reviewing performance measures and indicators; (2) tracking major entity achievements and comparing these to plans, goals, and objectives; or (3) comparing actual performance to planned or expected results.

FSA's SEAD officials stated they had not yet established performance targets.[5] This is primarily due to the unprecedented nature of the payment pause and the large portfolio of borrowers who entered or re-entered repayment in fall 2023 coupled with the significant temporary policies that have been implemented to assist borrowers in re-establishing a regular repayment pattern. Furthermore, FSA indicated that without baseline data, it would not be possible to establish a measure with a comparison point because there has been no situation that FSA could benchmark to, and any clearly defined targeted percentage, numerical value, or milestone would not be based on valid historical data points. FSA has expressed that it will establish targets in the future once the loan portfolio stabilizes and more data points are collected to measure against. Specifically, FSA stated that it would need to collect data for 2 to 3 years in order to establish performance targets as part of its performance metrics.

Prior to establishing targets, FSA officials stated they will continuously track data related to borrower outreach and engagement to make operational decisions and actions based on current trends that are seen in the data metrics. The data being tracked will be used to make decisions to provide borrowers the resources they need for a successful return to repayment. FSA plans to collect and analyze these data metrics using its returning borrowers to repayment dashboard[6] and to publish monthly internal portfolio reports to assess the progress of transitioning borrowers to repayment. However, FSA has not

[4] OMB Circular A-11 (2023), page 29 of section 200.

[5] What FSA refers to as performance targets aligns with performance measures as described in the GAO Green Book.

[6] The dashboard is FSA's Monthly Return to Repayment Portfolio Report.

established a clear timeline for when it will identify benchmarks for its performance measures.

FSA SEAD officials also stated that, if problems are detected, it plans to work with OMB and the Department to develop specific plans and operational changes to address issues negatively impacting borrowers as they return to repayment as identified within the data.

Finally, according to FSA SEAD officials, another reason that FSA did not establish performance targets is because it needed to prioritize where to focus limited resources for the return to repayment initiative. This was due to the other program initiatives underway (e.g., SAVE, debt relief, Fresh Start, etc.), budget concerns and additional emergent competing priorities.

Without operational and strategic objectives written in specific and measurable terms and without effective performance measures, FSA is unable to effectively identify, analyze, and respond to risks related to achieving the objective or the goal of returning borrowers to repayment.

Recommendations

We recommend that FSA's Acting Chief Operating Officer require FSA to—

1.1 Establish objectives for returning borrowers to repayment in specific and measurable terms that are easily understood and allow for the assessment of performance toward achieving objectives.

1.2 Establish effective quantitative or qualitative performance measures and indicators for returning borrowers to repayment.

1.3 Ensure that appropriate control activities are designed and implemented to assess FSA's performance in returning borrowers to repayment, such as reviews of performance measures and indicators; comparing achievements to plans, goals, and objectives; and comparing actual performance to planned or expected results.

FSA Comments

FSA agreed with our finding, partially agreed with Recommendations 1.1 and 1.2, and agreed with Recommendation 1.3.

FSA agreed with the finding to the extent that "it is acknowledged that FSA has plans to establish performance targets once the portfolio stabilizes, and better baseline data are available. As FSA begins to better understand the impacts of the pause, it will establish qualitative or quantitative performance targets."

FSA partially agreed with Recommendation 1.1 and stated that it has established several objectives for returning borrowers to repayment that should ensure it is working to provide the right support to borrowers as they transition into repayment. FSA stated that while it consciously and intentionally has not yet established specific performance targets, it is still able to gauge indicators of borrower performance to assess whether FSA is achieving its broader return to repayment objectives. FSA acknowledged that it has more work to do as return to repayment is not over. FSA stated it expects the portfolio to stabilize in the future and, once that stabilization occurs and it begins to better understand the impacts of the payment pause, it will establish baselines for measurable data points and indicators with the intent to establish new objectives and performance targets for the ensuing years.

