



April 16, 2015

REVIEW REPORT

TOPIC: Teacher Education Assistance for College and Higher Education (TEACH) Program

SERVICER: Pennsylvania Higher Education Assistance Agency (PHEAA)/Fedloan Servicing

REVIEWER(S): LaRaba Sligh

QUARTER PERIOD: January 1, 2015 – March 31, 2015

REVIEW PERIOD: 2014 and 2015 Cohorts

REVIEW OBJECTIVES:

1. To ensure that each recipient has provided a signed agreement to serve for each year of participation in the program.
2. To ensure that each recipient has provided documentation of the progress towards completing the service obligation.
3. To ensure that the suspension requests are accurately calculated.
4. To ensure that the discharge request for each recipient has been processed accordingly.
5. To ensure that the recipient's grant is converted to a loan appropriately.

STANDARDS:

Statutory & Regulatory:

The regulation governing Teacher Education Assistance for College and Higher Education is found at:

- TEACH Grants -- 34 CFR 686

METHODOLOGY

Sampling

The Operations Services selected a sample of 30 accounts from the Teacher Education Assistance for College and Higher Education (TEACH) Program. We requested 30 sample accounts from the 2014 and 2015 cohorts.

Materials Requested

This presentation, document or report and analyses are provided for Internal-Use Only and may not be shared outside of Federal Student Aid without the permission of FSA-Operations Services. This presentation, document, report or analysis was created to aid the Department of Education comply with its legal obligation to collect federal student loan debt. These work products may also be used to inform the creation of future Department and FSA policies.

We requested the following materials from the PHEAA:

- Spreadsheet with dates of the Agreement to Serve for each of the 30 monitoring accounts selected.
- Copies of the TEACH Grant Certifications.
- Screen print of each recipient's account to validate the separation date; grant status; grant and loan conversions; teacher obligation status; and life circumstances suspensions.

Testing

We performed the following tests to meet our review objectives:

- Reviewed the dates of the borrower's Agreement to Serve to ensure that the recipients submitted a signed form for each year participating in the program.
- Reviewed the TEACH Grant Certification to validate that each recipient is either certified as one of the following:
 - He/she is not teaching, but intends to satisfy the TEACH Grant service obligation or he/she is currently performing teaching service that meets the requirements of the TEACH Grant service obligation as described in the TEACH Grant Agreement To Serve (ATS) but had not yet taught for a complete academic year.
 - He/she does not intend to satisfy the TEACH Grant service obligation as described in the ATS; therefore he/she requested that the TEACH Grant(s) be converted into a Direct Unsubsidized Loan(s)
 - He/she is currently teaching as a full-time, highly qualified teacher in a high-need field, at a school or educational service agency serving low-income students.
- Reviewed the screen print of each recipient's account to confirm the separation date; grant status; grant and loan conversions; teacher obligation status; and life circumstances suspensions.

Observation #1:

Recipient (b)(6)'s TEACH Grants was converted to loans on (b)(6) 2014. The recipient submitted his certification for academic year 2013-14 teaching service obligation on (b)(6) 2013 and the certification was not processed until (b)(6) 2014 due to a backlog at PHEAA. PHEAA denied the certification on (b)(6) 2014 because the recipient did not submit the Chief Administrative Officer (CAO) and teaching service information. FSA also observed that the timeframe of the notices did not allow the recipient to respond within 30 days. The first certification reminder notice was sent to the recipient on (b)(6) 2014, the second reminder notice on (b)(6), 2014, and the final notice was sent on (b)(6), 2014. The recipient received both a rejection letter and reminder notice on (b)(6), 2014. The recipient submitted his intent-to-teach certification on (b)(6) 2014 and PHEAA approved the certification on (b)(6) 2014 for academic year 2014-15 instead of academic year 2013-14 due

to processor's error. FSA observed another time for this account that the timeframe of the notices sent did not allow the recipient to respond within 30 days. The first certification reminder notice was sent to the recipient on (b)(6) 2014, the second reminder was sent on (b)(6) 2014, and the final notice was sent on (b)(6) 2014. The grants were converted to loans on (b)(6) 2014, and the recipient submitted a dispute on (b)(6) 2014. PHEAA sent correspondence to the recipient on (b)(6) 2014 that his dispute was approved and the loans converted to grants initiated on (b)(6) 2014.

PHEAA Response to Observation #1:

PHEAA agrees and understands the issues of 1) the impact of the certification form backlog (that has since been resolved), 2) a processing error performed on the account on March 4, 2014, and 3) the lack of 30 days provided to the recipient to respond to the certification request. The last issue, where the timing of the notices did not allow the recipient 30 days to respond, was caused by a system setting that suppresses this notification if documents are received, but not yet processed. PHEAA has a system change scheduled for the 3rd quarter of this calendar year to no longer suppress certification notices if a document is pending review. Until this system change is in place, our practice of manually reviewing all involuntary grant-to-loan conversions continues to identify this issue and prevent conversions in error. This practice was implemented in June of 2014.

Observation #2:

Recipient (b)(6) did not receive a TEACH Grant for award year 2014-15 although she is still enrolled in school and scheduled to graduate (b)(6) 2016. PHEAA identified that the recipient did not receive a new grant on (b)(6) 2014 which triggered a certification to be due on (b)(6) 2014. The recipient contacted PHEAA on two separate occasions requesting information on how to certify as she was still in school. On (b)(6) 2014 the 1st representative advised the recipient to complete an intent-to-teach certification and on (b)(6) 2014 the 2nd representative advised the recipient to complete a suspension form. The recipient submitted an intent-to-teach certification on (b)(6) 2014, and it was approved on (b)(6) 2014.

PHEAA Response to Observation #2:

As of the October/November 2014 time period, PHEAA believes that the above account was handled correctly. During this time period, advising 'no new grant' recipients of the option to submit intent-to-teach or a suspension request was appropriate. As outlined in FSA Issue Tracker Item #2941, it was determined on November 14, 2014 that this requirement (3.10.7) in the contract was to be removed. An FSA CR to officially document this change is pending.

Observation #3:

Recipient (b)(6) TEACH Grants converted to loans on (b)(6) 2014. PHEAA reported that the recipient's original separation date of (b)(6) 2012 was due to ceased enrollment, and on (b)(6) 2014 the school updated NSLDS to show the recipient's status as graduated on (b)(6) 2012. Due to the original status of withdrawal, PHEAA rejected the intent-to-teach certification on (b)(6) 2014 and cited that intent-to-teach is an ineligible option to certify during the first annual certification period. A reminder notice was sent to the recipient on (b)(6) 2014, and the grants converted to loans on (b)(6) 2014. PHEAA reviewed the account and acknowledged that the recipient did not receive 30 days to respond to the certification rejection notice, and also at the time the processor processed the (b)(6) 2014 certification the school had not update NSLDS to show that the recipient graduated on (b)(6) 2012 and not ceased enrollment.

PHEAA Response to Observation #3:

PHEAA agrees and understands the issue in this observation - that the recipient should have been provided 30 days to respond to a denial of a certification notice. Since this was the first denial of a certification form after the due date, a 30 day extension should have been provided. This system issue was remediated in August of 2014.

Observation #4:

Recipient (b)(6) TEACH Grants converted to loans on (b)(6) 2014. The recipient ceased enrollment on (b)(6) 2012 and submitted the 120 days certification request for intent-to-teach to the prior servicer on (b)(6) 2013. PHEAA sent the recipient a certification reminder notice on (b)(6) 2014. The recipient contacted PHEAA on (b)(6) 2014 and the representative incorrectly advised the recipient, who is teaching, to certify intent and she submitted the intent-to-teach certification on (b)(6) 2014. PHEAA sent the recipient a certification rejection notice on (b)(6) 2014 and cited that intent-to-teach is an ineligible option to certify during the first annual certification period. A reminder notice to certify was sent to the recipient on (b)(6) 2014, and a final reminder was sent on April 24, 2014. A dispute was submitted by PHEAA on the recipient's behalf and FSA approved to reinstate the grant on (b)(6) 2015.

Recommendation:

PHEAA must correct these and identify other recipients with like issue accounts to allow enough time for the recipients to respond which is 30 days after certification reminder notices were issued. Also PHEAA must retrain staff in order to respond and process recipients' account information appropriately.

Corrective Action Plan:

PHEAA should evaluate their process to send out notifications for certification to recipients and to ensure that the necessary timeframe allows recipients 30 days to respond, and also provides a plan to retrain staff of the processes and procedures for the TEACH Grant program. PHEAA

should supply FSA with a corrective action plan in writing by **April 30, 2015** to prevent future errors of this type.

PHEAA Corrective Action Plan:

PHEAA agrees to supply customer service representatives with refresher training, along with additional supporting documentation, on eligible options for recipients depending on their separation reason. However, PHEAA believes that the recipient was provided the appropriate time period in which to respond to the certification request. Please see the below outline of the requirements, which prescribes when the certification requests are to be sent, the date they were sent, and when they were sent in relation to the prior letter:

Req. #	Description	Date	Days from prior letter
3.10.3	Servicer will send the Annual Certification Request Form to a TEACH Grant recipient annually.	02/25/2014	N/A
3.10.5	Servicer will send a follow-up certification letter to a TEACH Grant recipient when no response has been received in 30 days or less following the generation of the Annual Certification Request.	03/25/2014	28
3.10.6	Servicer will send a final certification request to a TEACH Grant recipient when no response has been received in 30 days or less following the generation of the follow-up certification request.	04/24/2014	30
3.10.4	Servicer will convert a recipient's TEACH Grants into Direct Unsubsidized Loans when no response has been received within 30 days of the date the Final Certification Request is sent. Servicer will send the TEACH Grant Conversion Confirmation notice to recipient in this event.	05/27/2014*	33

**While the letter was sent on 06/05/2014, the requirement is to convert when no response was received within 30 days which was determined on 05/27/2014. PHEAA was provided guidance to account for weekends and holidays on initiating conversion. Both were factors in determining when to initiate conversion for this recipient.*

Observation #5:

Recipient (b)(6) TEACH Grants was converted to loans on (b)(6), 2013. The recipient ceased enrollment on (b)(6) 2012 and submitted the 120 days certification request for intent-to-teach to the prior servicer on (b)(6), 2012. PHEAA sent the recipient reminder

notices to certify on (b)(6), 2013 and (b)(6), 2013. The recipient submitted her intent-to-teach certification on (b)(6), 2013. The final reminder was sent to the recipient on (b)(6) 2013. PHEAA did not send the recipient a certification rejection letter to explain that intent-to-teach is not an eligible option for withdrawn recipients in the first annual certification period. PHEAA reviewed the recipient's account on her behalf and determined that the recipient was not sent the appropriate denial notification for the certification dated (b)(6) 2013. PHEAA sent the recipient a letter that we converted loans back to TEACH Grants on (b)(6), 2014. FSA further reviewed the letter and it did not state or provide any detailed information that if at any time the recipient decided not to or is unable to satisfy the service obligation that the TEACH Grant(s) would be converted to a loan(s) and the recipient is responsible for repaying the full amount of the TEACH Grant with interest from the date of each TEACH disbursement.

Recommendation:

PHEAA must correct this and other identify recipients with like issue accounts where the TEACH Grants were reinstated for ceased enrollment recipients due to processor errors.

Corrective Action Plan:

PHEAA should evaluate their procedure for ceased enrollment recipients to ensure that the accounts are processed correctly. PHEAA should supply FSA with a corrective action plan in writing by **April 30, 2015** to prevent future errors of this type.

PHEAA Corrective Action Plan:

PHEAA agrees and understands the observation, the recommendation and need for a corrective action plan to ensure 1) processing for withdrawn recipients is handled correctly due to the unique nature of their requirements and 2) recipient letters are revised to explain the error and reinstatement, and to include language regarding recipient responsibilities.

PHEAA has already taken action on the certification processing procedures by explaining differences between a TEACH Grant recipient who graduates and a TEACH Grant recipient who withdraws from the program of study for which they received a TEACH Grant . Evidence of this in our procedures is provided below:

- by withdrawn recipient
- | |
|---|
| <p>10) Different decisions will be made based on if the recipient is graduated or withdrawn.</p> <ul style="list-style-type: none">a) Differences are detailed as this procedure progresses.b) Withdrawn recipients in their first annual certification period vary greatly in how to process and contain a specific notification in the UI. |
|---|

Lastly, PHEAA agrees that letters sent to recipients who have disputed their grant to loan conversion should be updated to include notice of their responsibility to repay the grant amount in full, plus interest, from the date of disbursement. This change is expected to

be in production by June, 2015. Please note, letters sent to recipients whose account was reviewed and reinstated by us on behalf of the recipient, had previously been updated to include this language effective March 2015. These letters are sent through a different, separate process. As such, a portion of the requested letter change is already in production.

Final Analysis:

There was an error rate of 17% on this review (5/30). FSA would expect PHEAA to have an error rate of 5% or less when analysis is of TEACH accounts.



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 - He/she does not intent to satisfy the TEACH Grant service obligation as described in the ATS; therefore he/she requested that the TEACH Grant(s) be converted into a Direct Unsubsidized Loan(s)
 - He/she is currently teaching as a full-time, highly qualified teacher in a high-need field, at a school or educational service agency serving low-income students.
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Observation #1:

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to processor's error. FSA observed another time for this account that the timeframe of the notices sent did not allow the recipient to respond within 30 days. The first certification reminder notice was sent to the recipient on March 4, 2014, the second reminder was sent on March 22, 2014, and the final notice was sent on April 22, 2014. The grants were converted to loans on May 20, 2014, and the recipient submitted a dispute on June 12, 2014. PHEAA sent correspondence to the recipient on September 22, 2014 that his dispute was approved and the loans converted to grants initiated on November 5, 2014.

PHEAA Response to Observation #1:

PHEAA agrees and understands the issues of 1) the impact of the certification form backlog (that has since been resolved), 2) a processing error performed on the account on (b)(6) 2014, and 3) the lack of 30 days provided to the recipient to respond to the certification request. The last issue, where the timing of the notices did not allow the recipient 30 days to respond, was caused by a system setting that suppresses this notification if documents are received, but not yet processed. PHEAA has a system change scheduled for the 3rd quarter of this calendar year to no longer suppress certification notices if a document is pending review. Until this system change is in place, our practice of manually reviewing all involuntary grant-to-loan conversions continues to identify this issue and prevent conversions in error. This practice was implemented in June of 2014.

6/24/2015 FSA Response PHEAA's Corrective Action Plan to Observation #1:

Please provide a timeline of the system changed that is scheduled for the 3rd quarter of this calendar year. FSA would like to have this information by **July 1, 2015**. FSA would also expect to see implementation artifacts and test results for the system update.

7/1/2015 PHEAA Response:

A timeline has not yet been established by PHEAA's IT group. Updates can be provided via the issue tracker for when our IT group determines a timeline.

