Patrick: Well, it's our pleasure to be here to be today and to talk about Default Aversion Activities, and what I'll like to do today, what we want to accomplish today, is kind of lay the landscape out of where we are currently in the loan process.

What are some of those factors affecting the default rates, where we are with default rates, what the trends are. Then we want to spend some time talking about the tools and resources that are available to you as schools, some of the things that are available to you. We'll just high level review of a number of items that you may find beneficial for you, and then we want to move into talking about school based default aversion activities, and we'll start our at a very high level, and we'll try to work down to a very specific action level.

So let's begin by talking about the landscape, the environment that we find ourselves working in. We all know that the default rates are increasing for most schools, but not all schools. So default rates are going up. More slides on that a little bit later.

Yeah, we heard this morning of the opening session that the educational cost continue to rise across the nation. Preparing for the speech, I was doing some research in that, and I found some statistics that would indicate educational costs have risen for about the last two decades, at about double the annual rate of inflation. School is expensive. Higher education is expensive, and the costs are rising rapidly. It's a real concern.

More students are borrowing more money. Loans are a good way to finance their education. What, two years ago, we broke $100 billion in the direct lending program. I think last year we were at about $105 billion in direct lending. That's a lot of real money.

To go along with that, one in every five households now has a student loan. The Pew research center came out with a study this fall, indicating that about 19 percent, or roughly one-fifth of American households have a student loan debt across the board.

We're also seeing, in this tough economic period, a slight increase in the number of delinquencies. We've been in basically a recession for a number of years. Our economy is starting to improve, but in the last second quarter of this year, information from the Federal Reserve Bank of New York indicates that student loan delinquencies are still creeping up.

And then the last part of the landscape is the regulatory transition to the three year cohort default rate. This _____ in today's opening general session, but there's been some regulatory changes that will certainly impact us, impact you, and impact the students.

We're really doing okay, up to about the middle part of the last decade – 2004, 2005. Then you've seen the slide before, I'm sure. The default rates have taken off, and this is the two year cohort default rate.

This year, our default rate, this last year, the 2010 cohort default rate year, was 9.1 percent, up from a low over 8.8 percent, and these are the specific rates on the slide.

Maybe this is a trend that – we're hoping that this is a trend. The rates from '08, from '07, increased 25 percent, but the rate from '10, back to '09, was up 3.4 percent. Significant drop in the delinquencies. I don't think that's exactly by change. I think that's really due to a lot of hard on efforts of a lot of individuals in the financial aid community.

The other encouraging thing is the percentage of – the absolute number of borrowers is increasing at a slower rate. The '09 rate was up 34 percent from the prior year. Last year it was up only 17 percent, but still, 374,000 borrowers going into default in that – for the two year cohort default rate year is still a substantial number of borrowers.

There's a statistic I didn't get incorporated into the slide. I actually discovered it too late to incorporate it, but I think it's really encouraging. I looked back and looked at the numbers of schools that actually had a rate equal to or less than their prior year default rate, and I was really comparing the FY '10 rate two-year rate to the FY '08 two-year cohort default rate.

Now, this information is all – is available at a Federal Student Aid data center, and you can download a file that has, for every school that a CDR is calculated, you can download this huge file and review it, but anyway, approximately – anyone want to venture a guess as to the number of schools that had a either equal or a lesser rate in '10 vs. '08? How many would say ten percent? How many would say 50 percent? No takers in this group. Actually, 30 percent of our schools have a rate of equal to or less than that '08 default rate. I think that's an outstanding number, especially in this tough economic time, and again, is it by chance? I think not. I really think it's because of efforts of individuals like you that that rate is going down. We really need to be celebrating that success, rather than focusing entirely on the negative numbers.

We're transitioning – we're in a transition period to the three-year cohort default rate calculation, so I wanted to put this information out there. Default rates are going to increase when you increase the length of time that you're looking for defaulters, from two years to three years. The default rate's naturally going to increase, so the national rate is 13.4 percent now, for the FY '09 year. The number of borrowers is 489,040 borrowers. Four-hundred and eighty-nine-thousand individuals – student loans – and went in default for that cohort default year. It's an astounding number to me, and it's astounding because I personally relate that back to personal terms. Those individuals – no one takes a student loan out with the intent of going into default. "I'm going to borrow, gonna default. I got some free money." There may be a few, but very, very, very few, but these individuals – all 489,000, by a large part, borrowed funds and took those funds with the anticipation and hopes and desires of obtaining educational credentials, educations skills, and then improving their life.

The 489,000 individuals are going to be impacted for a life, for a very long period of time, because of their default. The 489,000 individuals are the prime – are the primary recipients of the impact. How are they being impacted? Their credit is going to be damaged for a number of years. Can be repaired, but it's a long process.\

Those individuals will experience possibly wage garnishment; the seizure of Federal and State tax refunds; very severe negative consequences; seizure of a portion of any kind of Federal payment. Legal action in Federal district court. There has been some recent press about that from some states in the northeast – excuse me, upper Midwest; and Title 4 ineligibility. Very thing that they were trying to do was obtain that education to advance themselves, and they can't do it without student aid, are being impacted because now they're ineligible for that aid. So defaulting is serious matters, but it gets – it goes on.

