Federal Student Loans in Rural Appalachia: Maintaining Access and Preventing Default

Student Loan Cohort Default Rates

What is a Cohort Default Rate (CDR)?

- A “cohort” is a group of school borrowers who entered repayment on certain FFEL and Direct Loan Program loans within a given federal fiscal year (FY).
- A Cohort Default Rate (CDR) is the percentage of those borrowers in a school’s cohort who defaulted within that federal fiscal year or within the three fiscal years (36 months).

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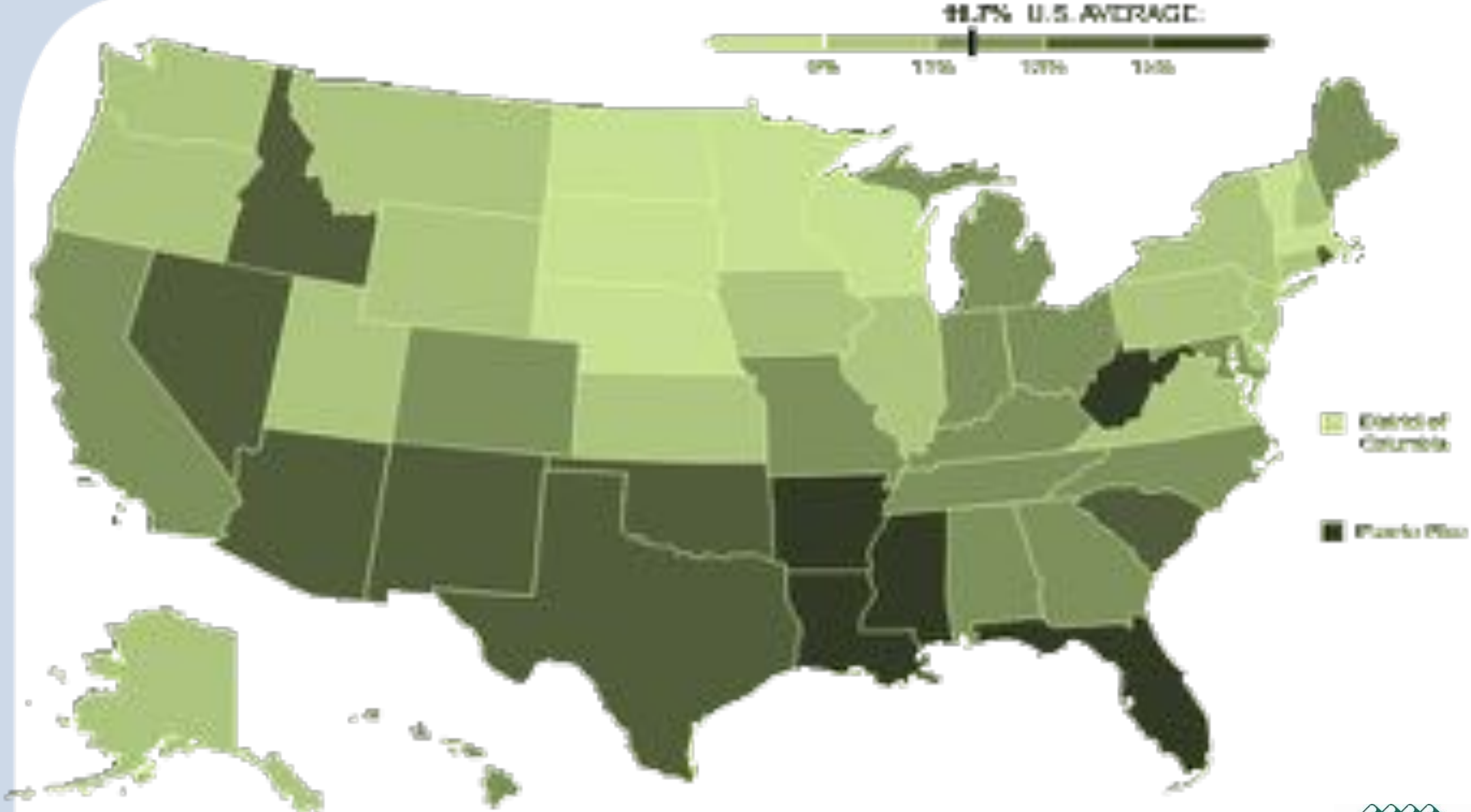
Cohort Calculation Example

% of Student Loan Balances 90+ Days Delinquent



Source: FRBNY Consumer Credit Panel/Equifax; Data displayed in maps are as of December 31, 2012.

