

National Association of Student
Financial Aid Administrators Presents...

Reducing Delinquency and Default How Schools Can Help

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U.S. Department of Education



NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Agenda



Some Interesting Statistics



How Schools Can Help



Focus on LSDA



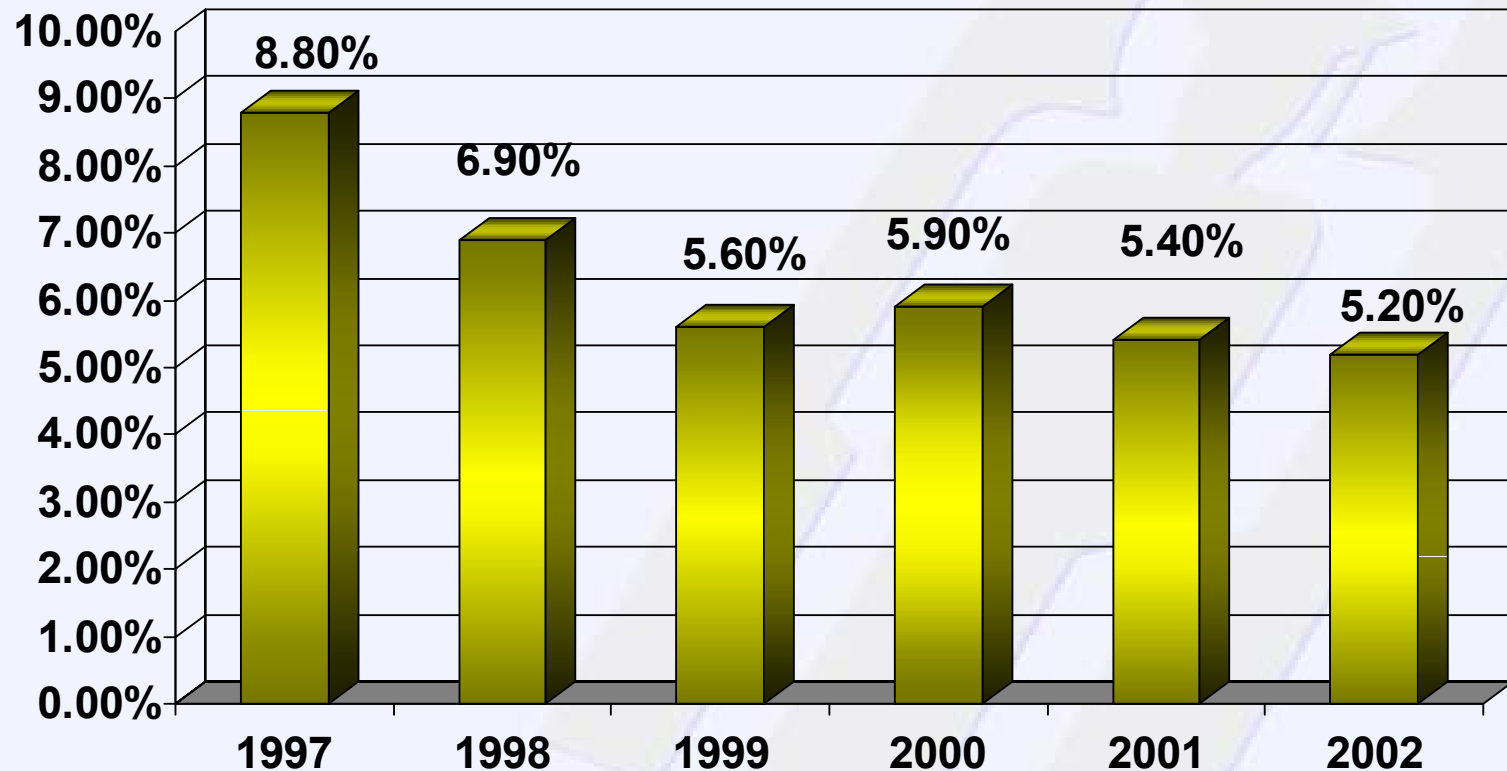
Questions





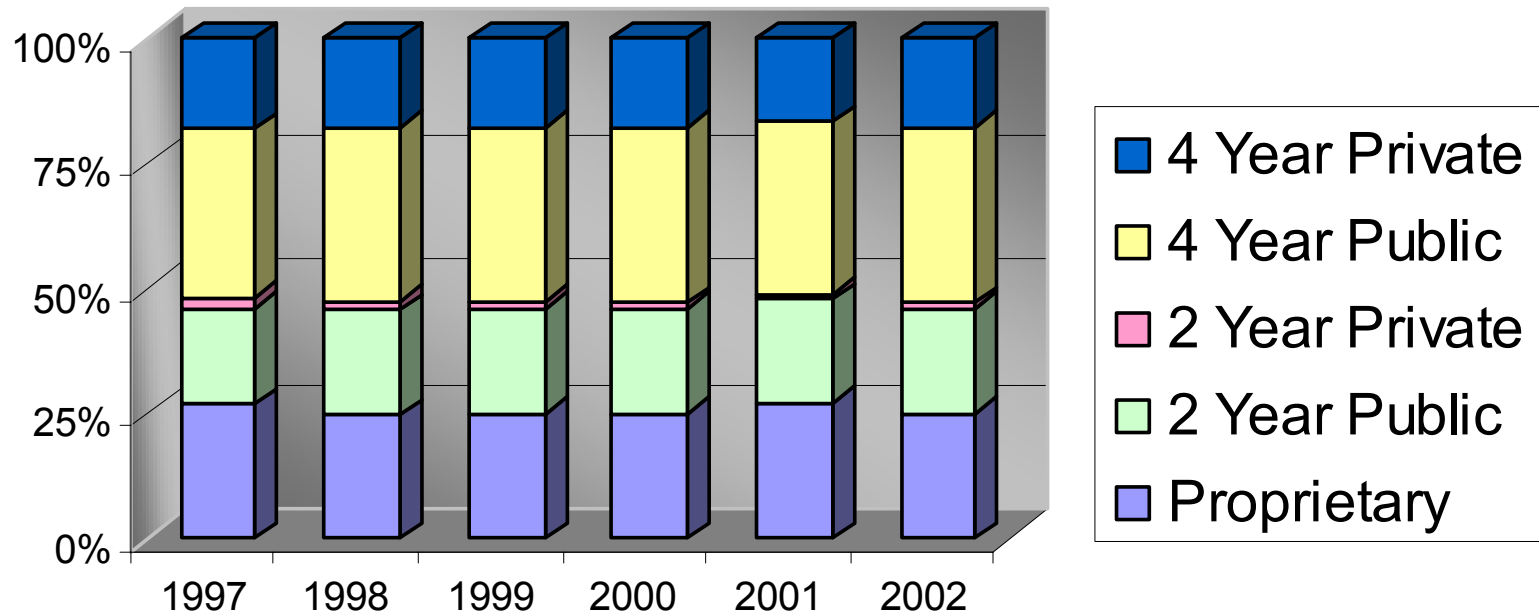
Some Interesting Statistics And What They Mean

Official Cohort Default Rates



Makeup of Cohort Rate

Cohort Default Contribution by School Type



Keeping CDRs down: Lenders/Service providers 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

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Keeping CDRs down: Lenders/Service providers 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?

Relying on a Due Diligence- Centered Strategy...

- 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.



What Does This Tell Us?

The work of Lenders and Servicers is not enough.

- All schools can play crucial role in reducing both rate and volume of default below current levels.
- 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.



Default Prevention Plan

School Based Strategies

- Success is achieved when solid plans are developed and executed
- Plan pulls together people and resources toward a common goal
- ED Default Management sample plan
- Dear Colleague Letter GEN-01-08
Revise the plan as needed



Default Prevention Team

School Based Strategies

- Team members should include
 - senior school official
 - representative from all offices
 - student representative
- Meet regularly
- Evaluate progress
- Celebrate and promote your successes



Set Default Reduction Goals

School based strategies

Coming Soon, The New and Improved:

Unique School Report

- How does your CDR compare with:
 - Schools of the same size and type?
 - Schools in your state?
 - Your previous CDR?
 - Use the targets to set goals



So Who's Defaulting?

Aiming at the right target

- 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?

Aiming at the right target

Three Intervention Opportunities

- Students who fail to complete:
 - support student success.
- Students who leave early:
 - report, counsel.
- Students who fail to respond:
 - contact, counsel, help 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 your data.
- Allies: Faculty, administrators, student success specialists
- Goal: Your intervention will help students to be more successful, especially those at risk of dropping out.
- Alignment with institution's core mission.
 - Increased student success = reduced default
 - **Admit, educate, graduate, employ**
 - **“Access” ...to graduation, not just admission**



For those who do 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 the student was enrolled?
- Contact dropouts immediately
 - Debrief 'student success' issues
 - Grace/pre-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 will listen to you.