The next series of bullets have been – were introduced by one of my colleagues as in-your-face consequences, and those in-your-face consequences impact the borrower in their daily lives. They may lose because of the default a state occupational license, or they may not be able to obtain a license. They may not be able to obtain a mortgage for their home. They need to live somewhere. They may have difficulty in obtaining car loans, or they have to pay an exorbitant interest rate to obtain a car. If you live in an area like I live, in Dallas, you can't get around, you can't work, unless you have transportation. Maybe unable to rent an apartment because of a credit check. Maybe turned down for jobs. So these are really in-your-face kinds of consequences for that 489,000 individuals.

There's a second entity that's really impacted by defaulters, and that's you the schools. We know in a CDR rate is a fairly easily determined standard. Whether right or wrong, there are those who would say that a high CDR rate is a sign of a lack of administrative capability. It's something that individuals who work in compliance can hang their hat on. It's readily available. It's out there.

The other thing, one other thing, about a high CDR rate and how it impacts a school, is it's going to negatively reflect on the school's quality. It's kind of a harsh way to say it, but it can be that negative perception. Now let's go back several hours ago to the general session. They were talking about the school's score card, and school's cost of published information on the cost of attendance. Well, this high CDR rate can be another factor in there that parents and students are going to be comparing when they make that educational choice. If you're at a school and you've got a 20 percent cohort default rate, and a school who can provide similar opportunities for your student, has a ten percent, that's going to be a factor, and the other thing we need to keep in mind is that if you're at the higher CDR rate school, that's more time that you potentially would have to spend on recruiting the student and getting the word out on your quality programs. So high CDR rate does have consequences beyond administrative capability for the institution. A high CDR rate can lead to provisional certification. It can ultimately result in a lack – loss of Title 4 eligibility for the institution. It can threaten – access your access for private funds.

I want to spend a little bit more time just briefly talk and reiterate the transition to the three-year cohort default rate. I really like this slide. It's a little bit different than the one that they had in the general session. What I like about this slide is it lays the two-year and three-year periods out side by side, and it provides the dates for the cohort period, and the dates that are going in, that are under observation for students in default, and then on the far right-hand side of that, it outlines the cohort years are used for sanctions.

It publishes the dates, the September dates – 12, 13, and 14. 2014 is the third of the three three-year CDR rates. In 2014, two-year rates have gone away, and we're only looking at – they're only using the three-year rate at that time. In the sanctions, ____ are all based on the three-year rates. Now, even though sanctions are delayed until 2014 on three-year CDR rates, there's certain things that are going to – that go on now.

We've published the first of the three, and the – there are schools – if your school, in that first year, the first year you go over the three – 30 percent level, you're going to be required to submit a plan to the department for default management. You're measuring your risk, identifying your risk, stating how you're going to measure your progress for mitigating those risks, and then your specific actions that you're going to need to take to lower your default rate, but you'll have to submit a plan to FSA for review the first year you go over the 30 percent default rate.

Mike ____, my colleague up here, it's his team that actually reviews these plans, and David's team have done an excellent job of making outreach to those schools that are impacted by that for this year, a little over 200 schools.

The second year of the three-year CDR that you're over 30 percent, we will – the second consecutive year that you're over 30 percent – we will require you to review your plan and possibly modify that plan. We'll review that plan again, and there may be things that we want you to do to enhance that plan. That would be 2013. Then in 2014, the last year of the transition to the three-year CDR, if your rate is still above 30 percent, that could result in a loss of your eligibility for Title 4 funds. Of course, the schools have a right to appeal, but we don't want you to get to that point.

Session 12, and David's doing double duty this session, is on default planning, specific default plans, and constructing a default plan. So if you have time and you're interested, you might attend David's other session, and with that, I'm going to turn it over to David, and they'll get into the tools and resources.

David: Okay, can everyone hear me? Wonderful, wonderful.

One of the best tools that we have right before you start to look at all your other tools is the cohort default guide. It's an excellent reference Bible, as I call it, to tell you exactly what you can do as it relates to your CDR, and more importantly, challenges, adjustments, and appeals. So I would encourage everyone that once you get your CDR, once you get that number, the first thing you do is you pull your loan record detail report. Is everyone familiar with the loan record detail report? Okay, and then after that, I would go to the cohort default guide, so you could have a specific – so you could get some specific information as to what you could do as it relates to challenges, appeals, and adjustments.

Again, when the – now look at this slide. You can see that there are a lot of information, a lot of different appeal category types. So what you want to do is make sure that you're familiar with all the category types, and you could get that information specific – examples of what these categories actually entail from that cohort default guide.

Also, in session 20, I think they're doing something on CDRs. Three-year CDR here and beyond. So I would suggest that you also check out session 20, but remember, all of these appeals and adjustments, they have time periods, so time is of the essence. Once you get your official rate, or once you get your draft rate actually, to go ahead and look at the CDR guide, know exactly when the time is up on certain appeals and challenges.

NSL reports. The default and delinqs – for default and delinquency prevention. There are a number of reports in NSLDS, and I could tell you that there are a number of enhancements made recently. I mean, as recent as last month, so I would encourage everyone to go out to IFAP, and look and see exactly what enhancements.

I'm going to talk about a couple of reports, but I wish that our presentation didn't have to go in before they made some of those adjustments. So I would just encourage everyone to go out to IFAP, look at what enhancements and what new reports are available.

