

Excerpts, selected by the HELP Committee, from a larger document
produced by the company



Default Prevention & Management

Rasmussen College, Inc.

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Principal Responsibility

Default Aversion Management tracks expenses, updates and creates collateral, and performs due diligence activities to borrowers who are delinquent on their Federal Stafford Loan and Perkins accounts. Default Date Management is responsible for creating and updating the cohort management systems and default analysis reports.

Exit Counseling

Regulations require that schools provide exit counseling. Exit counseling is an effective way to prevent defaults and is often the last opportunity that borrowers have to work with someone at school regarding their loans. In-depth counseling that focuses on fully explaining repayment plans and choices that fit the borrowers' needs is essential. Exit counseling is the opportunity to clear up any misconceptions students may have about their loan obligations and re-emphasize the consequences of default. Schools should take full advantage of this opportunity to work with their students. A large percentage of borrowers in delinquency either did not have the benefit of receiving this information or did not receive it timely. Thorough exit counseling is a cornerstone of default prevention and is mandatory.

Students learn about

- Grace Period
- Their Rights & Responsibilities
- Advantage of tax relief
- Understand and limit credit card use
- Loan interest
- Options to repaying back their loans
- Consequences of default

Withdrawals

Many borrowers who default on their loans are borrowers who withdrew from school prior to completing their academic programs. These borrowers, at the highest risk of default, can often be identified while still on campus. Early identification and timely intervention can improve student retention and reduce the number of defaulted loans.

In addition to fulfilling the regulatory requirement to provide exit counseling to students, schools should attempt to work with students even after they have left school by encouraging them to complete their programs of study and helping them resolve the issue(s) that prompted their withdrawal. Consider offering job placement services for a limited timeframe to students who have withdrawn. In addition to providing a valuable service, schools can take advantage of the borrower's return to campus to provide counseling. Note that an employed borrower, even

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one earning less than if he/she had completed school, is better able to make loan payments than an unemployed borrower.

Timely and Accurate Enrollment Reporting

Timely and accurate enrollment reporting to the Secretary or the guarantor as appropriate is required by regulation and promotes school and student success. There is a direct correlation between late or inaccurate enrollment reporting and loan defaults.

This school activity ensures that borrowers receive their full grace period, and further ensures that contacts from the loan servicer such as correspondence and telephone calls occur in the appropriate timing and sequence. The servicer's contacts are designed to increase the likelihood that borrowers will satisfy loan obligations. Timely and accurate reporting of changes in enrollment status is required of all schools. Adhering to a monthly schedule of reporting changes in enrollment status will help with data accuracy and is recommended.

What Do You Say To A Borrower Who Just Received the Exit Packet by Mail?

Requests for Borrower Information

- During entrance and exit counseling, obtain information from borrowers regarding references and family members beyond those requested on the loan application, and ask for cell phone numbers and email addresses for borrowers and for family members;
- During exit counseling, obtain updated information from borrowers including their addresses, cell phone numbers, email addresses, and addresses of their references and various family members.

Information about Repaying the Loan

- Estimated balance of loan(s) when the borrower completes the program;
- Interest rate on the borrower's loan(s);
- Name, address and telephone number for the borrower's lender;
- During exit counseling, provide a sample loan repayment schedule based on the borrower's total loan indebtedness;
- Estimated monthly income that the borrower can reasonably expect to receive in his or her first year of employment based on the education received at your school;
- Estimated date of the borrower's first scheduled payment.

Reminders about Personal Financial Management and Title IV Loans

- Schools should provide financial literacy resources to borrowers at enrollment, throughout attendance, and following graduation or withdrawal;
- Students should borrow only what is needed and can cancel or return any funds in excess of what is needed;

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- Borrowers must inform their lenders immediately of any change of name, address, telephone number, or social security number;
- If a borrower is unable to make a scheduled payment, he or she should contact the lender before the payment's due date to discuss a change in repayment plan or other repayment options;
- General information should be provided about:
 - Repayment options; and
 - The sale of loans by lenders and the use by lenders of outside contractors to service loans.

Due Diligence for Borrowers entering Grace Period

ESDA begins at the time of separation or early in the grace period. ESDA is a highly focused effort by lenders, guarantors, and schools to assist particular borrowers to prepare for entry into loan repayment. ESDA activities afford lenders, guarantors, and schools an opportunity to provide focused, enhanced loan counseling, borrower education, and personal support during the grace period, and in so doing help decrease the chances of later loan default.

Due Diligence for Borrowers entering Repayment Period

The practices and strategies mentioned previously are much easier to employ if they are able to reach and keep in contact with their former students after they have left campus. Contacting borrowers is an essential activity upon which successful default prevention and management can be built.

Due Diligence Activities includes

- Phone calls to borrowers;
- Phone calls to references;
- Mail delinquent letters;
- Retrieve **Rights & Responsibilities** for references information
 - Print R&R from 'O' drive
 - *O:\DEFAULT MANAGEMENT\DM SCANNED DOCS\CY R&R Forms*
 - Print Reference sheets from Saint Director

FedEx Packages

FedEx packages are sent to severely delinquent borrowers (or borrowers who are in a claimed-filed status). You must confirm the address as the borrower's primary location before sending out mail.