Student Loan Cohort Default Rates

Rates of 30% or greater:

- Require response to FSA (default management plan) for 1st and 2nd occurrence
- 3rd occurrence of 30% triggers loss of Pell and DL funds - Note: To date no community college has lost access

Colleges can file appeals and/or challenges

Rates can be challenged based on:

- Low participation rates in federal loan programs
- Economically disadvantaged student base
- Improper loan servicing

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Appeal Options Include

Loan Servicing Appeal

- Within 15 days of notification of official rate
- Fees may apply

Participation Rate Index

- # of borrowers and # of students enrolled at least half-time
- http://www.ticas.org/pub_view.php?idx=901

Economically Disadvantaged Appeal

- Low-income and placement rate
- Low-income and completion rate

Options for Responding to a CDR Crisis

Cease student loan program participation

- Negative impact on enrollment and access (TICAS Report - 2014)
- CDR rates and defaults continue for <u>many</u> years

Look to the Financial Aid Office for "The Solution"

- Budget limitations
- Small colleges/small staff
- Data & technology
- Depth of knowledge

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The New River Approach

A Best Practice

Develop a proactive default management plan beginning at the point of enrollment and continuing through repayment

- Comprehensive campus-wide support
- Align budgetary resources
- Fully explore appeal options, if appropriate

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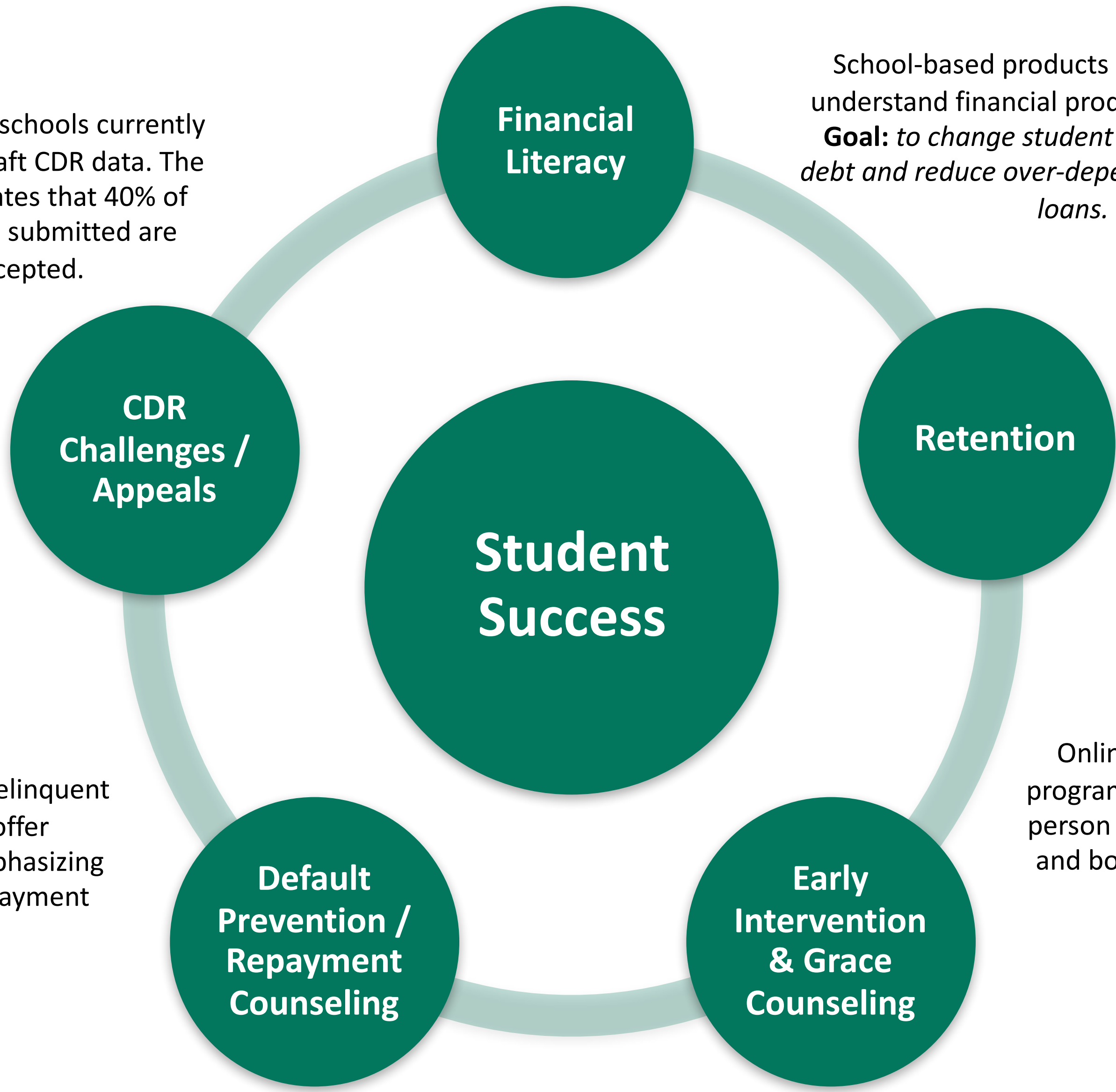
Where to Start