7/31/2015 FSA Response PHEAA's Corrective Action to Observation #1:

FSA would still need PHEAA to provide a timeline and update to the issue tracker. FSA would like to have this information no later than **August 14, 2015**.

8/14/15 Follow up meeting with FSA and PHEAA to Discuss Observations 1 & 2:

Cancelled the meeting due to conflict of schedules and rescheduled it to **August 26, 2015**. FSA granted an extension to PHEAA until we can further discuss the observations.

8/26/15 Meeting with FSA and PHEAA to Discuss Observation 1:

The meeting was held with FSA and PHEAA and from our discussion PHEAA agreed to provide an estimated timeline and production date. FSA asked that PHEAA provide this information by **September 25, 2015**.

Observation #2:

Recipient (b)(6) did not receive a TEACH Grant for award year 2014-15 although she is still enrolled in school and scheduled to graduate (b)(6) 2016. PHEAA identified that the recipient did not receive a new grant on (b)(6) 2014 which triggered a certification to be due on (b)(6), 2014. The recipient contacted PHEAA on two separate occasions requesting information on how to certify as she was still in school. On (b)(6) 2014 the 1st representative advised the recipient to complete an intent-to-teach certification and on (b)(6) (b)(6), 2014 the 2nd representative advised the recipient to complete a suspension form. The recipient submitted an intent-to-teach certification on (b)(6), 2014, and it was approved on (b)(6) 2014.

PHEAA Response to Observation #2:

As of the October/November 2014 time period, PHEAA believes that the above account was handled correctly. During this time period, advising 'no new grant' recipients of the option to submit intent-to-teach or a suspension request was appropriate. As outlined in FSA Issue Tracker Item #2941, it was determined on November 14, 2014 that this requirement (3.10.7) in the contract was to be removed. An FSA CR to officially document this change is pending.

6/24/2015 FSA Response PHEAA's Corrective Action Plan to Observation #2:

Please provide a response to FSA and documentation as to why PHEAA believes that the suspension request is appropriate by **July 1, 2015**.

7/1/2015 PHEAA Response:

While system changes are proposed for an ideal solution to the No New Grant requirement that was removed (3.10.7) by FSA, a TEACH Grant suspension could be processed as an eligible option. The specific suspension option that may be selected is the option for a recipient who is currently enrolled in a program of study for which they would be eligible to receive a TEACH Grant.

Until the solution is implemented, this is an option, although not ideal. PHEAA is committed to ensure conversion is prevented when a recipient who is identified as a No New Grant recipient, is requested to certify again, and if no response would convert. However, until a final solution is approved and implemented (there are currently discussions with FSA Operations staff and a CR submitted on this change), suspension could be applied and the suspension would later be removed once separation occurred or the solution was implemented; whichever occurs first.

7/31/2015 FSA Response PHEAA's Corrective Action to Observation #2:

FSA would need to make sure that PHEAA understands the regulations and requirements for the TEACH Grant program as we expect training of **all** of their staff. Please provide FSA with proof of retraining information to staff by **August 14, 2015**.

Regulation and Requirement for Periods of Suspension

In accordance to the regulation cite 686.41 Periods of suspension: requires a grant recipient who has **completed** or who has otherwise **ceased enrollment** in a TEACH Grant-eligible program for which he or she received TEACH Grant funds may request a suspension from the Secretary of the eight-year period for completion of the service obligation based on—

- Enrollment in a program of study for which the recipient would be eligible for a TEACH Grant or in a program of study that has been determined by a State to satisfy the requirements for certification or licensure to teach in the State's elementary or secondary schools;
- (ii) A condition that is a qualifying reason for leave under the FMLA; or
- (iii) A call or order to active duty status for more than 30 days as a member of a reserve component of the Armed Forces named in 10 U.S.C. 10101, or service as a member of the National Guard on full-time National Guard duty, as defined in 10 U.S.C. 101(d)(5), under a call to active service in connection with a war, military operation, or a national emergency.

In accordance to Requirements 3014.00, 3014.01, 3014.02 & 3014.03 of the current TEACH servicer requires that when a recipient has **completed** or **separated** from their TEACH Grant eligible program, servicer shall allow a TEACH Grant recipient the ability to suspend the tracking of their eight-year teaching obligation period as a result of one of the following conditions:

- Enrollment in another TEACH Grant-eligible program (example: graduate program) or enrollment in a program that has been determined by a state to satisfy the requirements for certification/licensure to teach in the state's elementary or secondary schools.
- A condition that is a qualifying reason for leave under the Family and Medical Leave Act (FMLA) See 34 CFR 686.40(e)(1).
- A call or order to active duty status for more than 30 days in connection with a war, military operation, or national emergency.

8/14/15 Follow up meeting with FSA and PHEAA to Discuss Observations 1 & 2:

Cancelled the meeting due to conflict of schedules and rescheduled it to **August 26, 2015**. FSA granted an extension to PHEAA until we can further discuss the observations.

8/26/15 Meeting with FSA and PHEAA to Discuss Observations 1 & 2:

The meeting was held with FSA and PHEAA and from our discussion PHEAA would provide an estimated timeline and production date for Observation 1. Observation 2 would need further discussion within FSA to make sure that CR 3188 No New Grant's interpretation is not conflicting with the requirements and regulatory guidance mentioned above.

9/10/15 FSA Response to PHEAA's Corrective Action to Observation 2:

FSA reviewed the CR, requirements, and the regulation and concluded that there was no basis for the recipient to receive a suspension form as the recipient received incorrect information from the customer service representative. The purpose of CR3188 is to make sure that if a recipient is actively enrolled with no New TEACH Grant awarded he or she would receive a certification that include options to re-certify; however, if the recipient does not reply to the initial certification there will be **no immediate ramifications** to convert the grant to a loan. The Observation stands and FSA request that PHEAA update their training material for the TEACH Grant program and have **all** staff retrained who works with the program. FSA would like proof of training information and that staff in fact completed their review by **September 25, 2015**.

Observation #3:

Recipient (b)(6)'s TEACH Grants converted to loans on (b)(6), 2014. PHEAA reported that the recipient's original separation date of (b)(6), 2012 was due to ceased enrollment, and on (b)(6) 2014 the school updated NSLDS to show the recipient's status as graduated on (b)(6), 2012. Due to the original status of withdrawal, PHEAA rejected the intent-to-teach certification on (b)(6), 2014 and cited that intent-to-teach is an ineligible option to certify during the first annual certification period. A reminder notice was sent to the recipient on (b)(6), 2014, and the grants converted to loans on (b)(6), 2014. PHEAA reviewed the account and acknowledged that the recipient did not receive 30 days to respond to the certification rejection notice, and also at the time the processor processed the (b)(6) 2014 certification the school had not update NSLDS to show that the recipient graduated on (b)(6) 2012 and not ceased enrollment.

PHEAA Response to Observation #3:

PHEAA agrees and understands the issue in this observation - that the recipient should have been provided 30 days to respond to a denial of a certification notice. Since this was the first denial of a certification form after the due date, a 30 day extension should have been provided. This system issue was remediated in August of 2014.

6/25/2015 FSA Response PHEAA's Corrective Action Plan to Observation #3:

No additional information is needed as FSA is satisfied with PHEAA's response.

Observation #4:

Recipient (b)(6)'s TEACH Grants converted to loans on (b)(6), 2014. The recipient ceased enrollment on (b)(6), 2012 and submitted the 120 days certification request for intent-to-teach to the prior servicer on (b)(6) 2013. PHEAA sent the recipient a certification reminder notice on (b)(6), 2014. The recipient contacted PHEAA on (b)(6) (b)(6) 2014 and the representative incorrectly advised the recipient, who is teaching, to certify intent and she submitted the intent-to-teach certification on (b)(6), 2014. PHEAA sent the recipient a certification rejection notice on (b)(6) 2014 and cited that intent-to-teach is an ineligible option to certify during the first annual certification period. A reminder notice to certify was sent to the recipient on (b)(6), 2014, and a final reminder was sent on April 24, 2014. A dispute was submitted by PHEAA on the recipient's behalf and FSA approved to reinstate the grant on (b)(6), 2015.

Recommendation:

PHEAA must correct these and identify other recipients with like issue accounts to allow enough time for the recipients to respond which is 30 days after certification reminder notices were issued. Also PHEAA must retrain staff in order to respond and process recipients' account information appropriately.

Corrective Action Plan:

PHEAA should evaluate their process to send out notifications for certification to recipients and to ensure that the necessary timeframe allows recipients 30 days to respond, and also provides a plan to retrain staff of the processes and procedures for the TEACH Grant program. PHEAA should supply FSA with a corrective action plan in writing by **April 30, 2015** to prevent future errors of this type.

PHEAA Corrective Action Plan:

PHEAA agrees to supply customer service representatives with refresher training, along with additional supporting documentation, on eligible options for recipients depending on their separation reason. However, PHEAA believes that the recipient was provided the appropriate time period in which to respond to the certification request. Please see the below outline of the requirements, which prescribes when the certification requests are to be sent, the date they were sent, and when they were sent in relation to the prior letter:

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	Certification Request.		
3.10.6	Servicer will send a final certification request to a TEACH Grant recipient when no response has been received in 30 days or less following the generation of the follow-up certification request.	04/24/2014	30
3.10.4	Servicer will convert a recipient's TEACH Grants into Direct Unsubsidized Loans when no response has been received within 30 days of the date the Final Certification Request is sent. Servicer will send the TEACH Grant Conversion Confirmation notice to recipient in this event.	05/27/2014*	33

**While the letter was sent on 06/05/2014, the requirement is to convert when no response was received within 30 days which was determined on 05/27/2014. PHEAA was provided guidance to account for weekends and holidays on initiating conversion. Both were factors in determining when to initiate conversion for this recipient.*

6/24/2015 FSA Response PHEAA's Corrective Action Plan to Observation #4:

FSA is satisfied with the response to the 30 day time frame as no additional information is needed. FSA needs clarification from PHEAA as to exactly what was trained in regards to the service representative incorrectly advised the recipient to submit intent to teach instead of teaching service obligation certification. Please provide this information by **July 1, 2015**.

7/1/2015 PHEAA Response:

The customer service representative who gave incorrect guidance has since completed training with focus on the recognition, definition and impact on certification for withdrawn recipients versus graduated recipients. Evidence of this training and clarification is provided in a PowerPoint attachment (please note this is only a sample of the presentation).

7/31/2015 FSA Response PHEAA's Corrective Action to Observation #4:

FSA is satisfied with the response and no additional information is needed.

Observation #5:

Recipient (b)(6) TEACH Grants was converted to loans on (b)(6) 2013. The recipient ceased enrollment on (b)(6) 2012 and submitted the 120 days certification request for intent-to-teach to the prior servicer on (b)(6) 2012. PHEAA sent the recipient reminder notices to certify on (b)(6) 2013 and (b)(6) 2013. The recipient submitted her intent-to-teach certification on (b)(6) 2013. The final reminder was sent to the recipient on (b)(6) 2013. PHEAA did not send the recipient a certification rejection letter to explain

that intent-to-teach is not an eligible option for withdrawn recipients in the first annual certification period. PHEAA reviewed the recipient's account on her behalf and determined that the recipient was not sent the appropriate denial notification for the certification dated (b)(6) 2013. PHEAA sent the recipient a letter that we converted loans back to TEACH Grants on (b)(6), 2014. FSA further reviewed the letter and it did not state or provide any detailed information that if at any time the recipient decided not to or is unable to satisfy the service obligation that the TEACH Grant(s) would be converted to a loan(s) and the recipient is responsible for repaying the full amount of the TEACH Grant with interest from the date of each TEACH disbursement.

Recommendation:

PHEAA must correct this and other identify recipients with like issue accounts where the TEACH Grants were reinstated for ceased enrollment recipients due to processor errors.

Corrective Action Plan:

PHEAA should evaluate their procedure for ceased enrollment recipients to ensure that the accounts are processed correctly. PHEAA should supply FSA with a corrective action plan in writing and provide artifacts by **April 30, 2015** to prevent future errors of this type.

PHEAA Corrective Action Plan:

PHEAA agrees and understands the observation, the recommendation and need for a corrective action plan to ensure 1) processing for withdrawn recipients is handled correctly due to the unique nature of their requirements and 2) recipient letters are revised to explain the error and reinstatement, and to include language regarding recipient responsibilities.

PHEAA has already taken action on the certification processing procedures by explaining differences between a TEACH Grant recipient who graduates and a TEACH Grant recipient who withdraws from the program of study for which they received a TEACH Grant. Evidence of this in our procedures is provided below:

- b) WI - withdrawn recipient
- 10) Different decisions will be made based on if the recipient is graduated or withdrawn.
 - a) Differences are detailed as this procedure progresses.
 - b) Withdrawn recipients in their first annual certification period vary greatly in how to process and contain a specific notification in the UI.

Lastly, PHEAA agrees that letters sent to recipients who have disputed their grant to loan conversion should be updated to include notice of their responsibility to repay the grant amount in full, plus interest, from the date of disbursement. This change is expected to be in production by June, 2015. Please note, letters sent to recipients whose account was reviewed and reinstated by us on behalf of the recipient, had previously been updated to include this language effective March 2015. These letters are sent through a different,

separate process. As such, a portion of the requested letter change is already in production.

6/24/2015 FSA Response PHEAA's Corrective Action Plan to Observation #5:

FSA would like PHEAA to provide an update of the loan conversion letter that was scheduled for production by June, 2015 and artifacts to show that this issue has been resolved by **July 24, 2015**.

7/24/2015 PHEAA Response:

The revised loan conversion letter is approved for production and a sample can be provided by 7/24/2015.

7/31/2015 FSA Response PHEAA's Corrective Action to Observation #5:

FSA is satisfied with the response and no additional information is needed.

Final Analysis:

There was an error rate of 17% on this review (5/30). FSA would expect PHEAA to have an error rate of 5% or less when analysis is of TEACH accounts.



June 16, 2015

REVIEW REPORT

TOPIC: Teacher Education Assistance for College and Higher Education (TEACH) Program

SERVICER: Pennsylvania Higher Education Assistance Agency (PHEAA)/Fedloan Servicing

REVIEWER(S): LaRaba Sligh

QUARTER PERIOD: April 1, 2015 – June 30, 2015

REVIEW PERIOD: 2014 and 2015 Cohorts

REVIEW OBJECTIVES:

1. To ensure that each recipient has provided a signed agreement to serve for each year of participation in the program.
2. To ensure that each recipient has provided documentation of the progress towards completing the service obligation.
3. To ensure that the suspension requests are accurately calculated.
4. To ensure that the discharge request for each recipient has been processed accordingly.
5. To ensure that the recipient's grant is converted to a loan appropriately.

