NPCC’s 3yr Cohort Default Rate Crisis

The Perfect Storm

Presented By: Lisa Hopper & Trish Trantham
Our first reaction was just initial panic, confusion, and absolute sea sickness. March 2012 - NPCC’s first 3yr Cohort Default Rate (CDR) of 31.8% was delivered like a thunderbolt from the sky.

Our prior 2yr official CDR was 18.8% at its peak.

The estimated projections we received for our first 3 year rate beginning with the 2009 Cohort were approximately 24%.

As we dove into the crashing waves, we heard the Perfect Storm rumbling above the surface, and we knew at this moment.....that this was a sink or swim situation for many reasons and it would have many long-term affects on our institution.

NPCC’s Captain took a hard hit with the first 3 year rate exceeding the federal limits of 30+%.....so this is how it feels when the ocean’s fury is unleashed.
Weathering the 3yr Default Rate: 3 years of defaulters/1 year of in RP
LOOK at # of Borrowers in RP

<table>
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<tr>
<th>Cohort YR/%</th>
<th>Date of Cohort</th>
<th># Defaulted/#RP=%</th>
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<tr>
<td>FY2009 3yr = 31.8%</td>
<td>10-01-2008 to 09-30-2011</td>
<td>115/361 = 31.8%</td>
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<td>YEAR 1</td>
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<td>FY2010 3yr = 30.7%</td>
<td>10-01-2009 to 09-30-2012</td>
<td>139/450 = 30.7%</td>
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<td>YEAR 2</td>
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<td>FY2011 3yr = 23.84%(P)</td>
<td>10-01-2010 to 09-30-2013</td>
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<td>YEAR 3 - SAVED</td>
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<td>FY2012 3yr 22.47%</td>
<td>10-01-2011 to 09-30-2014</td>
<td>215/957 = 22.47%</td>
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<td>YEAR 1</td>
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<td>FY2013 3yr 0.0%</td>
<td>10-01-2012 to 09-30-2015</td>
<td>0/1167 = 0.0%</td>
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According to the Department, eight schools are subject to sanctions, including loss of eligibility in federal student aid programs, for having two-year default rates of 25 percent or more for three consecutive years. The last time the number of schools subject to sanctions was this high was back in 1998.
Nearly a half million student borrowers are defaulting on their loans within two years of repayment, according to the U.S. Department of Education on Monday.

The 3 Year 2010 CDR is a snapshot of the cohort of borrowers whose first loan repayments came due between Oct. 1, 2009 and Sept. 30, 2010, and who defaulted by Sept. 30, 2012. During this time, more than 4 million borrowers from 5,951 schools entered repayment and more than 600,000 defaulted.

No sanctions will be applied to schools based on the three-year rates until the CDRs have been calculated for three fiscal years, which will be with the release of the FY 2011 rates next year. Until then, sanctions will continue to be based on the two-year CDR only.
Mapping the Cause: Improve Future Forecasts

- Fall 2009-NPCC converted FA student filing system to Image Now
- Spring 2010-mid year conversion from Poise to PeopleSoft
- Summer 2010-conversion to direct student loan program
- Due to federal regulations, the calculation of the Cohort Default Rate (CDR) changed from a 2 year rate to a 3 year rate beginning with the 2009 cohort (Feb 2012-draft)
- Enrollment reporting issues-huge issue and it caused a lot of students to default-they are lost in the loan shuffle
- SAP processes are extremely technical to develop and monitor but essential
- Enrollment increased to an all time high-nearly 4200 students. Many of which were precollege level first time students
- Fall 2010-started packaging loans for all students AUTOMATICALLY due to the complaints of long lines
To Divert Future Storms: Plot New Coordinates

- Compiled and analyzed internal data about NPCC’s background
- Analyzed 2009 3 year Cohort borrower data for trends
- Positioned a full-time staff as Default Prevention Coordinator and Created a Default Prevention Task Force
- Developed a Default Management Plan using 2009 Cohort data
- Began learning, communicating and partnering with everyone
- Evaluated/Changed current policies, processes, and procedures to improve
- Issued NPCC loan requirements for ALL students beginning Fall 2012 going forward
- Made huge efforts to find our former borrowers (defaulted or delinquent) to educate and assist them going forward as well
National Park Community College  
Default Management Plan 2012-2013

Background

- Students attending National Park Community College (NPCC) rely very heavily on financial aid. Over 70% of our students receive some form of Title IV federal aid the past three yrs.

