

# Default Prevention Training

*A Guide to Enhance Schools' Default Prevention Efforts*



## You'll learn how to...

- assess the role of a default manager
- calculate cohort default rates
- implement a default prevention plan
- find resources to help you and your students

## Default manager's role

- varies by school
- general responsibilities include:
  - teaching enrolled students financial literacy skills to help them avoid delinquency and default
  - helping former students resolve student loan delinquencies

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## Result of default manager's efforts

- higher student retention
- lower cohort default rates
- taxpayers save
- program integrity is reinforced
- you feel good about making a difference

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## Cohort default rate

- What is a cohort default rate (CDR)?
  - a percentage of students in a cohort year who default in the year they enter repayment or the following year
  - fiscal year is October 1 – September 30

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## CDR calculation

- numerator
  - number of borrowers who entered repayment and defaulted in the cohort fiscal year or following fiscal year
- denominator
  - number of borrowers who entered repayment in the cohort fiscal year

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## CDR example

- A degree-granting school had 90 borrowers enter repayment in the cohort fiscal year. Of those, 8 borrowers defaulted in the cohort default period.

$$\frac{8 \text{ defaulted borrowers}}{90 \text{ total borrowers in repayment}} = 8.8\% \text{ cohort}$$

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## Cohort resource guide

- ED's *Cohort Default Rate Guide*
  - <http://ifap.ed.gov/DefaultManagement/DefaultMangement.html>

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## Default prevention plan

- perform activities to meet 34 CFR 668.14(b)(15) requirements
  - conduct entrance counseling
  - provide financial literacy information to borrowers
  - communicate across campus
  - conduct exit counseling
  - practice timely and accurate enrollment reporting
  - review *Date Entered Repayment* report
  - resolve delinquency
  - review the *Loan Record Detail* report
  - analyze default data, identify defaulter characteristics

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## Entrance counseling

- first time borrowers must receive entrance counseling
- additional school efforts
- helpful publications
- [www.mapping-your-future.org](http://www.mapping-your-future.org)

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## Financial literacy

- refer to *Financial Literacy Education* brochure

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## Across-campus communication

- How is communication between offices on your campus?
- What departments should be involved in default prevention and management?
- ask questions of other departments
- default prevention and management isn't the responsibility of a single office
- review academic progress and enrollment status
- timely and accurate communication

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## Exit counseling

- in-depth focus on repayment plans and choices
- opportunity to clarify student loan information
- additional school efforts
- helpful publications
- [www.mapping-your-future.org](http://www.mapping-your-future.org)

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## Enrollment reporting

- How often do you report?
- Do you use the Clearinghouse?
- Timeliness and accuracy are crucial!

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## NSLDS

- *Date Entered Repayment (DER)* report
  - review bi-monthly
  - compare to institutional date
    - reflected in cohort default rate

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## Delinquency resolution

- *Default Aversion Assistance Report*
  - contact loan servicer
  - call students who are more than xxx days delinquent
- Extended Exit Counseling
- Default Rescue Unit

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## Defaulted loan data analysis

- Do you need to modify your default prevention activities?
- How often will you review your process and measure your progress?

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## Resources

- NSLP handouts
  - *Loan Education Products*
  - *Financial Management Tools*
  - *Money Management Tips*
  - *Money Management Counseling*
  - *Loan Consolidation Pros and Cons*

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## Resources

- NSLP handouts
  - *Military Mobilization Fact Sheet*
  - *Default Prevention and Debt Management*
  - *Loan Summary*
  - *Extended Exit Counseling*
  - *DAAR*

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## Resources

- NSLP forms, brochures, presentations
  - entrance/exit counseling
  - *Find your student loans online*
  - *How can a phone call make a difference?*
  - *How will I repay my student loan?*
  - *What if I can't make my student loan payment?*
  - *Am I eligible for teacher loan forgiveness?*
  - financial literacy education presentations

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## For more information

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