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SUMMARY

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Alexandra Hegji
Specialist in Social Policy

Henry B. Hogue
Specialist in American National Government

The Office of Federal Student Aid (FSA), within the U.S. Department of Education (ED), is established as a performance-based organization (PBO) pursuant to Section 141 of the Higher Education Act (HEA). FSA is a discrete management unit "responsible for managing the administrative and oversight functions supporting" the HEA Title IV federal student aid programs, including the Pell Grant and the Direct Loan programs. As such, it is the largest provider of postsecondary student financial aid in the nation. In FY2024, FSA oversaw the provision of approximately $120.8 billion in Title IV aid to approximately 9.9 million students attending approximately 5,400 participating institutions of higher education (IHEs). In addition, in FY2024, FSA managed a student loan portfolio encompassing approximately 45 million borrowers with outstanding federal student loans totaling about $1.6 trillion.

Among other administrative and oversight functions, FSA

- develops and maintains the Free Application for Federal Student Aid (FAFSA);
- obtains funds from the Department of the Treasury to make aid available to students;
- contracts with numerous third parties to provide goods and services related to Title IV administration, such as student loan servicing;
- provides oversight of the numerous third parties (e.g., contracted student loan servicers and IHEs) that play a role in administering the Title IV programs; and
- provides information to third-party stakeholders—such as students, the public, and Congress—regarding Title IV program operations and performance.

Responsibility for developing policy and promulgating regulations relating to Title IV programs, however, remains with the Secretary of Education.

Congress established FSA's PBO structure under the Higher Education Amendments of 1998 (P.L. 105-244) in response to a belief in Congress and ED that Title IV student aid programs were "severe[ly]" mismanaged and that ED was in need of restructuring to improve federal student aid delivery. In general, PBOs are intended to be business-like, results-driven organizations that have clear objectives and measurable goals designed to improve an agency's performance and transparency. PBO leaders are to be held professionally accountable for meeting organization goals, with continued tenure and a portion of compensation linked to these measures of success. In exchange, PBOs and their leaders are granted greater discretion to deviate from certain government-wide management processes and to operate more like private-sector companies.

Specific to FSA's structure as a PBO, the HEA vests management of FSA in a chief operating officer (COO) who is appointed based on demonstrated ability and without regard to political affiliation. Each year, the COO and the Secretary must agree on and publicly make available a five-year performance plan for FSA that establishes measurable goals and objectives addressing a variety of statutory specifications, such as FSA's responsibilities in improving customer service to stakeholders and reducing costs of administering Title IV student aid programs. The COO is required to annually submit to Congress a report on FSA's performance. In addition, each year the COO and the Secretary, and the COO and FSA senior managers, enter into performance agreements that set forth measurable organizational and individual goals. The COO and senior managers are eligible to receive bonus compensation based on an evaluation of work performed relative to the annual goals specified in their annual performance agreements. The HEA provides FSA with some flexibilities with regard to general federal rules around hiring, compensation, and procurement.

Since FSA's creation as a PBO, it has experienced some notable successes, including Title IV aid programs' removal from the Government Accountability Office's High-Risk List in 2005, the transition to 100% direct lending under the Direct Loan program, and implementation of the Internal Revenue Service (IRS) Data Retrieval Tool.

Since FSA's establishment, the programs it administers have grown substantially larger, and the federal student aid programs and benefits have become substantially more complex to administer (e.g., with the addition of numerous loan forgiveness and

income-driven repayment plans). In recent years, several issues have arisen related to FSA's Title IV program administration. In broad terms, they pertain to oversight of entities participating in and helping with administration of Title IV programs, transparency, and accountability to certain stakeholders and consumers (i.e., aid recipients).

Oversight issues relate to FSA's oversight of IHEs participating in Title IV HEA aid programs. Criticisms have focused on FSA's ability to proactively and consistently mitigate institutional risk in Title IV programs. Other concerns relate to FSA's oversight of its contracted student loan servicers, including its monitoring of such entities and the accountability of servicers to FSA in certain areas of their performance. Concerns have also been raised about the shortage of operational guidance FSA has provided to loan servicers to enable them to ensure they are meeting Title IV statutory and regulatory requirements and to assist borrowers in navigating the aid programs.

Transparency issues relate to the extent to which FSA makes available information about Title IV programs' performance and operations to relevant parties. Policymakers sometimes have imperfect information on Title IV program performance and operations, which can make it difficult to make informed, well-honed policy or enforcement decisions. FSA has sometimes not made operational guidance available to Title IV program participants (e.g., IHEs), which can lead to a deterioration in trust between FSA and those participants. In addition, consumers may be faced with incomplete information on Title IV programs and the IHEs that participate in such programs, which may make it difficult to make informed college-going and financial decisions.

Stakeholder accountability issues include the extent to which FSA is fulfilling its statutory mandate to consult with relevant stakeholders in developing performance plans and annual reports and whether FSA is leveraging information garnered from stakeholder interactions to make program administration improvements. They also relate to whether FSA is sufficiently responsive to customer needs, especially given that FSA administers programs for which, arguably, there are no comparable competitors.

As part of its oversight role, Congress might consider whether any adjustments should be made to address any of these issues and, if so, the extent to which any efforts to address issues might involve or affect FSA's PBO function and structure.

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Introduction

The Office of Federal Student Aid (FSA) within the U.S. Department of Education (ED) is the primary entity responsible for the administration and oversight of the federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended (HEA; P.L. 89-329, as amended).[1] As such, FSA is the largest provider of postsecondary student financial aid in the nation.[2] It performs functions that are akin to those of large banks, to which it has sometimes been compared.[3] In FY2024, FSA oversaw the provision of $120.8 billion in Title IV aid to 9.9 million students attending approximately 5,400 institutions of higher education (IHEs).[4] In addition, in FY2024, FSA managed a student loan portfolio encompassing 45 million borrowers with outstanding federal student loans totaling about $1.6 trillion.[5]

FSA is a performance-based organization (PBO) pursuant to Section 141 of the HEA. Conceptually, PBOs are intended to be results-driven organizations that have clear objectives and measurable goals designed to improve an agency's performance and transparency. PBOs are led by chief executives who are personally accountable for meeting measurable goals within the organization. In exchange, PBOs are granted greater discretion than other government agencies to operate more like private-sector companies, with more control over the budget, personnel decisions, and procurement. FSA was established under the Higher Education Amendments of 1998 (P.L. 105-244) as the federal government's first PBO. This was done in response to the belief that ED needed restructuring to improve federal student aid delivery.[6]

In recent years, FSA has come under scrutiny for its oversight of IHEs participating in the Title IV student aid programs[7] and contracted loan servicers,[8] its implementation of the FAFSA Simplification Act,[9] its accounting related to the federal student loan programs,[10] and its

[1] In addition, FSA administers the Health Education Assistance Loan program. This program, which was previously authorized under Title VII, Part A, subpart I of the Public Health Services Act, was transferred to ED from the Department of Health and Human Services in FY2014. No new loans have been made under the program since September 30, 1998.

[2] U.S. Department of Education (ED), Federal Student Aid (FSA), "About Us," https://studentaid.gov/about.

[3] National Association of Student Financial Aid Administrators (NASFAA), *Improving Oversight and Transparency at the U.S. Department of Education's Office of Federal Student Aid: NASFAA Recommendations*, May 2017, p. 1.

[4] FSA, *FY2024 Report*, November 15, 2025, p. 15.

[5] FSA, *FY2024 Report*, p. 16.

[6] See, for example, testimony of the chair of the Advisory Committee on Student Financial Assistance, in U.S. Congress, House Committee on Education and the Workforce, Subcommittee on Postsecondary Education, Training and Life-Long Learning, *Field Hearing on H.R. 6: the Higher Education Amendments of 1998*, hearing held in Clemson, SC, 105th Cong., 1st sess., May 2, 1997 (Washington: GPO, 1997), pp. 63-69. See also CRS Report RL32098, *The Office of Federal Student Aid: The Federal Government's First Performance-Based Organization* (archived, available to congressional clients upon request).

[7] See, for example, U.S. Government Accountability Office (GAO), *Higher Education: Department of Education Should Improve Enforcement Procedures Regarding Substantial Misrepresentation by Colleges*, GAO-23-104832, December 2022, https://www.gao.gov/assets/gao-23-104832.pdf.

[8] See, for example, Consumer Financial Protection Bureau (CFPB), *Annual Report of the CFPB Student Loan Ombudsman*, November 2024, https://files.consumerfinance.gov/f/documents/cfpb_2024-annual-student-loan-ombudsmans-report_2024-11.pdf.

[9] See, for example, GAO, *FAFSA: Education Needs to Improve Communications and Support Around the Free Application for Federal Student Aid*, GAO-24-107407, September 2024.

[10] See, for example, FSA, *FY2024 Report*, pp. 186-194.

engagement with stakeholders.[11] This report provides information about the structure and organization of FSA, the nature of the work it performs, and its characteristics as a PBO. Additionally, the report discusses FSA challenges that have received considerable attention in recent years. Should Congress contemplate the reauthorization of the HEA or exercise oversight over FSA, it might examine some of the issues raised by these critiques and the way FSA's organization as a PBO may affect congressional goals and policies.

This report begins by discussing the HEA provisions that distinguish FSA from other types of federal agencies. This is followed by a discussion of the legislative history of the creation of FSA as a PBO and of the HEA Title IV programmatic changes that may affect its operations. Next, the report describes the current operations and structure of FSA. Finally, it discusses several issues related to FSA's operations and how they may relate to its structure as a PBO. The issues presented have received recent congressional and stakeholder attention and have been identified in reviews of FSA's operations.[12] **Appendix** provides a list of selected acronyms used in this report.

FSA as a PBO: Distinctions from Most Agencies

Federal programs are usually carried out by or through agencies that are established in statute, with structural refinements established through directives issued by the agency head.[13] Over time, Congress has created governmental and quasi-governmental entities with varying characteristics to address diverse needs in different contexts.[14] Most federal agencies in the executive branch, however, are designed to be directly or indirectly accountable to the President. Furthermore, most federal agencies must comply with general management laws regarding financial management, procurement, information management, personnel, and other administrative practices.

As a PBO, FSA has organizational features that are distinct from most other departmental subunits in the executive branch of the federal government.[15] As the name suggests, PBOs are designed to have a greater focus on results—outcomes rather than outputs. To this end, they are required to have clear objectives and measurable goals. PBO leaders are to be held professionally accountable for meeting measurable goals within the organization, with continued tenure and a portion of compensation linked to these measures of success. In exchange, these organizations

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[11] See, for example, ED, Office of Inspector General (OIG), *Federal Student Aid's FY2020-2024 Strategic Planning Process*, August 16, 2021, pp. 3-4, https://oig.ed.gov/sites/default/files/reports/2025-06/FY21A20GA0002021624v100SECURED.pdf.

[12] Numerous recent reports have examined aspects of FSA's operations, such as GAO, *FAFSA: Education Needs to Improve Communications and Support* ; and ED, OIG, *U.S. Department of Education's Assessment and Recoupment of Liabilities from Closed Institutions of Higher Education*, January 28, 2025, https://oig.ed.gov/sites/default/files/reports/2025-05/FY25%2520I24GA0163%2520%25281.28.2025%2529v100_508_SECURED.pdf. The issues described in this report are not intended to be exhaustive.

[13] For more on statutory and administrative reorganization mechanisms, see CRS Report R44909, *Executive Branch Reorganization*; and CRS Report R48523, *Organizing Executive Branch Agencies: Structure and Delegations of Authority*.

[14] For example, Congress has sometimes established federal agencies that are relatively independent from the President. See CRS Report R43391, *Independence of Federal Financial Regulators: Structure, Funding, and Other Issues*. For more on the taxonomy of federal organizational forms, see GAO, *Federally Created Entities: An Overview of Key Attributes*, GAO-10-97, October 2009.

[15] One other federal entity that was established as a PBO is the Federal Aviation Administration's Air Traffic Organization. See Executive Order 13180, "Air Traffic Performance-Based Organization," 65 *Federal Register* 77493, December 11, 2000. The U.S. Patent and Trademark Office (PTO) also has a PBO-like structure, and some observers liken it to such. See, for example, NASFAA, *Improving Oversight and Transparency*, p. 1.

and leaders are granted greater discretion to deviate from certain government-wide management processes and to operate more like private-sector companies.

Key statutorily established features of FSA include, among others, the appointment and compensation arrangements for its chief operating officer (COO) and other senior managers, exemptions from certain government-wide personnel and procurement requirements, and greater independence from political pressure in the exercise of its functions.

FSA Leadership

Most high-level subunits within departments are led by political appointees who are appointed by the President or the Secretary and serve at their pleasure for an indefinite term.[16] Political appointments are not subject to the same statutory requirements as career appointments to the Senior Executive Service (SES) or appointments to the competitive service.[17] Depending on the authority used to make a political appointment, compensation will usually be determined by the Executive Schedule,[18] the SES pay system,[19] or the General Schedule.[20] Consistent with the PBO framework, the HEA contains provisions designed to enable FSA to attract leadership with demonstrated ability and expertise, incentivize leadership to meet performance goals, and shield FSA leadership from political pressures.

FSA is led by a COO, whom the Secretary of Education appoints for a term of three to five years.[21] The appointment is to be made based on "demonstrated management ability and expertise in information technology (IT), including experience with financial systems, and without regard to political affiliation or activity."[22] The COO's work and priorities are governed by a performance agreement with the Secretary that includes measurable organizational and individual

[16] In general, political appointees have included those who are appointed by the President with the advice and consent of the Senate, those who are appointed by the President alone, those who are given non-career Senior Executive Service appointments, and those who are given Schedule C appointments. Schedule C covers middle- or lower-level positions that are not required to be filled using merit-based hiring requirements, because appointees to such positions carry out confidential or policy-determining duties.

[17] The SES is a government-wide personnel system that includes most of the middle- and top-level positions in federal agencies. It comprises career and non-career (political) appointees. Career SES appointments are made through a competitive, merit staffing process set out in Title 5, Sections 317.501-317.503, of the *Code of Federal Regulations*. The competitive service consists of most civil service positions below the SES level. The system is intended to be merit-based and free from political influence and is governed by the provisions of Title 5 of the *U.S. Code*. Additional information on the SES and the competitive service may be found in CRS Report R41801, *The Senior Executive Service: Background and Options for Reform*; and CRS Report R45635, *Categories of Federal Civil Service Employment: A Snapshot*.

[18] "The Executive Schedule, which is divided into five pay levels, is the basic pay schedule for positions, other than Senior Executive Service positions and positions in the Federal Bureau of Investigation and Drug Enforcement Administration Senior Executive Service, to which this subchapter ['Executive Schedule Pay Rates'] applies" (5 U.S.C. §5311). This schedule covers, for example, Secretaries and most other agency heads, as well as Assistant Secretaries and most other top-level agency leaders.

[19] For more on this system, see U.S. Office of Personnel Management (OPM), "Senior Executive Service: Compensation," https://www.opm.gov/policy-data-oversight/senior-executive-service/compensation/.

[20] The General Schedule is the compensation system for most positions in the competitive service. Schedule C appointees are usually also compensated under this schedule. For more on the General Schedule, see OPM, "Pay & Leave—Pay Systems: General Schedule Overview," https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/general-schedule/.

[21] HEA §141(d)(1).

[22] HEA §141(d)(1).

goals.[23] The COO may be reappointed to additional terms of three to five years if her or his performance is satisfactory.[24]

The HEA also specifies the manner in which a COO may be removed:

> REMOVAL.—The Chief Operating Officer may be removed by—
>
> (A) the President; or
>
> (B) the Secretary, for misconduct or failure to meet performance goals set forth in the performance agreement in paragraph (4).
>
> The President or Secretary shall communicate the reasons for any such removal to the authorizing committees.[25]

The law appears to authorize the President to remove the COO at will.[26] In addition, the Secretary may remove the COO "for misconduct or failure to meet performance goals set forth in the performance agreement."[27] Either the President or the Secretary must provide their reasons for removal to the authorizing congressional committees.[28]

The COO's compensation includes basic pay, which is tied to the pay levels of the SES, and an annual bonus not to exceed 50% of the basic pay.[29]

The senior managers of FSA are appointed by the COO without regard for the competitive service appointment provisions of Title 5 of the *U.S. Code*.[30] The work and priorities of these senior officials are governed by annual performance agreements with the COO that include measurable organizational and individual goals.[31] Senior managers serve at the pleasure of the COO or, in the event that the COO position is vacant, the Secretary.[32] As is the case for the COO, the compensation of senior managers includes basic pay, which is tied to the pay levels of the SES,

[23] HEA §141(d)(4).

[24] HEA §141(d)(2).

[25] HEA §141(d)(3).

[26] The removal provision could be subject to multiple interpretations. No explanation of the provision could be located in the legislative history of the Higher Education Amendments of 1998. It appears, however, that the provision might have been drawn from Section 2 of the Clinton Administration's model PBO bill at https://govinfo.library.unt.edu/npr/initiati/21cent/billlegi.html. The section-by-section analysis that accompanied this model bill states, "The COO may be removed by the President *at will*, or the Secretary for misconduct or non-satisfactory performance under the performance agreement" (emphasis added). This analysis may be found at https://govinfo.library.unt.edu/npr/initiati/21cent/billsect.html. Arguably, the evidence is not definitive, but a reasonable reading of the statute can distinguish these standards for removal by the President and the Secretary. In any event, because the COO is accountable to the Secretary on the basis of measurable organizational and individual performance goals, at-will removal by the President might be more difficult politically than would be the case for most presidential political appointees.

[27] HEA §141(d)(3)(B).

[28] HEA §141(d)(3).

[29] HEA §141(d)(4). For example, in 2022, the COO reportedly received a base pay of $203,685, close to the maximum SES pay for that year, and a bonus of $50,539 (U.S. Federal Government Employee Lookup at https://www.federalpay.org/employees; OPM, "Pay and Leave," https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/22Tables/exec/html/ES.aspx; and FSA, *FY2024 Report*, p. 127). The COO's aggregate annual compensation may not exceed the President's salary (HEA §141(d)(4)(C).

[30] HEA §141(e)(1).

[31] HEA §141(e)(2).

[32] HEA §141(e)(4).

and an annual bonus.[33] The total annual compensation of a manager may not exceed 125% of the maximum basic pay for the SES pay system.[34]

FSA Personnel Flexibilities

Unless otherwise specified in law, executive branch employment is governed by the civil service laws of Title 5 of the *U.S. Code*. Consistent with the PBO framework, the HEA includes provisions that give FSA more flexibility in the staffing, classification, and pay of its employees. The statute stipulates that FSA shall not be subject to any cap on the number or grade of its employees.[35] FSA and the Office of Personnel Management (OPM) are directed to jointly develop and implement personnel flexibilities that are consistent with Title 5 of the *U.S. Code*.[36] In addition, the COO is authorized to establish technical and professional positions that are not subject to the provisions of Title 5 pertaining to competitive service appointments.[37] The HEA provision places covered positions in the excepted service, under which FSA could use alternative hiring procedures that relax the traditional competitive hiring procedures in Title 5 (such as application of veterans' preference, public notice, and/or modified qualification standards). FSA is directed to develop a performance management system consistent with Title 5 that establishes goals or objectives for employees.[38]

FSA Procurement Flexibilities

When executive branch agencies need to acquire goods or services to carry out their functions, they are required to comply with the Federal Acquisition Regulation (FAR)[39] and applicable procurement statutes. The PBO procurement provisions of the HEA are consistent with this overarching requirement while also permitting certain flexibilities. They state, "Except as provided in this section, the PBO shall abide by all applicable Federal procurement laws and regulations when procuring property and services."[40]

The procurement flexibilities provided to the PBO include, for example, those related to the use of experts and consultants. Whereas agencies are generally constrained in obtaining such services by limitations and conditions of Title 5 of the *U.S. Code*[41]—such as requirements for a specific appropriation or other statutory authorization and for reporting to OPM on such actions—the PBO may obtain such services without regard to this provision.[42]

33 HEA §141(e)(3).

34 HEA §141(e)(3).

35 HEA §141(g)(1). Determination of the number and grade of an agency's employees is usually part of the executive branch budget process. The final decisions on the agency's employment levels are made after consultation with and approval of OMB in accordance with the guidance provided in Section 85 of Circular A-11 at https://www.whitehouse.gov/omb/information-for-agencies/circulars/. (See subsection on estimating employment levels.) The budget process for ED is described in greater detail at https://www2.ed.gov/about/overview/budget/process.html.

36 HEA §141(g)(2). CRS was unable to locate information concerning the implementation of this provision.

37 HEA §141(g)(3). This provision originally capped the number of these excepted service positions at 25. This ceiling was removed as part of amendments to the HEA's PBO provisions that were included in the HEOA. P.L. 110-315, §117(6); 122 Stat. 3078, 3116.

38 HEA §141(h).

39 See the FAR at https://www.acquisition.gov/browse/index/far.

40 HEA §142(b).

41 5 U.S.C. §3109.

42 HEA §142(b)(2).

In another example of procurement flexibility, the HEA provides the PBO with authority to "use a two-phase process for selecting a source for a procurement of property or services."[43] In such a process, an agency first issues a general solicitation and then issues a second solicitation with more specific requirements to a limited group of vendors from among respondents to the first solicitation. In contrast, the FAR provides for the use of this authority under limited circumstances.[44]

In a final example, the circumstances and criteria under which the PBO may pursue a procurement with only one company differ from those followed by most agencies. The Competition in Contracting Act of 1984, as amended, allows seven statutory exceptions to "full and open competition" under which most agencies may make "sole-source" contract awards.[45] FSA is not subject to these competition requirements when dividing the procurement of a system into smaller components or "modules." After awarding the first module of a system to a vendor on a competitive basis, FSA may award contracts for subsequent modules to the same vendor on a noncompetitive or "single-source basis."[46]

FSA Independence

As noted above, most high-level subunits within departments are led by political appointees who serve at the pleasure of, and under the direction of, the Secretary. In some cases, however, subunits are statutorily structured to have some independence from political leadership. A variety of structural mechanisms in different combinations have been used over time to establish such independence. Consequently, agencies vary in their level of structural independence from political leadership. In addition, notwithstanding these structural features, a specific leader of such a departmental subunit might elect to adhere to the Secretary's agenda for other political or policy reasons.[47]

Although the HEA explicitly states that FSA is subject to the direction of the Secretary of Education,[48] the agency is afforded a greater level of independence from political leadership than most departmental subunits in the executive branch.[49] This is due to the HEA provisions that pertain to the appointment and removal of the FSA COO, as well as those that stipulate FSA's

[43] HEA §142(d).

[44] See, for example, 48 C.F.R. Subpart 36.3.

[45] 41 U.S.C. §3304 and 10 U.S.C. §3204. See also 48 C.F.R. §6.302.

[46] HEA §142(g)(4)(A). See also "Procurement" in the appendix of Ben Miller and Jason Delisle, *Ensuring Accountability and Effectiveness at the Office of Federal Student Aid*, Center for American Progress and American Enterprise Institute, May 2019, p. 29, http://www.aei.org/publication/ensuring-accountability-and-effectiveness-at-the-office-of-federal-student-aid/. *Single-source basis* is defined as the award of a contract "to a source after soliciting an offer or offers from, and negotiating with, only such source (although such source is not the only source in the marketplace capable of meeting the need) because such source is the most advantageous source for purposes of the award." HEA §142(l)(4).

