

Crafting an Effective Default Prevention Plan



Objectives

- Learn why you should have a plan
- Share the “3-A” approach to crafting an effective default prevention plan
 - Assemble
 - Analyze
 - Arrange
- Discuss the importance of communicating your plan

Objectives

- Discuss ways to implement and track the plan
- Share tools for success
- Learn from the experience of schools that have already developed and implemented a plan



Why Should You Create a Default Prevention Plan?

It's a Requirement...For Some

- You are required to have a plan if:

[34 CFR 668.14 \(b\) \(15\)](#)

- You are participating in the Direct Loan program for the first time
- You participate in the Direct Loan program and have undergone a change in ownership

[34 CFR 668.217](#)

- Your cohort default rate is 30% or higher

It's a Requirement...For Some

- If your rate is equal to or greater than 30%, the plan must include:
 - Factors causing your CDR to exceed the threshold
 - Measurable objectives and steps you will take to improve your rate
 - Actions you will take to improve student loan repayment, including loan counseling

For Most Others...It's Not

- Why create a plan if it's not a requirement?
 - Shows your institution's commitment to default prevention
 - Helps to garner across-the-institution buy-in
 - Provides you with a roadmap for the activities and initiatives you're implementing

For Most Others...It's Not

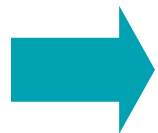
- Why create a plan if it's not a requirement?
 - Ensure default prevention goals are met
 - Helps justify additional resources
 - Strongly encouraged by the Department of Education (GEN-05-14)

If That's Not Enough...Other Motivators

- Helps to improve student success
- Saves students from the negative consequences of default
- Protects the loan program's integrity
- Saves taxpayers from default losses
- Keeps CDR low to receive the exemption from 30-day delay rule and multiple disbursement requirement

Getting Started

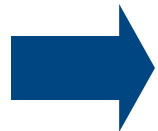
- Craft your default prevention plan by following the “3-A” approach



Assemble a team



Analyze data, resources,
and current practices



Arrange your plan



Assembling a Team

Establish a Default Prevention Team

- A team approach to default prevention can be beneficial
 - Increases buy-in from across the campus
 - Reinforces the message that default prevention is not only the responsibility of the financial aid office
 - Pulls together ideas, skills, and resources from other departments

Establish a Default Prevention Team

- Your team can consist of one or a few representatives from these areas
 - Financial Aid
 - Career Counseling Center
 - Student Services
 - Admissions
 - Registrar
 - Bursar
 - Academic Advising

Establish a Default Prevention Team

- Your team can consist of one or a few representatives from these areas
 - Faculty
 - Compliance
 - Enrollment Management
 - Student Affairs
 - Distance Education
 - Student Support Services

Educate the Team

- Begin by sharing financial aid facts with team members
 - What is Title IV funding?
 - What percent of revenue is comprised of Title IV funding?
 - What is CDR?
 - How does the CDR affect our institution?



Define Roles and Responsibilities

- Determine the frequency of regularly scheduled meetings
- Establish an agenda to include the purpose and goals
- Identify team lead – the one primarily responsible for developing, maintaining, implementing, and tracking



Analyzing the Data

Take a Look at Other Plans

- Review other schools' default prevention plans for ideas
 - Contact colleagues
 - Send information requests through state FAA listserv
 - Google



Take a Look at Your Activities

- Review what you're currently doing

Required activities

- Entrance and exit counseling
- Timely and accurate enrollment reporting
- Sharing satisfactory academic progress information across the campus

Take a Look at Your Activities

- Review what you're currently doing

Additional activities

- Enhanced entrance and exit counseling
- Estimate of required monthly payments on the borrower's loan balance
- Calculators to help estimate and manage debt
- Links on your website to NSLDS for Students
- Loan repayment brochures

Take a Look at Your Activities

- Review what you're currently doing

Additional activities

- Analyzing defaulted borrower data to identify defaulted borrower characteristics
- Letters to borrowers in their grace period
- Letters and/or calls to delinquent borrowers
- Letters to students who withdraw

Take a Look at Your Activities

- Review what you're currently doing

Additional activities

- Review and challenge, if necessary, draft cohort default rate
- Additional counseling for unsubsidized loan borrowers
- Promoting loan rehabilitation to defaulted borrowers
- Financial literacy

Gather Borrower Loan Statistics

- Including stats on your student loan borrowers can be helpful in determining future goals
 - Enrollment
 - Percentage of students who borrow
 - Total loan volume
 - Average indebtedness
 - Percentage of students who borrow private loans

Gather CDR Historical Data

- Including historical CDR data can be helpful to understand possible changes in your CDR and how you compare to similar schools
 - Institution's past CDRs
 - National rates
 - CDRs by institution type
 - CDRs by state
 - <http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html>

