UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

November 24, 2009

FINAL MANAGEMENT INFORMATION REPORT

To: William J. Taggart
Chief Operating Officer
Federal Student Aid

From: Keith West /s/
Assistant Inspector General for Audit

Subject: Audit of the Department's Oversight of the Direct Loan Program
Control Number ED-OIG/X19I0006

The purpose of this **Final Management Information Report** is to provide the U.S. Department of Education (Department), Federal Student Aid (FSA), with information that may be beneficial in ensuring a smooth transition of Federal Family Education Loan Program (FFEL) schools to the William D. Ford Direct Loan Program (Direct Loan) and ensuring the appropriate use of Federal funds. The objectives of our audit were to evaluate the Department's 1) capacity for increasing the volume of loans made and serviced under the Direct Loan program, to include plans and related actions, and 2) ability to monitor the resulting increased participation of postsecondary institutions to ensure compliance with Direct Loan program requirements. The audit was limited to the examination of student loan market conditions and FSA's related actions between June 2008 and September 2009.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

BACKGROUND

FSA was created as a result of the Higher Education Amendments of 1998. FSA's mission includes ensuring that all eligible individuals benefit from federally funded or federally guaranteed financial assistance for education beyond high school. To this end, FSA administers the Federal student financial assistance programs authorized under Title IV of the Higher Education Act of 1965, as amended.

In Fiscal Year (FY) 2008, FSA provided approximately $96 billion in new aid to almost 11 million postsecondary students and their families through the Title IV programs, which include the Direct Loan and FFEL programs.

- The Direct Loan program lends funds directly to students through participating postsecondary institutions, with funds borrowed from the U.S. Treasury. Direct Loans include subsidized and unsubsidized loans, PLUS loans for parents and graduate and professional students, and Consolidation Loans, which allow borrowers to combine Federal education loan debt. In FY 2008, $21.8 billion in Direct Loans was awarded to 2.9 million recipients, excluding consolidation loans.

- FFEL funds are provided by private and non-profit lenders, insured by loan guaranty agencies, and reinsured by the Federal Government. In FY 2008, $52.9 billion in loans was delivered to approximately 6 million FFEL recipients, excluding consolidation loans.

FSA relies on contractors to provide the information technology systems that support the operation of the Direct Loan program, as well as to provide operational and maintenance assistance, technical assistance to postsecondary institutions, and borrower support. These systems include the Common Origination and Disbursement (COD) system and the Direct Loan Servicing System (DLSS).

- The COD system processes, stores, and reconciles data from several Student Financial Aid programs, including the Direct Loan program. The COD system was designed to provide a consistent process for requesting, reporting, and reconciling Direct Loans. The COD contractor provides system operation and maintenance, as well as call center, technical, and documentation support.

- The DLSS provides services to borrowers with Direct Loans while in school, deferment status, or in repayment. The DLSS allows borrowers to view detailed account information, view and update personal information, complete entrance and exit counseling, enroll in electronic services, and make online payments.

Recent market and legislative factors could impact FSA's loan origination and servicing volumes relating to the Direct Loan and FFEL programs. Specifically:

- Economic and liquidity uncertainty created the potential for limited FFEL loan availability for Award Year (AY)[1] 2008-09.

- Congress enacted the Ensuring Continued Access to Student Loan Act (ECASLA) in May 2008 to encourage lenders to continue lending through FFEL. The Department used the authority provided by ECASLA to create the FFEL Loan Purchase program, which was designed to provide liquidity to lenders through FSA purchases of either FFEL loans or participation interest in FFEL loans from eligible lenders.

- Although FSA implemented ECASLA, some FFEL participating institutions began participating in the Direct Loan program because of the stability and reliability it provides.

[1] Award year runs from July 1 – June 30.

- The President's FY 2010 Budget proposal calls for all student loans to be originated under the Direct Loan program beginning July 1, 2010.

- Provisions within the College Cost Reduction and Access Act of 2007 (CCRAA) (Pub. L. 110-84) could increase Direct Consolidation Loan servicing volumes.

OBSERVATIONS AND SUGGESTIONS

We found FSA took actions to monitor student loan market conditions and estimate the impact of significant changes on Direct Loan origination and servicing demands. In response to the potential volume increases, FSA took action to expand existing Direct Loan processing systems and awarded four additional contracts that could assist in servicing potential volume increases. We also noted FSA appears to have access to sufficient resources to assist schools with the transition to the Direct Loan program and that the transition will not impact FSA's ability to sustain its current level of compliance monitoring activities. However, we noted FSA will rely heavily on contractor support in key areas to ensure the effective operation of the Direct Loan program in the event of materially increased demand. Reliance on contractor support will require effective contract monitoring practices to reduce related performance risk.

