



# ANNUAL PROGRAM PERFORMANCE REPORT

## Annual Program Performance

During FY 2006, Federal Student Aid made significant accomplishments, as well as progress in meeting our performance standards as outlined in the FY 2006 – FY 2010 Five-Year Plan. The information presented herein provides details of our achievements, by objective. Under each objective below, we have identified the corresponding Performance Standard, as well as the organization's progress in meeting the stated target. Unless otherwise noted, these performance standards and their respective ratings are based on criteria established by Federal Student Aid.

### Objective 1: Integrate Federal Student Aid systems and provide new technology solutions.

- Awarded a four-year contract for the development of the IPM. The IPM project will integrate, modernize and reengineer Federal Student Aid monitoring and oversight functions and provide better customer service to trading partners using a single sign-on process to multiple Federal Student Aid systems. IPM will provide the ability to view data holistically about a trading partner's activities and needs. The first phase of the project will be implemented in FY 2008. The new contract will save approximately \$5.4 million during the contract term.
- Awarded a ten-year contract to operate the VDC. The VDC houses the basic computer systems that support and operate delivery of Title IV student aid. The VDC also is a hub that connects several other data and processing centers into a single, logical servicing operation. The new contract includes considerable flexibility to expand in the future at little additional cost and includes special provisions to handle peak processing volumes during the year. The new contract will save over \$150 million during the contract term.
- Integrated three new systems into the security architecture infrastructure. The Security Architecture system of software and hardware is the principal infrastructure Federal Student Aid will use to control access to its systems and data, and to provide single sign-on for our trading partners. It will also be the foundation for rollout of the PMA e-Authentication initiative during the FY 2007–2012 period, eventually reaching 75 million past and present aid recipients.
- Completed the enterprise portal strategy for the consolidation of 73 existing Web sites.
- Ranked 4<sup>th</sup> of all government agencies in OMB's Enterprise Architecture assessments.
- Attained a "green" score on the PMA scorecard for e-Gov initiatives and received the Department of Labor's Partner Appreciation Award. As a major contributor to these milestones, Federal Student Aid led the Department's efforts for e-Authentication (agreed to enable two Department systems), GovBenefits (highlighting 56 Department programs on this government-wide site), Business Gateway and USA Services.
- Completed the automation of the monthly project scorecard process. This improves the accessibility of project status information across the organization, while providing an integrated, efficient way to capture status data and allow quick and accurate consolidation and reporting.
- Continued identifying requirements and completed a technical proof of concept for the ADvance solution, an initiative to modernize and integrate the organization's core front-office business functions through the reengineering, retirement and replacement of existing aid delivery systems.
- Continued design of the Common Services for Borrowers initiative, a solution that consolidated Federal Student Aid's back-office systems for Direct Loan Servicing, Consolidation and Collections into a single integrated solution.
- Completed the conceptual design and high-level functional specifications for the Information Framework solution, an initiative to improve Federal Student Aid's business operations and data management functions by centralizing data-transformation services, serving as a centrally accessible record for shared data, and increasing the standardization, quality and traceability of the master data shared among Federal Student Aid systems.

**Performance Standards and Results**

The following performance standards were established to measure our success in achieving our key integration initiatives. Success is predicated on the timely completion of all scheduled project deliverables in the design, development and implementation phases of the four main systems integration initiatives as described below.

<b>Objective 1:</b> Integrate Federal Student Aid systems and provide new technology solutions.			
<b>Integration Initiative</b>	<b>FY 2006 Target</b>	<b>FY 2006 Actual</b>	<b>Performance</b>
Common Services for Borrowers <sup>1</sup>	Development	Design	Target Not Met
ADvance <sup>2</sup>	Development	Design	Target Not Met
Integrated Partner Management	Design	Design	Target Met
Information Framework	Design	Design	Target Met

<sup>1</sup> The Common Services for Borrowers project did not meet its projected target due to delays in meeting established timelines.