STANDARDS:

Statutory & Regulatory:

The regulation governing Teacher Education Assistance for College and Higher Education is found at:

- TEACH Grants -- 34 CFR 686

METHODOLOGY

Sampling

The Operations Services selected a sample of 30 accounts from the Teacher Education Assistance for College and Higher Education (TEACH) Program. We requested 30 sample accounts from the 2014 and 2015 cohorts.

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Materials Requested

We requested the following materials from the PHEAA:

- Spreadsheet with dates of the Agreement to Serve for each of the 30 monitoring accounts selected.
- Copies of the TEACH Grant Certifications.
- Screen print of each recipient's account to validate the separation date; grant status; grant and loan conversions; teacher obligation status; and life circumstances suspensions.

Testing

We performed the following tests to meet our review objectives:

- Reviewed the dates of the borrower's Agreement to Serve to ensure that the recipients submitted a signed form for each year participating in the program.
- Reviewed the TEACH Grant Certification to validate that each recipient is either certified as one of the following:
 - He/she is not teaching, but intends to satisfy the TEACH Grant service obligation or he/she is currently performing teaching service that meets the requirements of the TEACH Grant service obligation as described in the TEACH Grant Agreement To Serve (ATS) but had not yet taught for a complete academic year.
 - He/she does not intent to satisfy the TEACH Grant service obligation as described in the ATS; therefore he/she requested that the TEACH Grant(s) be converted into a Direct Unsubsidized Loan(s)
 - He/she is currently teaching as a full-time, highly qualified teacher in a high-need field, at a school or educational service agency serving low-income students.
- Reviewed the screen print of each recipient's account to confirm the separation date; grant status; grant and loan conversions; teacher obligation status; and life circumstances suspensions.

Observation #1:

Recipient (b)(6) TEACH Grants converted to loans on (b)(6) 2014 at the recipient's request. A copy of the conversion letter was not provided during the time of the review so FSA requested a copy during the monitoring call. Further research by PHEAA showed that the account was impacted by an issue that prevented the conversion letter from being generated. PHEAA stated that the letter is now being generated; however, recent conversions were sent a letter as part of a cleanup, but this account had not converted recently and it was not included in the cleanup.

Recommendation:

FSA would like PHEAA to send this recipient a conversion letter and forward a copy to FSA for our records as part of this quarter review.

Corrective Action Plan:

PHEAA must correct this and identify other recipients with like issue accounts prior to the conversion letter cleanup and send out conversion letters to the identified recipients. FSA would like a corrective action plan in writing by **June 30, 2015**.

PHEAA Response:

We agree and understand the need for a corrective action plan. A system query has identified 80 recipients impacted, 49 whom still have a loan balance. We will generate a letter advising the recipients of their grant-to-loan conversion for those who have a loan balance. We feel as though recipients who have since paid their balance on the loans (voluntarily, consolidation, write-off, etc.) or have been put into TPD or death status should be excluded. This exclusion is noted because the recipient observed has since paid their loan balance paid through consolidation.

A copy of the letter sent to the impacted recipients can be forwarded to FSA once this issue is closed and FSA agrees with our approach.

This item will be further documented and detailed in the FSA Issue Tracker for results of the inquiry and resolution.

7/31/2015 FSA Response to PHEAA's Corrective Action to Observation #1:

FSA met with PHEAA on July 30, 2015 and requested that they develop a customize letter to the impacted borrowers identified above. FSA would keep this corrective action open until we receive a copy of the approved letter.

9/01/2015 Customize Letter Received to Corrective Action to Observation #1:

FSA received a copy of the approved letter so there is no additional information needed as FSA is satisfied with PHEAA's response.

Observation #2:

Recipient (b)(6) certification was rejected for the 2014-15 academic year because the employment dates provided were not valid and the subject taught in Special Education was not considered high need at Churchill Park School in Louisville, KY because it is not on the Teacher Shortage Areas Nationwide Listing (TCLI). FSA further reviewed the TCLI website and found that there is a Churchill Park Rehab School (PS-12) located in Jefferson County, KY.

Recommendation:

FSA asked that PHEAA confirm that the school in question is or is not the place of employment during the next certification period, and provide FSA with an update.

PHEAA Response:

We believe the employer identified on the recipient's certification form is Churchill Park Rehab. A customer service representative has attempted to contact the individual to

confirm and submit a new certification form. In addition, this information has been documented in the recipient's file in the event that the recipient contacts us.

7/31/2015 FSA Response to PHEAA's Corrective Action Plan to Observation #2:

No additional information is needed as FSA is satisfied with PHEAA's response.

Observation #3:

Recipient (b)(6)'s TEACH Grant converted to a loan on (b)(6) 2014 due to a lack of response to certification reminders. The recipient submitted a dispute on (b)(6) 2015 and stated that he had certified every year as required so the grant was converted in error. PHEAA denied the dispute on (b)(6) 2015 because of lack of response to the certification requests for the 2014 academic year. The recipient contacted PHEAA on (b)(6) 2015 and was advised that he could appeal the decision if he had more evidence to present about his dispute. PHEAA sent correspondence to the recipient on (b)(6) 2015 and advised that his appeal was received for further consideration. There was not a decision made during the time of our monitoring call on (b)(6) 2015 as PHEAA was preparing the file as an escalated issue for the San Francisco team to review.

Recommendation:

FSA asks that PHEAA provide a status update once a decision is made by the San Francisco team.

PHEAA Response:

This dispute is currently with the San Francisco team.

7/31/2015 FSA Response to PHEAA's Corrective Action Plan to Observation #3:

No additional information is needed as FSA is satisfied with PHEAA's response.

Final Analysis:

There was an error rate of 7% on this review (2/30). FSA would expect PHEAA to have an error rate of 5% or less when analysis is of TEACH accounts.



June 16, 2015

REVIEW REPORT

TOPIC: Teacher Education Assistance for College and Higher Education (TEACH) Program

SERVICER: Pennsylvania Higher Education Assistance Agency (PHEAA)/Fedloan Servicing

REVIEWER(S): LaRaba Sligh

QUARTER PERIOD: April 1, 2015 – June 30, 2015

REVIEW PERIOD: 2014 and 2015 Cohorts

REVIEW OBJECTIVES:

1. To ensure that each recipient has provided a signed agreement to serve for each year of participation in the program.
2. To ensure that each recipient has provided documentation of the progress towards completing the service obligation.
3. To ensure that the suspension requests are accurately calculated.
4. To ensure that the discharge request for each recipient has been processed accordingly.
5. To ensure that the recipient's grant is converted to a loan appropriately.

STANDARDS:

Statutory & Regulatory:

The regulation governing Teacher Education Assistance for College and Higher Education is found at:

- TEACH Grants -- 34 CFR 686

METHODOLOGY

Sampling

The Operations Services selected a sample of 30 accounts from the Teacher Education Assistance for College and Higher Education (TEACH) Program. We requested 30 sample accounts from the 2014 and 2015 cohorts.

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Materials Requested

We requested the following materials from the PHEAA:

- Spreadsheet with dates of the Agreement to Serve for each of the 30 monitoring accounts selected.
- Copies of the TEACH Grant Certifications.
- Screen print of each recipient's account to validate the separation date; grant status; grant and loan conversions; teacher obligation status; and life circumstances suspensions.

Testing

We performed the following tests to meet our review objectives:

- Reviewed the dates of the borrower's Agreement to Serve to ensure that the recipients submitted a signed form for each year participating in the program.
- Reviewed the TEACH Grant Certification to validate that each recipient is either certified as one of the following:
 - He/she is not teaching, but intends to satisfy the TEACH Grant service obligation or he/she is currently performing teaching service that meets the requirements of the TEACH Grant service obligation as described in the TEACH Grant Agreement To Serve (ATS) but had not yet taught for a complete academic year.
 - He/she does not intent to satisfy the TEACH Grant service obligation as described in the ATS; therefore he/she requested that the TEACH Grant(s) be converted into a Direct Unsubsidized Loan(s)
 - He/she is currently teaching as a full-time, highly qualified teacher in a high-need field, at a school or educational service agency serving low-income students.
- Reviewed the screen print of each recipient's account to confirm the separation date; grant status; grant and loan conversions; teacher obligation status; and life circumstances suspensions.

Observation #1:

Recipient (b)(6) TEACH Grants converted to loans on (b)(6) 2014 at the recipient's request. A copy of the conversion letter was not provided during the time of the review so FSA requested a copy during the monitoring call. Further research by PHEAA showed that the account was impacted by an issue that prevented the conversion letter from being generated. PHEAA stated that the letter is now being generated; however, recent conversions were sent a letter as part of a cleanup, but this account had not converted recently and it was not included in the cleanup.

Recommendation:

FSA would like PHEAA to send this recipient a conversion letter and forward a copy to FSA for our records as part of this quarter review.

Corrective Action Plan:

PHEAA must correct this and identify other recipients with like issue accounts prior to the conversion letter cleanup and send out conversion letters to the identified recipients. FSA would like a corrective action plan in writing by **June 30, 2015**.

PHEAA Response:

We agree and understand the need for a corrective action plan. A system query has identified 80 recipients impacted, 49 whom still have a loan balance. We will generate a letter advising the recipients of their grant-to-loan conversion for those who have a loan balance. We feel as though recipients who have since paid their balance on the loans (voluntarily, consolidation, write-off, etc.) or have been put into TPD or death status should be excluded. This exclusion is noted because the recipient observed has since paid their loan balance paid through consolidation.

A copy of the letter sent to the impacted recipients can be forwarded to FSA once this issue is closed and FSA agrees with our approach.

This item will be further documented and detailed in the FSA Issue Tracker for results of the inquiry and resolution.

7/31/2015 FSA Response to PHEAA's Corrective Action to Observation #1:

FSA met with PHEAA on July 30, 2015 and requested that they develop a customize letter to the impacted borrowers identified above. FSA would keep this corrective action open until we receive a copy of the approved letter.

Observation #2:

Recipient ^{(b)(6)} certification was rejected for the 2014-15 academic year because the employment dates provided were not valid and the subject taught in Special Education was not considered high need at Churchill Park School in Louisville, KY because it is not on the Teacher Shortage Areas Nationwide Listing (TCLI). FSA further reviewed the TCLI website and found that there is a Churchill Park Rehab School (PS-12) located in Jefferson County, KY.

Recommendation:

FSA asked that PHEAA confirm that the school in question is or is not the place of employment during the next certification period, and provide FSA with an update.

PHEAA Response:

We believe the employer identified on the recipient's certification form is Churchill Park Rehab. A customer service representative has attempted to contact the individual to confirm and submit a new certification form. In addition, this information has been documented in the recipient's file in the event that the recipient contacts us.

7/31/2015 FSA Response to PHEAA's Corrective Action Plan to Observation #2:

No additional information is needed as FSA is satisfied with PHEAA's response.

Observation #3:

Recipient (b)(6) TEACH Grant converted to a loan on (b)(6) 2014 due to a lack of response to certification reminders. The recipient submitted a dispute on (b)(6) 2015 and stated that he had certified every year as required so the grant was converted in error. PHEAA denied the dispute on (b)(6) 2015 because of lack of response to the certification requests for the 2014 academic year. The recipient contacted PHEAA on (b)(6) 2015 and was advised that he could appeal the decision if he had more evidence to present about his dispute. PHEAA sent correspondence to the recipient on (b)(6) 2015 and advised that his appeal was received for further consideration. There was not a decision made during the time of our monitoring call on (b)(6) 2015 as PHEAA was preparing the file as an escalated issue for the San Francisco team to review.

Recommendation:

FSA asks that PHEAA provide a status update once a decision is made by the San Francisco team.

PHEAA Response:

This dispute is currently with the San Francisco team.

7/31/2015 FSA Response to PHEAA's Corrective Action Plan to Observation #3:

No additional information is needed as FSA is satisfied with PHEAA's response.

Final Analysis:

There was an error rate of 7% on this review (2/30). FSA would expect PHEAA to have an error rate of 5% or less when analysis is of TEACH accounts.



October 20, 2015

REVIEW REPORT

TOPIC: Teacher Education Assistance for College and Higher Education (TEACH) Program

SERVICER: Pennsylvania Higher Education Assistance Agency (PHEAA)/Fedloan Servicing

REVIEWER(S): LaRaba Sligh

QUARTER PERIOD: July 1, 2015 – September 30, 2015

REVIEW PERIOD: 2015 Cohorts

REVIEW OBJECTIVES:

1. To ensure that each recipient has provided a signed agreement to serve for each year of participation in the program.
2. To ensure that each recipient has provided documentation of the progress towards completing the service obligation.
3. To ensure that the suspension requests are accurately calculated.
4. To ensure that the discharge request for each recipient has been processed accordingly.
5. To ensure that the recipient's grant is converted to a loan appropriately.

STANDARDS:

Statutory & Regulatory:

The regulation governing Teacher Education Assistance for College and Higher Education is found at:

- TEACH Grants -- 34 CFR 686

METHODOLOGY

Sampling

The Operations Services selected a sample of 30 accounts from the Teacher Education Assistance for College and Higher Education (TEACH) Program. We requested 30 sample accounts from the 2015 cohorts.

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(b)(6) 2014, (b)(6), 2014, (b)(6), 2014, (b)(6), 2014, (b)(6) 2014, and (b)(6) 2014. The recipient submitted her intent-to-teach certification to PHEAA on (b)(6) 2014. PHEAA did not process it until (b)(6) 2014 but did not send an approval letter due to a system issue affecting recipients with multiple programs of study where the recipient is still enrolled in at least one of the programs. A certification reminder was sent to the recipient on (b)(6) 2014. Certification reminders were sent to the recipient for TEACH Graduate Grant 1 on (b)(6), 2014, (b)(6) 2014 (b)(6), 2014, (b)(6), 2014, (b)(6) (b)(6), 2014, (b)(6) 2014, (b)(6) 2014, (b)(6), 2014, (b)(6) 2014, (b)(6) 2014, (b)(6) 2014, (b)(6) 2014, and (b)(6) 2014. The recipient submitted her intent-to-teach certification to PHEAA on (b)(6) (b) 2014. PHEAA did not send an approval letter due to a system issue affecting recipients with multiple programs of study where the recipient is still enrolled in at least one of the programs. Certification reminders were sent to the recipient for TEACH Graduate Grant 1 on (b)(6) 2014 and (b)(6), 2014. Certification reminders for TEACH Graduate Grant 2 were sent to the recipient on (b)(6) 2015, (b)(6), 2015, and (b)(6) 2015. Certification reminders for TEACH Graduate Grant 1 were sent on (b)(6), 2015 and (b)(6), 2015. The recipient's TEACH Graduate Grant 2 was converted to a (b)(6) on (b)(6) 2015. A certification reminder was sent to the recipient for TEACH Graduate Grant 1 on (b)(6) 2015. PHEAA submitted a dispute on the recipient's behalf due to the grants converted to loans less than one year after the recipient graduated, and it was approved on July 9, 2015.

