



What would a  
successful default  
prevention plan look  
like on your campus?



# Overview: Cohort default rates

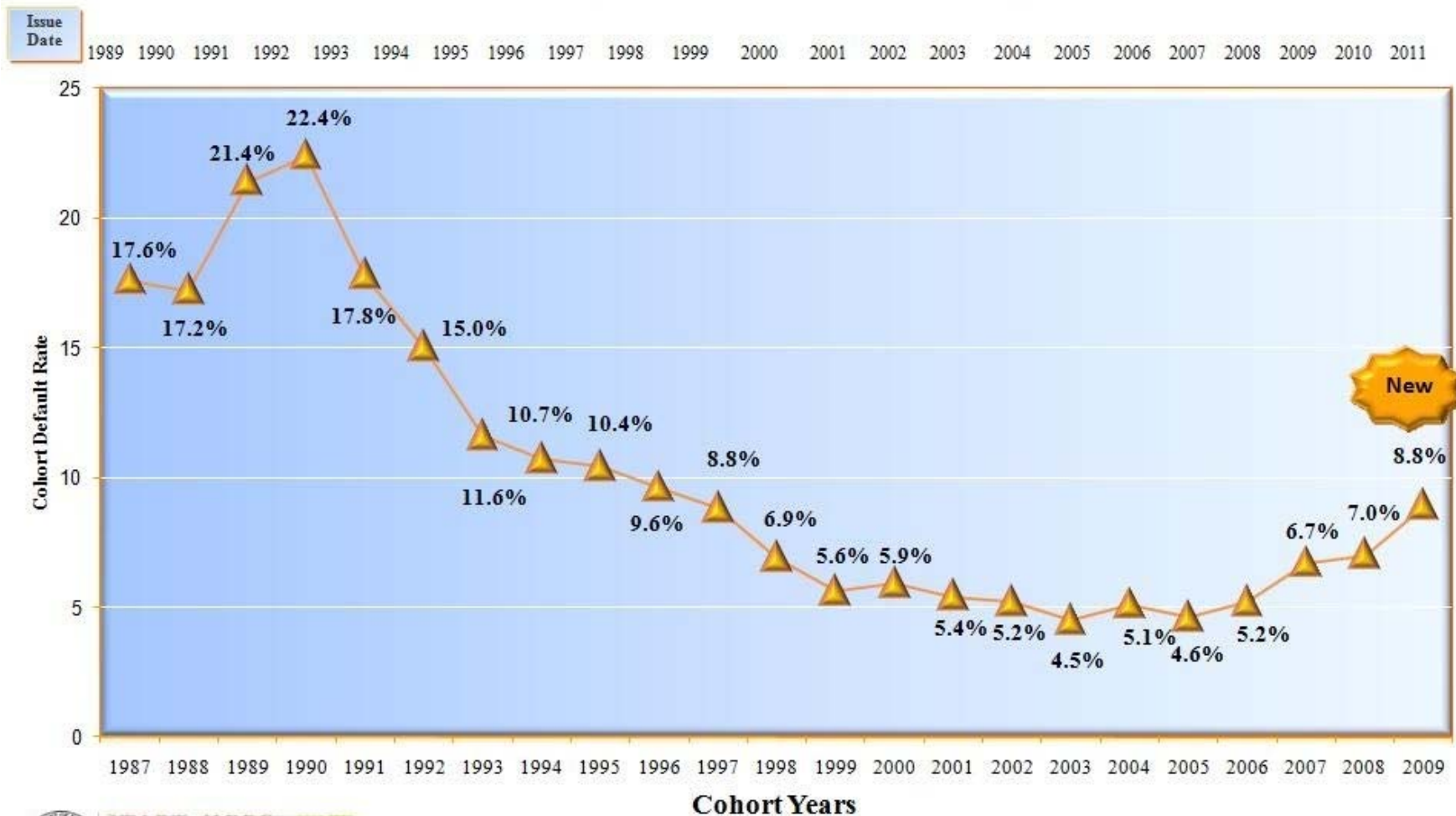


- ◆ CDRs reflect repayment of federal student loans.
- ◆ U.S. Department of Education publishes default statistics annually.
- ◆ Loan default has negative consequences.
- ◆ Successful loan repayment helps ensure future funding.

# National student loan default rates



## National Student Loan Default Rates



# CDR “window” illustration



FY09  
2-year CDR =

Stafford borrowers who enter repayment  
and default between 10/1/08 and **9/30/10**

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Stafford borrowers who enter repayment  
between 10/1/08 and 9/30/09

.....