[47] For more on this kind of agency independence, see CRS Report R43391, *Independence of Federal Financial Regulators: Structure, Funding, and Other Issues*.

[48] HEA §141(b)(1).

[49] The independence features discussed here are those provided for in statute. The actual level of independence exercised by the agency might be influenced by additional factors, including, for example, administrative implementation decisions, organizational culture, and leadership styles. For a discussion of the evolution of FSA's relationship with ED during the initial implementation of this statute, see GAO, *Federal Student Aid: Additional Management Improvements Would Clarify Strategic Direction and Enhance Accountability*, GAO-02-255, April 2002, pp. 22-24, https://www.gao.gov/new.items/d02255.pdf. The independence of FSA and its potential policy and operational effects are also discussed in Miller and Delisle, *Ensuring Accountability and Effectiveness at the Office of Federal Student Aid*.

independence in carrying out certain functions. As noted above, the COO's appointment is to be made for a three- to five-year term on the basis of specified abilities, expertise, and experience "without regard to political affiliation or activity."[50] Although the COO may be removed from office before the end of a term, the statute includes atypical specifications of the circumstances and manner in which this may occur.[51] The statute also specifies that FSA "shall exercise independent control of its budget allocations and expenditures, personnel decisions and processes, procurements, and other administrative and management functions."[52] Although this authority is subject to the direction of the Secretary, it is not a common specification for a departmental subunit.[53]

Establishment of a PBO to Administer Federal Student Aid

FSA[54] was established as the federal government's first PBO in 1998. When Congress established this structure, it departed from conventional organizational arrangements that were then in use within the federal government. The PBO model was drawn from government innovations in Great Britain in the 1980s and 1990s.[55] It was then developed and promoted for American governmental use by the National Partnership for Reinventing Government (NPR),[56] a major Clinton Administration governmental reform initiative. The Administration's rollout of the PBO touted the model's potential benefits and portrayed it as a commonsense development in the effort to streamline the federal government and make it more responsive to its "customers."

The NPR initiative, led by Vice President Al Gore, aimed to improve federal government performance by reorganizing agencies and processes to be guided by market principles and

[50] HEA §141(d)(1).

[51] HEA §141(d)(3). As previously noted, this removal provision could be subject to multiple interpretations. (See footnote 27.) Removal of an incumbent COO might be more politically difficult than would be the case for most presidential political appointees.

[52] HEA, §141(b)(4).

[53] The conference report for the Higher Education Act Amendments of 1998, in which this provision was added, stated, "The conferees explicitly clarify that the PBO, while a part of the Department of Education, shall exercise independent control from the principal offices of the Department in carrying out its day-to-day activities, including its budget allocations and expenditures, its personnel decisions, its procurements, and its other administrative and management functions. This level of independence is critical to providing the PBO with greater flexibility in the management of the operational functions assigned to it." U.S. Congress, *Higher Education Amendments of 1998 Conference Report*, report to accompany H.R. 6, 105th Cong., 2nd sess., September 25, 1998, H.Rept. 105-750 (Washington: GPO, 1998), p. 281.

[54] When it was first established, FSA was known as the Office of Student Financial Assistance. In order to prevent confusion, *FSA* is consistently used to refer to the PBO that was established in 1998, notwithstanding the name change.

[55] The approach developed in Great Britain, which became known as the Next Steps Initiative, arose out of a 1988 study by a senior adviser to Prime Minister Margaret Thatcher. The study proposed to change the incentives and structures within the British civil service to prioritize performance and results and thereby improve the government's service delivery. The decision to adapt this approach for American national government was reportedly made after Vice President Al Gore and other Administration officials met with the British officials who had been responsible for the development of that nation's initiative. Alasdair Roberts, "Command Performance," *Government Executive*, August 1996, pp. 21-26; and Alasdair Roberts, "Performance-Based Organizations: Assessing the Gore Plan," *Public Administration Review*, vol. 57 (November/December 1997), p. 465.

[56] The initiative was initially called the National Performance Review, also with the abbreviation NPR, and was renamed the National Partnership for Reinventing Government for President Clinton's second term.

incentives.[57] The NPR's first report put forth hundreds of recommendations.[58] These recommendations were intended to lead to better government service delivery and greater "customer" satisfaction.[59] In general, this would be accomplished through the streamlining of personnel practices, procurement, and other government operations; improvement of management tools and incentives; and promotion of efficiency and economy in administration.

Administration-endorsed PBO-related legislation was introduced in late 1995,[60] but it was not until early 1996 that the Vice President introduced the PBO concept as a major new focus of the ongoing NPR.[61] The aim was to improve government service delivery by implementing certain functions through the use of business-like practices and incentive structures. Agencies reorganized as PBOs would be freed from adherence to certain procurement and civil service laws and would, at the same time, develop systems of performance incentives and accountability for results. In advocating for the creation of federal PBOs, Vice President Gore stated:

> Government agencies need to change their incentives and internal cultures to shift from a focus on process to a focus on customers and achieving results. They need to become more responsive to citizens, yet account for program costs and safeguard broader public interests. This can be done by creating performance-based organizations (PBOs) that set forth clear measures of performance, hold the head of the organization clearly accountable for achieving results, and grant the head of the organization authority to deviate from governmentwide rules if this is needed to achieve agreed-upon results. PBOs involve structural changes as well as changes in incentives affecting federal employees.[62]

The NPR identified seven candidates for conversion, but none has been formally converted into a PBO.[63] However, one of the entities targeted for conversion, the Patent and Trademark Office, was statutorily reorganized and given many PBO-like structural characteristics. Because it has

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[57] For a critique of the NPR in comparison with other 20th-century management reform initiatives, see Ronald C. Moe, *Administrative Renewal: Reorganization Commissions in the 20th Century* (Lanham, MD: University Press of America, 2003), pp. 117-130.

[58] Office of the Vice President, *From Red Tape to Results: Creating a Government That Works Better and Costs Less: Report of the National Performance Review* (Washington, GPO: 1993).

[59] The NPR's use of *customer* to refer to beneficiaries of specific governmental services exemplifies its intentional adoption of private sector business terminology in line with the initiative's focus on adoption of market principles and forces for public sector bureaucracies.

[60] See H.R. 2533 (104th Congress), the United States Intellectual Property Organization Act. This legislation would have reestablished the PTO, then a bureau within the Department of Commerce, as an agency with many PBO-like attributes. It did not specifically use the PBO nomenclature, however. Vice President Gore made reference to such legislation in his remarks introducing the PBO model in early 1996, cited below. Other legislation introduced in the 104th Congress (e.g., H.R. 1659, H.R. 3460, and S. 1458) would have reestablished the PTO as a government corporation. In 1999, the office was re-established as the U.S. PTO, an agency within the Department of Commerce with many PBO-like attributes. P.L. 106-113, Div. B, §1000(a)(9) (referencing App. I, Title IV, Subtitle G).

[61] NPR, *Reinvention's Next Steps: Governing in a Balanced Budget World: A Speech by Vice President Al Gore and Supporting Background Papers* (Washington, NPR: 1996), pp. 6-8, 17-20. The Vice President's remarks were delivered at the National Press Club on March 4, 1996.

[62] NPR, *Reinvention's Next Steps*, p. 17. The excerpted text is drawn from the background papers that accompanied the speech.

[63] The seven functions and entities that were initially identified included inspections of international shipments of agricultural products of the Animal and Plant Health Inspection Service, Department of Agriculture; dissemination of technical information of the National Technical Information Service, Department of Commerce; Intellectual property rights of the PTO, Department of Commerce; commissary services of the Defense Commissary Agency, Department of Defense; mortgage insurance services of the Federal Housing Administration and Government National Mortgage Association, Department of Housing and Urban Development; retirement and benefit management services of the Federal Retirement and Insurance Service, OPM; and St. Lawrence Seaway operations of the St. Lawrence Seaway Development Corporation, Department of Transportation. NPR, *Reinvention's Next Steps*, p. 20.

these features, some observers have referred to it as a PBO.[64] Though not contemplated as a potential PBO within the scope of the initial NPR list, FSA represented the first organization aligned with the PBO framework outlined in the NPR. In addition to FSA, one other entity—the Air Traffic Organization of the Federal Aviation Administration—has been explicitly established as a PBO in statute.

Legislation to Establish a PBO to Administer Federal Student Aid

Prior to the establishment of FSA, federal student loan programs were administered by the Office of Student Financial Assistance Programs (SFAP), a unit within ED's Office of Postsecondary Education (OPE). As discussed below, in the mid-1990s, leadership of these programs had temporarily become divided between SFAP and a unit in the Secretary of Education's office that had been established for the purpose of accelerating the implementation of the Direct Loan program.

Although the Higher Education Amendments of 1998 (P.L. 105-244) established FSA's PBO structure, interest in converting SFAP into a PBO seems to have arisen as early as 1996 amid growing concerns within Congress and ED that the student financial aid programs were "severe[ly]" mismanaged.[65] The model was attractive to some congressional advocates of SFAP reform, as it appeared that its design features might address some of the agency's perceived problems while maintaining the financial assistance function within ED.[66] Moreover, it appears that the possibility of establishing a PBO within ED to implement these programs was under consideration by the Secretary of Education prior to Vice President Gore's introduction of the new organizational model in 1996, which, as described earlier, did not include SFAP as a candidate for conversion into a PBO.[67]

As the Clinton Administration was introducing the PBO model, congressional committees were monitoring and expressing concern about difficulties in the management of the student financial aid programs at ED. At a July 1996 hearing, ED's IG reported on a number of difficulties at ED,

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[64] See, for example, Thomas H. Stanton et al., *U.S. Patent and Trademark Office: Transforming to Meet the Challenges of the 21st Century*, National Academy of Public Administration, August 2005, p. 157, https://www.napawash.org/studies/academy-studies/us-patent-trademark-office-transforming-to-meet-the-challenges-of-the-21st: "In 1999, Congress passed legislation making USPTO the second federal PBO as 'an agency of the United States within the Department of Commerce.'" Characterizations like these in the public administration literature suggest that, in that discipline, the PBO designation might connote a cluster of characteristics and organizational arrangements based around certain principles rather than a discrete organizational type that must be established in statute as such.

[65] As discussed below, for example, in the context of a July 1996 hearing on perceived mismanagement of student financial aid programs at ED, the IG discussed the Secretary of Education's interest in the PBO model as well as the IG's assessment of the potential merits and drawbacks of converting student financial aid administration to it. See U.S. Congress, House Committee on Economic and Educational Opportunities, Subcommittee on Oversight and Investigations, *Hearing on Split Decision: The Inspector General's Report on the Divided Management Structure of Student Financial Aid Programs at the Department of Education*, 104th Cong., 2nd sess., July 10, 1996 (Washington: GPO, 1996), pp. 4, 11-12. Prior to 1996, Congress and the Administration had explored options for improving the servicing and collection of student loans that would have involved organizational changes. See Departments of the Treasury and Education, *A Study of the Feasibility of the IRS Collecting Repayments of Federal Student Loans*, June 1995, which was undertaken pursuant to a congressional directive. In addition, the Administration was considering at least one additional federal student aid delivery organizational change alternative—a mutual benefit corporation—while the PBO model was under consideration. See U.S. Congress, House Education and the Workforce, Postsecondary Education, Training, and Life-Long Learning, *Hearing on* H.R. 6—*The Higher Education Amendments of 1998*, 105th Cong., 1st sess., June 19, 1997 (Washington: GPO, 1998), p. 35.

[66] See, for example, testimony of the chair of the Advisory Committee on Student Financial Assistance, Subcommittee on Postsecondary Education, Training and Life-Long Learning, *Field Hearing on* H.R. 6, pp. 63-69.

[67] Subcommittee on Oversight and Investigations, *Hearing on Split Decision*, p. 11.

including program leadership being divided between OPE and the Senior Advisor to the Secretary for Direct Lending, poor coordination and communication between these offices, poor OPE staff morale, and a shortage of employees qualified in IT and financial analysis. Related problems included an interruption in efforts to improve the existing Federal Family Education Loan program, growth in the backlog of institutional cohort default rate appeals, confusion in the student loan community about where to find help for technical questions, concerns about the monitoring of financial statements and the procurement of needed IT, and difficulties with the processing the Free Application for Federal Student Aid (FAFSA).[68]

In a February 12, 1996, memorandum, the Secretary of Education reportedly expressed an interest in establishing SFAP as a PBO.[69] ED's IG testified in July of that year that such a transition appeared to be premature but that certain changes—such as leadership from a highly qualified chief executive officer to provide a stable, long-term leadership and consistency of purpose and a significant, focused reengineering effort—could be made to SFAP to prepare it for such a transition.[70]

In May 1997, the Advisory Committee on Student Financial Assistance (ACSFA)[71] reported that implementation of financial aid programs was plagued by staff without the necessary experience, outdated computer systems and "a web of large, uncoordinated, uncompetitive contracts which fail to deliver on time and produce unacceptable cost overruns."[72] ACSFA recommended restructuring the delivery of federal student aid under a PBO and reengineering Title IV systems and contracts, two processes the committee asserted were closely linked.[73]

During a July 1997 hearing, the Assistant Secretary heading OPE testified that the Administration was reviewing the PBO model among several different organizational modifications that might improve management of federal student assistance programs.[74] By March 1998, the Secretary of Education was voicing his support specifically for the PBO approach, stating that such a conversion would enhance ED's flexibility with regard to potential management and procurement reforms and allow it to more efficiently deliver student aid yet also hold it accountable for results and allow the Secretary to maintain control of policy.[75]

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68 Subcommittee on Oversight and Investigations, *Hearing on Split Decision*.

69 Subcommittee on Oversight and Investigations, *Hearing on Split Decision*, p. 11.

70 Subcommittee on Oversight and Investigations, *Hearing on Split Decision*, p. 11.

71 ACSFA was established by the Higher Education Amendments of 1986 to "provide advice and counsel to the Congress and to the Secretary on student financial aid matters." (P.L. 99-498; see also 20 U.S.C. §1098). Authority for ACSFA expired on October 1, 2015 (HEA §491(k)).

72 See Subcommittee on Postsecondary Education, Training and Life-Long Learning, *Field Hearing on* H.R. 6, pp. 63-69, at 67. A copy of an ACSFA letter to House Committee on Education and the Workforce Chair William F. Goodling transmitting the recommendations may be found as an attachment to the record of a hearing held in July of that year: U.S. Congress, House Committee on Education and the Workforce, Subcommittee on Postsecondary Education, Training and Life-Long Learning, H.R. 6, *The Higher Education Amendments of 1998 Student Loan Programs*, 105th Cong., 1st sess., July 22, 1997 (Washington: GPO, 1998), pp. 110-116.

73 U.S. Congress, House Committee on Education and the Workforce, Subcommittee on Postsecondary Education, Training and Life-Long Learning, H.R. 6, *the Higher Education Amendments of 1998: System Modernization Efforts at the Department of Education and Accreditation*, 105th Cong., 1st sess., July 29, 1997 (Washington: GPO, 1998), p. 7.

74 Subcommittee on Postsecondary Education, Training and Life-Long Learning, H.R. 6, *the Higher Education Amendments of 1998*, p. 81. The Assistant Secretary's testimony echoed that of the Secretary during a hearing held the previous month. U.S. Congress, House Education and the Workforce, Postsecondary Education, Training, and Life-Long Learning, *Hearing on* H.R. 6—*The Higher Education Amendments of 1998*, 105th Cong., 1st sess., June 19, 1997 (Washington: GPO, 1998), p. 35.

75 Letter from Secretary of Education Richard Riley to congressional leaders, March 2, 1998.

In September 1997, the chair and ranking member of the House Committee on Education and the Workforce subcommittee with jurisdiction over higher education policy introduced a standalone bill to establish a PBO within ED to manage the information systems associated with Title IV programs.[76] In his introductory remarks, the chair noted problems with federal student aid information systems and financial statements before asserting, "A customer-focused, performance-based organization within the Department, run by an experienced Chief Operating Officer, can take the steps necessary to properly reengineer the current systems and contracts."[77] Provisions from this bill were included in the HEA reauthorization bill as reported by the committee in April 1998.[78]

The Senate Committee on Labor and Human Resources reported out its main bill for the HEA reauthorization in May 1998.[79] This bill included provisions that were "developed in cooperation with the administration" to establish a federal student aid-related PBO in ED.[80] The role of the PBO that would have been established by this legislation was arguably broader than that in the House committee-reported measure. The PBO established in the House bill would have been "a discrete management unit responsible for managing the information systems supporting" Title IV programs,[81] whereas the Senate bill would have empowered the PBO "to administer various functions relating to student financial assistance programs authorized under" Title IV.[82]

Text from the committee reports concerning the PBO sections of the reauthorization legislation provides a snapshot of the committees' perceptions about the management of financial aid distribution programs by ED at the time. Report language also laid out the committees' intentions for and expectations of this change in organizational structure and management paradigm.

Both the House and Senate committees of jurisdiction appeared to be concerned with perceived management problems at ED. The House Committee on Education and the Workforce discussed the prevalence and persistence of IT problems and their apparent impact on the ability of ED to deliver student aid economically, effectively, and efficiently. Specifically, the committee noted ED's limited progress in integrating numerous data systems despite legislative mandates; the tripling over five years of ED's budget for student aid information systems; and the fact that even with significant expenditures, student aid systems required dozens of paper forms and experienced "needless" process delays and breakdowns.[83]

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[76] H.R. 2536 (105th Congress). This bill was referred to committee and not further acted upon.

[77] Representative Howard P. "Buck" McKeon, "Introducing the 21st Century Student Financial Aid System Improvement Act of 1997," extensions of remarks, *Congressional Record*, daily edition, vol. 143, part 129 (September 24, 1997), p. E1834.

[78] U.S. Congress, House Committee on Education and the Workforce, *Higher Education Amendments of 1998*, report on H.R. 6, 105th Cong., 2nd sess., April 17, 1998, H.Rept. 105-481 (Washington: GPO, 1998), p. 104.

[79] S. 1882 (105th Congress).

[80] U.S. Congress, Senate Committee on Labor and Human Resources, *Higher Education Act Amendments of 1998*, report to accompany S. 1882, 105th Cong., 2nd sess., May 4, 1998, S.Rept. 105-181 (Washington: GPO, 1998), p. 28. Further commenting on the process of developing the PBO provisions, the report stated, "In order to address these problems, the committee has worked closely with members of the higher education community and representatives of the Secretary to create a new performance-based organization within the Department of Education. The committee is pleased that the Department has finally become a full partner in this effort and looks forward to working with the Secretary to improve the quality and efficiency of services provided to students and other participants in the student financial aid programs" (p. 75).

[81] H.R. 2536 (105th Congress).

[82] S. 1882 (105th Congress).

[83] U.S. Congress, House Committee on Education and the Workforce, *Higher Education Amendments of 1998*, report on H.R. 6, 105th Cong., 2nd sess., April 17, 1998, H.Rept. 105-481 (Washington: GPO, 1998), p. 104.

The Senate Committee on Labor and Human Resources described a more general and overlapping set of issues related to the need to improve the administration of Title IV aid and problems regarding the Direct Loan Consolidation program, the printing of the FAFSA, and reports that ED was falling significantly behind in its efforts to become Year 2000 compliant.[84]

Both the House and Senate committees intended for the establishment of a PBO organizational structure to address the management problems they had identified. For example, the House Committee on Education and the Workforce noted that the purposes of the proposed change were to increase effectiveness, economy, and efficiency by giving administrators greater management flexibility while requiring greater accountability for results. The committee also expected that a PBO structure would accomplish the following aims that were specifically delineated in the HEA:

- Improve service to program participants,
- Reduce the costs of administering the programs,
- Increase accountability,
- Provide greater flexibility in management and administration of the programs, and
- Integrate the information systems that support the federal student aid programs.[85]

In doing so, the committee stated:

> The Committee firmly believes that a customer-based, Performance-Based Organization within the Department, operated by an experienced Chief Operating Officer can take the necessary steps to properly reengineer the current systems and contracts…. The Committee also believes the creation of a PBO will result in a more efficient, effective, less expensive and less bureaucratic financial aid delivery system. The end result should be a system that is easy for students and parents to use and one that ensures that students have the information they need to select the education that is best for them—all while ensuring that taxpayer funds are being used efficiently and effectively.[86]

The Senate Committee on Labor and Human Resources also identified its goal for the change, although it did so more generally. The committee also noted its effort to divide policy functions, which were to be retained by OPE, from operational functions, which were to be carried out by the new PBO:

> The goal of the performance-based organization has been, and remains, to improve the delivery of student financial aid to students and their families. In order to accomplish this, the committee has attempted to identify the functions performed by the Office of Postsecondary Education and segregate those that are essentially policy functions that must be retained by OPE from those that are administrative and that may appropriately be handled by the performance-based organization. The PBO will be responsible for administration of the information and financial systems that support student financial

[84] U.S. Congress, Senate Committee on Labor and Human Resources, *Higher Education Act Amendments of 1998*, report to accompany S. 1882, 105th Cong., 2nd sess., May 4, 1998, S.Rept. 105-181 (Washington: GPO, 1998), pp. 75-76. Year 2000 compliance refers to the efforts of the federal government to prevent widespread and severe IT problems that might have arisen at the turn of the new century as a consequence of date formatting in computer programming that did not provide for a distinction between years in the 20th and the 21st centuries.

[85] HEA §141(a)(1).

[86] U.S. Congress, House Committee on Education and the Workforce, *Higher Education Amendments of 1998*, report on H.R. 6, 105th Cong., 2nd sess., April 17, 1998, H.Rept. 105-481 (Washington: GPO, 1998), p. 104.

> assistance programs as well as any additional functions that the Secretary determines are necessary or appropriate to improve the delivery of student aid.[87]

Both the Senate- and House-passed bills would have established a new PBO vested with responsibilities related to federal student aid delivery. Specific differences between the competing versions regarding the new entity's authority, purposes, functions, relationship with ED, and other organizational features were ironed out through a conference process that yielded a consensus measure.[88] Resolution of the PBO-related differences does not appear to have been a sticking point in the conference process.[89] The conference report was agreed to by the two chambers and President Clinton signed the Higher Education Amendments of 1998 into law on October 7, 1998.