FSA partially agreed with Recommendation 1.2 and stated that it continually used several quantitative and qualitative measurements since the beginning of the payment pause to measure performance. FSA also stated, as return to repayment continues, it will continue to establish the necessary quantitative and qualitative data feeds to baseline and then monitor and track borrower performance.

FSA agreed with Recommendation 1.3 to the extent it reflects that FSA has already implemented multiple control activities. These activities included reviews with multiple stakeholders of FSA's performance data and indicators and will be expanded to include specific performance targets once they are established. FSA agrees that having internal controls to assess performance is an important aspect of any major operational endeavor. FSA plans to incorporate baseline data at such time the portfolio has stabilized, as well as performance measures and indicators, to monitor progress against planned or expected results.

OIG Response

FSA's proposed actions, if planned and implemented appropriately, are partially responsive to our recommendations. FSA acknowledged it has plans to establish new objectives and performance targets once the portfolio stabilizes and better baseline data are available. However, FSA provided no timeline on when and how the proposed actions will be completed. In addition, FSA did not specify whether the new objectives it plans to establish will be in specific and measurable terms that are easily understood and allow for the assessment of performance toward achieving the objectives. Further, regarding FSA's response to Recommendation 1.3, during the inspection, FSA informed us of the meetings with some of the stakeholders identified in its response. However, FSA did not indicate and did not provide any support demonstrating that the meetings represented control activities for assessing its performance for returning borrowers to repayment. Without clarity and specificity regarding performance-related information, FSA cannot measure its progress towards meeting goals and will continue to be unable to effectively identify, analyze, and respond to risks associated with accomplishing the objective of returning borrowers to repayment. We did not make changes to the final report based on FSA's response.

Appendix A. Scope and Methodology

This inspection examines FSA's processes for establishing performance measures and indicators for returning borrowers to repayment. Our review covered FSA's work in establishing performance measures for returning borrowers to repayment from June 3, 2023, to March 13, 2024. We also reviewed FSA's activities and decisions prior to June 3, 2023, regarding establishing performance measures for returning borrowers to repayment.

As part of our inspection, we performed the following procedures:

- We gained an understanding of relevant criteria, including
  - the GAO Green Book;
  - the Office of Management and Budget Circular No. A-11 Preparation, Submission, and Execution of the Budget;
  - the Fiscal Responsibility Act of 2023;
  - the CARES Act; and
  - FSA's Annual Report for Fiscal Years 2022 and 2023.
- We gained an understanding of FSA's work in establishing performance measures and indicators for returning borrowers to repayment. This included reviewing the following:
  - FSA Crosswalk to Returning Borrowers to Repayment Objectives, goals, and performance measures;
  - FSA November Monthly Portfolio Report;
  - FSA Returning Borrowers to Repayment New Communications Playbook;
  - Decision Memorandums from 2020 and 2023; and
  - Functional statements for the Student Experience and Aid Delivery group within FSA and the Department's Office of the Undersecretary.
- We reviewed Fiscal Year 2023 Management Challenges Facing the Department.
- We reviewed the U.S. Government Accountability Office's GAO-22-105291 Report "Covid-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies."
- We gained an understanding of FSA's objectives, goals, performance measures, data metrics, and data analysis FSA identified for returning borrowers to repayment.

- We interviewed officials at FSA, SEAD, and OUS.

Compliance with Standards

We conducted our work in accordance with the Council of the Inspectors General on Integrity and Efficiency "Quality Standards for Inspection and Evaluation." Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to support our findings and provide a reasonable basis for our conclusions. We believe that the evidence obtained provides a reasonable basis for our conclusions.