Also, session 18 and 19. Eighteen is NSL update; 19 is hands-on NSLDS. So I would encourage everyone to also attend one of those sessions, and definitely go by for the hands-on, and see what you can find out.

A couple of reports I definitely want to highlight is the date in a repayment report. The schools repayment and for loan detail, the school cohort default rate history, and enrollment report and summary, 'cause these are the reports that will be imperative that you make sure are accurate, to make sure that all the reporting is happening in a timely fashion.

Also, reports for default prevention, your school loan portfolio report, you should be looking at that pretty regularly to make sure that all the information is being captured as to who's on your campus, who's leaving, and whether we have the right information, and that it's all being reported accordingly.

The date in a repayment report. Critical in calculating the CDR. Critical in you being able to know exactly who should be going into your cohort, and maybe who's there, but maybe shouldn't be reported as in repayment.

The borrow default summary. Definitely an important report, to make sure that you're working it, so you could see these are the individuals that we have as going into default. You look at that summary.

And exit counseling. We looked a couple of years ago, and what we found out is a lot of schools weren't going in and making sure, seeing that students had actually done the exit counseling. So that's the report that's available, so you could see who actually got some information as they left, or as they drop below half-time.

And the delinquent borrower report. That's the best indicator of who's on the fence, as it relates to default. So I would encourage everyone to have a regular schedule of going out and getting those reports, and making sure that you – making sure that the information is 1) accurate, and 2) that you're on top of it.

Now I'm not sure if everyone knows how to request the report, but this is the NSLDS screen, and you could see that there's an actual tab that you actually can click on, and it will bring up the list of reports.

The one I definitely want everyone to make sure that they're looking at is the school loan portfolio report, SCHPR2. Is the detail of the borrowing loans in your current loan portfolio based on the loan repayment date? Now, this report includes loans that are serviced by all servicers, including Federal loan servicers. It provides information about the servicer for each loan. The parameters for the report, that an user may select, include repayment begin and end date, a range of three years or less, and the user may also limit the loans return based on the loan status categories of all open, close, default, payment suspended, suspended, deferment, forbearance, in-school, in repayment, and open disability, and un-reinsured.

Now, again, I know there were some enhancements, so to make sure that you have an accurate and up-to-date list of what's outlined on that report, again, go to IFAP, and I think it's the November 15 release that you could look at more specifically, but if I'm wrong, make sure you go to one of those sessions on NSLDS.

The delinquent borrower report. This _____ with default prevention, because this will let you know exactly who we have reported as delinquent on the loan, as reported by the servicers. Now, what it does not include is loans currently held by the guarantee agencies. So on this report, your delinquent borrower report, the DELQ01, this is all the information that's reported by the services. Not all the loans that you have in delinquency, but those being services by the Federal services.

Again, the exit counseling that people did on NSLDS. EXTC01. Again, that will tell you how many students – what students actually went out and did exit counseling via NSLDS. So I definitely encourage everyone to start looking at that report as well, 'cause that will let you know if the students are actually doing the exit counseling.

Now this is a new tool, the financial awareness counseling, and you could also get more specific information on this in session 9, loan counseling tools. I think David and Jeff mentioned it this morning, it's a new tool that we have available to look at some financial literacy tools, but to also – to give a student a one front-face as it relates to financial awareness counseling. It's web base. It's interactive. I think some people have had an opportunity to go through it, and we've gotten some great reviews relative to the tool.

And again, it's a centralized location to where a student can come in and look at his loans and also go through the modules, and just have a great experience. That's what we were – that's the feedback that we've gotten. The feedback that we've gotten from the schools and some students that it's been a great experience for them, as it relates to financial aid awareness.

It's been out there since July, so I don't know if you guys have had an opportunity to use it, or to advise the students this is available, but it's been out there awhile, so if this is your first time hearing about it, it's there.

These are the modules that are included. One, Understanding Your Loan, and it walks them through basically understanding what the students loans that they got, your student loans, loan basic, free money first types of students loans that gives them a general education about the financial aid process. Managing Your Spending. It gives them an opportunity to look at budgeting, and those type issues. Plan to Repay. It talks to them about what should your particular plan to repay, your strategies, estimate what you'll owe, your monthly expenses. So it kind of walks them through those life financial literacy issues that they might not be aware of in a centralized location. Avoid Default. We wanted to include that module, and so we could tell a student in as many places as possible – exit, entrance, financial awareness counseling – we wanted to make sure that they had a lot of different places to hear information about avoiding default.

