Default Prevention New Employee Training Plan

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Default Prevention Team

Our Mission

To provide expert customer service and advisement to former students who are borrowers of student loans.

- We reach out to delinquent borrowers via email, letters and phone calls to offer assistance.
- We perform rapid research for borrowers, and provide detailed information to ensure they understand where their loans reside and the status of each loan.
- We facilitate connections and re-connections between borrowers and their loan servicer(s) to establish relationship.
- We explain the options students have for managing their student loans when making payments becomes difficult.
- We provide students with various forms and next steps to solve their repayment issues.
- Our work serves the Company to drive our federal cohort default rates to the lowest levels possible, ensuring continued eligibility for our schools to participate in the Title IV programs.

Our Vision

Our vision is the achievement of best-in-class service, where each distressed borrower's needs are fully met timely and to their best financial advantage, while maintaining the utmost integrity and fiduciary responsibility to the federal government in support of default prevention and preservation of taxpayer dollars.

Our Values

- Every interaction with a borrower is professional, helpful, friendly, respectful and non-judgmental
- We go the extra mile – every day
- We operate with integrity at all times
- We care deeply about every student, and seek appropriate solutions to difficult situations

As a team, we embody the UTI Hero Values, striving to make a positive difference in the lives of the people we touch - students, customers, employees, shareholders and the communities in which we live and work.

Our HERO Values serve as our guide. They are:

- **Trust** - We demonstrate integrity in all interactions while earning the trust and respect of others.
- **Caring** - We value open and honest communication, in an environment that unleashes the potential of the people we interact with - students, industry customers, employees and the community.
- **Innovation** - We are committed to continuous improvement and breakthrough achievements by collaborating with each other to create value to our business.
- **Courage** - We take bold, wise risks and empower others to do the same.
- **Wisdom** - We make decisions based on the organization's *purpose*, the legitimate needs of our *people*, and the necessity of *profit*.
- **Fun** - We create a playful place to work that consistently demonstrates an enthusiasm for life, ideas and satisfying work.

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How our work impacts the corporate health of UTI

Maintaining the lowest possible Federal Cohort Default Rate (CDR) is very important to the health of the company. CDRs are used by external constituents as an indicator of program and school support services quality. As its generally understood that a withdrawn student is much more likely to default on their federal student loan than a graduate, CDRs can also be interpreted to be a gauge of student success. CDRs are published to the public by the US Dept of Education every year, and are disclosed in our annual shareholders report. When schools meet requirements for relief from delayed disbursement requires by virtue of consecutive annual CDRs below 10%, students receive their funds for tuition and the company is able to receive revenue more timely and reducing bad debt potential. Each and every student borrower we assist and prevent from defaulting on their federal student loan is impactful to our CDR.

Life Cycle of a Federal Student Loan

The life cycle of a loan is described below to help you understand the loan process. The life cycle has six phases and a number of steps in each phase — from applying for financial aid to paying off the loan.

The following describes the typical life cycle of federal student loans, including loans made by the U.S. Department of Education (ED) under the Direct Loan Program, and Federal Perkins loans, which are administered by participating schools.

Phase 1: Applying for Aid

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- Student and parents complete and submit the Free Application for Federal Student Aid (FAFSA). This form is the starting point for applying to most student financial aid programs and determines eligibility.
- After application, the is sent a report containing ED's calculation of the Expected Family Contribution (EFC). This document is called the ISIR.
- If eligible, the student is sent an award notification displaying the types of aid and amounts the school offered.
- Students and/or parents are then directed to complete a master promissory note for the eligible loan programs from which they wish to borrow and are eligible. This is generally performed electronically, although borrowers can request paper prom notes. As of 7/1/10, all federal student and parent loans must be borrowed from the Federal Direct Student Loan Program.
- Each student's academic year, the school completes and submits a loan origination to ED for each loan type, substantiating eligibility for funding and indicating anticipated disbursement dates and amounts.

Phase 2: Disbursement

- ED sends loan proceeds to school electronic funds transfer through our Treasury Department accounts.
- We apply loan proceeds to student's outstanding balance owed and turn over any remaining funds to borrower.
- For loans requiring a credit history review (Direct PLUS Loans), ED notifies credit bureaus that loan proceeds have been disbursed.

Phase 3: In School

- Student attends school. Student borrower is not required to make federal loan payments during this time.
- With Direct Subsidized Loans, accrued interest on loan during this period is paid by the federal government.
- With Direct Unsubsidized Loans, the borrower is charged the interest that accrues during this time. If the borrower does not make interest payments while in school, it is added to the principal loan balance upon entering repayment 6 months after leaving school or dropping below half-time.
- Direct Parent PLUS Loan borrowers have the ability to request deferral of payments for a period that covers the entire time a student is enrolled at least half-time, as well as for the

six-month period after the student graduates, withdraws or drops below half-time enrollment. If a Direct Parent PLUS borrower chooses not to defer, payments will begin within 60 days after the full disbursement of the loan.

