Federal Student Aid Feedback System Preliminary Report

COVERING DATA SUBMITTED APRIL 11 THROUGH SEPT. 30, 2016

Published December 2016

Message from the Chief Operating Officer of Federal Student Aid

At Federal Student Aid (FSA), we remain deeply committed to the students, parents, and borrowers we serve. In FY 2016, we provided more than $125 billion in aid to 13.2 million students at more than 6,600 institutions. We continuously look for ways to improve upon our high standards for the delivery and oversight of federal financial aid programs, and launching the Federal Student Aid Feedback System has helped us make significant progress in this endeavor.

What we learn from customer feedback through the system will help FSA continue what we do well, while improving our ability to enhance customer service and communications. It also will expand our ability to analyze data, make operational improvements based on the feedback, and ensure strong consumer protections. Because of our commitment to increasing transparency and improving accountability, we are releasing this preliminary report about the feedback system's data ahead of the required timeframe—October 1, 2017—outlined in the Student Aid Bill of Rights.

In the short time since the system's launch, we already have used information learned from customers through the system to make improvements to our communications about income-driven repayment plans and for schools, the criteria for determining a student's dependency status. Because of this system, we are able to communicate with greater consistency to customers, schools, and the service providers who work with us to administer federal student aid. We look forward to using this preliminary report to better refine our analysis of system data ahead of publishing the required report in 2017.

Sincerely,

James W. Runcie

Table of Contents

- *Data by Life Cycle Phase*
- *Complaint Categories and Subcategories*
- *School-related Complaints by School Type*
- *Loan Servicing-Related Complaints*
- *Complaints about Private Collection Agencies*
- *Complaints Submitted by Members of the Military, Veterans, or Their Dependents*
- *Closed Complaints and Resolution Actions*
- *Resolved Cases*
- *Referred Closed Cases*

- *In-Depth Analysis of Allegations of Suspicious Activity*
- *Alleged Fraud Submitted by Members of the Military, Veterans, or Their Dependents*

Section 1 | Background

In 2015, President Barack Obama unveiled a Student Aid Bill of Rights (SABOR)—designed to ensure strong consumer protections for student loan borrowers—and issued a Presidential Memorandum to begin making those rights a reality.

An important component of this landmark student loan reform was the creation of a responsive feedback system, by July 1, 2016, that would give students and borrowers a simple and straightforward way to file complaints and provide feedback about federal student loan lenders, servicers, collection agencies, institutions of higher education, and the U.S. Department of Education (ED).

SABOR required ED to develop a feedback system that assured students and borrowers that their feedback would be directed to the appropriate party for a timely resolution. The system would allow FSA—an office within ED—to more quickly respond to issues while strengthening its efforts to protect the integrity of the federal student financial aid programs.

With that in mind, FSA designed the feedback system to
- make it easy for customers to provide feedback directly to FSA;
- provide customers with clear, timely, and accurate responses that address their concerns;
- inform FSA's leadership about potential customer service issues; and
- identify opportunities for improvement in the administration of the Title IV programs.

Despite an extremely narrow timeframe to develop and launch the system, FSA was committed to developing a customer-focused platform. During the system's design and development phases, FSA engaged systems development and customer experience experts, current and former students and borrowers, and consumer advocacy groups to understand industry best practices and to conduct design, usability, and field testing.

Stakeholders also contributed greatly by encouraging their constituents to use the system prior to its public launch—and provide actual feedback—which allowed FSA to better refine the system's back-end operations and processes before the public launch July 1, 2016.

Section 2 | How Federal Student Aid Processes Feedback

WAYS TO SUBMIT FEEDBACK

A customer can provide feedback via an online portal or with a live agent by telephone. If FSA receives feedback-related correspondence by email or U.S. Mail, the information is entered manually into the feedback system and tracked to resolution.

TYPES OF FEEDBACK

FSA's system accepts three types of feedback:

1. Complaints
2. Positive feedback
3. Reports of alleged suspicious activity

Customer feedback submitted through the Federal Student Aid Feedback System should focus on the federal financial aid experience and may be related to

- applying for and receiving federal student loans, grants, and work-study;
- experiences with federal loan servicers, collection agencies, and ED; and
- schools' administration of federal student aid programs, including possible misrepresentation of facts about a school or its recruitment and marketing practices.

What is a complaint?

A customer's dissatisfaction with the federal financial aid experience associated with a Title IV policy, process, service, or entity where an explanation or resolution is expected.

What is alleged suspicious activity?

Information reported about an entity or person that a customer thinks has violated federal laws related to federal student aid.

WHO CAN SUBMIT FEEDBACK

Students, parents, borrowers, and others can submit feedback about their own experience or on behalf of someone else. For example, a consumer advocate, college access professional, or financial aid administrator can submit feedback on a student's behalf.

Customers logging in with their FSA ID—a username and password—have the most robust experience with the feedback system. Using an FSA ID is the only way customers can easily track the status of their case online, securely transmit additional information about their case electronically, and rate their level of satisfaction with their case resolution.

Customers who do not use their FSA ID, but provide contact information with their submission, can provide additional information about their case (such as required documents) via U.S. Mail or by replying to an email sent from a case worker. These customers also must contact the feedback system call center to track the status of their case.

Customers who submit anonymously cannot track the status of their case, cannot provide additional information about the case, and cannot rate their level of satisfaction with the case resolution.

INFORMATION COLLECTED FROM CUSTOMERS

When submitting feedback, customers are asked to describe their issue and then categorize their submission by answering a series of questions. That categorization is used to direct the submission to the appropriate FSA business unit or a service provider for follow up. Customers also have the option to state their desired resolution.

FSA asks all customers to indicate if they are a member of the military, a veteran, or a dependent of a military member or veteran. FSA collects this information in order to ensure continued support of Executive Order 13607 signed in April 2012, establishing the Principles of Excellence (POE) for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members.

The goals of these principles are to
- ensure that educational institutions participating in the federal Title IV programs provide meaningful information to service members, veterans, spouses, and other family members about the financial cost and quality of educational institutions to assist them in making choices about how to use their federal educational benefits;
- prevent abusive and deceptive recruiting practices that target the recipients of federal military and veterans educational benefits; and

- ensure that educational institutions provide high-quality academic and student support services to active-duty service members, reservists, members of the National Guard, veterans, and military families.

The Executive Order also mandated that ED, the Consumer Financial Protection Bureau (CFPB), and the departments of Defense (DoD) and Veterans Affairs (VA) share complaint data from military families about postsecondary education institutions that participate in the federal Title IV programs. As a result, all four agencies send respective complaint data to the Federal Trade Commission (FTC) Consumer Sentinel database.

The Consumer Sentinel is a unique investigative cybertool that allows various law enforcement agencies and compliance oversight agencies to access millions of consumer complaints. The Sentinel was developed on the premise that sharing information can make law enforcement even more effective. To that end, the database provides law enforcement members with access to complaints submitted to various agencies by customers. FSA submits all complaints and reports of alleged suspicious activity to the Sentinel weekly.

AFTER A CUSTOMER SUBMITS FEEDBACK
While the system automatically assigns a case number and directs submissions based on the complainant's categorization, FSA business unit case owners review new cases to verify they were categorized and routed accurately.

FSA aims to provide an initial response to customer complaints (excluding anonymous submissions) within 15 days of submission and a resolution within 60 days of submission; expected timeframes are communicated to the customer. Some cases, however, may take longer than 60 days to resolve because a process—like applying for Public Service Loan Forgiveness—takes more than 60 days, or because a customer must provide additional documentation in order for a case to be researched and resolved. As of September 30, 2016, open cases averaged approximately 36 days.

Because the goal, ultimately, is to resolve customers' issues as accurately and timely as possible, understanding customers' level of satisfaction with a case resolution is important. Once a complaint has been resolved, FSA gives customers using their FSA ID the opportunity to rate their level of satisfaction with the case resolution. Using customer satisfaction level data in conjunction with other system data allows FSA to provide better oversight of contractors and areas within FSA, as well as enhance consistency of processes and communications for customers.

Section 3 | Our Findings

SECTION 3.1 | SUMMARY OF ALL FEEDBACK RECEIVED IN 2016

Between April 11 and September 30, 2016, FSA received 4,811 cases, a combination of complaints, positive feedback, and allegations of suspicious activity.