<sup>2</sup> The ADvance project did not meet its projected target due to a change in the acquisition strategy.

**Objective 2: Improve program integrity to facilitate access to postsecondary education, while reducing vulnerability of the federal student financial assistance programs to fraud, waste, abuse and mismanagement.**

- Achieved a “green” progress score on the PMA scorecards for Financial Management and Eliminating Improper Payments and a “yellow” progress score for Credit Management, as of September 30, 2006. Achieved status scores of “green” for Financial Management, “yellow” for Eliminating Improper Payments and “red” for Credit Management also, as of September 30, 2006.
- Developed and will publish the first iteration of the Cumulative Lifetime Default Rate for the Title IV student loan portfolio.
- Achieved a continued low rate of 5.1% for the NCDR for FY 2004.
- Achieved FY Direct Loan and FFEL default recovery goals of 19% and 19.3%, respectively.
- Developed and implemented standardized processes across Federal Student Aid’s 10 regional offices for reviewing the over 6,000 schools that participate in the Title IV programs. This implementation included the training of nearly 300 school program review staff.
- Developed and implemented a standard model for evaluating VFA for cost neutrality. This model is being used to evaluate the existing five VFA agreements and for evaluating new VFA requests. This model enabled Federal Student Aid to determine that four of the existing agreements were not cost neutral; and as a result, they are being renegotiated.
- Achieved an unqualified audit opinion for FY 2006 for the fifth consecutive year.
- Developed and implemented a management tool to evaluate the financial condition, including reserve ratios and fund balances, of guaranty agencies. As a result, this year, eight agencies are required to submit management plans for improving their financial health to Federal Student Aid.
- Improved the monitoring of publicly traded schools. These schools represent about 4% of all schools, but they receive over 10% of all Title IV funding. We developed new strategies, including targeted on-site reviews and a more critical analysis of their financial statements, to address this potential risk exposure.

- Successfully implemented OMB Circular A-123, *Management’s Responsibility for Internal Control*, Appendix A and sound financial management controls. In addition to complying with OMB requirements, Federal Student Aid established an internal control framework to be leveraged for continuous internal-control improvement.
- Volunteered to complete a 100% physical inventory (which was completed within two weeks of making the commitment) of assets in response to an unanticipated issue with the Department’s Information Technology asset management inventory.
- Successfully upgraded FMS to Oracle Federal Financials application version 11i and database version 10g. This upgrade was completed on time and on budget and with no negative impact to our over 3,200 lenders and 35 guaranty agencies customers. Federal Student Aid was the first government entity to successfully complete an upgrade of this configuration.

**Performance Standards and Results**

*The following performance standards were established to gauge our success in improving program integrity, while reducing the vulnerability of the Title IV programs to fraud, waste and abuse. Our success relies on maintaining “green” status on the PMA, continuing to achieve low default rates and increasing the recovery rate.*

<b>Objective 2:</b> Improve program integrity to facilitate access to postsecondary education, while reducing vulnerability of the federal student financial assistance programs to fraud, waste, abuse and mismanagement.				
Metric	FY 2006 Target	FY 2006 Actual		Performance
PMA score for financial management*	Green	Green		Target Met
PMA score for improper payments*	Yellow	Yellow		Target Met
Cumulative Lifetime Default Rate – Title IV Student Loan Portfolio	Develop Baseline	FY 1999	12.24%	Target Met
		FY 2000	11.82%	
		FY 2001	9.93%	
		FY 2002	7.82%	
		FY 2003	5.48%	
Cohort Default Rate	< 6%	5.1%		Target Met
Direct Loan Default Recovery Rate	19.0%	19.0%		Target Met
FFEL Default Recovery Rate	19.3%	19.4%		Target Met

\*See [www.results.gov](http://www.results.gov) for definitions, trend and PMA scorecard support for both financial management and improper payments.