Benefits of Identifying the Cause of Loan Default

Conducting a defaulted borrower analysis:

- Enables you to develop specific strategies to help students avoid default
- Allows you to correct ineffective practices throughout your institution
- Enables you to identify high risk students
- Helps you to identify the relationship between loan default and student success

Analyzing Your Defaulted Borrowers

- Obtain a Loan Record Detail Report (LRDR)
 - The report is available as a preformatted report or as a data file extract
 - NSLDS refers to the LRDR extract as the SCHDREOP file
- Query your own internal system to obtain specific demographic data for the defaulted borrowers on your LRDR extract

Determine Who's Defaulting

- Identify the “who”
 - Late registrants?
 - Transfers/reverse transfers?
 - Not meeting satisfactory academic progress?
 - Low GPA (below 2.0)?
 - Withdrawals?

Determine Who's Defaulting

- Identify the “who”
 - Program of study?
 - Required to take developmental courses?
 - First-time students?
 - Received GED?
 - Excessive debt?

Determine Why They're Defaulting

- Understand the “why”
 - Financial issues
 - Relationship issues
 - Dependent care
 - Transportation
 - Health issues
 - Poor study habits
 - No campus connection

Determine Why They're Defaulting

- Understand the “why”
 - Lack of employment opportunities?
 - Split servicing/confusion?
 - Excessive financial obligations?
 - Lack of family support?

Accessing Available Resources

- Identify resources available to assist with the development, execution, and tracking of your plan
 - Staff
 - Available hours
 - ED's Sample Default Prevention and Management Plan
 - NSLDS reports
 - Reports available from servicers

Use Great Lakes Report

- Borrowers in Default Report
 - For borrowers with loans guaranteed or serviced by Great Lakes that have defaulted in the current federal fiscal year
 - Includes borrower phone numbers, email, address, and defaulted loan information



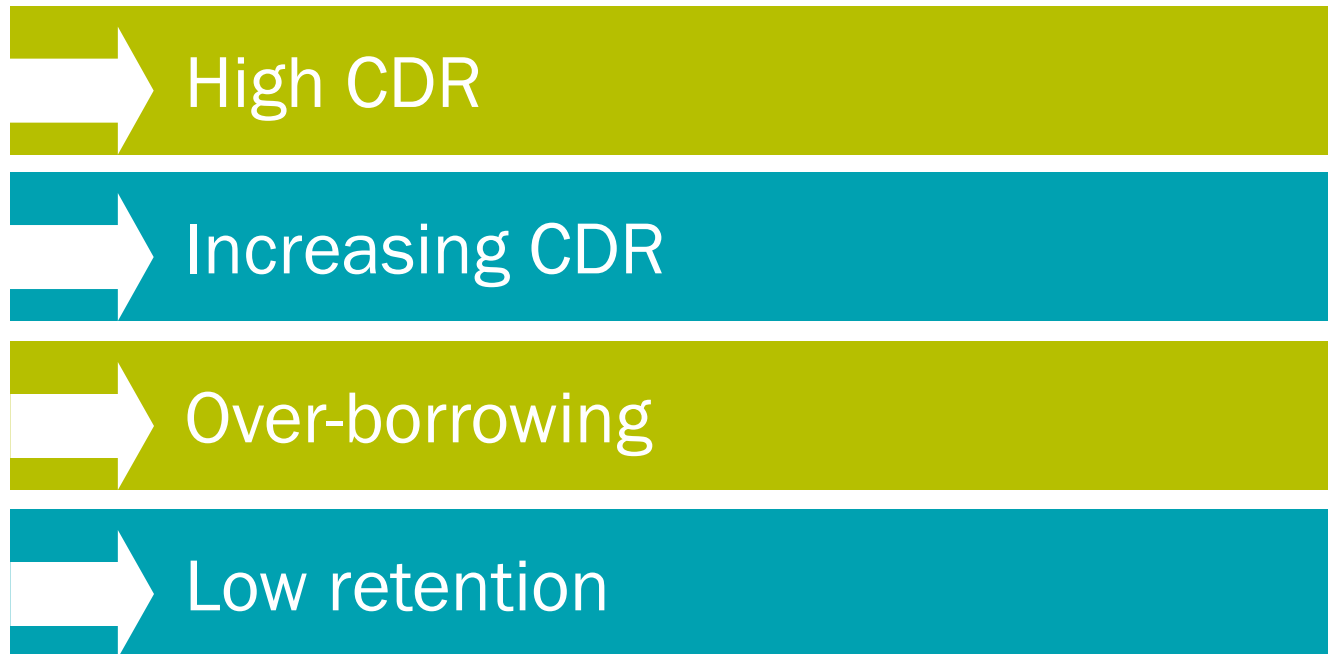
Arranging the Plan

Goal Setting

- Setting a goal helps to give you direction and focus needed to manage or lower your cohort default rate
- It also helps you to identify the activities and initiatives needed to accomplish your goal

