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## *Session 31*

# Default Prevention Strategies



# *Agenda*

- Introduction
- ED Overview
- Default Plan
- LSDA
- Questions and Answers



# Default Prevention Strategies

- **Default prevention extends beyond the financial aid office and is key in reducing student loan defaults.**
- **Educate the parents and get them involved as a partner with the financial aid office.**
- **Promote early awareness. Juniors and seniors in high school must be made aware of what college will cost and the options they have to pay for post secondary education as well as the financial obligation they may make in order to attend.**





# ***Student Eligibility Processes***

**The first line of defense for curtailing fraud and insuring that the student and the school are entitled to participate in student loan programs.**

- ✓ **Social Security Administration**
- ✓ **Immigration and Naturalization**
- ✓ **IRS**
- ✓ **Selective Service**
- ✓ **NSLDS**



## ***Tools for Reducing Default***

- Web-tools - [www.nsldsfa.gov](http://www.nsldsfa.gov)
- Repayment Activities
- Identify the attributes for a potential defaulted borrower
- Technical Assistance
- Cohort Default Rate (CDR) Guide
- National Default Prevention Day
- Late Stage Delinquency Program



# ***Default Collections Tools***

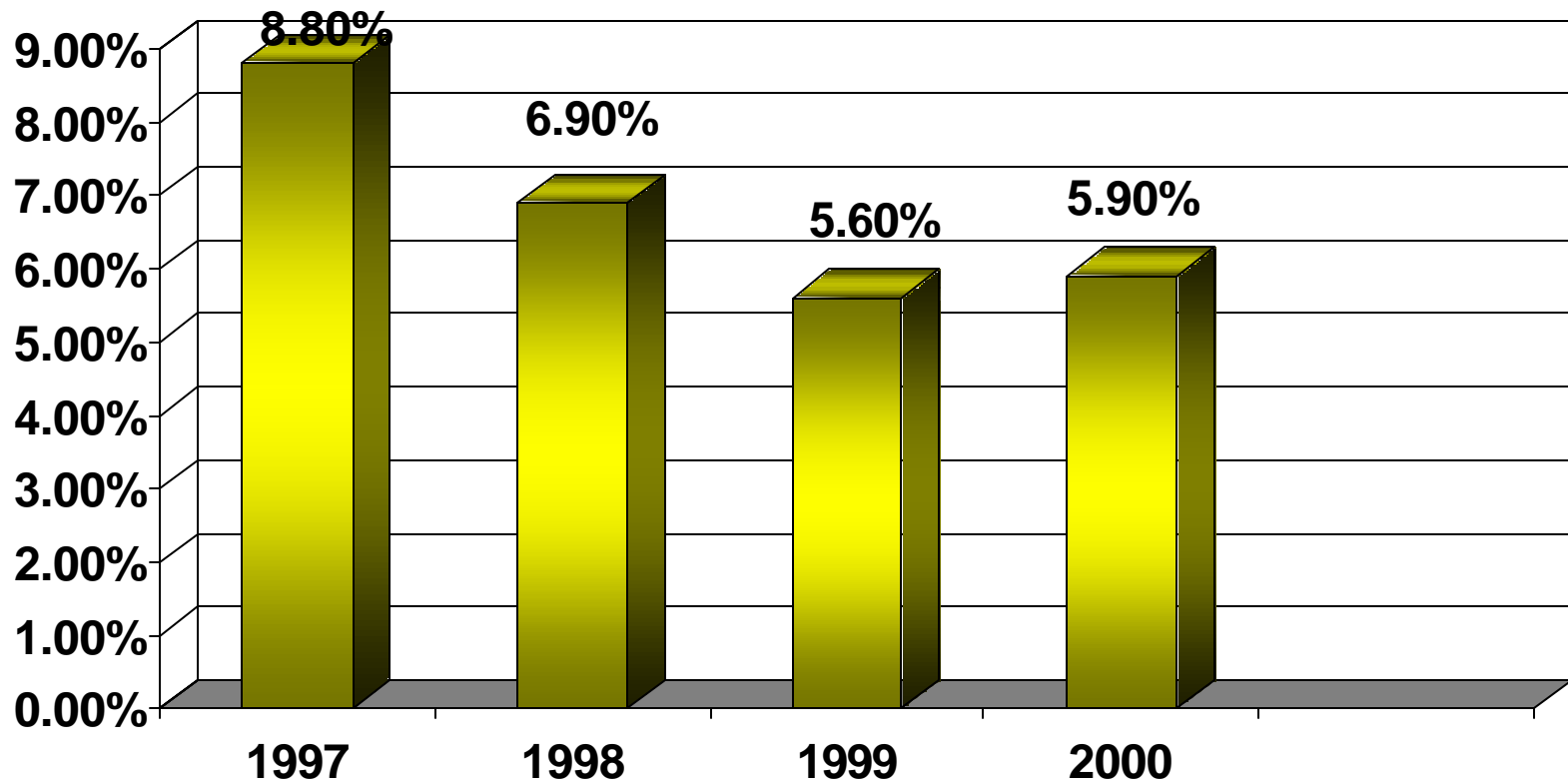
- **Performance-based contracts with private collection agencies**
- **Treasury Offset Program (TOP)**
- **Administrative Wage Garnishment (AWG)**
- **Federal Defaulted Program (FDP – wage garnishment program for federal employees)**
- **Electronic Debit**
- **National Directory of New Hires (NDNH) database**
- **Review and Monitor Guaranty Agencies and Lenders**