**Objective 3: Reduce program administration costs.**

- Completed the development of the unit cost baseline through our ABC Model. This baseline was used to help develop both the FY 2007 and FY 2008 Federal Student Aid budget submissions.
- Continued to manage and control operating expenses through efficiencies, productivity gains, and capital savings. Our operating expense budget has been reduced to 44% of the total budget vs. 47% of the total budget in FY 2005.

- Awarded a ten-year contract to operate the VDC. The new contract will save over \$150 million during the contract term.
- Awarded a four-year contract for the development of the IPM. The new contract will save approximately \$5.4 million during the contract term.
- Developed and adopted a coordinated technical and business management approach to plan, execute and manage acquisitions while ensuring the highest value of service is received for the lowest possible cost while allowing program management flexibility across all business functions.
- Increased business analysis capabilities and better procurement planning supported by thorough market research resulted in several highly leveraged contract competitions that were negotiated in Federal Student Aid’s favor. The projected Return on Investment (ROI) or other savings for several contracts include:
  - VDC Renegotiation - \$28 million ROI total for FY 2006 and FY 2007
  - VDC Re-compete - Over \$150 million ROI total from FY 2006 through FY 2016
  - IPM - \$5.4 million ROI total from FY 2008 through FY 2011
- Significantly increased small-business participation through better internal controls, communications and management emphasis and support. An example includes the Information Technology Support Services (ITSS) contract, under which Blanket Purchasing Agreements (BPAs) to 18 small businesses were awarded.

**Performance Standards and Results**

*Performance standards were established to measure our ability to control costs in an environment of increasing workloads. Success relies on achieving economies of scale in our application, delivery, servicing and collection activities.*

<b>Objective 3:</b> Reduce program administration costs.			
Metric	FY 2006 Target	FY 2006 Actual	Performance
Reduce electronic FAFSA direct unit costs	Develop Baseline	\$5.04	Target Met
Reduce origination and disbursement direct unit costs	Develop Baseline	\$4.42	Target Met
Reduce Direct Loan Servicing direct unit costs	Develop Baseline	\$20.95	Target Met
Reduce Collections direct unit costs	Develop Baseline	\$0.14	Target Met

**Objective 4: Improve human capital management.**

- Successfully developed a baseline of data to measure the use of training resources to develop a highly skilled workforce to ensure competency in mission-critical skills/knowledge. This work first involved reaching agreement on mission-critical skills and developing an approach to collecting the data. Federal Student Aid identified four key, mission-critical skills necessary to accomplish its work: 1) supervision/leadership, 2) acquisitions, 3) project management and 4) Federal Student Aid business knowledge. In each of these areas, we identified the target population to be trained in FY 2006 and the training requirements for that population. The baseline was calculated based on the percentage of the target that was met.
- Successfully sought and was granted (on January 9, 2006) additional delegations of human resources authority from the Secretary, with respect to operations, as we interact and collaborate with the rest of the

Department, including OM. Federal Student Aid developed an implementation plan, as required, within 30 days after receiving the delegations. All delegated functions have been successfully transferred from OM and were transitioned on a twice-accelerated schedule (vs. the original plan) at the request of OM. In order to complete this transition successfully, Federal Student Aid had to, among other things, obtain Delegated Examining Unit (DEU) training and certification, secure Servicing Personnel Office (SPO) status, complete Federal Personnel and Pay System (FPPS) Security and SPO training and complete EdHIREs training. Finally, two significant innovations were launched as part of this implementation—the streamlining of the hiring processes, as defined in the Extreme Hiring Makeover, and the conversion from paper to electronic Official Personnel Files (eOPFs).