Only 10% of schools currently challenge draft CDR data. The DOE estimates that 40% of challenges submitted are accepted.

School-based products to help students understand financial products and services. **Goal:** *to change student attitudes toward debt and reduce over-dependence on student loans.*

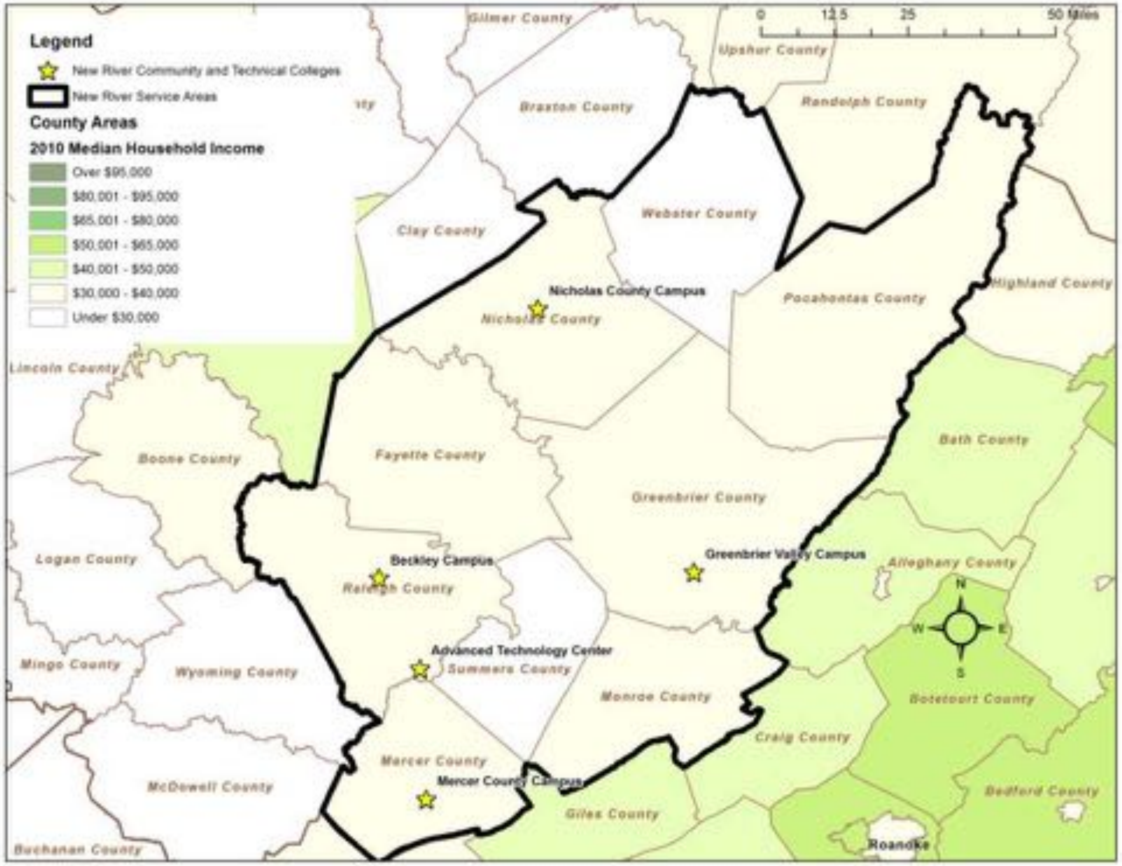


College completion is the best default prevention tool in a school's tool kit!