FY09  
3-year CDR =

Stafford borrowers who enter repayment  
and default between 10/1/08 and **9/30/11**

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Stafford borrowers who enter repayment  
between 10/1/08 and 9/30/09

# Case study: City Community College



## Fiscal Year 2009 CDR:

<b>Borrowers</b>		
2,000	Entered repayment	Oct. 1, 2008 through Sept. 30, 2009
300	Defaulted by	Sept. 30, 2010
200	Defaulted by	Sept. 30, 2011

# Case study: City Community College



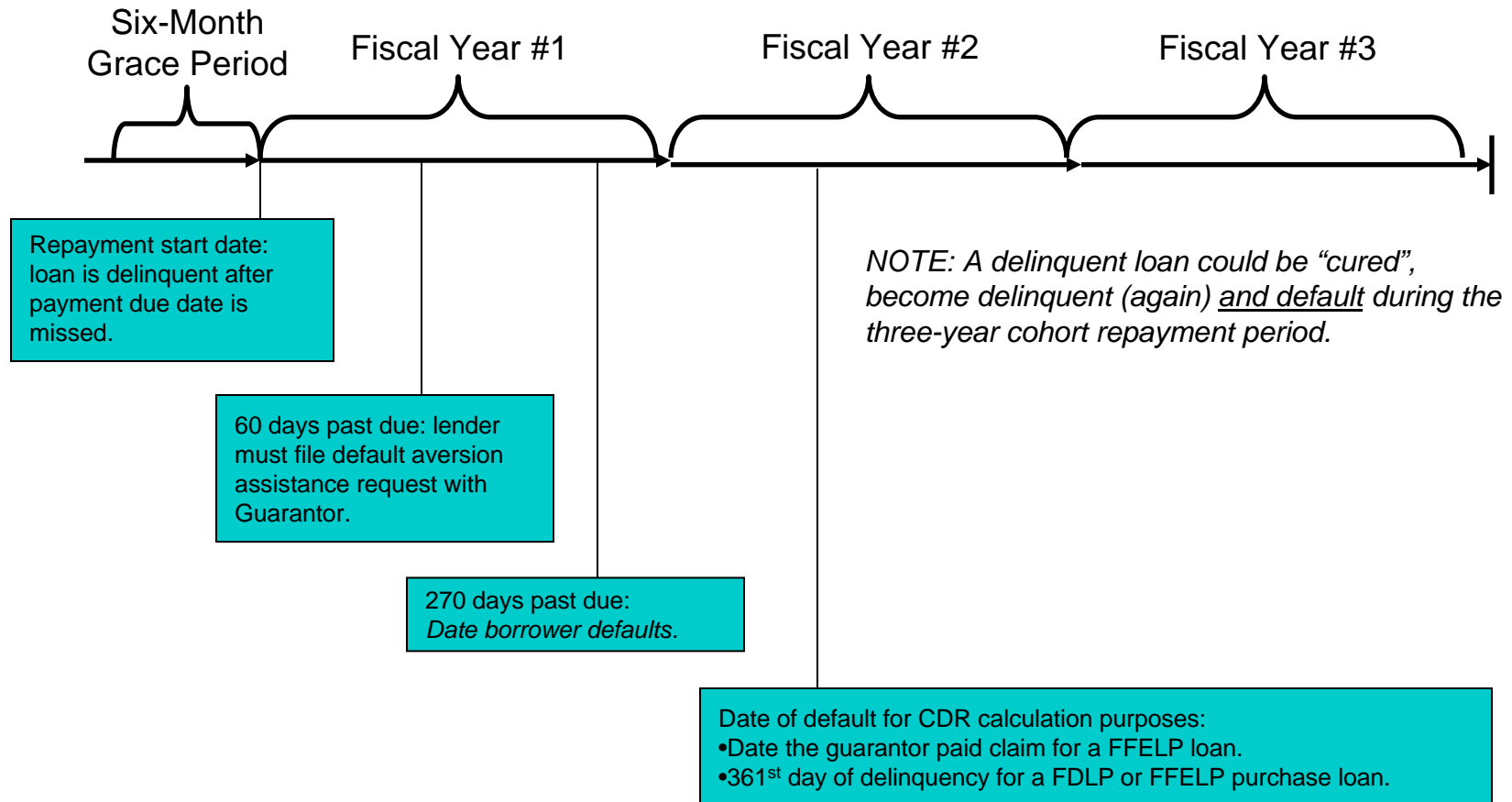
## Two-Year Formula:

$$\frac{300}{2,000} \times 100 = 15\%$$

## Three-Year Formula:

$$\frac{500}{2,000} \times 100 = 25\%$$

# Illustration of three-year cohort repayment



# Transition from two-year to three-year rates



Fiscal year (FY)	Denominator (enter repayment)	Numerator (in default)	Official CDR publication dates	CDR used for school sanctions
2008	10/01/07-09/30/08	Two-year: 10/01/07-09/30/09	Two-year: Sept 2010	Two-year rate: (25%)
<u>2009</u>	10/01/08-09/30/09	Two-year: 10/01/08-09/30/10 Three-year: 10/01/08- 09/30/11	Two-year: Sept 2011 <u>Three-year:</u> <u>Sept 2012</u>	Two-year rate: (25%)
<u>2010</u>	10/01/09-09/30/10	Two-year: 10/01/09-09/30/11 Three-year: 10/01/09- 09/30/12	<u>Two-year:</u> <u>Sept 2012</u> Three-year: Sept 2013	Two-year rate: (25%)
2011	10/01/10-09/30/11	Two-year: 10/01/10-09/30/12 Three-year: 10/01/10- 09/30/13	Two-year: Sept 2013 Three-year: Sept 2014	Two-year rate: (25%) Three-year rate: (30%)
2012	10/01/11-09/30/12	Three-year: 10/01/11- 09/30/14	Three-year: Sept 2015	Three-year rate: (30%)