- During the 2010-2011 Academic year, NPCC awarded over $18 million dollars in Federal Financial Aid (Pell Grant, SEOG, FWS, ACG). Over this same period of time, NPCC students received over $10 million dollars in loans (Federal Direct Subsidized, Federal Direct Unsubsidized, and Federal Direct PLUS).

- While the awarding of these grants and loans provides NPCC students tremendous access to educational pathways, the large amount of student loan debt that is being accumulated could result in NPCC’s Cohort Default Rate (CDR) rising to the point in which our eligibility for receiving Federal Financial Aid could be revoked.

- The CDR is the percentage of a school’s borrowers who enter repayment on student loans during a federal fiscal year (October 1 to September 30) and default prior to the end of the next two federal fiscal yrs. The first official 3-yr CDR was generated for the FY2009 cohort in September/October, 2012, while the first “draft” rate was available in March 2012. The concern is that if the school stays at 30% or higher for two more consecutive years, they risk the loss of eligibility for all Federal Grants, Loans, and Work Study.
In March 2012, we began researching the 3-yr FY2009 CDR defaulters. Then, we compiled the data to review the 115 defaulters specifically for better understanding. We wanted to learn everything we could about the trends or the common traits within this cohort.

Listed below are the core characteristics of the FY2009 3-yr defaulters (115 defaulters in the cohort of 361 students in repayment):

- 75.8% owed < $10,000 at NPCC
- 67% owed < $10,000 in total at all institutions
- 77% are Independent students (as determined by the Free Application for Federal Student Aid or FAFSA)
- 65% were born 1980 or later
- 57% had a last enrollment status of “Withdrawn” or unofficially withdrew
- 88.5% did not graduate
- 41% had below a 2.00 CGPA
- 25.6% had at least one remedial class
Majors which account for large % of defaulters (44%)
  - ASN(Nursing)(13%)
  - AA (Associate of Arts)(11%)
  - ALS(Associate of Liberal Studies)(10%)
  - TC Practical Nursing (10%)

General analysis of the data shows that the primary problem is related to retention – students only attend a few semesters with 84.5% of the defaulters having withdrawn one or more semesters. Without obtaining an academic credential, students then have difficulty obtaining better employment and have trouble repaying their loans.

Also, recent studies have shown that students who default have deficiencies in financial literacy and debt management skills. All of these areas are going to be strengthened by providing more financial literacy to current students and debt management information to current and former students who are alumni of NPCC.
Committee Members

- Director of Financial Aid (Committee Chair), Default Prevention Coordinator (Committee Secretary), Vice President for Financial Affairs, Director of Student Affairs, Director of Online Learning, Faculty Business Division (former assessment officer), Director of Career Services, Institutional Research Analyst, Practical Nursing Program Director (faculty).

- This group has formulated a four-prong approach that addresses (A) Retention Strategies, (B) Financial Literacy/Awareness for all constituents of National Park Community College, (C) Debt Management for NPCC students who apply for and receive student loans, and (D) Default Management for NPCC Alumni who have borrowed student loans.
Q. My school has a 3-yr cohort default rate over 30 percent, will this affect my school?