FSA Resource Contacts

- FSA Default Management Division
 - Telephone: 202-377-4259
 - Email: fsa.schools.default.management@ed.gov

- The Cohort Default Rate Guide

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

- FSA Assessments

<http://ifap.ed.gov/qamodule/DefaultManagement/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:

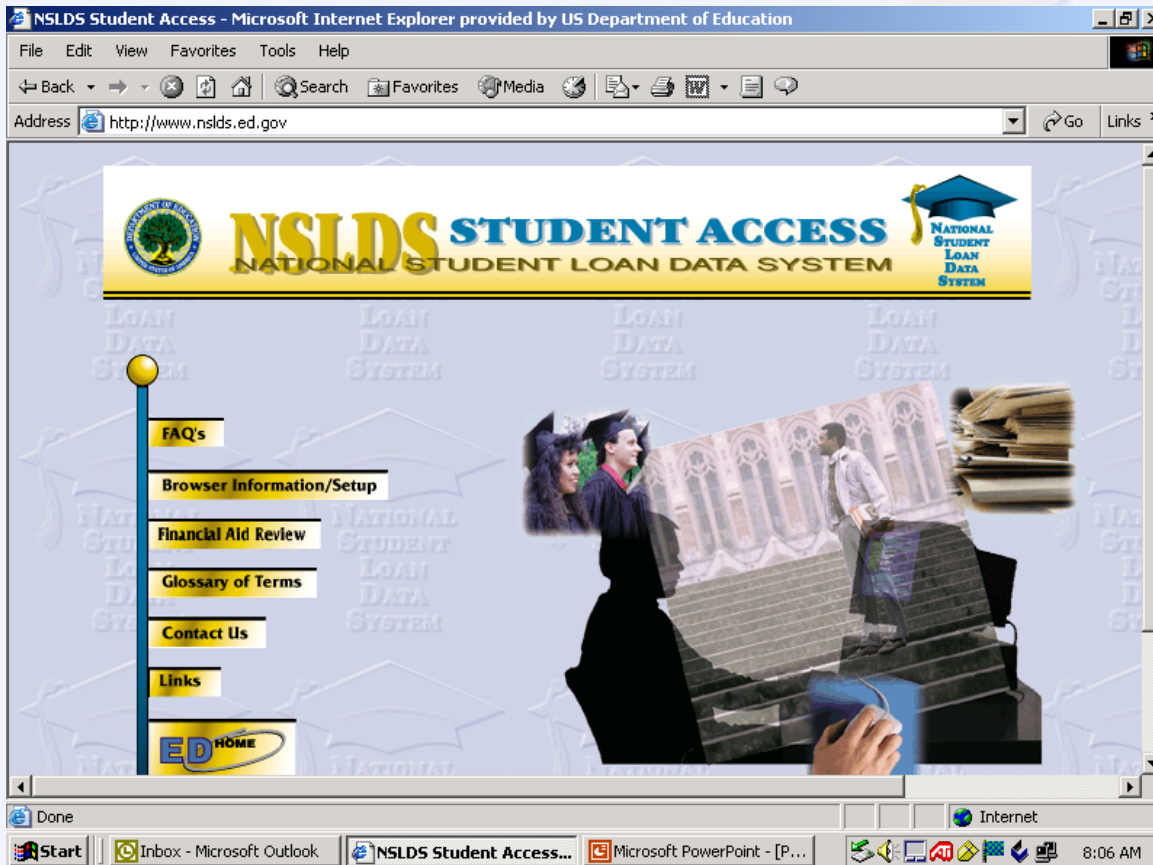
Borrower Education

- 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



Resources:

NSLDS For Students



Resources:

NSLDS For Students

- Loan information for students and parents available 24/7:
 - Date of loan
 - Amount borrowed
 - Loan balance
 - Interest rate and amount accumulated
 - Loan status codes (in repayment, paid in full, or in default)



Default Prevention

- Who should get involved?
 - All schools
- What can I do?
 - Help students, school, taxpayer
 - Promote integrity of loan program, institutions
- The last 5%
 - Only Schools Can Do This Work



National Association of Student Financial Aid Administrators Presents...

Focus on LSDA

LATE STAGE DELINQUENCY ASSISTANCE

How does it work?

