Session 8

Electronic Access Conference

Orlando, Florida
Las Vegas, Nevada
2 0 0 4

Reducing Delinquency and Default
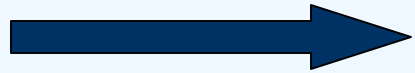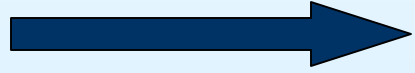
John Pierson

Connie Schmidt

Ben LeBorys

Agenda

How Schools Can Help

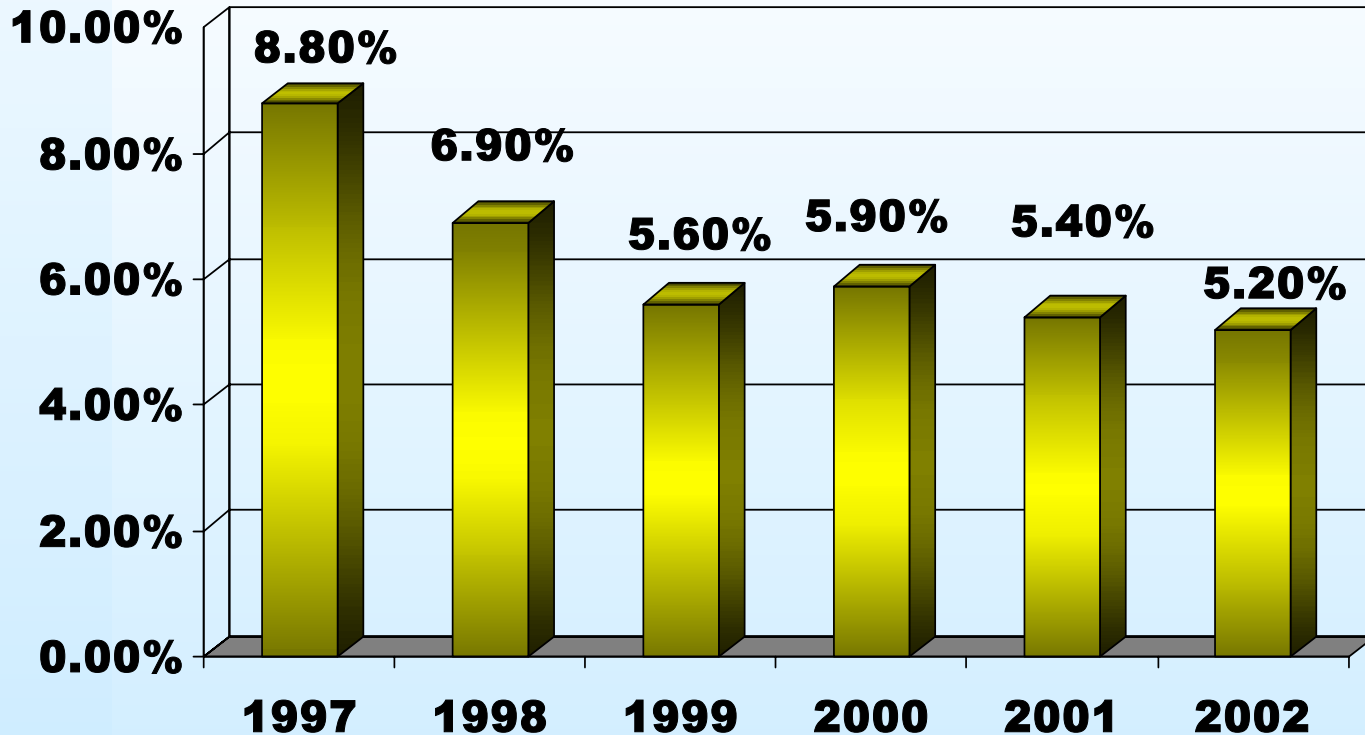**The Guaranty Agency Perspective**

Why is LSDA Working?

