

**PROGRAM DESCRIPTION**

**Department of Higher Education and Workforce Development**

**HB Section(s): 3.115**

**Program Name: Federal Loan Compliance**

**Program is found in the following core budget(s): Federal Loan Compliance**

**1a. What strategic priority does this program address?**

Affordability, Access and Success

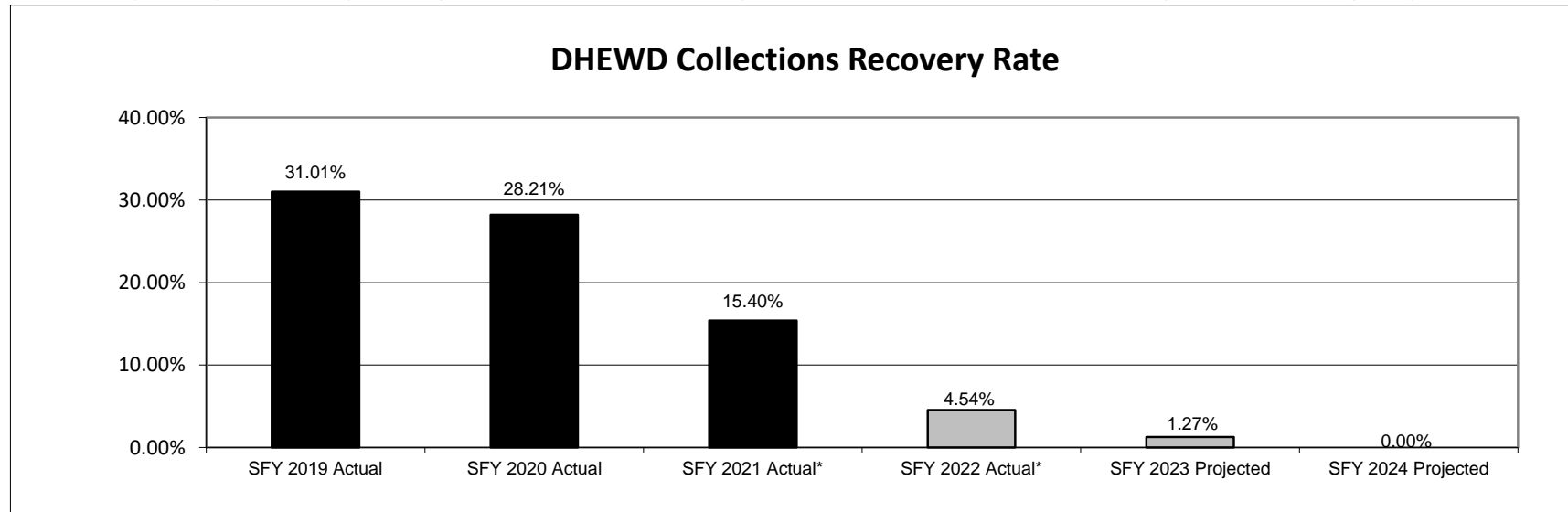
**1b. What does this program do?**

As part of its statutory requirements, the Missouri Student Loan Program contracts with a loan servicer, which subcontracts with collection agencies to collect on defaulted loans. The program pays the loan servicer a percentage of the amount collected by the collection agencies. The Guaranty Agency Operating Fund share of collection revenues is described in the Collection Payments Transfer appropriation authority request.

Dear Colleague Letter (DCL) GEN-21-03 was issued by the United States Department of Education May 12, 2021 in response to the COVID-19 pandemic. The DCL directed DHEWD to **halt** collections and the accrual of interest on defaulted accounts, retroactive to March 13, 2020. This directive lasts through December 31, 2022. As a result, the program experienced a decline in collections rate from defaulted borrowers during FY 2021 and FY 2022. The loan program is ending effective October 1, 2022, so there will also be a decline during FY 2023.

**2a. Provide an activity measure(s) for the program.**

The recovery rate represents the percentage (%) of DHEWD's outstanding defaulted loan balances recovered through collections in a given year.



\*The FY 2021 & FY2022 declines were due to the USDE order to halt collections as a result of the COVID-19 pandemic. The FY 2023 projected recovery rate is affected by DHEWD's decision to exit the loan program.

