



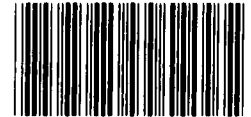
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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

HUMAN RESOURCES  
DIVISION

NOV 7 1980

Conrad R. Hoffman  
Controller (04)  
Veterans Administration



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Dear Mr. Hoffman:

Subject: Survey Report on the Veterans and Dependents Education Loan program.

We have completed a limited survey of the administration of the Veterans and Dependents Education Loan Program in the Veterans Administration's Washington regional office (VAWRO). The purpose of the survey was to obtain information needed to develop audit guidelines for a multi-region followup review of VA's education loan program, including data on corrective actions taken by VA in response to our earlier report to the Chairman, House Committee on Veterans' Affairs. 1/

Among other things, our survey included an examination of the Finance Division's loan repayment records and activities, including VA's "notification procedures". These procedures consist of two post cards and two letters sent out at specified intervals over a period of 9 months. If a positive response is not received from the veteran after the two letters are sent, the loan is supposed to be placed in default 10 months after training is terminated or reduced to less than half time. Our findings are based on two random samples involving a total of 46 cases. One sample of 20 cases from a universe of 85 was drawn from loans that had been placed in default on July 1, 1978, or later according to the notations on the loan account cards. Our second sample of 26 cases from a universe of 248 was drawn from loan cards with a posted expected graduation date of March 31, 1980, or earlier and had not been placed in default as of the time of our review. The loans in this latter sample are referred to in this report as "active" loans. Approximately 315 loans were excluded from the two universes used either because they were considered too old or too recent.

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1/"Improvements Needed in VA's Education Loan Program",  
HRD-78-112, May 11, 1978.

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We believe some of the conditions found at VAWRO should be brought to your attention now rather than waiting for completion of our followup review. These problems are summarized as follows:

- VA guidelines establish a time schedule for notification procedures that covers a 9-month period with no interval exceeding 4 months. Of the 46 cases examined, only one case had been handled in a timely manner pursuant to this criteria. Three other cases still in the notification cycle were behind the established timeframe but none of the intervals had exceeded 6 months as yet.
- In 67 percent (31) of the 46 cases in our two samples, the interval between notification letters had exceeded 6 months. The intervals ranged from 7 to 15 months.
- In 70 percent (32) of the 46 sample cases, VAWRO had skipped at least one notification letter in the prescribed notification sequence.
- Out of 40 sample cases where VA had the veteran's current address and the payment due date had been reached, VAWRO failed in 62 percent of the cases to send out the first letter giving the veteran the repayment options (payment-in-full, monthly payments, quarterly payments, etc.) until after the first payment was due.
- In 65 percent (13) of the 20 defaulted cases, the second option letter was not sent to the veteran before the loan was placed in default.
- In our random sample of 26 active cases with a posted expected graduation date of March 31, 1980 or earlier, sufficient time had lapsed in 73 percent (19) of the cases for the loans to have been placed in default. However, in only 6 of these cases had VAWRO reached the phase of sending out the second option letter which is the last letter in the notification sequence before default action should be taken. The delays in sending these second notification letters ranged from 2 months to 11 months.

- Of the 20 default cases reviewed, 70 percent (14) were placed in default at least two months late. And 40 percent (8) of these were placed in default from 6.5 months to 13 months late.
- One case classified as a defaulted loan should not have been placed in default. The records show the veteran reentered training within the grace period and the school had certified his reenrollment.
- Five of the 20 cases in our default sample did not have supporting entries on the loan accounts receivable cards to the effect that the default notice had been sent to the veteran or that the default information had been put into the veteran's computerized master record. Failure to place such information in computerized records weakens VA's chances of obtaining repayment either through offsetting future monthly benefits to the veteran or, if the veteran seeks a home loan, by withholding the approval until the veteran has satisfactorily settled his defaulted loan.
- Loan cards maintained by Finance were found to be in poor condition. Entries on the loan cards are crossed out, often were not sufficiently detailed to be used alone in determining future action and, at times, contained incompatible or inconsistent entries without any explanation noted. The loan folders also fail to provide Finance a source for complete data that could be used to quickly determine the status of the loan. Material in the folders often was loose and not dated. Also, we found several instances where pertinent data contained in an Adjudication "C" file was not contained in Finance's folder nor was it reflected in an entry on the loan card. Consequently, neither source in Finance could be used to quickly determine the current status of the loan. Also, the condition of the files probably contributed to VAWRO's poor handling of the notification process because of the time that must be spent to analyze the various files if proper action is to be taken.

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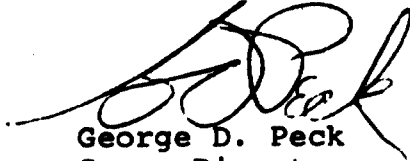
Because of the large percentage of deficiencies in VAWRO Finance Division's loan repayment records and notification procedures, and the potential impact of these deficiencies on VA's ability to obtain timely repayment of these loans, we

recommend that your office in conjunction with the Office of Inspector General

- initiate a program to review, correct, and update all loan repayment records in the VAWRO Finance Division;
- take action, as appropriate, to bring the notification process up to date; and
- increase the monitoring and administrative control over this function within VAWRO.

The deficiencies cited in this report have been discussed with VAWRO officials. We appreciate the cooperation and courtesy extended to us by VA personnel during this survey. We would appreciate being informed of any actions taken or planned on the matters discussed in this report.

Sincerely yours,



George D. Peck  
Group Director

cc: Inspector General (50)  
Chief Benefits Director,  
Department of Veterans Benefits(20)