Section 1 - Factors Impacting the Volume of Loans Made and Serviced under the Direct Loan Program

We noted that several factors may increase the volume of student loans made and/or serviced by FSA. These include:

- Transition of FFEL schools to the Direct Loan program;
- FFEL Loan Purchase program activity; and
- Changes in the consolidation loan market.

In reviewing data relating to the above factors, we found that FSA took actions to identify potential Direct Loan program volume increases due to changing conditions and monitor actual changes. We further determined that the FFEL Loan Purchase program activity would significantly impact FSA's overall student loan servicing volume and therefore impact FSA's overall servicing capabilities. Finally, we concluded that consolidation activity would likely have a limited impact on FSA's Direct Loan system capabilities.

Item 1.1 – FFEL to Direct Loan Program Transition Impact

FSA took actions to identify potential Direct Loan program volume increases due to changing conditions and to monitor actual changes in the FFEL and Direct Loan program markets.

- FSA's focus on potential volume increases was on identifying a maximum potential transition impact. In the beginning of Calendar Year 2008, FSA estimated that 5.1 million additional Direct Loan originations were possible in AY 2008-09 should 50 percent of FFEL schools transition to the Direct Loan program. In June 2009, FSA planned for a 100 percent FFEL transition to the Direct Loan program by AY 2010-11 if existing FFEL subsidies were eliminated, or approximately 10.4 million additional originations.

- FSA used available internal and external data to monitor participation changes in the Direct Loan and FFEL programs. This included continual review of postsecondary institutional data, such as the number of borrowers and volume of originations, and data available from the National Student Loan Data System (NSLDS) and the COD system. FSA's efforts also included continuously tracking and maintaining lists of schools that provided notification of intent to enroll and participate in the Direct Loan program as well as lenders who advised FSA they would be leaving the FFEL program.

As of April 15, 2009, Direct Loan program volume had not increased at the level anticipated. [See Attachment 1] However, FSA's actions to identify potential volume increases provided a functional basis for planning enhancements in system processing capabilities, system related support activities, and program participant monitoring. FSA's actions to enhance Direct Loan processing capacity are further discussed in Section 2 of this document.

Item 1.2 - Federal Family Education Loan Purchase Program Impact

The FFEL Loan Purchase program created several programs that increased FSA's loan servicing volume. These programs include:

1. Purchase Commitment Program;
2. Short-Term Purchase Program;
3. Participation Interest Program; and
4. Asset-Backed Commercial Paper (ABCP) Conduit(s).

We found these programs have impacted FSA's loan servicing volume, as noted in Table 1 below.

Table 1 – FFEL Loan Purchase Program Volumes[2]

Loan Purchase Program	Loans Purchased by the Department	Loans Planned for Purchase	Total Loans
Purchase Commitment Program[3]	3,462,723	1,467,459	4,930,182
Short-Term Purchase Program	280,506	n/a[4]	280,506
Participation Interest Program[5]	2,011,924	4,168,149	6,180,073
ABCP Conduit	16,812	15,078	5,654,392[6]
Total	**5,771,965**	**5,650,686**	

[2] Loan volumes are as of September 30, 2009 unless otherwise annotated.
[3] The Purchase Commitment program allows, but does not require, lenders to sell loans to the Department by a date specified by the legislation at a predetermined price.
[4] Short-Term Purchase program volumes are final.
[5] Under the Participation Interest program, FSA finances the making of FFEL loans by purchasing a participation (ownership) interest in the loans almost immediately after their initial disbursement, which greatly reduces the lenders' need for private capital. Upon expiration, September 30, 2009, for AY 2008-09 loans and on September 30, 2010, for AY 2009-10 loans, lenders must either redeem their loans from the Department's interest using either funds derived from non-Federal sources or funds derived from selling the loans.
[6] Loans in Conduit as of July 31, 2009.

Based on the above data, FSA is responsible for servicing approximately 5.8 million FFEL loans, with an additional 5.7 million FFEL loans currently planned for purchase by FSA.