Appendix B. Acronyms and Abbreviations

Department	U.S. Department of Education
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
Department	U.S. Department of Education
Direct Loan	William D. Ford Federal Direct Loan
FSA	Federal Student Aid
GAO Green Book	Government Accountability Office's *Standards for Internal Control in the Federal Government*
IDR	Income Driven Repayment
OMB	Office of Management and Budget
OUS	Office of the Undersecretary
SAVE	Saving on a Valuable Education
SEAD	Office of Student Experience and Aid Delivery
TEDI	Targeted Early Delinquency Intervention

FSA Comments

July 3, 2024

TO: Myra Hamilton
Regional Inspector General for Audit, Internal Operations (New York/Dallas)
Office of Inspector General
U.S. Department of Education

Mr. Jeffrey Nekrasz, Director Student Financial Assistance
Advisory and Assistance
Office of Inspector General
U.S. Department of Education

FROM: Denise Carter Exemption (b)(6) [redacted]
Acting Chief Operating Officer
Federal Student Aid

SUBJECT: Draft Audit Report, "FSA's Performance Measures and Indicators for Returning Borrowers to Repayment," Control Number ED-OIG/I123NY0150

Dear Ms. Hamilton and Mr. Nekrasz:

Thank you for the opportunity to review the one finding and three recommendations in the Office of Inspector General ("OIG") Draft Report, *FSA's Performance Measures and Indicators for Returning Borrowers to Repayment* (I123NY0150), dated June 6, 2024. The U.S. Department of Education (Department) and Office of Federal Student Aid (FSA) respectfully request OIG's review and incorporation of our comments described below.

For context, on March 20, 2020, due to the historic pandemic, for the first time ever in its history, student loan repayments were placed in a national pause, and interest rates were set at zero percent for eligible federal student loans. This pause was critical for borrowers as the country reeled during the pandemic. This unprecedented payment pause ended in August 2023 under the Fiscal Responsibility Act of 2023. Interest resumed accruing in September 2023, and payments were due in October 2023.

As previously shared, a record 16.04 million borrowers made payments on their student loans in January 2024, more than in any previous month since these data were collected in 2018. To date, the share of the federal portfolio that is making payments has returned to approximately the same level as in January 2020 (prior to the pandemic and the payment pause).

Despite the record number of borrowers making payments now, when FSA initially designed our return to repayment efforts, many student loan borrowers' personal and household conditions were fundamentally changing because of the COVID-19 pandemic and its associated economic effects. Frequently evolving economic conditions and surveys of borrowers suggested that the harmful effects of the pandemic continued to make repayment more difficult for different types of student loan borrowers than it was before the pandemic.

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With this context in mind, FSA considered establishing measurable benchmarks for the initial return to repayment, but quickly recognized there is no exact analogue for the pandemic and changing financial conditions faced by borrowers, making it difficult to reasonably predict borrower behavior and repayment performance. It will take time and significant effort to fully understand the impacts of this pause and the debt relief available to borrowers. FSA needs to understand the new risks borrowers may be facing and incorporate that information into our analysis as we establish appropriate baseline and performance targets.

To address this, starting in March 2020, FSA proactively developed a series of objectives through a data-driven approach to address the unprecedented nature of supporting 28 million borrowers as they returned to repayment. This is a best practice and incredibly important as FSA continues to use these objectives as a lens to monitor several indicators of borrower performance on a daily, weekly, and monthly basis to make real-time decisions and mitigate existing or newly identified risks as they present themselves. FSA has continuously collected and analyzed data throughout the repayment period and plans to identify a future borrower portfolio baseline and then benchmark its progress. However, FSA notes that these measures (including targets) cannot be established until the borrower portfolio has stabilized.

FSA’s establishment of performance targets depends on our ability to baseline borrower behavior within the data. FSA has yet to baseline this data due to the combination of several largely unique factors: the lack of historical comparison to an extended payment pause, the existence of return to repayment borrower safeguards (e.g., on-ramp, Fresh Start, etc.), processing of student loan discharges, implementing a new servicing environment and repayment policies, and court injunctions related to the Saving on a Valuable Education (SAVE) plan. As these safeguards end and varying levels of uncertainty around the status of different student loan programs dissipate FSA expects the portfolio to begin to stabilize.