2008 Higher Education Act PBO Amendments

In 2008, the Higher Education Opportunity Act (HEOA; P.L. 110-315)[90] amended the HEA PBO provisions. The report of the Senate Committee on Health, Education, Labor and Pensions noted its general approval, at that time, of the PBO as implemented:

> The committee applauds the efforts since the last reauthorization to implement the PBO. Schools and individuals have benefited from improved efficiency in originating, servicing and processing grant and loan aid. The ombudsman has provided needed guidance to students struggling to navigate the complex system. There is strong support for continuation of these efforts to make further progress in the delivery of student financial aid.[91]

In line with this assessment, the 2008 amendments appear to have clarified and expanded FSA's role in the administration of Title IV programs. They changed the characterization of the PBO's functions from "operational" to "administrative and oversight," seemingly broadening the mandate of the agency.[92] In addition, whereas the previous provisions vested the PBO with responsibility for administration of the information and financial systems supporting Title IV programs, the 2008 amendments enlarged the scope of responsibilities beyond this specified support function to administration of "the Federal student financial assistance programs authorized under title IV."[93] The HEOA also amended FSA's personnel and procurement flexibility provisions, as discussed below.[94]

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[87] U.S. Congress, Senate Committee on Labor and Human Resources, *Higher Education Act Amendments of 1998*, report to accompany S. 1882, 105th Cong., 2nd sess., May 4, 1998, S.Rept. 105-181 (Washington: GPO, 1998), pp. 75-76.

[88] U.S. Congress, *Higher Education Amendments of 1998*, conference report to accompany H.R. 6, 105th Cong., 2nd sess., September 25, 1998, H.Rept. 105-750 (Washington: GPO, 1998).

[89] See, for example, a news report on the conference outcome and related controversies that notes the existence of PBO-related provisions in a single sentence: The agreement "would set up a performance-based organization in the Education Department to improve oversight of federal student aid." Sue Kirchhoff, "Rewrite of Higher Education Act Has a Bipartisan Glow," *CQ Weekly*, September 26, 1998, pp. 2593-2594.

[90] Amendments to the PBO provisions that had been enacted in 1998 may be found in §117 at 122 Stat. 3114.

[91] U.S. Congress, Senate Committee on Health, Education, Labor, and Pensions, *Higher Education Amendments of 2007*, report to accompany S. 1642, 110th Cong., 1st sess., November 15, 2007, S.Rept. 110-231 (Washington: GPO, 2007), p. 12.

[92] See, for example, HEA §141(a)(1).

[93] P.L. 110-315, §117(2)(B)(ii)(I).

[94] See report subsections entitled "FSA Personnel Flexibilities" and "FSA Procurement Flexibilities."

Subsequent Amendments

Since enactment of the HEOA, the HEA PBO provisions have been updated to address somewhat limited issues. For example, the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (P.L. 115-232) made modest changes to FSA's procurement flexibilities as part of a set of amendments across multiple federal statutes to update federal procurement flexibilities.[95] Additionally, the Stop Student Debt Relief Scams Act (P.L. 116-251) updated the PBO's statutory functions to include helping prevent improper use of FSA's student loan systems by unauthorized users as part of broader updates to the HEA to prevent fraud, commercial advantage, or private financial gain.[96]

Changes to Title IV Aid Affecting FSA's Operations

Since FSA's inception, both statutory and regulatory changes have been made to the Title IV student aid programs. These changes may have had an effect on FSA's operations.

At the time of FSA's formation in 1998, Title IV of the HEA authorized and ED administered two primary federal student loan programs: the Federal Family Education Loan (FFEL) program and the Direct Loan program. These two programs provided borrowers with loans for postsecondary education with substantially similar terms and conditions as one another, but each program had significantly different administrative structures. Private lenders originated FFEL program loans, and either they or secondary market loan purchasers (who bought loans from originating lenders) were responsible for completing many loan servicing tasks, including working with postsecondary institutions to track students' enrollment and loan eligibility status, billing borrowers, and conducting initial collection services if a loan became delinquent. Additionally, under the FFEL program, state and nonprofit guaranty agencies received federal funds to administer many aspects of the program, such as providing technical assistance to IHEs and lenders, providing credit and loan rehabilitation counseling to borrowers, and performing collections work.

Under the Direct Loan program, the federal government essentially serves as the "banker" by providing loans to students and their families using federal capital. ED assumes the primary role in administering the Direct Loan program (described below), including providing technical assistance to IHEs, contracting with loan servicers to perform day-to-day administrative tasks, providing loan counseling to borrowers, and initiating collections work.

In May 2008, in response to concerns about the continued availability of FFEL program loans due to several FFEL program lenders curtailing or ceasing their participation in the program, the Ensuring Continued Access to Student Loans Act of 2008 (P.L. 110-227) granted ED the temporary authority to purchase student loans made under the FFEL program. In October 2008, P.L. 110-350 extended this authority through July 1, 2010. After purchasing loans made under the FFEL program, control of loan servicing was transferred to ED. In 2009, the SAFRA Act (P.L. 111-152, Title II) terminated the authority to make new loans under the FFEL program after June 30, 2010. Since July 1, 2010, the Direct Loan program has been the primary federal student loan

[95] P.L. 115-232, Division A, Title VIII, §836(g)(2); 132 Stat. 1872-1873.

[96] P.L. 116-251, §5; 134 Stat. 1131.

program,[97] although many FFEL program loans remain outstanding,[98] and FFEL program lenders and guaranty agencies remain responsible for administering several aspects of those programs.

These changes have vested FSA with a larger scope of responsibility than Congress might have originally contemplated when it authorized FSA's PBO structure, as FSA became responsible for administering a larger share of the federal student loan programs (in terms of loan volume and individual borrowers associated with these changes) than that for which it had previously been responsible under the FFEL program.

Moreover, the switch to almost 100% direct lending in 2010 had the effect of fundamentally altering the federal student loan marketplace. During the roughly 15-year period that the two programs operated concurrently, IHEs and borrowers were provided the opportunity to "shop around." That is, IHEs chose whether to apply to participate in the FFEL program or Direct Loan program, and the caliber of administrative and servicing work available within the respective loan programs may have been a factor in those decisions.[99] Additionally, schools opting to participate in the FFEL program usually compiled *preferred lender lists* that they shared with students. Again, assessments of the caliber of administrative and servicing work provided through differing lenders likely factored into the selection of lenders for such lists.[100] Borrowers attending FFEL program participating IHEs were free to select among an array of lenders, including but not limited to those on the preferred lender lists.[101] There were opportunities available for IHEs and for borrowers who were dissatisfied with customer service to pursue other options.[102] The competition that existed within the FFEL program and across the loan programs provided incentives for those involved in administrative and servicing work to provide enhanced customer service. By transitioning to a single model of federal student lending (the Direct Loan program) under which a single entity (the federal government) both makes and is responsible for administering loans, the federal student loan marketplace transitioned from one with some built-in incentives to provide enhanced customer service to one in which there may be less incentive to do so.[103]

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[97] As of the fourth quarter of 2024, approximately $1.5 trillion in Direct Loan program loans were outstanding. This accounts for approximately 90% of all outstanding Title IV student loan debt. ED, Office of Federal Student Aid (FSA), "Federal Student Aid Portfolio Summary."

[98] As of the fourth quarter of 2024, approximately $165 billion in FFEL program loans were outstanding. This accounts for approximately 10% of all outstanding Title IV student loan debt. ED, FSA, "Federal Student Aid Portfolio Summary."

[99] In addition, the HEA explicitly permitted FFEL program lenders and guaranty agencies to offer borrowers interest rate and loan fee discounts (see HEA §433(b)(5)(A)). Thus, the variation in discounts offered by FFEL program lenders may have factored into an IHEs' decisions to participate in either program and into students' decisions on FFEL program lenders.

[100] The process by which IHEs compiled lender lists was governed by the HEA and ED regulations. For example, in compiling a preferred lender list, IHEs were required to disclose the criteria for including lenders on the list, including "high quality servicing." HEA §487(h)(1)(C)(iii).

[101] Borrowers often selected a lender on their IHEs' preferred lender lists. However, there were concerns that some lenders were providing compensation or other benefits to some IHEs to secure placement on their preferred lender lists. Such arrangements, it was argued, created a conflict of interest for IHEs and "undermine[d] students' trust in the process, and magnifie[d] the risk of illegal quid pro quo deals." U.S. Senate, Health, Education, Labor and Pensions Committee, *Report on Marketing Practices in the Federal Family Education Loan Program*, July 14, 2007, p. 11.

[102] One of the benefits Congress perceived in the dual system of federal student loans was that it allowed for students and IHEs to "benefit from a competitive environment." See U.S. Congress, Senate Committee on Labor and Human Resources, *Higher Education Amendments of 1998*, report to accompany S. 1882, 105th Cong., 2nd sess., May 8, 1998, S.Rept. 105-181 (Washington: GPO, 1998), p. 2.

[103] FSA's practice of contracting with multiple loan services and private collection agencies may have sustained a (continued...)

Several other statutorily and administratively driven changes in the Title IV aid programs since FSA's creation as a PBO may have also had the effect of increasing the scope and complexity of FSA's administrative functions. These include but are not limited to the following:

- increases in the amount and type of aid benefits available to students, including extension of PLUS Loan availability to graduate and professional students under the Deficit Reduction Act of 2005 (P.L. 109-171) and the authorization of the TEACH Grant program under the College Costs Reduction and Access Act of 2007 (P.L. 110-84);
- authorization and implementation of myriad income-driven loan repayment plans that allow borrowers to make monthly payments in amounts indexed to their adjusted gross income;[104]
- increased complexity of aid benefits, including establishment of a 6% interest rate cap on federal student loans during military service under the Servicemembers Civil Relief Act (P.L. 108-189), the Public Service Loan Forgiveness (PSLF) program[105] under the College Costs Reduction and Access Act (P.L. 110-84), cumulative lifetime maximums on certain students' eligibility to receive Pell Grants established under the HEOA[106] and amended under the Consolidated Appropriations Act, 2012 (P.L. 112-74);[107]and administrative attempts to effectuate broad-based student loan cancellation policies;[108] and
- changes made to aid administration, including the process to receive a discharge of federal student loans after a determination that a borrower is totally and permanently disabled as established under the HEOA and implemented via subsequent regulatory changes, statutory changes made by the FUTURE Act (P.L. 116-91) authorizing ED to access Internal Revenue Service tax return data for the purposes of administering Title IV student aid programs, and significant statutory changes to the underlying processes and methodologies for determining federal student aid eligibility made by the FAFSA Simplification Act (Title VII, Division FF of P.L. 116-260).

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degree of competition among participants in the federal student loan marketplace. This may be viewed as having been intended to promote enhanced customer service. See, for example, U.S. Congress, House Committee on Appropriations, *Departments of Labor, Health, and Human Services, and Education, and Related Agencies Appropriation Bill 2019*, report to accompany S. 3158, 115th Cong., 2nd sess., June 28, 2018, S.Rept. 115-289, pp. 200-201.

[104] For additional information on the income-driven repayment plans, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

[105] For additional information on the PSLF program, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

[106] The HEOA amendments introduced lifetime eligibility limited for Pell Grants. For students who received their first Pell Grant on or after July 1, 2008, cumulative Pell Grant lifetime eligibility was limited to 18 full-time semesters (or the equivalent).

[107] The Consolidated Appropriations Act, 2012, reduced the cumulative lifetime eligibility for Pell Grant aid from 18 semesters to 12 semesters beginning in award year 2012-2013. Any Pell Grant received prior to award year 2012-2013 is included in the student's lifetime limited.

[108] For additional information, see CRS Insight IN11997, The Biden Administration's One-Time Student Loan Debt Relief Policy under the HEROES Act of 2003 (available to congressional clients on request); CRS Report R48156, *The Biden Administration's Student Loan Debt Relief Rulemaking*; and CRS Insight IN12454, *Student Loan Debt Relief: The Biden Administration's Second Proposed Rule*.

FSA Functions and Structure

Section 141 of the HEA tasks FSA with managing administration and oversight of the Title IV federal student aid programs. Among other functions, FSA develops and maintains the FAFSA; obtains student aid funds from the Treasury and makes them available for disbursement to students; contracts with third parties that perform myriad administrative tasks associated with the Title IV programs (e.g., loan servicing); provides information on the Title IV programs to students, Title IV participants (e.g., IHEs), Congress, and other stakeholders; and provides oversight of Title IV program participants, including IHEs and the third-party loan servicers with which it contracts.

The HEA specifically establishes two roles within FSA—the COO and the Student Loan Ombudsman—to carry out FSA's functions, but much of FSA's organizational structure has been established through administrative action by the COO. In addition, many outside entities may have an interest in or have asserted a role over aspects of the federal student aid programs.[109] Thus, in coordination with ED, FSA maintains relationships with outside stakeholders, executive branch entities, and Congress. FSA also maintains relationships with offices within ED at large.

Statutorily Specified FSA Functions

Section 141 of the HEA specifies several high-level aspects of aid administration for which FSA is responsible. These include the following:

- The administrative, accounting, and financial management functions for the Title IV aid programs, including
    - collecting, processing, and transmitting of data to students, IHEs, and other authorized stakeholders;
    - development of specifications for software and procurement of systems to support Title IV aid administration;
    - acquisitions of all hardware and software and procurement and management of all IT contracts to support Title IV aid administration;
    - contracting for information and financial systems to support Title IV aid administration;
    - providing customer service, training, and user support related to Title IV aid administration; and
    - ensuring the integrity of the Title IV aid programs.
- Development, in consultation with the Secretary, of FSA's annual budget, and
- Taking action on improper access and use of FSA's student loan systems by unauthorized users.[110]

[109] For example, the CFPB has asserted supervisory authority over selected federal student loan servicers. Bureau of Consumer Financial Protection, "Defining Larger Participants of the Student Loan Servicing Market," 78 *Federal Register* 73383, December 6, 2013.

[110] This includes, for instance, detecting patterns of improper systems use, maintaining a reporting system to permit FSA contractors to alert ED of the potential misuse of such systems, and proactively contacting federal student loan borrowers whose accounts may have been improperly used regarding such suspicious activity. HEA §141(b)(2).

The Secretary may delegate additional functions to FSA as necessary or appropriate to achieve FSA's purposes.[111] FSA is given control of its budget allocations and expenditures, procurements, personnel decisions and processes, and other administrative and management functions but remains subject to the direction of the Secretary.[112]

The HEA specifies that the Secretary "shall maintain responsibility for the development and promulgation of policy and regulations" related to Title IV aid.[113] In doing so, the HEA requires the Secretary to "request the advice of, and work in cooperation with" FSA.[114]

To fulfill its statutory responsibilities, FSA undertakes many discrete tasks (discussed below).

FSA Awarding, Disbursing, and Servicing Aid

Students wishing to receive Title IV student aid must annually apply for assistance using the FAFSA, which is developed and maintained by FSA in accordance with specifications set forth in the HEA.[115] After a student submits the FAFSA, an automated system contracted by FSA processes the FAFSA,[116] and then IHEs (or the third-party servicers with which they contract)[117] use information from it to calculate the amount of aid for which a student is eligible. FSA obtains funds from the Treasury and makes them available to IHEs, which in turn disburse those funds to students.

Once a grant is disbursed, in many cases administrative functions are significantly decreased.[118] However, FSA may be required to implement and/or oversee administrative functions after a grant has been disbursed. For instance, if an individual receives a Pell Grant in excess of the amount for which they are eligible, they may be required to return a portion to FSA.

Once a Direct Loan program[119] loan is disbursed, FSA assigns it to a contracted loan servicer. Loan servicers perform a variety of administrative functions such as collecting payments and performing delinquency prevention activities. Certain "specialty loan servicing programs" (such as the Public Service Loan Forgiveness program and Total and Permanent Disability discharges) are managed internally by FSA, although some third-party contractors—known as business process operations vendors—may perform manual processing and customer service functions for

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[111] HEA §141(b)(3).

[112] HEA §141(b)(4).

[113] HEA §141(b)(1).

[114] HEA §141(b)(1).

[115] HEA Sections 473-480 specify the data that are collected in the FAFSA. HEA Section 483 requires that ED (via FSA) make available for free, and for individuals to file with ED, the FAFSA "to determine the eligibility of a student for Federal financial aid" under Title IV.

[116] The system is known as the FAFSA Processing System.

[117] IHEs may contract with third-party servicers for assistance in administering the Title IV aid programs. However, an IHE ultimately remains responsible for the Title IV funds and is held accountable if a third-party servicer mismanages the programs or funds. HEA §481(c); 34 C.F.R. §668.25.

[118] An exception to this is the TEACH Grant program. Post-disbursement administration of the TEACH Grant program is somewhat similar to administration of the Direct Loan program in that ED and its third-party contractors perform various functions related to the TEACH Grant program, such as tracking the recipient's progress toward fulfilling program service requirements. Individuals who do not fulfill the service requirements have their TEACH Grants converted into Direct Loans, which are then serviced by a contracted loan servicer. For additional information on the TEACH Grant program, see CRS Report R46117, *Teacher Education Assistance for College and Higher Education (TEACH) Grants: A Primer*.

[119] FSA administrative tasks for FFEL and Perkins Loan program loans vary considerably from those of the Direct Loan program. Many of these tasks are not detailed in this report, as they comprise a relatively small portion of FSA's total loan portfolio in FY2019. FSA, *FY2024 Report*, p. 28.

these programs.[120] FSA may, if necessary, assign a defaulted loan to its defaulted loan servicer, the Default Resolution Group, which attempts to recover payment on defaulted loans from borrowers. FSA may also use other options to collect on defaulted Direct Loans, including referring a borrower's account to the Treasury Offset Program.[121]

FSA Contracting

FSA "relies on a multitude of contracts and thousands of vendor employees to deliver its mission."[122] Services for which FSA maintains contracts include servicing of Direct Loans and ED-held FFEL program loans and Perkins Loans,[123] collection of defaulted Direct Loans and ED-held FFEL program loans and Perkins Loans, and IT infrastructure to support myriad tasks such as the processing of submitted FAFSAs. FSA also has a contract for the National Student Loan Data System (NSLDS), which is a central database for student aid. NSLDS maintains detailed administrative data to track Title IV grants and loans throughout their lifecycle and to support Title IV administrative functions.[124]

FSA Information and Assistance to Third-Party Stakeholders

Numerous individuals and entities have a stake in the Title IV federal student aid programs and rely on FSA to provide timely and accurate information about them. Students, their families, and borrowers rely on FSA to provide information and assistance throughout the entire financial aid process. IHEs and FSA's third-party contractors rely on communications and assistance from FSA to administer various aspects of the aid programs. Members of Congress and the general public rely on FSA for information about the performance of the Title IV aid programs.

FSA operates several websites that enable stakeholders to access relevant information about program operations. FSA maintains the website http://www.studentaid.gov, which is FSA's "primary customer-facing website"[125] and the FSA Partner Connect website, which consolidates guidance and resources related to Title IV administration for use by individuals involved in Title IV administration.[126]

FSA also operates several repositories of Title IV program data to enable it and stakeholders to access information about the programs and their performance. Section 485B of the HEA tasks ED with development of the NSLDS. FSA has primary responsibility for administration of the NSLDS and has contracted with a third party to operate it. FSA also maintains the Federal Student Aid Data Center—a centralized, publicly available source for selected administrative data

[120] ED, *Justification of Appropriation Estimates to the Congress FY2025*, "Student Aid Administration," p. 15, https://www.ed.gov/sites/ed/files/about/overview/budget/budget25/justifications/r-saa.pdf.

[121] The Treasury Offset Program collects delinquent debts owed to federal agencies by withholding certain federal benefits (e.g., Social Security benefits, income tax refunds) and remitting those payments to the relevant federal agency.

[122] FSA, *FY2024 Report*, p. 109.

[123] ED-held FFELs include, for example, those acquired by ED with authority provided to it under the Ensuring Continued Access to Student Loans Act of 2008 (P.L. 110-227). ED-held Perkins Loans include, for example, those assigned to ED by an IHE that elects not to independently service the loans.

[124] President's FY2025 Budget Request for the ED, Congressional Budget Justification, "Student Aid Administration," p. 35.

[125] FSA, *FY2024 Report*, p. 69.

[126] FSA Partner Connect, "About This Site," https://fsapartners.ed.gov/more-info/about-this-site.

and other information related to the Title IV programs.[127] The Title IV program data on FSA's Data Center are often derived from NSLDS. In addition, FSA operates the Enterprise Data Management Analytics Platform Service, which is a "data analytics platform that ingests data from multiple Federal Student Aid (FSA) systems of records to perform big-data analytics on FSA data in one common location, produce reports and statistical models, and serve as a centralize repository of information about FSA customers across the full student aid life cycle."[128]

FSA also makes its statutorily required annual report[129] to Congress publicly available.[130] Finally, the Office of Consumer Education and Ombudsman[131]—a subunit within FSA—serves as a single point of contact for students and aid recipients to provide feedback or to file complaints and disputes about the Title IV programs.[132]

FSA Oversight

FSA has a large oversight role in ensuring that various Title IV program participants comply with Title IV program requirements. Both statute and regulations prescribe many aspects of the Title IV programs, including student aid program terms and conditions and requirements IHEs must meet to participate in the programs. IHEs and third-party contractors play a significant role in ensuring that the Title IV programs are administered properly. In addition, some Title IV programs (e.g., the campus-based aid programs[133]) vest a larger share of administrative functions with IHEs, while others (e.g., the FFEL program) vest additional administrative functions with outside entities such as guaranty agencies.

IHEs and Their Third-Party Servicers

FSA's oversight of IHEs relates largely to ensuring that they meet eligibility requirements to participate in the Title IV programs[134] and that they (and any third-party servicers with which they may contract) properly administer the Title IV programs.[135] FSA certifies an IHE's eligibility to participate in the Title IV programs and recertifies its eligibility thereafter.[136] FSA verifies each

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[127] The Data Center includes, among other information, data on student aid amounts disbursed and number of recipients, IHEs participating in the Title IV programs, and lenders and guaranty agencies participating in the FFEL program and documents related to FSA's management and business processes, such as loan servicer contracts. FSA, "Federal Student Aid Data Center," https://studentaid.gov/data-center.

[128] ED, "Notice of a New System of Records," 87 *Federal Register* 56038, September 13, 2022.

[129] HEA §141(c)(2).

[130] See FSA, *FY2024 Report*.

[131] The HEA establishes within FSA the Student Loan Ombudsman, which is tasked with providing assistance to Title IV loan borrowers (HEA §141(f)). The Office of Consumer Education and Ombudsman appears to fulfill this statutory requirement and also provides assistance to other types of FSA customers.

[132] FSA, *FY2024 Report* p. 128. In FY2024, the Office of Consumer Education and Ombudsman (at the time, called the Ombudsman Office) received approximately 290,000 complaints, more than double the number of complaints from FY2023. The Ombudsman Office attributed this increase to a number of factors, such as FSA's implementation of "notable changes to federal financial aid programs," including the end of the COVID-19 student loan repayment pause and implementation of the FAFSA Simplification Act. FSA, *FY2024 Report*, pp. 128-133, 138.

[133] These include the Federal Supplemental Educational Opportunity Grant program, the Federal Work-Study program, and the Perkins Loans program. For additional information on these programs, see CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*.

[134] For additional information on the requirements IHEs must meet to participate in the Title IV programs, see CRS Report R43159, *Eligibility for Participation in Title IV Student Financial Aid Programs*.

[135] For data on the types of oversight activities in which FSA engaged for FY2024, see FSA, *FY2024 Report*, pp. 115-119.

[136] HEA §498; 34 C.F.R. Part 668.

IHE's accreditation status and whether the IHE is legally authorized to operate within a state. FSA also evaluates an IHE's financial responsibility and administrative capability to administer the Title IV programs.