Figure 1

Feedback Cases by Type

- Complaint
- Positive Feedback
- Allegations of Suspicious Activity
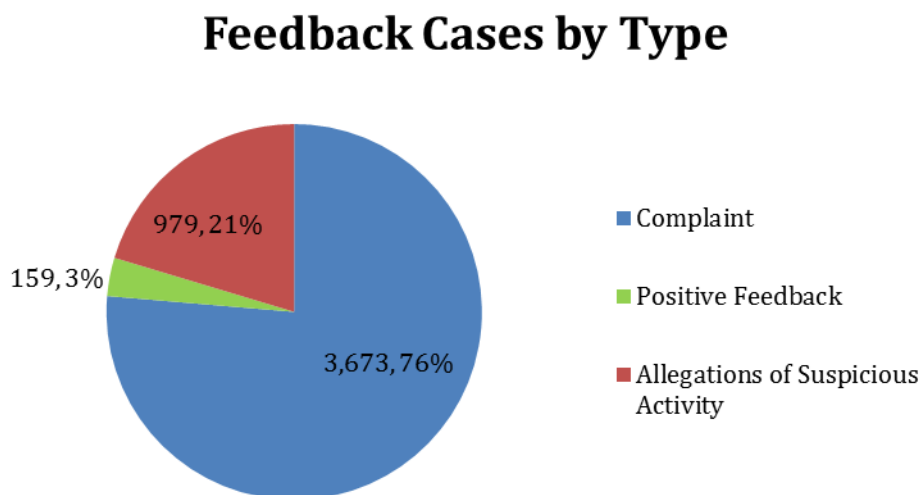
Approximately 48 percent of all cases were submitted via the online portal, while 23 percent were provided by telephone, 18 percent were submitted via U.S. mail, and 10 percent were submitted by email.

SECTION 3.2 | CUSTOMER COMPLAINTS

More than three-fourths of all feedback received through September 30, 2016, were complaints. Customers complained about a variety of facets related to their experience with the federal student aid process, including applying for and receiving federal loans, grants, and work study; federal loan servicing; the collection of defaulted federal loans; and schools' administration of federal student aid programs.
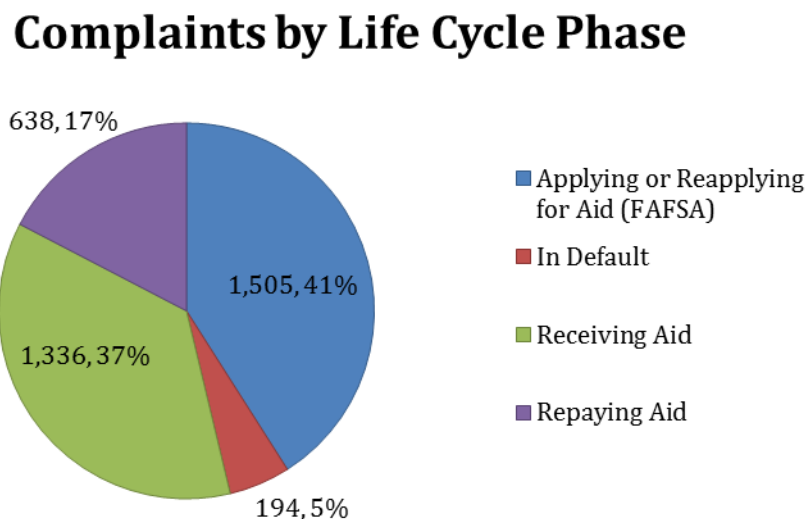
This section examines
- what we know about customers who submit complaints (if they were applying for, receiving, or repaying aid) and the categories and subcategories of the complaints they submitted;
- complaints by institution type (proprietary; public; private, nonprofit; and foreign); and
- complaints related to student loan servicing and private collection agencies, as well as those submitted by members of the military, veterans, or their dependents.

This section also analyzes data about closed and the resulting case actions.

Data by Life Cycle Phase

Customers submitting complaints are prompted to provide information about where they are in the student aid lifecycle. Forty-one percent of complainants identified themselves as in the process of applying or reapplying for aid using the *Free Application for Federal Student Aid* (FAFSA®), while 37 percent said they were actively receiving aid, 17 percent were borrowers repaying student loans, and borrowers in default accounted for five percent (Figure 2) of complaints submitted.

Figure 2

Complaints by Life Cycle Phase

638, 17%

1,505, 41%

1,336, 37%

194, 5%

- Applying or Reapplying for Aid (FAFSA)
- In Default
- Receiving Aid
- Repaying Aid

Complaint Categories and Subcategories

Figure 3 shows even more specific categories of complaints across all life cycle phases. Certain complaint categories can be selected in multiple life cycles. For example, the category "School" can be selected in any life cycle phase. Nearly half (46 percent) of all complaints received were categorized as school-related, while 21 percent were about repaying federal student aid, and 17 percent related to the process of receiving aid. Thirteen percent of complaints received were about aid application or eligibility. Less than one percent of complaints were related to military and veteran benefits.

Figure 3
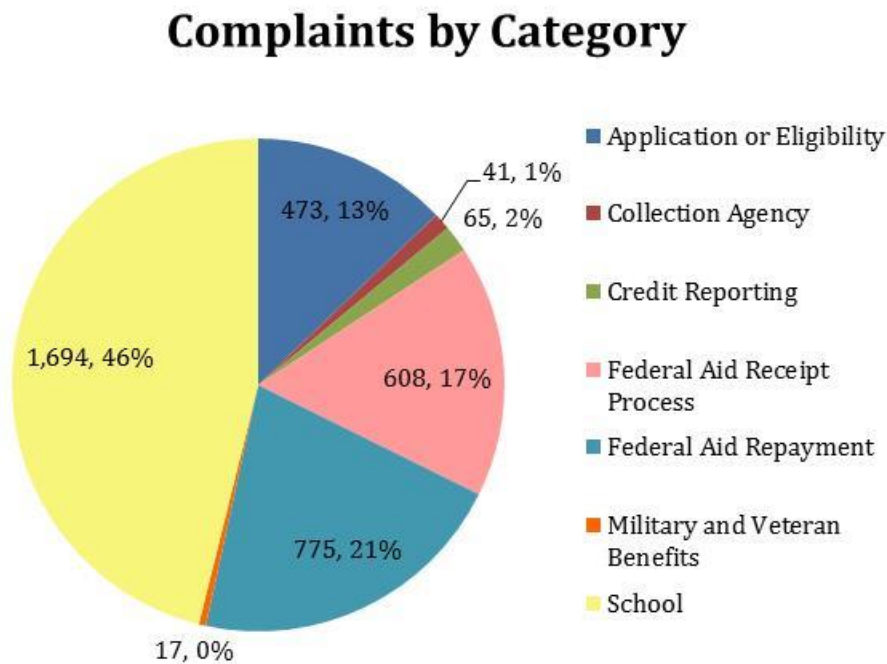
Examples of complaints categorized as "School" include

- referrals and complaints that allege an institution is not disbursing aid in a timely manner or not providing the required instruction and/or resources (instructors, supplies, books, classroom, etc.) in order to deliver a quality education to its students;
- student concerns associated with institutions that close or lose Title IV eligibility such as teach-outs (a written plan developed by an institution that provides for the equitable treatment of students if an institution—or an institutional location that provides 50 percent of at least one program—ceases to operate before all students have completed their program of study), transfers and disbursements, and/or loan discharges; and
- referrals and complaints about the inability of students to transfer academic credits earned at a previously attended institution to a transfer institution.

In further examining complaints, the 10 most frequently submitted subcategories ranged from student eligibility (856 total complaints) to FAFSA verification (106 complaints) (Figure 4).

