

PROGRAM DESCRIPTION

Department of Higher Education and Workforce Development

HB Section(s): 3.115

Program Name: Federal Student Loan Reserve

Program is found in the following core budget(s): Federal Student Loan Reserve Fund

1a. What strategic priority does this program address?

Affordability, Access and Success

1b. What does this program do?

This appropriation request is part of the Missouri Student Loan Program. These requested funds will be needed to purchase defaulted and discharged student loans from lenders and to return or reimburse monies to the federal government as necessary. The fund balance related to this appropriation is the property of the federal government.

As an agent of the United States Department of Education (USDE), the Student Loan Program insures private commercial banks against loss from defaulted and discharged student loans. Lenders are insured at 97 to 98 percent of the outstanding principal and interest at time of default for defaulted loans, depending on the loan disbursement date, and 100 percent for loans discharged due to death, disability, closed school, and bankruptcy. DHEWD must review each claim filed by a lender to ensure the lender has complied with all federal laws and regulations throughout the life of the loan to that point. If the lender fails to comply with all federal and DHEWD guidelines, the insurance claim will be denied and the lender loses the federal loan guarantee and must try to collect the loan. In FY 2022, the program reviewed and paid approximately 4,800 claims. The program is reinsured by the federal government at 100 percent for all claim types.

After purchasing defaulted loans, DHEWD attempts to recover the defaulted debt through various collection efforts. The proceeds from defaulted student loan collections are deposited into the Federal Student Loan Reserve Fund, and the portion due to the Guaranty Agency Operating Fund is subsequently transferred to that fund.

The enactment of the Healthcare and Education Affordability Reconciliation Act of 2010 (Public Law 111-152) makes it difficult for DHEWD to predict future claim volume. As a result of the law, DHEWD no longer has authority to guarantee new federal student loans effective June 30, 2010, as those loans are now disbursed through the Federal Direct Loan Program. In FY 2020 and FY 2021, Federal Student Aid provided Disaster Guidance to FFEL lenders related to the COVID-19 pandemic, allowing cessation of payments on loans they hold. This resulted in a significant drop in the number of default claims paid during those years. DHEWD will continue to purchase existing DHEWD-guaranteed loans held by FFEL Program lenders through September 29, 2022. The loan program will end effective October 1, 2022.

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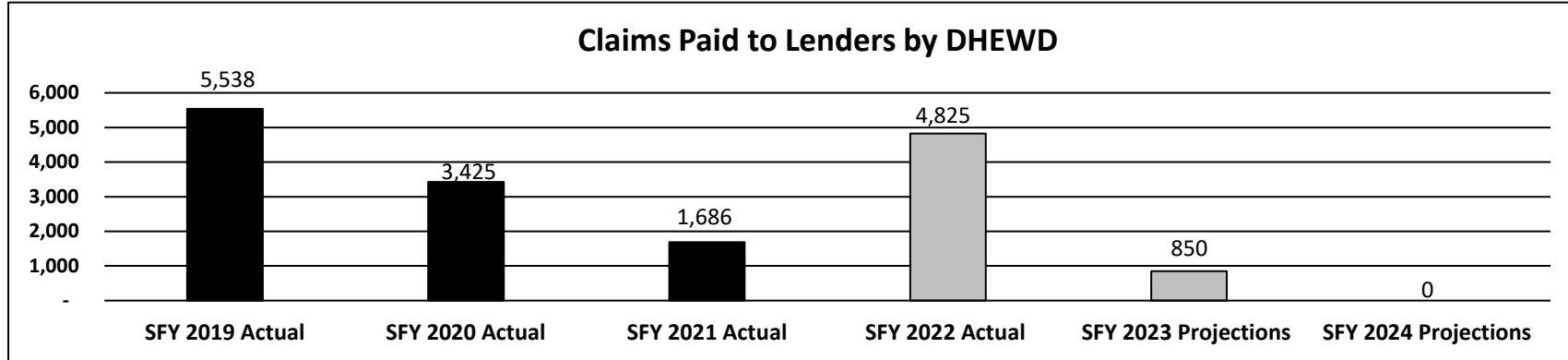
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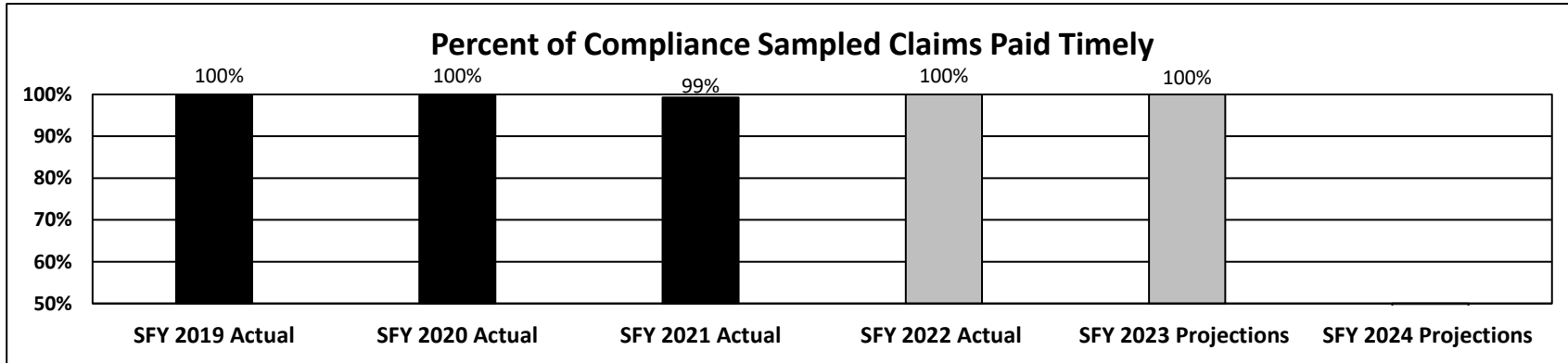
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2a. Provide an activity measure(s) for the program.