# ***Why Default Prevention?***

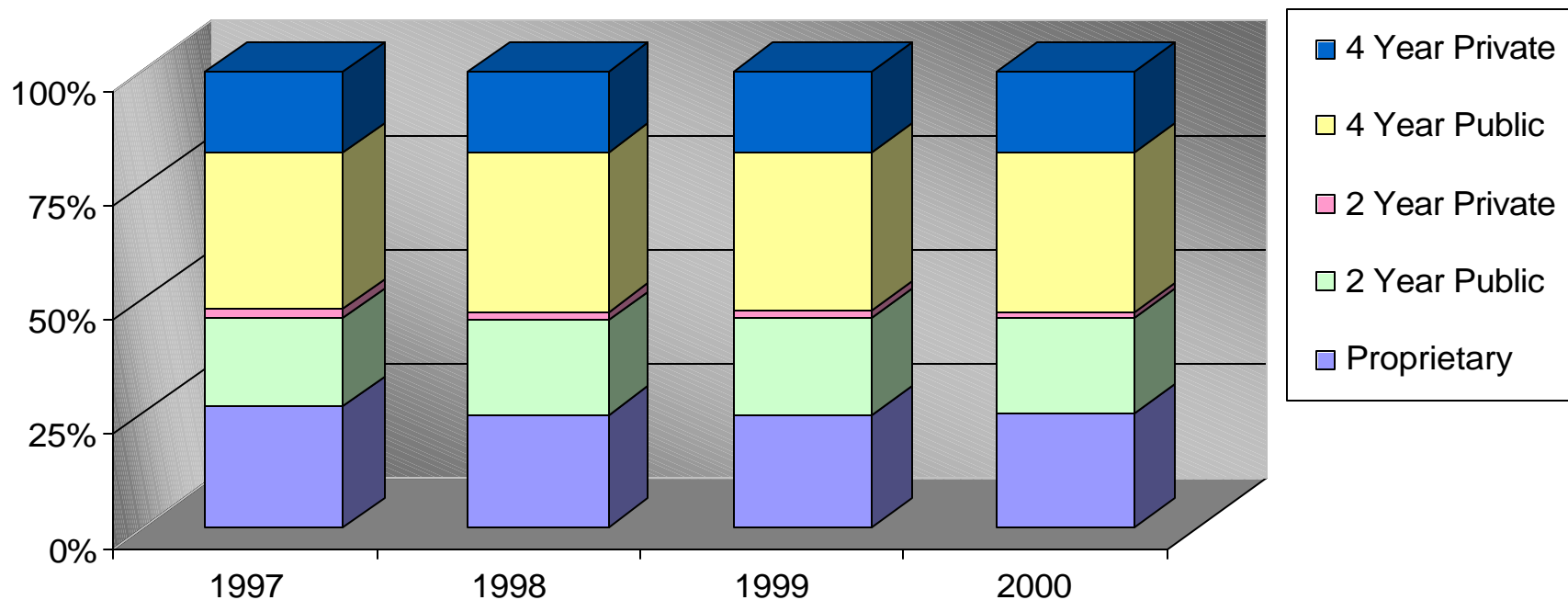
- **Defaults cost all participants in the student loan program: lenders, guaranty agencies and taxpayers suffer economic losses when a borrower defaults.**
- **The Department of Education is focused on mitigating risk and managing the risk that is inherent in a loan portfolio.**
- **Improving internal and external controls, communications, and education of the borrower about their student aid obligations are the focus of the Department.**