After an IHE is certified to participate in the Title IV programs, FSA ensures that it is conforming to eligibility and administrative requirements. FSA does this by performing program reviews and by reviewing required IHE compliance audits and financial statement audits conducted by third-party auditors.[137] FSA reviews the IHE's required third-party compliance and financial statement audits and attempts to resolve issues with them. During a program review, FSA evaluates an IHE's compliance with Title IV requirements. Review priority is given to certain IHEs specified in statute (e.g., those IHEs with high cohort default rates).[138]

FSA has the authority to impose sanctions and corrective actions on IHEs and their third-party servicers. Examples include imposing fines, imposing specific conditions or restrictions related to administration of Title IV funds, and terminating Title IV participation.[139]

FSA Contractors

FSA's oversight of its third-party contractors generally consists of ensuring that they fulfill the terms and conditions of their contracts with FSA. In general, federal agencies, including FSA, have a number of tools to help ensure a contractor adequately performs a contract.[140] Examples include requiring corrective action,[141] using performance-based incentives,[142] and terminating the contract. FSA contracts with numerous third-parties for a variety of goods and services related to administration of the Title IV programs, including student loan servicers.

FSA contracts with seven vendors to perform a variety of student loan servicing and debt collection tasks largely related to the Direct Loan program.[143] For the primary set of loan servicing contracts (referred to as the Unified Servicing and Data Solution), FSA uses performance-based incentives to encourage vendors to meet desired results (e.g., ensuring borrowers are in current repayment status and meeting customer service goals). It does so by basing the number of borrower loan accounts allocated and compensation levels on servicers' ability to meet stated goals.[144] For contracts related to the specialty loan servicing program (i.e., those FSA contracts with business process operations vendors), FSA similarly uses performance-based metrics to determine future work allocations.[145] In addition, FSA issues guidance to vendors to assist them in day-to-day operations and conducts monitoring activities, such as audits

[137] HEA §498A.

[138] HEA §498A(a)(2).

[139] 34 C.F.R. Part 668, Subpart G. For additional information, see CRS In Focus IF12939, *HEA Title IV Student Aid Program Enforcement Actions*.

[140] For additional information on maintaining government contractor accountability, see CRS Report R45322, *Selected Legal Tools for Maintaining Government Contractor Accountability*.

[141] Corrective actions typically require contractors to remove, correct, or replace goods or reperform services for failing to conform to contract specifications.

[142] Performance-based incentives reward contractors with payments for meeting or exceeding goals or standards.

[143] The FY2024 appropriation to support these contracts totaled $1 billion. ED, "Fiscal Year 2024 Congressional Action" table, https://www.ed.gov/sites/ed/files/about/overview/budget/budget24/24action.pdf.

[144] See, for example, FSA contract with Central Research, Attachment 08, "Service Level Methodology Performance Metrics," Attachment 20, "At-Risk Borrower Performance Incentive," and Attachment 21, "Future Borrower Allocation Methodology," available at https://sam.gov/opp/0264de6ac3354dd6814455e535e783e9/view.

[145] See, for example, contract with Edfinancial Services, https://studentaid.gov/sites/default/files/ed-financial-services.pdf.

and quality assurance reviews.[146] The terms of the final FSA contract with the vendor that performs debt collection work are not publicly available.

Entities Engaged in Selected Title IV Programs

For FFEL program loans not held by ED, guaranty agencies administer many aspects of the program, such as providing default aversion assistance[147] to FFEL program lenders and services related to the federal loan guarantee. In the campus-based programs, IHEs perform many of the administrative functions described earlier in this section (e.g., award disbursement and loan servicing) and are also afforded some discretion in determining the mix and amount of campus-based aid funds awarded to students. FSA oversees these entities in their fulfillment of these functions.

Selected FSA Statistics

As described above, the scope of FSA's operations covers many activities and responsibilities. Selected statistics and additional information provide insight into the scale of FSA's operations. **Figure 1** presents information on funds obligated for student aid administration. **Figure 2** presents data on FTE employment for federal student aid administration.

Funding for Federal Student Aid Administration

Funding obligations for federal student aid administration generally comprise two broad categories: (1) salaries and expenses[148] and (2) student loan servicing.[149] **Figure 1** presents annual inflation-adjusted funding obligated for federal student aid administration for FY2009-FY2024.[150] Over this period, obligations for federal student aid administration increased from $1.1 billion in FY2009 to about $2.2 billion in FY2024. Obligations for student aid administration have increased by 30% since FY2011 (the first full fiscal year in which no new FFEL program loans were made). Since FY2016, the composition of student aid administration between salaries and expenses and discretionary servicing activities has remained somewhat even (about 50% for each category). Prior to that time, salaries and expenses comprised the majority of obligations for student aid administration.[151]

[146] Ibid.

[147] When undertaking default aversion assistance, guaranty agencies work with borrowers to bring into current repayment status loans that are in danger of going into default. HEA §422B(d)(3).

[148] Salaries and expenses include, for example, personnel compensation and benefit costs of federal employees.

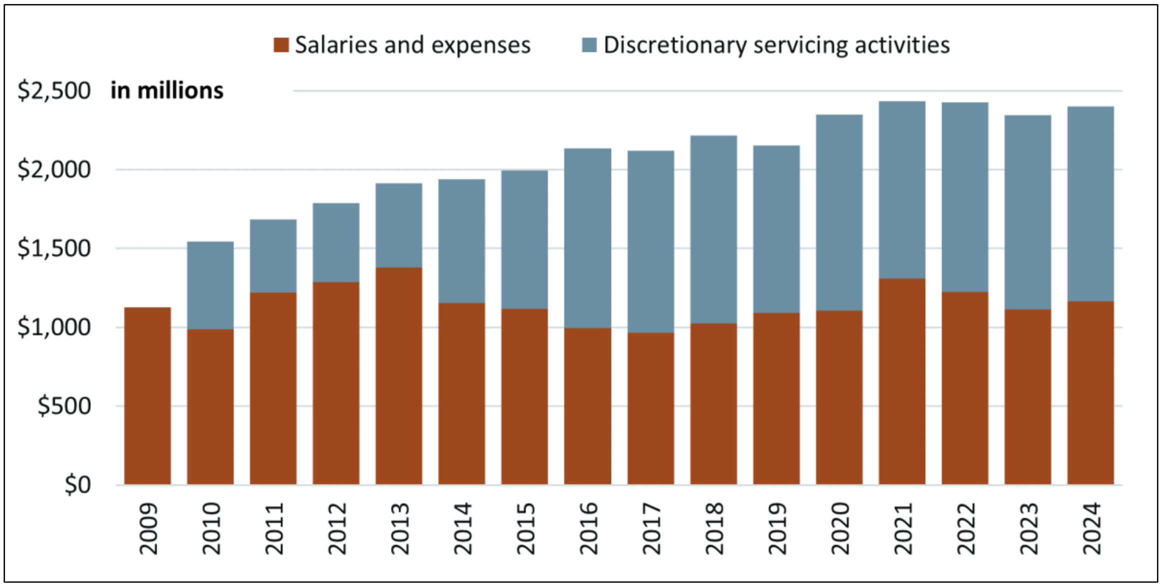
[149] Student loan servicing includes payments made to loan servicers pursuant to their contracts with FSA. Loan servicers perform myriad functions related to student loan administration, including but not limited to processing payments, communicating with borrowers about the status of their loans, and providing information about loan benefits and features.

[150] FY2009 was the fiscal year following enactment of the HEOA, the most recent comprehensive reauthorization of the HEA.

[151] Some of the growth in loan servicing costs (evident since FY2011) is likely attributable to the growth in the number of borrowers with loans being serviced and in outstanding loans. Some is also likely due to the termination of authority to make new loans under the FFEL program, under which loan servicing was largely the responsibility of private lenders. Under the FFEL program, different mechanisms were used to provide federal subsidies that helped cover such loan servicing costs. For additional information, see CRS Report RL33674, *The Administration of the Federal Family Education Loan and William D. Ford Direct Loan Programs: Background and Provisions* (archived, available to congressional requesters upon request).

Figure 1. Inflation-Adjusted Obligations for Federal Student Aid Administration, FY2009-FY2024 ($ in millions)

Figure is interactive in the HTML version of this report.



Source: Office of Management and Budget, Budget of the United States Government, FY2011-FY2026, Appendix for the Department of Education.

Notes: Obligation means a binding agreement that will result in an outlay either immediately or in the future. See OMB's Circular A-11 (2018), Section 20—Terms and Concepts. Data are inflation-adjusted using the Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPI-U). In FY2009, servicing activities were not reported separately from student aid administration.

FY2024 figures exclude approximately $17 million in "reimbursable program activity," which comprised about $16.5 million allotted to FSA from ED's Nonrecurring Expenses Fund to support FSA's Unified Servicing and Data Solution and about $55,000 in "reimbursables" to ED for parking at ED's Lyndon Baines Johnson building. CRS communication with ED, Office of Congressional Affairs, August 26, 2025.

FTE Employment for Federal Student Aid Administration

Figure 2 presents data on FTE employment for FY2009-FY2024 for federal student aid administration. The number of FTE employees working on federal student aid administration has risen from 1,058 in FY2009 to 1,568 in FY2024, a 48% increase. Other offices within ED besides FSA also perform student-aid related administrative activities.[152] In addition, a number of contractor staff (e.g., loan servicing staff) provide outsourced business operations for student aid administration. In winter and spring of 2025, ED's total workforce decreased by almost 50% through a number of administrative actions, including a reduction in force and employee participation in a deferred resignation option and a voluntary separation incentive payment option.[153] Reports indicate that FSA's staff decreased by about 700 employees as part of this

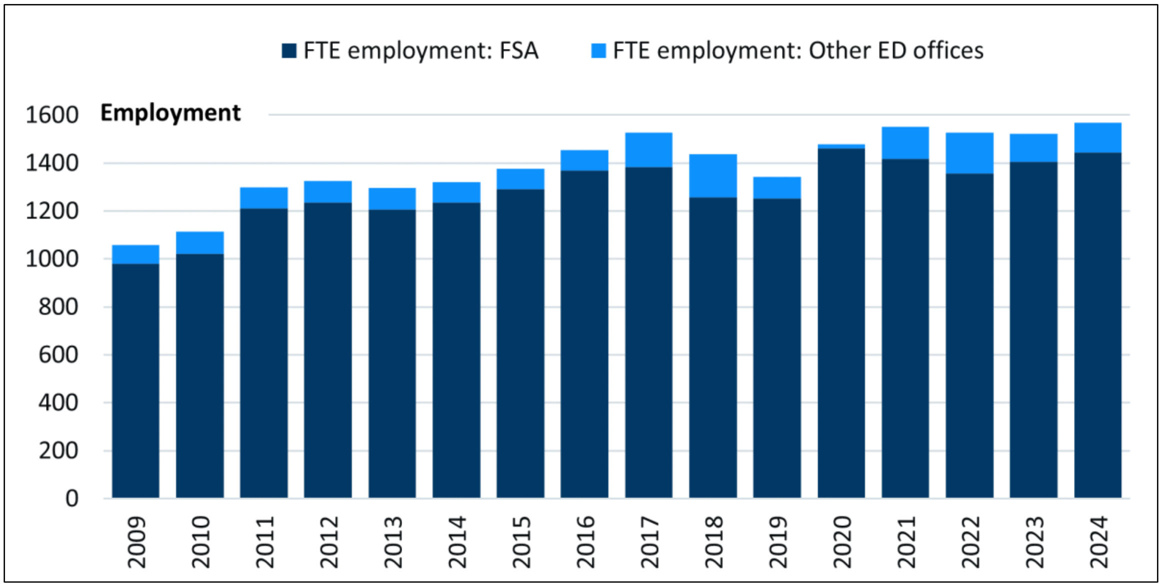
[152] These offices include the Office of Finance and Operations; the Office of Chief Information Officer; the Office of General Counsel; the Office of Postsecondary Education; the Office of Planning, Evaluation, and Policy Development; and the Office of the Under Secretary. President's FY2026 Budget Request for the U.S. Department of Education, Congressional Budget Justification, "Student Aid Administration," pp. 7-8.

[153] ED, "U.S. Department of Education Initiates Reduction in Force," press release, March 11, 2025, https://www.ed.gov/about/news/press-release/us-department-of-education-initiates-reduction-force.

decrease.[154] **Figure 2**. represents FTE employment for federal student aid administration through FY2024; thus, it does not depict the 2025 reduction in force.

Figure 2. Full-Time Equivalent (FTE) Employment for Federal Student Aid Administration, FY2009-FY2024

Figure is interactive in the HTML version of this report.



Source: Office of Management and Budget (OMB), Budget of the United States Government, FY2011-FY2025, Appendix for the Department of Education (ED); FSA, Annual Reports, FY2009-FY2024.

Notes: FTE employment "is the basic measure of the levels of employment used in the Budget. It is the total number of hours worked (or to be worked) divided by the number of compensable hours applicable to each fiscal year." See OMB's Circular A-11(2024), Section 20—Terms and Concepts. The number of FTE employment for other ED offices in FY2024 is estimated.

Trends Relevant to Federal Student Aid Administration

Over the past several years, the workload of FSA has varied. **Table 1** provides information related to FSA's workload, including the number of FAFSAs processed, the number of students receiving aid, the total dollar amount of federal student aid provided through the Title IV federal student aid programs, the total number of federal student loan recipients who have outstanding balances, and the total dollar amount of principal and interest outstanding for even-numbered years during the FY2010-FY2024 period.

As shown in **Table 1**, the number of individuals receiving Title IV aid and the number of FAFSAs processed has declined since FY2012. However, the total number of federal student loan recipients with outstanding loan balances and the total dollar amount of principal and interest outstanding increased over the period examined.

[154] Cory Turner, "The Education Department Is Being Cut in Half. Here's What's Being Lost," *NPR*, March 13, 2025, https://www.npr.org/2025/03/12/nx-s1-5325854/trump-education-department-layoffs-civil-rights-student-loans; Liam Knox, "Education Department Reeling After Layoffs," *Inside Higher Ed*, March 25, 2025, https://www.insidehighered.com/news/government/politics-elections/2025/03/25/education-department-staff-struggle-after-mass.

Table 1. Selected Trends Related to Federal Student Aid Administration

Even-Numbered Years FY2010-FY2024 (in millions)

	2010	2012	2014	2016	2018	2020	2022	2024
Total number of FAFSAs processed (award year)[a]	19.5	21.9	21.2	19.8	18.9	18.1	17.5	17.9
Unduplicated count of student aid recipients[b]	13.8	13.9	12.8	11.9	10.8	9.5	8.2	9.3
Total amount of federal student aid awarded (dollars)[c]	162,296	177,225	169,614	170,920	167,982	148,443	148,184	203,415
Total amount of federal student aid awarded, excluding Consolidation Loans (dollars)[d]	145,138	141,261	135,045	125,257	126,350	118,042	112,358	132,304
Unduplicated count of recipients[e] who have federal student loans outstanding	34.3	38.3	40.7	42.3	42.9	42.9	43.5	42.7
Total principal and interest outstanding on federal student loans (dollars)[f]	749,800	948,200	1,129,800	1,292,200	1,439,200	1,566,300	1,634,500	1,638,600

Source: FSA, Application Volume Reports, FAFSA Volume Reports, by State, Application Cycle 2009-2010 through Application Cycle 2023-2024; OMB, *Budget of the United States Government, FY2011-FY2026*, Appendix for FSA; FSA, Federal Student Loan Portfolio Summary FY2010-FY2024, Q4.

Notes: All figures are for fiscal years, with the exception of total number of FAFSAs processed, which are presented based on final year of application cycle.

a. Prior to award year 2017-2018, the FAFSA became available for submission 18 months prior the award year ending in the calendar year shown in the header. Beginning in award year 2017-2018, the FAFSA became available for submission 21 months prior to the award year ending in the calendar year shown in the header. For additional information, see ED, "Changes Impacting the 2017-2018 FAFSA: Frequently Asked Questions," https://financialaidtoolkit.ed.gov/resources/fafsa-changes-17-18-faq.pdf.

b. Unduplicated count of students aided through federal student aid programs authorized under Title IV of the HEA.

c. Total aid available through federal student aid programs authorized under Title IV of the HEA.

d. Total aid available through federal student aid programs authorized under Title IV of the HEA, other than Consolidation Loans. A Consolidation Loan allows a borrower to combine one or more previously obtained federal student loans into a single, new loan.

e. A recipient is the student who benefits from the federal student loan. In most cases, the recipient is the borrower. For Parent PLUS Loans, the parent is the borrower and the child is the recipient.

f. Outstanding balance of principal and interest at the end of the fiscal year for federal student loans made through the Direct Loan, FFEL, and Perkins Loan programs.

FSA Structure

Section 141 of the HEA establishes FSA's PBO structure as a discrete management unit within ED and subject to the direction of the Secretary in the exercise of its functions. FSA operates under the coordination of the Office of the Under Secretary, which is the office within ED that coordinates policies and programs related to postsecondary education, as well as vocational and adult education.[155] Although the HEA specifically establishes two roles within FSA (the COO and the student loan ombudsman), much of FSA's organizational structure and leadership arrangements have been established through administrative action by the COO, subject to the direction of the Secretary.[156] In addition, FSA interacts with various other offices within ED to facilitate the implementation of ED policies in aid administration.

Statutorily Mandated Roles

FSA is composed of numerous offices, each responsible for varying aspects of Title IV student aid administration.[157] Two FSA roles are specifically mandated by the HEA: the chief operating officer and the student loan ombudsman. These offices have been charged with carrying out both statutory and administratively delegated functions, as discussed below.

Chief Operating Officer (COO)

The HEA assigns several responsibilities to FSA's COO. The Secretary has delegated additional responsibilities to the COO. In practice, while responsibilities are assigned or delegated to the COO, individual employees or offices within FSA may perform the day-to-day tasks associated with fulfilling those responsibilities.

Section 141(d) of the HEA vests management of FSA in a COO and mandates several of the COO's activities and responsibilities. Annually, the COO and the Secretary must publicly make available a five-year performance plan for FSA that establishes measurable goals and objectives for FSA.[158] In developing the plan, the Secretary and the COO are to consult with stakeholders such as students, IHEs, and Congress.[159]

The COO is required annually to submit to Congress a report on FSA's performance that is to include, among other items, (1) an independent financial audit, (2) the results achieved during the year relative to the performance plan goals, (3) the evaluation of the COO and senior managers, and (4) recommendations for legislative and regulatory changes to improve administration of the Title IV student aid programs.[160] FSA states that the *Annual Report* satisfies these

[155] ED, *FY2024 Agency Financial Report*, November 14, 2024, p. 15.

[156] HEA §141(b)(4).

[157] For a chart depicting FSA's organization as of November 15, 2024, see FSA, *FY2024 Report*, p. 10.

[158] FSA's performance plans are available at FSA, "Strategic Planning and Reporting," https://studentaid.gov/data-center/business-info/strategic-planning-and-reporting.

[159] HEA §141(c)(1).

[160] HEA §141(c)(2).

responsibilities.[161] In preparing the report, the COO is to establish appropriate ways to consult with stakeholders, including students and IHEs.[162]

Section 142 of the HEA authorizes the COO, subject to the authority of the Secretary, to procure property and services to perform its functions. In practice, while the Secretary is considered ED's senior procurement official, it appears that FSA typically has significant autonomy in its contracting functions.[163]

The HEA specifies that the Secretary maintains responsibility for the development and promulgation of policy and regulations related to Title IV aid. However, in developing and promulgating Title IV student aid policies and regulations, the Secretary is required to request the advice of, and work in cooperation with, the COO.[164] FSA's Policy Implementation and Oversight Directorate (PIOD) is the unit within FSA that leads FSA's involvement with the Secretary on Title IV student aid policies and regulations. Among other functions, PIOD provides information and advice about Title IV program administration and operations to ED and other federal agencies and assists other FSA offices to ensure proper implementation of Title IV statutory, regulatory, and other policy requirements.

PIOD facilitates the implementation of policy (and supports FSA staff in implementing policy) developed by ED through the Office of the Secretary, the Office of the Under Secretary, and OPE. PIOD also[165]

- formulates policy recommendations and identifies policy issues affecting the Title IV student aid programs;
- provides advice on regulations, policies, administrative policy guidance, and procedures;
- prepares preliminary drafts of subregulatory guidance for consideration by ED and drafts policy electronic announcements for review by FSA staff; and
- designs, manages, and monitors the Experimental Sites Initiative.[166]

Finally, the HEA specifies that the COO is to disseminate information to stakeholders on the student loan ombudsman (described below).[167]

The Secretary may delegate additional functions to the COO (and FSA in general) to achieve FSA's purposes.[168] Authorities that the Secretary has previously delegated to the COO include, but are not limited to,

[161] FSA, *FY2024 Report*, p. viii.

[162] HEA §141(c)(3).

[163] CRS communication with FSA personnel, April 17, 2019.

[164] HEA §141(b)(1). Additionally, the Secretary shall request cost estimates from FSA for system changes required by specific policy proposals and assist FSA in identifying goals for the administration of systems used to administer the Title IV aid programs and updating such systems to current technology.

[165] ED, "FSA Functional Statements—Partner Participation and Oversight," https://www.ed.gov/about/ed-organization/functional-statements/fsa-functional-statements/partner-participation-and-oversight, accessed August 21, 2025.

[166] HEA Section 487A(b) authorizes ED to waive certain statutory and regulatory requirements related to IHEs' aid award processes to test and provide recommendations to the Secretary on the impact and effectiveness of proposed regulations or new management initiatives. See FSA, "Experimental Sites," https://experimentalsites.ed.gov/exp/index.html.

[167] HEA §141(f)(2).

[168] HEA §141(b)(3)).

- authority to take certain personnel actions, such as carrying out reductions-in-force for FSA in coordination with ED, approving telework agreements, and handling FSA employee grievances;[169]
- programmatic authorities related to Title IV programs, such as awarding certain formula grants (e.g., awarding campus-based funds to IHEs) and entering into agreements with entities outside of ED (e.g., IHEs or other federal agencies);[170]
- authority to compromise, waive, and write-off certain claims against individuals under Title IV programs, such as waiving or writing off the collection of current or defaulted federal student loans; and[171]
- authority to develop, implement, and manage an Employee Personnel Security Program in accordance with established ED directives and guidance.[172]

Student Loan Ombudsman

Section 141(f) of the HEA specifies that the COO, in consultation with the Secretary, shall appoint an ombudsman "to provide timely assistance to borrowers of loans made, insured, or guaranteed under Title IV." Specifically, the ombudsman is to (1) review and attempt to informally resolve borrower disputes with Title IV loan program participants and (2) compile and analyze data on borrower complaints and make recommendations. Each year, the ombudsman is to submit to the COO (for inclusion in the COO's annual report) a report describing the ombudsman's activities and effectiveness during the preceding year.

