**DEFAULT PREVENTION (FEDERAL REQUIREMENTS)**

Federal regulations and statutes contain many default prevention measures designed to ensure that students do not default on their Title IV loans. The default provisions contained in federal regulations and statutes may not specifically state that they are default prevention measures, but these provisions ensure that the student:

* Knows he/she has a loan obligation and not a grant
* Understands the terms of the loan and repayment obligation
* Is properly notified as to when the repayment obligation begins
* Receives required notices relative to the loan obligation
* Begins repayment at the proper time

In addition to these ‘implicit’ requirements, Federal regulations also stipulate that schools undertake prescribed default prevention measures under certain conditions:

Under [34 CFR 668.14 (b) (15)](https://www.ecfr.gov/cgi-bin/text-idx?SID=52d6c09d0b70e513e630477856c3c95b&mc=true&node=se34.3.668_114&rgn=div8), the Department of Education (the Department) requires that schools participating in the Direct Loan program for the first time, or schools that have undergone a change in ownership, which resulted in a change in control, develop a default prevention plan. Schools may adopt the [**Sample Default Prevention Plan included in the regulations at 34 CFR 668, Subpart N, Appendix A**](https://www.ecfr.gov/cgi-bin/text-idx?SID=52d6c09d0b70e513e630477856c3c95b&mc=true&node=ap34.3.668_1217.a&rgn=div9)or they may develop a unique version of a default prevention plan. In either case, a school must not only create or adopt a default prevention plan, but also must execute the plan.

Under [34 CFR 668.217](https://www.ecfr.gov/cgi-bin/text-idx?SID=52d6c09d0b70e513e630477856c3c95b&mc=true&node=se34.3.668_1217&rgn=div8), ED requires a school with a cohort default rate equal to or greater than 30% to develop a default prevention plan. In creating the plan, the regulations (34 CFR 668.217) require the school to:

* Establish a default prevention task force
* Identify the factors causing the default rate to exceed the threshold
* Establish measurable objectives and the steps a school will take to improve the cohort default rate
* Specify the actions the school will take to improve student loan repayment, including counseling students on repayment options
* Submit the default prevention plan to the Department.

In the event a school has a CDR that is equal to or greater than 30% for a second consecutive year, the regulations require the school to revise the default prevention plan and submit it to the Department for review. Following the review, the Department may require a school to revise the plan or specify additional actions the school must take to satisfy regulatory requirements.

Proper performance of default prevention measures, as stated in federal regulations and statute, are the foundation of your default prevention efforts, and may, as stipulated in federal regulations, have compliance consequences for your institution.

**ENTRANCE AND EXIT COUNSELING**

A school must conduct entrance counseling for first-time borrowers before releasing the first disbursement of a Title IV loan to the borrower. Entrance counseling, required for first-time borrowers only, is a default prevention requirement that has been established in regulation for many years. Schools are required to provide comprehensive information about the terms and conditions of the loan, borrower’s rights and responsibilities, and information about staying in touch with the holder of the loan.

The school must conduct **exit counseling** before a borrower leaves school, to inform the borrower once again of some of the information provided during entrance counseling, and to provide more specific information about loan repayment and debt-management strategies. The exit counseling session may be conducted orally or on the web, individually or in groups. The Direct Loan Servicing Center provides online entrance and exit counseling.

**Available Resources for Entrance and Exit Counseling:** [**Entrance Counseling on StudentLoans.gov**](https://studentloans.gov/myDirectLoan/index.action)**;** [**Exit Counseling on NSLDS**](https://nslds.ed.gov/nslds_SA/SaEcWelcome.do)**; and** [**Student Loan Repayment Resources**](https://financialaidtoolkit.ed.gov/resources/loan-repayment-social-media-resources.doc)**.**

**PROVIDING BORROWER INFORMATION AT SEPARATION**

**Within 60 days after the exit counseling session, the school must provide the Direct Loan Servicing Center all updated borrower contact information.**

**NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS) ENROLLMENT REPORTING**

The NSLDS is used to update the enrollment status of students who borrowed Direct Loans. This information is very important because it is used to determine students’ eligibility for in-school deferments and to determine the date when students’ grace periods begin.

Completion of enrollment reports satisfies the regulatory requirement found in [685.309](https://www.ecfr.gov/cgi-bin/text-idx?SID=c38fbe515930a9c695ec49d2922cea66&mc=true&node=se34.4.685_1309&rgn=div8)**.** Schools are required to update NSLDS for all enrolled students. In some cases, Enrollment Reporting and updating will be for loans not necessarily originated at your school. Schools must report information for students who received some or all of their Title IV loans at other schools.

Institutions must certify enrollment every 60 days and respond within 15 days of the date that NSLDS sends a Roster file to the school or its third-party servicer. The following information is reported:

1. Changes in a student’s enrollment status,
2. The effective date of the enrollment status, and
3. The anticipated completion date.

**NSLDS ENROLLMENT REPORTING PROCEDURES**

The NSLDS will place an **Enrollment Roster File** in the school’s designated SAIG mailbox on the business day of the month designated by an Enrollment Reporting Schedule. Schools may set up their schedule using the Enrollment Reporting Schedule web page under the Enroll Tab on the [**NSLDS Website**](https://nsldsfap.ed.gov/nslds_FAP/).

Responses to the Enrollment Roster File are due within **30 days** of receiving the file in the school's SAIG mailbox. After the Roster File is updated, the school returns it either as a **Submittal File** or by completing it online, eliminating the need to return a Submittal File.

The NSLDS processes the submittal file and returns an **Acknowledgement/Error File,** which contains a count of accepted records and any error records. Error records must be corrected and returned within 15 days of receipt of the Acknowledgement/Error File. The file is returned as an **Error Correction File**. The Acknowledgement/Error File may not always indicate any errors but will instead serve as proof that the Submittal File was received and processed by NSLDS and should be kept for audit purposes.