# Official Cohort Default Rates



# Makeup of Cohort Rate

Cohort Default Contribution by  
School Type





# *Reducing Delinquency and Default: Short Term and Long Term Solutions*

- What steps can I take to treat the causes of delinquency and default?
- Treating the symptoms: What can I do immediately?



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# ***The Long Term Solution:***

## **Have a Default Prevention Plan**





# *Creating a Default Prevention Plan*

- Collect and analyze data and draw conclusions
- Create your institution wide Default Prevention Plan
- Implement the Plan
- Assess effectiveness of the Plan



# ***What are my available resources?***

- Institutional student and alumni records and information
- Department of Education data:
  - School Cohort Default Rate History Report (Loan Record Detail Report)
  - NSLDS School Repayment Loan Detail Report
  - NSLDS Financial Aid History Report
    - For more information refer to <http://www.ifap.ed.gov/drmaterials/FinalCDRG.html>
- Servicer and Guaranty Agency Reports



# ***What am I looking for? What does the data say?***

- Common characteristics
  - Defaulters and Non-defaulters
  - Borrowers and Non-borrowers
- Institutional variables
  - Year in College
  - Field of Study
- Demographic variables
  - Student Population by County
  - Student Population by High School
- Draw conclusions from the analysis

## ***Formulate a Plan***

- Set realistic and attainable goals
- Assign responsibility for action steps
- Establish time frames
- Assess progress: How will you know when your goals are attained?
- Inform senior management and your institution of progress