- Continued its progress in institutionalizing sound performance management using the Department’s Five-Tier Performance Management System and holding managers accountable for accurately and fairly rating individual performance. The ongoing goal is to clearly differentiate between the five different levels of performance and the delivery of real results. Our focused efforts have presented a more accurate portrait of performance within Federal Student Aid, with about 14.6% of staff being rated Outstanding and 34% Highly Successful in FY 2006.
- Successfully established a new Federal Student Aid Executive Management coordinating structure and realigned large segments of the organization to accomplish the following key objectives:
  1. Improve coordination and communication among Federal Student Aid business channels.
  2. Consolidate business operations to ensure consistency, efficiency and effectiveness among those business units with operational responsibilities.
  3. Increase focus on Program Integrity (i.e., school oversight, monitoring and compliance functions) and improve the coordination, consistency and efficiency of our oversight activities.
  4. Increase focus on aid awareness, outreach and the “student view” to improve our services to the most important customer, the student, and enhance and elevate our outreach activities to the many communities we serve, especially the underserved communities.
  5. Align performance-management functions to ensure enterprise view of contracts, project management, risk management and performance-management reporting.
  6. Align the communications office with the human resources, employee training, and facilities-management functions to improve the coordination and delivery of these services to staff.

**Performance Standards and Results**

*The performance standard for improving human capital management measures our ability to maintain a skilled and knowledgeable workforce. Specifically, the performance measure will identify our mission-critical competencies, identify where current or potential weaknesses exist and identify training plans for individuals to further develop competency/skills/knowledge.*

<b>Objective 4:</b> Improve human capital management.			
Metric	FY 2006 Target	FY 2006 Actual	Performance
Use training resources to develop a highly skilled workforce to ensure competency in mission-critical skills/knowledge	Develop Baseline	<b>Leadership</b> Train 100% New Supervisors Train 52% Current Supervisors	Target Met
		<b>Acquisitions</b> Train 100% Contracting Officials	
		<b>Project Management</b> Train 100% Key IT Project Managers	
		<b>Federal Student Aid Business Knowledge</b> Train 90% New Employees Train 10% School Compliance Officials Train 40% General Workforce	

**Objective 5: Improve products and services to provide better customer service.**

- The FY 2006 ACSI ratings for Federal Student Aid’s highest volume products and services—including Direct Loan Servicing, *FAFSA on the Web*, COD and LaRS—score in the “Excellent” and “Good” range. The COD system received an ACSI score of 77, an 11-point gain since the ACSI was originally conducted on COD in FY 2003. Federal Student Aid products score higher than the federal government aggregate and on par with private sector organizations, such as Dell Incorporated, Microsoft Corporation, and Target Corporation, and financial services companies, such as JP Morgan Chase, Bank of America and Wells Fargo. The slight fluctuations in some of the FY 2006 scores from last year were deemed to be statistically insignificant by ACSI.
- Launched a multi-year enterprise communications strategy in FY 2005 to better articulate the benefits of postsecondary education, raise awareness of federal student aid programs and improve consistency across all communications to its many stakeholders, including currently underserved communities. In addition, this strategy establishes partnerships with organizations at national, regional and local levels that have the common goal of promoting awareness of and access to aid for postsecondary education. In FY 2006, Federal Student Aid began full-scale implementation of this strategy, launching a new Federal Student Aid brand and incorporating it across multiple points of presence. In addition, we began a comprehensive public service campaign utilizing media, print and Web executions to increase Federal Student Aid outreach to targeted, underrepresented populations.

**Performance Standards and Results**

*The following performance standards were established to measure our success in meeting and exceeding customer service goals. Specifically, success is realized with continuous improvement in our customer satisfaction scores for our four main systems.*

<b>Objective 5:</b> Improve products and services to provide better customer service.				
<b>Metric (In percentages)</b>	<b>FY 2006 ACSI Benchmark<sup>1</sup></b>	<b>Revised FY 2006 Target<sup>2</sup></b>	<b>FY 2006 Actual</b>	<b>Performance<sup>3</sup></b>
Student aid application	75	83	80	Target Not Met
School origination and disbursement	68	76	77	Target Met
Lender payment processing	68	74	71	Target Not Met
Direct Loan borrower servicing	75	77	79	Target Met

<sup>1</sup> ACSI Benchmarks are the average score for private companies in a comparable industry sector.