# Consequences of high cohort default rates



- ◆ Three-year CDR equal to or greater than 30 percent:
  - 1<sup>st</sup> year – School must establish default prevention task force and prepare a plan to submit to the Department.
  - 2<sup>nd</sup> year (consecutive) – Task force must review and revise plan and submit to the Department.
  - 3<sup>rd</sup> year – School subject to sanctions (provisional certification or loss of eligibility).
  - Effective 2012 with publication of FY 2009 three-year rate.

# Consequences of high cohort default rates



- ◆ Default prevention task force.
  - Identify factors causing institution's CDR to exceed threshold.
  - Establish measurable objectives and identify steps to take to improve institution's rate.
  - Specify actions institution will take to improve student loan repayment, including loan repayment counseling.

# Consequences of high cohort default rates



- ◆ Sanction: Provisional certification.
  - Two-year rates – A single CDR of 25 percent or greater.
    - Before and during transition period.
  - Three-year rates – Two CDRs of 30 percent or greater in last three years.
    - Effective when third three-year rate is published in September 2014.

# Consequences of high cohort default rates



## ◆ Sanction: Loss of eligibility.

### – Two-year rates:

- Three consecutive years of 25 percent or greater.
- One year greater than 40 percent.

### – Three-year rates:

- **Three consecutive years of 30 percent or greater.**
- One year greater than 40 percent.
- Effective when third three-year rate is published in September 2014.

\*\*Currently: Loss of eligibility with one CDR greater than 40 percent or three consecutive years of 25 percent or greater.

# Higher Education Opportunity Act of 2008



- ◆ Modified benefits/sanctions and default prevention plans.

	Current	Change	Effective Date
Years Included in CDR	Two-year default period	Three-year default period	Calendar year 2012
Disbursement Waivers and Exceptions	Less than 10%	Less than 15%	Loans first disbursed on or after Oct. 1, 2011
Loss of Eligibility Threshold	25% or greater	30% or greater	Calendar year 2014
Default Prevention Plan	As needed	Greater than 30%	Calendar year 2012

# Projected impact of new three-year plan



Institution Type	2008 Two-Year Cohort Default Rate	Projected Three-Year Cohort Default Rate
<b>Public</b>	<b>6.0</b>	<b>10.8</b>
Less than two-year	6.7	14.7
Two- to three-year	10.1	17.9
Four-year or more	4.4	7.9
<b>Private</b>	<b>4.0</b>	<b>7.6</b>
Less than two-year	14.1	26.1
Two- to three-year	8.2	16.7
Four-year or more	3.8	7.3
<b>Proprietary</b>	<b>11.6</b>	<b>25.0</b>
Less than two-year	12.4	27.6
Two- to three-year	12.6	27.9
Four-year or more	10.9	22.7
<b>Foreign</b>	<b>2.2</b>	<b>4.7</b>
<b>Unclassified</b>	<b>0.0</b>	<b>0.0</b>
<b>Total</b>	<b>7.0</b>	<b>13.8</b>

**Default management initiatives:  
What can I do to help prevent  
loan defaults on my campus?**

# Talk to your administrators



- ◆ Share data of impact of three-year calculation for your school and nationally.
- ◆ Share your own estimation of three-year rate.
- ◆ Present a default management plan for controlling three-year rate.