DHEWD measures the number of claims paid to lenders in a given year. There is no baseline goal as all claims received, if properly filed, must be paid from this fund. This count reflects what gets into our default inventory for us to recover.



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



Each month DHEWD staff review a sample of claims to verify claims are paid timely. This measure demonstrates DHEWD's efforts to monitor and verify all our claim types are paid accurately, completely and timely, within required federal regulations.

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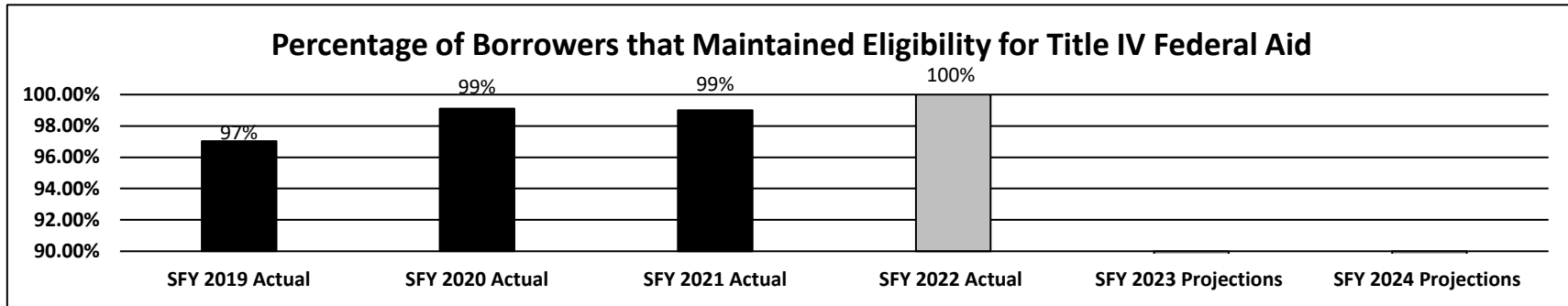
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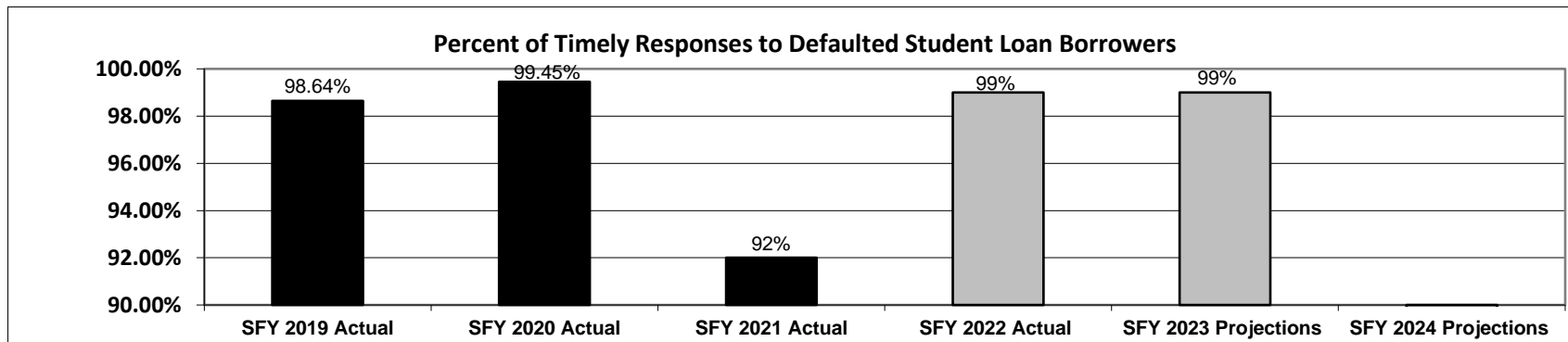
2c. Provide a measure(s) of the program's impact.