<sup>2</sup> Federal Student Aid performance targets, established last year and included in the FY 2006 – 2010 Five-Year Plan to measure customer service, were delineated in percentile rank. This was done to provide a common measure of customer satisfaction, regardless of the method or company used to conduct the customer satisfaction surveys. Unfortunately, because it was discovered that so few companies are included in the ACSI sector benchmark averages, the percentile rank does not accurately reflect true performance. For example, a single-point change in the ACSI score of *FAFSA on the Web* resulted in a 21% change in percentile ranking.

To establish a better and more representative performance standard to measure customer satisfaction with Federal Student Aid products and services, we have updated our performance measures and targets based on actual ACSI sector averages. If, in the future, we utilize a different gauge of customer satisfaction, we will update our performance standards accordingly.

<sup>3</sup> In FY 2006, Federal Student Aid exceeded its revised customer satisfaction targets for school origination and disbursement and Direct Loan borrower servicing. However, Federal Student Aid did not meet its revised customer satisfaction targets for online student aid application processing or lender payment processing.

## Legislative and Regulatory Recommendations

Key among Federal Student Aid's mission responsibilities is the task of developing legislative recommendations. These recommendations customarily center on improving and simplifying the Title IV programs, minimizing administrative costs and improving program integrity. Our recommendations inform the Department's policymaking process, including its activities and decisions related to the reauthorization of the HEA.

These activities are usually accomplished by direct contact with colleagues in the Department's Office of Postsecondary Education (OPE) at both the senior policy level and at a staff level. Federal Student Aid also provides policy decision input in a significant way to other offices, including to senior staff in the Secretary's Office and to OMB. These efforts, while primarily carried out by Federal Student Aid's Policy Liaison and Implementation Staff, also involve other Federal Student Aid offices and senior managers. While a portion of this policy advising is accomplished on an ongoing informal daily basis, Federal Student Aid staff contributed to policy decision-making in a more formalized way for policy decisions related to –

- A set of recommendations for reauthorization of the HEA
- Activities in reaction to the 2005 gulf hurricanes
- Implementation of the changes made to the Title IV programs by HERA and other legislation
- Activities related to issues of lender benefits in the student loan program (e.g., 9.5 percent special allowance)
- Simplification of the Title IV programs
- Legislation to implement a data match with the IRS
- Development of regulations
- The negotiated rulemaking process
- Minimizing improper payments and other risk mitigation activities

Federal Student Aid will continue to identify new business processes and procedures, innovative system solutions, best-practice risk management approaches and ground-breaking contracting solutions that help reduce the cost of administering the Title IV programs, as well as limit the vulnerability of the Title IV programs to fraud, waste, abuse and mismanagement. We will also continue to identify, propose and implement improvements to the personnel and procurement flexibilities afforded us in our PBO legislation.

## Annual Bonus Awards

At the end of FY 2006, there were 52 Federal Student Aid senior managers. In addition, there are 15 senior managers who have achieved Senior Executive Service status. Six of the 52 senior managers and two of the 15 Senior Executive Service staff serve on the Federal Student Aid Executive Management Team and report directly to the Chief Operating Officer. The remaining 46 senior managers and 13 Senior Executive Service staff serve in a variety of senior positions and capacities within Federal Student Aid.

Ratings and awards for 42 of the 46 senior managers who do not serve on the Executive Management Team were approved at the time of this writing as follows: 38.1% achieved a performance rating of Outstanding, 50.0% achieved a performance rating of Highly Successful, 9.52% achieved a rating of Successful and 2.38% were not eligible for rating. Award amounts for those achieving an Outstanding rating ranged from a low of \$4,701 to a high of \$10,000, with a median award of \$9,675. Award amounts for those achieving a Highly Successful rating ranged from a low of \$3,270 to a high of \$10,000, with a median award of \$6,580. Those receiving a rating of Successful were not eligible for an award.