Figure 4

Top Ten Complaint Subcategories
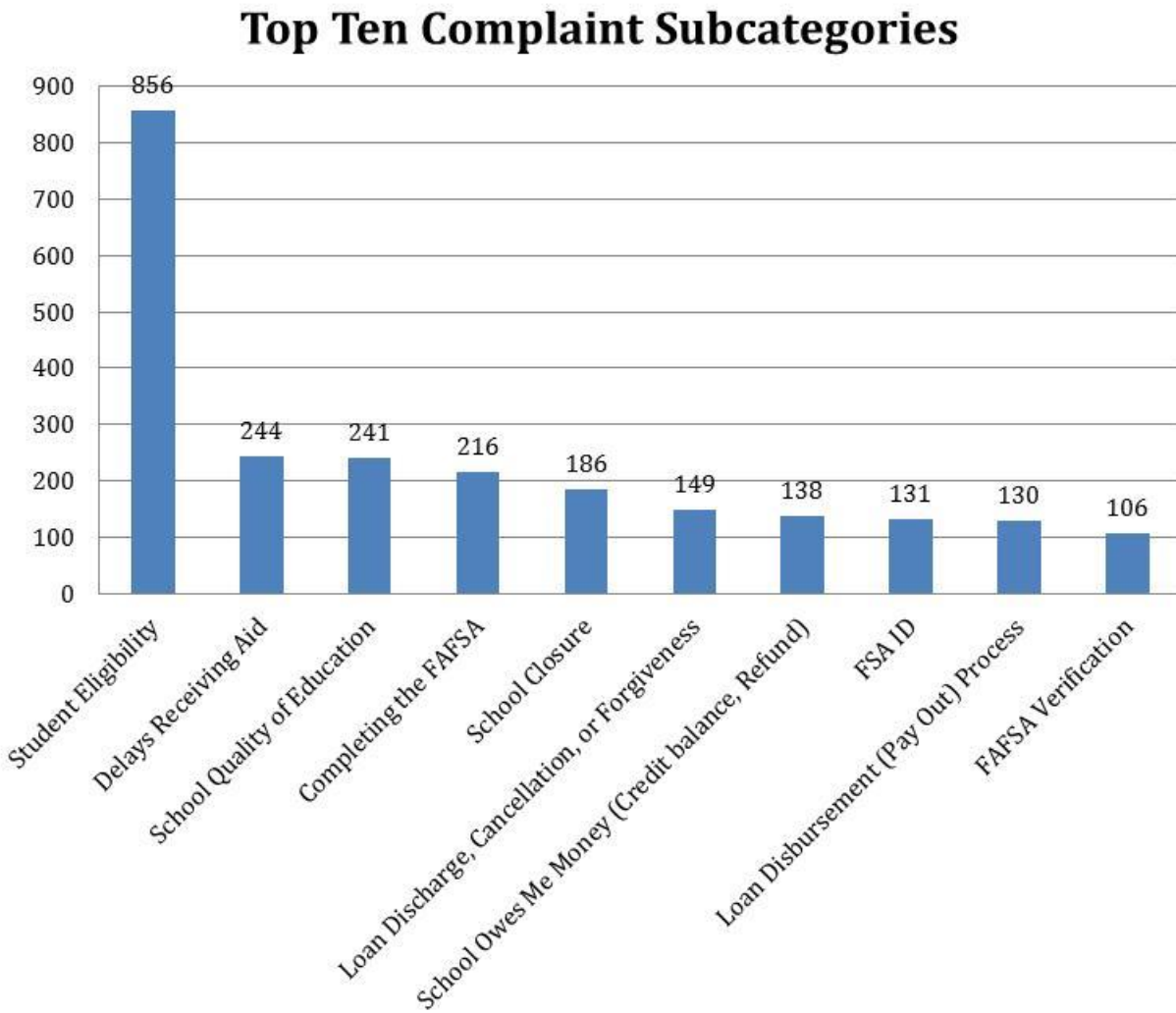
Student eligibility complaints include referrals or complaints about a student's application and/or qualifications for Title IV eligibility to receive or continue receiving Title IV funds. They also include complaints about admissions requirements or the student's high school diploma or GED, satisfactory academic progress, Selective Service matters, and the misreporting of income or other information on the FAFSA.

School-related Complaints by School Type

Figure 5 shows of all school complaints, 44 percent (1,036) were related to proprietary (for-profit) schools, 40 percent (954) related to public schools, 15 percent (351) related to private, nonprofit (PNP) schools, and one percent (35) involved foreign schools.

Figure 6 shows that public institutions accounted for the largest portion—58 percent—of federal loans and grants distributed in Award Year (AY) 2015–16 (July 1, 2015–June 30, 2016) and the second-largest percentage of school complaints. Although proprietary schools distribute only 18 percent of the federal loans and grants in AY16, these schools account for 44 percent of school-related complaints. Private non-profit schools awarded 24 percent of federal loans and grants in AY16 and made up 15 percent of school complaints.
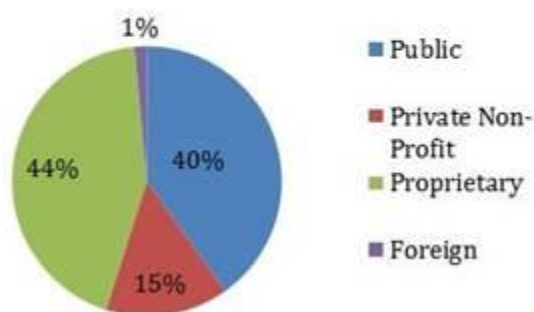
Figure 5

Figure 6

School Complaints by School Type
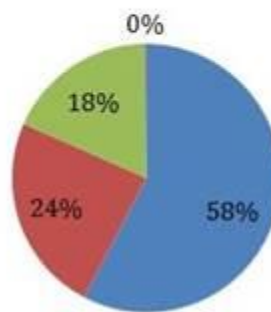

AY16 Loans and Grants by School Type

Student eligibility was the top complaint subcategory across all school sectors—public (486 in Figure 7), private non-profit (127 in Figure 8), and for-profit (227 in Figure 9). In addition to student eligibility, the top complaints at public schools were delays in receiving aid (76) and FAFSA verification (66) (Figure 7).

Figure 7

Top 10 Public School Complaint Subcategories

Bar chart values:
- Student Eligibility: 486
- Delays Receiving Aid: 76
- FAFSA Verification: 66
- School Quality of Education: 53
- Loan Disbursement Process: 41
- School Owes Me Money: 38
- Misrepresentation: 27
- Satisfactory Academic Progress: 25
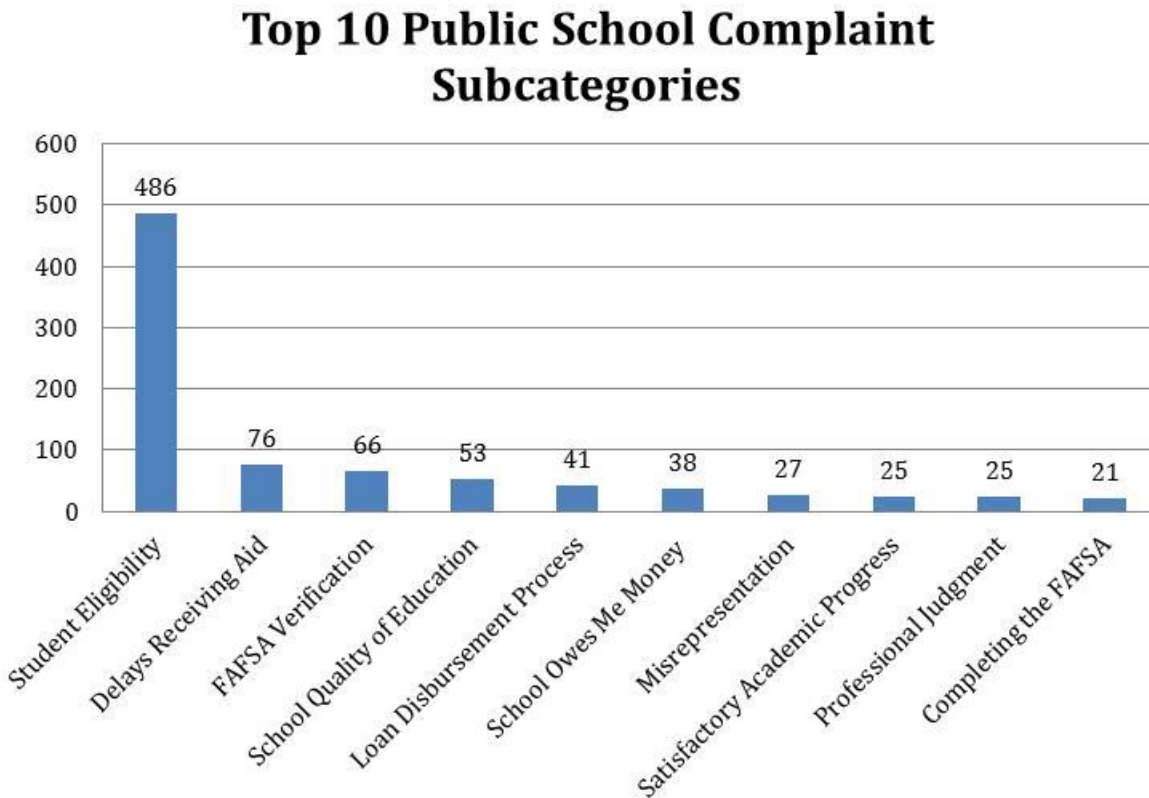- Professional Judgment: 25
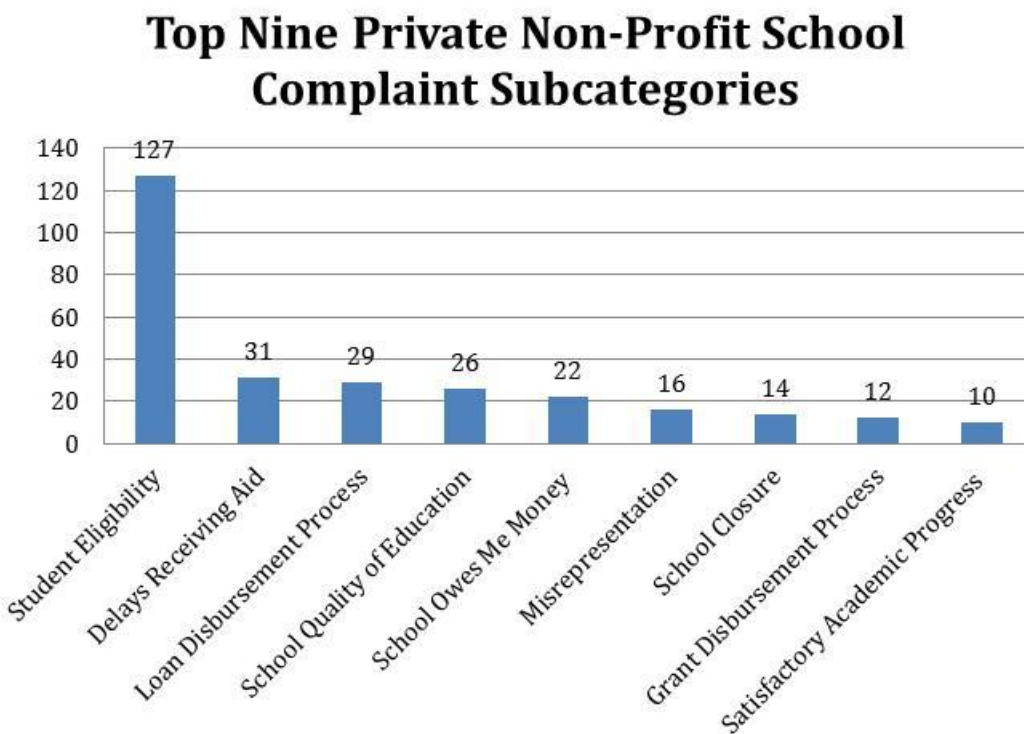- Completing the FAFSA: 21