Questions

How Schools Can Help
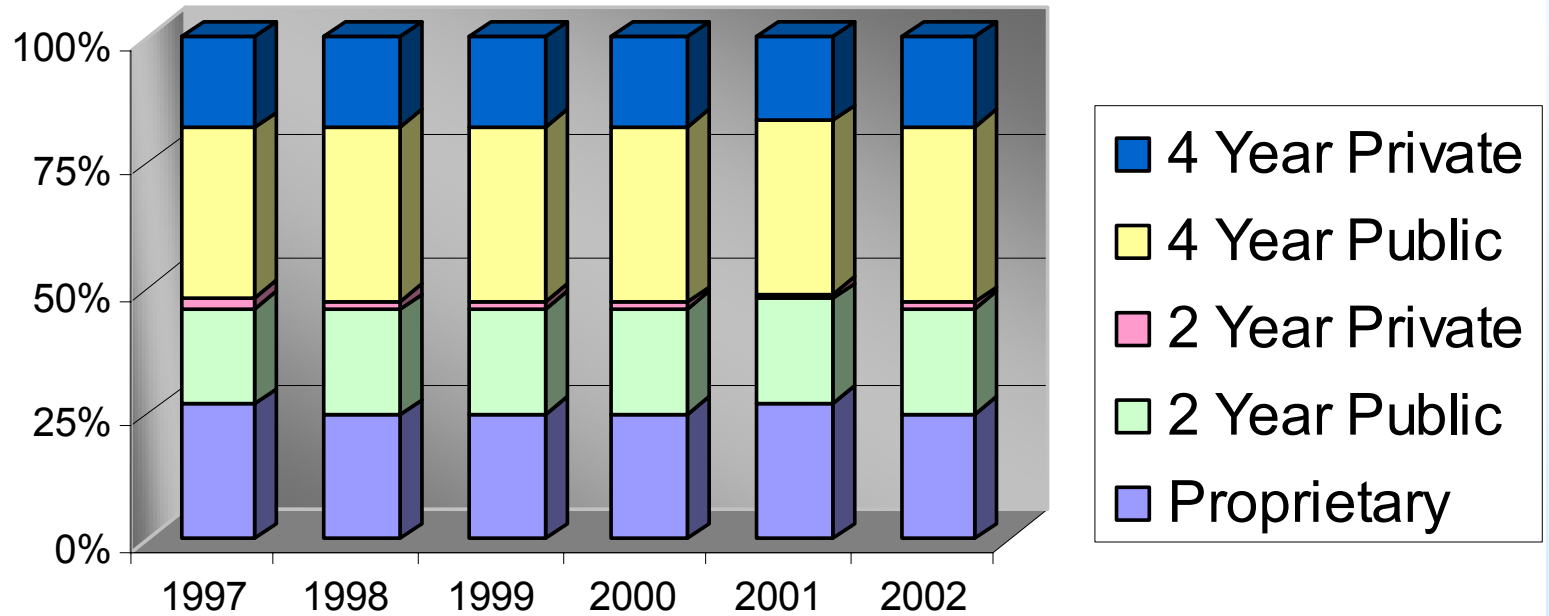
Interesting Statistics

And

What They Mean

Official Cohort Default Rates

Makeup of Cohort Rate

Cohort Default Contribution by School Type

Keeping CDRs down:
Lenders/Servicers are working hard

The Direct Loan Servicer
Pre-Default Initiatives

- Pre-Repayment Counseling: contact borrowers via telephone or email during their grace period or just as they enter repayment, advise of repayment responsibilities/ payment plan options.

- Identified 'at risk borrowers' based on loan and borrower specific attributes

- Increased the number of 'special call campaigns' based on delinquency level or attribute risk, and increased the number of telephone call attempts to as many as 6 per month to make contact
  - Begin at 15 days delinquent
  - Increase attempts re-180 days delinquent

Keeping CDRs down:
Lenders/Servicers are working hard

The Direct Loan Servicer
Pre-Default Initiatives

❑ Priority handling of deferments, forbearances and correspondence received on delinquent accounts

❑ Expanded Direct Loan web site capability, including Online Advisor, providing borrowers with additional information and capabilities to manage their account

❑ Monthly calling efforts to each borrower throughout the delinquency period, up to the 360th day of delinquency

❑ Generating e-mails to targeted populations of borrowers

What Does All This Tell Us?

- ❑ Innovation, hard work: Lenders, GAs and the DL Servicer have succeeded in reducing delinquency and default
- ❑ We've leveled off: 5%-6% for 4 years.
- ❑ All schools contribute, via both rate and volume, to loan default; and
- ❑ Schools can play crucial role in pushing the CDR below current levels.