A. Yes, if your school has 30 or more borrowers, and has a 3-yr cohort default rate that is equal to or greater than 30 percent it must establish a default prevention task force. This task force must prepare a plan to identify the factors causing the school’s cohort default rate to exceed 30 percent and submit to the Department for review. In addition, schools with cohort default rates of 30 percent or greater for two consecutive years will have to revise their plans to implement additional procedures and also could be subject to provisional certification. In the year 2014, schools that meet certain criteria will become subject to sanctions as a result of the 3-yr cohort default rates. For more information please read 34 CFR Section 668.21 and 7 and Chapter 2.4 of the Cohort Default Rate Guide. Please contact defaultpreventionassistance@ed.gov for assistance.
Plan Submission Deadline and Assistance

- Default Prevention Plans should be submitted to the Department by November 30, 20XX via e-mail to defaultpreventionassistance@ed.gov.

- If a school would like assistance in developing or reviewing its Default Prevention Plan, it may send an e-mail request to defaultpreventionassistance@ed.gov that includes the name, phone number, and e-mail address of a contact person at the school.

- Additionally, we encourage schools to visit our Default Prevention Resource Information page on the Information for Financial Aid Professionals (IFAP) Web site. This page consolidates delinquency and default prevention resources in one location.
Under Section 435(a)(7) of the HEA, an institution that has a 3-yr Cohort Default Rate of 30 percent or greater for any one federal fiscal yr. is required to establish a Default Prevention Task Force to reduce defaults and prevent the loss of institutional eligibility.

Preparing a Default Prevention Plan

The HEA’s implementing regulations at 34 CFR 668.217 require that a school’s Default Prevention Task Force create a program of default prevention and submit a written Default Prevention Plan to the Department of Education (the Department).

A school’s Default Prevention Plan must:

- Identify the factors causing the default rate to exceed the threshold
- Establish measureable objectives and the steps the institution will take to improve its cohort default rate
- Specify the actions the institution will take to improve student loan repayment
Procedural Changes at NPCC

- Approved and designated a full-time staff member as the Default Prevention Coordinator at NPCC as well as formed a task force.

- Increased requirements for loan recipients: new and returning each Fall: in-person loan seminars and worksheets as part of official Default Management Plan approved by USDE (not something every school can do).

- Prorated categories (within the cost of attendance budgets where allowed) for less than full time students.

- Tightened Satisfactory Academic Policy and Appeals - fewer students approved.

- Enrollment Reporting issues with NSLDS- National Student Loan Data System have been corrected and/or changed to make sure students are reported more efficiently.

- Loans are now disbursed 66% at 30th calendar day of term and 34% held until 60th day.
Hired a 3rd party to assist with NSLDS delinquency lists as well as partnered with SLGFA, USA Funds, and the four primary servicers NelNet, Great Lakes, FedLoan and Sallie Mae to utilize free resources being offered.

Default Prevention Coordinator contacted defaulted students for 2011 (last year) by December 2012 in order for student to make 9 payments in 10 months, which will take the student out of default and out of our cohort defaulter. (Dept of Ed must complete the process of reissuing the loans to the DL servicer after the 9th payment and before the 9-30-XX deadline each cohort)

Improved policies and actions to ensure students are dropped for nonpayment/no shows.

Campus-wide push to communicate better internally as well as with students about expectations. Internal policy improvements and actions taken for dropping students not attending or not meeting attendance policy at any point within a semester.
The Good News for NPCC

- 2010 - 3 YR CDR down slightly 30.7% from the 2009 - 3 YR CDR of 31.8%

- 2011 - 3 YR CDR is projected at 23.84% - Our third year will not reach the 30% threshold at this point due to all the efforts and support from our administration as well as the new partnerships we have established.

- 2012 - 3 YR CDR is currently at 22.47% and our 2013 - 3 YR CDR currently contains around 300 delinquent accounts with over 1100 students in Repayment.

So this is the moment of truth. This is where they separate the men from the boys....
Even in the Perfect Storm.....
NPCC Would Not Give Up! Our Team Just Got
Stronger and Fought Harder!!
NPCC will happily share a copy of our default prevention plan that was approved by the USDE for year 1 which includes our Plan of Action. We have also advised other schools and helped them along the way.