Figure 8 shows among private, non-profit school complaints, student eligibility (127), delays in receiving aid (31), and the loan disbursement (or pay out) process (29) ranked highest.

Figure 8

Top Nine Private Non-Profit School Complaint Subcategories

In addition to student eligibility (227), the most frequent complaints about for-profit schools were about school closure (164) and school quality of education (151) (Figure 9).

Figure 9

Top 10 Proprietary School Complaint Subcategories
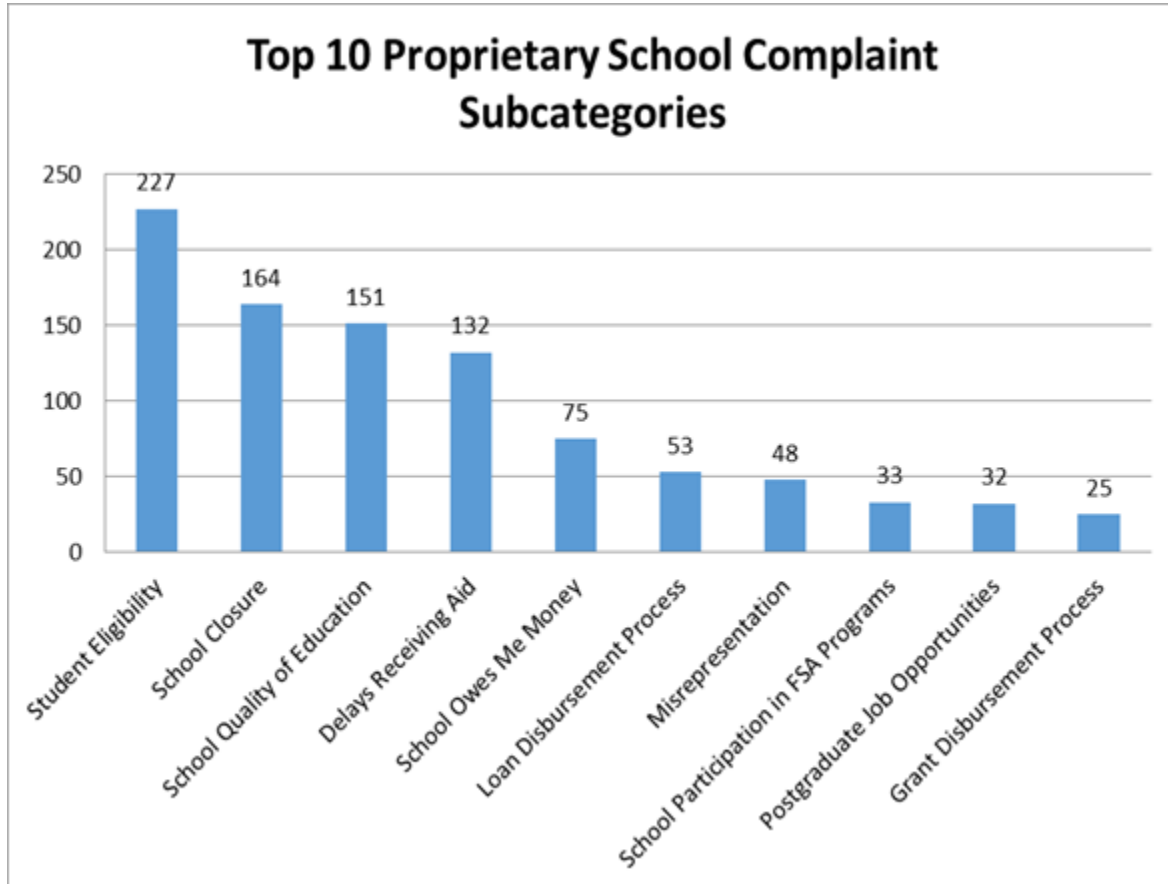
Loan Servicing-Related Complaints

Approximately 11 percent of complaints (422) were related to student loan servicing. Customers' complaints most often were about loan discharge, cancellation, or forgiveness (86); the Public Service Loan Forgiveness (PSLF) Program (53); and their loan repayment plan (52) (Figure 10).