PHEAA's Response on October 6, 2015:

(b)(6) IT Researched the issue which cause a series of repeated certification requests to be sent to this recipient. IT concluded that the reason for the certification forms to be sent repeatedly was due to a missing data attribute. This attribute is used to record the sending of a certification form. Because it was not present, the form was repeatedly re-triggered and sent. We were told that the issue was fixed with a system change in September of 2014. However, we are not aware if this system issue impacted other accounts. As a result, we have submitted a query to see if a similar situation has occurred for other recipients. We expect to see results in a week or two. Lastly, because the issue was not known by the business unit and not believed to impact a number of accounts, this issue was not escalated to FSA. If we find that it does impact a number of accounts, we will submit an Issue Tracker Item to work through the remediation.

Recommendation:

FSA would like PHEAA to provide the results of the query to identify like issue accounts which caused a series of repeated certification requests to the recipients enrolled in multiple TEACH Grant programs.

Corrective Action Plan:

PHEAA must provide FSA the information of the query and submit this as a FSA Issue Tracker Item by **November 3, 2015**.

Observation #2:

Recipient (b)(6) TEACH Grants were converted to loans due to not providing appropriate response to annual certification request on (b)(6) 2015. The recipient contacted

PHEAA on (b)(6) 2014 to request assistance with completing the certification form, and she submitted her intent-to-teach certification on (b)(6), 2014. The certification was rejected on (b)(6) 2014 due to not certifying teaching service as she ceased enrollment (b)(6) (b)(6) 2013. PHEAA sent email correspondence to the recipient on (b)(6) 2014 to advise how to certify as a withdrawn recipient. The recipient and the school contacted PHEAA on (b)(6) 2014 and explained that she graduated, not ceased enrollment, but the school had difficulty updating the National Student Loan Data System (NSLDS). PHEAA advised the school that NSLDS must be updated in order to change the recipient's status from *withdrawn* to *graduate*. PHEAA placed a call to the Registrar's office at the recipient's school on (b)(6) 2015 and (b)(6) 2015 to advise the update to NSLDS had not been made but did not received a call back.

Recommendation:

FSA would like PHEAA to provide the call-in notes as to when the recipient contacted PHEAA on (b)(6) 2014 for further review to make sure that the recipient received appropriate guidance.

PHEAA's Response on October 6, 2015:

I. (b)(4) - The call recordings requested were not found. Not all calls are recorded and if record, I believe we only store them for a limited amount of time. Regardless, these calls were researched and determined to not be found. Please let us know if there is anything we can do as a result.

Corrective Action Plan:

FSA would like PHEAA to contact the recipient's school to confirm that she is a graduate and not a withdrawn recipient. If the recipient is a graduate, PHEAA must correct the recipient's account and convert her loans back to grants as the intent-to-teach certification is appropriate. Please provide this information to FSA by **November 20, 2015**.

Final Analysis:

There was an error rate of 7% on this review (2/30). FSA would expect PHEAA to have an error rate of 5% or less when analysis is of TEACH accounts.

FedLoan Servicing TEACH Servicing Review

Report Date: August 18, 2015

PREPARED FOR:
FSA Business Operations
Washington, DC

ON-SITE REVIEW BY:
Lisa Oldre, Debbe Johnson, Larry Porter & Destre Holloway
August 10 – 14, 2015

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Review Observations

REGULATORY ISSUES/SERVICER CHALLENGES

§686.37 - Institutional reporting requirements state that an institution must provide to the Secretary information about each TEACH Grant recipient related to the eligibility for, amounts of, and anticipated and actual disbursement date or dates and disbursement amounts of the TEACH Grant funds. The requirement does not, however, specifically state that the institution must provide notification when the grant recipient has completed or ceased enrollment in a TEACH Grant-eligible program.

This creates a servicing/regulatory challenge in administering the program due to the fact that the separation date for calculating the eight-year period for completion is based on the separation from the TEACH Grant-eligible program for which the Grant recipient received TEACH Grant funds and is not necessarily the separation date from the institution. FedLoan Servicing is dependent upon the separation date provided to NSLDS, which is most often the separation date from the institution and not necessarily the separation date from the eligible program of study (recipients can change programs and remain at the same institution though no longer be in a TEACH eligible program of study though not yet separated from school.) As a result, there are some issues with the assumptions that FedLoan Servicing has to make in lieu of having valid/valuable program of study information.

Additional challenges occur when a separation date is not provided for the recipient and the Anticipated Graduation Date (AGD) is in the past or when multiple separation dates are received for the same recipient. Because the program is administered differently based on a recipient withdrawing/separating versus completing/graduating from the program of study, assumptions must be made. Specifically related to the multiple separation dates issue, a misalignment (school reports separate and different enrollment information for TEACH Grants received in separate years) of the eight-year period for completion can occur and may result in a recipient following multiple certification schedules.

QUARTERLY INTEREST STATEMENTS

Quarterly Interest Statements are required to be sent to recipients. In some instances, it was observed that quarterly interest statements were either not being sent to the recipient or were not notated on the TEACH Admin UI as sent when they should have been.

FedLoan Servicing states that they send TEACH Grant quarterly email notices and annual written (paper or electronic, depending on the borrower's preference) to all of their TEACH Grant recipients while the recipient is in school, is actively certifying teaching service, as well as 5 months after the recipient leaves school (in an active

service obligation, but has not yet certified any teaching service, on track) and *not* in school (on track). They do not send interest communications as required to TEACH Grant recipients who had their TEACH Grants convert to TEACH Loans, or to recipients in an alleged Death or TPD status.

MULTIPLE DENIAL LETTERS (same day and subsequent days)

It was observed on several sample accounts that recipients were receiving multiple denial letters (either on the same day or on subsequent days.) During the quality review, if it is determined that the processor missed notifying the recipient of some of the required elements in order to process and/or approve the received form, a subsequent denial letter is generated to the borrower. It was also noted that letters generated on the same day are mailed together, but contain multiple cover letters. Letters generated on different days result in the borrower receiving multiple letters, while all being correct and valid, all contain differing information. These multiple notifications may cause unnecessary confusion for the recipient. This is a current system limitation that does not allow FedLoan to roll the multiple letters up into one correspondence per day. A system query to alert FedLoan of the multiple letter issue should be considered until an actual system fix can be implemented.

PROCESSING ERRORS

Several processing errors were observed during the review. These included demographic errors, certification processing errors, intent to teach and certifications not processed on all of the recipient's grants, and requests not sent on the 75th day. Out of the 28 accounts we reviewed, one critical error was identified. FedLoan Servicing is currently researching the critical error account. FedLoan queried their system and no other accounts were found to have this issue.

TEACH GRANT RECIPIENT SUSPENSION VS. INTENT USAGE

Recipients with multiple obligations (some of their grants are for a current program of study and in an in-school status and other grants received for an earlier program of study are in a certification/obligation status) are potentially eligible for suspension of their obligation certification which would assist with aligning their service obligations when they leave their final program of study. We questioned whether the grant recipients would be better served if provided more communication regarding their potential suspension eligibility.

Out of a current population of 767 recipients:

- 14 are on suspension (though the suspension may or may not be enrollment related.)
- 753 are not currently on a suspension.
- 197 have certified active teaching service.

It is estimated that about 570 recipients could request suspension and have not. We found, in most cases, rather than FedLoan reaching back out to the borrower to

find out if the recipient would chose to suspend, FedLoan certified the recipient's intent, potentially creating alignment issues.

We currently include language in our certification communications that go to borrowers that describes each of their options, including suspension, but borrowers are actively submitting intent rather than suspensions. While we agree that some enhancements, like to communicate separately to them add targeted language to our approval letters as we do on certifications today could help prevent this difference going forward, we believe that more active understanding of certification requirements on the part of recipients is needed. We expect that we can/will move forward with adding language to our 'intent' approval communications to further message this to recipients.

UPCOMING CHANGES

The previous observations were the result of sampling and account review. Discussions during that review led to FedLoan providing detail of some upcoming changes in their QA process.

TEACH GRANT QA PROCESS CHANGES

FedLoan Servicing will be expanding the scope of the quality assurance performed on TEACH Grant-related processes. Currently QA is performed on 100% of denied certification forms. This was initially done to prevent unwarranted negative recipient impact. However, FedLoan Servicing is in the midst of modifying their certification QA database and selection process. Beginning in November, they intend to change their process to QA at least 5% of both approved and denied certification forms.

Additionally, they intend to implement QA on the processes below, with a target date of 10/1/15:

- Approved certification forms (stop-gap until the certification database is modified in November)
- Suspension forms
- General correspondence
- Proof of Enrollment

Current and Previously Known Issues

While on-site, there were discussions related to known issues related to servicing the TEACH Grants. Below is a summary of known issues from the Issue Tracker.

- **Issue #2941 – TEACH -- No New TEACH Grant Requirement -- Waiver Needed. Added to tracker 11/14/14.**

Issue Description: TEACH Program requirement 3.10.7 (and additional clarification provided in Q/A 24 for TEACH grants) requires FedLoan Servicing to convert TEACH Grants to Loan under the new no grant scenario as failing to recertify. FedLoan requested a waiver to avoid unnecessary conversions from grants to loans.

Current Status -- FSA provided waiver to that requirement and has created CR 3188 to provide relief. CR is still in process of being finalized.

- **Issue #5511 – TEACH -- Grade Level Discrepancies with TEACH. Added to tracker 02/24/15.**

Issue Description: Grade Level Discrepancies identified between grant and loan records for TEACH Grants that were converted to Loans. 1,138 TEACH records found where discrepancies existed between the Grant and Loan records. Minimal impact however some records had discrepancies that impacted the program type (undergraduate or graduate), which drives the interest rate for the record. Clean up needed to correct.

1011 updates were made, 27 remaining to change. These final 27 are more difficult to correct as these were COD initiated and a system change is needed. All that could have been updated.

Current Status -- FedLoan to provide update when system is implemented.

- **Issue #6398 -- TEACH Grant Certification Exception. Added to tracker 03/23/15.**

Issue Description: Exception requested for recipient who started teaching 4 days prior to graduation date.

Current Status – Exception approved. Item is closed.

- **Issue #8887 -- TEACH 3rd Quarter Monitoring Review. Added to tracker 04/29/15.**

Issue Description: These are observations from the 3rd Quarter TEACH Monitoring Review.

Observation 1: Impact of FedLoan Servicing's certification backlog that spanned over many months. Inadequate time for recipients to respond, not allowing 30 days, causing the grant to convert to a loan in error.

Observation 2: Recipient did not receive a TEACH Grant although she is still enrolled and scheduled to graduate.

Observation 3: Recipient was not given 30 days to respond to a denial of a certification notice.

Observation 4: Communication gap relating to submission of an intent-to-teach form to the prior servicer, resulting in failure to give the Recipient adequate time to respond to the certification notice.

Observation 5: Communication gap relating to submission of an intent-to-teach form to the prior servicer. Additionally, FedLoan Servicing sent an incorrect and inadequate notification to the recipient resulting in the Recipient's grants converting to loans.

Current Status: CAP responses received 06/29/15. Additional CAPs applied. Waiting on FedLoan Servicing to provide notification of retraining of all staff.

- **Issue #9483 -- TEACH Grant -- Recipients in Bankruptcy Status. Added to tracker 07/09/15.**

Issue Description: TEACH Grant recipients who are in a bankruptcy status are not receiving any TEACH Grant letters. FedLoan identified approximately 40 recipients who fall into this situation and have halted the grant to loan conversion on these accounts.

Current Status: FSA granted FedLoan permission to delay the conversion until proper communication can be completed. FSA is reviewing whether additional requirements are needed or whether the bankruptcy letters need to be reviewed.

- **Issue #9484 -- TEACH Grant - Out of Time. Added to tracker 07/09/15.**

Issue Description: FedLoan has identified a number of recipients at risk of not completing their teaching obligations within the 8-year timeframe. Prior to placing their grant in queue for conversion to a loan, it was determined to be in the best interest of the Program's success to give these recipients a 30 day notification to certify their final teaching requirement.

Current Status: FSA has drafted a CR to enhance and strengthen communications to TEACH recipients who are running out of time. Draft CR

has been reviewed by FedLoan and comments sent to FSA. FSA is working on final review of CR.

- **Issue #9877 -- TEACH Grant - ACS Conversion in Error Email Issue. Added to tracker 07/30/15.**

Issue Description: Recipients received an additional email communication in error. This communication was the ACS Conversion in Error Reminder email (E84) and part of CR2863 TEACH Grant Cleanup, which includes a reminder that the deadline to respond is approaching 15 days. The deadline was already passed but email vendor sent out another reminder to these borrowers. FedLoan received an additional 53 responses.

Current Status: FSA approved accepting the additional conversion requests. Item is closed.

- **Issue #10072 -- TEACH 4th Quarter Monitoring Review. Added to tracker 08/05/15.**

Issue Description: These are observations from the 4th Quarter TEACH Monitoring Review.

Observation 1: One recipient's TEACH Grants converted to loan on 02/18/14 at the recipient's request. A copy of the conversion letter was not provided. Further research uncovered an edit in FedLoan's system prevented the conversion letter from generating. Additional query revealed a total of 80 recipients did not receive this conversion letter.

Current Status: FedLoan has revised current conversion correspondence and will send to 49 of these recipients (only those that have a current balance.) FSA is reviewing communication.

Observation 2: Recipient's certification was rejected for 2014-15 academic year improperly.

Current Status: FedLoan is in agreement with FSA and is attempting to contact the recipient to verify.

Observation 3: Recipient is disputing their lack of certification response.

Current Status: FSA's SF office is reviewing this dispute.

- **Issue #10313 -- TEACH Grants - Expired Expected Date of Graduation. Added to tracker 08/18/15.**

Issue Description: Guidance needed on how to handle TEACH Grants with expired dates of graduation: Separated? If so, Graduated versus Withdrawn.

Background Research Results: FedLoan has 312 TEACH Grants for 204 TEACH Grant recipients (for a total of \$789,190.41) where FedLoan was originally passed an expected date of graduation that was never updated by the school and has since expired.

Current Status: Being reviewed by FSA Program Management for resolution.