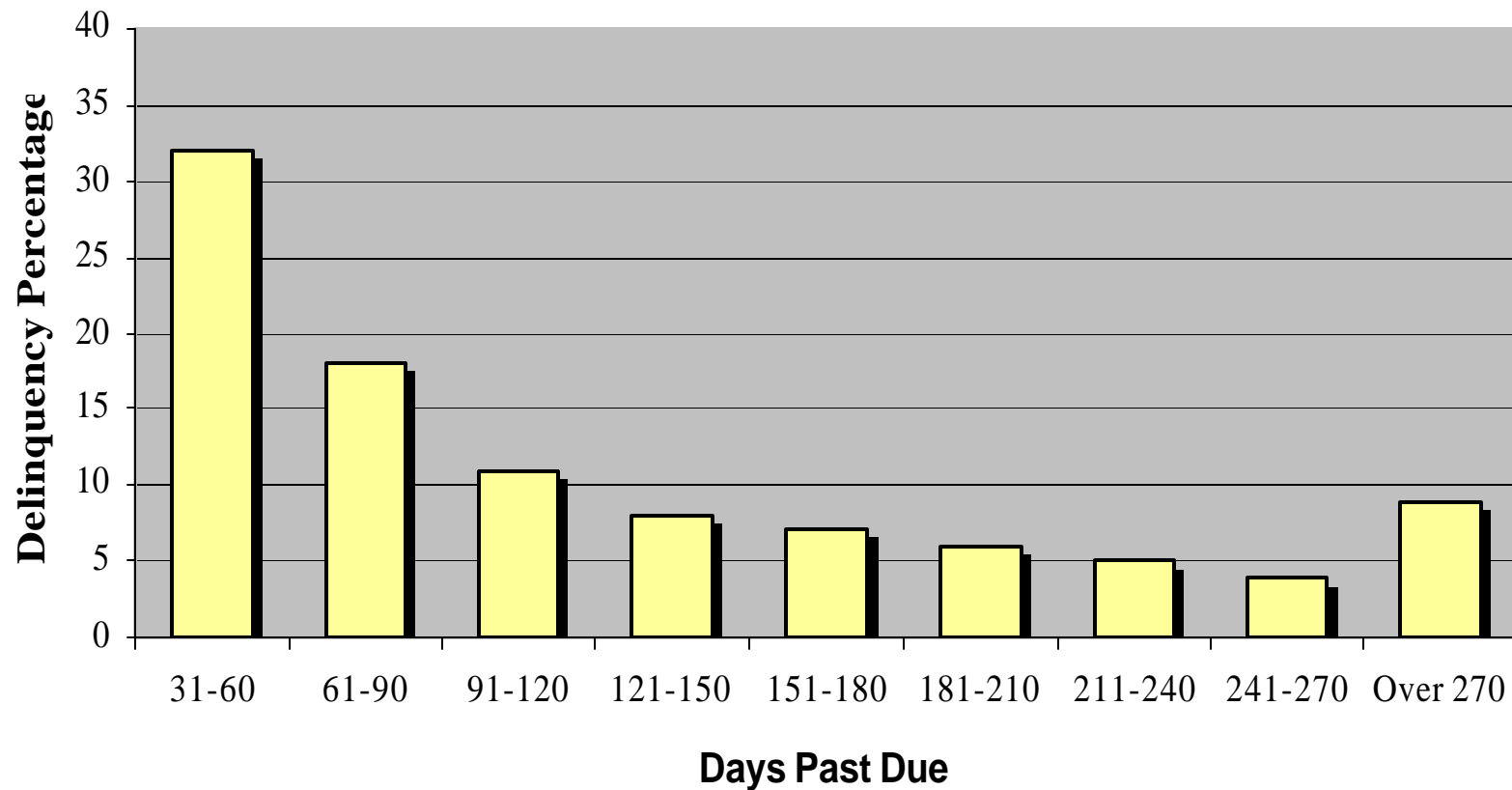


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# *One Short Term Solution*

## Late Stage Delinquency Assistance (**LSDA**)

# *Borrower Delinquency Pattern*





## *How It Can Work*

- Identify the Borrower via the web site
- Contact the Student and contact Servicer for three way calling to resolve the delinquency
- Schools have additional tools to locate Borrowers, i.e. Alumni Association directories
- Servicer will ensure Student is provided assistance
- Phone script available to help provide a guide on how to counsel the Borrower/Student



*With the Web Site you  
can see as little or as  
much as you want*

A screenshot of the FSA Federal Student Aid website's "Delinquency Reports" page. The page has a red header with navigation links: Home, Direct Loan Servicing Resources, Student Account Info, School Reports, Versión en español, and Logout. Below the header is a blue banner with the FSA logo and "FEDERAL STUDENT AID". A secondary navigation bar includes Exit Counseling, Delinquency Reports (highlighted), Portfolio Reports, Report Subscription, Select another school, and Help with this Report. The page title is "DIRECT LOAN SERVICING'S ONLINE SCHOOL SITE". The school campus code is G01234. The main content area is titled "Delinquency Reports" and contains three report options, each with a small icon of a document: "Borrower History Report" (describing the history of delinquency for selected borrowers), "Detail Report" (describing a list of students with delinquent status), and "Summary Report" (describing a count of delinquent borrowers at the end of the month). A link "Email Us" is provided for questions. The footer includes "SFA School Portal", "Web Site Help", "General Information", "Contact Us", and a copyright notice for 2001 US Department of Education.