Figure 10

Top Ten Servicing-Related Complaint Subcategories
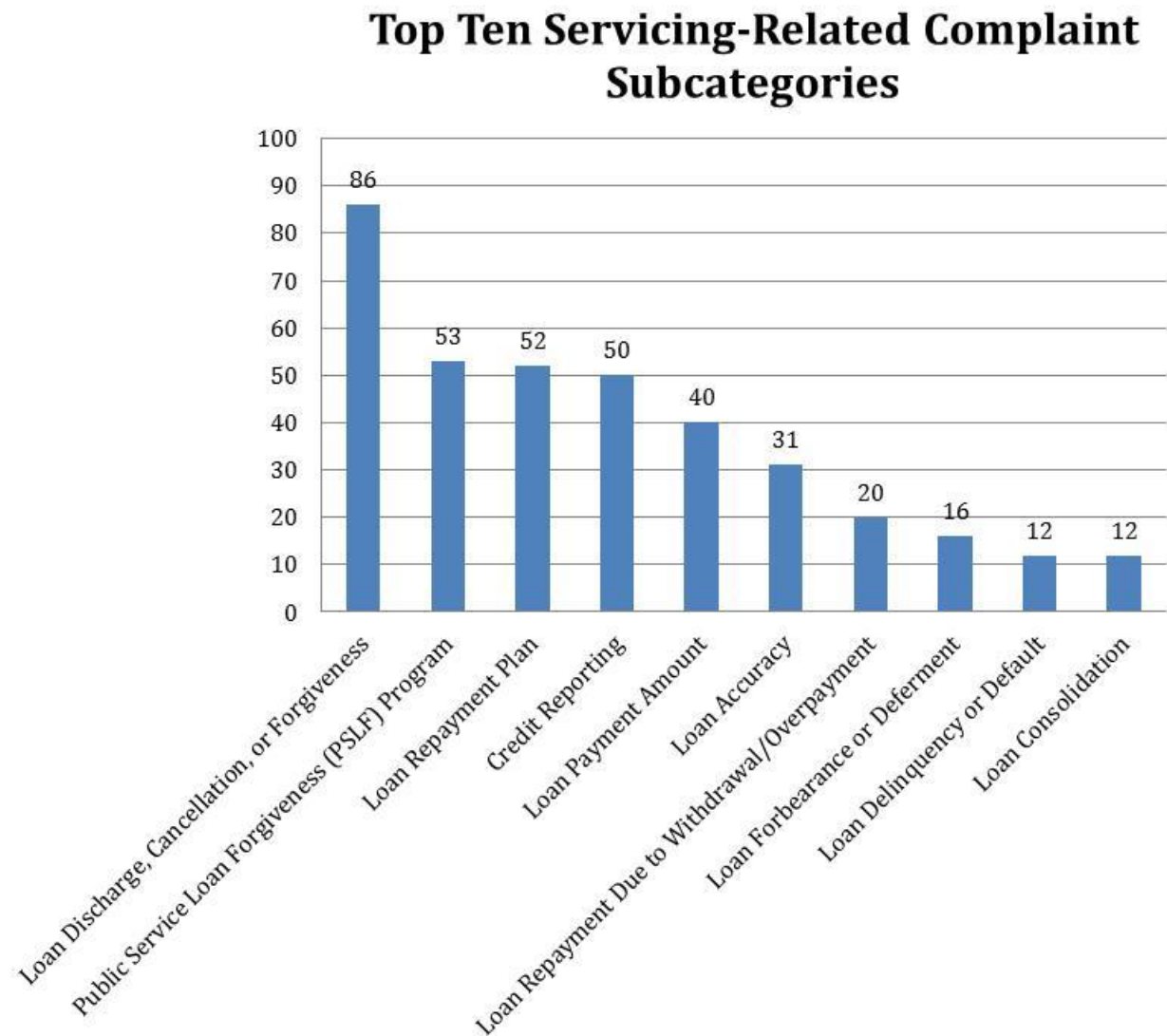
Although customers are able to submit complaints about any federal loan servicer, including those servicing commercially-held loans from the Federal Family Education Loan (FFEL) Program, the majority of servicing-related complaints were from borrowers whose loans are in the federally managed portfolio. This is not surprising since loans stopped being originated in the FFEL Program after AY 2009–10. The most complaints received were from borrowers whose loans were assigned to FedLoan Servicing (PHEAA) (117), followed by Navient (110), and Nelnet (86) (Figure 11).

When looking at servicing-related complaints, it is important to consider special programs that a servicer administers and the size of each servicer's portfolio, both of which may impact the number of complaints it receives. For example, the PSLF program ranks among the top complaint subcategories. This is a special program that is exclusively handled by one federal servicer, FedLoan Servicing (PHEAA). Likewise, FedLoan Servicing (PHEAA) exclusively handles Teacher Education Assistance for College and Higher Education (TEACH) Grant servicing, and Nelnet exclusively handles Total and Permanent Disability Discharge applications and related servicing processes.

Figure 11

Servicers with the Most Complaint Submissions
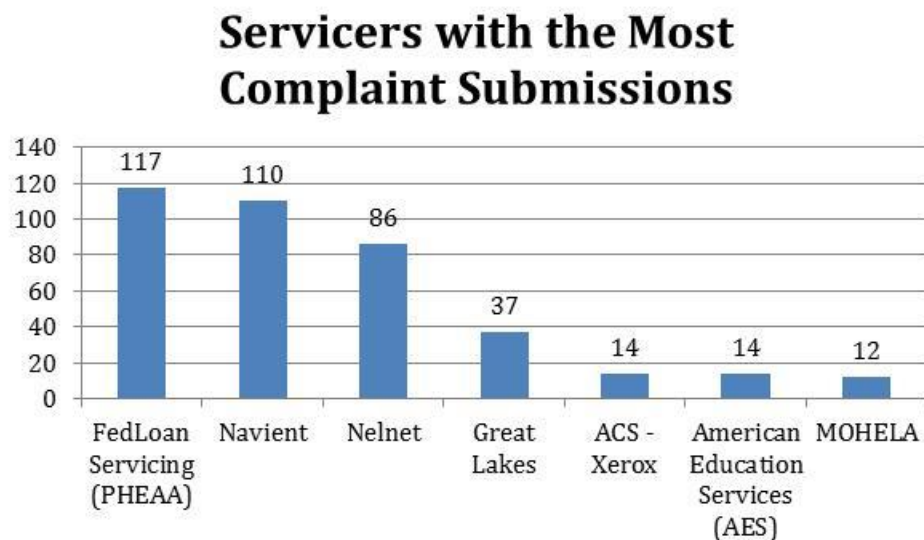
Figures 12 and 13 show how the number of complaints by federal servicer compares to the percentage of loans assigned to each servicer.

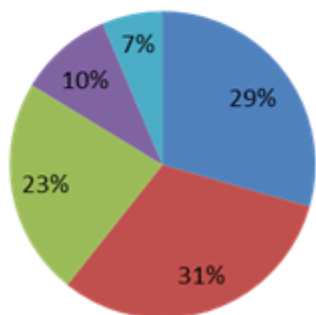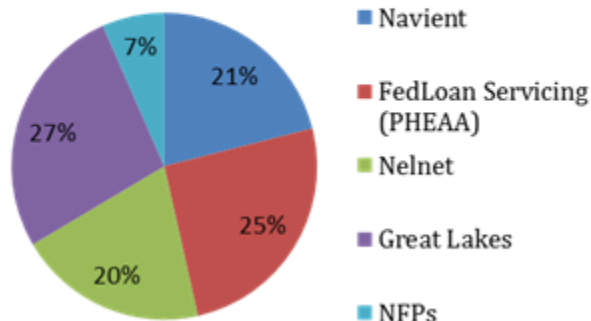**Figure 12**   **Figure 13**

Although Great Lakes services 27 percent of loans on behalf of ED, only 10 percent of customer complaints submitted are related to Great Lakes. FedLoan (PHEAA) services 25 percent of loans, including all loans in PSLF; 31 percent of complaints submitted are related to FedLoan and include complaints about PSLF, which is the second-highest complaint subcategory among servicer-related complaints (Figure 10).

Navient services 21 percent of loans; 29 percent of complaints are related to Navient. The majority of the complaints were about a decision or a process concerning federal student aid. Nelnet services one-fifth of loans on behalf of ED, including all discharge applications and servicing for Total and Permanent Disability; 23 percent of complaints are related to Nelnet. Not-For-Profit servicers handle seven percent of loans and account for the same percentage of servicer complaints.

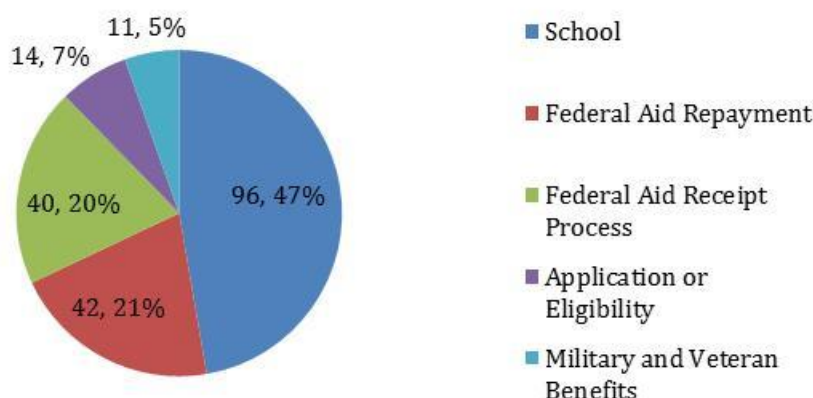### *Complaints about Private Collection Agencies*

Out of more than 3,600 complaints submitted between April 11 and Sept. 30, 2016, 35 (or less than one percent) were regarding private collection agencies (PCAs). Most complaints were about collection practices and wage garnishment.

Complaints Submitted by Members of the Military, Veterans, or Their Dependents

Members of the military, veterans, and their dependents submitted 203 complaints. The largest percentage—nearly half (47 percent)—was school-related, while 21 percent were about the repayment of federal student aid, and 20 percent were about the process of receiving federal student aid (Figure 14).

Figure14

Principles of Excellence Complaints by Category

- School
- Federal Aid Repayment
- Federal Aid Receipt Process
- Application or Eligibility
- Military and Veteran Benefits

11, 5%
14, 7%
40, 20%
96, 47%
42, 21%

Examples of school-related complaints by members of the military, veterans, or their dependents include:

A disabled veteran attends a career school. Upon enrolling, the veteran was told she would not have to pay tuition for the program because she is a veteran, yet the school billed her for tuition.

