

Default Aversion 101

Learning objectives

- Discuss cohort default rate (CDR)
- Become more familiar with lender and TG due diligence
- Discuss student loan counseling and sample default aversion strategies
- Learn more about TG default aversion resources available for schools
- Explore helpful regulatory and policy resources

TG

Cohort Default Rate (CDR)

Cohort Default Rate (CDR)

- Definition (using the current 2-year calculation)
 - Percentage of school's FFELP or FDLP borrowers who:
 - Enter repayment during a given federal fiscal year, and
 - Default by end of following federal fiscal year.
- Later slides will discuss the pending 3-year calculation.



CDR

- Calculated based on federal fiscal year
 - Begins October 1
 - Ends September 30 of the following year
 - Identified by the year in which it ends
 - Example: FY 2009 is 10/01/2008 — 9/30/2009



Loans included in CDR

- Stafford
- SLS
- Consolidation
 - Applicable underlying loans

- Not included:
- PLUS and Grad PLUS
 - Federal Insured Student Loans
 - Perkins



How is a 2-year CDR calculated?

FY 2009 CDR illustration:

Borrowers who entered repayment between 10/01/2008 and 9/30/2009 and who defaulted between 10/01/2008 and 9/30/2010

Borrowers who entered repayment between 10/01/2008 and 9/30/2009



How is a 3-year CDR calculated?

FY 2009 CDR illustration:

Borrowers who entered repayment between 10/01/2008 and 9/30/2009 and who defaulted between 10/01/2008 and 9/30/2011

Borrowers who entered repayment between 10/01/2008 and 9/30/2009



FFEL purchased loans — Impact on CDR

- Some borrowers in the FY 2009 and subsequent cohorts will have FFEL loans sold to ED.
 - Such loans are referred to as FFEL purchased loans (aka. Put loans).
 - FFEL Loans can be sold to ED until 240 days delinquent.
- Guarantors will not have loan detail information for FFEL purchased loans.



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FFEL purchased loans — Impact on CDR

- To obtain delinquency information on FFEL purchased loans, the school will have to gather the information directly from ED loan servicers.
 - These servicers can be located on National Student Loan Data System (NSLDS).
- A school may request borrower loan information directly from NSLDS by:
 - Logging on to <https://nsldsfp.ed.gov> (password required) and selecting the tab labeled "Report," or
 - Contacting NSLDS Customer Service at (800) 999-8219.



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Benefits of low CDRs

- Benefits available to a school if its CDR for each of the three most recent fiscal years is less than 10 percent include:
 - Ability to schedule a single disbursement for a loan period not more than a semester, trimester, or quarter
 - Exemption from 30-day delayed disbursement requirement for first-year, first-time borrowers
- For loans first disbursed on or after 10/1/2011, the threshold increases from 10 percent to 15 percent



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Consequences of high CDRs

- Official CDRs may affect a school's eligibility to participate in some Title IV programs.
 - Currently, if a school's last three official CDRs are 25 percent or greater:
 - Loss of FFELP, FDLP, and Federal Pell Grant eligibility
 - Effective September 2014, the threshold increases from 25 percent to 30 percent.



Consequences of high CDRs

- Official CDRs may affect a school's eligibility to participate in some Title IV programs.
 - Most recent official CDR is greater than 40 percent:
 - Loss of FFELP and/or FDLP eligibility



Recent developments may increase CDRs

- Slowing economy
- 3-year CDR tracking period
- Lack of resources
- Borrower confusion



Lender and TG Due Diligence

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D Timeline: Day 180 to day 269

- If an account becomes 180 days delinquent, TG intensifies attempts to contact borrowers
 - Up to four attempts per week
 - Focus on immediate delinquency resolution
- TG sends at least one letter to borrower



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E Day 270: Default

- Default occurs when the borrower becomes 270 days delinquent



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E Timeline: Day 271 to day 360
(Claim filing to claim payment)

- The earliest date that a lender/servicer may file a claim is day 271 of delinquency
- Once filed, the claim is pending and the account may soon be assigned to TG collections
- Claim recall efforts begin
 - TG continues to contact borrowers during this time period to help develop borrowers correct delinquency



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E Timeline: Day 271 to day 360
(Claim filing to claim payment)

- Claim recall efforts include but are not limited to:
 - Increased intensity of contact attempts through the use of dialer messaging campaigns and specialized, personal intervention
 - Specialized intervention beginning at day 300
 - Use a two-pronged approach to:
 - Avoid default claim payment
 - Develop a long-term solution for the borrower



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Options for resolving a defaulted loan

- Make satisfactory repayment arrangements
- Consolidate the defaulted loan
- Rehabilitate the defaulted loan
- Pay the defaulted loan in full
- Receive a loan discharge



Student Loan Counseling and
Sample Default Aversion Strategies

Student loan counseling

- Purpose of entrance and exit counseling
 - Required by federal regulations
 - Educates student borrowers on their rights and responsibilities
- Counseling may be provided:
 - In person
 - Written format
 - By interactive electronic means



Student loan counseling

- Characteristics of effective counseling include:
 - Providing good customer interaction (service)
 - Understanding and relating
 - Communicating



Sample default aversion strategies

- Financial aid packaging philosophy
- Borrower education
- Technology
- Communication
 - Internal
 - External
- Serving former students



Sample default aversion strategies

- Conduct a default aversion assessment of your campus
- Create a default aversion team consisting of various members of the campus
- Consider professional development sessions for the team to promote team cohesiveness (teamwork, time management, default aversion basics, etc)