FSA's Office of Consumer Education and Ombudsman (the Ombudsman) is the specific office tasked with fulfilling the HEA Section 141 requirements for a student loan ombudsman. The office also administers FSA's comprehensive informal complaint resolution and customer inquiry/case resolution processes related to all Title IV student aid programs, not just those related to student loans. The most frequent types of cases received by the office relate to student loans, however.[173] Addressing customer cases regarding non-loan Title IV student aid programs is not part of the ombudsman's specific statutory mandate.[174] On September 5, 2025, FSA announced that the office's mission and work was "expanding … to focus on providing information to students and families on the benefits and risks of federal student loan borrowing" by taking a "proactive approach to improve financial literacy among students, parents, and borrowers."[175]

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[169] Memorandum from the Secretary of Education to the FSA COO, "Delegations of Human Resources Authority," January 9, 2006.

[170] Memorandum from the Secretary of Education to the FSA COO, "Delegation of Program Authority," May 29, 2008.

[171] Memorandum from the Secretary of Education to Director, Program Management Services, Business Operations, FSA, through the FSA COO, "Delegation of Authority for Collection and Compromise of Claims Against Individuals under the Federal Student Aid (FSA) Programs," November 9, 2009.

[172] Memorandum from the Acting Assistant Secretary, Office of Management to the FSA COO, "Delegation of Authority: Employee Personnel Security Program," September 13, 2018.

[173] FSA, *FY2024 Report*, p. 132.

[174] However, HEA Section 141(a)(2) does specify that one of FSA's broad purposes is to improve customer service to students and other Title IV student aid program participants. The FSA's Office of Consumer Education and Ombudsman's role of addressing disputes regarding non-loan Title IV aid programs could be viewed as fulfilling this statutory purpose.

[175] ED, "U.S. Department of Education Bolsters Office of the Ombudsman to Improve Consumer Education and Increase Transparency for Student Borrowers," press release, September 5, 2025, https://www.ed.gov/about/news/press-release/us-department-of-education-bolsters-office-of-ombudsman-improve-consumer-education-and-increase-transparency-student-borrowers.

FSA's Relationship with Other Actors

Many tasks related to student aid are vested (either through statute or secretarial authority) in other ED offices,[176] and other executive branch entities may have an interest in, or jurisdiction over, aspects of federal student aid. In addition, FSA is subject to congressional direction (e.g., via amendments to the HEA and appropriations laws) and oversight. As such, FSA may have occasion to interact and maintain relationships with numerous outside stakeholders.

FSA and the Office of the Secretary

The Secretary "is responsible for the overall direction, supervision, and coordination of all activities of [ED] and is the principal adviser to the President on Federal policies, programs, and activities related to education in the United States."[177] The Office of the Secretary directly oversees the Office of the Under Secretary (which, in turn, oversees FSA). In addition, the Office of the Secretary oversees several other entities that interact with FSA on a regular basis:

- The **Office of the Inspector General** is responsible for "identifying fraud, waste, abuse, and criminal activity involving [ED] funds, programs, and operations."[178] To this end, it conducts independent audits and reviews of ED programs, including the Title IV student aid programs and FSA's operations.
- The **Office of General Counsel (OGC)** is responsible for providing "legal assistance to the Secretary concerning the programs and policies of the Department."[179] OGC also provides legal assistance to other ED offices, including FSA. Among other services, OGC provides legal advice, litigation services, legislative services (e.g., drafts legislative proposals), and assistance in drafting regulatory documents.[180]
- The **Office of Budget Service**[181] has the lead responsibility for, among other functions, developing and implementing ED's budget.[182] It develops cost estimates for the Title IV student aid programs and maintains computer models to estimate such costs, coordinates methodology and data with FSA and OPE, and liaises with FSA other ED offices to analyze data sources and assumptions for the student aid cost estimation models.

FSA and Office of the Under Secretary

The Office of the Under Secretary "coordinates policies, programs, and activities related to postsecondary education, career and technical education, and adult education."[183] The Under

[176] For an organizational chart of ED, see ED, "U.S. Department of Education: Organizational Charts," May 8, 2025, https://www.ed.gov/media/document/ed-department-org-charts-5-8-25-109982.pdf.

[177] ED, "Office of the Secretary (OS)," https://www.ed.gov/about/ed-offices/os, accessed August 21, 2025.

[178] ED, "Office of Inspector General," https://oig.ed.gov/about, accessed August 21, 2025.

[179] ED, "Office of the General Counsel," https://www.ed.gov/about/ed-offices/ogc, accessed August 21, 2025.

[180] Ibid.

[181] The Office of Budget Service is housed within the Office of Planning, Evaluation, and Policy Development, which advises the Secretary on "all matters relating to policy development, implementation, and review." ED, "Office of Planning, Evaluation, and Policy Development (OPEPD)," https://www.ed.gov/about/ed-offices/opepd, accessed August 21, 2025.

[182] ED, "Fiscal Year 2024 Agency Financial Report," November 14, 2024, p. 192, https://www.ed.gov/media/document/fy-2024-agency-financial-report-109508.pdf.

[183] ED, "ED Offices," https://www.ed.gov/about/ed-offices, accessed August 21, 2025.

Secretary also oversees FSA, which administers federal student aid, and OPE, which "works to strengthen the capacity of colleges and universities to promote reform, innovation and improvement in postsecondary education" and to "promote and expand access to postsecondary education."[184]

As previously described, Section 141 of the HEA specifies that the Secretary maintains responsibility for the development and promulgation of policy and regulations related to Title IV aid but must coordinate with FSA.[185] With Under Secretary oversight, OPE fulfills the policy development and promulgation role for the Secretary. OPE develops both regulations and subregulatory guidance for the Title IV student aid programs (e.g., Dear Colleague letters to financial aid professionals).[186] In doing so, OPE liaises with FSA's PIOD (and other offices such as OGC) in the development, implementation, and dissemination of Title IV student aid policy.

FSA and Other Executive Branch Entities

Other executive branch entities may have some level of authority over or interest in aspects of federal student aid programs. As such, ED and FSA may maintain relationships with these entities to help ensure proper functioning of the aid programs. Based on its functions, FSA likely, at least in part, has played a role in these partnerships even when ED may be officially responsible.[187]

Executive branch entities with which ED and FSA may maintain relationships to help ensure proper functioning of the aid programs include the following:

- **Department of the Treasury.** FSA obtains funds from Treasury to make available to students in the form of federal student aid. FSA may refer a borrower's defaulted loan to the Treasury Offset Program for offset of certain benefits such as federal income tax refunds and Social Security benefits. Moreover, while the Debt Collections Improvement Act generally requires federal agencies to transfer nontax debts that are 180 days or more delinquent to Treasury's Fiscal Service for centralized debt collection (referred to as cross-servicing),[188] since 2001, the Secretary of the Treasury has granted FSA a permanent exemption from this requirement.[189] Thus, FSA is responsible for collecting delinquent and defaulted federal student loan debt assigned to or held by ED. The act also authorizes the Secretary of the Treasury to exempt certain classes of debt from cross-servicing. Debts that are being collected through

[184] ED, "Office of Postsecondary Education (OPE)," https://www.ed.gov/about/ed-offices/ope#home, accessed August 21, 2025.

[185] HEA §141(b)(1).

[186] ED, "Office of Postsecondary Education (OPE)," https://www.ed.gov/about/ed-offices/ope#home, accessed August 21, 2025.

[187] This section of the report describes some of those entities that may have jurisdiction over or interest in the federal student aid programs. It is not intended to be an exhaustive list. In many instances, publicly available materials relating to these relationships mention ED and not specifically FSA. In this section of the report, ED may be referenced when the precise nature of the relationship among ED, FSA, and other entities is unclear.

[188] 31 U.S.C. §3711(g)(1).

[189] The exemption applies to delinquent and defaulted federal student loan debt assigned to or held by ED (e.g., Direct Loan program loans, and FFEL program loans and Perkins Loans that have been purchased by or assigned to ED). U.S. Department of the Treasury, Under Secretary, Letter from Donald V. Hammond, Acting Under Secretary for Domestic Finance, to James R. Lynch, Chief Financial Officer, Student Financial Assistance, ED, May 11, 2001.

administrative wage garnishment[190] and meet certain conditions have been exempted from cross-servicing.[191]

- **Consumer Financial Protection Bureau (CFPB)**: The CFPB[192] has asserted a role in ensuring compliance with consumer protection laws that may apply to federal student loans. For example, the CFPB has brought lawsuits against some FSA-contracted federal student loan servicers for consumer compliance violations relating to federal student loan servicing.[193] CFPB also maintains resources for both federal student loan and private education loan borrowers,[194] and it fields complaints from student loan borrowers.[195] The level of collaboration between the CFPB and ED has varied over time. For example, during the Obama Administration, the CFPB and ED had entered into memoranda of understanding to share data and information relating to the student loan servicing market. In 2017, under the first Trump Administration, ED terminated the memoranda, stating that the CFPB violated the terms of the memoranda.[196] Subsequently, in 2020, the CFPB and ED entered into a memorandum of understanding under the first Trump Administration to share data and information relating to student loan complaints (including Title IV loan servicing).[197]
- **Department of Justice (DOJ)**: DOJ may play a role in law enforcement related to federal student loans, including, through U.S. Attorneys' offices, prosecuting violations of federal criminal laws and representing the federal government in civil proceedings. For instance, FSA may refer a defaulted federal student loan borrower's account to DOJ for civil litigation against the borrower.[198] In addition, DOJ may file lawsuits against federal student loan program participants, such as contracted student loan servicers, for failure to comply with federal statutes related to student loans[199] and individuals for acts of fraud.[200] DOJ also serves as

[190] Under administrative wage garnishment, ED is authorized to collect up to 15% of a borrower's disposable pay from her or her employer to pay the borrower's debt. 34 C.F.R. Part 34.

[191] U.S. Department of the Treasury, "Debts Exempt from Cross-Servicing Referral Requirements," https://fiscal.treasury.gov/files/debt-management/cross-servicing-transfer-exemption-chart.pdf.

[192] For additional information on the CFPB, see CRS In Focus IF10031, *Introduction to Financial Services: The Consumer Financial Protection Bureau (CFPB)*.

[193] See, for example, CFPB, "CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment," press release, January 18, 2017, https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/.

[194] See, for example, CFPB, "Student Loans," https://www.consumerfinance.gov/ask-cfpb/category-student-loans/.

[195] See, for example, CFPB, "Submit a complaint about a financial product or service," https://www.consumerfinance.gov/complaint/.

[196] Andrew Kreighbaum, "Education Dept. Ends Partnership with CFPB," *Inside Higher Ed*, September 5, 2017. Letter from Kathleen Smith, Acting Assistance Secretary, Office of Postsecondary Education, and Dr. A Wayne Johnson, Chief Operating Officer, FSA, to Richard Cordray, Director, CFPB, August 31, 2017.

[197] Memorandum of Understanding between the Bureau of Consumer Financial Protection and the U.S. Department of Education Concerning the Coordination in Resolving Borrower Complaints, January 31, 2020.

[198] 34 C.F.R. §30.1(a)(3).

[199] DOJ, "Justice Department Reaches $60 Million Settlement with Sallie Mae to Resolve Allegations of Charging Military Servicemembers Excessive Rates on Student Loans," press release, May 13, 2014, https://www.justice.gov/opa/pr/justice-department-reaches-60-million-settlement-sallie-mae-resolve-allegations-charging.

[200] DOJ, "Danville Man Sentenced on Wire Fraud, Identity Theft, Student Loan Fraud Charges," press release, March 6, 2019, https://www.justice.gov/usao-wdva/pr/danville-man-sentenced-wire-fraud-identity-theft-student-loan-fraud-charges.

> the lead agency representing the federal government in bankruptcy proceedings to discharge student loan debt. Previously, ED and DOJ have coordinated to implement policies related to these bankruptcy proceedings.[201]

Other executive branch entities with which ED and FSA may interact include the Federal Trade Commission,[202] the Internal Revenue Service (IRS),[203] the Department of Veterans Affairs,[204] and the Social Security Administration.[205]

In processing the FAFSA, FSA's FAFSA Processing System matches student provided information against other federal entities' databases to confirm elements of each student's aid eligibility. In total, the FAFSA Processing System performs matches against databases maintained by the Social Security Administration, the Department of Veterans Affairs, and the Department of Homeland Security.[206]

To initiate and/or maintain these relationships, ED and FSA may enter into formal agreements (e.g., memoranda of understanding) with the relevant federal entity or maintain a less formal interagency relationship.[207]

FSA and Congress

Congress may guide and affect the way FSA operationalizes and manages the day-to-day functions of the federal student aid programs. First, Congress and the President may enact laws that impact or amend federal student aid programs or FSA itself. For example, Congress could amend the Sections 141-143 of the HEA, which relate specifically to FSA as a PBO, or the Title IV student aid programs in general. In addition, during the appropriations process, Congress determines discretionary funding levels for FSA activities.[208] In some instances, Congress may include stipulations or directives regarding the use of these funds.[209]

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[201] DOJ, "Guidance for Department Attorneys Regarding Student Loan Bankruptcy Litigation," November 17, 2022, https://www.justice.gov/civil/file/1553726/dl?inline=.

[202] See, for example, *Inside Higher Ed*, "Feds Act Against DeVry," January 27, 2016, https://www.insidehighered.com/news/2016/01/28/ftc-and-education-department-take-action-against-devry-university.

[203] For example, under the HEA, students and borrowers may authorize the Internal Revenue Service to disclose certain income information to ED for the purposes of completing the FAFSA and for calculating monthly payments under the student loan income-driven repayment plans. See HEA §494.

[204] For example, FSA and the Department of Veterans Affairs (VA) maintain a computer matching agreement to enable ED to identify student loan borrowers who may be eligible for a total and permanent disability discharge due to their meeting certain VA disability determinations. "Computer Matching Agreement between U.S. Department of Veterans Affairs (VA) and the U.S. Department of Education (ED) Federal Student Aid (FSA)," October 10, 2023, https://www.ed.gov/media/document/computer-matching-agreement-btwn-ed-and-vapdf-35757.pdf.

[205] For example, FSA and the Social Security Administration (SSA) maintain a computer matching agreement to enable ED to identify student loan borrowers who may be eligible for a total and permanent disability discharge due to their meeting certain SSA disability determinations. "Computer Matching Agreement between the Social Security Administration (SSA) and the U.S. Department of Education (ED) Federal Student Aid (FSA)," July 1, 2021, https://www.ssa.gov/privacy/cma/ED-FSA-CMA%20w%20SSA%20Auto%20Discharge-CMA%2006-21-2021_Authorizing%20Official%20Signatures%207-2-2021.pdf.

[206] FSA, *2025-2026 Federal Student Aid Handbook*, Application and Verification Guide, p. 5.

[207] The extent to which relationships are formalized depends on the nature of the relationship.

[208] Funds for Title IV aid administration are largely provided via discretionary annual appropriations, pursuant to HEA Section 458.

[209] For example, in providing funds for Title IV administration under the Further Consolidated Appropriations Act, 2024 (P.L. 118-47), Congress stipulated that ED "shall not award funding for any contract solicitation for a new Federal student loan servicing environment … unless such an environment provides for the participation of multiple (continued...)

Second, Congress exercises oversight of FSA.[210] This oversight may include requiring FSA or ED representatives to testify before Congress, requiring or requesting FSA to report additional information regarding its operations, and requesting that GAO or the IG conduct an in-depth investigation of FSA. Congress has exercised its oversight authority regarding Title IV aid administration numerous times in recent years.[211]

FSA's Performance Under Five-Year Performance Plan

The COO is required to annually report to Congress on FSA's progress in achieving its goals and objectives described in its five-year performance plan (also known as the strategic plan). Among other items, the performance plan is to address FSA's responsibilities in improving service to stakeholders, reducing costs of administering the Title IV student aid programs, improving and integrating the systems that support the student aid programs, and making progress in other areas identified by the Secretary. The Secretary and FSA, in consultation with stakeholders, develop the strategic goals and objectives described in FSA's five-year performance plan. As part of the plan, FSA develops the indicators (or metrics) by which its performance under these goals and objectives are measured. FSA also sets its specific annual targets for meeting each indicator. In its annual report, FSA is to include an evaluation of its performance under the goals and objectives of the five-year performance plan.[212]

Table 2 presents information on FSA's performance for each indicator under its strategic goals and objectives for FY2023-FY2024 as set forth in its most recent strategic plan—its *Strategic Plan: FY2023-27*.[213] For each goal, FSA developed objectives and then indicators by which to measure its performance under the objectives. FSA's targets and actual performance under each indicator are presented. The text for FSA's actual performance under each indicator shows whether FSA met its goal in the given year. Bolded text indicates that FSA did not achieve its goal, while regular text indicates that FSA did achieve its goal.

Table 2 summarizes the performance information for FY2023 and FY2024. Many of FSA's goals, objectives, and indicators were new for its FY2023-2027 strategic plan. As such, in FY2023, FSA completed baseline assessments for 16 (50%) of its indicators against which to measure FSA's performance in future years. FSA generally met or exceeded those goals, objectives, and indicators already in place in FY2023. For FY2023 and FY2024, FSA consistently met its

student loan servicers that contract directly with the Department of Education to manage a unique portfolio or borrower accounts and the full life-cycle of loans from disbursement to pay-off with certain limited exceptions, and allocates student loan borrower accounts to eligible student loan servicers based on performance."

210 For additional information on congressional oversight, see CRS In Focus IF10015, *Congressional Oversight and Investigations*.

211 See, for example, U.S. Congress, House Education and Workforce Committee, Higher Education and Workforce Development Subcommittee, *Examining the Policies and Priorities of the Office of Federal Student Aid*, 117th Cong., 1st sess., October 27, 2021; and U.S. Congress, House Education and Workforce Committee, Higher Education and Workforce Development Subcommittee, *FAFSA (Free Application for Federal Student Aid) Fail: Examining the Impact on Students, Families, and Schools*, 118th Cong., 2nd sess., April 10, 2024.

212 HEA §141(c)(2).

213 For a full description of FSA's strategic goals and the objectives encompassed by those goals, see FSA, *Strategic Plan Fiscal Years 2023-27*, on file with authors. The finalized version of FSA's *Strategic Plan for Fiscal Years 2023-2027* was removed from its website as it drafts a new strategic plan "that reflects FSA's core mission to manage the student financial assistance programs" (CRS communication with ED, Office of Legislation and Congressional Affairs, August 25, 2025). A draft version of the strategic plan is available at FSA, *Federal Student Aid Strategic Plan: Fiscal Year 2023-2027*, December 2, 2022, https://files.eric.ed.gov/fulltext/ED626756.pdf.

objectives under Strategic Goal 3—strengthen engagement and accountability for educational and financial institutions—and most of its objectives under Strategic Goal 5—boost operational efficiency—which includes objectives related to strengthening FSA's information management, enhancing its procurement processes, and improving its cybersecurity posture. FSA also met many of its FY2024 goals for Strategic Goal 1—improve customer service and outcomes for students and borrowers. Perhaps most notably under this strategic goal, the number of borrowers who received student loan forgiveness (an indicator for one of the strategic goal's objectives)[214] increased about 76% from FY2023 to FY2024.

FSA did not meet most of its targets for Strategic Goal 2—advance equity and access to student financial assistance. This was driven by the fact that FSA did not meet all targets for the strategic goal's objective "Provide accurate, seamless, easy, and customized interactions throughout the student aid lifecycle." FSA attributed this trend primarily to the rollout of the 2024-2025 FAFSA, which reflected significant statutory changes made to the FAFSA and need analysis methodologies by the FAFSA Simplification Act (Title VII, Division FF of P.L. 116-260) and the Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE Act; P.L. 116-91)[215] and for which FSA and ED received considerable criticism.[216]

Finally, in FY2024, FSA did not meet most (75%) of its target indicators for Strategic Goal 4—increase workforce and workplace capabilities. For example, it did not meet all targets for its objective "Foster an organizational culture that promotes a productive, connected, and engaged workforce, particularly in a hybrid workplace environment." FSA hypothesized that these missed targets might be attributed to a number of factors, such as return-to-office policies following a prolonged period of telework in light of the COVID-19 pandemic, FSA staff needing to take on additional responsibilities for a prolonged period to support the rollout of the 2023-2024 FAFSA, and "unexpected operational changes within the organization and leadership."[217]

Table 2. FSA's Performance Under Its Five-Year Performance Plan

FY2023-FY2024

(Figures in bolded text indicates a target was not met)

	FY2023		FY2024	
Performance Indicator	**Target**	**Actual**	**Goal**	**Actual**
Strategic Goal 1: Improve customer service and outcomes for students and borrowers				
Objective 1.1: Simplify the student loan repayment process to reduce future delinquency and default rates and improve accessibility of loan forgiveness programs.				
Number of borrowers that received loan forgiveness[a]	Baseline	1.32 million	1.36 million	2.39 million
Percentage of borrowers using auto-debit	Baseline	20.90%	23.90%	**21.50%**

[214] This indicator measures the total number of student loan borrowers who received loan forgiveness through the Public Service Loan Forgiveness program, Borrower Defense to Repayment, Total and Permanent Disability Discharge, and income-driven repayment plan forgiveness.

[215] FSA, *FY2024 Report*, pp. 73-74.

[216] See, for example, U.S. Congress, House Education and Workforce Committee, Higher Education and Workforce Development Subcommittee, Hrg. 118-43, *FAFSA (Free Application for Federal Student Aid) Fail: Examining the Impact on Students, Families, and Schools*, 118th Cong., 2nd sess., April 10, 2024; and GAO, "Botched FAFSA Rollout Leaves Uncertainty for Students Seeking Financial Aid for College," September 24, 2024, https://www.gao.gov/blog/botched-fafsa-rollout-leaves-uncertainty-students-seeking-financial-aid-college.

[217] FSA, *FY2024 Report*, p. 97.

	FY2023		FY2024	
Performance Indicator	**Target**	**Actual**	**Goal**	**Actual**
Percentage of borrowers submitting applications through the PSLF Help Tool[b]	≥56.70%	60.50%	≥60.50%	64.10%
Objective 1.2: Enhance the quality of contact center and loan servicing operations, leveraging data to assess progress toward customer service and product delivery standards.				
Percentage of contractor interactions reviewed that received a passing score[c]	Baseline	98.10%	≥95%	98.60%
Objective 1.3: Engage with stakeholders to improve delivery of student aid.				
Surveys to third-party stakeholders[d]	Implement survey	Survey implemented	Baseline	7%
Objective 1.4: Address complaints and inquiries regarding financial aid products and services.				
Timeliness of case handling[e]	Baseline	78%	≥78%	**74%**
Accuracy of business process operations[f]	Baseline	58%	≥58%	87%[g]
Accuracy of first-level complaint response[h]	Baseline	32%	≥32.1%	38.10%
Strategic Goal 2: Advance equity and access to student financial assistance				
Objective 2.1: Enable financial education and empowerment by helping students and families understand the benefits and responsibilities of financing postsecondary education.				
Overall borrower satisfaction score for online counseling[i]	Baseline	90	≥90	90
Objective 2.2: Simplify the Free Application for Federal Student Aid (FAFSA) process.				
Customer satisfaction survey score associated with completing the Free Application for Federal Student Aid	78	80	80	80
Objective 2.3: Provide accurate, seamless, easy, and customized interactions throughout the student aid lifecycle.[j]				
StudentAid.gov digital satisfaction	≥66	72	≥72	**60**
StudentAid.gov post-transaction satisfaction	Baseline	83	≥83	**82**
Customer Center satisfaction	Baseline	71	≥71	**52**
Email campaign helpfulness	Baseline	79	≥79	**58**
Strategic Goal 3: Strengthen engagement and accountability for educational and financial institutions				
Objective 3.1: Utilize a comprehensive suite of monitoring tools to oversee participating partners.				
Review for participating partners that have been provisionally certified[k]	40%	66.50%	60%	79.10%
Objective 3.2: Build enforcement capabilities, in coordination with federal and state partners, to protect students, families, and taxpayers from deceptive, fraudulent, or harmful practices in the student aid marketplace.				