A customer reports his school did not include veterans' benefits on his award letter and did not consider VA benefits when determining his aid award.

Customer matters specific to the GI Bill and other DoD and VA education benefit requirements that are administered by schools are referred to the appropriate agency. FSA's referral process includes providing the customer's name, contact information, specific details of the complaint, and a referral number to the appropriate agency to address the matter with the school and/or customer. FSA provides the customer the referral number for any follow-up contact with the appropriate agency.

Figure 15 shows the top POE complaint subcategories. Similar to the school-related complaints, the highest concentration of POE complaints were related to "Student Eligibility."

Figure 15

Top POE Complaint Subcategories
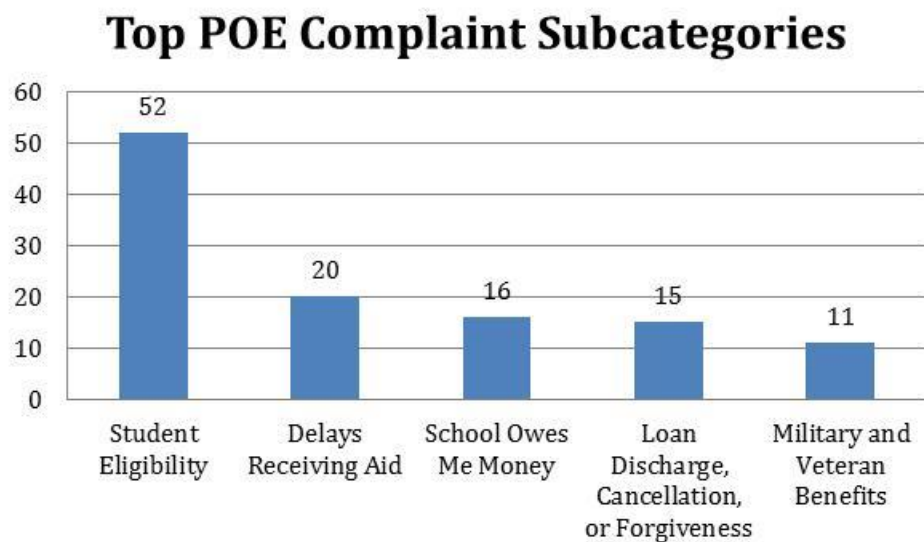
Examples of student eligibility-related complaints submitted by members of the military, veterans, or their dependents include:

I still haven't received my financial aid, and classes start in less than a week. I can't afford to buy books.

My school financial aid office is holding a big portion of my student loans because they claim I may drop a class. Before now, when the VA paid my tuition, I got a refund for the full amount left on my student account. Please help.

Right before my term ended, my school told me they hadn't received my GI Bill tuition payment. My school informed me I would need to take out a federal student loan to cover my tuition costs. Is that true?

Closed Complaints and Resolution Actions

More than 58 percent of the 3,673 complaints received were closed as of Sept. 30, 2016. Of those closed cases, 56 percent were resolved. In 44 percent of closed cases, a communication or process was clarified for a customer (Figure 16). An action was taken in 11 percent of closed cases, while 27 percent were referred to other entities for research and resolution; complaints about matters outside ED's authority are considered closed once they are referred to an external entity.

Seven percent of closed cases resulted in a policy suggestion—such as increase the amount of Federal Pell Grant Program funds awarded each year to students, change the eligibility requirements for PSLF eligibility, and lower the interest rate on loans—being logged. The remaining closed cases involved instances in which the customer did not require a response or where the customer did not respond to multiple follow-up requests for additional information. Typically, requests for additional information are made when the original customer complaint does not contain enough information to research and resolve the case.

Figure16

Resolution Actions for All Closed Complaints
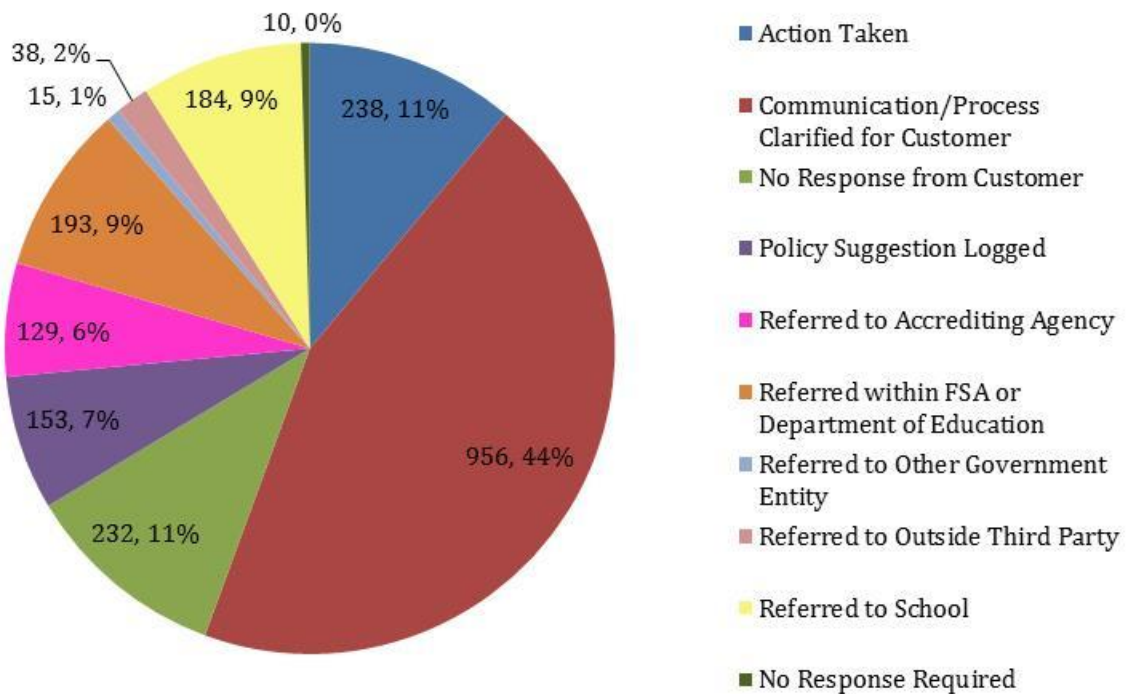
Resolved Cases

Cases were most often closed after clarifying a communication or process for the customer (Figure 16). In 11 percent of closed cases, an action was taken to change or correct an inaccuracy or to complete a process.

"Communication/Process Clarified" does not involve activity that corrects the customer's account or guidance previously provided to the customer. Instead, a previous communication, a student loan-related process, or the customer's account is explained, clarified, and/or documented.

"Action Taken" could involve a servicer correcting customer accounts or processing an application that had not been initiated or was in process prior to submission of the complaint via the feedback system. "Action Taken" also could involve correcting website data or information or any other activity that would change a customer account and/or a servicer's processes.

Table 1 provides an example of an "action taken" related to a school.

Table 1

Example Case 1	
Case Summary:	A school incorrectly determined a student's dependency status to be "dependent" and required a student to submit his or her parents' income information to complete the verification process. The school would not award the student Title IV aid until the requested documents were provided. FSA determined, however, that the student met the federal requirements for the "independent" status.
Action FSA Took:	FSA followed up with the school to clarify the definitions for the "dependent" and "independent" status.
Case Outcome:	School subsequently awarded Title IV aid to the student based on the "independent" status.

Table 2 provides an example of an "action taken" related to a servicer.

Table 2

Example Case 2	
Case Summary:	Despite contacting his school and the Federal Student Aid Information Center (FSAIC) to inquire about how to repay his federal student loan after graduation, a borrower never received any information about his loan for more than one year. The borrower received a past due notice from a newly assigned servicer and was told his account would be turned over to a private collection agency if he did not pay hundreds of dollars of interest immediately. The borrower made a payment to the servicer and submitted a complaint through the Federal Student Aid Feedback System.
Action FSA Took:	FSA determined the school had not reported the borrower's loan for more than two years and requested the servicer accept the borrower's payment as a cash cancellation that would place the borrower in a current status retroactively, thus negating accrued interest and penalty fees.
Case Outcome:	The servicer applied the borrower's payment as a cash cancellation—thus reducing the loan's principle balance—and refunded the borrower what now was considered the overpayment.

Referred Closed Cases

Referrals most often occur when the complaint falls outside of the authority conferred on FSA by the *Higher Education Act of 1965*, as amended. For example, accrediting agencies are responsible for ensuring that postsecondary institutions provide a quality educational program, maintain satisfactory physical facilities, and have qualified instructional staff; referred complaints related to these areas would be coded "Referred to Accrediting Agency." To the extent a complaint is determined to be within the authority of a school, such complaints are referred directly to the institution to review and take appropriate action, thus the categorization "Referred to School."