Phase 4: Grace/Separation Period

- Student graduates, enrolls for less than half time, or withdraws.
- Student borrower receives a "grace period" of 6-9 months (depending on the type of federal loan – 6 months for Direct Loans, 9 months for Perkins Loans) before repayment of any federal loan begins.
- Borrower receives a repayment disclosure statement from ED detailing the date payments must start, monthly payment amount, number of payments, and interest rate for the student loan(s).
- ED assigns loans to one of their 5 designated servicers to interact with the borrower for payments, deferments and forbearances.

Phase 5: Repayment

- Student begins repaying federal loans when the grace period ends.
- When the student enters actual repayment, he/she is counted in that federal fiscal year's Cohort Default Rate denominator, and we begin tracking delinquency behavior.
- During repayment, a borrower may qualify for a deferment or forbearance. During periods of deferment, the borrower's interest on Subsidized Loan portions is temporarily stopped, although interest continues to accrue on Unsubsidized Loans. A borrower can pay the accruing interest on a quarterly basis or have the interest accrue and be capitalized at the re-commence of repayment.
- For most federal loans, a borrower may request to switch from one repayment plan to another. Those plans include Level, Graduated, Income Contingent Repayment and Income-Based Repayment.

Phase 6: Paid in Full

- Borrower makes final loan payment.
- Notice is sent to borrower by the servicer confirming loan is paid in full.
- Credit bureaus are notified that borrower has fully repaid the loan.

Default Ramifications – For borrowers

The definition of default is not making payments on your student loans after 270 days and not making arrangements for deferment or forbearance.

You have accumulated a lot of student and loan debt and have yet to get that "million dollar" job. As a student, you are responsible for repaying your student loans even if you move, ignore your monthly repayment bill, did not graduate, or have trouble finding a job after graduation. Also, student loans are NOT discharged through bankruptcy.

After a few weeks, you may receive creditor phone calls and notices. Your lender will make at least four phone calls and send four notices before sending a final demand letter (usually sent after five months of non-payment). The fifth letter will emphatically tell you that you pay immediately, and then a default claim will be filed on your loan.

Once a default claim is filed, your case will be turned over to a guaranty agency. You most likely will receive an unpleasant call and if you do not negotiate some kind of repayment deal within 60 days, you will be reported to the national credit bureau. Because you originally did not make an effort to repay your loan or apply for a deferment you have now established for yourself bad credit. Once you have bad credit, you are ineligible to receive a credit card, mortgage, apartment or car loan.

The Ramifications of Defaulting on Student Loans

1. Your tax refunds may be withheld and used for payment.

2. Part of your salary may be withheld if you work for the federal government.

3. You may be sued and taken to court for the entire loan amount.

4. You may be required to repay your debt under an income contingent repayment plan and thus repay more than the original principal and interest on your loan.

5. You will not be able to obtain additional state or federal student aid until you make satisfactory arrangements to repay.

6. You will be ineligible for deferments.

7. You may not be able to renew a professional license.

Consequences of Default (http://www.finaid.org/loans/default.phtml)

If you default on your student loan:

- Your loans may be turned over to a collection agency.
- You'll be liable for the costs associated with collecting your loan, including court costs and attorney fees.
- You can be sued for the entire amount of your loan.
- Your wages may be garnished. (Federal law limits the amount that may be garnished to 15% of the borrower's take-home or 'disposable' pay. This is the amount of income left after deducting any amounts required by law to be deducted. The wage garnishment amount is also subject to a ceiling that requires the borrower to be left with weekly earnings after the garnishment of at least 30 times the Federal minimum wage, per 34 CFR 682.410(b)(9), 34 CFR 34.19(b) and 15 USC 1673(a)(2).)
- Your federal and state income tax refunds may be intercepted.
- The federal government may withhold part of your Social Security benefit payments. (The US Supreme Court upheld the government's ability to collect defaulted student loans in this manner without a statute of limitations in Lockhart v US (04-881, December 2005).)
- Your defaulted loans will appear on your credit history for up to 7 years after the default claim is paid, making it difficult for you to obtain an auto loan, mortgage, or even credit cards. A bad credit record can also harm your ability to find a job. The US Department of Education reports defaulted loans to TransUnion, Equifax and Experian.
- You won't receive any more federal financial aid until you repay the loan in full or make arrangements to repay what you already owe and make at least six consecutive, on-time, monthly payments. (You will also be ineligible for assistance under most federal benefit programs.)
- You'll be ineligible for deferments.
- Subsidized interest benefits will be denied.
- You may not be able to renew a professional license you hold.
- You may be prohibited from enlisting in the Armed Forces.