FSA recently awarded four contracts with the purpose of providing servicing capabilities to the Department for all Title IV programs, including the FFEL Loan Purchase programs. FSA stated these contractors were active as of August 31, 2009, and are currently servicing loans under the FFEL Loan Purchase programs. The related solicitation stated that the contractors had to provide evidence of being able to service a minimum of 2 million student loans and 500,000 student loan sales conversions annually. These contracting actions could serve to minimize the impact of the FFEL Loan Purchase program on the existing Direct Loan servicing system.

Item 1.3 – Consolidation Loan Impact

Direct Consolidation Loans allow borrowers to combine one or more of their Federal education loans into a new loan that offers several advantages including:

- One lender and one monthly payment;
- Flexible repayment options;
- No minimum or maximum loan amounts or fees;
- Varied deferment options;
- Reduced monthly payments; and
- Retention of subsidy benefits.

To qualify for a Direct Consolidation Loan, borrowers must have at least one Direct Loan or FFEL loan that is in grace, repayment, deferment, or default status.[7] The CCRAA, effective July 1, 2008, further expanded the benefits of Direct Consolidation Loans to FFEL borrowers. The legislation allowed FFEL borrowers to consolidate their FFEL loans into a Direct Consolidation Loan if the borrower intends to be eligible to use the public service loan forgiveness program. As of August 17, 2009, FSA is not tracking the number of borrowers that may become eligible[8] for the public service loan forgiveness program. This aspect of the CCRAA will not impact the volume of Direct Loans to be serviced by the Department in the near future.

In addition, the cost-saving incentives for borrowers to consolidate have been mitigated by the declining Federal funds rate and phasing out of variable-rate Stafford and PLUS loans through the CCRAA, which set Direct Loan and FFEL interest rates for the next 5 years. As a result of the legislation, FSA did not experience an influx of borrowers attempting to obtain lower interest rates by consolidating their loans and will most likely not incur significant influxes in the near future. Also, due to the low interest rates offered on consolidation loans between 2002 and 2006, it is likely that most borrowers that had unconsolidated, variable rate loans have already consolidated them. Table 2 following shows a significant reduction in the volume of consolidations in FY 2007 and FY 2008.

[7] Borrowers who do not have Direct Loans may be eligible for a Direct Consolidation Loan if they include at least one FFEL Loan and have been unable to obtain a Federal Consolidation Loan with a FFEL consolidation lender, or have been unable to obtain a Federal Consolidation Loan with acceptable income-sensitive repayment terms.
[8] Eligibility is determined after 120 payments (10 years) are made by the borrower.

Table 2 – Consolidation Loan Market for FYs 2004-2008

Loan Program	FY 2004 (in billions)	FY 2005 (in billions)	FY 2006 (in billions)	FY 2007 (in billions)	FY 2008 (in billions)
DL	$6.3	$17.7	$20.0	$4.4	$5.8
FFEL	$25.6	$50.8	$81.0	$47.5	$9.3
Total	**$31.9**	**$68.5**	**$101.0**	**$51.9**	**$15.1**

As a result, Direct Consolidation Loan activity will likely have a minimal impact on Direct Loan system capabilities.

Section 2 – FSA's Direct Loan System Processing and Support

FSA's response to potential volume increases included modifying existing contracts and awarding new contracts, making FSA reliant on vendor-provided assistance to successfully meet increased program volume. FSA uses multiple contracts to operate Direct Loan program systems and to provide related assistance in support, technical assistance, and monitoring. This structure includes the COD system and the DLSS.

FSA recognized that anticipated Direct Loan program volume increases would require expanded system and support capacity, and used contracting actions to mitigate risks associated with the anticipated volume increases. Specifically, FSA took actions to expand the COD system and the existing DLSS. It also awarded four additional servicing contracts to handle an influx of FFEL schools transitioning into the Direct Loan program and loans purchased under the FFEL Purchase programs. However, weaknesses in contractor performance could negatively impact FSA's ability to effectively service increased demand.

Item 2.1 - COD System

In response to the potential 50 percent transition from the FFEL to Direct Loan program, FSA executed a contract modification with its COD system contractor that:

- Implemented purging and archiving functionalities;
- Upgraded infrastructure;
- Increased call center support; and
- Increased system operational support.

The contract modification also stated the COD system was expected to absorb the 50 percent increase of current FFEL loan volume. FSA estimated this would increase Direct Loan originations by 5.1 million to a total of 8.25 million. As part of our evaluation of COD system capabilities, we reviewed a Detailed Rough Order of Magnitude (ROM) dated April 7, 2008, created by the contractor for the COD system. The ROM noted that the COD system had the capacity to process up to 10.8 million originations.