Other types of complaints may need to be directed to a federal agency. For example, complaints about private loans; the practices of commercial, corporate actors offering loan consolidation or credit repair services in the student loan marketplace; and disputing an item on a credit report would be referred to another entity.

Some complaints submitted through Sept. 30, 2016, are, in fact, questions or requests for troubleshooting support that can be provided by one of FSA's customer service channels, like FSAIC or the FSA Ombudsman. In September 2016, following the closure of the school chain ITT, many individuals submitted feedback asking for information about closed school loan eligibility requirements; such cases were categorized as "Referred to FSA Contact Center" and "Referred to FSA System Owner."

Additional examples of submissions categorized by the customer as complaints include:

My dad forgot his answer to one of his security questions. We can't log in, and I need his electronic signature on my FAFSA.

I'm frustrated because I've been unable to sign my son's FAFSA. It's not accepting my information. Why do I have to have a username and password? I created one, but I still can't sign the FAFSA. Help…

Also within this segment were complaints referred to the FSA Ombudsman because the feedback pertained to loans in the FFEL and Federal Perkins Loan programs not held and serviced by ED, or to a complaint currently—or previously—being worked by the FSA Ombudsman.

School-related complaints most often resulted in a communication or process being explained to a customer (Figure 17). Twelve percent of cases resulted in a referral to the school (in cases in which the complaint is about a matter unrelated to federal financial aid), and 11 percent resulted in some type of action taken. The remaining cases resulted in a referral to an accrediting agency (nine percent) and a policy suggestion being logged or "No Response from Customer" (eight percent each). Sometimes, schools require additional information in order to research and resolve a complaint. When a customer does not provide additional information, the complaint is coded as "No Response from Customer."
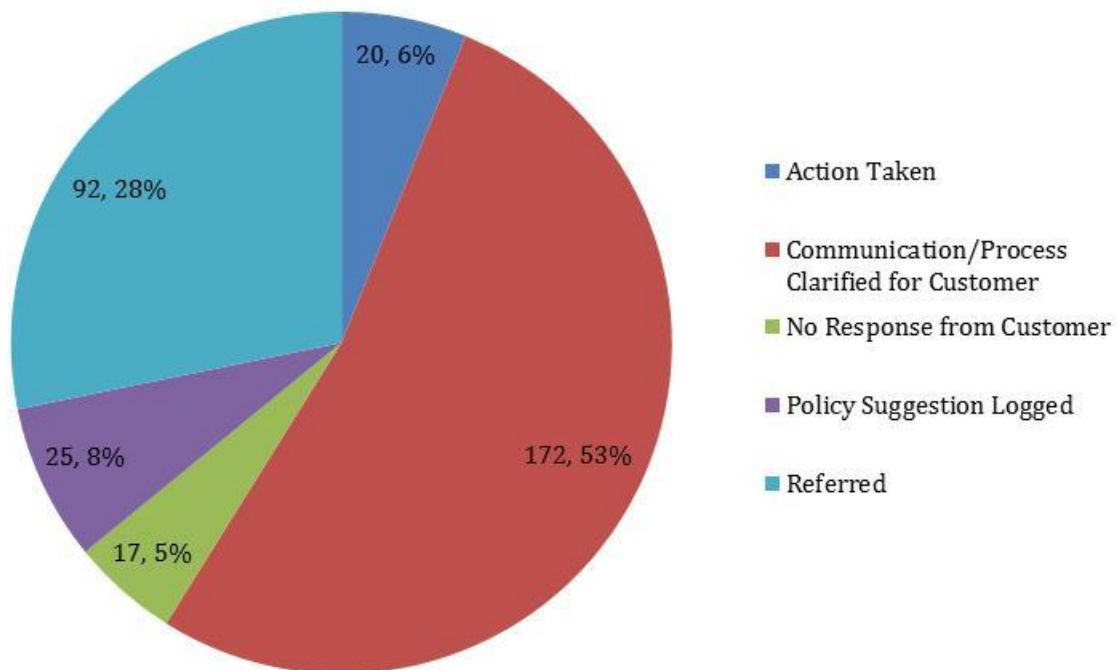
Figure 17

Resolution Actions for School-related Complaints
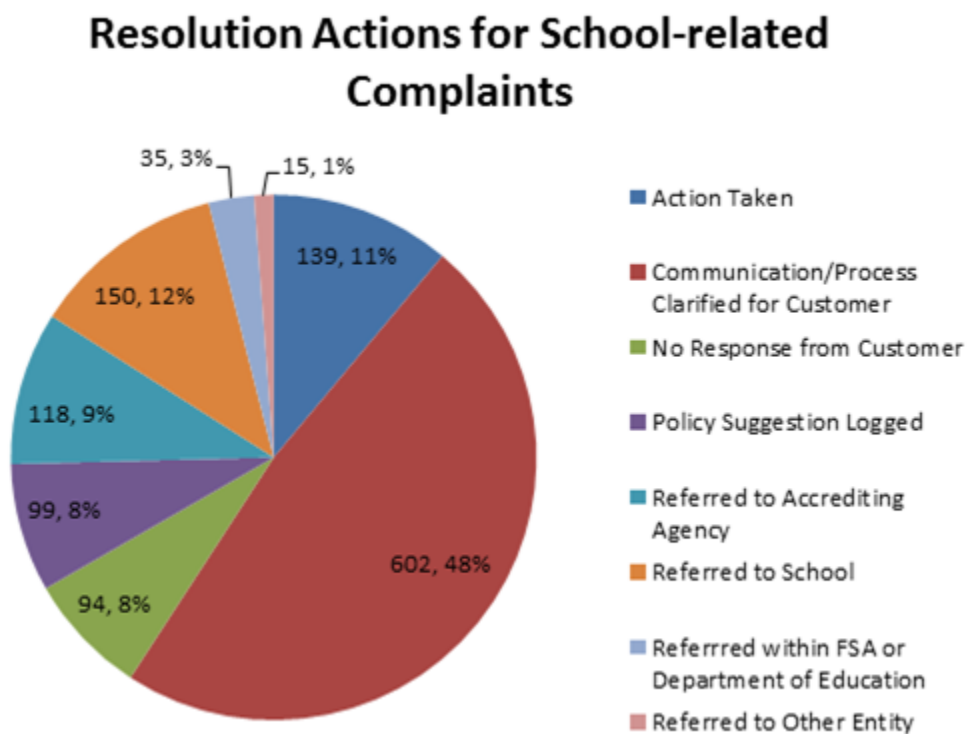
Similarly, servicer-related complaints resulted in a servicer explaining a process or providing some other clarifying information to the customer in more than half (53 percent) of cases (Figure 18). Twenty-eight percent of the cases were referred, and eight percent resulted in a policy suggestion being logged. The remaining cases resulted in some form of action taken or were closed after the customer failed to provide additional information necessary to resolve the case.

Figure 18

Resolution Actions for Servicer-related Complaints

20, 6%
92, 28%
25, 8%
17, 5%
172, 53%

■ Action Taken

■ Communication/Process Clarified for Customer

■ No Response from Customer

■ Policy Suggestion Logged

■ Referred

SECTION 3.3 | POSITIVE CUSTOMER FEEDBACK

Of the 159 submissions of positive feedback, the majority complimented an entity within ED. Cases submitted include satisfactory customer service experiences related to loan consolidation, the FSA ID, the Servicemembers Civil Relief Act (SCRA), and completing the FAFSA. Examples are:

I was having a lot of problems with my login information and when I called Cindy…she was very patient and went through the whole FAFSA application with me. She went above and beyond to help me. Her attitude was amazing. She is a great addition to your team. Thank you so much, Cindy!

Thank you for making the Income Driven Repayment process so simple.

There were some instances of school- or servicer-related feedback which largely praised financial aid administrators and customer service representatives, including:

I contacted my servicer about deferring my loans so I could go back to school full-time. The representative was professional and courteous. She was the best.

My customer service rep was on the phone with me more than 30 minutes. She was nothing but helpful! Thank you so much!

Customers also submitted general inquiries through this feedback channel.

No positive feedback was received from customers indicating they are members of the military, veterans, or their dependents. The feedback system was updated in late-October 2016 to allow customers to provide positive feedback related to private collection agencies.