Performance Indicator	FY2023 Target	FY2023 Actual	FY2024 Goal	FY2024 Actual
Build and implement an FSA Enforcement Strategy that incorporates a risk model for identifying schools that pose risk to students and taxpayers	Develop strategic plan	Strategic plan completed	Implement strategic plan	Strategic plan implemented
Objective 3.3: Provide inclusive and effective partner outreach, training, and technical assistance.				
Institutional participation rates in Title IV training and specialized technical assistance programs	75%-80%	84%	80%-82%	86%
Strategic Goal 4: Increase Workforce and Workplace Capabilities				
Objective 4.1: Promote workforce diversity, equity, inclusion, and accessibility.				
Federal Employee Viewpoint Survey (FEVS)[l] Diversity and Inclusion Index: New Inclusion Quotient Index[m]	Baseline	73%	≥74%	**72%**
Percentage of qualified new hires and backfills coming from identified underrepresented workforce populations	Baseline	37%	3%-5% of new hires	51%
Percentage of underrepresented populations included in organizational talent acquisition, promotion, and development/training activities	Baseline	36%	≥37%	39%
Percentage of employees participating in formal diversity, equity, inclusion, and accessibility efforts	10%-15% of total employee count	**8%**	12%-17%	**10%**
Objective 4.2: Attract, develop, and retain an agile workforce that can quickly respond to a changing environment and emerging priorities.				
FEVS: Intrinsic Work Experience[n]	Baseline	76%	≥77%	**74%**
Objective 4.3: Foster an organizational culture that promotes a productive, connected, and engaged workforce, particularly in a hybrid workplace environment.				
FEVS: Employee Engagement Index[o]	≥73%	75%	≥76%	**72%**
FEVS: Leaders Lead[p]	Baseline	61%	≥62%	**58%**
FEVS: Supervisors[q]	Baseline	84%	≥85%	**83%**
Strategic Goal 5: Boost Operational Efficiency				
Objective 5.1: Strengthen enterprise-wide data analytics and information management to foster a customer-centric, data-driven, performance-based organization.				
The sum of Annual Data Maturity Assessment (DMA) for DMA Processing Areas[s]	56	69	71	n.a.[r]

	FY2023		FY2024	
Performance Indicator	**Target**	**Actual**	**Goal**	**Actual**
Successful maintenance and use of statistical models in Title IV operations	8 total number of new and existing modeling initiatives	8	9 total number of new and existing modeling initiatives	9
Implement new Statistical Modeling Initiatives	2 total number of new initiatives	2	2 total number of new initiatives	2
Objective 5.2: Continuously improve systems, structures, and operations to enhance organizational efficiency and performance.				
Operational performance[t]	Investment portfolio aligned to key organizational drivers and current fiscal year enacted appropriation. Investment portfolio achieves 75% milestones. Organization/program risks are documented. (Y/N)	Y	Enhance continual delivery and implementation of improved Financial Management and support sound investment decision making to effectively drive FSA's mission. (Y/N)	Y
Objective 5.3: Enhance procurement planning, management, and execution.				
Time-duration estimates for procurement-related tasks for use in Program Schedules	Identify requisite tasks and durations for other procurement methods based upon law, regulation, policy, and historic performance.	Completion of FSA Acquisitions Directorate Collaboration Site (met)	Identify requisite tasks and durations for other procurement methods based upon law, regulation, policy, and historic performance.	Identified requisite tasks and durations for government policy's preferred procurement method, i.e., full and open competition (met)
Plan, develop and implement a new investment management process aligning acquisitions, budget, and human capital with program planning	Planning	Planning	Development	**Planning**
Objective 5.4: Improve cybersecurity detection, prevention, and protection ensuring data confidentiality, integrity, and availability.				
Cybersecurity Maturity-Level (OIG Maturity Levels)[u]	60% at level 3 or higher	100%	70% at level 3 of higher	100%

Source: FSA, *Annual Reports*, FY2023-FY2024.

Notes:

a. Represents the number of total student loan borrowers who received loan forgiveness through the Public Service Loan Forgiveness program, Borrower Defense to Repayment, Total and Permanent Disability Discharge, and income-driven repayment plan forgiveness.

b. The PSLF Help Tool is an online tool that assists student loan borrowers in determining their eligibility for PSLF program benefits and to submit an electronic PSLF application.

c. "Passing score" is defined in contractors' Service Level Agreements (SLAs), which are required performance criteria agreed upon by FSA and its vendors in their contracts. SLAs are intended to incentivize vendors to provide high levels of service to FSA customers. For example, SLAs for loan servicers include call abandon rates and customer satisfaction scores.

d. Represents the stakeholder response rate to FSA's solicitation of their opinions and priorities of Title IV aid delivery.

e. Measures the number of FSA customer complaint cases that were closed timely.

f. Measures the accuracy with which business process operations vendors populate data fields and route FSA customer complaint cases to appropriate parties.

g. Measure taken at the mid-year point of FY2024. FSA stopped tracking this measure in April 2024, as it implemented procedures to auto-route cases to appropriate parties.

h. Measures the accuracy and quality of complaint responses from FSA vendors.

i. Measures borrower comprehension and satisfaction with various FSA counseling tools such as student loan entrance and exit counseling and TEACH Grant counseling.

j. FSA did not meet its targets for all four performance indicators under this objective in FY2024. FSA attributed this trend primarily to the roll-out of the 2024-2025 FAFSA form, which reflected significant statutory changes made to the FAFSA and need analysis methodologies by the FAFSA Simplification Act (Title VII, Division FF or P.L. 116-260) and the Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE Act; P.L. 116-91).

k. Measures the completion rate of comprehensive Title IV compliance reviews for provisionally certified institutions of higher education (IHEs). Provisionally certified IHEs are those that FSA has determined have demonstrated their capability to meet Title IV institutional participation requirements within a specified timeframe.

l. The Federal Employee Viewpoint Survey (FEVS) is an "organizational climate survey that contains questions designed to measure employees' feelings and attitudes in topic areas … important to creating an effective work environment." FSA, *FY2024 Report* p. 88.

m. Represents FSA's score on the FEVS Diversity, Equity, Inclusion, and Accessibility Index of the FEVS, which measures "employee perceptions of the agency's commitment to diversity, equity, inclusion, and accessibility." FSA, *FY2024 Report*, p. 90.

n. Represents FSA's score on the FEVS Intrinsic Work Experience subindex within the FEVS Employee Engagement Index (EEI). The subindex "reflects employees' feelings of motivation and competency relating to their roles in the workplace." FSA, *FY2024 Report*, p.93.

o. Represents FSA's score on the FEVS EEI. The EEI "assesses the critical conditions conducive for employee engagement such as effective leadership, meaningful work, and opportunities to grow on the job." FSA, *FY2024 Report*, p. 97.

p. Represents FSA's score on the FEVS Leaders Lead subindex the within the EEI. The subindex "reflects employees' perceptions of the integrity of leadership, as well as leadership behaviors such as communication and workforce motivation." (FSA, *FY2024 Report*, p. 97) In FY2023, the indicator used was derived from specific questions on the FEVS and was referred to as "FEVS: Communication." To better align with FSA's 2023-2027 strategic plan, the indicator was derived from the entirety of the Leaders Lead subindex.

q. Represents FSA's score on the FEVS Supervisors subindex within the EEI. The subindex "reflects employees' perception of the interpersonal relationship between worker and supervisor, including trust, respect, and support." (FSA, *FY2024 Report* p. 97) In FY2023, the indicator used was derived from specific questions on the FEVS and was referred to as "FEVS: Collaboration." To better align with FSA's 2023-2027 strategic plan, the indicator was derived from the entirety of the Supervisors subindex.

r. The result for this indicator was unavailable at the time of publication.

s. The Data Maturity Assessment provides a "comprehensive framework of data management practices organized into key categories that allow for the benchmarking of capabilities, the identification of strengths and gaps, and the leveraging of data assets to improve business performance." FSA, *FY2024 Report*, p. 101.

t. Measures the effectiveness of FSA's financial planning, budget execution, management of financial systems, and compliances with applicable laws, regulations, and policies.

u. Measures FSA's progress toward achieving compliance with the five major categories of the Federal Information Security Modernization Act of 2014 (FISMA)—identify, protect, detect, respond, and recover—that strengthen federal cybersecurity.

Assessments of FSA as a PBO

Close observers assessed FSA's progress in addressing the congressionally identified issues that prompted FSA's establishment as a PBO in 1998.

Immediately following the enactment of the HEA provisions establishing a PBO, ACSFA acknowledged the difficulty of simultaneously undertaking a major reorganization and system modernization. ACSFA noted the commitment and energy of the first permanent COO and praised "his willingness to communicate with the higher education community" as well as his early senior personnel choices.[218]

ACSFA also criticized the priorities of the new unit as well as its adherence to the congressional intent behind, and the requirements of, the new statute. Among other concerns, it noted that

- ED appeared to be transplanting the organizational arrangements of SFAP (FSA's predecessor), as an office of OPE, into a new PBO that reported directly to the Secretary without making more fundamental changes to its management and organizational structure;
- ED was failing to "adequately separate policy making and regulatory responsibilities of OPE and operations responsibilities of the PBO as intended by Congress;"[219] and
- rather than "directing its attention and scarce resources toward solving its basic systems, data, and contract problems, the PBO appear[ed] to be … concentrating on the twin objectives of improving day-to-day customer service and providing students web access to their data through 'a single federal point of contact' for all financial aid transactions."[220]

In 2002, ACSFA reported, among other findings, that some progress had been made on transferring policymaking functions to OPE but that "functions related to institutional eligibility and guarantor and lender oversight" remained within the purview of FSA.[221] ASFCA called for

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[218] ACSFA, letter to Senator James M. Jeffords, chair of the Senate Committee on Health, Education, Labor, and Pensions, November 30, 1999, p. 1. A copy of this document can be provided by the authors to congressional clients upon request. This report was made pursuant to Section 490C of the Higher Education Amendments of 1998, which directed ACFSA to conduct specified analyses related to delivery systems for student financial aid. Among other mandated activities, the committee was to "monitor and evaluate the modernization of student financial aid systems and delivery processes, including the implementation of a performance-based organization within the Department, and report to Congress regarding such modernization on not less than an annual basis, including recommendations for improvement."

[219] ACSFA, "Implementing the Higher Education Amendments of 1998: Update on Key Issues," January 1999, p. 4. This committee's evaluation was based on its review of ED transition plans and organizational charts that had been formulated in the summer of 1998 in anticipation of the bill's passage, communications between ACSFA and the department, and communications between Congress and ED. A copy of this document can be provided by the authors to congressional clients upon request.

[220] ACSFA, "The PBO and Modernization: Progress to Date," November 1999, p. 13. A copy of this document can be provided by the authors to congressional clients upon request.

[221] ACSFA, letter to Senator Edward M. Kennedy, January 10, 2002. A copy of this document may be provided by the authors to congressional clients upon request. ACSFA had expressed its concerns about these specific functions beginning early in the implementation process. These concerns were apparently shared by the House Committee on Education and the Workforce, which articulated them in a December 16, 1998, letter to the Secretary of Education: "[W]e recently learned that the Guarantor and Lender Oversight Service, the Policy, Training and Analysis Service and the Institutional Participation and Oversight Service are being incorporated into the PBO. These offices have (continued...)

the transfer of these functions to OPE, with OPE consulting with FSA to ensure that proposed federal aid policies supported FSA operations. ACSFA also reported that FSA was strengthening the capacity of its management, systems, and operations staff while reducing its reliance on contractors and recommended FSA continue to do so. In addition, it expressed concern that minimal progress had been made on systems integration. ACSFA called for ED to "incorporate specific integration goals and schedules into its strategic and tactical plans and quicken the overall pace of data and systems integration as a means of reducing cost and increasing efficiency."[222]

By 2001, FSA had developed an organizational performance plan identifying three strategic goals: increase customer satisfaction, increase employee satisfaction, and reduce unit costs.[223] However, ED's IG and GAO noted that it did not clearly address some of the new office's statutory purposes that had been identified during the HEA reauthorization process. For example, both entities found that the performance plan did not sufficiently address the means by which systems integration would be accomplished, nor did it include any objective measures of forward movement in that area.[224] Both ED's IG and GAO recommended that FSA establish clear goals, strategies, and performance measures related to systems integration. FSA disagreed with the IG's recommendation, reasoning that the agency could not achieve its three stated goals without systems integration. In a response to the GAO recommendation, which came later, however, ED's Deputy Secretary agreed with the recommendation, committing to directing that FSA's performance plan "be revised to establish measurable goals and milestones for systems integration efforts to provide both direction to FSA and enhance its accountability."[225]

The GAO report also assessed the progress FSA had made in measuring and achieving its three strategic goals. It noted that FSA had made measurable progress in the general improvement of customer and employee satisfaction—two of its three strategic goals.[226] With regard to its third goal (reduce unit costs), GAO found that the indicator FSA used to measure unit cost was deficient.

GAO also noted that the relationship between FSA and ED was still evolving:

> Education continues to take steps to clarify FSA's level of independence and its relationship with other Education offices…. With the arrival of the current administration … Education established special interim operating procedures for all department units, including FSA, that were intended to ensure that personnel and financial resources are

substantial duties in the areas of policy, regulation and oversight.… Our concern is that the clear distinction drawn in the legislation between operational and policy/regulatory responsibilities is being blurred." In 2008, the HEOA amended Section 141 of the HEA to specify that the PBO was responsible for managing the administrative and oversight functions that support Title IV programs. A copy of the ACSFA document can be provided by the authors to congressional clients upon request.

[222] ACSFA, letter to Kennedy.

[223] FSA, "Performance Plan—Student Financial Assistance: FY 2001." The plan was developed pursuant to the requirements of the 1998 HEA reauthorization, as discussed above, and the Government Performance and Results Act of 1993. A copy of this document can be provided by the authors to congressional clients upon request.

[224] ED IG, "Inspection Memorandum: Review of Student Financial Assistance's Performance Plan," 2001, p. 1; and GAO, *Federal Student Aid: Additional Management Improvements Would Clarify Strategic Direction and Enhance Accountability*, GAO-02-255, April 2002, p. 10. The HEA, as amended, provides that the "PBO shall be subject to the usual and customary Federal audit procedures and to review by the Inspector General of the Department." The GAO report appears to have been issued pursuant to a congressional request. It was addressed to Senator Edward M. Kennedy, chair of the Senate Committee on Health, Education, Labor, and Pensions, and Senator James M. Jeffords to respond to their "interests concerning FSA's progress since becoming a PBO" (p. 1).

[225] GAO, *Federal Student Aid*, p. 26.

[226] GAO, *Federal Student Aid*, p. 3.

> managed effectively and efficiently throughout the department.… Education now provides greater direction and oversight of FSA than was provided previously. Education is currently reviewing FSA's role and responsibilities as part of the departmentwide management planning effort. The results … will be used to guide future decisions concerning FSA's level of independence and its relationship to other department offices.[227]

In 2005, GAO removed the Title IV federal student aid programs from its High Risk List.[228] The student aid programs had been on GAO's High Risk List since the list's inception in 1990. In removing the Title IV student aid programs from the list, GAO found that while FSA still needed to take additional steps to fully address some of its recommendations, overall, management of the programs had improved enough to warrant removal from the High Risk List. In removing the student aid programs from its High Risk List, GAO cited many factors, including FSA's

- "sustained improvements to address financial mismanagement and internal control weaknesses,"
- receipt of an unqualified or "clean" opinion on its financial statements for FY2002-FY2004,
- actions to ensure that aid was not being awarded to ineligible students,
- actions to "integrat[e] its many disparate information systems,"
- steps to reduce student loan default rates, and
- steps to address its "human capital challenges."[229]

In the 2010s, FSA's performance in a variety of areas was mixed. For example, it was praised for its handling of the transition to 100% direct lending under the Direct Loan program and for other improvements to the administration of the Title IV aid programs, such as implementation of the IRS Data Retrieval Tool to allow students and their parents to import their federal income tax data directly into their FAFSA.[230] However, sizable issues were identified by stakeholders. For example, FSA's oversight of its contracted loan servicers came under scrutiny from Congress,[231] ED's IG,[232] GAO,[233] and the CFPB.[234] Seemingly large deficiencies in ED's implementation of and communication with borrowers about of the PSLF program were identified by GAO[235] and

[227] GAO, *Federal Student Aid*, p. 4.

[228] GAO maintains the High Risk List, a list of programs and operations that are "'high risk' due to their vulnerabilities to fraud, waste, abuse, and mismanagement, or that need transformation." GAO, "High Risk List," https://www.gao.gov/highrisk/overview#t=0.

[229] GAO, *High Risk Series: An Update*, GAO-05-207, January 2005, pp. 8-10.

[230] U.S. Congress, Joint Hearing, House Committee on Oversight and Government Reform, Subcommittee on Government Operations and House Committee on Education and the Workforce, Subcommittee on Higher Education and Workforce Training, *Federal Student Aid: Performance-Based Organization review*, 114th Cong., 1st sess., November 18, 2015, p. 60. See also ED IG, *Federal Student Aid's Efforts to Ensure the Effective Processing of Student Loans Under the Direct Loan Program*, September 16, 2010.

[231] See, for example, U.S. Congress, House Committee on Financial Services, *A $1.5 Trillion Crisis: Protecting Student Borrowers and Holding Student Loan Servicers Accountable*, 116th Cong., 1st sess., September 10, 2019.

[232] ED IG, *Federal Student Aid: Additional Actions Needed to Mitigate the Risk of Servicer Noncompliance with Requirements for Servicing Federally Held Student Loans*, February 12, 2019.

[233] See, for example, GAO, *Federal Student Loans: Further Actions Needed to Implement Recommendations on Oversight of Loan Servicers*, GAO-18-587R, July 27, 2018.

[234] See, for example, CFPB, "CFPB Sues Nation's Largest Student Loan Company Navient for Failing Borrowers at Every Stage of Repayment," press release, January 18, 2017, https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/.

[235] See, for example, GAO, *Public Service Loan Forgiveness: Education Needs to Provide Better Information for the* (continued...)

garnered congressional interest as well.[236] Concerns have were also raised over FSA's ability to identify and address poorly performing IHEs or those that may be at risk of closure.[237]

In more recent years, FSA has come under scrutiny for a variety of issues, including its financial audits,[238] its Direct Loan program cost estimates,[239] and its implementation of the FAFSA Simplification Act.[240] Additionally, some previously identified issues, such as ED's communication to stakeholders, remained, albeit in different contexts.[241] These more recent and ongoing issues are discussed in more detail below.

Current Issues

ED's federal student aid operations were statutorily reorganized into a PBO with the hope of addressing significant management problems, including limited progress in integrating numerous data systems, student aid delivery delays and breakdowns, and infighting over student aid delivery turf among ED's senior managers. In this context, the then-untried PBO model seemed promising: It was built on the idea that business-like performance incentives and management flexibility would motivate and permit the organization and its leaders to provide economical, efficient, and effective service to student aid recipients. The organization would be given a higher-than-typical level of independence from political leadership and direction on operational processes in return for accountability for results, as measured by performance agreements and assessments. Potential concerns about independent policymaking by a PBO's leaders could be allayed by separating the policymaking functions from the operational functions. The former would remain accountable to Administration leadership, and the latter would be vested in the semi-independent PBO.[242] While the establishment of FSA as a PBO seems to have addressed at least some of the congressional concerns prompting its establishment, others appear to be unresolved. In addition, new issues have arisen since, and some of these appear to be unresolved.

Federal oversight entities and other outside observers have identified current issues pertaining to FSA, including those relating to oversight and transparency. Regarding another long-term issue, stakeholder accountability, FSA appears to have made improvements. As these issues receive continued attention, this final section of the report highlights some of these. Issues highlighted

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Loan Servicer and Borrowers, GAO-18-547, September 27, 2018; and GAO, *Public Service Loan Forgiveness: Improving the Temporary Expanded Process Could Help Reduce Borrower Confusion*, GAO-19-595, September 5, 2019.

[236] U.S. Congress, House Committee on Education and Labor, Subcommittee on Higher Education and Workforce Investment, *Broken Promises: Examining the Failed Implementation of the Public Service Loan Forgiveness Program*, 116th Cong., 1st sess., September 2019.

[237] See, for example, ED IG, *Federal Student Aid's Process for Identifying At-Risk Title IV Schools and Mitigating Potential Harm to Students*, February 24, 2017; and GAO, *Higher Education: Education Should Strengthen Oversight of Schools and Accreditors*, GAO-15-59, December 22, 2014 (Reissued January 22, 2015).

[238] See, for example, FSA, *FY2024 Report,* pp. 186-188.

[239] See, for example, GAO, *Federal Student Loans: Education Should Enhance Reporting on Direct Loan Performance and Risk*, GAO-24-106174, January 31, 2024, https://www.gao.gov/assets/gao-24-106174.pdf.

[240] See, for example, GAO, Department of Education: Preliminary Results Show Strong Leadership Needed to Address Serious Student Aid System Weaknesses, GAO-24-107783, September 24, 2024, https://www.gao.gov/assets/gao-24-107783.pdf.

[241] For example, GAO previously identified issues relating to ED's communication to borrowers about the PSLF program. More recently, GAO identified issues relating to ED's communication to students about the rollout of the 2024-2025 FAFSA. See GAO, *FAFSA: Education Needs to Improve Communications and Support*.

[242] HEA §141, 20 U.S.C. §1018. See also U.S. Congress, Senate Committee on Labor and Human Resources, *Higher Education Act Amendments of 1998*, report to accompany S. 1882, 105th Cong., 2nd sess., May 4, 1998, S.Rept. 105-181 (Washington: GPO, 1998), pp. 75-76.

and options for addressing them have, for the most part, been gathered from reports from GAO, ED's IG, and outside organizations. CRS has also identified options available to address these issues. **Table 3** provides a high-level summary of the issues highlighted in this report.

Table 3. Summary of Selected Current Issues Relating to FSA

Issues and Subissues
Oversight Functions
Institution of higher education (IHE) oversight
Loan servicer oversight
Transparency
Information for policymakers and stakeholders
Information for members of the public
Stakeholder Accountability

Source: CRS analysis.

In some instances, documents referenced in this section of the report refer to ED and/or the Secretary of Education and not specifically to FSA and/or its COO. However, based on its functions, FSA is likely pertinent to the topics being addressed. Where possible, CRS has indicated in footnotes where a cited source refers to ED more generally and CRS has inferred that FSA has some responsibility for a function or activity being discussed.