FY 2006 performance ratings and bonuses for the six senior managers who serve on Federal Student Aid's Executive Management Team and four of the 46 other senior managers were not finalized at the time of this publication. Additionally, FY 2006 performance ratings and bonuses for the 15 Senior Executive Service staff, including the two who serve on Federal Student Aid's Executive Management team, were not finalized at the time of this publication.

The Chief Operating Officer's performance award for FY 2006 is expected to be consistent with the average of bonuses for the past three performance years of \$65,833. It is also anticipated that performance bonuses for the six Executive Management Team senior managers and the four remaining other senior managers will be relatively consistent with the ranges for FY 2005 bonuses.

## Possible Future Effects of Existing Events and Conditions

Federal Student Aid's ability to fully implement the initiatives described in this report is impacted by external factors, including budget and policy considerations and unanticipated events. Federal Student Aid works closely with the Department and OMB to develop our administrative budget and ensure appropriate resources are allocated to support our strategic objectives.

Legislative and/or regulatory action may result in policy, resources or program changes requiring Federal Student Aid to revisit our current strategic plan. Specifically, the reauthorization of the HEA is scheduled to occur during this session of Congress. Once completed, Federal Student Aid will revise both our *Annual Performance Plan* and the *Five-Year Plan* to meet the new legislative and/or regulatory requirements.

Other external factors could also affect our ability to achieve the organization's objectives. For example, in August and September 2005, hurricanes Katrina and Rita caused extensive damage to the Gulf Coast region of the United States. As a result, Federal Student Aid mounted a large-scale response effort to assist our customers impacted by the unprecedented destruction of hurricanes Katrina and Rita. We are unable to anticipate the full cost or impact to Federal Student Aid's strategic objectives as a result of our long-term commitment to other similar unforeseen events.

The following are specific examples of Federal Student Aid's response in FY 2006 to unanticipated events:

- **Hurricanes Katrina and Rita:**
  - Provided outreach and assistance to impacted schools and students;
  - Provided outreach to FFEL lenders, servicers, guaranty agencies and borrowers;
  - Created specialized units within Federal Student Aid customer call centers;
  - Created dedicated toll-free phone numbers;
  - Created a consolidated source Web site to provide guidance and communications to our customers concerning issues related to hurricanes Katrina and Rita;
  - Created a special email address and mailbox for submission of questions;
  - Issued Federal Student Aid guidance and policy related to issues impacting students, parents, schools, financial institutions, guaranty agencies and borrowers;
  - Ensured monitoring and oversight of closed schools and impacted schools, lenders, and guaranty agencies to ensure proper administration of Title IV funds in accordance with all emergency guidance that was issued to ensure no improper payments; and
  - Implemented strict financial controls around relief aid provided to postsecondary schools in accordance with OMB guidance.
- **Implement HERA of 2005:**
  - Successfully implemented the provisions of the HERA less than five months after its enactment. This legislation contained over 65 provisions that impacted almost every Federal Student Aid business function and system. In total, 10 separate systems and their associated business processes were either developed or modified; 50 operationally related electronic announcements were developed and issued; nearly all print and electronic media about the Title IV programs were modified; and all customer contact center scripts were modified as were all Title IV training programs.
  - HERA included two new grant programs, the ACG and SMART Grant programs, and one new loan program, the Student PLUS Loan, for which systems, business processes, communications and training materials needed to be developed and implemented. The implementation of the new grant programs was one of the Secretary's highest priorities. Federal Student Aid implemented both programs by the required July 1 date, including the development and delivery of training sessions to

over 10,000 financial aid administrators and other program participants. As of September 15, 2006, over 609,000 students had submitted their eligibility information for ACG grants and schools had distributed nearly \$13 million to an estimated 27,000 students. In addition, schools had distributed SMART grants in excess of \$14 million to an estimated 7,528 students.