- Begin facilitating and building a strong partnership with lenders, guarantors or servicers this is vital to success. You are not alone!!

- You will need your entire Campus to be on your team and understand the consequences of failing.

- Utilizing resources to locate students such as can prove to be very beneficial. Also, purchasing or utilizing tools to help you with analysis will improve access and manipulation of large amounts of borrower data.

- Ask faculty and staff to help you locate students (again following FERPA laws).

- It takes buy-in from the entire institution to successfully analyze and implement drastic changes like NPCC has this past year.
Key Factors to Reduce Risk of Drowning…….

- Get trained-Read articles, webinars, webcasts ............ so much to learn
- Perform a critical analysis of current standing for 2011, 2012, and 2013 (throughout the year)
- Build Partnerships
- Utilize Resources-free and purchased
- Educate and Communicate with EVERYONE
- Resolve Delinquencies
- Rehabilitate-gives your rate a cushion
- TEAMWORK-We’re all wearing the SAME Jersey
NPCC designated a full time staff member for all the other duties in regards to the cohort default rates/successful repayment. It is a learning curve for ALL of us:

- Utilize DL servicer resources, trainings and experience
- Communicating/Advising (ALL) students, staff, and faculty - creating and utilizing servicer accounts - borrower and school online access, is critical, NSLDS - how to view and utilize information on www.studentloans.gov and teach students about entrance counseling, MPN, and exit counseling, calculators and other free resources
- Monitoring reports and cohort rates using - NSLDS, SLGFA and Federal Servicers by reviewing information weekly and/or monthly from online account access
- Locating, contacting, and resolving delinquent borrowers and/or defaulted borrowers
- Helping students with Discharge/Forgiveness of Student Loans
- Assisting defaulted students with Rehab and/or consolidation processes
- Assist, implement and monitor Default Management Plan Actions and meetings
- Create Partnerships with DL Servicers (NelNet, Sallie Mae, FedLoan, & Great Lakes), as well as 3rd Party Servicers, Staff, Faculty, and Students
- Skip Tracing Reports for each Servicer and/or Lender
- Attend webinars and trainings being offered by servicers or others to be on top of current and future happenings
What Will You Focus on While Treading Water This Next Year??

  - Pull School Portfolio and review numerator and denominator for inaccurate data, incorrect data (fix ASAP if possible), or issues encountered that need to be addressed such as enrollment reporting

- **2012-closes September 30, 2014 (RP-10-01-2010 to 9-30-2011)**
  - Review defaulters for corrections (see above)
  - Oct-Dec 2013 contact defaulted students and assist with setting up rehab payments
  - October 2013-September 2014-save delinquent borrowers in 2012 pipeline (critical saves are always 270-360+ days)

- **2013-closes September 30, 2015 (RP-10-01-2010 to 9-30-2011)**
  - Analyze cohort numbers, implement a grace counseling borrower program and/or constantly monitor the 270-360+ days
  - Start helping defaulted borrowers rehab (now through December 2014)
Servicer Online Account Access

- Schools need to request online access for each of the four servicers and build a partnership-utilize the free resources

- ALL students need to create an account online or reset a previous account with their Direct Loan Servicer-former, current, and future (only use personal email accounts)

- Learn and educate students about servicer resources, NSLDS, financial review and most importantly about repayment plan options (webinars and webcasts are so efficient and informational)

- Use a forbearance to save a student from defaulting or to get a delinquent account current only….most students are eligible for IBR with a $0 repayment plan

- Submit the online IBR application to the Dept of Ed at www.studentloans.gov and renew each year

- Communicate and educate everyone
Servicer Online Account Access

General Steps for Online Access and Requests

- Go to www.nslds.ed.gov, click financial aid review, agree to terms and enter requested personal information.
- Once logged on, review each loan separately.
- Click the blue hyperlink used for numbering the loans to review who the servicer/lender contact information and website address. Check for accuracy and review each loan’s status, codes, and balances.
- Locate the web site address for each direct loan servicer and/or FFLEP loan lender. For all direct loan and/or “put” loans, one servicer should be assigned by the Department of Ed and all loans should be aligned under that servicer.