Resolution/Recommendations and Risk

Resolution Needed/Recommendations

- Provide explanation on the critical error that was identified.
- During FSA's visit in August, 2015, an account was entered for review within the TEACH Admin User Interface (UI) but a "critical error" message displayed and the account could not be viewed through the UI. Our technical team investigated the error and determined that the display issue occurred because there was a row of missing required data for that individual within in a new TEACH Grant system table that was created in July 2015 to house prior teaching service credit. We identified 39 total records (sequences) that were missing this data, and have since resolved it by creating data for that required row. The issue was raised and closed in approximately a week.
- **FSA recommends that in your system integration, all tables are added to your user acceptance.**
- Provide list of changes to be implemented for the QC process.
- Beginning October 2015, the following records were selected for QA review:
 1. Approved Certification Forms)
 2. Suspension Forms
 3. Proof of Enrollment
 4. General Correspondence

The following processes are also on target to be selected for QA by December, 2015:

1. Recipient Requested Conversion Requests
2. Separation Date Review (TE) Queue
3. TEACH Customer Service Email Replies

Additional changes to our TEACH Certification QA Database are scheduled for implementation this November, 2015. These changes will expand the scope of QA performed on certification forms and allow us to adjust the percentage of items reviewed based on findings. In addition, we have identified various scenarios for QA, including what we consider to be high risk accounts (conversion scheduled, certification due date in the past, military suspensions, etc.) as well as low risk accounts. Our intention is to QA a minimum of 5% for all accounts but increase the volume and/or priority of our review for all high risk accounts.

- Provide an outline of the assumptions/logic used related to Institutional reporting requirements vs. servicer requirements.
- As discussed with FSA, due to the lack of institutional reporting of Classification of Instructional Program (CIP) codes for TEACH Grant recipient's enrollment, we are left to follow assumptions and/or guidance

provided by FSA. These assumptions largely deal with the withdrawal and subsequent re-enrollment of TEACH Grant recipients. Below are supporting details and citations for assumptions used:

Q&A 24:

Q: We'd like to propose the following standardized approach for certification timeframes.

There are 3 possible separation trigger dates for certification, driving 3 "notification dates"

Separation Trigger

Notification Date

1 Graduation/Separation from school (GD)	GD + 75 days (per 3.8)
2 Program Separation (PSD)	PSD + 75 days (per 3.8)
3 No New Grant Disbursed (NND)	NND (per 3.10.7)

Initial certification due date = Notification date + 45 days

This is day 120 for Separation Trigger 1 & 2, but may be outside of 120 days for Trigger 3 ("due" date will always fall 45 days from notification date per Req. 3.8).

Annual certification notification date = Annual certification due date (see below) - at least 30 days

Annual certification due date = Initial certification due date (defined above) + 1 year (ongoing) (per 3.10.3)

Please note: This proposal differs from 3.11.1 in that the annual certification date will be one year from the Initial Certification Due Date vs. the Separation Date. This ensures that the recipient has sufficient opportunity to certify appropriately.

Further, if a GD or PSD falls in the past, we would maintain the existing notification whenever possible.

Example: A recipient was expected to separate on 05/13/13. We received notice on 01/10/13 that they separated on 01/01/12. We would trigger the notification on 01/10/13 (and in turn, expect the initial certification due date to be 02/23/13).

Note: FSA advised later removed the requirement, 3.10.7, in November 2014.

A: FSA Response: Updated 4/22/13: "No new grant disbursed" students will be handled the same way as a recipient who has graduated. PHEAA will send the initial certification, but if the recipient doesn't reply there will be no immediate ramifications.

The certification process can be initiated using the three listed triggers. For

the 3rd trigger, No New Grant Disbursed, the fact that a recipient does not receive a new grant does not mean he/she is not still enrolled in an eligible program of study. The certification request should include an option to indicate that the recipient is still enrolled in an eligible program. Note: In the scenarios provided, it appears the grant recipient will not be told about the confirmation requirement until there are only 45 days left in the 120-day period. For grant recipients who did not complete the program for which they received the grant, the consequence of failing to meet the 120-day confirmation requirement is loan conversion. Particularly for these individuals, the TEACH Grant Servicer may want to notify them of the requirement at an earlier date. Finally, the certification process for a recipient to notify the TEACH Grant servicer of status/intent may be electronic.

Q&A 53:

Q: A school reports a Grant recipient as having withdrawn at the end of the spring semester. We send the initial certification. The recipient advises that s/he is returning to school in the fall. Are we able to act on that information and discontinue the initiation of the 8-year clock or must we receive notification from the school that the recipient is enrolled?

Proposed response: You may discontinue the initiation of the 8-year clock until such time you determine that the recipient did not return to school, i.e., the recipient advises you s/he did not return to school, s/he does not receive a new TEACH Grant, etc.

A: FSA response: 2/5/13: Follow-up discussion--The servicer cannot discontinue initiation of the 8-year clock based on this information. The servicer won't know if the borrower re-enrolls in an eligible program and must wait for disbursement of a new TEACH grant or request for suspension to discontinue the 8-year clock. The proposed response by PHEAA is not acceptable. Initiation of the 8-year clock should be based on enrollment in a TEACH Grant eligible program, not just a return to school.

Q&A Document on Separation Dates for FSA (Policy):

PHEAA Analysis:

34 CFR 686.41 indicates that a recipient who withdrew from the program of study for which he/she received the Grant should apply for a suspension of the service obligation if he/she re-enrolls in a program of study for which he/she **would be** eligible for a TEACH Grant. The regulations don't address the situation of a recipient who receives another Grant for the same program of study after re-enrolling. Since the program of study isn't reported to us, the only thing we can do is assume that all undergraduate grants are for the same undergraduate program of study and all graduate grants are for the same graduate program of study (Q&A 40 from the Q&A tab on the TEACH Requirements spreadsheet).

All examples use undergraduate TEACH Grants, but the same questions pertain to graduate TEACH Grants. For each of these examples we could support multiple answers. A case can be made for each TEACH Grant having its own service obligation if the school

doesn't report continuous enrollment throughout the entire program of study (either because the recipient actually withdraws and re-enrolls, or the school reports a withdrawal). On the other hand, if a recipient completes a program of study (even with gaps in enrollment), a case can be made that the service obligation shouldn't start until they complete the program which may require multiple conversions/unconversions of Grants to Loans and Loans to Grants.

FSA/OPE Response:

If we do not have information about the program in which the student has re-enrolled and received another TEACH Grant, we believe it is reasonable to make an assumption that the student has returned to the same program from which he or she previously withdrew. However, as noted in the previous response, the key issue is whether the student has re-enrolled in another TEACH Grant-eligible program at the same level (undergraduate or graduate), even if it is not the same program as the original program. If the student has re-enrolled in another TEACH Grant-eligible program (either the same program or a different program) at the same level, there would be a single service obligation, and the 8-year clock would start when the student completes or otherwise ceases enrollment in the program.

Note: In mid-2014, we began to receive CIP code data for TEACH Grant recipients. We believe now is a good time to begin coordinating the servicing of those recipient who have this data on all of their grants.

- FedLoan Servicing will propose suggested changes to requirements with known challenges.
- During your last visit, as with prior visits, we proposed changes to requirements (and as a result, regulations) which have caused challenges and pain points for PHEAA, TEACH Grant recipients and/or FSA. Below is a brief description of our suggested changes:
 1. Proportional discharge of financial obligation as a result of respective completion of service obligation. *This is recommended for a number of reasons, including to avoid known situations in which a recipient may have completed three (out of four) years of teaching service but then is promoted to an administrator (i.e. Principal) and unable to satisfy their complete obligation but has to repay the entire amount of the grants disbursed with interest accrued from the date of disbursement.*
 2. Approval to reinstate grant status, on grants that converted to loans, based on evidence of eligible teaching service completed. *A reason for a grant to convert to a loan may be as simple as the recipient not certifying their intent to teach annually. This reason for conversion does not mean that the recipient did not complete their teaching service obligation or still could not complete their teaching service obligation. We believe the program will have better accountability and outcome measures if we could reinstate grant status for those who complete their service obligation within their expected obligation period, regardless of loan status. We believe that certification is an obstacle for TEACH Grant recipients to*

completing their service obligation, and doesn't represent their having no intention to honor the meaning behind the grant: that they serve a low income school in a high need field.

3. Remove complex certification eligibility requirements based on separation reason (graduated versus withdrawn.) *As you may know, recipient have varied certification requirements based on the reason for their separation from the program of study for which they received their TEACH Grant. However, this adds complexity to our service, communication, and general understanding from the recipient of their obligations. Added to this are updates we receive from institutions which often change or correct separation reasons after we've already 'triggered' or captured a recipient's separation. We believe that, if a recipient is able to satisfy their teaching obligation (whether they graduated or not), they should be given the opportunity to do so, and be held to the same expectations for sending in certification documentation as other TEACH Grant recipients.*
4. Create additional suspension opportunities (time or reasons). *Compared to the Direct Loan Program, recipients of a TEACH Grant do not have comparable time or opportunities to suspend their obligation for life circumstances.*

We welcome the discussion of any of the items above or other items which FSA would suggest we focus on for the improvement of the program. As you may know, we have completed and have open, a number of TEACH improvement items that we implementing for better servicing.

- FedLoan Servicing previously completed a QA process on 100% of denied certifications. During the site visit, it was suggested that accepted certifications be included in the QA review as well as denied. After the site visit, notification was received from FedLoan Servicing that the recommendation was being implemented; however, the QA process was decreasing from 100% of denied certifications to 5% for both denied and approved certifications. Moving from a 100% QA to a 5% QA concerns FSA especially with the issues that were discovered during the site visit that included denied certifications that were QA'd. FSA would highly recommend that FedLoan Servicing increase the QA process for certifications in light of the issues uncovered during the visit.
- The Certification QA Database is being modified to select a variety of certification forms processed across both denied and non-denied/accepted accounts. The database will have the flexibility built-in to modify the volume extracted for QA review on a daily basis. Based upon the analysis of errors identified the percentage selected can be modified on-demand to increase the percentage of records reviewed.
- Note: With the exception of the critical error account, accounts identified with errors were corrected by FedLoan Servicing while researching questions from the reviewers.

Potential Risk

- Quarterly interest statements not being sent to recipients as intended can be an indication of systemic issues and quality control issues. Additionally, it creates risk by failing to advise recipients of potential financial obligations.
- According to the TEACH Grant requirements, requirement 3.1 specifically states that the servicer must notify TEACH Grant recipients at least quarterly about the amount of interest that has accrued on their TEACH Grant disbursements and the obligation to repay that interest along with the amount disbursed **if they fail to fulfill their teaching obligations**. When the TEACH Grant is converted to a loan, the recipient has already failed to fulfill their teaching obligation. The loan is serviced as a Direct Unsubsidized Loan and would then fall under those regulations and requirements. Current Direct Loan regulations do not require quarterly interest statements be sent to borrowers. However, as you are aware, FSA CR3192 will require us to send quarterly statements that include accruing interest to borrowers who are in an in-school or grace status. Also, in conjunction with Requirement 3.1, there was a Q&A (57) that further clarified the requirement.
- Processing errors as well as multiple separation dates can result in the misalignment of the eight-year period for completion and can lead to recipient confusion and unnecessary conversion to a loan.
- We agree, and in response to processing errors, we have implemented new tools/software to increase communication and awareness to changes and issues, training software and curriculums to increase effectiveness and QA processes to catch errors in a timelier manner. Multiple separation dates can misalign or create multiple obligations for a single program type, but this is based on our assumptions of the requirements as discussed above.
- Multiple denial letters can result in recipient confusion and unnecessary conversion to a loan.

We agree and have taken action to reduce the number of denial letters being sent as the result of processing certification forms for multiple programs. We have requested a system change to only send one denial letter (or approval letter) to each recipient when the recipient has multiple programs that would specify which grant programs the decision applies to. Effective September 2015, we have implemented a process to cancel any duplicate denial letters so that the recipient will receive only one copy as the result of form processing until this system change is in place.

Review Methodology

REVIEW OBJECTIVE

To determine if the TEACH Grants are being serviced according to regulations and requirements.

STANDARDS

Statutory & Regulatory

The regulations governing TEACHER EDUCATION ASSISTANCE FOR COLLEGE AND HIGHER EDUCATION (TEACH) GRANT PROGRAM are:

- 34 CFR 686.1 – 34 CFR 686.43

METHODOLOGY

Sampling

From a sample of 5000 TEACH Grant recipients, 28 accounts were chosen by random sample to be reviewed.

Materials Requested

While on-site the review was performed using access to COMPASS, TEACH Admin UI, NSLDS, In-house User Account Access, and Imaging Systems. Additional information was requested from the servicer as needed.

Testing

We reviewed the following to ensure that servicing requirements, regulations, and Change Requests were followed properly in the servicing of the recipient's grant(s):

- System notes, account information, and recipient histories.
- Imaged forms and letters and compared to information servicer's system.
- Servicer processing of eligibility for service obligation benefit, if applicable.

- Service processing of intent to teach, if applicable.
- NSLDS for separation dates and compared to servicer's system.
- Communications to and from the recipient.



January 28, 2016

REVIEW REPORT

TOPIC: Teacher Education Assistance for College and Higher Education (TEACH) Program

SERVICER: Pennsylvania Higher Education Assistance Agency (PHEAA)/Fedloan Servicing

REVIEWER(S): LaRaba Sligh

QUARTER PERIOD: October 1, 2015 – December 31, 2015

REVIEW PERIOD: 2015 Cohorts

REVIEW OBJECTIVES:

1. To ensure that each recipient has provided a signed agreement to serve for each year of participation in the program.
2. To ensure that each recipient has provided documentation of the progress towards completing the service obligation.
3. To ensure that the suspension requests are accurately calculated.
4. To ensure that the discharge request for each recipient has been processed accordingly.
5. To ensure that the recipient's grant is converted to a loan appropriately.

STANDARDS:

Statutory & Regulatory:

The regulation governing Teacher Education Assistance for College and Higher Education is found at:

- TEACH Grants -- 34 CFR 686

METHODOLOGY

Sampling

The Operations Services selected a sample of 30 accounts from the Teacher Education Assistance for College and Higher Education (TEACH) Program. We requested 30 sample accounts from the 2015 cohorts.

This presentation, document or report and analyses are provided for Internal-Use Only and may not be shared outside of Federal Student Aid without the permission of FSA-Operations Services. This presentation, document, report or analysis was created to aid the Department of Education comply with its legal obligation to collect federal student loan debt. These work products may also be used to inform the creation of future Department and FSA policies.

Materials Requested

We requested the following materials from the PHEAA:

- Spreadsheet with dates of the Agreement to Serve for each of the 30 monitoring accounts selected.
- Copies of the TEACH Grant Certifications.
- Screen print of each recipient's account to validate the separation date; grant status; grant and loan conversions; teacher obligation status; and life circumstances suspensions.

Testing

We performed the following tests to meet our review objectives:

- Reviewed the dates of the borrower's Agreement to Serve to ensure that the recipients submitted a signed form for each year participating in the program.
- Reviewed the TEACH Grant Certification to validate that each recipient is either certified as one of the following:
 - He/she is not teaching, but intends to satisfy the TEACH Grant service obligation or he/she is currently performing teaching service that meets the requirements of the TEACH Grant service obligation as described in the TEACH Grant Agreement To Serve (ATS) but had not yet taught for a complete academic year.
 - He/she does not intent to satisfy the TEACH Grant service obligation as described in the ATS; therefore he/she requested that the TEACH Grant(s) be converted into a Direct Unsubsidized Loan(s)
 - He/she is currently teaching as a full-time, highly qualified teacher in a high-need field, at a school or educational service agency serving low-income students.
- Reviewed the screen print of each recipient's account to confirm the separation date; grant status; grant and loan conversions; teacher obligation status; and life circumstances suspensions.

