

# MEMORANDUM

EDUCATION

UNITED STATES DEPARTMENT OF

WASHINGTON, D.C. 20202

DATE : February 17, 2009

TO : Sharon Mar  
Office of Management and Budget OIRA

FROM : Courtney Clemons  
Funds Control and Accounting Operations  
FSA/CFO/Accounting Branch

SUBJECT: Response to Terms of Clearance on the Guaranty Agency  
Financial Report Notice of Action

The Guaranty Agency Financial Report was approved for a 2-year period providing that FSA, upon resubmission to OMB, provide a brief written status update. Below is FSA status update:

***(1) the use of loan level data, consistent with the Office of Federal Student Aid's data strategy and concerns cited in the President's Management Agenda Scorecard;***

The FFEL Business Process and Data Standardization Project – Phase II Update. The project mission was to develop FFEL process improvement recommendations and define data standards that will be exchanged between Federal Student Aid and its partners throughout the financial aid lifecycle for FFEL program loans. Weekly external workgroup meetings conducted between January 2008 and July 2008. As a result of the external workgroup meetings, over 150 data elements from current reporting standards and new data elements that cover a wide range of data to meet Federal Student Aid's business needs were reviewed. Ninety-eight (98) data elements were approved, fifty-five (55) distinct data elements were eliminated through definition of common data structures or were unnecessary for meeting business requirements. . Phase II improvements include: enhanced loan certification data, event-based reporting based on business needs, and improved financial reporting. Phase III is underway in FY 09 for the FSA Enterprise Data Management team to work with the Post-Secondary Electronic Standards Council (PESC) to update the data element standards to be used for future FFEL program reporting requirements that will be implemented with the reengineering of the National Student Loan Data System (NSLDS) and Debt Management Collection System (DMCS) interfaces with the FFEL community.

***(2) data deemed necessary to derive guaranty agency costs that are comparable to FFEL subsidy costs;***

There has not been a change or increase in the number of data items collected, however, the Department is able to produce estimates for policy and legislative consideration. The Department continues to investigate methodologies to improve its collection and use of data. Guaranty agencies currently report loan level detail to the NSLDS at least monthly. Since FY 07 the number of monthly submissions processed by NSLDS has doubled, which means that guaranty agencies are reporting more frequently which provides more up to date information for calculating subsidy cost estimated. Department of Education Budget Service staff participated in the standards effort to ensure future reporting requirement for FFEL data supported their abilities to develop subsidy estimates and forecasts by cohorts.

***(3) changes to ensure that sufficient data are provided to on GA Federal Funds held outside of the Treasury, consistent with Treasury FMS Guidance (Treasury Transmittal Letter No. 608). OMB expects to work closely with the Department on these efforts, and fully expects tangible and specific results within the upcoming year.***

Based on further discussions with Treasury and OMB, Education has mapped all cash flows of data from the monthly Guaranty Agency Financial Report (GAFR), illustrating cash activity flowing in and out of the federal funds as well as general ledger mapping for FACTS and SF-224 reporting. This analysis serves as the foundation for an annual analysis developed by Federal Student Aid, which reconciles the federal fund balances (reported annually, as of September 30<sup>th</sup> of each year) to the monthly GAFRs. Additional reporting by the GAs will be required to record some transactions to Balance Sheet line items. This reporting will be addressed in the FFEL Business Process and Data Standardization Project and future GAFR redesign efforts.

Education's "Other Cash" is restricted and consists of Guaranty Agency (GA) reserves. GA reserves are held on behalf of the U.S. Government, a liability due to Treasury, and are considered intra-governmental liabilities. These balances represent the Federal government's interest in the net assets of state and nonprofit Federal Family Education Loan (FFEL) Programs GAs. The agencies use the funds to pay lender claims, primarily for student loan default and discharges. Consistent with Section 422A (e) of the Higher Education Act (HEA), these funds are considered property of the United States and are reflected in the Budget of the United States Government.

If you have any questions regarding this package, please contact me at (202) 377-3673.

Attachment