

## DEFAULT MANAGEMENT UPDATE

Horizon Educational Resources is our Default Management Provider

- A. Primary Functions:
    - Student Outreach
    - Counseling on Loan Management Options
    - Delinquency and Default Aversion
  - B. Current Services:
    - Delinquent Status Outreach
  - C. Planned Additional Service
    - Grace Period Email
  - D. Current Focus
    - "PUT" Loans - Loan Purchase Commitment Program
      - o Loans are purchased by the Department of Education and assigned to one of four contracted servicers
    - 74% of APUS loans for the "09" cohort period have been "PUT"
      - o This leads to split servicing and difficulty in loan management
- Good News
- Students are not disgruntled with APUS – only 2 students have indicated any displeasure and they were early dropouts
  - PUT Loan issue at schools with multiple FFELP service providers is much worse
    - APUS primarily used one service provider
  - Direct lending provides Horizon electronic data for up to date monitoring
  - Horizon has cured 129 borrowers since October 1, 2009 - November 16, 2009
- Challenges:
- Data from the PUT side entails a manual verification process – currently completed monthly. Once electronic verification will be at least weekly
  - Biggest Challenge – Split Loans – challenge varies by loan placement
    - Student calls into SLMA – CSR can see both loans – Student only needs one deferment or forbearance form.
    - Split with ACS or other – student needs to collect multiple documents
    - The high number of delinquencies in the ACS/DOE Put Loan volume that is split with SLMA seems to be the result of students in a forbearance or deferment status prior to sale and did not transfer with the correct status to ACS/DOE. All of these students have been contacted in an attempt to verbally reestablish their previous loan status prior to the sale.
  - 74 % of delinquent borrowers are in the W/D status – not graduated
  - Horizon is not concerned in the short term – estimate 7% ballpark default rate.
- Other Comments:
- Top Issue – Unemployment (some don't even have phones)
  - Many students should be deferred – some don't follow-up with paperwork
  - Overall more are in deferment than forbearance
  - All sectors are experiencing split loan issue
  - Grace period emails are being implemented as a next step
  - Cures for October 1, 2009 through November 16, 2009 = 129