# Talk to students: Where are your loans?



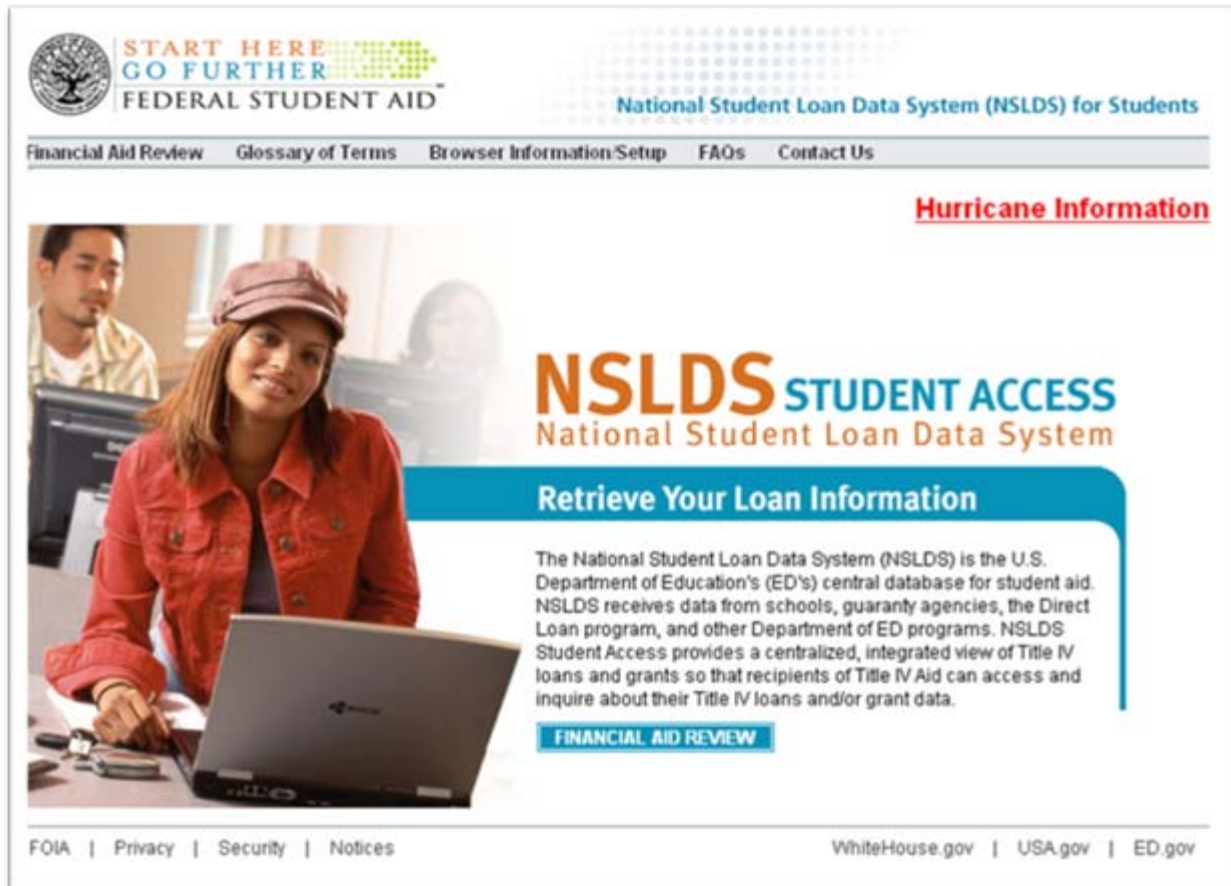
- ◆ NSLDS.
- ◆ Split-servicing.
- ◆ Repayment options.
- ◆ Job opportunities.



# Where are your loans?



- ◆ First stop: [www.nslds.ed.gov](http://www.nslds.ed.gov).



The screenshot shows the homepage of the National Student Loan Data System (NSLDS) for Students. At the top left is the Federal Student Aid logo with the slogan "START HERE GO FURTHER". To the right is the title "National Student Loan Data System (NSLDS) for Students". A navigation bar contains links for "Financial Aid Review", "Glossary of Terms", "Browser Information/Setup", "FAQs", and "Contact Us". A red "Hurricane Information" link is positioned in the upper right. The main content area features a photograph of a student in a red jacket using a laptop. To the right of the photo, the text reads "NSLDS STUDENT ACCESS National Student Loan Data System". Below this is a blue banner with the heading "Retrieve Your Loan Information". A text block explains that NSLDS is the U.S. Department of Education's central database for student aid, receiving data from schools, guaranty agencies, and the Direct Loan program. A blue button labeled "FINANCIAL AID REVIEW" is located below the text. The footer includes links for "FOIA | Privacy | Security | Notices" and "WhiteHouse.gov | USA.gov | ED.gov".

**START HERE  
GO FURTHER**  
FEDERAL STUDENT AID™

National Student Loan Data System (NSLDS) for Students

Financial Aid Review | Glossary of Terms | Browser Information/Setup | FAQs | Contact Us

[Hurricane Information](#)

**NSLDS STUDENT ACCESS**  
National Student Loan Data System

**Retrieve Your Loan Information**

The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (ED's) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.