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# Summary Information

You can see the delinquency status of your student borrowers

Summary Report					
Last update: 10/10/2002 10:31:20 AM					
Rows: 10 Columns: 3					
Reporting Period ▲	Delinquency Bucket ▲	Loan Type ▲	▼ Number of Accounts	▼ Original Loan Amount	▼ Past Due Amount
September2002	031 - 060	STAFFORD	162	\$ 1,924,748.00	\$ 36,764.57
September2002	061 - 090	STAFFORD	161	\$ 2,396,908.00	\$ 81,843.48
September2002	091 - 120	STAFFORD	56	\$ 795,368.00	\$ 37,349.07
September2002	121 - 150	STAFFORD	35	\$ 501,647.00	\$ 29,138.47
September2002	151 - 180	STAFFORD	47	\$ 479,461.00	\$ 34,744.67
September2002	181 - 210	STAFFORD	26	\$ 402,223.00	\$ 35,007.16
September2002	211 - 240	STAFFORD	16	\$ 166,564.00	\$ 18,001.17
September2002	241 - 270	STAFFORD	13	\$ 71,385.00	\$ 9,137.25
September2002	271 - 360	STAFFORD	99	\$ 1,475,003.00	\$ 208,055.84
<b>Totals</b>			<b>615</b>	<b>\$ 8,213,307.00</b>	<b>\$ 490,041.68</b>

Total Number of accounts:

**615**



# All Detail Information

You can elect to see detail of all borrowers in the 271-360 days delinquent category

All Years  
99

Delinquency Bucket: 271 - 360

Reporting Period	Social Security Number	Last Name	First Name	Work Phone	Home Phone	Cohort Default Year	Cohort Default Indicator	Days Delinquent	Amount Due	Number of Accounts
September 2002	518-21-1234	BOWMAN	ALICIA		208-123-5735	1999	N	358	\$600.00	1
September 2002	318-06-1515	PHILLIPS	THEODORE			1998	N	358	\$1,312.69	1
September 2002	518-21-1234	PIERSON	AMANDA			2000	N	358	\$3,676.88	1
September 2002	318-06-1515	HAYWARD	SLOAN		208-123-0061	1999	N	358	\$1,037.38	1
September 2002	518-21-1234	MURRAY	ANNA		406-123-2483	1998	N	358	\$6,788.48	1
September 2002	318-06-1515	CROCKETT	JOHN			1997	N	358	\$600.00	1
September 2002	518-21-1234	DYER	JUSTIN			1999	N	358	\$2,781.84	1
September 2002	318-06-1515	EVERETT	HERMAN		208-123-1281	2000	N	358	\$5,300.12	1
September 2002	518-21-1234	HARRIS	BRIAN		208-123-4690	1996	N	351	\$696.96	1
September 2002	318-06-1515	HILL	DYLAN		360-123-7299	2000	N	351	\$1,012.86	1
September 2002	518-21-1234	JACKSON	DAVID			1999	N	344	\$1,423.10	1
September 2002	318-06-1515	MENARD	JOHN		503-123-4141	1999	N	344	\$2,271.06	1
September 2002	518-21-1234	NEWMAN	KEVIN			2001	N	344	\$600.00	1
September 2002	318-06-1515	PIPER	KARA		512-123-6348	1999	N	337	\$3,522.85	1
September 2002	518-21-1234	LEBORYS	KELLY		208-123-4787	2002	Y	337	\$2,613.01	1
September 2002	318-06-1515	SAIN	TIMOTHY			2000	N	327	\$4,211.47	1
September 2002	518-21-1234	SMITH	TRAVIS		208-212-0945	1998	N	327	\$2,846.08	1