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**2b. Provide a measure(s) of the program's quality.**

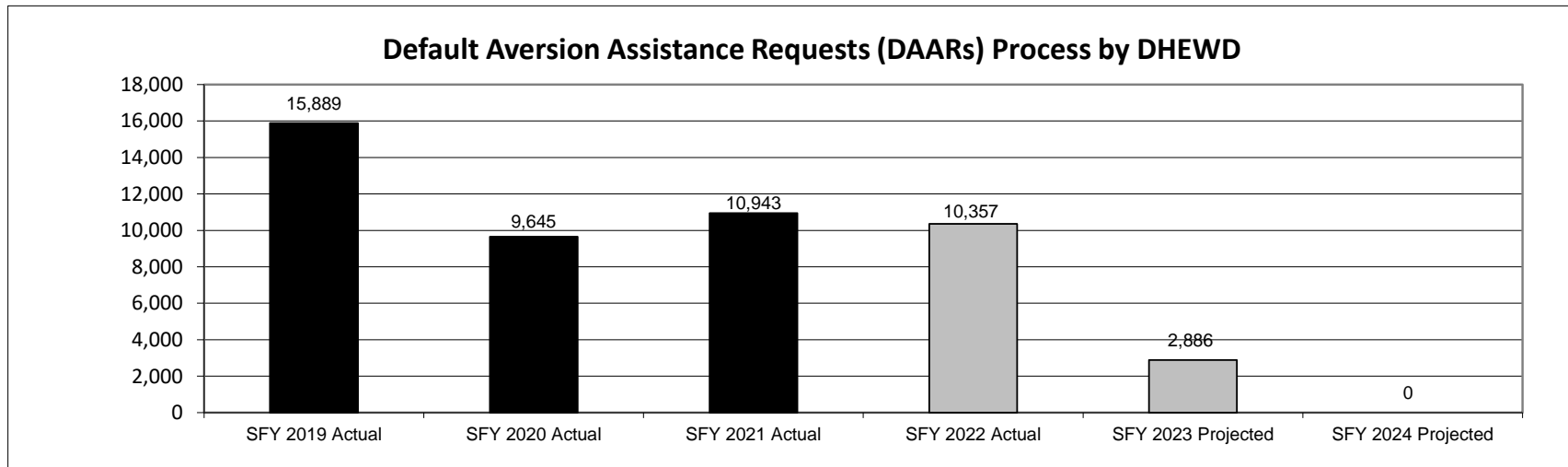
DHEWD Administrative Wage Garnishment Collections Rate Among Other Guaranty Agencies

FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Projected	FY2024 Projected
6th out of 22 Agencies	6th out of 20 Agencies	No data	No data	No data	No data

\*Data regarding guaranty agency (GA) collections are compiled by the USDE and then distributed to GA's. Due to USDE's order to halt collections as a result of the COVID-19 pandemic, data regarding collections are not available for FY 2021, FY 2022, and FY 2023.

**2c. Provide a measure(s) of the program's impact.**

DHEWD provides collections assistance to lenders for loans that become 60 days or more delinquent to try to avert default of the loan.



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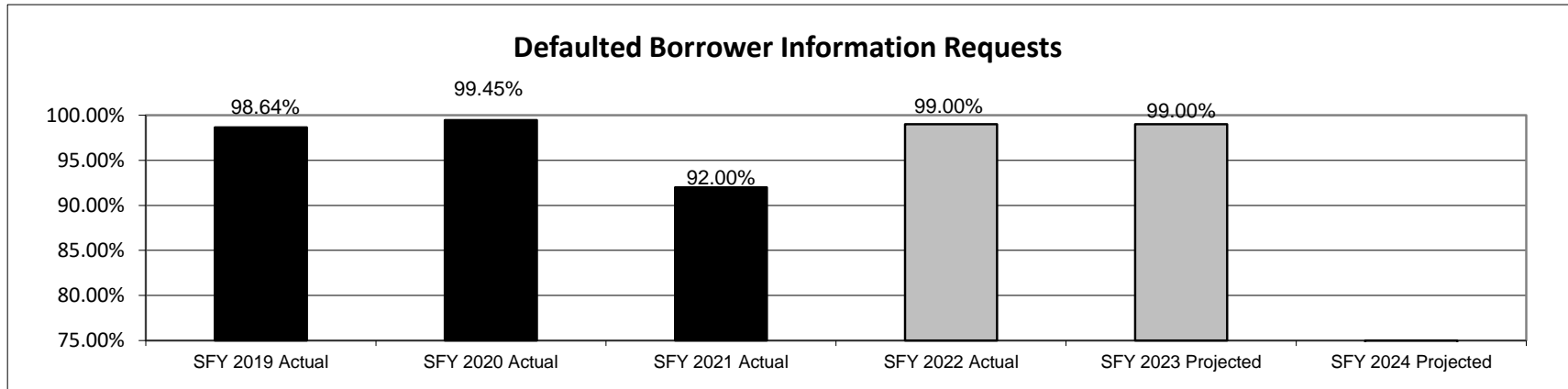
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**2d. Provide a measure(s) of the program's efficiency.**