[FINANCIAL AID REVIEW](#)

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# Put loans: Impact on CDRs



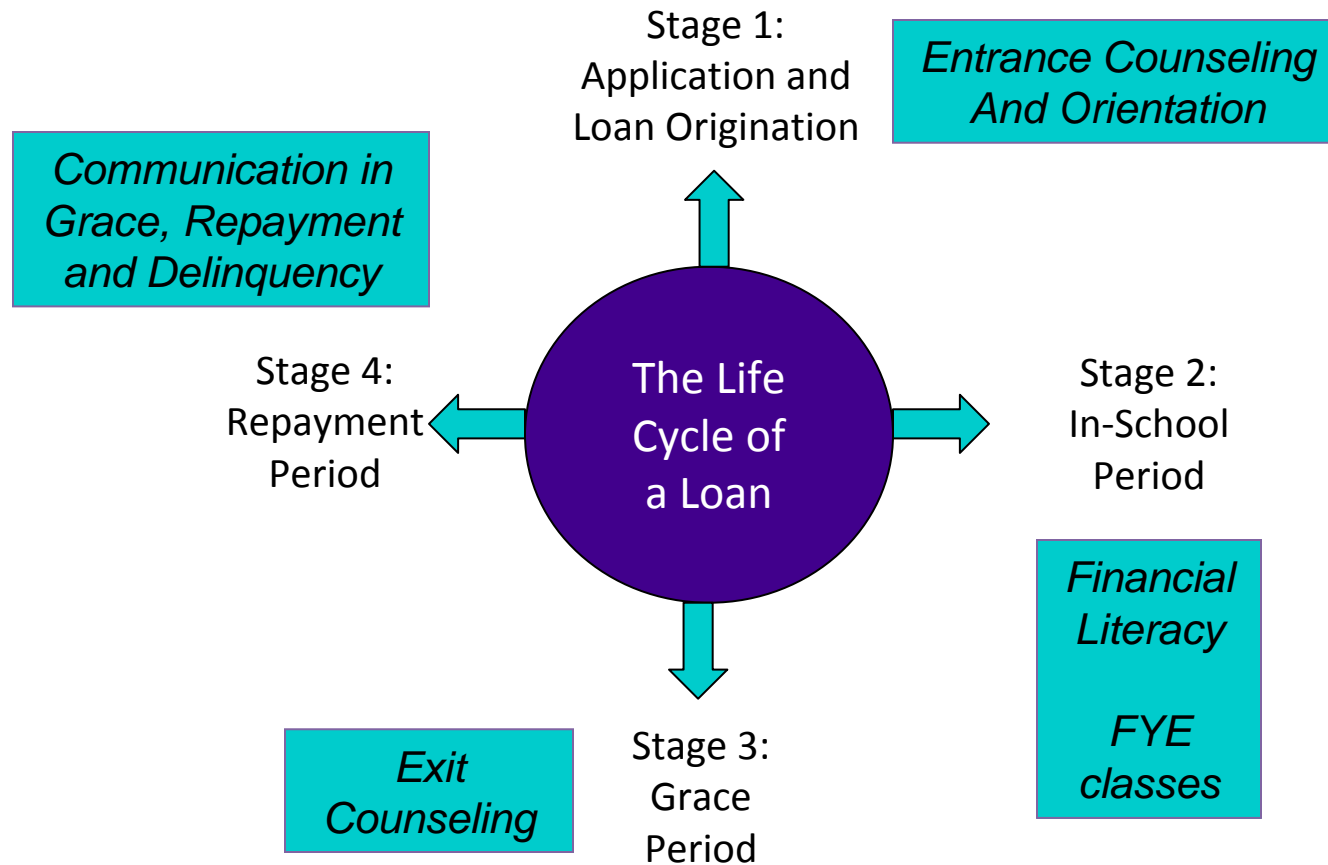
- ◆ Some borrowers in FY 2009 and subsequent cohorts will have loans put (sold) to the Department.
  - Loans can be put up to 240 days delinquent.
- ◆ Guarantors will not have loan detail information for put loans.
- ◆ NSLDS DELQ01 file lists delinquent loans for put and new Direct Loans.

# Put loans: Impact on CDRs



- ◆ Loan servicers can be located on NSLDS.
- ◆ NSLDS newsletter 25 describes new “Status of Loans Purchased by ED Report.”
  - Parameters include ED servicer codes, previous guarantor codes, transfer start and end dates.
- ◆ Department of Education Student Loan Servicing Center (ACS) DEPT OF ED/ACS 700577 (800) 508-1378 **[www.ed-servicing.com](http://www.ed-servicing.com)**
- ◆ FedLoan Servicing (PHEAA) DEPT OF ED/FEDLOAN SERVICING 700579 (800) 699-2908 **[www.myfedloan.org](http://www.myfedloan.org)**
- ◆ Great Lakes Educational Loan Services, Inc. DEPT OF ED/GREAT LAKES 700581 (800) 236-4300 **[www.mygreatlakes.org](http://www.mygreatlakes.org)**
- ◆ Nelnet DEPT OF ED/NELNET 700580 (888) 486-4722 **[www.nelnet.com](http://www.nelnet.com)**
- ◆ Sallie Mae DEPT OF ED/SALLIE MAE 700578 (800) 722-1300 **[www.salliemae.com](http://www.salliemae.com)**

# Default prevention starts when students walk through the door



# Default prevention and management



- ◆ A plan for student and school success.
  - Entrance counseling.
  - Financial literacy for borrowers.
  - Exit counseling.
  - Timely and accurate enrollment reporting.
  - NSLDS date enter repayment (DER).
  - Late stage delinquency assistance.
  - LRDR review.
  - Analyze defaulted loan data to identify defaulter characteristics.