Outreach to delinquent borrowers to offer solutions- emphasizing affordable repayment options.

Online entrance and exit programs are not enough – in person counseling, budgeting and borrower education are needed.

Setting the Stage



Service Area – 5,679 square miles

Population – 297,091 residents

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Setting the Stage

Fall 2014 Enrollment – 1,863

- 62% of population are female
- 1% Asian
- 6% African American
- 91% White
- 2% two or more races
- 54% less than 25 years of age

Cost of Attendance

In State

- Per semester hour - $151
- Tuition and fees per semester - $1,782

Student Financial Aid Demographics

- 91% of FTFT receive grant/scholarship aid
- 27% of FTFT borrow federal student loans

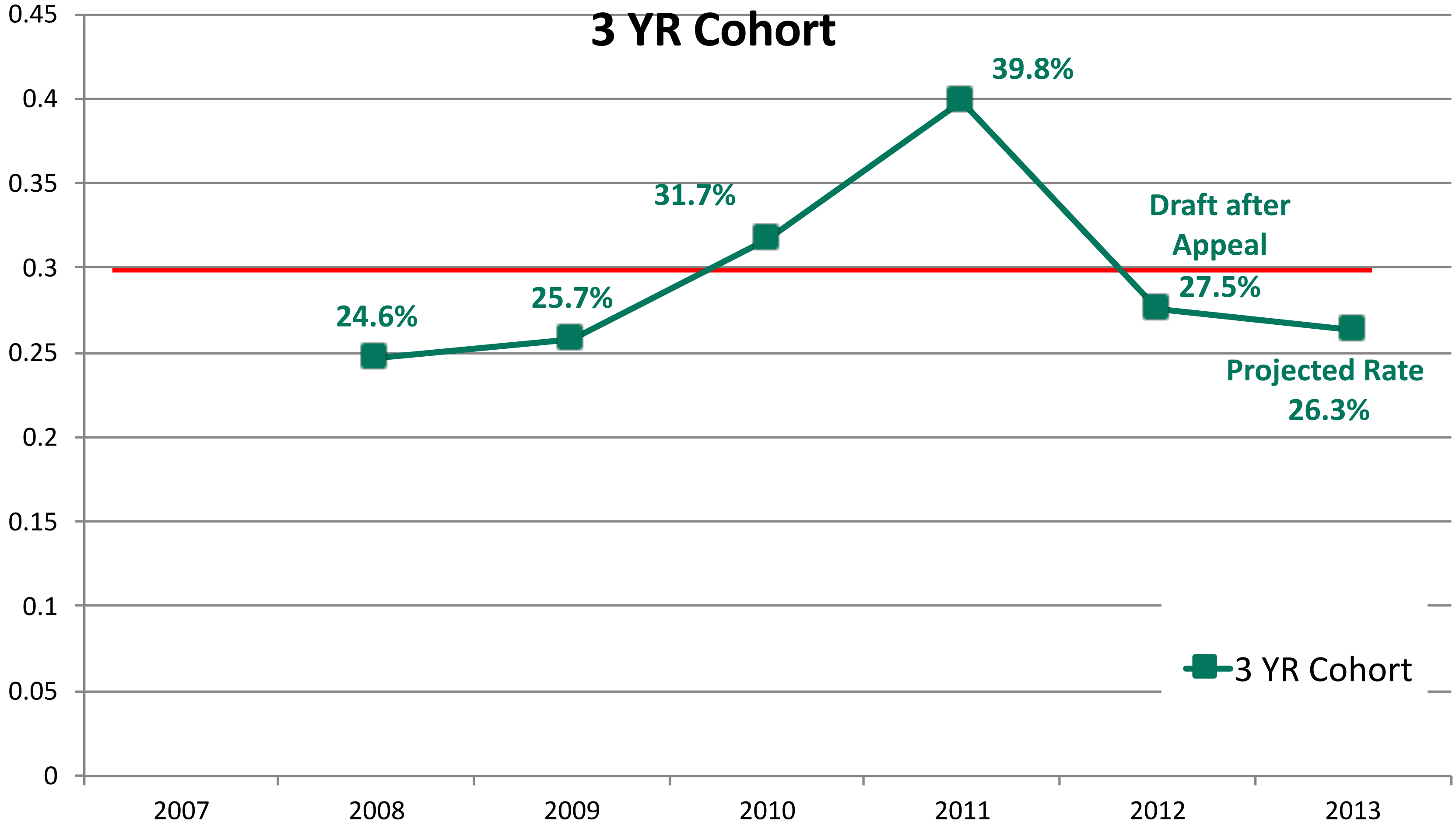
There is no correlation between tuition cost and loan default