___ Making Finances a Priority. How do you plan for the future? Your income, your taxes, your credit worthiness, credit cards. When we started talking about the toll, it kind of morphed. We talked about one or two issues as it related to financial awareness, and then it started becoming more and more how – actually, the people on the team, when we were doing it, how we lived and what you had to – what you should know at the next phase. I remember one of the discussions particularly, we were talking about planning for taxes. A lot of students don't know that when you get out of school, you'll have the full burden of student loan debt. I remember doing a session one time for a group, and a young lady came up and she said, "My mother can afford for me to go to college." She was trying to make the decision between two colleges, and she was looking at college cost, and she looked me in my face, and she says, "I'm choosing this college 'cause my mother can afford for me to attend this very expensive college vs. another institution," and I just asked her, "How do you know?" She says, "Because of the way we live." I said, "Okay, then how do you live?" And she went on to explain they lived in a very nice home. Her mother drove a very nice car, but what she had never known from her mom that there is cost to everything. So I just asked her when she finished, what did she see as a salary, and you know the typical 17, 18-year-old. They think that they make $28,000.00 a year – not to discourage $28,000.00 a year – that they're making a lot of money, and I summarily subtracted all of her parents current bills, because that's the lifestyle she expected to graduate and live in day two out of college. Not a progression, not a gradual buildup, but that's what she saw as her starting life salary. So once I got to about negative $3,200.00, she had the full effects of insurance on everything – car, home, all of the relevant taxes that her mother and father pay – and she was starting to see that she needed to minimize her student loan debt. So when she got to a $600.00 or $700.00 a month student loan payment, that it wouldn't be that shocked that most of them get you at the end, when they end their grace period. So this is a great tool, because it kind of walks them through some of the elements that they'll need.

Module one: Understanding Your Loan. Again, it ____ view and displays the current balance of the loans in NSLDS. We wanted to not only make this tool informational, but we wanted to make it intuitive. So, as much information as we could prepopulate from NSLDS, we made sure that we brought it in, and again, don't forget to attend session 19, where you could see more of the tool.

Module two: Managing Your Spending. Again, you'll see that it's very graphical based – no, graphically enhanced, so to give the user great experience with the tool.

Plan to Replay. Most importantly, Plan to Repay. Not be surprised that you have to repay, but plan to repay, and as Patrick said, avoid default. I mean, most students don't understand. I spent about 14 years of my career here, in default, and most individuals didn't understand that we had as many or more tools as any Federal entity, as it relates getting back student loan money. Once a loan goes into default, all the things that Patrick mentioned, are available to happen to a student, and they had no idea. The first time most of them hear of it is when they get a letter, and that letter's not to say that we intend to garnish your wages. That letter typically says we are garnishing your wages beginning this date. Most of them think that they're on the tax refund repayment plan, because they always say, "But you took my taxes." Yeah, but you didn't call us and tell us to keep it. We had it, we kept it. So again, we always tell students – well, we're starting to tell them more and more what the consequences are. A lot of them didn't know that we also report to Kavers. Can't get a home; can't get a FHA loan; garnish your wages at 15 percent; keep your tax return; take your occupational license. So you definitely want to make sure that they are using this tool so that they could see some of the consequences of default.

And number five, How to – Budgeting and Priorities. Okay, as you see – as you could see, the functionality and response – schools could choose to receive financial awareness counseling acknowledgement via the options on the COD website. So you could make this available, or you could choose to receive the acknowledgment via COD.

Okay, the existing entrance counseling report was modified to include a financial awareness counseling, so this has been tied to the financial awareness counseling, so again, make sure that you go to Jennifer's session, where you could see – I don't know if she does interactive thing, but you could actually see how it works, and you could definitely see where you could access, and how you access it.

Federal Loan Services. What do our Federal loan services do? Now, I know a lot of people have been asking similar questions. Okay, what are all the things that they do? well, some of the things are educating form borrowers regarding the tools and options available to assist in the management of their student loans; offer multiple repayment options, tailored to the borrower, that include online ACH transfers, and whatever mechanism that they're developing all the time as it relates to repayment.

They also provide some self-service tools, so I don't know if all of you are familiar with all the services of various websites, but I would encourage you to _____ yourselves of all of the individual websites that the services have. A lot of them have set up websites for the schools specifically, and you could go out and make sure that you could look at some of the self-service tools.

Some, if not most, of them, offer dedicated services to schools to help manage the cohort default rates, and they help in the compliance with legislative regulatory requirements and provide unique services. Again, unique services.

While they're all servicers, what they're doing in some cases, and in a lot of cases, unique. So while you have – you may have particular relationship with one, 'cause you talk to them on a regular basis, I would encourage everyone to look at the unique services that all of them provide.

So of the service a default prevention activities. They make outbound targeted calling. They have outbound targeted campaigns. Again, some of them do outbound targeted campaigns, but this is a relationship that I think everyone in the room needs to bill with the services, so you could make sure that the information on your reporting, your delinquency and all those reports, the loan portfolio report, that they're contacting the right students.

They also utilize electronic communication methods, such as email and text and Facebook and other social media outlets. They work with the school to obtain current available contact information, and they use a variety of tools to make sure the information is current. ___ skip tracing, as people would say. They also work in partnerships with schools and late-staged delinquency. Critical component.

Service a repayment counseling. During a grace period, a servicer can establish a relationship with a borrower, ___ transfer, ensure the correct repayment status, discuss appropriate repayment plans, promote self-service through the web, update and enhance the borrower contact information, and discuss consolidation options. So they have the ability to do some of the things that you have to do, as it relates to that grace period counseling.

Service of tools for borrowers. Their website's designed to assist the borrower. They understand the various repayment plans. As you could see, our services have been with us through every session, and they've been made reference – reference has been made to them on several occasions, as it relates to who's communicating information about changes that we made to repayment plans. They are as current, most of the time, as ad employees. So I would encourage you to make sure that you have a great working relationship with the services, because they're getting updates all the time. They're always in constant communication with us, as it relates to changes that we're making to the program, and they understand that options that are available to the borrowers, intimately – deferments, forbearances, discharges, forgiveness programs, and loan consolidation.