Another important factor influencing our ability to baseline is the fundamental shifts in the composition of the portfolio over time during the unprecedented payment pause that extended for 3.5 years, all of which contribute to making direct comparisons to pre-March 2020 performance data difficult as borrower risk segments meaningfully changed. For example, around seven million borrowers who left school during the payment pause were negotiating payment for the first time, and many millions more had been out of the habit of paying their loans for three and a half tumultuous years as the nation weathered the COVID-19 pandemic. Moreover, millions of borrowers had their student loan accounts transferred to new servicers during the pause, and many were still becoming familiar with their new servicers. Additionally, a high number of low-risk borrowers received loan discharge through programs such as Public Service Loan Forgiveness. Further, some borrowers may be in a wait mode, holding off on repaying until the on-ramp period ends this fall and/or waiting to see whether they receive debt relief.

All told it is not surprising that our ongoing data analyses show a loan portfolio that is still in flux and needs time to stabilize. While it is premature to estimate when this stabilization might occur, in previous instances when borrowers left longer term disaster forbearances, it took several years for those borrowers to return to a stable, pre-forbearance state. While a natural disaster is not a perfect analogy to the current return to repayment, it is not unrealistic to estimate that the impacts of return to repayment on borrowers will continue for several years. Notwithstanding these many unpredictable factors, FSA continues to analyze and monitor multiple sources of data, which includes missed and made payment trend data to determine whether and how over the next year or two, FSA will be able to begin baselining the portfolio.

As a part of these baselining efforts FSA will need to methodically take the time and effort to fully understand the impacts of the pause and other efforts. More importantly, FSA needs to understand what new risks borrowers may be facing and incorporate this information into future efforts to baseline and then set appropriate performance targets for the ensuing years to adequately compare borrower performance to historical norms, as requested in OIG's draft report.

FSA requests that the final report clearly reflect that FSA had always planned to establish performance targets and should clarify (on page 8) that the establishment of performance measures was, and continues to be, not dependent on the lack of availability of resources or focus on other priorities but for the reasons described in this response.

We appreciate OIG's study of this important mission work of FSA in increasing access to higher education as well as OIG's review of our comments to the draft report.

Finding 1. FSA needs to establish effective performance measure and indicators to evaluate its performance for returning borrowers to repayment.

FSA's Response: FSA agrees with this finding to the extent that it is acknowledged that FSA has plans to establish performance targets once the portfolio stabilizes, and better baseline data are available. As FSA begins to better understand the impacts of the pause, it will establish qualitative or quantitative performance targets.

As OIG acknowledged, FSA established, from the very start of the payment pause, operational goals, operational objectives, and strategic objectives for returning borrowers to repayment which continue to guide FSA operational actions to this day. FSA continues to monitor our performance measures and indicators against these goals and objectives through our numerous daily, weekly, and monthly reports. The monitoring and assessing of our data against these goals and objectives were always, and continue to be, part of FSA's approach to return to repayment.

Thus, FSA agrees with this finding and partially with each of the three recommendations below.

Recommendation 1.1: Establish objectives for returning borrowers to repayment in specific and measurable terms that are easily understood and allow for the assessment of performance towards achieving objectives.

FSA's Response to Recommendation 1.1: FSA agrees, in part, with this recommendation.

As OIG's draft report acknowledges, FSA established several objectives for returning borrowers to repayment. These objectives ensured that FSA, as an organization, works to ensure we provide the right support to borrowers as they transition into repayment during this once-in-a-lifetime event. While FSA consciously and intentionally has not yet established specific performance targets, FSA is still able to gauge indicators of borrower performance in positive or negative directions. Indicators include call center performance, income-driven repayment plan enrollment, number of borrowers in auto-debit, StudentAid.gov website performance, communication results (open rates, email delivery), social media engagement, on-ramp performance, the number of borrowers making payments, borrower delinquency and many others. These are easily understood indicators for FSA to use in assessing performance and whether FSA is achieving its broader return to repayment objectives.

