

Default Prevention



Best Practices for Default Prevention

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Default Prevention



- Default Prevention and Management Plan
 - Promote student and institution success
 - Increased retention
 - Reduced delinquency and default
 - Lowered Cohort Default Rates (CDRs)

Default Prevention



- Dedicated Default Prevention Team
 - Department/Position(s)
 - Overall goal is to educate students in financial literacy and help them avoid default
 - Solicit participation and engagement across campus
 - Task Force
 - Include cross departmental staff to raise awareness
 - Fin Aid
 - Career Development
 - Admissions
 - Advising

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- From origination through payoff
 - Entry/Early Stages of Enrollment
 - Continuing Stages of Enrollment
 - Late Stages of Enrollment
 - Separation through Payoff

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- Entry/Early Stages of Enrollment
 - Standard Entrance Requirements
 - How the MPN works
 - Importance of repaying loans
 - Consequences of default
 - Sample monthly repayment amounts

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- Entry/Early Stages of Enrollment
 - Enhanced Entrance Elements
 - Financial literacy
 - Collection of contact information
 - Expected salary based on program
 - Strategic Borrowing Info

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- Entry/Early Stages of Enrollment (*continued*)
 - Strategic borrowing
 - 10% of gross monthly income toward student loan repayment
 - Projected Salary (swz.salary.com)
 - Target Monthly Payment
 - » Projected Salary times 10% divided by 12 months
 - » EX: $30,000 * .10 = \$3,000 / 12 = \250

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- Entry/Early Stages of Enrollment (*continued*)
 - Strategic borrowing
 - \$250 target monthly payment = how much overall debt?
 - » Finaid.org or other loan calculator
 - Estimated overall debt = what monthly payment?
 - Is that monthly payment equal to target monthly payment?
 - Adjust up or down accordingly
 - » NSLDS to track debt

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- Entry/Early Stages of Enrollment (*continued*)
 - Strategic borrowing
 - Online Module
 - Live Entrance Presentations
 - Orientation Sessions

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- Entry/Early Stages of Enrollment
 - University prep classes (undergrad)
 - Planning for financial success
 - Sticker Shock
 - Show real numbers
 - Scare tactics are okay! They work!

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- Entry/Early Stages of Enrollment
 - University prep classes
 - Planning for financial success
 - Expected salary minus accrued debt = financial future
 - The more they borrow now, the less they have later
 - Students persuaded by desired lifestyle vs. fear of delinquency and default

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- Entry/Early Stages of Enrollment
 - University prep classes
 - Choices in college affect lifestyle after graduation
 - » Lowering debt (student loans and credit card choices)
 - » Lowering spending (living like a student)
 - Budgeting 101
 - Needs vs. Wants
 - » Increasing income (work study, part time, etc)

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- Entry/Early Stages of Enrollment
 - University prep classes (undergrad)
 - Planning for financial success
 - Include credit card info
 - » Smart credit card use
 - » Understanding fees and charges
 - » Limiting interest by avoiding minimum monthly payments
 - Credit card debt can affect likelihood of default

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- Continuing Stages of Enrollment
 - Packaging and Awarding
 - Full Eligibility vs. Partial Eligibility
 - Offered versus Accepted
 - Accept, reduce, decline

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- Continuing Stages of Enrollment
 - One on one counseling appointments
 - Strategic Borrowing
 - Planning for repayment
 - Repayment Plan Comparison
 - » Monthly Amount vs. Overall Expense
 - Standard = High Monthly/lower Overall
 - Extended = Lower Monthly/ Higher Overall
 - Deferment and Forbearance

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- Continuing Stages of Enrollment
 - Guest lectures in classrooms
 - Instructors often looking for guest lecturers
 - Campus Events
 - Fairs and Festivals
 - Career Services
 - Student Government or Student Club Events

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- Continuing Stages of Enrollment
 - Annual notifications
 - Links to NSLDS and Aggregate Limit Info
 - Current Loan Limits
 - Remaining Eligibility
 - Loan Calculator
 - Monthly payment based on current loans

Default Aversion and Cohort Management



- Who's job is it anyway?
 - Financial Aid- ALL OF YOU
 - Career Services/Placement
 - Student Retention/Advising
 - Entire Campus Community

Default Aversion and Cohort Management



- Late Stages of Enrollment
 - Withdrawals
 - Face to face- discuss reason/consequences
 - Mail Exit and call whenever possible
 - Graduates
 - Exit Counseling- face to face
 - Information table @ graduation ceremony

Default Aversion and Cohort Management



- NSLDS Reports
 - Date Entered Repayment (DER)
 - Loan Record Detail Report (LRDR)
 - Sort by delinquent days

Default Aversion and Cohort Management



- Compiling your Cohort Population
 - Identify your population
 - Create a working spreadsheet
 - Sort by delinquent days

Default Aversion and Cohort Management



- Stages of Delinquency
 - Early Stage Delinquency
 - <240 days delinquent
 - Late Stage Delinquency
 - >240-361 days delinquent
 - @ 270 = “technical default”

Default Aversion and Cohort Management



- “Curing the Account”-Resolution
 - Deferments/Forbearances
 - Repayment Options
 - Income based
 - Graduated
 - Consolidation
 - 3 way calls with servicers

Default Aversion and Cohort Management



- Communicating with at risk borrowers
 - Phone call ***
 - Students and references
 - Mass mailings
 - Be creative-postcards, flyers in addition to informational material
 - E-mail
 - Social networks
 - My Space
 - Face Book
 - Current student contact and reference info is critical!
 - Who’s job is it?

Default Aversion and Cohort Management



- Skip Tracing
 - Credit reporting agencies
 - Equifax, Experian, etc.
 - White pages and other people search engines
 - Social Networks
 - Federal and State Institutions

Default Aversion and Cohort Management



- Consequences of Default
 - Students
 - Garnished wages
 - Loss of tax refund
 - Loss of Title IV eligibility
 - Adverse credit
 - Schools
 - Loss of Title IV eligibility

Default Aversion and Cohort Management