Okay, talk a little bit about a school service of partnership. Schools should definitely make sure that they build a partnership with the servicers, because this will be a two-way avenue for you to ensure that you're doing everything as it relates to default prevention, and that you're working in conjunction with the servicers, who also may need information from you. I heard a lot about co-branding, making sure that the student knows where information is coming from.

Also, the servicers have developed individual reports. So in conjunction with the other reports that I've mentioned, you also might want to make sure that you are familiar with what servicers offers, what reports the servicers offer, and again, you can find those typically – you can look it from our website, and get a link to the servicer's websites.

Okay? That's it.

Patrick: Now after having kind of giving you a feel for the landscape, the environment that we work in, and then having reviewed some of the tools and resources that are available for you, and I really do want to pick up on what David was saying about the servicers. The servicers are your partner, so at the school, be sure to leverage that servicer to work with your students in that process, but what we want to do now, is with that background, take a look at some of the default aversion strategies, and talk about planning for those strategies, and again, you kind of want to start out a high level considerations, and then work down to some very specific actions, and really, there's a couple strategies, and I like to view things in an overarching way. I like to have a philosophy by which we're working, and there's really two points. There may be others, but there's two points I really want to focus on this afternoon.

One is assist borrowers to have a better understanding of their responsibility as borrowers. They need to understand the timeliness of the time requirements, and they need to understand the processes of – that goes into student loan – of being successful student loan borrower.

The second major point that we want to talk about, the second overarching strategy, is really kind of one based on student success. We want to see what we can do to assist students, improve their educational and vocational outcomes with the goal of enhancing their employment opportunities.

So with those two kind of overarching concepts in mind, and I'm going to add another layer, and that's keeping in mind the timeline, and if I would, the life cycle of the loan, and keep in mind, the student starts out in school. They move to in grace, and then they move to the repayment phase of their loan. So it's really important, when you're thinking of loan, of default aversion planning, to keep in mind exactly where that particular borrower is that timeline. Of course, you could expand the timeline to even start before the student is a borrower. You could extend it to late in the borrower's repayment career, but let's start with these high level considerations.

One of the first things that you may want to consider is form a default prevention team, and then after that team has been formed, you're going to want to develop a plan. Now, that plan may have several different components, and I'm going to focus on two of those again today, one being a traditional approach, and I don't mean traditional in any kind of bad way or from, but it's simply what we have traditionally been doing for default aversion strategies, but times are changing. It's a different set of borrowers out there now, so therefore, we're going to bring in a student's assess component to our default aversion strategies.

So let's talk about the team. Why do you need a team? What can the team actually bring to the table? Well, one of the things that you want the team to go after is to identify the source of your default risk. You'll hear a lot about risk assessment. At-risk students. The team can really contribute toward categorizing and identifying those students who are more likely to be – like to have a default.

Your team can help determine what steps your school needs to take to reduce the default risk. What plan of action is acceptable? You want the team to be representative of your entire institution – student affairs, academic affairs, business officer folks, students perhaps. The team can also help you, really, to allocate the resources that you need to commit to a default planning, a default aversion. I like to tell you that default aversion is a no-cost activity, but it just simply is not the case, because really, you're going to be getting down to individual borrowers in default planning. So you really need to focus. You need to commit resources, and plan to commit resources to your default aversion activities, and the team also can really help you assess the effectiveness of the default reduction plans. You want that feedback built into whatever planning you're doing, and the team can help you assess the effectiveness in overall outcomes of that.

Your team members may include, and hopefully they would include, a senior university official, or senior school official. Why? To get buy-in for the plan. Get sponsorship. It's much easier sailing if you have top level administrative buy-in to any project that you've got going on.

Again, you want representatives from all appropriate offices. If you have a campus with a residence hall, is there someone from the residential life office that can participate? They got lots of contact with students. They know what's going on. If there's a student government association, perhaps a representative from the student government association.

The other things on the plan, we found that you need to have regularly scheduled meetings. It just doesn't need to be a team in concept. You want working team. Obviously, you want to keep minutes, keep an agenda, publish assignments.

And one of the last things – I'll skip down to the bottom bullet – is you want to celebrate the success of your default plan. Just don't – it's just – it's not a work group. It can be a vehicle to actually celebrate the success of that.

Another component of the plan is that it's somewhat of an educational vehicle. The traditional financial aid office has really been traditionally the office responsible for default planning. When you expand out and bring others into the process, you could use that team as an educational vehicle to help educate the community at your institution regarding default planning activities and the requirements of default planning.

You can also use that team to educate your colleagues at your school, on the consequences of not planning to mitigate your default right.

With a team in place, the next step is to conduct a risk analysis. You really need to understand who is – who the defaulters are likely to be, and why. You want to create a catcher, or so to speak, of who is likely to enter into default. Lots of research are really on this, but every campus is unique, so you need to really do your own research.

I'd also submit that what you need to do at every campus is to look at the flip side of this issue. Look at those students who are the successful borrowers, and what are their attributes, and maybe describe why they're successful vs. those who end up in default.