- **Pandemic Flu Preparation and Readiness:**

- Federal Student Aid added this item to its 2006 Performance Plan when it was newly identified as a national initiative and high Departmental priority. We developed a detailed project plan outlining the actions necessary to ensure we are properly prepared for a pandemic flu outbreak. Federal Student Aid's project plan was developed prior to the Department's guidance and was subsequently adopted by the Department as a basis for the Department-wide project plan. In March, Federal Student Aid developed a Communication Test Plan and Pandemic Flu "what if" Test Scenario. The Test Plan was successfully tested in March and was used as a basis for the Department's subsequent test in September. The Test Scenario required variations to the Federal Student Aid COO succession plan and availability of critical staff. Telecommunication equipment was tested along with network-drive accessibility, Internet access and home/cell phone numbers. We also ensured that the proper emergency supplies to deal with an onset of pandemic flu were procured and on hand should they be needed. Additionally, we developed a prioritization for Federal Student Aid staff for receiving immunizations should a pandemic occur. Finally, we developed guidance (pending approval and issuance) for postsecondary institutions and other Title IV program participants to assist them in the event that a pandemic flu outbreak impacts their ability to administer the Title IV student assistance programs.

## Report of the Federal Student Aid Ombudsman

The Federal Student Aid Office of the Ombudsman, now in its seventh year of operations, was established by the 1998 Amendments to the HEA. The office uses informal dispute-resolution processes to address complaints from those who receive assistance through Title IV financial aid programs. By working with institutions of higher education, lenders, guaranty agencies, loan servicers and other participants in student aid programs, and by analyzing complaint data from the Ombudsman Case-Tracking System, the office identifies broad systemic issues impacting Title IV programs.

Information about the Federal Student Aid Office of the Ombudsman is disseminated to the industry and borrowers throughout the student aid life cycle from application through repayment. The office of the Ombudsman Web site at [www.ombudsman.ed.gov](http://www.ombudsman.ed.gov) is designed to help individuals resolve loan problems independently, find useful student aid information and resources and submit complaints electronically for Ombudsman analysis and resolution. The office produces other materials for the higher education community (e.g. the monthly Ombudsman Newsletter) regarding Ombudsman services and industry news, meets with guaranty agencies and others to address issues common to the industry and produces tailored reports for individual agency use.

Since its inception, the Federal Student Aid Ombudsman Office has handled over 100,000 complaints, including 16,893 in FY 2006, an increase of 2,118 over FY 2005. The office resolved more than 72 percent of FY 2006 issues within three days of the initial issue receipt, and took an average of 90 days to resolve 4,663 issues requiring additional research. Of the cases requiring additional effort, individual borrowers had an average of eight loans. Only 17 percent of those borrowers' loans are in default, 37 percent of the loans have been in repayment less than five years, and 72 percent of those loans are FFEL Program Loans.

In FY 2006, loan consolidation was the most common issue across all 4,663 research cases. Almost one in four of all research cases involved a question or disagreement related to consolidation. The increase in loan interest rates and changes authorized by the HERA of 2005 were contributing factors to the frequency of loan consolidation research cases. Other prevalent Ombudsman research issues related to borrowers' account balances, loan cancellation/discharge provisions, repayment plans/amounts and default. In aggregate, these top five issues accounted for two thirds of the 4,663 total research case volume. The office also responded to individual inquiries from victims of hurricanes Katrina and Rita.

The Office of the Ombudsman measures effectiveness by obtaining customer feedback through independently conducted telephone surveys. Closed cases are chosen at random, and customers are asked to rate service accessibility, Ombudsman representatives' knowledge, timeliness of case resolution, level of satisfaction with the resolution and overall service. On a scale of 1 to 5, with 5 the highest rating, survey results are calculated weekly and cumulatively. Only ratings of 4.0 or higher meet the Ombudsman customer satisfaction performance goal. That standard was exceeded every week of the fiscal year, resulting in an average FY 2006 customer satisfaction rating of 4.50.