OBSERVATION #1 SEPARATION DATE AND RE-ENROLLMENT ISSUE WITH GRADUATE LEVEL TEACH GRANT RECIPIENTS:

- RECIPIENT (b)(6) withdrew from the TEACH Graduate program on (b)(6) (b)(6) 2015 according to National Student Loan Data System (NSLDS). PHEAA converted the recipient's grants to loans on (b)(6) 2015 based on a prior separation date of (b)(6) 2014. FSA further reviewed the recipient's enrollment status in NSLDS and it showed that the recipient withdrew on (b)(6) 2014; however, he re-enrolled the next semester on (b)(6) 2014 as a half-time student. Based on the account information received during the monitoring

review PHEAA processed the account with the current separation date of (b)(6) 2015 as the recipient received an initial certification request notice as a ceased enrollment recipient on (b)(6) 2015. PHEAA sent out a follow up email reminder notice on (b)(6) 2015, and a “Not Received Certification Letter” on (b)(6) 2015. A “Grant to Loan Letter” was sent to the recipient on (b)(6) 2015 based on the prior separation date of (b)(6) 2014.

➤ **RECIPIENT** (b)(6) separated from the TEACH Graduate program on (b)(6) 2014 according to National Student Loan Data System (NSLDS). PHEAA converted the recipient’s grants to loans on (b)(6) 2015 based on a prior separation date of (b)(6) 2013. FSA further reviewed the recipient’s enrollment status in NSLDS and it showed that the recipient withdrew on (b)(6) 2013; however, he re-enrolled on (b)(6) 2014 as a full-time student. The recipient submitted an Intent-to-Teach certification on (b)(6) 2014 but as a Graduate recipient it is not necessary to do so until a year from the graduation date. FSA observed that the recipient received multiple certification requests based on inaccurate information as a process screen shot indicated that the recipient received one Undergraduate TEACH Grant and one Graduate TEACH Grant on (b)(6) 2014. PHEAA corrected the account to show that the recipient received both TEACH Grant awards at the Graduate level on (b)(6) 2014 and after the correction was made the recipient continued to receive multiple certification requests in 2015. PHEAA converted the recipient’s grants to loans based on the separation date of (b)(6) 2013.

➤ **RECIPIENT** (b)(6) withdrew from the TEACH Graduate program on (b)(6) (b) 2014 according to National Student Loan Data System (NSLDS). PHEAA converted the recipient’s grants to loans on (b)(6) 2015 due to no response to certification requests. PHEAA processed the recipient’s account based on both Undergraduate and Graduate TEACH Grants. FSA further reviewed NSLDS to confirm that the recipient only received 3 TEACH Grants at the Graduate level from West Liberty University for award year 2012-13; 2013-14; and 2014-15 and not at the Undergraduate level. PHEAA converted 2012-13 and 2013-14 TEACH grants to loans based on inaccurate information.

RECOMMENDATION FOR (b)(6) AND (b)(6) ACCOUNTS:

- PHEAA must correct these and identify other recipients with like issue accounts as FSA believes that the accounts above were not processed correctly due to past separation dates of from which the recipient’s withdrew and re-enrolled by the next semester and resulted in their TEACH Grants converting to TEACH Unsubsidized Loans. FSA would like PHEAA to submit a dispute on each of the recipient’s behalf and report out the final decisions once received to FSA.

SERVICER’S RESPONSE TO RECIPIENT (b)(6) ACCOUNT:

- (b)(6)
- According to NSLDS, the recipient withdrew on (b)(6) /13, re-enrolled on (b)(6) 13 and withdrew
 - on (b)(6) 14 from West Liberty University.
 - Grant type: Graduate

- Received 3 TEACH Grants with initial disbursement dates of (b)(6)/13, (b)(6)/13 and 11/24/14
- (West Liberty University). Note that the TEACH Grant with an initial disbursement date of (b)(6)/14 (West Liberty University) has not yet converted.
- Review of the collateral file:
- FLS sent certification requests on (b)(6)/15, (b)(6)/15, (b)(6)/15, (b)(6)/15 and a final request on (b)(6)/15.
- Grants converted to loans initiated on (b)(6)/15.
- FLS received phone call on (b)(6)/15; the recipient was advised grants converted because there was no response to certification requests, the representative stated that the recipient has one TEACH grant that has not converted. The representative advised the recipient to send a certification form for the grant that did not convert.
- FLS received certification on (b)(6)/15 certifying teaching, signed by CAO. The employment date and HNF section are blank.
- FLS representative noted on (b)(6)/15: certification form rejected, due to missing high need field and employment dates. Intent applied.
- FLS representative noted on 07/08/15: per quality review of processed certification, the (b)(6)/13 and (b)(6)/13 grants are converted to loans. Did not resend denial letter since recipient already advised of conversion status. Recipient is still required to certify.
- FLS sent correspondence on (b)(6)/15; certification rejected, missing high need field and employment dates. Intent was applied for the grant disbursed on (b)(6)/14.
- FLS representative noted on (b)(6)/15: the dispute was submitted on the recipient's behalf on (b)(6)/15, due to a review of the TEACH grant account history.
- ✓ **Current Dispute:** The recipient may have been confused due to the multiple reminders being sent and her grants having separate due dates. The recipient's grants should all have the same separation date.
- ✓ **Recommendation:** The loans should be converted back to grants. The recipient's separation date is (b)(6)/14 and the certification cycle for all grants should have been based on this date.

CORRECTIVE ACTION PLAN:

- FSA would like PHEAA to provide a copy of the TEACH Grant Reinstatement Letter to the recipient. PHEAA must evaluate their procedure to process accounts based on current separation date of recipients that have either graduated, re-enrolled, or ceased enrollment at the Graduate level to ensure that the accounts are processed correctly. PHEAA should supply FSA with a corrective action plan in writing by **February 10, 2016** to prevent future errors of this type.

SERVICER'S RESPONSE ON FEBRUARY 10, 2016:

PHEAA's Management Response on February 10, 2016:

(b)(6)

The recipient received graduate TEACH grants on (b)(6)/11, (b)(6)/12 and (b)(6)/13. The recipient withdrew from Texas A&M University-Commerce on (b)(6)/14. The recipient did re-enroll on (b)(6)/14 but withdrew again on (b)(6)/15 from Texas A&M University-Commerce. Upon re-enrolling the recipient did not receive a new TEACH grant. Based on the recipient withdrawing and re-enrolling without receiving a new TEACH grant, the recipient's separation date was established as (b)(6)/14.

Based on the (b)(6)/14 separation date the recipient was sent certification requests on (b)(6) 3/15, (b)(6)/15 (via email) and (b)(6)/15. A grant to loan conversion was initiated on (b)(6) 15 (33 days after the final request).

A dispute was not prepared or submitted for this recipient since the conversion was based off of the correct separation date.

(b)(6)

The recipient received one graduate TEACH grant on (b)(6) 13 and one undergraduate TEACH grant on (b)(6) 13 at George Fox University. According to COD the recipient was reported as having one undergraduate and one graduate TEACH grant. The recipient withdrew on (b)(6)/13, re-enrolled (b)(6) 14 and graduated on (b)(6)/14 from George Fox University. Upon re-enrolling the recipient did not receive a new TEACH grant. Based on the recipient withdrawing and re-enrolling without receiving a new TEACH grant, the recipient's separation date was established as (b)(6)/13 as shown on NSLDS.

The recipient was asked to certify on (b)(6)/14 and (b)(6)/14. The recipient submitted a certification, certifying intent to teach on (b)(6)/14. As a withdrawn recipient this was appropriate. The recipient received certification requests appropriately and had an intent to teach approved on (b)(6) 14. Regarding the reference to a screen shot dated (b)(6)/14 which references inaccurate information; FLS is unable to identify this activity for this recipient and asks FSA to provide more detail regarding this statement.

The recipient was asked to certify teaching on (b)(6)/15, (b)(6)/15 and (b)(6) 15. A grant to loan conversion was initiated on 08/31/15 (34 days after the final request). Based on the recipient withdrawing on (b)(6) 13 and no certification being received, conversion was appropriate.

A dispute was not prepared or submitted for this recipient, since the conversion was based off of the correct separation date.

(b)(6)

PHEAA agrees that the recipient's grants did not have the same separation date and the recipient was sent multiple certification requests. The account for (b)(6) was reviewed and a dispute was prepared on 12/29/15 and sent to FSA for review on 12/31/15. This dispute is still being reviewed by FSA and has not yet been approved.

posted by COD on (b)(6) 2014 from withdrawn/separation date (b)(6) 2013 and re-enrolled as full-time on (b)(6)/2014. Please correct the account by submitted a dispute on the recipient's behalf. FSA will close the CAP once PHEAA provides a copy of the letter to the recipient that his/her grant has been reinstated.

- This issue has also been escalated FSA's Program Management Office to evaluate the Requirements to see if there are any programmatic gaps to resolve this issue in the future.
- For (b)(6) account, based on the information in NSLDS for this recipient FSA will not request a dispute on this recipient's behalf.

OBSERVATION #2 PROCESS ERRORS:

- **RECIPIENT** (b)(6) withdrew from the TEACH Graduate program on (b)(6) 2012 according to National Student Loan Data System (NSLDS). The recipient contacted PHEAA on (b)(6) 2013 and stated that he graduated (b)(6) 2011 not withdrawn in 2012. The recipient also stated that he taught at a Title I school for academic year 2011-12 and a private school for academic year 2012-13. PHEAA advised the recipient to submit 2 certification forms and to apply for Intent-to-Teach for academic year 2012-13 as the recipient taught at a private school. The recipient submitted his Intent-to-Teach certification on (b)(6) 2013. PHEAA converted the recipient's TEACH Grant to a TEACH Unsubsidized Loan on (b)(6) 2014 due to no response to certification requests.

RECOMMENDATION FOR RECIPIENT (b)(6) ACCOUNT:

- PHEAA advised FSA during the monitoring review call on December 29, 2015 that they submitted a request to NSLD team for additional enrollment information but would not know the results for 60 days. FSA would like PHEAA to provide the information of the results in order to determine next steps.

SERVICER'S RESPONSE

- FLS representative contacted school registrar on (b)(6)/16. The recipient graduated on (b)(6) re-enrolled and withdrew (b)(6) 12 corresponding NSLDS reporting.

CORRECTIVE ACTION PLAN:

- Based on the additional information received, FSA believes that the loan should remain as a TEACH Unsubsidized Loan; however, it should be for not adhering to the ATS agreement. The recipient already submitted his 120 certification to prior servicer on November 2, 2012 and the next certification request should have been for his service obligation for academic year 2012-13. According to PHEAA, the customer service representative advised the recipient to submit a certification form for academic year 2011-12; which is incorrect as the recipient was still enrolled in school. The recipient's Intent-to-Teach certification form for academic year 2012-13 should

have been rejected due to not submitting his servicer obligation within the first year of a ceased enrollment recipient and not as no responses to certification request.

- PHEAA must retrain staff in order to respond and process the recipient's account information appropriately. PHEAA must evaluate their process to send out correct responses in relation to the certifications received from recipients, and also provide a plan to retrain staff of the processes and procedures for the TEACH Grant program. PHEAA must supply FSA with a corrective action plan in writing by **February 10, 2016** to prevent future errors of this type.

PHEAA's Management Response on February 10, 2016:

(b)(6)

PHEAA disagrees with FSAs recommendation that the loan should remain as a TEACH Unsubsidized Loan. The certification certifying intent to teach was rejected appropriately, however upon rejection the recipient did not receive a certification denial letter. A dispute was prepared and submitted to FSA on (b)(6) 16. This dispute is still being reviewed by FSA and has not yet been approved.

PHEAA agrees that the recipient was provided incorrect information during a call made on (b)(6) 15. The recipient was advised by an FLS representative to fill out certification forms for the 2011/2012 and 2012/2013 academic years. The recipient was not eligible to certify teaching for the 2011/2012 academic year as they were still enrolled in the TEACH program for which grants were received. PHEAA is reviewing the issue and working towards a resolution.

FSA's RESPONSE ON MARCH 29, 2016:

- Please provide the status of recipient (b)(6) dispute to FSA no later than **Thursday, March 31, 2016**.

OBSERVATION #3 DISPUTES:

- **RECIPIENT** (b)(6) separated from the TEACH Grant Graduate program on (b)(6) 2014 according to NSLDS. PHEAA sent out certification request to the recipient on (b)(6) 2014 and (b)(6) 2014 in relation to a prior separation date of (b)(6) 2013. The recipient submitted her certification with service obligation credit for academic year 2013-14 on (b)(6) 2014 and was rejected on (b)(6) 2014 due to future end date of (b)(6) 2014 so Intent to Teach was applied. A certification reminder notice was sent to the recipient on (b)(6) 2015. The recipient submitted her certification form to PHEAA on (b)(6) 2015 but the certification was rejected due to missing signature and a letter went out on (b)(6) 2015. PHEAA sent a final certification notice to the recipient on (b)(6) 2015, and the grants converted to loans on (b)(6) 2015. The recipient contacted PHEAA on (b)(6) 2015 by email and phone about the conversion and PHEAA advised the recipient that it was due to no response from the (b)(6) 2015 rejection letter.

RECOMMENDATION FOR RECIPIENT (b)(6) ACCOUNT:

- FSA believes that account should not have been converted as the recipient graduated on (b)(6) 2014 and no contact should have been made until a year from the separation date. During the monitoring call on December 29, 2015, PHEAA advised that they would submit a dispute on the recipient's behalf. FSA would like the results of the dispute.
- **RECIPIENT** (b)(6) separated from the TEACH Grant Undergraduate program on (b)(6) 2013. PHEAA converted the recipient's grants to loans on (b)(6) 2014 due to no response to certification requests. PHEAA processed an Intent-to-Teach certification form on (b)(6) 2014 with a signed date of (b)(6) 2012 from the recipient. PHEAA sent a letter accepting the Intent-to-Teach certification to the recipient on (b)(6) 2014. Certification notification reminders were sent to the recipient on (b)(6) 2014, (b)(6) 2014, and a final certification request was sent on (b)(6) 2014. The recipient contacted PHEAA on (b)(6) 2014 and was advised that the conversion was due to not responding to the certification requests. PHEAA advised the recipient that they would submit a denial dispute to explain the processing time and a dispute denial letter was sent to the recipient on (b)(6) 2014. The recipient contacted PHEAA on (b)(6) 2014 and (b)(6) 2015 and was advised how to submit a dispute to the denial letter. The recipient submitted a dispute letter to PHEAA on June (b)(6) 2015. PHEAA received an email from the recipient checking on the status of her dispute on (b)(6) 2015 and was advised that the dispute process takes a minimum of 30 business days to complete.