Federal Aid Funds

Financial Aid Received Fiscal Year 2013-14

• Pell	$ 6,713,855
• Federal Loans	$ 2,503,335
• SEOG	$ 66,829
Total	$ 9,284,019

New River Cohort Trends



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The New River Approach

Get whole campus involved

- Increasing program completion rates
- Decreasing program completion time
- Helping non-completers find a job
- Implementing institutional policies that promote student success: student must meet with a financial aid counselor prior to withdrawal from a course

Celebrating 10 Years - 2003 - 2013

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Advanced Technology Center

TO: All Faculty and Staff

FROM: Dr. L. Marshall Washington, President

DATE: July 16, 2013

RE: Borrow Smart Campaign

As many of you are aware, Congress has doubled the interest rate on federally subsidized student loans and grace periods are being reduced or eliminated. New River's student loan default rate is already at an unacceptably high level, and these changes threaten to increase it even further. If we are not able to bring the default rate down, our federal funding and even our accreditation could be at risk. The impact on our students is also dramatic, as they are facing debt that will impact their lives for years to come, and if they default, there are serious consequences for their ability to get credit in the future.

In response to these concerns, New River has refined procedures for students applying for loans. In addition to the FAFSA, students will now have to submit a New River loan application form on which they will be asked to justify their need for funds over and above the amount for tuition and fees. Students will also be required to participate in a one-on-one counseling session with a financial aid counselor before they apply for a loan, and they will also have to participate in an exit interview with financial aid when they leave New River, either because they graduate or withdraw from the College. A financial aid counselor's signature must appear on the withdrawal form before a student can officially be withdrawn from classes.

New River is launching a new campaign called Borrow Smart to educate our educational community about the importance of borrowing the minimum amount necessary to allow them to complete their studies. The campaign also will focus on the consequences of default and explain options available to avoid default. The campaign will include handouts, posters, Facebook posts and other communications.

I expect all faculty and staff to support this campaign by strictly adhering to the new guidelines for applying for loans and withdrawing from classes and by reinforcing the Borrow Smart campaign at every opportunity. It is in the best interest of our students and New River that we work together to address this problem.

www.newriver.edu

Advanced Technology Center | Beckley Campus | Central Administration | Greenbrier Valley Campus | Mercer County Campus | Nicholas County Campus

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The New River Approach

Develop default management plan and devote resources to manage risk

- Default management task force led by President
- School wide representation
- Create plan/work the plan
- Make it an institutional priority

The Comprehensive Approach - Data

- Data-driven decisions
- Looking at who is defaulting and who is repaying
- Not just who is defaulting but <u>why</u> are they defaulting
- Once you know who and why, then you can implement strategies that will make a difference

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The Biggest Risk Factor

Students who do not graduate

Approximately **70%** of borrowers who default did not complete their program of study