Even so, FSA has more work to do as return to repayment is not over. The establishment of specific and measurable objectives in the future will occur but is dependent on first baselining our portfolio after it stabilizes. FSA analyzed data extensively and reviewed potential comparable scenarios for potential benchmarking, such as performance of borrowers after long-term environmental disasters, but no scenario was truly comparable. However, as mentioned earlier, it is clear that the data and portfolio indicators from February 2020 do not represent the student loan environment of today and additional data and analysis are needed once portfolio stabilization occurs.

For instance, since March 2020 nearly 20 million borrowers have switched to a new loan servicer, over 7 million borrowers entered repayment for the first time in September 2023 (5 times what is normal), over 500 thousand borrowers have exited default through Fresh Start, and millions have had their loans forgiven. Additionally, the Department developed and implemented borrower protections, such as on-ramp and debt relief programs. Taken together all these changes and on-going operational programs hinder FSA's ability to understand the impacts of the payment pause as the borrower portfolio remains influx pending several future outcomes.

FSA expects the portfolio to stabilize in the future and, once that stabilization occurs and FSA begins to better understand the impacts of the pause, we will establish baselines for measurable data points and indicators with the specific intent to establish new objectives and performance targets for the ensuing years.

Recommendation 1.2: Establish effective quantitative or qualitative performance measures and indicators for returning borrowers to repayment.

FSA's Response to Recommendation 1.2: FSA agrees, in part, with this recommendation.

FSA has continually used several quantitative and qualitative measurements since the beginning of the payment pause to measure performance. For example, as discussed with you and your team, in 2020 FSA and the Office of Management and Budget developed a quantitative Monthly Report that would be used to track the entire loan portfolio as it returned to repayment. With each subsequent extension of the pause, and as new policies and additional programs were put into place, this Monthly Report was subsequently reviewed and updated. Upon the ending of the payment pause, FSA continually generated this report monthly and briefed management, policy, and operational staff on borrower performance to help make necessary adjustments to FSA's approach to return to repayment.

In addition to the Monthly Report, since the beginning of payment pause, FSA continues to utilize several different performance measures and indicators for returning borrowers to repayment. These range from receiving direct feedback from borrowers through user experience interviews, quarterly borrower surveys, daily assessment of call center operations and trends, and assessment of quality and accuracy of borrowers' interactions with us and our loan servicers and reviewing of operational data such as the sign up of borrowers to Fresh Start or the application of on-ramp.

As return to repayment continues, and in line with what we have done and plan to do, FSA will continue to establish the necessary quantitative and qualitative data feeds as necessary to baseline and then monitor and track borrower performance in the years ahead.

Recommendation 1.3: Ensure that appropriate control activities and designed and implemented to assess FSA's performance in returning borrowers to repayment, such as reviews of performance measures and indicators, comparing achievements to plans, goals, and objectives, and comparing actual performance to planned or expected results.

FSA's Response to Recommendation 1.3: FSA agrees with this recommendation to the extent it reflects that FSA has already implemented multiple control activities. These activities already include reviews with multiple stakeholders of FSA's performance data and indicators and will be expanded to include specific performance targets once they are established. These reviews include external briefings (with the Office of Management and Budget and Congressional staff and committees) as well as internal meetings (to coordinate within the Department on program, policy, borrower communications, repayment operations, loan servicers, etc.). FSA requests OIG acknowledge in its final report these multiple control activities that FSA has had in place since March 2020.

FSA agrees that having robust internal controls to assess performance is an important aspect of any major operational endeavor. FSA already continuously monitors performance measures and indicators as laid out in the OMB report and other daily and weekly tracking documents to make operational decisions/actions based on current trends that are seen in these indicators. These are examples of control activities that were put into place since March 2020 and FSA uses these indicators to make dynamic, real-time decisions to ensure borrowers are getting the support they need as the return to repayment. Moving forward, FSA plans to incorporate baseline data at such time the portfolio has stabilized, as well as performance measures and indicators, to monitor progress against planned or expected results.