My point is, fully understand the issues at your campus. Perhaps those that are successful borrowers are more engaged in the campus. Maybe they have support groups. Maybe they seem to have a better understanding of financial literacy that only confirms your finding on the at-risk students.

The risk analysis is also necessary, so that you don't waste time and resources. You can really target in on those who at risk, and perhaps you'll have to prioritize exactly what your efforts are going to be. You've identified a number of at-risk groups, while hopefully through the risk analysis, you can identify or triage those that you really need to spend the effort and time on at first.

Doing that risk analysis, I really encourage you to dive into the data. Get dirty with the data. I was talking to a colleague, right after the general session, and I was really pleased to hear that they actually are partnering with our campus institutional research office, in that they have the ability to do that, they have a research at the school. So they are actually pulling information from NSLDS, combining that with institutional data, and getting dirty with the data. I used that term exactly, and he says, “Yeah, I know what you mean. You really don’t understand until you really run your fingers through that data.” Now, I realize that everybody doesn’t necessarily like to get dirty with data, but there are probably individuals on your payrolls that do like to do that. So look for those. A perfect team member, but use that data, usually in a NSLDS data, it’s a great place. The school portfolio report that David talked about has a lot of information out there regarding students, and what your portfolio is comprised of. You need to know who is at risk and why, if you’re going to develop an effective plan.

Once we’ve done the risk analysis, then you want to start to identify the intervention points. Need to be specific in this. Is the intervention point going to be an orientation session before the student even starts classes? Perhaps an intervention point’s going to be you’ve identified the individuals who are having satisfactory academic problems, progress issues, their intervention needs to be at that point.

Perhaps intervention points going to be in a financial literacy course that you’re setting up for all first year students, and always keep in mind that when you design your intervention points for those at-risk students that what you want to do is always be aware of where that borrower is in their life cycle of the loan. Are they in school? In grace? In repayment? If they’re in grace, they’re a little bit further removed from the campus, and so what you do in that intervention may be targeted toward really preparing that student to move into the repayment phase.

Try to make your steps as measurable as you can, but keep track of those calls. Keep track of those classes. What works, what doesn’t work. Are you reaching those students? Are they really understanding what you’re trying to communicate to them?

I put the very last point in here because I’ve seen plans, that though wonderfully written and wonderfully expansive, in my mind, would never be executed, because they were just too much. So be realistic, and ask the question – ask your team the question – can we truly execute this plan? Do we have the resources to execute this plan? There may be things that you want to do in phases if – you’ve got good ideas, you just can’t accomplish them all at the same time, so you may need to break it down and go after it in phases.

Now, I want to kind of come back and talk about the traditional approach. In, traditionally in last decade, last 20 years, the financial aid office has had the responsibility and seen as those on campus as having responsibilities for managing the default issue. So the traditional approach really focuses on what the financial office traditionally has done, and there's nothing, like I said before, is nothing really is wrong with the traditional. Perhaps we need to look at what we're doing, and how we're communicating that information. Times have changed. There's a whole new technology that wasn't available five years ago, probably even a year ago. So we want to focus on helping the borrower the use of debt financing.

Understanding loan repayments. Obviously, exit and entrance counseling are regulatory requirements, but how can we do those better? David talked about the new financial aid counseling tool. It's a wonderful tool. I got to say, it doesn't even look like it's a Federal project, so if you've not seen it, go out and look at it. I wish that tool would have been available when my daughters would have been in college. In fact, both of them are in their 30s now, and I recently asked them, or suggested that they look at it, and they go, "Oh, Dad," but it's a great tool.

One of the things you want to do is make sure your partners in the repayment process are kept informed. You want to make sure the enrollment status updates are submitted in a timely manner.

The traditional approach really means engaging the borrowers, engaging the at-risk borrowers. It's getting to them. It's visiting with them, and then of course, more and more we're beginning to realize that financial literacy really is part of the traditional approach to default management. So I want to spend a little time talking about financial literacy.

There really is a correlation between financial literacy and decreased defaults. Check some of the statistics. Some of the research back there, but there is a correlation because those that understand financial concepts, those who understand banking, understand loans, understand budgeting, and the ability of repaying the loan. So it does make a difference.

There's also been some research to indicate that those improve their financial literacy while at school have a higher scholastic achievement, or where I should say, they benefit more from their education. They tend to – a higher retention rate, a higher graduation rate. So there's new research being done on that. So there's all kinds of benefits, not only to the individual, but to the institution, by providing some financial literacy training.

As we've indicated before, financial literacy can be part of your first year orientation. It can be offered as a class for credit. Maybe a non-credit evening class. There's a lot of free information out there on financial literacy now. A slide on that a little bit later. There's online literacy offerings, and there's information out there available to assist students better understand, better use, non-student loan types of credit products, i.e. credit cards.

These are some of the Federal websites that promote financial literacy. The FDIC; The Federal Reserve Bank; The Department of the Treasury; consumer.gov; and there's a new agency in town, the Consumer Financial Protection Bureau, an excellent site for information and for assistance to borrowers. They have a student loan hotline, in fact.

