



Session 13

Default Prevention

A Plan for Student and School Success

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Default Prevention & Management Plan Sections

- Section I Sample Plan Overview
- Section II Early Stages of Enrollment
- Section III Late Stages of Enrollment
- Section IV After Students Leave School
- Section V Enhanced Entrance/Exit Counseling
- Section VI Tools and Activities for Schools





Default Prevention & Management Plan

Which schools *must* have a plan?

- Schools new to FFEL or DL
- Schools already in FFEL or DL following a change in ownership resulting in a change in control





Default Prevention & Management Plan

Which schools *should* adopt default prevention activities?

All Schools





Default Prevention & Management Plan

What is required by regulation for all schools?

- Providing Satisfactory Academic Progress information across campus
- Entrance and exit counseling for borrowers
- Timely and accurate enrollment reporting to NSLDS





Default Prevention & Management Plan

Focus on Cohort Default Rates

- All-Time High?

1990 CDR 22.4%

- All-Time Low?

2003 CDR 4.5%

Thank you for your extra efforts to reduce defaults!





Default Prevention & Management Plan Beyond the CDR - Dollars in Default

- **Your CDR is low – but are your dollars high?**
- **What is your loan volume?**
- **What is your CDR?**
- **Can you calculate the approximate dollars in default at your school?**

$$\begin{array}{r} \$1,000,000.00 \text{ (volume in dollars)} \\ \times \quad \quad \quad 4.5 \text{ (school CDR)} \\ \hline \$ \quad 45,000.00 \text{ (approx dollars in default)} \end{array}$$





Default Prevention & Management Plan

Section I: Overview

- Benefits of adopting a plan
 - Reduces borrower defaults
 - Promotes school success
- Consequences of default for borrowers
 - Include adverse impact to credit record
- Consequences of default for schools
 - Loss of Title IV eligibility
 - May result in provisional certification





Default Prevention & Management Plan

Section II: Early Stages of Enrollment

- Entrance Counseling
- Financial Literacy for Borrowers
- Early Identification of At-Risk Borrowers
- Communication Across Campus
- Default Prevention and Retention Staff





Default Prevention & Management Plan Entrance Counseling

- Emphasize the important of paying loans
- Describe consequences of default
- Repayment options and payment amounts
- Obtain contact information





Default Prevention & Management Plan Financial Literacy

- Include as part of entrance counseling
- Potential income of chosen occupation
- Interactive tools, including debt calculators, e-tutorials
- Loan servicer contact information





Default Prevention & Management Plan

Students At-Risk

- Causes and solutions of:
 - Unsatisfactory academic progress
 - Withdrawals
- Inaccurate or late enrollment change reporting
- Analyze your data





Default Prevention & Management Plan

Resource Leveraging

- Communication across campus
 - School-wide effort, not just the responsibility of financial aid office
- Dedicated default prevention staff
 - Establish working relationship with borrowers
 - Include student retention efforts





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Section III: Late Stages of Enrollment

- Exit Counseling
- Withdrawals
- Timely and accurate enrollment reporting





Exit Counseling

- Last opportunity for borrowers to work directly with school
- Repayment plan options
- Forbearance and deferment options





Default Prevention & Management Plan Withdrawals

- Withdraw = Defaults
- Loss of part or all of grace period
- Use of LRDR to determine patterns





Default Prevention & Management Plan Withdrawals

- Important questions about these borrowers:
 - Why are they at high risk for default?
 - How early can you identify them?
 - When did they withdraw?





Default Prevention & Management Plan Timely & Accurate Reporting

- Ensure borrowers receive full grace period
- Ensure timely borrower contact by servicer
- Adhere to a monthly schedule





Default Prevention & Management Plan Section IV: After Students Leave School

- NSLDS Date Entered Repayment (DER) Report
- Early Stage Delinquency Assistance (ESDA)
- Late Stage Delinquency Assistance (LSDA)
- Maintain Contact with Former Students
- Review Loan Record Detail Report (LRDR)
- Analyze Defaulted Loan Data to Identify Defaulter Characteristics





Default Prevention & Management Plan NSLDS Reports

Particular emphasis on the following:

- Date Entered Repayment Report (DER)
- Loan Record Detail Report (LRDR)
- Late Stage Delinquency Assistance (LSDA)





Default Prevention & Management Plan Late Stage Delinquency Assistance (LSDA)

- Available to all schools
- Simple process
- Immediate impact
- Yields dramatic results





Default Prevention & Management Plan

Section V:

Enhanced Entrance and Exit Counseling

- Requests for borrower information
- Information about repaying the loan
- Reminders about personal financial management and Title IV loans





Default Prevention & Management Plan

Section VI:

Tools and Activities for Schools

- FSA Assessments for default prevention and management
- Loan counseling
- Enrollment reporting and data accuracy
- Default prevention
- General connections/publications





Default Prevention & Management Plan Tools for Schools

- NSLDS For Students
- IFAP
- <http://www.studentaid.ed.gov>





Default Prevention & Management Plan Summary

The new sample plan includes activities that:

- promote student, school, and loan program success
- are inter-related with existing requirements and systems
- are easy to implement and do not require much in the way of resources





Default Prevention & Management Plan

We appreciate your feedback and comments.

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