Oversight Functions

As summarized here and discussed in detail below, observers have identified FSA shortcomings in the performance of some of its statutory oversight functions. HEA Section 141 specifies that one of FSA's functions as a PBO is to ensure the integrity of the federal student aid programs. Thus, FSA is tasked with overseeing a variety of entities that play a role in administration of the Title IV student aid programs. FSA's oversight of key student aid program participants such as IHEs and contracted loan servicers has been criticized in recent years. Some criticisms have focused on perceived deficiencies in FSA's assessment of IHEs, its inability to mitigate risk in the Title IV programs, and its inconsistency in ensuring that IHEs meet Title IV requirements.

Similarly, FSA has experienced difficulties in its monitoring of loan servicers, including failure to hold loan servicers accountable for noncompliance with contract terms. Some of these difficulties seem to have stemmed from FSA's incomplete or fragmented guidance to loan servicers, which has impeded servicers' efforts to comply with requirements for servicing federally held loans and to assist borrowers in navigating the aid programs.

Should Congress elect to take action to address these issues, consideration might be given to whether or how it should specify desired outcomes and actions taken by FSA. There may be tradeoffs between meeting congressional goals and shoring up current perceived oversight deficiencies and enabling FSA to operate independently and with flexibility to address difficult or novel issues. Consideration might also be given to the apparent difficulties in separating operational functions delegated to FSA from policymaking functions retained by ED.

IHE Oversight

FSA oversees, through enforcement activities, IHE compliance with requirements for participation in the Title IV aid programs. These requirements are intended to ensure that IHEs provide sufficient educational quality, provide a level of consumer protection, and ensure administrative and fiscal integrity of Title IV programs at IHEs.[243] Through oversight of the IHEs participating in the Title IV student aid programs, FSA is able to identify instances of noncompliance and take appropriate action, such as sanctioning IHEs or providing assistance to IHEs to come into compliance—both tools that can help mitigate student and taxpayer risk. Over the years, FSA's oversight of IHEs has been of interest given the large scale of the Title IV programs and multiple instances in which it has discharged billions of dollars in federal student loans in response to findings of institutional misrepresentations to students.[244] GAO and ED's IG have launched several investigations into FSA's practices surrounding IHE Title IV oversight and have found that FSA often did not have complete written procedures or sufficient internal controls to monitor and ensure institutional Title IV compliance. These types of frailties could result in failure to identify some IHEs that are not complying with Title IV requirements as well as a failure to impose appropriate penalties when warranted.[245]

For example, one GAO report found that although FSA investigated and imposed penalties on some IHEs for making substantial misrepresentations to their students, it had not completed written procedures for those investigations and had not updated written procedures for such penalties in several years.[246] GAO noted that as a result of changes in leadership priorities with respect to investigative work, FSA had changed, multiple times over several years, the structure of the primary units tasked with investigating IHE misrepresentation and staffing resources for such work. GAO asserted that complete written procedures could ensure that FSA would be investigating the highest-risk IHEs and using consistent investigative practices "regardless of staff experience or turnover" and that updated procedures for imposing penalties would help it "impose appropriate penalties to hold colleges accountable."[247] FSA subsequently implemented all of GAO's recommendations related to GAO's findings.[248]

As another example, ED's IG found that while ED had established processes for assessing and recouping Title IV liabilities against IHEs that had closed, FSA did not always follow those processes. The IG also found that FSA did not always comply with procedures to send notices to its stakeholders about an IHE's pending or completed closure. The IG asserted that FSA's inconsistent application of such procedures may increase the risk that ED is unable to recoup

[243] For additional information on these requirements, see CRS Report R43159, *Eligibility for Participation in Title IV Student Financial Aid Programs*.

[244] For example, the Biden Administration approved $6.1 billion in student loan discharges for nearly 317,000 borrowers after finding that the schools for which the funds were borrowed "made pervasive and substantial misrepresentations to prospective students." ED, "Biden-Harris Administration Approves $6.1 Billion Group Student Loan Discharge for 317,000 Borrowers Who Attended the Art Institutes," press release, May 1, 2024.

[245] GAO and ED's IG did not identify instances in which FSA over-enforced Title IV compliance. However, schools have sometimes filed lawsuits alleging that FSA has exceeded its enforcement authority. See, for example, Sara Weissman, "ED Rescinds $37.7M Fine Against Grant Canyon University," *Inside Higher Ed*, May 19, 2025, https://www.insidehighered.com/news/quick-takes/2025/05/19/ed-rescinds-377m-fine-against-grand-canyon-university.

[246] An IHE's misrepresentation about its educational programs may lead students to rely on those statements to their detriment by, for example, borrowing federal student loans to attend the IHEs that they would not have in the absence of the misrepresentations. In some cases, this may result in costs for the federal government. For example, if a student borrowed a federal student loan based on an IHE's falsified job placement rates and was unable to obtain a job after completing the credential, the student may have difficulty repaying the loan and default on it, which may lead to costs for the federal government.

[247] GAO, *Higher Education: Department of Education Should Improve Enforcement Procedures*, p. 26.

[248] GAO, *Higher Education: Department of Education Should Improve Enforcement Procedures*.

institutional liabilities to ED, thus resulting in loss or misapplication of taxpayer funds.[249] The primary office within FSA tasked with determining IHEs' Title IV liabilities is its School Eligibility and Oversight Service Group, which at the time of the IG's report was divided into multiple regional offices. Subsequently, in 2025, the Trump Administration instituted a reduction in force across ED that resulted in, among other actions, the elimination or consolidation of all but two such offices.[250] ED has sought to assure stakeholders that the functions handled by the affected offices were "being transferred to other offices and experts."[251] However, loss of personnel and expertise may exacerbate issues such as those identified in the IG report. For example, a survey conducted by the National Association of Student Financial Aid Administrators (NASFAA)—a prominent professional organization of student financial aid administrators—indicates that some student aid administrators have experienced "delays, federal systems breakdowns, and a lack of clear federal communication" in the wake of FSA staff reductions.[252]

Ensuring IHEs' compliance with Title IV requirements arguably addresses one of the HEA-specified functions of FSA as a PBO: ensuring integrity of the Title IV aid programs. It also arguably addresses FSA's strategic goal to "strengthen engagement and accountability for education and financial institutions," which FSA describes as aimed to "deliver and safeguard federal student aid with integrity."[253] FSA has been successful in meeting the three objectives and their performance indicators it has identified as measures of its performance under this goal. However, it is unclear whether FSA has resolved issues identified by stakeholders that are seemingly relevant to these objectives and indicators.[254]

Loan Servicer Oversight

FSA-contracted loan servicers are tasked with various day-to-day administrative tasks associated with federal student loans and some other forms of student aid. FSA's oversight of loan servicers generally consists of ensuring that the loan servicers are meeting federal requirements for student loans (e.g., ensuring that borrowers' interest rates are correctly calculated) and fulfilling the terms and conditions of their contracts with FSA. The agency also provides guidance to loan servicers to enable them to meet such standards. Oversight of contracted loan servicers can help FSA mitigate risks in the Title IV program and enable it to help ensure the provision of effective customer service to students and their families.

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[249] ED IG, *U.S. Department of Education's Assessment and Recoupment of Liabilities from Closed Institutions of Higher Education*.

[250] See ED, "Organizational Charts," March 17, 2025, version, https://www.ed.gov/sites/ed/files/2025-03/ED%20Org%20Chart%20%20250317%20-%20Active%20Reorg.pdf. See also Liam Knox and Jessica Blake, "Assessing the Damage After the Education Department's Mass Layoff," *Inside Higher Ed*, March 13, 2025, https://www.insidehighered.com/news/government/student-aid-policy/2025/03/13/how-education-department-layoffs-could-affect-higher.

[251] James Bergeron, Acting Under Secretary, U.S. Department of Education, letter to Education Stakeholders, March 14, 2025, https://fsapartners.ed.gov/sites/default/files/2025-03/ActingUnderSecretaryJamesBergeronLettertoEducationStakeholdersMarch142025.pdf. Inasmuch as 2025 ED reorganizational activities have been fluid, the long-term impact of these changes on FSA's ability to assess and recoup Title IV liabilities from closed IHEs is unclear.

[252] National Association of Student Financial Aid Administrations, Continued Impact of Workforce Reductions and Potential Closure of the Department of Education on Financial Aid Offices: Findings from a July 2025 National Survey of Financial Aid Professionals, August 20, 2025, p. 1, https://www.nasfaa.org/uploads/documents/Impact_ED_FSA_Cuts_on_FAOs_Results.pdf.

[253] FSA, *FY2024 Report*, p. 77.

[254] See, for example, ED IG, *U.S. Department of Education's Assessment and Recoupment of Liabilities from Closed Institutions of Higher Education*.

For several years, issues associated with federal student loan servicing have received considerable attention. For instance, some borrowers and consumer advocates have alleged that specified loan servicers have engaged in undesirable conduct, such as steering borrowers away from more beneficial loan repayment options[255] or providing inaccurate or incomplete information to borrowers.[256] Others have detailed loan servicer billing and communication errors and delays that may lead to borrower injury (e.g., they may risk missing payments on their loans).[257] Still others have identified issues with respect to the implementation of specific loan terms and conditions such as the income-driven repayment (IDR) plans.[258]

Previously, concerns raised about loan servicing have focused in particular on whether FSA is sufficiently reviewing, monitoring, and holding loan servicers accountable. For example, in 2015 GAO reported that FSA's monitoring of loan servicers' interactions with borrowers may be insufficient to ensure that servicers are providing accurate information and quality customer service to borrowers.[259] As another example, ED's IG previously found that FSA rarely used available tools to hold loan servicers accountable and did not incorporate a performance metric relating to servicer compliance into the otherwise performance-driven terms of its contracts with loan servicers.[260] Some of these issues have seemingly been resolved,[261] and in recent years FSA has taken some steps to hold loan servicers accountable for their errors.[262] Nonetheless, borrowers continue to voice loan servicing complaints.[263] This may call into question whether FSA's recent actions to exert additional loan servicer oversight are sufficient.

Additionally, ED recently transitioned to a new loan servicing environment to, among other objectives, "hold servicers to a high level of performance."[264] ED's IG has stated that this initiative "has significant potential to improve FSA's ability to oversee and hold accountable its key contractors servicing Federal student aid" but noted that FSA must ensure the initiative is

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[255] See, for example, Nelson v. Great Lakes Educ. Loan Servs., Inc., 928 F.3d 639, 642 (7th Cir. 2019); Pennsylvania v. Navient Corp., 354 F. Supp. 3d 529, 536-37 (M.D. Pa. 2018).

[256] See, for example, Pennsylvania v. Navient Corp., 354 F. Supp. 3d 529, 537 (M.D. Pa. 2018). For additional information about these allegations, see CRS Report R45917, *Federal and State Regulation of Student Loan Servicers: A Legal Overview*.

[257] See CFPB, *Annual Report of the CFPB Student Loan Ombudsman*.

[258] GAO, *Federal Student Aid: Education Needs to Take Steps to Ensure Eligible Loans Receive Income-Driven Repayment Forgiveness*, GAO-22-103720, March 2022. This GAO report refers to ED in its findings. However, FSA is generally responsible for loan servicer oversight.

[259] GAO, *Federal Student Loans: Key Weaknesses Limit Education's Management of Contractors*, GAO-16-196T, November 18, 2015.

[260] The performance metrics FSA uses for borrower account allocation to loan servicers are (1) results of borrower satisfaction surveys, (2) percentage of borrowers who were not more than five days delinquent, (3) percentage of borrowers who were more than 90 but less than 271 days delinquent, (4) percentage of borrowers who were more than 270 but less than 361 days delinquent, and (5) results of satisfaction surveys of FSA employees who interact with the loan servicers. ED IG, *Federal Student Aid: Additional Actions Needed*, pp. 2, 6. ED IG, *Federal Student Aid: Additional Actions Needed to Mitigate the Risk of Servicer Noncompliance with Requirements for Servicing Federally Held Student Loans*, p. 2.

[261] See, for example, GAO, Student Loans: Oversight of Servicemembers' Interest Rate Cap Could Be Strengthened, GAO-17-4, pp. 26-28, https://www.gao.gov/products/gao-17-4; GAO, Federal Student Loans: Key Weaknesses Limit Education's Management of Contractors, "Recommendations for Executive Actions."

[262] See, for example, Danielle Douglass-Gabriel, "Student Loan Servicer MOHELA Faces New Punishment from Biden Administration," *Washington Post*, October 17, 2024, https://www.washingtonpost.com/education/2024/10/16/mohela-student-loans-punishment/. This article refers to ED, but FSA is generally responsible for loan servicing oversight and contract management.

[263] CFPB, *Annual Report of the CFPB Student Loan Ombudsman*, p. 62.

[264] ED, FSA, "Next Generation of Loan Servicing," https://studentaid.gov/data-center/business-info/next-gen/next-gen-loan-servicing, accessed May 30, 2025.

effectively implemented and that FSA "follows through to hold its contractors accountable for effectively administering their responsibilities."[265] A key feature of this new loan servicing environment is that, once fully implemented, borrowers would log into a single loan servicing platform (StudentAid.gov), rather than individual loan servicers' platforms, to manage their student loan accounts.[266] However, some observers posit that "student loan servicing will not become simpler based on these updates" and that the single loan servicing platform "will be white-labeled on the StudentAid.gov website, which could make it more difficult to hold servicers accountable if third-party servicers cannot be accurately and readily identified by borrowers or other law enforcement entities."[267]

One difficulty loan servicers may face in complying with requirements for servicing federally held student loans is the fragmented and incomplete guidance for a complex student loan system provided to them from FSA. GAO has found that FSA may provide insufficient guidance to servicers regarding certain aspects of loan administration, such as how to verify the number of qualifying payments a borrower has made for purposes of achieving loan forgiveness under an IDR plan.[268] Such gaps in authoritative guidance to loan servicers may create a risk of inconsistent interpretations of law and procedures, which could lead to inefficiencies in federal student loan administration and could negatively affect borrowers' abilities to use the features of their loan terms and conditions. In the case of deficiencies in FSA's implementation of the IDR plans, ED instituted IDR "account adjustment" procedures under which it counted additional months toward IDR forgiveness (even if, per statute and regulation, those months did not count toward IDR forgiveness) to address "historical failures in the administration of the federal student loan programs."[269] Doing so complied with one of GAO's recommendations. However, four other GAO recommendations remain outstanding, including a recommendation that FSA "develop and implement procedures for verifying counts of qualifying payments toward IDR forgiveness."[270]

In September 2025, FSA published a Request for Information in the *Federal Register* seeking stakeholder input on its development of a proposed Direct Loan Common Manual.[271] The purpose of the manual would be to establish consistent standards across loan servicing and collections. FSA intends that it will "promote consistency, transparency, and effectiveness" across loan servicing and collections functions.[272] Successful implementation may help address several issues FSA and loan servicers have faced in administering the Direct Loan program, such as gaps in authoritative guidance to loan servicers and attendant inconsistent interpretations of law, inefficiencies in Direct Loan administration, and borrower confusion.[273]

Another difficulty loan servicers face is that federal student loan terms and conditions have become increasingly more complex over the years. This may contribute to some of the problems loan servicers have in administering them. For example, FSA has stated that it, along with its loan servicers, was working to enhance communications with borrowers regarding the PSLF

[265] ED IG, *FY2021 Management Challenges Facing the U.S. Department of Education*, November 2020, p.11.

[266] Ibid.

[267] CFPB, *Annual Report of the CFPB Student Loan Ombudsman*, p. 48.

[268] GAO, *Federal Student Loans: Education Needs to Take Steps*, p. 13.

[269] ED, "Department of Education Announces Actions to Fix Longstanding Failures in Student Loan Programs," press release, April 19, 2022.

[270] GAO, *Federal Student Loans: Education Needs to Take Steps*.

[271] ED, "Request for Information on Developing and Implementing a Common Manual for the Federal Direct Loan Program," 90 *Federal Register* 43181, September 8, 2025.

[272] Ibid., pp. 43181-43182.

[273] In its Request for Information, FSA asserts that development of the manual "falls squarely within the scope" of its PBO responsibilities. Ibid, p. 43184.

program's requirements but acknowledged that the program is fundamentally complex and that FSA does not have the authority to change congressionally mandated PSLF eligibility requirements.[274] Thus, while there are likely instances in which FSA oversight of loan servicers could be strengthened to ensure that borrowers receive the loan benefits to which they are entitled, there may also be inherent difficulties in administering the loan programs themselves, which might be addressed with policy changes to the programs.[275]

This issue may be exacerbated by recent (and sometimes frequent) forces outside of loan servicers' control. For instance, following the resumption of student loan payments after a more than three-year COVID-19 related pause and a near simultaneous implementation of new loan repayment plan, ED penalized loan servicers for sending incorrect billing statements. However, loan servicers indicated that such errors were not surprising "when the government doesn't have an operational plan, keeps changing it, does that at the last moment, and doesn't provide enough resources."[276]

Ensuring loan servicer compliance with Title IV and contract requirements arguably addresses one of the HEA-specified functions of FSA as a PBO—ensuring integrity of the Title IV aid programs—and FSA's strategic goal to "improve customer service and outcomes for students and borrowers." FSA generally met its targets for the indicators associated with this goal, including the single indicator that seems to directly evaluate loan servicer compliance (i.e., percentage of contractor interactions reviewed that received a passing score).

Discussion of Issues in Oversight and the PBO Structure

In determining the desired level of oversight of IHEs and loan servicers, Congress might consider whether to specify desired outcomes and actions to be taken by FSA. While FSA is tasked with the day-to-day functions of administering the Title IV programs, Congress can guide and affect these efforts in a variety of ways, including amending the portions of the HEA that relate to FSA's functions, providing stipulations regarding the use of annual appropriations, exercising oversight of FSA through mechanisms such as congressional hearings, further emphasizing the importance of stakeholder input (discussed below in the section entitled "Stakeholder Accountability"), or statutorily specifying more goals and performance metrics for FSA.

Some of these changes might involve tradeoffs between improving perceived oversight deficiencies and enabling FSA to operate independently and with flexibility to address difficult or novel issues. To the degree that additional statutorily specified direction might stipulate the way in which FSA is to conduct day-to-day operations, there may be potential for it to be in tension with the goal of accountability for results, as opposed to processes, that is key to the PBO model. Arguably, such action might also impair the agency's ability to make business-like operational decisions based on nonpolitical considerations rather than responsiveness to political leaders.

The choice of the PBO model was predicated on the idea that ED's political leadership would retain policymaking functions and that the PBO's role would be limited to operational

[274] U.S. Congress, House Committee on Education and Labor, Subcommittee on Higher Education and Workforce Investment, *Broken Promises: Examining the Failed Implementation of the Public Service Loan Forgiveness Program*, 116th Cong., 1st sess., September 2019, testimony of Jeff Appel, Director of Policy Liaison and Implementation, FSA.

[275] For a broad depiction of issues in the PSLF program, see CRS Report R45389, *The Public Service Loan Forgiveness Program: Selected Issues*.

[276] Stacy Cowley, "Loan Servicers Penalized for Snarls in Resumption of Student Loan Repayments," *New York Times*, January 5, 2024, https://www.nytimes.com/2024/01/05/business/student-loans-payment-mistakes.html.

functions.[277] Seemingly, ED and FSA have made organizational adjustments—such as FSA's Policy Implementation and Oversight Directorate, which consults with the Secretary on the development and promulgation of Title IV student aid policies and regulations—that allow for FSA input into the formal policymaking process that is at least nominally under the authority of ED.

A different kind of policymaking—that which occurs as a byproduct of implementation—is a long-noted facet of public administration that might prove more difficult to address.[278] Issues around loan servicing illustrate how it may be difficult to completely remove policymaking from the operational functions delegated to FSA. For example, Congress sets the terms and conditions of federal student loans in general, and ED may add precision to them, while FSA designs and enforces contracts for loan servicers to administer the loan programs. However, a program's administration may shape how policies work in real life. For instance, some have observed that previous loan servicing contracts may have incentivized loan servicers to encourage borrowers to pursue one loan benefit (e.g., forbearance[279]) over another (e.g., income-based repayment), which may have contradicted ED's policy preferences.[280] Although such policymaking through implementation probably can be reduced by limiting the scope of discretion in a delegated authority or by increasing oversight of the agency's activities, these steps might reduce agency efficiency and hinder the effectiveness of the PBO model.

Transparency

Numerous outside parties have a stake in the aid programs and rely on FSA to provide timely and accurate information about them. Criticisms have been raised that FSA may lack sufficient transparency regarding Title IV program operations. Congress and other stakeholders sometimes seem to have incomplete or imperfect information on Title IV program performance and

[277] As the Senate authorizing committee put it, "The goal of the [PBO] has been, and remains, to improve the delivery of student financial aid to students and their families. In order to accomplish this, the committee has attempted to identify the functions performed by [OPE] and segregate those that are essentially policy functions that must be retained by OPE from those that are administrative and that may appropriately be handled by the [PBO]. The PBO will be responsible for administration of the information and financial systems that support student financial assistance programs as well as any additional functions that the Secretary determines are necessary or appropriate to improve the delivery of student aid." U.S. Congress, Senate Committee on Labor and Human Resources, *Higher Education Act Amendments of 1998*, report to accompany S. 1882, 105th Cong., 2nd sess., May 4, 1998, S.Rept. 105-181 (Washington: GPO, 1998), pp. 75-76.

[278] See for example, Norton E. Long, "Public Policy and Administration," in *The Polity*, ed. Charles Press (Chicago: Rand McNally, 1962): "In practice it must be recognized that the bureaucracy is a part, and a highly important part, of the collective brain that somehow thinks or emotes a government policy" (p. 78). See also Lawrence C. Dodd and Richard L. Schott, *Congress and the Administrative State* (New York: Wiley, 1979): "The implementation of these policies is, among other things, a constant refinement of congressional intent as expressed in legislation. This refinement involves the formulation of rules and regulations, their application to specific programs and cases, and numerous administrative decisions interpreting their application—a translation into tangible programs of broad public policy guidelines laid down by the Congress" (pp. 2-3).

[279] Forbearance provides borrowers with temporary relief from the obligation to make monthly payments that would otherwise be due on their loans.

[280] Miller and Delisle, *Ensuring Accountability and Effectiveness at the Office of Federal Student Aid*, p. 20. FSA has since entered into new loan servicing contracts. Based on publicly available documentation, it appears that the terms of these contracts may mitigate some of the previously expressed concerns regarding whether loan servicers' contracts incentivize practices that contradict ED's policy preferences. See, for example, FSA contract with Central Research, , Attachment 08, "Service Level Methodology Performance Metrics," Attachment 20, "At-Risk Borrower Performance Incentive," and Attachment 21, "Future Borrower Allocation Methodology," available at https://sam.gov/opp/0264de6ac3354dd6814455e535e783e9/view.

operations, which may make it difficult to make informed, well-honed policy decisions and, in some cases, to effectively implement federal student aid programs.

Many consumers also seemingly have incomplete or imperfect consumer information on the Title IV programs and Title IV participation, which may make it difficult for them to make informed college-going and financial decisions.