# Cohort Year Delinquency

You can elect to see severely delinquent borrowers for a selected cohort year

A screenshot of the FSA (Federal Student Aid) web portal. The page is titled "Delinquency Reports" and is part of the "DIRECT LOAN SERVICING'S ONLINE SCHOOL SITE". The page has a red header with navigation links: Home, Direct Loan Servicing Resources, Student Account Info, School Reports, Versión en español, and Logout. Below the header is a blue banner with the FSA logo and the text "FEDERAL STUDENT AID". The main content area is titled "Delinquency Reports" and contains a "Detail Report" section. This section has a dropdown menu labeled "Choose one Cohort Default Year (Required)" with a list of years from 1995 to 2002. The year 2002 is highlighted. Below the dropdown is a button labeled "Execute Report" and a "Cancel" button. A note at the bottom of the form says "If you have a question regarding the information presented on this page, please Email Us". The footer of the page includes links for SFA School Portal, Web Site Help, General Information, and Contact Us, along with a copyright notice for 2001 US Department of Education.

Year  
2002

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# 2002 Cohort Year Delinquency Detail

271-360

You can work as little or as much as you want

Total Number of accounts:

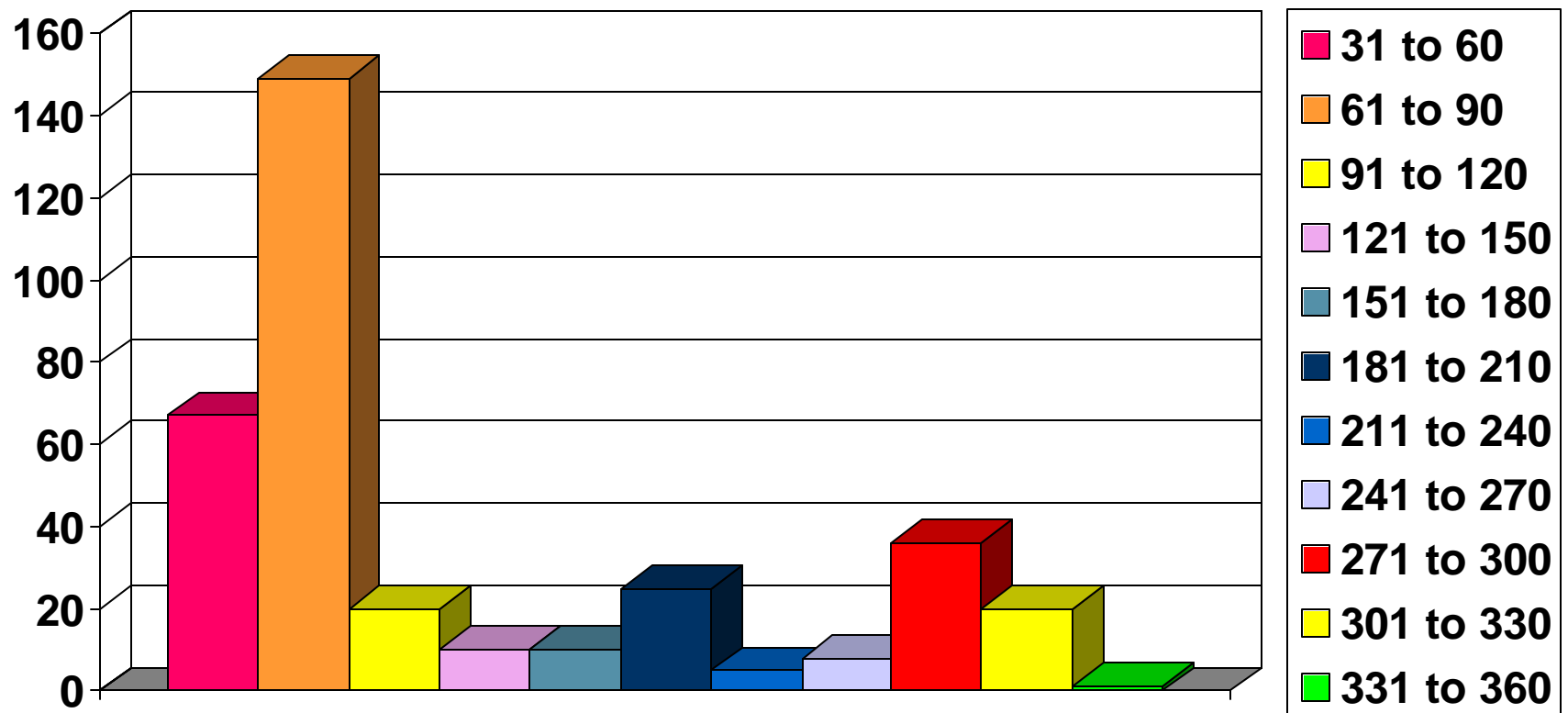
44

Delinquency Bucket: 271 - 360

Reporting Period	Social Security Number	Last Name	First Name	Work Phone	Home Phone	Cohort Default Year	Cohort Default Indicator	Days Delinquent	Past Due Amount	Number of Accounts
September 2002	518-21-1234	LEBORYS	KELLY		208-882-1234	2002	Y	337	\$2,613.01	1
September 2002	123-24-4567	KONKOL	TODD	208-713-1234	208-887-1234	2002	Y	297	\$2,701.61	1