RECOMMENDATION FOR (b)(6) ACCOUNT:

- FSA would like PHEAA to provide the final decision of the dispute. FSA believes that the Intent-to-Teach certification form dated (b)(6) 2012 was already processed by the prior servicer so please provide a rationale as to why PHEAA would reprocess the form and accept the certification on (b)(6) 2014. FSA would like a response by **February 10, 2016**.

PHEAA's Management Response on February 10, 2016:

(b)(6)

After the monitoring call occurred on (b)(6)/15, between PHEAA and FSA, a dispute was prepared, submitted, and approved. The recipient's TEACH grants have been reinstated and are now on track.

(b)(6)

FLS received the certification on (b)(6)/13, during the TEACH transition from ACS to FLS. The certification was not processed until (b)(6)/14 and was approved for intent to teach. This action was appropriate as the certification was not processed by the prior servicer. FLS did not reprocess the certification dated (b)(6)/12.

FSA's RESPONSE MARCH 29, 2016:

- Please refer to pages 7-9 of the communication file for (b)(6) as it shows a process screenshot of the Intent to Teach form accepted on page 7; copy of the certification form dated September 16, 2012 on page 8; and the approved letter dated January 4, 2014 on page 9. Please provide the status of recipient (b)(6)'s dispute to FSA no later than **Thursday, March 31, 2016**.

FINAL ANALYSIS:

- There was an error rate of 20% on this review (6/30). FSA would expect PHEAA to have an error rate of 5% or less when analysis is of TEACH accounts.



January 28, 2016

REVIEW REPORT

TOPIC: Teacher Education Assistance for College and Higher Education (TEACH) Program

SERVICER: Pennsylvania Higher Education Assistance Agency (PHEAA)/Fedloan Servicing

REVIEWER(S): LaRaba Sligh

QUARTER PERIOD: October 1, 2015 – December 31, 2015

REVIEW PERIOD: 2015 Cohorts

REVIEW OBJECTIVES:

1. To ensure that each recipient has provided a signed agreement to serve for each year of participation in the program.
2. To ensure that each recipient has provided documentation of the progress towards completing the service obligation.
3. To ensure that the suspension requests are accurately calculated.
4. To ensure that the discharge request for each recipient has been processed accordingly.
5. To ensure that the recipient's grant is converted to a loan appropriately.

STANDARDS:

Statutory & Regulatory:

The regulation governing Teacher Education Assistance for College and Higher Education is found at:

- TEACH Grants -- 34 CFR 686

METHODOLOGY

Sampling

The Operations Services selected a sample of 30 accounts from the Teacher Education Assistance for College and Higher Education (TEACH) Program. We requested 30 sample accounts from the 2015 cohorts.

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Materials Requested

We requested the following materials from the PHEAA:

- Spreadsheet with dates of the Agreement to Serve for each of the 30 monitoring accounts selected.
- Copies of the TEACH Grant Certifications.
- Screen print of each recipient's account to validate the separation date; grant status; grant and loan conversions; teacher obligation status; and life circumstances suspensions.

Testing

We performed the following tests to meet our review objectives:

- Reviewed the dates of the borrower's Agreement to Serve to ensure that the recipients submitted a signed form for each year participating in the program.
- Reviewed the TEACH Grant Certification to validate that each recipient is either certified as one of the following:
 - He/she is not teaching, but intends to satisfy the TEACH Grant service obligation or he/she is currently performing teaching service that meets the requirements of the TEACH Grant service obligation as described in the TEACH Grant Agreement To Serve (ATS) but had not yet taught for a complete academic year.
 - He/she does not intent to satisfy the TEACH Grant service obligation as described in the ATS; therefore he/she requested that the TEACH Grant(s) be converted into a Direct Unsubsidized Loan(s)
 - He/she is currently teaching as a full-time, highly qualified teacher in a high-need field, at a school or educational service agency serving low-income students.
- Reviewed the screen print of each recipient's account to confirm the separation date; grant status; grant and loan conversions; teacher obligation status; and life circumstances suspensions.

OBSERVATION #1 SEPARATION DATE AND RE-ENROLLMENT ISSUE WITH GRADUATE LEVEL TEACH GRANT RECIPIENTS:

- RECIPIENT (b)(6) withdrew from the TEACH Graduate program on (b)(6) (b) 2015 according to National Student Loan Data System (NSLDS). PHEAA converted the recipient's grants to loans on (b)(6) 2015 based on a prior separation date of (b)(6) 2014. FSA further reviewed the recipient's enrollment status in NSLDS and it showed that the recipient withdrew on (b)(6) 2014; however, he re-enrolled the next semester on (b)(6) 2014 as a half-time student. Based on the account information received during the monitoring review PHEAA processed the account with the current separation date of (b)(6) 2015 as the

recipient received an initial certification request notice as a ceased enrollment recipient on (b)(6) 2015. PHEAA sent out a follow up email reminder notice on (b)(6) 2015, and a “Not Received Certification Letter” on (b)(6) 2015. A “Grant to Loan Letter” was sent to the recipient on (b)(6) 2015 based on the prior separation date of (b)(6) 2014.

➤ **RECIPIENT** (b)(6) separated from the TEACH Graduate program on (b)(6) 2014 according to National Student Loan Data System (NSLDS). PHEAA converted the recipient’s grants to loans on (b)(6) 2015 based on a prior separation date of December 20, 2013. FSA further reviewed the recipient’s enrollment status in NSLDS and it showed that the recipient withdrew on (b)(6) 2013; however, he re-enrolled on (b)(6) 2014 as a full-time student. The recipient submitted an Intent-to-Teach certification on (b)(6) 2014 but as a Graduate recipient it is not necessary to do so until a year from the graduation date. FSA observed that the recipient received multiple certification requests based on inaccurate information as a process screen shot indicated that the recipient received one Undergraduate TEACH Grant and one Graduate TEACH Grant on (b)(6) 2014. PHEAA corrected the account to show that the recipient received both TEACH Grant awards at the Graduate level on (b)(6) 2014 and after the correction was made the recipient continued to receive multiple certification requests in 2015. PHEAA converted the recipient’s grants to loans based on the separation date of (b)(6) 2013.

➤ **RECIPIENT** (b)(6) withdrew from the TEACH Graduate program on (b)(6) (b)(6) 2014 according to National Student Loan Data System (NSLDS). PHEAA converted the recipient’s grants to loans on (b)(6) 2015 due to no response to certification requests. PHEAA processed the recipient’s account based on both Undergraduate and Graduate TEACH Grants. FSA further reviewed NSLDS to confirm that the recipient only received 3 TEACH Grants at the Graduate level from West Liberty University for award year 2012-13; 2013-14; and 2014-15 and not at the Undergraduate level. PHEAA converted 2012-13 and 2013-14 TEACH grants to loans based on inaccurate information.

RECOMMENDATION FOR (b)(6) ACCOUNTS:

- PHEAA must correct these and identify other recipients with like issue accounts as FSA believes that the accounts above were not processed correctly due to past separation dates of from which the recipient’s withdrew and re-enrolled by the next semester and resulted in their TEACH Grants converting to TEACH Unsubsidized Loans. FSA would like PHEAA to submit a dispute on each of the recipient’s behalf and report out the final decisions once received to FSA.

SERVICER’S RESPONSE TO RECIPIENT (b)(6) ACCOUNT:

- (b)(6)
 - According to NSLDS, the recipient withdrew on (b)(6) /13, re-enrolled on (b)(6) /13 and withdrew
 - on (b)(6) /14 from West Liberty University.
 - Grant type: Graduate
 - Received 3 TEACH Grants with initial disbursement dates of (b)(6) /3, (b)(6) /13 and (b)(6) /14

- (West Liberty University). Note that the TEACH Grant with an initial disbursement date of
 - (b)(6) 14 (West Liberty University) has not yet converted.
 - Review of the collateral file:
 - FLS sent certification requests on (b)(6) 15, (b)(6) 15, (b)(6) 5, (b)(6) 15 and a final
 - request on (b)(6) 15.
 - Grants converted to loans initiated on (b)(6) 15.
 - FLS received phone call on (b)(6) 15; the recipient was advised grants converted
 - because there was no response to certification requests, the representative stated that
 - the recipient has one TEACH grant that has not converted. The representative advised
 - the recipient to send a certification form for the grant that did not convert.
 - FLS received certification on (b)(6) 15 certifying teaching, signed by CAO. The
 - employment date and HNF section are blank.
 - FLS representative noted on (b)(6) 15: certification form rejected, due to missing high
 - need field and employment dates. Intent applied.
 - FLS representative noted on (b)(6) 15: per quality review of processed certification, the
 - (b)(6) 13 and (b)(6) 13 grants are converted to loans. Did not resend denial letter since
 - recipient already advised of conversion status. Recipient is still required to certify.
 - FLS sent correspondence on (b)(6) 15; certification rejected, missing high need field and
 - employment dates. Intent was applied for the grant disbursed on (b)(6) 14.
 - FLS representative noted on (b)(6) 15: the dispute was submitted on the recipient's
- behalf on (b)(6) 15, due to a review of the TEACH grant account history.
- ✓ **Current Dispute:** The recipient may have been confused due to the multiple reminders being sent and her grants having separate due dates. The recipient's grants should all have the same separation date.
 - ✓ **Recommendation:** The loans should be converted back to grants. The recipient's separation date is (b)(6) 14 and the certification cycle for all grants should have been based on this date.

CORRECTIVE ACTION PLAN:

- FSA would like PHEAA to provide a copy of the TEACH Grant Reinstatement Letter to the recipient. PHEAA must evaluate their procedure to process accounts based on current separation date of recipients that have either graduated, re-enrolled, or ceased enrollment at the Graduate level to ensure that the accounts are processed correctly. PHEAA should supply FSA with a corrective action plan in writing by **February 10, 2016** to prevent future errors of this type.

OBSERVATION #2 PROCESS ERRORS:

- **RECIPIENT** (b)(6) withdrew from the TEACH Graduate program on (b)(6) 2012 according to National Student Loan Data System (NSLDS). The recipient contacted PHEAA on (b)(6), 2013 and stated that he graduated (b)(6) 2011 not withdrawn in 2012. The recipient also stated that he taught at a Title I school for academic year 2011-12 and a private school for academic year 2012-13. PHEAA advised the recipient to submit 2 certification forms and to apply for Intent-to-Teach for academic year 2012-13 as the recipient taught at a private school. The recipient submitted his Intent-to-Teach certification on

(b)(6) 2013. PHEAA converted the recipient's TEACH Grant to a TEACH Unsubsidized Loan on (b)(6), 2014 due to no response to certification requests.

RECOMMENDATION FOR RECIPIENT (b)(6) ACCOUNT:

- PHEAA advised FSA during the monitoring review call on December 29, 2015 that they submitted a request to NSLD team for additional enrollment information but would not know the results for 60 days. FSA would like PHEAA to provide the information of the results in order to determine next steps.

SERVICER'S RESPONSE

- FLS representative contacted school registrar on (b)(6)/16. The recipient graduated on (b)(6)/09, re-enrolled and withdrew (b)(6)/12 corresponding NSLDS reporting.

CORRECTIVE ACTION PLAN:

- Based on the additional information received, FSA believes that the loan should remain as a TEACH Unsubsidized Loan; however, it should be for not adhering to the ATS agreement. The recipient already submitted his 120 certification to prior servicer on November 2, 2012 and the next certification request should have been for his service obligation for academic year 2012-13. According to PHEAA, the customer service representative advised the recipient to submit a certification form for academic year 2011-12; which is incorrect as the recipient was still enrolled in school. The recipient's Intent-to-Teach certification form for academic year 2012-13 should have been rejected due to not submitting his servicer obligation within the first year of a ceased enrollment recipient and not as no responses to certification request.
- PHEAA must retrain staff in order to respond and process the recipient's account information appropriately. PHEAA must evaluate their process to send out correct responses in relation to the certifications received from recipients, and also provide a plan to retrain staff of the processes and procedures for the TEACH Grant program. PHEAA must supply FSA with a corrective action plan in writing by **February 10, 2016** to prevent future errors of this type.

OBSERVATION #3 DISPUTES:

- **RECIPIENT** (b)(6) separated from the TEACH Grant Graduate program on (b)(6) 2014 according to NSLDS. PHEAA sent out certification request to the recipient on (b)(6) 2014 and (b)(6) 2014 in relation to a prior separation date of (b)(6) 2013. The recipient submitted her certification with service obligation credit for academic year 2013-14 on (b)(6) 2014 and was rejected on (b)(6) 2014 due to future end date of (b)(6) 2014 so Intent to Teach was applied. A certification reminder notice was sent to the recipient on (b)(6) 2015. The recipient submitted her certification form to PHEAA on (b)(6), 2015 but the certification was rejected due to missing signature and a letter went out on (b)(6), 2015. PHEAA sent a final certification notice to the recipient on (b)(6), 2015, and the grants converted to loans on (b)(6), 2015. The recipient contacted PHEAA on (b)(6), 2015 by email and phone about the conversion and PHEAA advised the recipient that it was due to no response from the (b)(6), 2015 rejection letter.

RECOMMENDATION FOR RECIPIENT (b)(6)'S ACCOUNT:

- FSA believes that account should not have been converted as the recipient graduated on (b)(6) 2014 and no contact should have been made until a year from the separation date. During the monitoring call on (b)(6) 2015, PHEAA advised that they would submit a dispute on the recipient's behalf. FSA would like the results of the dispute.
- **RECIPIENT** (b)(6) separated from the TEACH Grant Undergraduate program on (b)(6) 2013. PHEAA converted the recipient's grants to loans on (b)(6) 2014 due to no response to certification requests. PHEAA processed an Intent-to-Teach certification form on (b)(6) 2014 with a signed date of (b)(6) 2012 from the recipient. PHEAA sent a letter accepting the Intent-to-Teach certification to the recipient on (b)(6) 2014. Certification notification reminders were sent to the recipient on (b)(6) 2014, (b)(6) 2014, and a final certification request was sent on (b)(6) 2014. The recipient contacted PHEAA on (b)(6) 2014 and was advised that the conversion was due to not responding to the certification requests. PHEAA advised the recipient that they would submit a denial dispute to explain the processing time and a dispute denial letter was sent to the recipient on (b)(6) 2014. The recipient contacted PHEAA on (b)(6) 2014 and (b)(6) 2015 and was advised how to submit a dispute to the denial letter. The recipient submitted a dispute letter to PHEAA on June (b)(6) 2015. PHEAA received an email from the recipient checking on the status of her dispute on (b)(6) 2015 and was advised that the dispute process takes a minimum of 30 business days to complete.

