



DEFAULT PREVENTION

AT THE CAMPUS LEVEL

1 **Part 2 3:15 - 4:30 p.m.**

CAREER COLLEGE ASSOCIATION
JUNE 15, 2009
ORLANDO, FLORIDA

**DEFAULT PREVENTION -
AT THE CAMPUS
LEVEL**

Panelists

Redacted by HELP Committee

**Default Manager
Southwest Florida College**

Redacted by HELP Committee

**VP Student Financial Serv.
Lincoln Educational
Services**

Redacted by HELP Committee

**Sr. VP Regulatory Affairs
Kaplan Higher Education**

Moderator

Redacted by HELP Committee

**Default Prevention
Federal Student Aid**


THE CONSEQUENCES OF STUDENT LOAN DEFAULT FOR YOUR BORROWERS


- Damage to credit report (7-year min)
- Higher interest rates
- Wage garnishment
- Seizure of federal and state tax refunds
- Seizure of portion of any federal payment
- Legal action in federal district court
- Ineligible for Title IV aid
- May lose state occupational license
- No mortgage loans
- May have difficulty obtaining car loans
- May be unable to rent an apartment
- May be turned down for employment



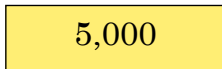
THE CONSEQUENCES OF STUDENT LOAN DEFAULT FOR YOUR SCHOOL




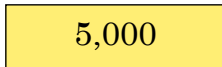
- A measure of a school's administrative capability
- High CDRs can
 - Negatively reflect on school quality
 - Result in unfavorable publicity
 - Result in loss of Title IV eligibility
 - Threaten continued access to both Stafford and private loan funds

2-YEAR TO 3-YEAR CDR (SCENARIO)

 Numerator = # of borrowers from the denominator who default within a FY

 Denominator = # of borrowers who enter repayment within a FY

FY-09	FY-10	
 125	 230	$\frac{355}{5000} = .071$ or 7.1%
 5,000		<i>Released Sept 2011</i>

FY-09	FY-10	FY-11	
 125	 230	 250	$\frac{605}{5000} = .121$ or 12.1%
 5,000			<i>Released Sept 2012</i>

DEFAULT PREVENTION TEAM

- Team members should include
 - a senior school official
 - representatives from all offices
 - a student to help craft attention grabbing communications
- Create/adopt and implement a plan
- Meet regularly
- Evaluate progress and fine-tune default prevention plan
- Celebrate and promote successes

DEFAULT PREVENTION PLAN

- Success is achieved when solid plans are developed and executed
- A plan pulls together people and resources toward a common goal
- Secretary's Sample DP Plan is available and can be customized for your school
- Plan should include both traditional and non-traditional strategies
 - Traditional takes place in the financial aid office, and the focus is on helping students to develop a healthy relationship with their *loan*
 - Non-traditional strategies are “student success” focused and help borrowers develop a healthy relationship with their *education*

NON-TRADITIONAL STRATEGY: STUDENT SUCCESS AND LOAN DEFAULT

The Direct Loan program serves 6-7 million student loan borrowers. Of the borrowers who defaulted, **70%** withdrew without completing their academic program. (actual population)

While different measures of success exist, this is an important indicator that students who fail to complete are at higher risk of default.

Source: August 2008 Analysis of the Federal Direct Loan Portfolio

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CONSEQUENCES WHEN A BORROWER LEAVES WITHOUT COMPLETING PROGRAM

- Did not earn academic credential
- Earning power may be reduced
- No benefit from school job placement
- Has one or more loans to repay
- May not have received exit counseling
- If borrower fails to notify financial aid of departure they may lose part/all of their grace period due to late reporting

FSA DEFAULT PREVENTION TEAM CONTACT INFORMATION

Redacted by HELP Committee



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DEFAULT PREVENTION AT THE SCHOOL LEVEL

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Default Manager
Southwest Florida College

IN A PERFECT WORLD



- Every School would have 0% CDR!
 - Ample Payment Relief
 - Payment Plans
 - **Deferments, with Interest Paid on Subsidized Loans**
 - Loans disbursed prior to July 1, 1987 have 14 deferment options.
 - Loans originated between July 1, 1987 and June 30, 1993 have 18 deferment options.
 - Loans originated after July 1, 1993 have 8 deferments available.
 - **36 Months of Forbearance Available**

Why Promote Payments over Forbearance?



Loan Amount: \$15,500 Interest Rate: 6.80% Monthly Payments: 120 Forbearance Period: 36 Months		
	Standard Repayment Term	Forbearance
Monthly Payment	\$179	\$215
Interest Cost	\$5,905	\$10,272
Total Repayment Amount	\$21,405	\$25,772**
** Borrower with 36 month forbearance pays back additional \$4,367 or 20+% more over repayment period.		

Source: NCHELP Reference Library

<http://www.nchelp.org/elibrary/index.cfm?parent=1983>

Going Above & Beyond: Delinquency & Default Prevention

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