Sample default aversion strategies

- Develop a borrower education plan as it relates to debt management
- Revise and/or create a default management plan for your campus
- Assist in initiation and support talks with upper administration regarding the importance of these efforts



Sample default aversion strategies

- Provide additional information on award letters to students concerning loan repayment and the importance of borrowing conservatively
- Require annual entrance counseling for students who have borrowed
- Offer voluntary, in-person student loan counseling for students with higher than average student loan balances
- Promote staff training on the use of interactive tools to better counsel students about managing debt



Sample default aversion strategies

- Create a counseling program to focus efforts on academically and/or financially at-risk students
- Mail birthday cards from your financial aid office to remind students that you are available to help
- Implement ongoing financial literacy and default aversion activities



Sample default aversion strategies

- Maintain contact with former students
- Reach out to delinquent borrowers at various points of delinquency
 - Some examples include:
 - Day 60 — Either one letter or one phone attempt
 - Day 159 — One letter and one phone contact
 - Day 210 — Two letters and one phone contact; or one letter and two phone contacts
 - Claim filed with guarantor — phone call to borrower



Sample default aversion strategies

- Work with offices on campus to understand the importance of:
 - Timely and accurate enrollment reporting
 - Providing employment resources to those students who either withdraw from school or complete their educational program




TG Default Aversion Resources

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Integrated Default Assistant™ (IDA™)

- Accessible through AdvanTG Web™ or as a standalone application
- Includes CDR data from TG-guaranteed loans
- Helps schools and lenders manage and lower their CDR
 - Custom reports available through IDA™




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Accessed through AdvanTG Web (select reporting)



The screenshot shows the AdvanTG web interface. At the top, there is a navigation bar with 'Home', 'Schools', 'Lenders', 'Borrowers', 'Partners & Students', and 'TG Community'. Below this, there are two main columns: 'Helpful Resources' and 'TG Applications'. The 'Helpful Resources' column lists items like 'Advantages to Education', 'Jax TG™', 'Enhance EFT Reports', 'Mapping Your Future', 'Student Loan Details', 'AdvanTG Web Schools', and 'AdvanTG Web Lenders'. The 'TG Applications' column lists 'Applications/Loans', 'Reporting', 'Integrated Default Assistant (IDA)', 'Electronic School Report (ESR)', 'Real Time Alerts', 'Institution Administration', and 'AdvanTG Web™ User Manual'. There are 'Logout' and 'Change Password' buttons at the bottom of the 'TG Applications' section. A disclaimer at the bottom of the screenshot reads: 'Please do not attempt to use your browser's "Back" button with AdvanTG Web™. It has been disabled to ensure the security of your data. Instead, click the "Previous" button at the bottom of each page, both on the "Close and Cancel" buttons, to return to the previous screen. For AdvanTG Web™ to work properly, add the page pop-up blocker white list. Click here for instructions.'



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TG's Default Aversion Self-Assessment Tool

- TG's Default Aversion Self-Assessment Tool is:
 - Self-service
 - User-friendly
 - Assists schools in understanding the value and dynamics of default management



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Default Aversion Self-Assessment Tool

(As of December 1, 2009)

TG
The Guarantor of Choice

Default Aversion Self-Assessment Tool

Section 1: Your School Management Plan
The school administrator can identify the school's default management plan and use the default management tool to monitor the plan's effectiveness. For the administrator to update a school's account, the school administrator must be logged in to the system.

1. The school administrator can use the tool to update the plan's status.
 Yes No
2. The school administrator can use the tool to update the plan's status.
 Yes No
3. The school administrator can use the tool to update the plan's status.
 Yes No
4. The school administrator can use the tool to update the plan's status.
 Yes No
5. The school administrator can use the tool to update the plan's status.
 Yes No
6. The school administrator can use the tool to update the plan's status.
 Yes No
7. The school administrator can use the tool to update the plan's status.
 Yes No



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TG Resources

A Clear and Present Danger to Institutional and Student Success

A training model for embedding student loan default aversion within strategic enrollment management



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TG Resources

- Managing Repayment
– English and Spanish



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TG Resources

- Frequently Asked Questions
- Credit and Debt



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TG Resources

- Student Loan Default
- Options After Default



TG Resources

- Decreasing Coursework
- Income-Based Repayment



TG Publications

- Financial Literacy



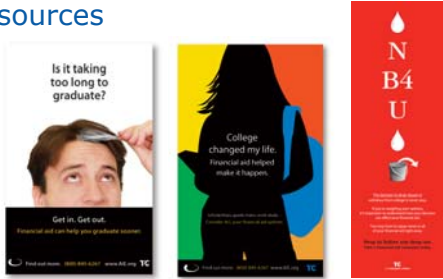
TG Resources

- Statement stuffers
 - Get the Facts
 - IBR
 - Bad Credit Bites



TG Resources

• Posters



Helpful Regulatory and Policy Resources

Helpful references

- 34 CFR Part 668 Subpart M — 2 year CDR rules
- 34 CFR Part 668 Subpart N — 3 year CDR rules
- *Cohort Default Rate Guide*
www.ifap.ed.gov
- Official CDRs for Schools
www.ed.gov/offices/OSFAP/defaultmanagement/cdr.html
- Dear Colleague Letter, GEN-05-14
ED guidance on default management



Helpful references

- *TG Online*
www.tgslc.org
- Information for Financial Aid Professionals
www.ifap.ed.gov
- *Federal Student Aid Handbook*
www.tgslc.org/resources/fsa_handbook.cfm
- *Common Manual*
www.tgslc.org/resources/integrated_online_manual.cfm



Questions

Please e-mail questions or comments to

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