What Does This Tell Us?

- Data/experience suggest that schools can make a big impact:
  - Helping students
  - Reducing rate/frequency of loan default
  - Increasing the integrity of the loan programs
- School-based strategies will work.
  - QA Project/DL LSDA

So Who's Defaulting?

- ❑ Students who did not complete the academic program for which they enrolled.

- ❑ Students who are unresponsive to repayment counseling by lenders, GAs or the Direct Loan Servicer.

So Who's Defaulting?

Three Solutions:

❑ Students who fail to complete: support student success.

❑ Students who leave early: report, counsel.

❑ Students who fail to respond: Contact, counsel, connect delinquent 'non-responders' with lender, GA or the DL Servicer to resolve delinquency.

Failure to Complete: Identify the problem.

❑ Identify defaulters
  – Check your LRDR
❑ Analysis: understand how to help.
  – Who are your defaulters?
  – Did they leave early?
  – Where there warning signs?
  – Common characteristics?

Failure to Complete: Identify the solution

❑ The solution: must be founded on data.

❑ Allies: Faculty, administrators, retention specialists

❑ Goal: Your intervention will help students to be more successful, especially those at risk of dropping out.

❑ Alignment with core mission.

  – Increased student success = reduced default

  – Access to graduation, not just admission

For those who did leave early…

- ❑ Timely, accurate enrollment change information to NSLDS
- ❑ Notify lender, GA, DL Servicer: Create maximum opportunity for lender, GA, DL Servicer to work with borrower to avoid default
- ❑ Provide lender/GA/DL Servicer with useful contact information.

For those who did leave early…

- ❑ Early departure: how quickly do you find out?
- ❑ Can you easily, successfully contact most students who leave early?
  - – Did you collect sufficient contact information while student was enrolled?
- ❑ Contact immediately
  - – Debrief 'student success' issues
  - – repayment counseling

Non-responders

Late Stage Delinquency Assistance (LSDA)

❑ Collaborate with GA and/or Direct Loan Servicer:

– Identify borrowers who did not respond to Lender, GA or DL Servicer loan counseling

– Contact and support student to take constructive action: they <u>will</u> listen to you.

FSA Resource Contacts

❑ FSA Default Management Division

– Telephone number

– Email address

❑ The Direct Loan Servicer

– Telephone: 1-888-877-7658

❑ The Cohort Default Rate Guide

http://www.ifap.ed.gov/drmaterials/finalcdrg. html

❑ FSA Assessments

http:ifap.ed.gov/qamodule/DefaultManagem ent/DefaultManagement.html

Resources

National Default Prevention Listserv

❑ Hosted by Rutgers University

❑ Forum for all participants involved in financial aid to exchange ideas

❑ Regular postings by FSA

Resources

National Default Prevention Listserv

To subscribe send a message to:

LISTSERV@EMAIL.RUTGERS.EDU

with the following command in the body:

SUBSCRIBE

DEFAULT_PREVENTION@EMAIL.RUTGERS.EDU

Your Name

Resources: Borrower Education

❑ Lenders and Guarantors

❑ Jump$tart Coalition For Personal Financial Literacy
http://www.jumpstart.org/

❑ Mapping Your Future
http://www.mapping-your-future.org

❑ Local Credit Counseling Resources

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Default Prevention: Uncle Sam Wants You!

❑ Who should get involved?
- – All schools

❑ What can I do?
- – Help students, school, taxpayer
- – Promote fiscal integrity of loan program
- – Promote academic integrity of institutions

❑ The last 5%
- – It's academic.

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The Guaranty Agency Perspective

