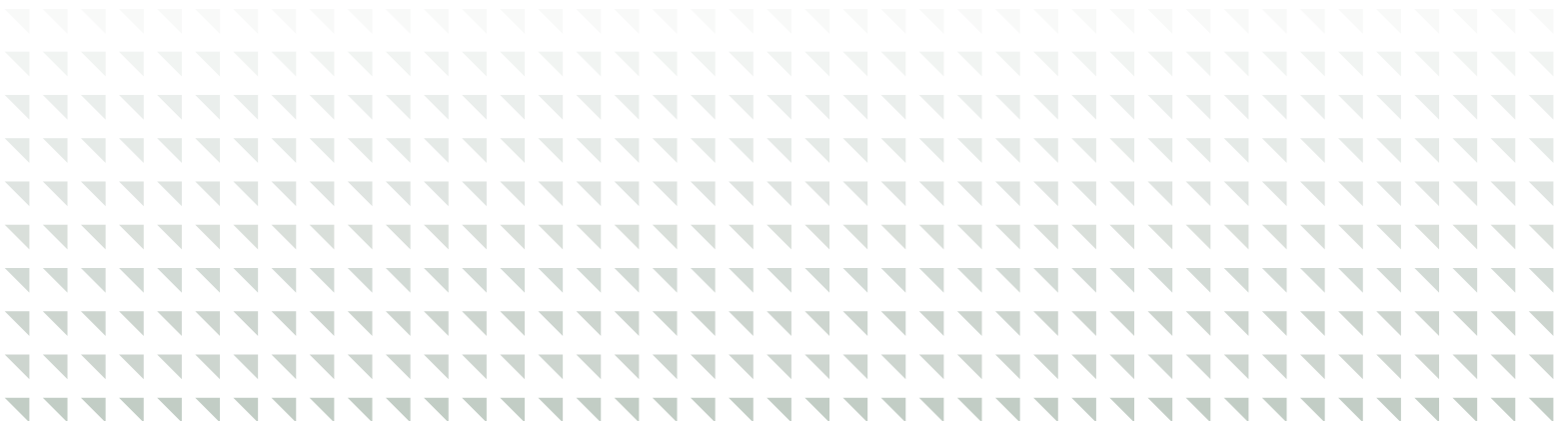




CASE STUDY

Financial Literacy and
Cohort Default Rates at
Concorde Career Colleges, Inc.

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INTRODUCTION

For many proprietary schools, cohort default rates (CDRs) are a common concern among campus financial aid office teams, campus administration, and corporate management. Tracking CDRs is critical in helping to maintain a school's eligibility to participate in Federal student loan programs, as institutions with excessively high rates may lose eligibility. Particularly in the current economic climate, where some lenders are less willing and able to extend loans, these federal loans can be the major source of educational funding for families and students. For proprietary schools and the companies that oversee them, federal funding can also be essential to meeting their financial objectives.

BACKGROUND

As a compliance analyst at the Kansas-based Concorde Career Colleges, Inc., Sandra Johnson is responsible for ensuring that Concorde's 12 campuses, which offer training in dental assisting, nursing, respiratory therapy, medical assisting and other healthcare careers, remain compliant with federal CDR requirements. Employed by Concorde for more than 18 years, she works with multiple campuses in seven states to help assure that they retain eligibility.

"When I saw our rates go up, I became very concerned," said Johnson. "I knew we had to start thinking outside the box, and start doing things differently." In the summer of 2008, Johnson began conversing with a team of TG representatives to identify the causes of, and determine solutions for, Concorde's high CDR.

In the proprietary school environment, corporate management usually tracks CDRs most closely, and corporate alerts campuses when they first identify significant rate increases. When corporate managers notify campus administrators, the financial aid office is often the first to engage in the conversation regarding the increased rates.