Another modification requires the contractor to assess the technical infrastructure capacity required to support additional award years based on the current utilization and estimated future volume. FSA would continue to provide projected loan volumes in advance of the upcoming award year.

FSA officials indicated that the COD system could handle 100 percent of FFEL volume; any limitations would come from the COD system contract pricing schedule. As of August 25, 2009, FSA did not have immediate plans to further modify the COD system contract. FSA believed the current pricing schedule, which provides for origination volumes up to 24 million, was sufficient to handle any immediate increase in Direct Loan originations.

Overall, we determined FSA modified the COD system contract in anticipation of a potential 50 percent FFEL volume transition. Contract terms appear adequate to enable FSA to expand origination capacity above a 50 percent FFEL volume transition. However, a determination as to whether the contractor's system will actually work as intended was beyond the scope of this review.

Item 2.2 - DLSS

In response to the potential 50 percent transition from FFEL to the Direct Loan program during AY 2008-2009, FSA initiated contractual actions to increase DLSS processing capabilities, upgrade related storage and memory capacity, and enhance archiving and purging functionalities. FSA stated these actions would increase DLSS capacity by 2 million borrowers. According to FSA, as of April 15, 2009, the DLSS has experienced an additional 1.1 million borrowers, 900,000 borrowers less than the system was expanded to handle.

To handle the 100 percent influx of FFEL schools into the Direct Loan program, FSA is relying on four recently awarded contracts to provide servicing capabilities. The solicitation required that each contractor demonstrate the ability to process, at a minimum, 2 million loans each year. The contractors will maintain their own hardware and software, which according to FSA, will allow for unlimited expansion for the Direct Loan program.

Overall, we determined FSA modified the existing DLSS contract to allow for increased servicing due to anticipated FFEL volume transition. FSA also awarded four additional contracts to provide servicing capabilities to handle 100 percent transition of FFEL volume to the Direct Loan program. However, a determination as to whether the contractors' systems will actually work as intended was beyond the scope of this review.

FSA has multiple areas of focus regarding the performance of postsecondary institutions participating in the Direct Loan program. These include:

- School eligibility and transitioning;
- Account reconciliation and technical assistance; and
- Compliance monitoring.

We found FSA established processes and committed resources to determine school eligibility in order to ensure effective and timely transitioning of postsecondary institutions into the Direct Loan program. FSA's actions to mitigate risk in the transitioning and oversight process include the ability to augment related staffing as needed and planned automation of aspects of the transitioning process.

Item 3.1 - School Eligibility and Transitioning

To participate in the Direct Loan program, all schools must first be eligible and certified by the School Eligibility Channel (SEC) through the Postsecondary Education Participants System (PEPS). In order to process school eligibility and certification, FSA has 10 regional offices comprising 8 teams.[9] Each regional office contains an Institutional Improvement Specialist to assist schools throughout the certification process.

Based on data compiled by OIG as of May 7, 2009, 4,031 of the 4,636 actively participating FFEL schools[10] (87 percent) during AY 2007-08 also had approval to participate in the Direct Loan program. However, 443 of the 605 schools without Direct Loan program approval were ineligible to participate because they lack statutory authorization due to their foreign school status. As a result, just 162 of the actively participating FFEL schools (3.5 percent) were eligible to participate in the Direct Loan program but had not yet been certified to participate.

We found the 162 FFEL schools was a manageable workload increase for Direct Loan program certification and that FSA had sufficient resources to complete the certification processes for these schools.

Once a school is certified to participate in the Direct Loan program, the school contacts the Customer Relations Service Center via email to notify FSA of its intention to participate in the program. In response, FSA's PEPS Team performs account processing activities that will enable the school to obtain Direct Loan funds through the COD system. FSA stated it is moving toward automating this activity, thus leaving minimal work for the Department to complete for FFEL schools transitioning to the Direct Loan program. FSA also created an On-Boarding Team consisting of officials knowledgeable of Direct Loan program requirements to provide assistance to schools transitioning into the Direct Loan program.

FSA used staffing flexibilities to assist in transition related activities during high volume periods. During AY 2008-09's peak volume period, FSA detailed 15 employees to assist schools transitioning into the Direct Loan program. As of May 2009, FSA had four employees assigned to assist schools transitioning into the Direct Loan program. Should FSA need additional resources to assist schools transitioning into the Direct Loan program due to increased volume, FSA plans to deploy the employees detailed during the AY 2008-09 peak volume period.