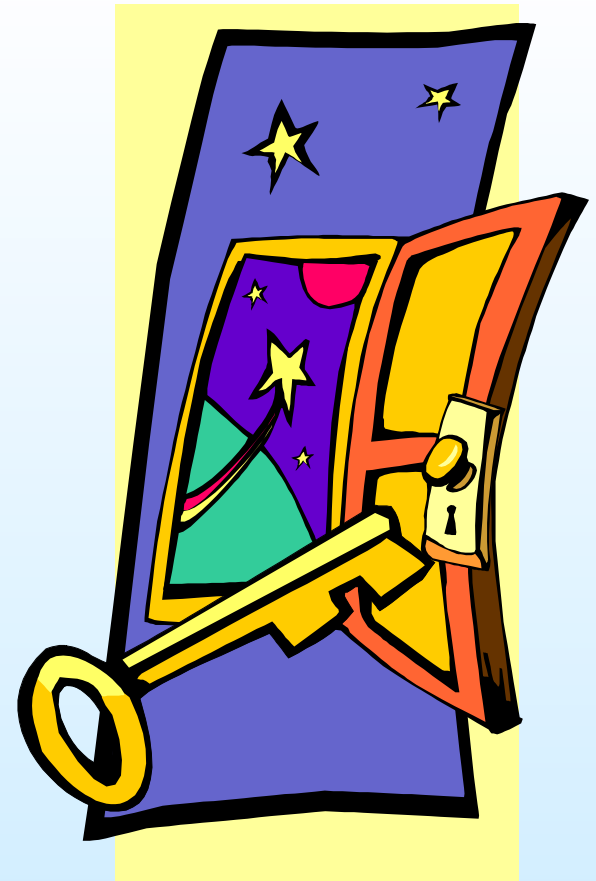## GAs and their school customers are taking steps to reduce delinquency and default.

Connie Schmidt

Financial Management Director

NSLP

Keys to Success

There are four primary keys to success in reducing delinquency and default:

- ❑ Education
- ❑ Communication
- ❑ Retention
- ❑ Restoration

Education

The work begins here…

❑ Fiscal management and responsibility

❑ Web and electronic default prevention information

❑ Industry initiatives and sources of information

- – Mapping Your Future
- – National Student Clearinghouse
- – NSLDS
- – Meteor

Education

- Help students manage their money and control debt
- *Money Management Counseling*
  - Credit and Debt
  - At the Bank
  - Home Finance

www.nslp.org

Communication

"Personally, I'm always ready to learn, although I do not always like being taught." *Winston Churchill*

❏ Counsel

❏ Keep in touch

❏ Assist when possible

❏ Utilize your campus resources

Retention

- ❑ Identify high-risk populations
- ❑ Develop plans to address associated issues
- ❑ Monitor Satisfactory Academic Progress (SAP)
- ❑ Counsel potential "early leavers"
- ❑ Evaluate results of plans and adjust accordingly

Retention

❑ Department of Education Partnership

❑ Reduce delinquencies and defaults

❑ Identify root causes

– Loan Record Detail Report on NSLDS

– Review repayment patterns and trends

❑ Combine school's demographic data with defaulter and repayer data

– Create general profile of defaulters

Retention

❑ Intervention programs

❑ Additional instructional support

❑ Partners provide consultative support

Restoration

There is a light at the end of the tunnel for defaulted borrowers, a way to get back on track

❑Reinstatement of eligibility

❑Consolidation

❑Rehabilitation

❑Paid In Full

Restoration

Behind the scenes…

❑ Default Rescue Program

- – Saved 400 borrowers
- – Lenders, guarantors avoid loss
- – School's cohort default rate isn't negatively affected
- – Saved ED and taxpayers $1.9 million
- – Borrowers out of default
- – Win, win situation!

You are not alone

The FFELP community sees reducing default and delinquency as a team effort between many different organizations.

❑ National Council of Higher Education Loan Program (NCHELP)

❑ National, regional and state financial aid associations

❑ Federal agencies

NCHELP

- Network of FFELP participants
  - Lenders
  - Servicers
  - Guarantors
- Training
- Legislation
- *Common Manual*