And of course, you will still owe the full amount of your loan.

Default Ramifications – For the Company

There are sanctions for schools with high rates and benefits for schools with low rates. Sanctions can include loss of eligibility in FFEL, Direct Loan, and/or Pell programs. A high cohort default rate can also limit a school to provisional certification.

School	Sanction
A school's three most recent official cohort default rates are 25.0 percent or greater.	Except in the event of a successful adjustment or appeal, such a school will lose FFEL, Direct Loan, and Federal Pell Grant eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.
A school's current official cohort default rate is greater than 40.0 percent.	Except in the event of a successful adjustment or appeal, such a school will lose FFEL and Direct Loan eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.

Eligible School	Benefits
Any school whose three most recent official cohort default rates are less than 10.0 percent (including an eligible home institution certifying or originating loans to cover the cost of attendance in a study abroad program).	May deliver or disburse loan proceeds in a single installment to a student if that student's loan period is less than or equal to one semester, one trimester, one quarter, or for non-term-based schools or schools with non-standard terms, four months. May choose not to delay the delivery or disbursement of the first installment of loan proceeds for first-year first-time borrowers. These benefits are currently scheduled to end on September 30, 2002.
A school whose most recent official cohort default rate is less than 5.0 percent and is an eligible home institution that is certifying or originating loans to cover the cost of attendance in a study abroad program.	May deliver or disburse loan proceeds in a single installment to a student studying abroad regardless of the length of the student's loan period. May choose not to delay the delivery or disbursement of the first installment of loan proceeds for first-year first-time borrowers studying abroad.

Items to Cover with Every Borrower

- **Ask Every Time:**
  - Updated contact information
  - How did you hear about our department?
    - Track source (letter, email, business card, exit packet, word of mouth, etc.)

Options to explore with every borrower with repayment difficulty:

- Change of Repayment Plan to decrease monthly payments
- If loans are split serviced, encourage borrower to request loans be merged to single servicer to streamline payments
- Consolidation
  - Explain how consolidation can cost more over time, but can make repayment more affordable too.
- Deferment Eligibility
  - Unemployed?
  - In School?
    - Withdrawn - considering re-entering school to finish the program you're in debt for?
    - Grad – considering continuing education?
  - Active Duty?
  - Economic Hardship?
- Forbearance
  - Just enough to bring current then continue making payments?
  - Could you handle payments if they were temporarily smaller?
  - Could you make interest-only payments to keep your loan from growing while in forbearance?
  - How many months do you think you'll need to be ready to handle payments again?

WRAP UP EVERY CALL WITH WORDS OF CLEAR EXPECTATIONS, ENCOURAGEMENT AND REMINDER OF OUR CONTACT INFORMATION! INCLUDE A "TELL YOUR FRIENDS" WHERE APPROPRIATE.

Handling difficult/abusive callers

An angry person tends may not act or think as rationally compared to a calm person. There are times, when dealing with an angry or irate borrower, that you should recognize that so long as the person is over-emotional, you won't be able to accomplish anything, and attempts to reason or explain to such a customer are often wasted, and frustrating. Remember, the caller is frustrated about a situation, not about you personally. And remember, this is a customer who deserves our best service.

Disengagement from a customer, is in effect, taking a **time-out** from the interaction with the customer, although it is not meant to be punitive. The reasoning is that if the customer (and you, by the way) have some time to calm down, and compose him or herself, when you resume the interaction, it may go more smoothly. This tends to work with customers who are not "nasty" people, and tends to work with normal, regular, nice folks who are temporarily cranked up emotionally.

Often, a few minutes of disengagement will result in such a customer realizing he or she is acting badly (and not in his or her own best interests), and actually apologize.

It's important to offer a reason for disengaging and to offer a time span (I'll be back in two minutes, since I'll need to be sure we have the correct information about your account). Do NOT say: "We need a time out here so you can calm down". That may be interpreted as insulting – something we never do.

You are not expected to accept verbal assaults, profanity, or threats. If the caller persists with these tactics, politely state you cannot continue the conversation in this manner and hang up. Notify your supervisor immediately and debrief on the situation. If you find yourself feeling upset, feel free to leave your desk for a quick walk after letting your supervisor know. Upon return you'll feel refreshed and ready to assist the next caller.