# Who is “at risk” on your campus?



- ◆ Students who do not complete or persist at a much higher rate of default.
- ◆ Link between retention and default prevention.
  - Dear Colleague Letter GEN-05-14.

# Default prevention initiatives



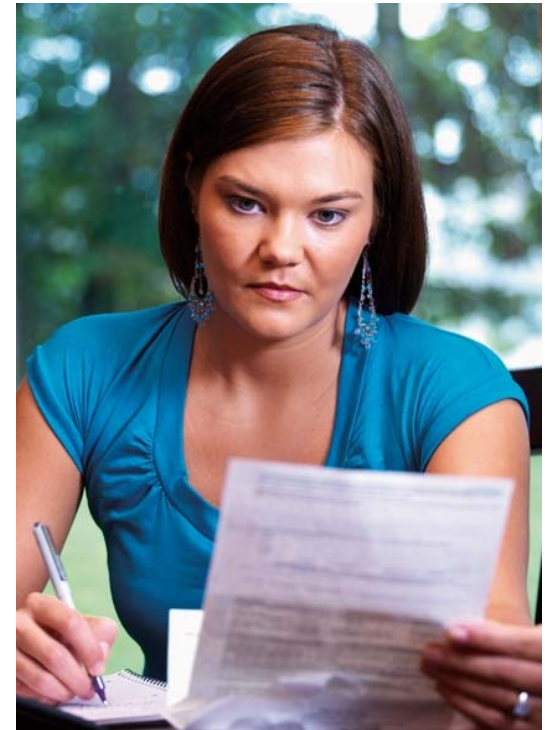
- ◆ Within Direct Loans, of borrowers who defaulted, 70% withdrew without completing their academic program.

» Source: ED's August 2008 Analysis of Federal Direct Loan Portfolio

# Communication with borrowers in repayment



- ◆ Start early – during grace period is best!
- ◆ School is trusted adviser for borrower.
- ◆ Use tools available from guarantors and partners.
- ◆ Create default management plan/strategy.



# Default prevention initiatives



- ◆ Early withdrawal counseling.
- ◆ At-risk borrower program.
- ◆ Calls during grace period.
- ◆ Early-stage delinquency program.
- ◆ Late-stage delinquency team.
- ◆ Financial literacy training.

**Financial literacy education:  
How can I build a successful  
program on my campus?**

# Financial literacy and student success



## ◆ Good news: Students want information.

### Top four topics of interest:

- Investing for the future.
- Getting ahead financially after graduation.
- Avoiding credit problems.
- Budgeting income and expenses.

### How do they want to receive information?

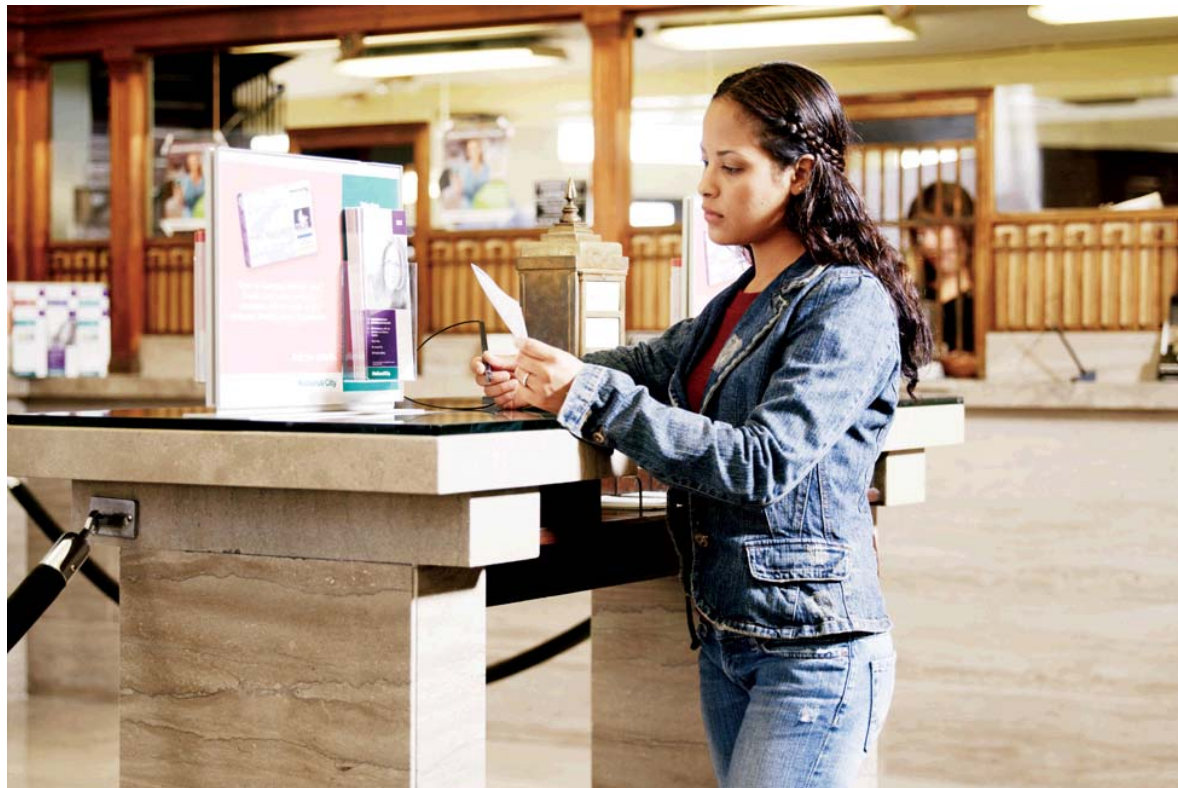
- As part of financial aid interview.
- As part of special event with food.
- As part of extra credit class.
- Through a website.
- At new student orientation.