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The packet includes

- Delinquent Letter
- Consequences of Default Brochure
- Forms
- (optional) Pre-paid business reply FedEx Envelopes, or
- Regular Business Reply Envelope

References

At some point you may need contact your borrower's references by phone or mail. You may also need to gather more references to help locate your borrowers.

- Print R&R from O:\DEFAULT MANAGEMENT/DM SCANNED DOCS\CY R&R Forms
- Print Reference sheets from Saint Director
- Phone Call Script
- Reference Letter

Signature Gathering

After exhausting every means of contact, send borrowers to Private Investigator for signature gathering services.

- Investigator Assignment Report
- Private Investigator Packet
 - Investigative Letter
 - Consequences of Default Brochure
 - Forms
- Investigative Invoice Report

Postponement Options

Deferment and Forbearance (Postponing Payments)

If a student meets certain requirements, they may receive a deferment that allows them to temporarily stop making payments on their loan. If the student cannot make the scheduled loan payments, but do not qualify for a deferment, we may give them a forbearance. A forbearance allows them to temporarily stop making payments on their loan, temporarily make smaller payments, or extend the time for making payments.

Forbearance

We may give the borrower a forbearance if they are temporarily unable to make a scheduled loan payments for reasons including, but not limited to, financial hardship or illness.

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We will give them a forbearance if:

- They are serving in a medical or dental internship or residency program, and you meet specific requirements;
- They are serving in a national service position for which you receive a national service education award under the National and Community Service Act of 1990 (AmeriCorps);
- They qualify for partial repayment of your loans under the Student Loan Repayment Program, as administered by the Department of Defense;
- They are performing service that would qualify you for loan forgiveness under the teacher loan forgiveness program that is available to certain Direct Loan and FFEL program borrowers; or
- The total amount that they owe each month for all of their federal Title IV student loans is 20 percent or more of their total monthly gross income (for a maximum of three years).

To request a forbearance, the borrower can contact you or their servicer or our website. Under certain circumstances, the servicer may also give them a forbearance without requiring them to submit a request or documentation. These circumstances include, but are not limited to, the following:

- Periods necessary for the servicer to determine their eligibility for a loan discharge;
- A period of up to 60 days in order for the servicer, Direct Loans specifically, collect and process documentation related to their request for a deferment, forbearance, change in repayment plan, or consolidation loan (Direct Loans does not capitalize the interest that is charged during this period); or
- Periods when the students are involved in a military mobilization, or a local or national emergency.

The borrowers are responsible for paying the interest on both Subsidized Loans and Unsubsidized Loans during a period of forbearance.

Deferment

The student may receive a deferment while you are:

- Enrolled at least half-time at an eligible school;
- In a full-time course of study in a graduate fellowship program;
- In a full-time rehabilitation program for individuals with disabilities (if we have approved the program);
- Unemployed (for a maximum of three years; the student must be conscientiously seeking, but unable to find, full-time employment); or
- Experiencing an economic hardship, as determined under the law (for a maximum of three years).
- The student may be eligible to receive additional deferments if, at the time they received their first Direct Loan, they had an outstanding balance on a loan made under the Federal Family Education Loan (FFEL) Program before July 1, 1993. If they meet this requirement, they may receive a deferment while they are:
- Temporarily totally disabled, or unable to work because they are required to care for a spouse or dependent who is disabled (for a maximum of three years);

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- On active duty in the U.S. Armed Forces, on active duty in the National Oceanic and Atmospheric Administration (NOAA), or serving full-time as an officer in the Commissioned Corps of the Public Health Service (for a combined maximum of three years);
- Serving in the Peace Corps (for a maximum of three years);
- A full-time paid volunteer for a tax-exempt organization or an ACTION program (for a maximum of three years);
- In a medical internship or residency program (for a maximum of two years);
- Teaching in a designated teacher shortage area (for a maximum of three years);
- On parental leave (for a maximum of six months); or
- A working mother entering or re-entering the workforce (for a maximum of one year).

The student may receive a deferment based on your enrollment in school on at least a half-time basis if (1) they submit a deferment request form to the Direct Loan Servicing Center along with documentation of their eligibility for the deferment, or (2) the Direct Loan Servicing Center receives information from the school they are attending that indicates they are enrolled at least half-time. If the Direct Loan Servicing Center processes a deferment based on information received from their school, they will be notified of the deferment and will have the option of canceling the deferment and continuing to make payments on your loan.

For all other deferments, the student must submit a deferment request form to the Direct Loan Servicing Center or other servicer, along with documentation of their eligibility for the deferment. The servicers or schools specialist can provide the student with a deferment request form that explains the eligibility and documentation requirements for the type of deferment they are requesting. They may also obtain deferment request forms and information on deferment eligibility requirements from the Servicer's web site

If they are in default on your loan, they are not eligible for a deferment.

They are not responsible for paying the interest on a Subsidized Loan during a period of deferment. However, they are responsible for paying the interest on an Unsubsidized Loan during a period of deferment.

Enrollment Verification Letter

Use in substitute of the In-school Deferment form. Access CLASS to find the enroll information for the borrower who re-entered school, and fill the boxes accordingly. Treat the EVL the same way you will treat an In-school Deferment form. *(see sample letter on next page)*

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