ACADEMIC LEVEL	BORROWERS	DEFAULTED	DEFAULT %	AT RISK BORROWERS	AT RISK %	AVG ORIG BALANCE	AVG INSTALLMENT
0 – UNKNOWN	4	3	0.6%	0		$9,614.25	$115.20
1 – FRESHMAN	**1250**	**311**	**64.8%**	**44**	**67.7%**	**$5,677.53**	**$69.52**
2 – SOPHOMORE	709	116	24.2%	14	21.5%	$11,702.32	$126.67
3 – JUNIOR	253	40	8.3%	5	7.7%	$15,044.13	$162.97
4 – SENIOR	63	6	1.3%	2	3.1%	$17,793.52	$193.94
5 – FIFTH YEAR	32	4	0.8%	0		$9,621.28	$122.57
A – FIRST YEAR GRAD	3	0		0		$6,756.00	$74.00
B – SECOND YEAR GRAD	6	0		0		$5,692.67	$60.40
D – BEYOND THIRD YEAR GRAD	5	0		0		$12,210.20	$137.40
	2325	**480**		**65**			

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New River – What the Data Showed

STATUS DETAILS

COHORT	STATUS	BORROWERS	AVG BORROWED	AMOUNT BORROWED	AVG MONTHLY INSTALLMENT
2011					
	REPAYMENT	289	$9,947.30	$2,874,770.00	$111.96
	PAID IN FULL	21	$14,201.90	$298,240.00	$103.76
	DEFERMENT OR FORBEARANCE	138	$10,805.38	$1,491,142.00	$121.12
	DEFAULT	332	$10,263.08	$3,407,344.00	$113.71
	DDB	1	$14,742.00	$14,742.00	$132.00
		781	$10,353.70	$8,086,238.00	$114.13
2012					
	REPAYMENT	397	$7,718.04	$3,064,061.00	$90.13
	PAID IN FULL	23	$8,549.83	$196,646.00	$127.91
	DEFERMENT OR FORBEARANCE	202	$8,545.45	$1,726,180.00	$100.77
	DEFAULT	127	$9,025.34	$1,146,218.00	$134.54
	DDB	3	$4,609.33	$13,828.00	$61.33
		752	$8,174.11	$6,146,933.00	$101.53
2013					
	SCHOOL OR GRACE	8	$12,794.88	$102,359.00	$98.50
	REPAYMENT	473	$7,831.56	$3,704,326.00	$91.25
	PAID IN FULL	9	$4,267.89	$38,411.00	$52.22
	DEFERMENT OR FORBEARANCE	111	$8,854.41	$982,840.00	$119.94
	DDB	2	$9,121.00	$18,242.00	$74.50
		603	$8,036.78	$4,846,178.00	$95.99

This table provides repayment status by cohort. If listed, "DDB" stands for Death, Disability or Bankruptcy.

Borrow Smart Campaign

Campaign Launch - Aug 1, 2014

On Campus Marketing Campaign

Goals:

- Increase awareness of over borrowing
- Help borrowers understand debt obligations
- Explain dangers and impact of default

The Media and Proactive Communication

Be Prepared

- *USA Today* inquiry – IPEDS 2009/10 data
- Publication of CDR rates
- Proactive communication
  - Increasing staff awareness
  - Public awareness – press release

Risk Management & Student Success

- Increase resources for financial aid counseling
  - Institutional control of loan process – don’t pre-package
  - Staff training – counseling on repayment options
  - Gather reference data during enrollment
- Outsource or insource outreach initiatives
  - Post enrollment
  - Repayment education and assistance
  - Helps borrowers be successful long term
  - Re-enrollment counseling/collaboration with Retention Office

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Borrower Outreach – Post Enrollment

- Phone calls, letters and emails to delinquent borrowers
- Skip tracing to find up-to-date contact info – share with loan servicers as well as Admissions and Business Office
- Build trust and determine factors that are negatively impacting ability to repay
- Determine best solution for borrower
- Counselors act as student advocates with loan servicer(s)

New River Action Plan – Maintaining Eligibility

ACTION	RESULT
Assess Participation Rate Index (PRI) challenge and appeal options	Not valid - participation rate exceeded threshold
Incorrect Data Challenge (IDC) for FY 2012 Draft CDR – in process	Identified significant IDC appeals – split servicing, LDA, DDB for 92 borrowers
Loan Servicing Appeals (LSA) for FY 2010, 2011 and 2012	Began process in Sept. 2015 Outcome pending

Future Regulatory Considerations

- Support revised CDR calculation to consider percentage of students who borrow
- Support loan limit reductions for community colleges
- Monitor conversations regarding “skin in the game” (i.e. Risk Sharing)
- Monitor Repayment Rates published on new College Scorecard

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