This measure demonstrates DHEWD's impact in helping defaulted borrowers regain eligibility for Title IV financial assistance. Accounts are monitored each month to verify they have maintained eligibility. If a defaulted student loan borrower falls behind in their repayment, DHEWD makes additional efforts to contact the borrower to encourage them to continue making payments to maintain eligibility. DHEWD has established a baseline goal to keep 90% of borrowers approved for reinstatement eligible for aid each month. This measure is no longer applicable effective July 1, 2022 as ECMC began processing reinstatement requests on behalf of DHEWD on this date.



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

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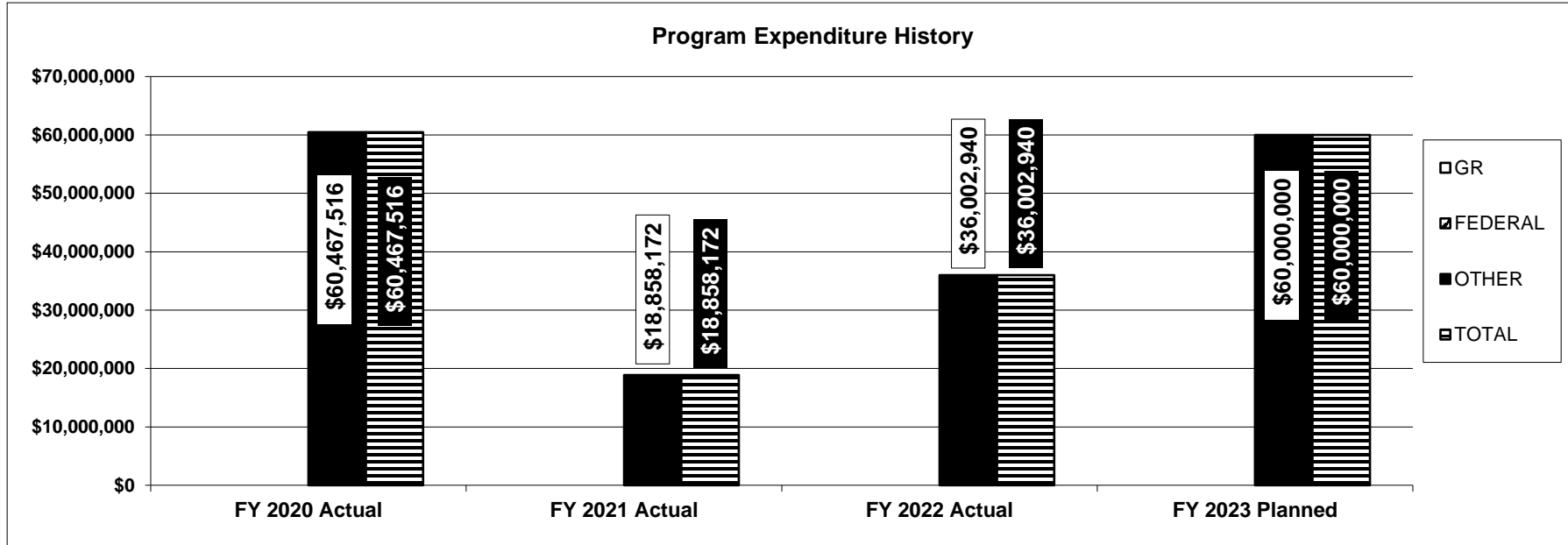
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3. Provide actual expenditures for the prior three fiscal years and planned expenditures for the current fiscal year. (Note: Amounts do not include fringe benefit costs.)



Note: In FY 2020 and FY 2021, Federal Aid provided Disaster Guidance to FFEL lenders related to the COVID-19 pandemic, allowing cessation of payments on loans they hold. This resulted in a significant drop in the number of default claims paid during those years. DHEWD will continue to purchase existing DHEWD-guaranteed loans held by FFEL Program lenders through September 29, 2022. The loan program will end effective October 1, 2022.

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

Federal Student Loan Reserve Fund (0881)

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