FSA believes the resources and processes noted above are sufficient to handle an influx in schools transitioning to the Direct Loan program. We identified no concerns with FSA's ability to ensure effective and timely certification and transitioning of FFEL schools entering the Direct Loan program.

Item 3.2 - Account Reconciliation and Technical Assistance

Department of Education Office of Inspector General report, *Review of the Department's Oversight of Schools Participating in the William D. Ford Federal Direct Loan Program,* A0470016, dated September 25, 1998, found FSA provided technical assistance to schools related to issues with cash management but lacked the ability to monitor schools because of a

[9] New York and Boston, and San Francisco and Seattle regional offices are each considered one team.
[10] Actively participating is defined as total disbursements for the award year greater than zero.

lack of management information data. Today, the COD system contractor along with FSA 1) monitors school monthly cash balances and makes outbound calls to schools with high ending cash balances, 2) generates ad hoc reports to assist schools with reconciliation of cash, and 3) assists schools with interpreting reconciliation reports.

Cash balances are monitored by FSA's Internal Control Division (ICD) on a weekly basis. The ICD generates a weekly report from the COD system listing schools with an unsubstantiated cash balance greater than $30,000. This report is provided to the Customer Relations Service Center operated by the COD contractor who in turn provides account reconciliation assistance to the identified schools. The report is also used to inform FSA's SEC of schools that may need compliance reviews.

According to data provided by FSA, account reconciliations for newly participating schools for AY 2008-09 were less problematic than for schools participating in the Direct Loan program as a whole. Newly participating schools, representing 37 percent of the population, had a Disbursement to Drawdown Ratio (DDR[11]) of 101.5 percent compared to a DDR of 101.8 percent for all schools.

While data showed the performance of newly participating schools in AY 2008-09 was comparable to that of the program overall, over 4,000 schools could be transitioning to the program in the near future and as a result could increase reconciliation related activity. The impact will likely be felt the strongest by the COD contractor via its Customer Relations Service Center. The COD contract states the contractor is responsible for providing an acceptable level of staffing for the Customer Service Center, based on volume needs.

Item 3.3 - Compliance Monitoring

The SEC is responsible for providing integrated oversight and management improvement services to institutions receiving student financial assistance program funds, in accordance with established policies and procedures. The SEC uses the following resources to determine Direct Loan school compliance with program requirements:

- Weekly report of unsubstantiated cash balances;
- Referrals from Business Operations;
- Complaints from students via the Customer Service Relations Center; and
- Core business review processes: annual compliance audits, program reviews, and Direct Loan recertification for the program or for adding programs or locations.

FSA stated that no actions were taken in response to the potential 50 percent transitioning of FFEL schools to the Direct Loan program. FSA added that procedures did not change because schools participating in the FFEL and Direct Loan programs were subject to the same business review processes. As such, FSA did not believe FFEL schools transitioning to the Direct Loan program would impact their ability to perform compliance monitoring activities.

[11] DDR is a ratio of net accepted and posted disbursements to net drawdowns. DDR values over but approximating 100 percent are good indicators that schools are submitting borrower information timely prior to drawing down Federal funds.

FSA created a work group to review the existing policies and procedures for selecting schools for review in order to take advantage of efficiencies and mitigate risks as up to 100 percent of FFEL schools transition to the Direct Loan program. FSA believed that efficiencies gained through modifying the existing policies and procedures could result in more effective monitoring of schools with the available resources.

Overall, we identified no concerns with FSA's ability to sustain its current level of compliance monitoring activities because of the transition of FFEL schools to the Direct Loan program.

Suggestions

FSA will rely heavily on contractor support in key areas to ensure the effective operation of the Direct Loan program in the event of materially increased demand. We suggest FSA ensure effective contract monitoring practices are in place as well as provisions for appropriate system testing to ensure affected systems will perform adequately under increased processing requirements. Reliance on contractor support to provide assistance to schools with reconciliation deficiencies also requires effective contract monitoring to ensure compliance with staffing levels that are conducive to effective and timely customer service.

A draft of this report was provided to FSA for comment. After reviewing the draft, FSA notified OIG that it would not be providing a formal written response.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to evaluate the Department's 1) capacity for increasing the volume of loans made and serviced under the Direct Loan program, to include plans and related actions, and 2) ability to monitor the resulting increased participation of postsecondary institutions to ensure compliance with Direct Loan program requirements. To accomplish the objectives we reviewed applicable Federal laws and regulations, and policies and procedures. We reviewed Government Accountability Office audit reports and OIG inspection and audit reports related to Direct Loan program systems and compliance monitoring. We also conducted interviews and evaluated relevant documentation to assess factors impacting Direct Loan program volume and FSA's related actions in the areas of Direct Loan processing system capacity and compliance monitoring. Additional information on the scope and methodology applicable to each of these areas is presented below.