Goal Setting

- Identify your concerns



CDR Goals

- If lowering your CDR is the goal, set a target default rate for your institution
- Factors to consider when setting a target rate:
 - Institution's mission and goals
 - Changes in enrollment
 - Changes in the economy
 - Prior year's default rate
 - Available resources to allocate to default prevention
 - Increase or decrease in borrowing

CDR Goals

- Track your default rate
 - Identify the maximum number of defaults to meet your goal
 - Project rates based on the current defaulted borrowers and borrowers over 240 days delinquent



Maximum Number of Defaults Allowed

| | |
|---|-------|
| Target cohort default rate | 4.00% |
| Number of borrowers who entered repayment between 10/01/11 and 9/30/12 | 5,000 |
| Maximum number of defaults allowed by 9/30/14 | 200 |
| Increase in 2012 cohort default rate for every borrower who defaults during the cohort period | 0.02% |

Identify Your Target Audience(s)

- Use your defaulted borrower analysis to identify who is defaulting and why
- If defaulter research was not conducted, look at your at-risk borrowers
 - Did not complete their educational program
 - Were placed on academic probation
 - Were enrolled in certain educational programs
 - Were enrolled in developmental studies

Determine the Activities

- Determine the initiatives and activities that help you meet your goal
- Include strategies that make the most impact with the least effort
- Decide the frequency of the activities
- Identify person(s) and/or department(s) responsible for the execution of the activities

Creating Your Plan

- Create your plan from scratch – or –
- Use ED's Sample Default Prevention and Management Plan
 - Provides a template with specific measures your school can implement
 - Can customize it to reflect your institution's activities
 - Removes the guesswork on how to complete a default management plan

ED's Sample Default Prevention and Management Plan

- Nine elements included in ED's Sample Default Prevention and Management Plan
 - Entrance counseling
 - Financial literacy for borrowers
 - Communication across campus
 - Exit counseling
 - Timely and accurate enrollment reporting

ED's Sample Default Prevention and Management Plan

- Nine elements included in ED's Sample Default Prevention and Management Plan
 - NSLDS Data Entered Repayment (DER) report
 - Late Stage Delinquency Assistance (LSDA)
 - Loan Record Detailed Report Data (LRDR) review
 - Analyze defaulted loan data to identify defaulter characteristics



Communicating Your Plan

Share the Plan Across the Campus

- Share the default prevention plan with your administration, financial aid office, and other departments
 - Schedule short presentations at faculty and staff meetings to share the plan and stress the importance for all to be involved
 - Involve the default prevention committee to help create awareness
 - Post plan on your school's internal network

Share the Plan Across the Campus

- Get faculty on board with the plan
 - Share how default negatively:
 - Impacts the institution
 - Affects students
- Benefits of getting them on the bus
 - Improved attendance policies
 - Opportunity to present financial literacy in the classroom
 - Extra credit for students who participate in financial literacy events



Implementing the Default Prevention Plan

Putting Your Plan Into Action

- Don't try to implement all at once
- Instead, put your plan into action by:
 - Implementing initiatives a little at a time – *or* –
 - Rolling out your plan in phases
 - Determining what you're going to implement first based on resources and/or the activities that will impact your at-risk borrowers most

Training Your Staff

- Training may be needed for certain activities
 - Running delinquency letters
 - Calling delinquent borrowers
 - Counseling borrowers
 - Conducting research
- Give staff time and support needed to take on additional responsibilities

Making the Plan a Priority

- Set allotted time each week or month for executing activities outlined in the plan
- If one or more of your staff is responsible for the execution of some of the activities, include it in their performance objectives



Tools for Success

How Long Will it Take

- Developing your plan can take from a couple of months to a few years
- Set deadlines

Take a Positive Approach

- Approach the development of your plan as an opportunity to help your current and former students succeed in school and in loan repayment
- It's also an opportunity to come up with new ideas and methods for making a difference in the lives of your students

Keep the Plan Updated

- Do not create your default prevention plan and then put it on the shelf
- Use a reminder to notify you when the plan needs a review and update

Utilize Resources

- You don't have to start from scratch (unless you want to)
 - Utilize ED's Sample Default Prevention and Management Plan – *or* –
 - Review other schools' plans for ideas
- Other resources
 - Default Prevention Resource Information on IFAP
 - Cohort Default Rate Guide on IFAP

In Conclusion

- Develop and use a default prevention plan as a roadmap to managing your cohort default rate and improving student success
- Do not go solo; incorporate the help and support of a team
- Track your activities to determine success but keep in mind some results are not immediate
- Build institutional awareness of the plan
- Keep the plan current

Thanks for Attending