In Concorde's situation, TG's representatives helped Johnson to initially identify some causes of and potential solutions for Concorde's growing CDR. As part of these discussions, Johnson determined that the campus community, beyond the financial aid office, at each campus should be engaged in the conversation. In her view, as everyone has a role in student success, everyone could potentially contribute to helping the school lower its CDR.

STRATEGIES

To help address the increased rate, Johnson consulted with TG's representatives and developed a plan. Johnson's plan included activities performed by Concorde's corporate offices, along with initiatives and practices shaped by school-based default management teams consisting

of representatives from across campus departments. These initiatives addressed opportunities to engage borrowers to help strengthen their financial literacy skills, increase their knowledge of borrower responsibilities, and instill in them a sense of comfort in discussing loan debt.

Following an initial meeting of Concorde campus presidents, corporate vice presidents, Johnson, and TG representatives, the system-wide plan was implemented quickly. As part of the effort, TG agreed to travel to each Concorde school to assist in the plan's implementation.

CORPORATE INITIATIVES

At the corporate level, Johnson and the team resolved to call the entire population of Concorde students holding consolidated loans.

In 2007, more than 50 percent of Concorde students with consolidated loans were in default. As the 'Put' program began, the organization became concerned that more students would need to consolidate their loans to keep up with their payments.¹

In 2007, borrowers from several institutions began consolidating their student loans to less familiar lenders or servicers, making default management efforts orchestrated between the school, original lender or servicer, and guarantor ineffective in keeping these loans out of default. With that in mind, the team at Concorde's corporate offices accessed the National Student Loan Data System in order to track all Concorde students with consolidated loans, and conducted a calling campaign to contact those students. Of primary importance to Johnson, following the 2007 spike in Concorde's CDRs, was avoiding a similar increase.

To provide perspective, 63-65 percent of Concorde students were holding consolidated loans as of September 2008, and the system's 2008 CDRs were projected to decrease. Only two Concorde schools had CDRs above 10 percent, while some had been as high as 17 percent before the plan was put in place.

Throughout the implementation, Concorde remained focused on the needs of the borrower. According to Johnson, the average Concorde student is approximately 26 years old. In many cases, these students have families, and they are attending school to gain skills to provide for those families.

"It's my personal belief that people would normally pay their loans, but they get scared," said Johnson. "We anticipated that these calls helped borrowers to be better prepared to have the conversations they needed to have. When borrowers are being addressed, they are comfortable. They're not running away."

¹ In late 2008, the Department of Education announced the creation of a loan purchase program under the "Ensuring Continued Access to Student Loans Act of 2008" (ECASLA). Eligible loans included fully-disbursed subsidized and unsubsidized Stafford loans, as well as PLUS loans that were originated in the 2007-08 academic year. The loans must have been first disbursed on or after May 1, 2007, for a loan period that included or began on or after July 1, 2007. The program has been extended for the 2009-10 academic year.

CAMPUS INITIATIVES

As Concorde's corporate offices began to make calls to borrowers with consolidated loans, each campus created a local default management team. Comprised of faculty, staff, and financial aid administrators from across each campus, Concorde's default management teams were designed to address the financial literacy needs of students by engaging the entire campus. For example, the head of the committee in Concorde's San Diego school is a medical assistant program director. In Tampa, the role is filled by the school's librarian.

Each team, supported by Johnson and TG, began almost immediately to implement their ideas. In San Bernardino, the team brought in a credit bureau representative to speak to students about managing credit, and to answer questions following the presentation.

The program, which proved popular among students, answered important questions about credit during a time when credit questions are a looming issue for students. Additionally, Johnson shared that this effort created an opportunity to draw parallels between credit and student loan debt.

Other examples of campus-specific programs included providing a financial aid counselor's contact information and photograph on entrance and exit counseling materials, and distributing a keychain that proved to be popular with students. The keychain, emblazoned with toll-free contact numbers for students to call about their loans, became a constant reminder of assistance available to Concorde's borrowers.

