

Best Practices in Pre-Payment and Default Aversion

Third Annual Industry Dialogue with Loan Servicers

On February 19, 2004, the Council for the Management of Educational Finance (Council) and TG hosted the Third Annual Industry Dialogue with Loan Servicers titled “Best Practices in Pre-Payment and Default Aversion.” More than 50 individuals from schools, lenders, servicers and TG participated in this event.

National and State Speakers

Dr. Jacqueline King, director for the Center for Policy and Analysis, American Council on Education, delivered the opening presentation. She focused on her recent work, “Crucial Choices: Student Behavior and Persistence in the United States.” Texas A&M University’s **Arnold Trejo**, assistant provost and executive director, student financial aid, and **Juan Garza**, director of information technology, delivered a session on ongoing default studies at Texas A&M. Participants discussed school issues related to pre-repayment and pre-delinquency best practices in a moderated roundtable discussion.

Winkie Crigler, executive director of the Student Loan Servicing Alliance, and **Sue McMillin**, TG senior vice president for customer relations and business operations, set the context for a servicer/lender roundtable discussion. This roundtable discussion focused on best practices among the servicing community.

Creating New Strategies

Participants broke into four groups and developed specific strategies related to pre-repayment and default aversion that TG and its customers could utilize to improve default rates, delinquency rates, and re-enrollment of withdrawn students. In all, nine recommended strategies for pre-repayment were presented to the group and eleven strategies were recommended for default aversion.

Next Steps

On March 18, 2004, the Council’s VFA Partnerships Committee met and reviewed the recommended strategies as well as comments submitted by the participants.

While many strategies were considered, the Council agreed to work with the student loan industry to initially develop the following six strategies.

Pre-Repayment

- Send a birthday card to students reminding them to update their address (will assist with skip tracing efforts).
- Create or coordinate a “community” Web site that assists students/borrowers with re-enrollment information, address update, pre-repayment counseling, etc.
- Contact students after they fail one class (effort to keep students in school).
- Expand call center “talk-offs” to include message on completing education (would extend beyond financial aid office or servicer to others who communicate directly with students).

Default Aversion

- Improve training of servicing staff (call center and management).
- Create a “Train the Trainer” curriculum and conduct training efforts.

Development of the recommended strategies is expected by Fall 2004.

For more about the Council for the Management of Educational Finance, visit its Web site at www.tgslc.org and select [For Schools | Council for the Management of Educational Finance].