One of the things I specifically wanted to focus on as a traditional approach is protecting that grace period. I've already mentioned this once. I went to a session on servicing this morning – late this morning – and one of the servicers actually said, "We need to know where your students are in a timely manner." Students all have a six-month grace period. It's up to you to flag that student as having entered that grace period. There servicer is going to have a harder time working with that student if they only have a month or two of that six months to work. They're not – the student's not going to get the break of a longer end grace period if you're slow in responding to the servicer, or providing your student status information ____ NSLDS.

The other thing I want to point out is a traditional approach, but it's proven, is that you want to ensure that the borrowers can be contacted. Some schools have actually developed supplemental information sheets to collect additional contact information, and they keep this in their file if needed.

David spent a little bit of time talking about the delinquency management, or the delinquency report, DELQ1. I can't remember the initials. It's a delinquency report that's available through NSLDS. One of the great things on that report is a little flag that says At risk, Good, Bad. Yeah, it's the at-risk reported by the servicer, and it's a little flag. If the servicer says, "I can't contact this student, my address is bad," on that report, you can easily determine, for those students who have entered delinquency, if they do not have a good – if the servicer does not have a good address. So, valuable tool.

If you've got an at-risk other than what's on a delinquency report, you might want to either contact a borrower or contact a servicer, and try to reestablish that contact. A borrower out of contact, really, in my view, is a delinquency waiting to happen.

Just to kind of recap traditional activities, exit and entrance counseling, financial literacy education rapidly becoming one of those key parts of any default aversion plan. Early stage delinquency outreach. Late stage delinquency outreach. These are just recap of those traditional default aversion activities.

I want to kind of circle back now and talk a little bit about student success approach to default aversion. You're helping the borrower achieve academic and vocational success that leads to employment. You want that student to persist in their educational plan. You want them to be one of that 489,000 that drops out of school. You want to move that student through graduation. You want them to be successful in learning what they came to school to attain, and then you want to move those individuals into gainful employment.

In visiting with schools, there's been a number of at-risk characteristics identified, and this plays right into the student's success, because you want your students to be successful, but if they're not going to be successful, you're asking why they aren't going to be successful, and these are some of the things that have been identified to us in our conversations with schools – financial need, transportation issues, housing issues, missing that campus connection. Unfortunately, a personal experience with that – I was visiting with one of my neighbors four, five houses down. They had a son who graduated, and I was talking to him after graduation, and I said, – student, he's going to go on to college. He's going – in fact, he's going to an out-of-state school – "Well, have you applied for financial aid?" Now keep in mind this is June – late June, early July, after graduation, and they said, "Well, we got a FAFSA." Okay. I'm thinking, "Oh, no. School starts late August." I was talking to him a little bit later that summer. "Well, your son's moving up, going out of state." "Yes." "Is he going to live on campus?" "Well, we've got a problem. There's no housing on campus, but we've got an arrangement made to live off campus with three guys that he doesn't know." The risk is there.

Does he know anyone on campus? Well, he knows his girlfriend, and that's probably why he's going up there. So there's three of these things already identified as a risk characteristic – financial need, no connection on campus, and housing issues.

Another risk issue that I really want to highlight for you, and it's well known, is borrowers who do not complete the program. They've not achieved their academic credentials. They may not have earned that entry into that job market, or that particular career. They may have one or more loans to repay. They may not have received exit counseling, and again, a bit depending on when you report that student, or when you can report that student on their student status report, they may not have full benefit of the grace period. So really at risk are those students who complete – who stop out of the program.

Does your school have a way to identify those at-risk students? Do you have an early warning system in place? I know in the financial aid office we're really pretty good about identifying students with potential issues. We work with those every day, but is there an early warning system across campus? So others who are working with students can identify students and make the appropriate referral, or provide themselves the appropriate counsel to those students regarding financial issues, and once we have identified those students through a risk assessment, or by providing better training to campus staff, how are we going to engage those at-risk students, and when shall I intervene?

Again, keep in mind that your intervention is going to be driven by where they are in the loan cycle. If they're on campus, there's certain things you can do – extra counseling, making sure they completed the exit counseling; the financial literacy training that we talked about; collecting additional contract information, and this actually been at the bottom of the slide. I'm listing some who are at risk types of activities. Again, engaging the borrower, where they are in the life cycle – engage them in the means of communication that they can understand.

Engaging borrowers who are at risk in grace. Again, they're no longer in school. They're a little bit more removed. You know within six months, they're definitely going to be in a repayment phase, so how can you prepare that borrower to go into that next phase?

Validate contact information. If they dropped out of school, is there a way that you can perhaps work with them to bring them back into campus under better conditions or in a different program maybe, to get – to move them to where they need to be.

Job placement assistance. Now, I don't know whether your campus offers job placement assistance. Most students do have to stop out. If it does, that may be a means. Maybe they could work and then return to school.

And then of course, engage the borrower who are in repayment. Again, maybe possibly at early early-staged delinquency intervention, or maybe your servicers already doing that, so maybe you should focus on a late-stage delinquency intervention. Again, using some of the information from the school portfolio report.

Now I want to circle, come back to student success, and while it's maybe not one-on-one engagement with the borrowers, but you're overall working toward promoting student success on your campus. You're introducing the program completion time, if at all possible.

In developing stronger bonds between your campus and employers in your locality that will hire your students.

So we've covered a lot of ground today. We've talked about the environment. We've talked about tools and resources, and then we kind of walked through some ideas and thoughts and concepts of default prevention planning.