Each campus default team was held responsible for holding monthly meetings and implementing activities to meet the unique needs of their student populations. Some campuses conducted call campaigns to delinquent borrowers. Others prepared and sent regular e-mail messages to students still enrolled about money management resources available to them. In Tampa, the financial aid office worked with other administrative offices to provide students with budgeting classes.

TRANSITION AND RESPONSES

The transition to a campus-wide approach to default management represented several challenges, although from a cost perspective, the impact was minimal. Existing budgets and staffing were used to address the default management team's program. Aside from producing communication tools like brochures and posters, sending e-mail messages, and using campus facilities, the only expenses involved specialty promotional items like keychains and pizza to keep students engaged.

Buy-in was more difficult, particularly with some campus presidents and members of the administration. A few campus presidents challenged the committee to guarantee that they would deliver tangible results in the form of rate reductions. Some campus staff expressed discomfort in discussing student loan and financial aid issues with students. "It's not my job," was a familiar response. However, as the default management team reinforced the campus-wide ramifications of losing eligibility in federal loan programs, participants outside of the financial aid office began to buy in to the effort.

“It was a new concept to them,” said Johnson. “Once we demonstrated that, in the end, this is how everyone gets their paychecks, staff were more likely to understand their role. In addition, we explained that students who worked in fields that require a professional license can lose their ability to renew if they go into default. No one wants their work to help a student to reach a professional licensed degree to be for naught.”

In addition, Johnson explained other factors that were important in creating alignment on their campus. Administration staff are often challenged because they initially view their role in default management as that of “bill collector,” rather than as an advocate for student success. Others new to the institution arrive with preconceived opinions, so they must be informed of the importance of their role in managing default. Other challenges, including new leadership and the constantly changing demands of a dynamic campus environment compete regularly with these efforts. Through all of this, Johnson explains, her emphasis was on letting staff know that managing CDR is really not an option — it is as important as managing a school’s retention rate.

OUTCOMES AND MEASUREMENT

Thus far, Johnson’s description of outcomes and measurements to date demonstrates progress.

The results of the initiatives have exceeded Johnson’s expectations. “Overall, every projected rate is down. Our corporate goal is to have all of our schools under 10 percent, and we are within grasp of that goal. So far, we are projected to meet our goals for the 2008 cohort, and we are also working hard on the 2009 cohort.”

Johnson highlights that the paradigm shift created by the default management teams has been a positive influence on their campus communities. Schools are becoming more comfortable providing money management skills training to students, and staff are finding they are understanding their students’ academic and financial challenges as a result. She also notes that borrowers are developing a new level of trust and comfort in their borrower obligations, based on the personal phone calls they are receiving from the school.

To collaborate on their efforts and share best practices, schools are providing information regularly on a shared drive, monitoring rates and trends regularly, and sharing information in real-time.

In regards to the value provided by non-financial aid professionals in the campus community, she believes it to be quite helpful.

“I’m a financial aid person,” said Johnson. “[Non-financial aid staff] are thinking about things in a different way than I would have ever thought about it. They keep coming up with different ideas. Some of the ideas work, some of them don’t. As they see ideas work, they get encouraged. And all of this helps to continue to make a difference for all of our students.”

DISCUSSION QUESTIONS

In your opinion, what are the most important lessons to learn from this example? What are some other approaches you might take in implementing a program to address CDR and financial literacy?

In this case, support from Concorde helped promote quick implementation of the plan. What obstacles might you encounter in your organization? What are some possible ways to respond and overcome these obstacles?

What other learning opportunities (such as the credit basics or budgeting classes) might your students benefit from?

Do you think the other departments in your school would have similar responses to those discussed in this example? Which departments do you think would be more open to this on your campus? How could you approach more reluctant faculty or staff members?

In reference to monitoring your CDR and developing financial literacy initiatives, what are you doing at your school that is working? What about examples of programs that didn't work? What were you and your staff able to learn from those situations?



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