September 2002	304-60-7972	RICHBERG	BRIAN		208-885-1234	2002	Y	297	\$931.87	1
September 2002	322-11-0528	EVANS	BRIAN		208-365-1234	2002	Y	297	\$3,415.95	1
September 2002	518-21-1234	BURCH	SARA	208-755-1234	208-772-1234	2002	Y	297	\$500.10	1
September 2002	123-24-4567	CHITTICK	MICHAEL			2002	Y	297	\$5,901.21	1
September 2002	304-60-7972	CORNELIUS	TOSHYA			2002	Y	297	\$4,346.01	1
September 2002	322-11-0528	CORONITI	JESSE		208-704-1234	2002	Y	297	\$500.09	1
September 2002	518-21-1234	KELLER	JOSEPH			2002	Y	297	\$500.10	1
September 2002	123-24-4567	KOROL	RENEE'			2002	Y	297	\$1,715.95	1
September 2002	304-60-7972	LILLY	DUSTY			2002	Y	297	\$500.00	1
September 2002	322-11-0528	MAKER	KELLI		509-966-1234	2002	Y	297	\$3,121.93	1
September 2002	518-21-1234	MELEAR	CHRISTINE			2002	Y	297	\$500.10	1
September 2002	123-24-4567	POGAR	MELISSA		208-743-1234	2002	Y	297	\$513.86	1
September 2002	304-60-7972	RIVERS	ANDREW		509-547-1234	2002	Y	297	\$1,193.38	1
September 2002	322-11-0528	SADIGH	APRIL		541-685-1234	2002	Y	297	\$663.86	1
September 2002	518-21-1234	QUARRY	AMANDA		208-882-1234	2002	Y	297	\$1,403.65	1
September 2002	123-24-4567	PENYAK	VICTOR			2002	Y	290	\$4,771.60	1

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# Sample Distribution of Potential 2002 Defaulters





## *Why Do It ?*

- Minimal effort, maximum results
  - Helps the Borrower/Student
  - Helps the school
- Schools can focus on the most severe delinquencies
- Use the web tools to identify the accounts you are able to help collect
- Service Center is available to assist  
1-888-877-7658
- No financial or contractual commitment





## ***Contact information***

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**or**

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# *Questions and Answers*