We want to leave you with just a couple very helpful resources that are available to you. The cohort rate default guide. We talked about that. An excellent tool. It's available on the internet. The delinquency and default management webpage is now also available on the IFAP home page. There's a link there that will take you to an entire page, an entire series of links on default prevention. And then finally, FSA assessments, and there's another session on that today, but there is actually information in there to help you evaluation your default prevention programs on campus. Very good set of material there.

Here's our contact information, should you need to reach either of us. We love to work with schools. That's what our job is, so don't hesitate either David or myself. I can – we work different areas, but we're still school facing, so we – if there's anything that we can do to assist, you have questions, don't hesitate to contact us, and with that, we'll turn to questions that you all may have. Please use the microphone.

Audience 1: Hi, I actually had three questions.

Patrick: Three.

Audience 1: I've been studying this for months, and I want to know does anyone ever use their institutional research people. There's so much data that you're trying to gather, and it's so much demographic data, of all the different sorts and types. Is it appropriate to use institutional research people on your campus? Will they do that? Can they do that?

Patrick: Yeah, the question is can you use institutional research staff for this time of – for default prevention research? Absolutely. I mean, that's really an institutional question, depending on their priorities, but I do know of a number of campuses that are – have – that are doing that. You certainly wouldn't want to violate any –

Audience 1: Compliance, right.

Patrick: Privacy issues, but there are campuses that are really getting into the research on default management, and identifying their specific issues.

Audience 1: Because barring that, I'm wondering how I would do this research, actually. It's a great undertaking, to gather all that data, for all your defaulters. So I'm not real sure if I didn't use them, I'm not sure how I would do it.

David: From the reports – I mean, there's some sessions that –

Audience 1: NSLDS reports.

David: Yes, from the loan record detail report, the delinquency, and the school portfolio report, because that will give you the data elements that you need to start. Also, the loan services have reports and tools as well. So if you send us an email, we can definitely point you in the right direction.

Audience 1: They give you all the demographic data? They have that?

David: Some of it. Not all of it. Some of the demographic data, we have ____ in NSLDS, and they have – and some of it you have.

Patrick: And let me add to that. Servicers may be able to help you with some of their – for the borrowers that they hold, that better describe them, and I know that there's other agencies, former – I'm thinking particularly of Oklahoma. I hope I'm not letting too much out of the bag, and I know there's others, but I know that Oklahoma college access program has a tool that lets you import the school portfolio report, and then manipulate that. so there's other sources out there. Make the outreach and just ask. Do you do this? Do you have a tool for us?

Audience 1: Okay, and question number two, and this again may be institutional, but I would be interested to know if anyone ever does this: exit counseling – holding people accountable to that. We're a two-year school, so they're usually leaving us and going on to another school, but they still need to be doing the exit counseling. Do schools ever say, "Okay, you can have your diploma, your certificate, however, we won't give transcripts until you've completed exit counseling." Is that an appropriate requirement?

[Inaudible audience member response]

Oh, you have to do it to walk?

[Inaudible audience member response]

Patrick: Yeah, you can have some provisions that will help direct students in the entrance counseling. Now there – I mean – but every state has a few different variances on what you can't – it's sometimes down to you're spending the money you're buying, you're attending a state school, or maybe some unique state regulations regarding what you can withhold and what you can't withhold, but that certainly – so check that out. That's a possibility for you.

Audience 1: 'Cause I was told our president will not withhold diploma. Will not, will not. We're not going to do that. So my next question is, "Well, can we withhold their transcripts until they've done it?" It's not like we're really asking them to do something huge, but I just don't know how to them – the entrance is easy. We won't give them the loan until they've done the entrance counseling and it's in our system _____. That's easy for us. You didn't do it? Go back and do it. We'll tell them 15 times, and they will not get the loan until they've done it. This is a little different. They're leaving. So I'm just trying to figure out ahead of time how we're going to hold them responsible for that. So, I think you answered my question though.

Okay, the third on is pretty much a question to you, I think. The financial aid awareness counseling that recently – *[laughs]* Are you even thinking what I'm thinking? We had a huge problem this year with that, partly because we had new staff. I was one of them. we require they go to studentloans.gov and do entrance counseling. I just said that. We had so many students that were confused and did that other one. I can't – we went out there about three, four months ago. I can't even tell you how many kids came in discouraged. We were discouraged. We were repeating ourselves over and over again, and I don't know how to stop that, but my real question is this: The financial aid awareness, I see great value in that. I like the way the graphics and all – can I use that, and I speak this to the student success classes. Can I use it? Am I allowed to use that as a PowerPoint and not create my own? I'm not infringing on any copyright or anything, am I, if I do that?

Patrick: No, and in fact, we encourage you to spread that word of using that, and keep in mind, students that do not have a pen can still use that. It's certainly – if a student can log in and have this information in the NSLDS, that's to their advantage to log in, but there's nothing that prevents the student from – who doesn't have a record to go ahead and log in and use that, and we do apologize for – we try to mitigate that by changing the location of it on the webpage.

Audience 1: Yeah, okay. Thank you.

Patrick: Okay, we're concluded.

Audience 2: Hi, I had a question.

Patrick: We can still visit. We've got the stop sign over here, so – but come on up.

[End Audio]