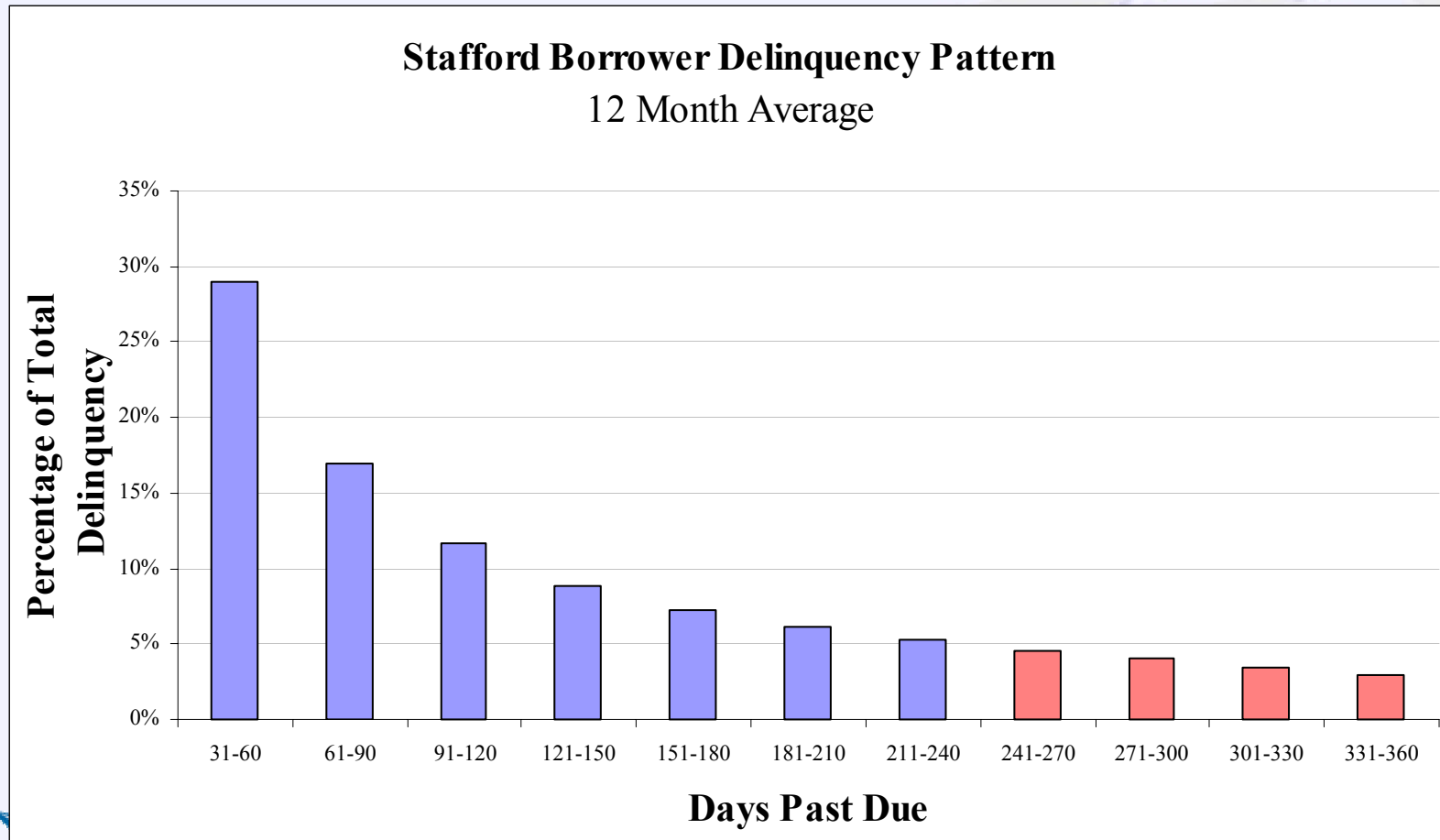
Why does it work?

Is it for my school?



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Borrower Delinquency Pattern



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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



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

LSDA Results are *Dramatic!*

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

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Tools: LSDA User's Guide For FFEL Schools

Describes how to implement LSDA process

Introduction

Late Stage Delinquency Assistance Initiative

Ideas and Tips

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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

****Available for Direct Loan and FFELP schools.**

Contact presenter via email.



LSDA Tools

- **Direct Loan Schools**
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.
- **FFEL Schools: Contact your Guarantor for specifics on implementing LSDA.**

Read the LSDA Guide for FFELP schools first!



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.



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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



Summary

- 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
 - Admit, educate, graduate, employment
- The last 5%
 - It's academic.



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:

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