SECTION 3.4 | CUSTOMER REPORTS OF ALLEGED SUSPICIOUS ACTIVITY

Through the feedback system, customers can provide information about an entity or a person they believe may have violated federal laws regarding federal student aid. FSA protects customers' identity in accordance with the Department of Labor's Whistleblower Protection Program, investigates the claim, and takes action accordingly.

To support its fiduciary responsibility to American taxpayers, FSA designed the feedback system to solicit reports from student aid recipients about practices or activities they suspect or *perceive* to be fraud, waste, or abuse. FSA deliberately provides great latitude in the description in order to encourage customers to submit even potential cases of fraud, waste, and abuse. While FSA takes all allegations of suspicious activity seriously, the broad characterization has resulted in some activity being submitted and categorized as "fraud" by the customer, when, in fact, no fraud exists. In some instances, customers have elected to submit both a complaint and an alleged suspicious activity case when they believe they have been wronged.

Figure 19 illustrates that of the 979 reports of alleged suspicious activity, the smallest percentage (one) was reported about servicers. Customers also submitted cases about alleged student fraud (16 percent), identity theft (12 percent), and third-party debt relief fraud (10 percent).

"Student fraud," for example, is defined as "any situation where a student who may otherwise be ineligible falsifies information in order to qualify for student aid." Examples of student fraud include falsifying information on the FAFSA or obtaining an invalid high school diploma. Examples of "Other" within reports of alleged suspicious activity are:

I think it is suspicious that my school is asking me for a tax transcript.

Is it possible for me to anonymously report a student who brags he isn't repaying his student loans?

Instances in which customers report multiple unrelated issues within one submission also are categorized as "Other."

Nearly half (49 percent) of the reports of alleged suspicious activity involved allegations against a school or school personnel.

In-Depth Analysis of Allegations of Suspicious Activity

Customers submitted 979 cases that they categorized as an allegation of suspicious activity, with 49 percent (483 cases) subcategorized as alleged school-related fraud ("Allegation of Suspicious Activity" chart in Figure 19). Subject matter experts evaluated each case to determine—based on the *content* of the case submitted by the customer—whether the case was categorized accurately as alleged suspicious activity and subcategorized appropriately as school-related fraud.

The analysis determined that the vast majority of the cases of alleged school-related fraud—based on the *content* of the cases submitted by customers—were, instead, school-related complaints. For example, of the 483 original cases of alleged school-related fraud, only 41 were actual allegations of school–related fraud based on the content provided by the customer ("Allegations of Fraud" chart in Figure 19).

Figure 19
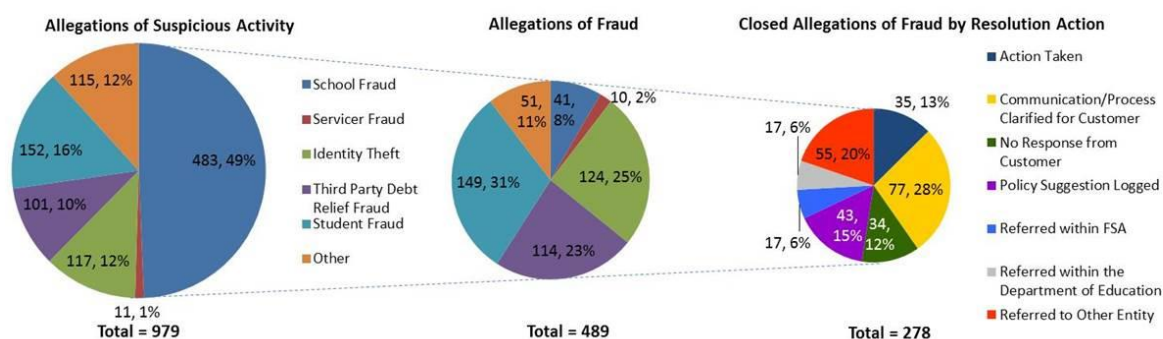
The "Allegations of Fraud" chart in Figure 19 also shows that as a result of the in-depth analysis, the cases of alleged student fraud subcategory decreased from 152 to 149; the three cases that were found not to be about alleged student fraud were worked to resolution as complaints. After the in-depth analysis, alleged fraud cases categorized by customers as "Other" were reduced from 115 to 51; 64 cases were worked as complaints.

Similarly, of the 11 original cases of alleged servicer-related fraud, only one was not actually found to be an allegation of servicer-related fraud. Upon closer examination, 13 additional cases were added to the alleged third-party debt relief fraud subcategory—increased from 101 to 114—while seven more cases—from 117 to 124—were added to the alleged identity theft subcategory.

Customer service agents processed cases of alleged fraud through to resolution based on the case content, despite their original subcategorization. Of the 489 cases of alleged fraud (as determined by customer service agents), 278 were closed before Sept. 30, 2016 ("Closed Allegations of Fraud by Resolution Action" chart in Figure 19 on the previous page). More than one-quarter of the cases—27 percent—were resolved by communicating or clarifying a process for a customer, and 20 percent were referred (for example, to another government entity or an accrediting agency).

A policy suggestion (such as restrict the number and type of documents schools can request for the verification process) was logged on 15 percent of the alleged fraud cases, and some form of action (such as correct a student's account at the school or correct an NSLDS record) was taken on 13 percent of the cases. In 34 cases, or 12 percent, customers failed to provide necessary follow-up information, resulting in their cases being closed. Twelve percent of the cases were referred within FSA and ED.

Alleged Fraud Submitted by Members of the Military, Veterans, or Their Dependents

Of the 489 cases of alleged fraud, only 30 were submitted by members of the military, veterans, or their dependents. Among those reported, 40 percent (12 cases) were categorized as "Other." Examples of "Other" include reports of poor communications between administrators and students at a school, suspicions of unauthorized account access, and reports of receiving suspicious emails about financial aid.

Thirty percent (nine cases) were about alleged school-related fraud, and five cases were about suspicions of identity theft. The remaining cases were about alleged student (3) and third-party debt relief fraud (1).

SECTION 3.5 | FEEDBACK-DRIVEN IMPROVEMENTS
FSA has used feedback received through the new system to improve customer service and enhance the delivery and oversight of federal financial aid programs. For example, a review of Income Driven Repayment (IDR) plan complaints resulted in FSA clarifying language about IDR plans on the StudentLoans.gov website.

An anonymous complaint to the feedback system about the alleged unauthorized use of ED's seal by a third-party debt relief company on its website resulted in ED's Office of General Counsel issuing a cease and desist letter to the company. A recent search revealed the company website is no longer operational.

FSA also is developing enhancements to the feedback system website to make it clearer for customers what does and does not constitute fraud.

SECTION 3.6 | LOOKING FORWARD

By the end of 2016, FSA will make additional enhancements to the feedback system in order to benefit customers. For example, FSA will expand the system's auto-routing functionality to more efficiently route cases to servicers, private collections agencies, and within FSA and ED. Automatic routing will improve the efficiency with which complaints are resolved. The system's online landing page recently was modified to more clearly explain to customers what they can expect when submitting feedback, including expected response and resolution timeframes.

The borrower defense hotline will be added as an associated entity for customer service-related complaints, allowing customers to more accurately categorize customer service complaints specifically about the borrower defense hotline. And, students, parents, and borrowers will have the ability to provide feedback about the customer service they receive related to the Federal Student Aid Feedback System, including its online portal.

SABOR requires FSA to publish a report about the system each year. FSA will publish its first required annual report, which will include data through June 30, 2017, no later than October 1, 2017. The annual report will include, among other things, an in-depth analysis of how data from the system have been used to make operational improvements that benefit students, parents, and borrowers.

The data within this preliminary report excludes cases that were identified as spam or duplicates. Spam includes unsolicited emails to the system, such as automated email responses or LinkedIn™ requests. Examples of duplicate cases include instances when a feedback system customer service agent manually creates the same case more than once, or when more than one agent enters the same case into the system. Duplicate cases also can exist when one customer submits multiple cases with the same or a similar case description. Groupings containing fewer than 10 records were bundled to protect customers' privacy.

Submit Feedback

Online

StudentAid.gov/feedback

By Telephone

1-844-651-0077

By U.S. Mail

Federal Student Aid Feedback Center

P.O. Box 1966

Monticello, KY 42633

Terms Defined

Foreign Institution

A school of higher education located in a foreign country or territory.

Not-For-Profit Servicers (NFPs)

Nonprofit companies that service federal student loans—by collecting payments, providing customer service, etc.)—on behalf of ED.

Private, Nonprofit Institution (PNP)

A private, not-for-profit school of higher education.

Proprietary Institution

A private, for-profit school of higher education.

Public Institution

A school of higher education administered and partly funded by state or local government.