Obtain the servicer web site address, type or paste it into the address bar and proceed to the site. Here are the 4 primary servicers most often used:

- Great Lakes- www.mygreatlakes.org
- FedLoan (PHEAA)- www.myfedloan.org
- NelNet- www.nelnet.com
- Sallie Mae- www.salliemae.com
Click “Create Account” or “Online Access” (varies per servicer) to create and to set-up access to an online student account and update/change all personal information populated. **Important:** Suggest that student use personal email address if possible rather than a school email address for future contact purposes.

Once the account is set-up, students can access payment plan options, postponing or lower payment options as well as an abundance of financial literacy and information as well as all personal loan information.

All processes are submitted online through the student account access, and can be processed immediately after submitted if servicer is notified. So, if student is delinquent on a loan more than 60 days or even 359 days, he can complete and submit an online voluntary forbearance request in order to bring the loans into a current status. Students should contact the servicer if time has run out and the loan is in danger of defaulting.
Saving DELQ Borrowers: Where do we start?

Where do I start with delinquent borrowers? First, you must find them! We found many ways to track our DELQ students at NPCC.

1. Work the most critical first 270+ days for 2012 and 2013-get your list and start calling and emailing! Make it personal!!

2. Find other phone numbers or personal emails on previous FAFSA’s-most students use their personal……and still use it today! If you keep emergency contacts, use them too.

3. Review your internal student database and any resource on campus that you can utilize-for instance, an RN student that withdrew from the Nursing program, our division chair would have the current contact information.

4. Utilize online resources to help find the student.

5. Search social media website resources such as Facebook, twitter, but be careful what you say.
What do I say to DELQ borrowers to get their attention? To get a returned call or email?

1. Be creative—you have a better chance at finding your student than the servicer or 3rd party, especially if they recognize you or your school’s name.

2. Example: “We have a new program at NPCC for former students to participate in, and I know Johnny would be perfect” or “I am calling from NPCC, and we are offering free assistance to former students (with previous loans only if you are talking to borrower) and it could assist the borrower in being able to return to school to finish their degree.” (all of them want this to get their loans again)

3. Use a 3rd Party Servicer to assist in contacting DELQ borrowers if available or necessary.

4. Check the obituaries - If a student passed away before the actual default, you can get it pulled back out of the CDR by sending the Death Certificate to the Servicer.

5. Watch the arrest records—several of them have a power of attorney that can speak for the inmate.

6. Persistence Pays Off……Don’t Give Up Too Easily!! Also remember, that some people will just fall off the earth and they are going to default no matter how many times you call them.
Deferment VS Forbearance

- **Deferment** is a temporary delay in repayment of student loans in which the principal balance of your student loans does not have to be paid. Depending on the type of loan(s) you have, the government may also pay the interest on them while being deferred. Qualifying for deferment may be automatic based on whether you are enrolled half time or more at an eligible post-secondary school, unemployed, have minimum income, or are serving in the army or community.

- **Forbearance** is when you are granted permission by your lender to stop making payments or to lower your monthly payments on your federal student loans for up to 12 months. If the account is currently delinquent the forbearance date will adjust and cover all payments past due beginning on the date the first payment was missed. Interest will accrue on your subsidized and unsubsidized loans when in forbearance, but is much quicker to complete and submit, and it is much easier to qualify.
Saving DEFAULTED Borrowers Through the Rehab Program

This is a trick that will have a powerful positive impact on your 3 year CDR if used correctly……get your students into a rehab plan NOW-December in order to have sufficient time!

- Call Debt Resolutions Services or create an online account to review the data at [www.myeddebt.gov](http://www.myeddebt.gov)
- HOLD students hand-VERY technical and confusing
- Payments aimed low as Reasonable and Affordable program has begun
Keeping Our Head Above Water at NPCC!!