Factors Impacting Direct Loan Program Volume

We met with FSA Title IV program staff to gain an understanding of plans and actions taken by FSA with regard to monitoring student loan market conditions during our audit scope. We reviewed FSA's estimates of origination and servicing volumes for the Direct Loan and FFEL programs for AY 2008-09, and assessed the reasonableness of these estimates through comparison to actual data as of April 2009. We also obtained FFEL Loan Purchase program data as of September 2009 and Direct Consolidation Loan data as of September 2008 to determine its potential impact on origination and servicing volumes.

Direct Loan Processing System Capacity

We met with FSA Title IV program staff to identify actions taken to increase Direct Loan processing system capacity in response to anticipated volume increases. We also reviewed Direct Loan processing system contract documentation to obtain an understanding of contract terms relating to system capacity and actions taken to assist with increasing capacity if necessary. Finally, to assess the reasonableness of FSA's actions we compared information relating to current system capacities and requirements to anticipated volume increases.

Direct Loan Compliance Monitoring

We met with FSA Title IV program staff in the Direct Loan Division and SEC to determine the processes used to certify and approve schools transitioning to the Direct Loan program. We further gained an understanding of the processes to monitor school compliance with Direct Loan program requirements, to include account reconciliation and technical assistance. We reviewed these processes to assess FSA's ability to continue to perform these functions in the event of increased Direct Loan program participation.

To assess the potential impact on SEC due to schools transitioning to the Direct Loan program, we reviewed data from PEPS to determine the volume of schools eligible for the Direct Loan program and requiring certification. We also reviewed FSA provided summary data on Direct Loan school compliance with account reconciliation procedures to assess newly participating schools' compliance with program requirements.

We relied on computer-processed data from the PEPS system to assess the impact on the SEC with regard to school transitioning. The data we extracted from PEPS were corroborated with information previously provided by FSA officials. As PEPS is recognized as a generally reliable data source based on other work performed by OIG, no other work was performed to assess its reliability. Other computer-processed data provided in this report were provided by FSA from information extracted from NSLDS and COD. As this information was used primarily for informational purposes and did not materially affect the findings and resulting conclusions noted in this report, we did not assess its reliability.

The fieldwork for the audit was conducted at Department offices in Washington, DC, during the period June 2008 through August 2009. An exit conference with Department officials was held on September 2, 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

If you have any questions, please call Michele Weaver-Dugan, Director, Operations Internal Audit Team, at (202) 245-6941.

Attachments

cc: Mark Love, Audit Liaison Officer, FSA

Attachment 1

Comparison of Predicted Borrowers and Originations to Actual as of 4/15/09 (With 50% Transition from FFEL to Direct Loan)

	Predicted AY 2008-2009 Borrowers	Predicted Percent of Market Volume (%)	Actual 4/15/09 Borrowers	Actual Percent of Market Volume (%)	Predicted AY 2008-2009 Originations	Predicted Percent of Market Volume (%)	Actual 4/15/09 Originations	Actual Percent of Market Volume (%)
FFEL	3,400,000	38.2	6,931,722	68.3	6,120,000	42.6	12,477,100	72.1
DL	5,500,000	61.8	3,216,733	31.7	8,250,000	57.4	4,825,099	27.9
Total	**8,900,000**	**100.0**	**10,148,455**	**100.0**	**14,370,000**	**100**	**17,302,199**	**100**

Attachment 2

Acronyms/Abbreviations Used in this Report

ABCP	Asset-Backed Commercial Paper
AY	Award Year
CCRAA	College Cost Reduction and Access Act of 2007
COD	Common Origination and Disbursement
DDR	Disbursement to Drawdown Ratio
Department	U.S. Department of Education
Direct Loan	William D. Ford Direct Loan Program
DLSS	Direct Loan Servicing System
ECASLA	Ensuring Continued Access to Student Loan Act
FFEL	Federal Family Education Loan Program
FSA	Federal Student Aid
FY	Fiscal Year
ICD	Internal Control Division
NSLDS	National Student Loan Data System
OIG	Office of Inspector General
PEPS	Postsecondary Education Participants System
ROM	Rough Order of Magnitude
SEC	School Eligibility Channel