Financial Aid Associations

- ❑ National, regional and state level
- ❑ Supports financial aid administrators
- ❑ Serves the needs of the student
- ❑ Provides a legislative voice
- ❑ Facilitates professionalism
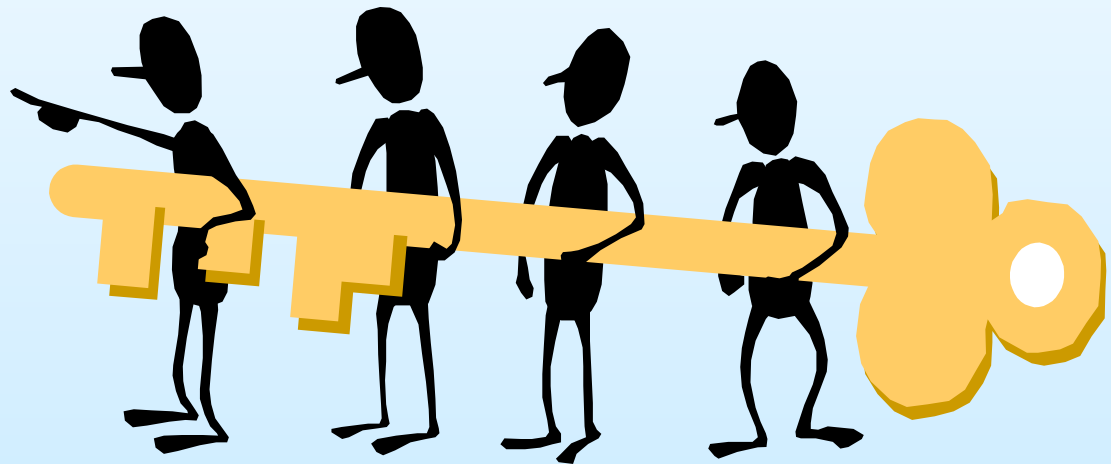
Supporting Federal Agencies

❑ Internal Revenue Service
 – Tax offset

❑ Health and Human Services
 – New-hire database

Remember Your Keys

- ❏ Education
- ❏ Communication
- ❏ Retention
- ❏ Restoration

Final Thought...

Remember, it's not just about the numbers!!

Why Is LSDA Working?
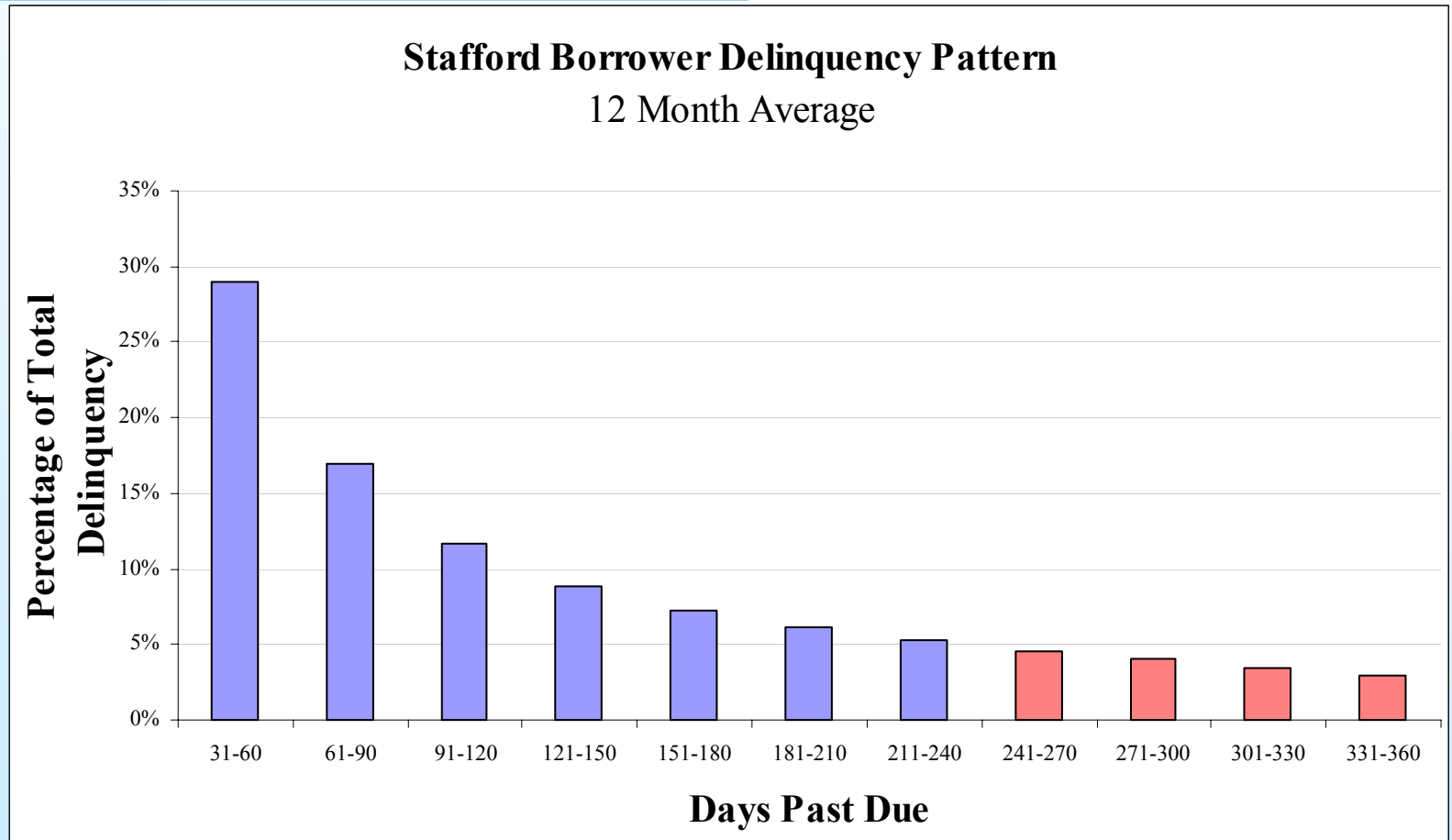
LATE STAGE DELINQUENCY ASSISTANCE