- » Source: *Journal of Family and Consumer Sciences 2007: Assessing Financial Interests of College Students.*
- » Source: *Journal of Family and Consumer Science, 2007, Vol. 99, No 3. Financial Information Project: Assessing the Financial Interests of College Students.*

# A few questions



- ◆ What do you wish your students knew about managing their money?
- ◆ What are you doing now to help your students?



# Financial literacy and student success



- ◆ 76% of college students wish they had more help preparing for their financial future.
- ◆ 54% of graduate students said they would have liked to receive financial management information on an ongoing basis throughout their undergraduate years.
- ◆ Students that participated in as little as 10 hours of financial education increased their understanding of money management and improved financial behavior.

# Importance of communication



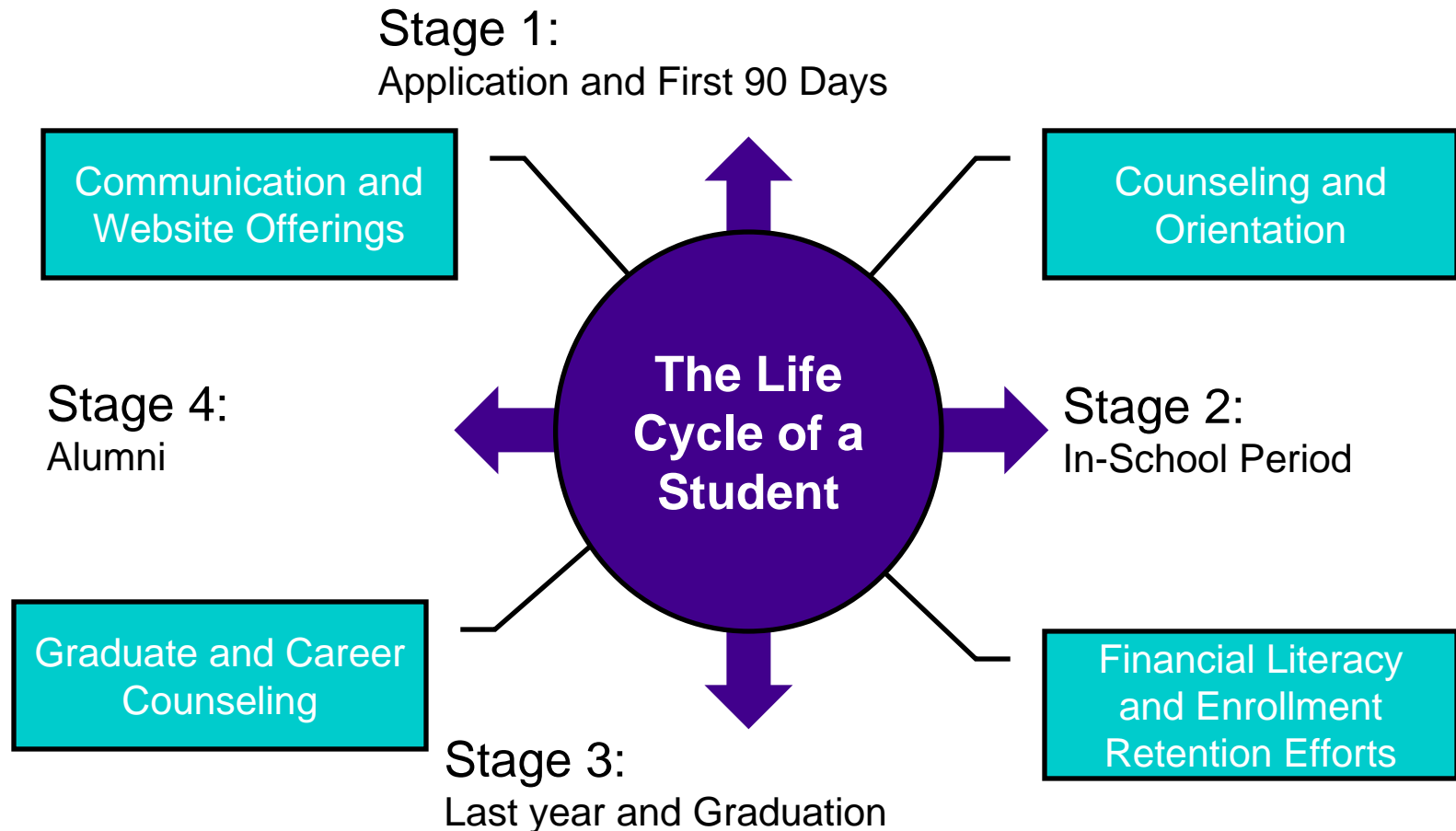
- ◆ Adopt a “life of the student” philosophy.
- ◆ Communicate and educate.
  - Again and again and again.