RECOMMENDATION FOR (b)(6) ACCOUNT:

- FSA would like PHEAA to provide the final decision of the dispute. FSA believes that the Intent-to-Teach certification form dated (b)(6) 2012 was already processed by the prior servicer so please provide a rationale as to why PHEAA would reprocess the form and accept the certification on January 4, 2014. FSA would like a response by **February 10, 2016**.

FINAL ANALYSIS:

- There was an error rate of 20% on this review (6/30). FSA would expect PHEAA to have an error rate of 5% or less when analysis is of TEACH accounts.

FedLoan Servicing: TEACH Grant Program Review

Report Date: April 6, 2017

PREPARED FOR:

FSA Business Operations

Washington, DC

PREPARED BY:

Christian Lee Odom, George Moghaddam,
Helena Myers-Wright, and Larry Porter.

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Executive Summary

This review focused on servicing of the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program.

The TEACH Grant Program is a unique grant program that provides recipients up to \$4,000 per year¹, for attendance in an approved program of study. In exchange recipients agree to perform four (4) years of service within the eight (8) years following completion of (or separation from) the approved program of study. The four (4) years of service must be in a high-need field, at an elementary or secondary school, or educational service agency that provides service to low-income families; other TEACH Grant eligibility-rules apply. Individuals failing to fulfill (and provide proof of) their service obligation, or failing to certify their intent to fulfill their service obligation, may have their TEACH Grants converted into Direct Unsubsidized Loans.

This report examines FedLoan Servicing's handling of TEACH Grant certifications; TEACH Grant inquiries to include correspondence and calls; the application and removal of teaching service credit; and adherence to past FSA guidance. This report identifies key observations made while on-site and corresponding recommendations to remedy issues identified in the areas of: prior monitoring events, dispute procedures, and recipient certifications; in total, the review team made five (5) observations and corresponding recommendations.

¹ Due to sequestration, award amounts for TEACH Grants first disbursed on or after 10/01/2015 but before 10/01/2016 are subject to a 6.8% reduction in award amount; disbursements on or after 10/01/2016 but before 10/01/2017 are reduced by 6.9%.

On-site Observations

The review team observed FedLoan Servicing's general TEACH Grant process, which included live call monitoring; a discussion of issues as observed in prior monitoring events; a review of the servicer's dispute process; and validation of the recipient certification forms.

Live Call Monitoring

When observing live calls, the review team used FSA call monitoring standards, which includes looking for proper identification and greeting, authentication and demographic verification, and a review of soft skills and professionalism. The review team notes no issues in the area of live call monitoring.

Prior Monitoring Event/Issues

The review team revisited the issue of establishing initial certification periods, as discussed in prior monitoring events. Consistent with 34 CFR §686.40 et seq., recipients are required to provide an initial certification within 120 days of completing or otherwise ceasing enrollment in a program of study for which a TEACH Grant was received²; moreover, §686.43(a)(4) requires that subsequent annual certifications be done, "at least annually."

FedLoan Servicing's current process, for recipients who graduate, is to set the first annual certification at 120 days plus one year from their separation date. This results in graduated recipients having 16 months following completion or separation before an annual certification of service is actually due; the current process is something that was proposed to FSA during the allowed Q&A period at the time of project planning. A strict reading, however, of the regulatory requirements suggests that recipients are to certify no less than once yearly, which means the process of allowing 16 months before an annual certification is due is not consistent with regulatory intentions.

Dispute Procedures

The review team notes no issues in the area of FedLoan Servicing's dispute procedures. FedLoan Servicing has a thorough process for documenting and tracking TEACH Grant disputes, which aids FSA in a number of ways. As an example, the servicer's thorough dispute procedures allow for FSA to efficiently recover prior disputes and accurately ascertain escalated issues. The review team did identify an area in which FSA may be able to add efficiency to the dispute process by revising the designated authorities found in CR 2486. This is something to be discussed with internal FSA stakeholders.

² If an institution is delayed in providing enrollment information, as per business requirements, the certification clock starts from the date the servicer is notified of the separation; however, the service obligation period is still fixed to the date of completion or separation.

Recipient Certification Process

The review team noted several processing errors and questions while onsite. All accounts were discussed with FedLoan Servicing staff and corrections were made as needed. The processing errors and questions consisted of:

1. Documenting the source of information that requires input into the TEACH Grant user interface when certification forms lack complete information;
2. Approval of service over multiple periods;
3. Inconsistent denial reasons; and
4. Processor Errors

Observation 1 (Sample 1567, 12224, 18308, and 24140)

In samples 1567, 12224, and 24140, the review team found that FedLoan Servicing processors documented information about Chief Administrative Officers (“CAOs”) (e.g. official’s name and/or title) even though this information was not present on current certification forms. FSA allows flexibility in verifying information about CAOs, as long as the official has signed and date the certification form. In sample 18308, the review team found that a FedLoan Servicing processor approved a certification form containing an “other high-need field” that was not listed in the U.S. Department of Education’s (“ED”) Nationwide List of Teacher Shortage Areas for the recipient’s years of service. Instead, the recipient qualified based on a provision that allows approval if the other high-need field was listed during any award year in which the TEACH Grant recipient received a grant; the processor did not document this information.

Observation 2 (Sample 24340)

The review team found an instance in which a recipient’s certification was denied due to the recipient certifying teaching for years preceding his or her separation/ graduation from his or her TEACH Grant Program of study; this was a correct determination. However, the processor then reimaged (and submitted for processing) the same certification form, for additional preceding years even though the same decision would have applied. This resulted in the recipient needlessly receiving two additional denial notices and likely led to confusion.

Observation 3 (Sample 17061)

The review team found an instance in which a recipient’s certification form was reviewed for multiple periods of service—on different dates— but was rejected for different reasons each time. Additionally, in each instance FedLoan Servicing staff performed quality assurance (“QA”) validating the rejection reasons—even though in at least two instances the processors erred in determining that the recipient’s school was not listed in the Teacher Cancellation Loan Income website.

Observation 4 (Sample 7642)

The review team found an instance in which FedLoan Servicing used incorrect separation data when initiating a recipient's certification cycle. The servicer used separation data (i.e. separation date and status) reported by another institution at which the student previously attended. The non-TEACH institution reported a withdrawal status as of 06/29/2016; whereas the institution at which the TEACH Grant was received reported that the recipient graduated 08/10/2016. This resulted in credit being applied for an otherwise ineligible period from 07/01/2016 – 06/30/2017. The processor in this instance did not verify information against data held in NSLDS.

Observation 5 (Sample 12224)

The review team found an instance in which FedLoan Servicing used a single certification form to cover multiple periods of service. The teaching service ranged from 08/2014 – 11/2016, and the servicer applied credit for 14/15, 15/16, and 16/17 academic years. In doing so, the servicer made some assumptions about the dates of service for each year and granted credit in the final year of service even though the recipient had not yet completed the full 16/17 academic year at the time of certification.

Risks and Resolutions/Recommendations

Potential Risks

Potential risks are defined as system constraints, processes, and/or operator errors that resulted in incorrectly applying or removing service credit.

Resolution Needed/Recommendations

The following actions are needed / recommended to resolve the aforementioned issues.

Recommendation to Observation 1

FedLoan Servicing should ensure that processors consistently document the source of information when additional research is needed to verify incomplete information on certification forms. As an example, if a processor needs to verify a CAO's name or title, and such information is obtained via a phone call to the school, this should be documented in the account notes.

Recommendation to Observation 2

FedLoan Servicing should ensure that processors thoroughly review account data and consider the impact before reimaging denied forms to be processed and ultimately denied for preceding or following years of service. The processors should consider whether it would be most efficient, and less cumbersome, to send a single denial notice covering all applicable periods of service covered by the certification form in question rather than sending multiple denials at various dates.

Recommendation to Observation 3

FedLoan Servicing's quality assurance ("QA") appears to aim at determining whether processors correctly review and interpret data provided on certification forms, and that such data is correctly documented in the TEACH Grant user interface. FedLoan Servicing's QA should also seek to validate that processors have adequately researched information provided on certification forms to include ensuring that determinations about TCLI schools and/or subject areas are correct. Additionally, when dealing with a form that is reimaged, both processors and QA staff should ensure that denials are all encompassing in that they state all reasons initially that a form is denied. This latter recommendation will enhance processing, add efficiency, and reduce recipient confusion and/or frustration.

Recommendation to Observation 4

FedLoan Servicing processors should ensure that they consistently check NSLDS each time they process a certification form to ensure that the correct separation date and status is reported—and for the correct school of attendance! FedLoan Servicing currently only captures the initial enrollment status after the final grant disbursement. In the case of Sample 7642, the servicer captured data from the wrong school. FSA would like FedLoan Servicing to describe the system logic that drives this process, so that we can determine if enhancement may be needed to prevent these types of issues.

Recommendation to Observation 5

Within the regulatory context of the program, recipients are to certify after each year of service. However, given the unique nature of the program, FSA understands that there are various reasons for which recipients might certify more than one year of service using one certification form; this is acknowledged in §686.12(c) FSA hopes to address this scenario when updating TEACH certification forms. However, when the servicer is processing certification forms for more than one traditional academic year, the servicer should not process and accept multiple years of service where the servicer needs to assume arbitrary employment dates and it is clear that a full year of service, for one or more years, has not yet been completed. Rather, the servicer should instead accept credit for periods clearly covering a full, traditional academic year, and apply intent where applicable for any partial years of service currently in progress.

Recommendation to Prior Monitoring Issues

Lastly, as discussed during on-site conversation, FedLoan Servicing is to report to FSA with analysis describing what system and/or process changes are needed to modify the initial certification process to comply with the regulatory intentions described above. FedLoan Servicing should provide this information by 05/05/2017 (30 calendar days). This information may be delivered as part of a meeting with FSA provided a written analysis be given at such time. Lastly, FSA invites the servicer to respond by COB 04/14/2017 to any observations made in this report.

Methodology

Review Objectives

To determine if FedLoan Servicing appropriately serviced TEACH Grants to include correctly sending and processing certification requests; applying service credit; and establishing the correct service-obligation anniversary date(s) based on graduation/separation from the eligible TEACH Grant Program.

Standards

The TEACH Grant Program is authorized under the Grants to Students in Attendance at Institutions of Higher Education program under Title IV, Part A of the Higher Education Act of 1965, as amended, 20 U.S.C. 1070g et seq., and the regulations thereof (34 CFR Part 686). Other requirements include FSA business requirements and TEACH Grant Servicer requirements.

Samples

From a population of 33,470 unique recipients participating in the TEACH Grant Program, FSA staff reviewed the accounts of randomly selected recipients participating in the TEACH Grant Program. In total, FSA reviewed the servicing of thirty-three (33) unique recipients, which included a review of 76 unique certification periods.

Materials Requested

The review was performed using FedLoan Servicing's TEACH Grant user interface, prior servicing history(ies), images of correspondence from FedLoan Servicing's Imaging systems, and additional information and/or clarification was requested from the servicer as needed. All records and information available to FSA were examined to ensure proper servicing under the TEACH Grant Program.

Additional Materials

For each sample account, an independent review of enrollment information reported to NSLDS was conducted. Additionally, information provided by recipients was compared against TCLI.ed.gov and ED's Nationwide List of Teacher Shortage Areas.

Testing

The review examined the following to ensure that business requirements, regulations, and Change Requests were followed properly in the servicing of TEACH Grant recipients:

- System notes, account information, and recipient servicing histories;
- Imaged certification forms and correspondence; and
- Data reported to NSLDS and on certification forms by recipients and CAOs.

Attachment: FedLoan Servicing's Response



Megan Mittal, Client Contractual Testing
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1200 North Seventh Street, Harrisburg, PA 17102

April 14, 2017

Via Electronic Delivery

Mr. Christian Lee Odom
U.S. Department of Education
Office of Federal Student Aid
50 United Nations Plaza
San Francisco, CA 94102

RE: TEACH Grant Program Review

Dear Mr. Odom,

This letter is in response to the FSA observations and recommendations contained in the TEACH Grant Program Review report for the Teacher Education Assistance for College and Higher Education (TEACH) Program, dated April 6, 2017. We appreciate FSA staff's diligence during the recent onsite visit.

We are in agreement with all observations and all the associated recommendations, with the exception of the Recommendation for Observation 4. We feel that our current process of reviewing enrollment data exceptions mitigates the need to review NSLDS each time a certification form is received. Below is the FSA recommendation and our response for consideration. Please feel free to contact us for more information or if discussion would be of benefit.

RESPONSE TO RECOMENDATION FOR OBSERVATION 4

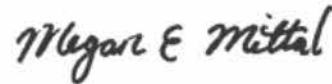
We acknowledge that incorrect separation data was the cause of service being applied during an ineligible time period. This data issue was the result of the complex loan-based system logic that evaluates whether separation data is used or bypassed. Upon recognizing this as a concern, and in discussions with FSA on enrollment-related topics as a whole, we created a report of bypassed (or updated) separation data that requires additional review. This report is manually reviewed by staff and updates to our system are made as needed.

In general enrollment-related concerns have been discussed with FSA staff in the past. These discussions include recommendations for improving reporting from NSLDS, such as passing inactivated enrollments to FedLoan Servicing. Although current program requirements instruct us to act only upon the initial separation from the program of study for which the recipient received a TEACH Grant, if NSLDS reported when enrollment data is inactivated, we could then react appropriately.

We realize that processing a certification form relies heavily on accurate separation information. However, since separation information has impact to overall TEACH servicing, we believe it's best to continue monitoring separation updates that are identified as bypassed (or updated) in error. This action should mitigate the need to review the separation data again during certification form processing, and also helps recipients who aren't due to certify.

Further, once guidance is received from FSA in response to Issue Tracker #12508 (withdrawn/re-enrolled), we intend to explore system modification to implement enhanced logic, eliminating the need to work the supplemental report.

Sincerely,



Megan E Mittal
Coordinator
Client Contractual Testing

cc: George Moghaddam, FSA
Larry Porter, FSA
Helena Myers-Wright, FSA
Stephanie Martella, FedLoan Servicing
Dan Weigle, FedLoan Servicing
Vicky Roganish, FedLoan Servicing
Lee Koller, FedLoan Servicing
Isaac Greene, FedLoan Servicing
Ted Putt, FedLoan Servicing
Melissa Shoemaker, FedLoan Servicing
Nicole Lewis, FedLoan Servicing
Timothy Cummings, FedLoan Servicing
Matt Eshelman, FedLoan Servicing
Chelsea Kaufman, FedLoan Servicing

PHEAA conducts its student loan servicing operations commercially as American Education Services and for federally-owned loans as FedLoan Servicing.