Some have called on FSA to enhance reporting and communications of information about the HEA Title IV aid programs.[281] It does not appear that FSA's PBO model would necessarily hinder transparency, nor would increasing transparency appear to be directly at odds with the model's design. However, there may be some tradeoffs between increasing transparency and maintaining the effectiveness of the PBO's business-like design, which was specifically intended to shield Title IV aid administration, at least in part, from political pressures and increase efficiency within the aid programs.

Information for Policymakers and Stakeholders

Congress and other policymakers have an interest in understanding how the Title IV federal student aid programs operate and the outcomes associated with those programs, as the dollar amount of federal student aid awarded and number of aid recipients represents a large federal investment. In FY2024, FSA provided approximately $120.8 billion in Title IV aid to approximately 9.9 million students[282] and managed a student loan portfolio encompassing approximately 45 million borrowers with outstanding federal student loans totaling about $1.6 trillion.[283]

Concerns have been raised that FSA may not provide access to information that may enable stakeholders to make informed policy recommendations and decisions. Historically, some stakeholders have noted that while FSA possesses large quantities of student-level records that measure grant and loan receipt, postsecondary education completion status, and loan repayment, FSA has "often been less than responsive to requests for data and research that would benefit the rest of the nation."[284] Even when information on Title IV program performance is made available, some have found it to be insufficient. For example, GAO has stated that although ED has asserted it follows statutory and Office of Management and Budget reporting requirements for the Direct Loan program, given the program's scope, "policymakers and the public would benefit from additional information." GAO went on to state that ED may be

> missing opportunities to help inform policymakers on relevant Direct Loan program performance and risk information to consider when implementing reforms and guiding policy, and opportunities to inform the public on how taxpayer dollars are supporting the program.[285]

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[281] See, for example, GAO, *Federal Student Loans: Education Should Enhance Reporting on Direct Loan Performance and Risk*, p. 30.

[282] FSA, *FY2024 Report*, p. 15.

[283] FSA, *FY2024 Report*, p. 61.

[284] Mark S. Schneider, "Reforms to Increase Transparency in Higher Education," in *Unleashing Opportunities: Policy Reforms to Strengthen Higher Education* (Washington: National Affairs, 2017), p. 108.

[285] GAO, *Federal Student Loans: Education Should Enhance Reporting on Direct Loan Performance and Risk*, p. 30. For instance, GAO found that ED does not provide trend data in its reporting on costs of origination, servicing, and managing the Direct Loan program, nor does it analyze credit risk concentrations in the program at a level of detail similar to other credit market participants. This GAO report generally referred to ED in its findings but specifically referenced aspects of FSA's Direct Loan reporting.

In recent years, the quality of information used and provided by FSA to stakeholders relating to its accounting of student loan program costs has been called into question. For instance, for the 20 years prior to FY2022, FSA annually received unmodified opinions on its financial statements from an independent auditor.[286] However, in each of FY2022, FY2023, and FY2024, FSA received disclaimers of opinion on its financial statements related to student loan subsidy cost reestimates.[287] In the FY2024 FSA *Annual Report*, the auditor stated

> we identified errors in the underlying data used to develop assumptions used to calculate the subsidy re-estimates for FSA's direct loan and loan guaranty programs. In addition, management identified other errors in the underlying data used in the subsidy re-estimates calculation.[288]

The underlying errors in data leading to the disclaimer of opinion could make it difficult to determine student loan program costs. Without an accurate determination of these costs, stakeholders may find it challenging to make informed policy decisions.

Relatedly, in 2025 ED's IG found that FSA did "not have readily available full accountings of appropriated funds, obligations, administrative expenses, and staffing" related to its implementation of the FAFSA Simplification Act and its student loan forgiveness initiatives for FY2021-2024.[289] For example, the IG found that FSA did not have any lines of accounting specific to student loan forgiveness initiatives prior to FY2023, even though several of those initiatives were announced and/or implemented prior to FY2023. In response, FSA noted steps it could take to potentially provide the relevant data to the IG but stated doing so may take months and might not yield quality data. The IG asserted that FSA's ability to readily provide such information could "assist FSA in implementing such initiatives and provides transparency with external entities, such as Congress."[290]

As a final example, significant concerns were raised about FSA's ability to consistently provide timely and accurate guidance to IHEs regarding the implementation of the FAFSA Simplification Act and the rollout of the associated newly redesigned FAFSA. In December 2020, the FAFSA Simplification Act was enacted and represented a "significant overhaul of the processes and

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[286] FSA's financial statements are annually audited by an independent auditor to determine whether they "present fairly FSA's financial position, net costs, changes in net position, and budgetary resources" (FSA, *Fiscal Year 2021 Annual Report*, November 19, 2021, p. 204, https://studentaid.gov/sites/default/files/fy2021-fsa-annual-report.pdf). An unmodified (or "clean") opinion states that the financial statements present fairly, in all material respects, the consolidated balance sheets, related consolidated statements of net cost and changes in net position, combined statements of budgetary resources, and related notes to the consolidated financial statements in accordance with Generally Accepted Accounting Principles. This opinion is expressed in a standard report. In certain circumstances, explanatory language might be added to the auditor's standard report, which does not affect the unmodified opinion.

[287] FSA, *Fiscal Year 2022 Annual Report*, January 23, 2023, pp. 216-219; FSA, *Fiscal Year 2023 Annual Report*, November 16, 2023, pp. 170-179; and FSA, *FY2024 Report*, pp. 186-194.

[288] FSA, *FY2024 Report*, p. 186. For information on accounting for federal credit programs (e.g., the Direct Loan program), including on subsidy re-estimates, see FSA, *FY2024 Report*, p. 205.

[289] ED IG, *FAFSA Simplification Act and Student Loan Forgiveness Initiatives Accounting*, February 27, 2025, p. 3, https://oig.ed.gov/sites/default/files/reports/2025-08/FY25%20I24DC0194%20%282.27.25%29v100_508_SECURED.pdf. The student loan forgiveness initiatives included (1) a 2022 policy that would have cancelled up to $10,000 in federal student loan debt for most federal student loan borrowers and up to an additional $10,000 in debt ($20,000 in total) for qualifying student loan borrowers who had ever received Pell Grants, (2) a 2024 rulemaking to waive (i.e., cancel) qualifying federal student loan debt for about 27.6 million borrowers, (3) a 2021 waiver of certain requirements under the PSLF program to enable more borrowers to qualify for PSLF benefits, (4) administrative adjustments to IDR plan payment counts announced in 2022, and (5) implementation of a new IDR plan—the Saving on a Valuable Education plan—which included a shortened time to loan forgiveness compared to the existing IDR plans.

[290] ED IG, *FAFSA Simplification Act and Student Loan Forgiveness Initiatives Accounting*, p. 6.

methodology used to calculate and award federal student aid."[291] However, FSA faced several challenges in implementing the act, including delays in FSA's release of the updated FAFSA and delays in FSA's processing of FAFSAs and providing schools with guidance and information needed to develop students' financial aid offers.[292] NASFAA asserted that early warning signs of potential issues with the updated FAFSA's rollout were present but that ED failed to take seriously its concerns about those issues. It also asserted that FSA "created a crisis of credibility by prioritizing public relations over straightforward, timely communication."[293] Finally, NASFAA identified instances in which FSA failed to provide operational guidance at all. The net effect, the NASFAA asserted, "is a breakdown in trust between practitioners and the Department of Education."[294] GAO subsequently reported on similar issues and a breakdown in trust between ED and IHEs.[295]

Generally speaking, none of FSA's strategic goals appears to directly address stakeholder transparency. At least one objective, "Engage with stakeholders to improve delivery of student aid" arguably aligns with stakeholder transparency. However, as described by FSA, the Ombudsman is tasked with leading FSA's efforts in this area, and the objective appears largely related to whether stakeholders such as IHEs and students are satisfied with the federal student aid data system.[296] Thus, it is unclear whether the objective might also address the provision of timely and useful information to other stakeholders, such as policymakers.

Information for Members of the Public

Members of the general public—particularly those who need or may need student aid—may have an interest in understanding how the Title IV programs operate and the outcomes associated with those programs. Their interests may relate to having access to information that allows them to make informed college-going and financial decisions and understanding potential financial risks associated with those decisions.

In addition to the issues of FSA's transparency and communication regarding implementation of the FAFSA Simplification Act to IHEs described above, concerns were also raised about FSA's transparency and communications to students and their families during the process. GAO found that FSA did not consistently provide students with "timely and sufficient information or support to complete the new FAFSA."[297] For example, GAO found that during the FAFSA rollout, FSA's call center did not meet the demand for needed support with the FAFSA, nor did it consistently provide students and their families with timely updates on the status of their FAFSAs or other solutions to problems they encountered during the FAFSA process.[298] Such issues, GAO concluded, may have contributed to delaying or entirely preventing some students from

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[291] GAO, *FAFSA: Education Needs to Improve Communications and Support*, p. 3.

[292] GAO, *Communications and Support around FAFSA*, p. 4.

[293] U.S. Congress, House Education and Workforce Committee, Higher Education and Workforce Development Subcommittee, *FAFSA Fail: Examining the Impact on Students, Families, and Schools*, Testimony of Justin Draeger, President and CEO, National Association of Student Financial Aid Administrators, 118th Cong., 2nd sess., April 10, 2024, H. Hrg. 118-43 (Washington: GPO, 2025), pp. 34-36. This testimony refers to ED. However, FSA is generally responsible many of the activities described in it.

[294] Ibid., p. 36.

[295] See GAO, *FAFSA: Education Needs to Improve Communications and Support*, pp. 29-31.

[296] FSA, *FY2024 Report*, p. 61.

[297] GAO, *FAFSA: Education Needs to Improve Communications and Support*, p. 18. This report refers to ED in its findings. However, FSA is generally responsible for the communications activities described in it.

[298] GAO, *FAFSA: Education Needs to Improve Communications and Support*, pp. 18-28.

successfully accessing and completing the FAFSA and to complicating students' college-attendance decisions.[299]

Concerns have also been raised that FSA may not consistently provide information on federal student aid terms and conditions that may enable recipients to make sound financial decisions. For example, GAO has found that while FSA had taken steps to improve its communications to borrowers regarding one student loan term—closed school discharge—its outreach remains limited, and borrowers must often seek out the information. This limited outreach, GAO concluded, may result in some borrowers being unaware or uncertain about whether they are eligible for student loan debt relief due to their schools' closures.[300]

Moreover, FSA often relies on its loan servicers to communicate loan terms and conditions to borrowers, but there may be inconsistencies or incompleteness among loan servicers in the information they provide to borrowers.[301] These issues are similar to those reported in older GAO reports with respect to other student loan terms and conditions.[302] Inconsistent and/or imperfect information about program terms may lead to borrowers' lack of awareness or confusion about program requirements. This shortage of information about program terms may put borrowers at risk of making suboptimal financial decisions, some of which may lead to financial distress such as loan delinquency or default. FSA has taken steps to increase borrower awareness of some loan terms and conditions. However, all communication issues may not be fully resolved.[303] In response to some such concerns, Congress has on occasion directed FSA to perform customer outreach.[304]

Providing complete and accurate information to customers arguably addresses some of the HEA-specified purposes of FSA as a PBO: "to improve service to students and other participants in the student financial assistance programs authorized under title IV, including making those programs more understandable to students and their parents."[305] It also arguably aligns with FSA's strategic goal to "improve customer service and outcomes for students and borrowers." Under the indicators FSA has identified as measures of its performance under this goal, FSA has seemingly generally succeeded in fulfilling this goal in recent years (see **Table 2**). However, FSA did not meet any of the performance indicator targets under an apparently related objective to "provide accurate, seamless, easy, and customized interactions through the student aid lifecycle" in FY2024. FSA attributed its failure to meet these targets primarily to the FAFSA rollout associated with its implementation of the FAFSA Simplification Act.[306]

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299 GAO, *FAFSA: Education Needs to Improve Communications and Support*, pp. 21, 24.

300 GAO, *College Closures: Education Should Improve Outreach to Borrowers about Loan Discharges*, GAO-22-104403, July 2022, pp. 22-23, https://www.gao.gov/assets/gao-22-104403.pdf. This report refers to ED in its findings. However, FSA is generally responsible for the communication activities described in it.

301 GAO, *College Closures*, p. 21.

302 See, for example, GAO, Federal Student Loans: Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options, GAO-15-663, August 2015, pp. 22-23, https://www.gao.gov/assets/gao-15-663.pdf.

303 See, for example, GAO, *College Closures*.

304 Responses from ED to Questions Submitted by Senator Patty Murray, 2019, p. 8, https://www.help.senate.gov/imo/media/doc/SenMurrayQFRresponses32819LHHShearing.pdf.

305 HEA §141(a)(2)(A); 20 U.S.C. §1018(a)(2)(A).

306 FSA, *FY2024 Report*, p. 73.

Discussion of Issues in Transparency and the PBO Structure

Some have suggested that FSA's independence and leadership by non-political appointees enable it to be unresponsive to requests for information from Congress, political and career staff within ED, and outside stakeholders. They point out that the COO is accountable to the Secretary on the basis of measurable organizational and individual performance goals, arguably rendering removal by the Secretary or the President more difficult politically.[307] With better access to information, it is argued, researchers and policymakers could more readily judge policies and federal investments.[308] However, other factors, such as compliance with other federal statutes (e.g., ED's interpretation of its responsibilities under the Privacy Act of 1974), may hinder FSA's responsiveness to information requests.

Increasing access to Title IV program performance and operations information might detract from or improve the effectiveness of the PBO's business-like design features. Sharing such information generally entails the ongoing development of information-sharing policies and procedures. Staff hours would be needed to carry out functions associated with the dissemination process, which could result in reduced economy and efficiency in addressing the PBO's statutory purposes—which do not explicitly include data sharing. Furthermore, it could increase scrutiny and evaluation of the agency's operational *processes* rather than the *results* by which PBO performance is to be measured. On the other hand, the sharing of such information could improve the ability of stakeholders to assess the results of FSA's work, perhaps using different measures of performance, and hence address accountability for results beyond the specific targets identified by FSA.

Congressional proponents of using the PBO model for the delivery of federal student financial assistance expected it would harness private-sector-like incentives to drive FSA improvements. Among the aims of using this model was to "improve the level of service to program participants." As stated in a 1998 committee report of PBO-related legislation,

> The Committee … believes the creation of a PBO will result in a more efficient, effective, less expensive and less bureaucratic financial aid delivery system. The end result should be a system that is easy for students and parents to use and one that ensures that students have the information they need to select the education that is best for them—all while ensuring that the taxpayer funds are being used efficiently and effectively.[309]

Some observers, such as GAO, have scrutinized FSA's informational communications with IHEs and students and found them lacking. For example, GAO found that FSA failed to provide IHEs and students adequate and timely information during the implementation of the FAFSA Simplification Act. GAO's post-hoc review attributed the problems, in part, to short deadlines, FAFSA overhaul delays, and erroneous assumptions about the level of support that would be needed by students and IHEs during the rollout and consequently inadequate communication resources (e.g., call center employees). GAO did not attribute these shortcomings to a failure of the PBO model. Under the performance-based model, accountability for poor performance—whatever the reasons—is the mechanism intended to drive organizational improvement.

[307] Miller and Delisle, *Ensuring Accountability*, p. 18.

[308] Schneider, "Reforms to Increase Transparency in Higher Education," pp. 97-98.

[309] U.S. Congress, House Education and Workforce Committee, *Higher Education Amendments of 1998*, report to accompany H.R. 6, 105th Cong., 2nd sess., April 17, 1998, H.Rept. 105-481 (Washington: GPO, 1998), p. 104.

Following the troubled FAFSA rollout, the FSA COO stepped down. It is unclear the degree to which his departure was related to the FAFSA rollout.[310]

Stakeholder Accountability

Section 141 of the HEA mandates that FSA develop five-year performance plans and annual reports. In doing so, FSA is to engage with relevant stakeholders, which may enable it to glean new information about program performance, leverage that information to create efficiencies, and provide a level of accountability to stakeholders in its operations. In addition, the COO and senior managers are to enter into annual performance agreements that set forth measurable organizational and individual goals. The awarding of annual performance bonuses is tied to meeting these goals. Each of these provisions is intended to provide a layer of accountability to stakeholders, including students, borrowers, IHEs, FFEL program lenders and guaranty agencies, contracted student loan servicers, Congress, and other parties that may have an interest in federal student aid.

Concerns about accountability relate to whether FSA is fulfilling its statutory mandate to consult with such stakeholders[311] in developing performance plans and annual reports and whether FSA is leveraging information garnered from stakeholder interactions to make improvements. They also relate to whether FSA is sufficiently responsive to customer needs. Consideration might be given to whether improvement of performance agreements and measures and more meaningful use of stakeholder feedback may streamline operations at FSA and/or improve customer service to students and other aid participants—two statutorily specified purposes of establishing FSA as a PBO. Criticisms in this area raise questions about the effectiveness of the PBO's statutory performance planning and measurement mechanisms. Consideration might be given to amending these provisions.

Previously, NASFAA reported that FSA engagement with stakeholders in developing its performance plans and annual reports may have been only perfunctory in nature and may not have provided stakeholders a meaningful opportunity to provide potentially useful feedback.[312] NASFAA has also asserted that performance metrics developed by FSA and ED were vague or inappropriate.[313] Since that time, NASFAA reported some apparent improvements, with FSA incorporating several of its recommendations in its FY2020-2024 strategic plan.[314] Additionally, ED's IG has found that the goals, objectives, and majority of performance indicators included in the FY2020-FY2024 plan were effective. Nonetheless, the IG also found that FSA did not have documented processes to ensure that each strategic plan was ready and available at the beginning of the performance period covered by the plan, which could lead to FSA officials and employees not fully understanding expectations for the performance period.[315]

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[310] Zach Montague, "Leader of Federal Student Aid Office Steps Down After College Admissions Crisis," *New York Times*, April 26, 2024, https://www.nytimes.com/2024/04/26/us/politics/federal-student-aid-fafsa-cordray.html.

[311] HEA §141(c).

[312] NASFAA, *Improving Oversight and Transparency,* pp. 3-4.

[313] U.S. Congress, Joint Hearing, House Committee on Oversight and Government Reform, Subcommittee on Government Operations and House Committee on Education and the Workforce, Subcommittee on Higher Education and Workforce Training, *Federal Student Aid: Performance-Based Organization Review*, 114th Cong., 1st sess., November 18, 2015, p. 71.

[314] Owen Daugherty, National Association of Student Financial Aid Administrators, "Several NASFAA Recommendations Incorporated in FSA Long-Term Strategic Plan," January 19, 2021, https://www.nasfaa.org/news-item/24453/Several_NASFAA_Recommendations_Incorporated_in_FSA_Long-Term_Strategic_Plan.

[315] ED, OIG, *Federal Student Aid's FY2020-2024 Strategic Planning Process,* pp. 3-4.

When FSA does not fully engage with and leverage information from student aid recipients and organizations who represent them, students and their families may be adversely affected. They may be limited in their ability to shop around for postsecondary financial assistance, as Title IV student aid makes up approximately half of the financial assistance available to postsecondary students.[316]

Moreover, student loan borrowers often have even fewer options regarding choosing loan products to finance their postsecondary education. Private lenders are often unwilling to provide loans to individuals who may have limited creditworthiness, whereas Title IV student loans are generally made without regard to creditworthiness. In those instances where private education loans are made, they often do not contain the same favorable terms and conditions (e.g., availability of loan forgiveness programs and favorable interest rates) as Title IV student loans.[317] It might be argued that because FSA has no comparable competitors, it may have less motivation to seek or respond to customer feedback to improve services.

Notwithstanding improvement in stakeholder accountability during the past few years, the criticisms of FSA discussed above expose a potential flaw in the PBO model as implemented under the HEA. The ED Secretary and the FSA COO have a joint responsibility to set (in consultation with stakeholders) and measure organizational performance.[318] They each have an incentive (as leaders of ED and FSA, respectively) to show continuous improvement in FSA performance. This incentive might affect the degree to which stakeholder input is incorporated into the process as well as the specificity and nature of the goals and measures adopted. Vague goals and measures and perfunctory stakeholder feedback processes could mask performance problems that might exist.

Some potential changes in this area could maintain FSA as a PBO but also modify statutory provisions related to accountability and stakeholder input. Improvement of performance agreements and measures would seemingly be in line with the PBO model's results orientation. For example, Congress might more specifically identify in statute the domains and metrics to be used in establishing annual performance plans and evaluating agency performance. Such provisions have been enacted in other contexts, such as the performance accountability system that was established by the Workforce Innovation and Opportunity Act.[319] Similarly, more meaningful incorporation of certain types of stakeholder feedback into the performance plan and evaluation process would seemingly be consistent with the PBO model. Potential approaches to emphasizing the importance of stakeholder input during this planning and assessment might include specifying in statute a more formal input process. For example, Congress has directed state agencies to solicit written comments from the public and to respond to such comments in writing when establishing career and technical education performance standards.[320]

[316] See College Board, "Trends in College Pricing and Student Aid 2024," Table SA-1, p. 32, https://research.collegeboard.org/media/pdf/Trends-in-College-Pricing-and-Student-Aid-2024-ADA.pdf.

[317] See, for example, CFPB, "What Are the Different Ways to Pay for College or Graduate School," https://www.consumerfinance.gov/ask-cfpb/what-are-the-different-ways-to-pay-for-college-or-graduate-school-en-545/.

[318] According to FSA's annual report, "FSA sets the target level of performance at a challenging, but realistic level that is achievable within the timeframe. Meeting or exceeding the target indicates that FSA succeeded in attaining the established performance indicator, while falling short of the target indicates that FSA did not attain the performance indicator." FSA, *FY2024 Report*, p. 22.

[319] 29 U.S.C. §3141.

[320] 20 U.S.C. §2323(b)(3)(B).

Appendix. Selected Acronyms Used in This Report

ACSFA	Advisory Committee on Student Financial Assistance
CFPB	Consumer Financial Protection Bureau
COO	Chief Operating Officer
DOJ	Department of Justice
ED	Department of Education
FAFSA	Free Application for Federal Student Aid
FAR	Federal Acquisition Regulation
FFEL	Federal Family Education Loan Program
FSA	Office of Federal Student Aid
GAO	Government Accountability Office
HEA	Higher Education Act
HEOA	Higher Education Opportunity Act
IDR	Income-Driven Repayment
IHE	Institution of Higher Education
IG	Inspector General
NPR	National Partnership for Reinventing Government
NSLDS	National Student Loan Data System
OPE	Office of Postsecondary Education
OPM	Office of Personnel Management
PBO	Performance-Based Organization
PIOD	Policy Implementation and Oversight Directorate
PSLF	Public Service Loan Forgiveness
SES	Senior Executive Service
SFAP	Office of Student Financial Assistance Programs

Author Information

Alexandra Hegji
Specialist in Social Policy

Henry B. Hogue
Specialist in American National Government

Acknowledgments

CRS requested that the U.S. Department of Education review portions of the original version of this report (published December 30, 2019) that describe operations and administrative practices for accuracy. Specifically, ED reviewed subsections on “FSA Leadership,” “FSA Personnel Flexibilities,” “FSA

Procurement Flexibilities," and all subsections in the section of this report titled "FSA Functions and Structure."

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