# Creating and implementing a financial literacy program



Financial education is needed throughout the student's experience.



# Importance of communication



- ◆ Integrate financial literacy.
  - Whenever you can.
  - In any way you can.
- ◆ What are you currently doing on your campus?



# Barriers and challenges



- ◆ How and when will you deliver it?
- ◆ Who is your target audience?
- ◆ What will course content and materials cover?
- ◆ Who will be responsible for managing program?
- ◆ How will you measure program's success?

# How will you deliver the program?



- ◆ Online only, in-person only or a hybrid of both?
- ◆ Who will deliver program?
  - Staff, faculty, several departments?
  - A mentor or peer-to-peer approach?
  - Graduate students or alumni?

# When will you deliver the program?



- ◆ When will you deliver program?
  - One time only, once each term, multiple times per term, each year, or as an ongoing program?
  - Plan an annual financial literacy calendar for scheduling presentations?

# Incorporating financial literacy education



- ◆ Some suggestions:
  - Formal admissions process.
  - Freshman/transfer student orientation programs.
  - Supplemental entrance and exit counseling.
  - Residence hall programs.
  - Summer bridge programs for high school juniors and seniors.
  - Personal development classes.
  - Distance learning programs.
  - Student success programs.
  - Adult re-entry programs.
  - Programs to assist students on academic probation.
  - Partnerships with career services, student affairs, faculty and counseling staffs.
  - Consumer education — building money management skills.

# Getting students to complete the program



- ◆ How do I successfully reach students?
  - Link financial education to other on-campus events, programs and student organizations.
  - Make it part of process of being a student.
  - Don't be afraid to make it mandatory.
- ◆ Because...
  - “They don't know that they don't know.”
  - “They think they already know.”
  - “What if they held a financial literacy seminar and nobody came?”

# Who is your target audience?



- ◆ What student groups do you want to target with this information?
  - Start with a smaller audience, with plans to expand if successful?
- ◆ Will you incorporate financial literacy into an existing program?
- ◆ Will you coordinate your financial literacy program with other events?

# On whom should you focus?



## ◆ Some suggestions:

- Entering freshmen.
- First-generation students.
- Student loan borrowers.
- Students on academic probation.
- Residence advisers.
- Work-study students.
- Peer counselors or peer mentors.
- Graduating students.
- Transfer students (incoming and outgoing).
- Sophomores, who you can train and then match with freshmen to help prevent the sophomore slump.

# What will content and materials cover?



- ◆ Do you have a lesson plan?
  - Do you need to make one?
- ◆ How will you determine what information to present?
  - What is most relevant for your students?
- ◆ Will you create your own materials, use something already available or a combination of both?

# Who will be responsible for managing it?



- ◆ Is there someone “in charge”?
- ◆ Who is responsible for implementation?
- ◆ Which departments will be involved?
  - Which campus positions?
- ◆ Will your courses or sessions be mandatory?

# How will you measure the program's success?



- ◆ How will you evaluate the effectiveness of your program?
- ◆ Do you intend to incorporate tests or challenge questions to measure student learning?
- ◆ Will you survey students about their experience with program?
- ◆ How will you measure behavioral changes?

# Tips and lessons learned



- ◆ Get academics involved.
  - By far, most successful programs have involved faculty.
  - Integrating content into courses resulted in greatest use and best student feedback.
- ◆ Bet on a sure thing.
  - Students will not do lessons based on a “chance” of winning something.
  - Best method has been extra credit in a course or required as part of existing administrative process.

# Tips and lessons learned



- ◆ If you build it, they probably won't come.
  - Even though students say they want information, it's not enough just to make it available.
  - Students don't complete lessons when there is no incentive to do so.
  - Integrate lessons into current student process – administrative or academic.

# Contact information



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