Ben LeBorys

Quality Management

Borrower Services

Borrower Delinquency Pattern

Defaulter Characteristics

- ❑ 84% do not receive the advantage of the full 6 month grace period as a result of late enrollment notification

- ❑ 71% have withdrawn from school and did not complete studies

- ❑ 43% have had bad telephone numbers at the time of default

- ❑ 58% have not successfully been contacted by telephone during the 360 day collection effort during delinquency

12 month average of Stafford borrowers - all cohort years

Selected LSDA Participants

School	Total Delinquent Borrowers September 2003
Technology Institute	598
University	1,977
University	553
College	617
University	669
College	618
University	1,104
State University	2,670
State University	1,097
State University	1,589
State University	705
Community College	732
University	899
State University	671
Total	**14,499**

LSDA Minimal Workload

School	Total Delinquent Borrowers	Total LSDA Borrowers 1	Percentage of Borrowers to Help Each Month	Borrowers to Help Each Week
Technology Institute	598	30	1%	2
University	1,977	123	2%	8
University	553	35	2%	2
College	617	73	3%	5
University	669	32	1%	2
College	618	30	1%	2
University	1,104	56	1%	4
State University	2,670	169	2%	11
State University	1,097	100	2%	6
State University	1,589	77	1%	5
State University	705	27	1%	2
Community College	732	54	2%	3
University	899	57	2%	4
State University	671	36	1%	2
Total	**14,499**	**899**	**2%**	**56**

1 Loans that were 240 or more days past due on October 1st 2003

Tools: *NEW!* LSDA Report

Late Stage Delinquency Assistance (LSDA) Report

The Late Stage Delinquency Assistance Report provides the most recent report of borrowers from your institution that are between 241 and 360 days delinquent and that can affect your cohort default rate.

Home | Direct Loan Servicing Resources | Student Account Info | School Reports | Versión en español | Logout

DIRECT LOAN SERVICING'S ONLINE SCHOOL SITE

Entrance Counseling | Exit Counseling | **Delinquency Reports** | Portfolio Reports | Report Subscription | Help with this Report

School Campus code: GXXXXX

FSA FEDERAL STUDENT AID

Delinquency Reports

Late Stage Delinquency Assistance (LSDA) Report

Reporting Period
August 2003

Social Security Number	Borrower Name	Home Address	Phone Numbers	Cohort Default Year	Separation Date	Days Delinquent	Original Loan Amount
001-11-1111	STUDENT, SAMUEL S	123 MAIN ST MYTOWN, NV 12345	W - Unknown H - Unknown	2002	03/31/2002	344	$ 2,750.00
111-22-2222	CAMPUS, CHRIS C	333 CENTRAL DR HOMETOWN, NH 88888	W - Unknown H - Unknown	2003	03/31/2002	327	$ 5,250.00
001-22-2222	AMERICA , AARON A	456 NEW YORK AVE HOME, IA 23456	W - Unknown H - (555) 123-1234	2003	05/12/2002	312	$ 31,000.00
111-22-7777	COUNSELOR, CARY C	333 NEW HAMPSHIRE AVE HOMETOWN, LA 88888	W - Unknown H - (555) 123-9999	2003	05/12/2002	290	$ 2,625.00
001-55-5555	SEMESTER, SYLVESTER S	88 UTAH HOME CAPITAL ROAD BOLT CITY, UT 56789	W - Unknown H - (555) 123-4567	2003	05/12/2002	255	$ 10,125.00
111-22-8888	SESSION, SUSAN	345 NORTH HOLLYWOOD UTICA, NY 55555	W - Unknown H - Unknown	2003	05/12/2002	241	$ 12,313.00