DHEWD's call center measures the time it takes to provide a letter to defaulted student loan borrowers who have requested information about their loans. A letter issued within 2 days of the request is considered a timely response. DHEWD has established a baseline goal for this measure of a 97% timely response rate. The FY 2021 reduction in timely response was a direct result of a large volume of written requests received in our office. These written requests were in response to several required COVID-19 mailings sent to borrowers by DHEWD. These mailings also caused a large increase in calls, which made it difficult to respond timely to borrower requests.



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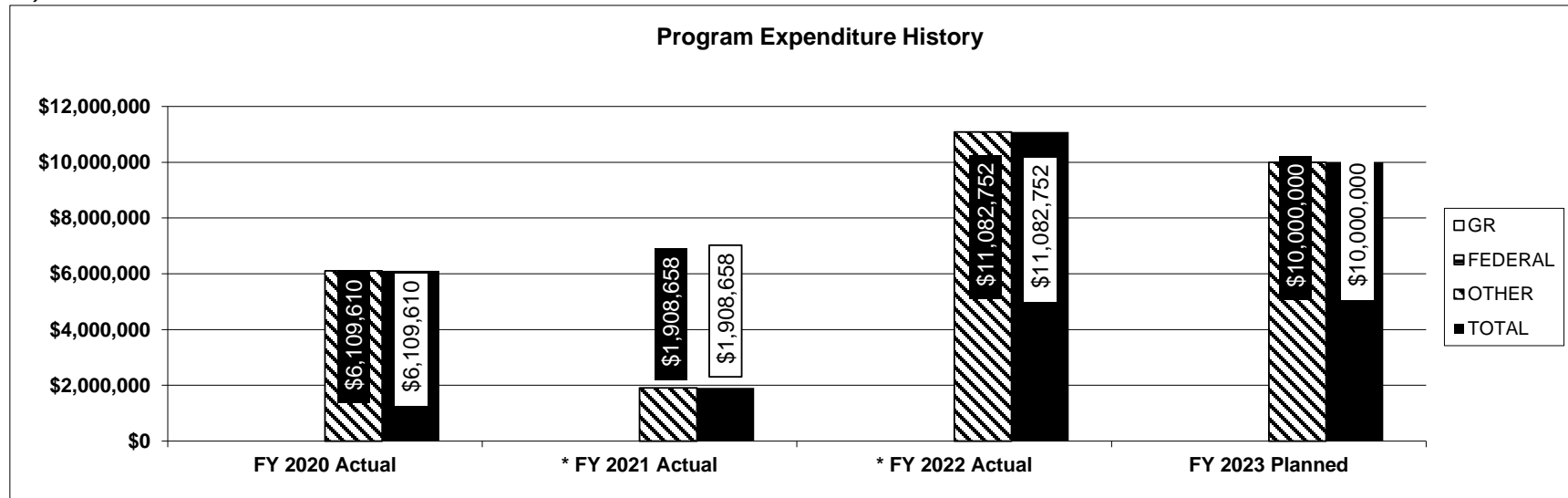
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3. Provide actual expenditures for the prior three fiscal years and planned expenditures for the current fiscal year. (Note: Amounts do not include fringe benefit costs.)



\* Federal Loan Compliance is mostly used to pay our servicer (ECMC). The contract with ECMC requires DHEWD to pay a flat percentage of whatever collections were for each month. Per Dear Colleague Letter GEN-21-03, issued by the United States Department of Education, guaranty agencies were told they must halt collections, retroactive to March 13, 2020. The DCL also mandated that GA's return all forced payments such as garnishment and tax offset, as well as voluntary payments if a borrower requested a refund. Additionally, GA's were required to return interest and a portion of collection costs on loans that had previously been rehabilitated or consolidated. This resulted in a very large amount of money sent to ECMC for them to refund on our behalf.

**4. What are the sources of the "Other " funds?**

Guaranty Agency Operating Fund (0880)

**5. What is the authorization for this program, i.e., federal or state statute, etc.? (Include the federal program number, if applicable.)**

Federal Higher Education Act of 1965, as amended, 20 U.S.C. 1071, et seq.; 34 C.F.R. Parts 658 and 682; Sections 173.095 - 173.187, RSMo

**6. Are there federal matching requirements? If yes, please explain.**

No

**7. Is this a federally mandated program? If yes, please explain.**

No