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Tools: LSDA User's Guide

Describes how to implement LSDA process

Section I - Introduction

Section II - Late Stage Delinquency Assistance Initiative

Section III - WEB Tools Guide

Section IV - Ideas and Tips

This guide is available from your School Services Representative.

LSDA Tools

❑ **Direct Loan Web Site**

✓   **Flexibility**

✓   **Identify unique borrower populations**

❑ **Direct Loan Servicing Center Assistance**

✓   **LSDA User Guide and tips**

✓   **3-way calls with delinquent borrowers**

✓   **Numbers and Hours**

         School Services: 1-888-877-7658

         M-F 8:00 a.m. - 8:30 p.m. EST.

         Loan Counseling : 1-800-848-0981

         Available for "off hours" M-F 8:30 p.m. - Midnight p.m. & Sat. 8:00 a.m. - 5:30 p.m. EST.

Why is LSDA Working ?
Late Stage Delinquency Assistance

- ❑ Schools feel it is the right thing to do
- ❑ Schools feel that it is very doable
- ❑ Students respond well to schools
- ❑ It doesn't take a lot of resources
- ❑ The results are dramatic

Tips for Success

❑ Use a light touch – remember you are there to help, not to collect.

❑ Call at different times of the day – more people are home in the evening and you can call from home using a calling card.

❑ Mailing handwritten notes has been successful.

❑ Use contact information from the Web, student Email addresses, Perkins Loan info, Registrar's Office, Alumni Office, etc.

❑ Send out information on repayment options, deferments and forbearance.

❑ Connect the student with the Service Center in a three-way call.

❑ Be creative! You can make a difference.

Testimonials

- *"I just wanted to drop you a note of thanks and appreciation for your help with my direct student loan. It had become a sore issue that I found difficult to face, being that I had no answers regarding payment. I was not aware of deferment options regarding unemployment, just those associated with schooling. Thanks again for your help and persistence."*

  ~Student

- *"I'm glad you cared enough to contact me and not give up on me when I had just about given up on myself."*

  ~ Student

- *"Borrowers are grateful that someone is willing to work with them and help them get through the critical point. A lot of the borrowers do not realize the seriousness of defaulting and the options that are available."*

  ~Margaret Pearson, San Antonio College/Career Centers

Effective Implementation

Plan

Schedule

Tips from others

Make it someone's responsibility

LSDA Results are *Dramatic!*

School	Delinquent Borrowers	LSDA Borrowers 1	Rescued Borrowers	*Percent Rescued*
Technology Institute	598	30	21	*70%*
University	1,977	123	56	*46%*
University	553	35	15	*43%*
College	617	73	31	*42%*
University	669	32	13	*41%*
College	618	30	10	*33%*
University	1,104	56	18	*32%*
State University	2,670	169	54	*32%*
State University	1,097	100	31	*31%*
State University	1,589	77	23	*30%*
State University	705	27	8	*30%*
Community College	732	54	16	*30%*
University	899	57	16	*28%*
State University	671	36	9	*25%*
Total	**14,499**	**899**	**321**	***36%***

1 Loans that were 240 or more days past due on October 1st 2003

Questions?

Learn More about these Resources

Stop by the FSA Default Management booth in the PC Lab.

In Summary

When you get back to campus:

❑ Identify your potential defaulters.

❑ Intervene early to support program completion.

❑ Report student separations timely.

❑ Consider outreach to dropouts.

❑ Provide counseling, support to late stage delinquent borrowers.

Let us know how we can help you.

Questions and Comments

Contact Us:

▶ <u>**John Pierson**</u>

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▶ <u>**Connie Schmidt**</u>
connies@nslp.org

▶ <u>**Ben LeBorys**</u>

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Thank You