



Default Management and Financial Literacy Overview

Juliana Gullick
Florida State College at Jacksonville
Region II Spring Workshop



Default Management

- School Best Practices
- Checking your Default Rate
- Creating a Default Prevention Plan and Task Force
- Resources
 - Webinars/TIVAS
 - NSLDS Reports
- Loan Record Detail Report (LRDR)



Default Management

School Best Practices

- Provide students with information about their loans borrowed/NSLDS
- The name of your lender or servicer
- Guidance on the repayment process
- Assistance in requesting a deferment or forbearance
- Exit Counseling: www.studentloans.gov

Default Management

Calculating CDR Rates – 3 year rate

Number of student loan borrowers who entered repayment during a specific fiscal year and have entered default within the same or following two fiscal years

Number of student borrowers who entered repayment during the initial or specified fiscal year

Default Management

2-Year Versus 3-Year Calculation

The Numerator is the number of borrowers from the denominator who default within a cohort period

FY-09 125	FY-10 230	355
5,000		5000
		.071 or 7.1%

The Denominator is the number of borrowers who enter repayment within a cohort period

FY-09 125	FY-10 230	FY-11 250
5,000		
		605
		5000
		.121 or 12.1%

Default Management

2-Year and 3-Year CDRs

Fiscal Year (FY)	Denominator (borrowers who entered repayment)	Numerator (borrowers who defaulted)	Draft CDR publication date (challenges)	Official CDR publication date (appeals)	CDR used for school sanctions
2009	10/01/08 - 09/30/09	2-yr: 10/01/08 - 09/30/10 3-yr: 10/08/08 - 09/30/11	2-yr: Feb 2011 3-yr: Feb 2012	2-yr: Sept 2011 3-yr: Sept 2012	2-yr. rate (25%)
2010	10/01/09 - 09/30/10	2-yr: 10/01/09 - 09/30/11 3-yr: 10/08/09 - 09/30/12	2-yr: Feb 2012 3-yr: Feb 2013	2-yr: Sept 2012 3-yr: Sept 2013	2-yr. rate (25%)
2011	10/01/10 - 09/30/11	2-yr: 10/01/10 - 09/30/12 3-yr: 10/08/10 - 09/30/13	2-yr: Feb 2013 3-yr: Feb 2014	2-yr: Sept 2013 3-yr: Sept 2014	2-yr. rate (25%) 3-yr. rate (30%)
2012	10/01/11 - 09/30/12	3-yr: 10/08/11 - 09/30/14	3-yr: Feb 2015	3-yr: Sept 2015	3-yr. rate (30%)
2013	10/01/12 - 09/30/13	3-yr: 10/08/12 - 09/30/15	3-yr: Feb 2016	3-yr: Sept 2016	3-yr. rate (30%)

Default Management

NSLDS access and loan information for students:
www.studentloans.gov

- Sign MPN and complete entrance and exit counseling
- My financial aid history brings students to NSLDS
- Most students I've spoke to have never heard of NSLDS
 - Loan amount
 - Lender information
 - Loan Status

Default Management

Checking your Default Rate:

- <http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html>

Default Management
Consequences of a high default rate

- Public perception of administrative capabilities
- CDR > 30% the school will be required to establish a default prevention task force to develop a default prevention plan to lower the school's CDR.
- Loss of eligibility. If the official CDR was 30% or greater for three consecutive years or if any 3 year rate exceeds 40%
- <http://www.usafunds.org/Consumer/CDRChange.pdf>

Default Management
Creating a Default Prevention Plan

1. Establish a Default Prevention Team
 - Financial Aid
 - Career Counseling
 - Student Success
 - Admissions
2. Review other Default Prevention Plans

Default Management
Creating a Default Prevention Plan

3. Review what you are already doing
 - Entrance and Exit Counseling
 - Financial Literacy
 - Analyzing delinquent borrowers
4. Determine who is defaulting and analyze defaulters
 - Contributing factors to defaulting (GPA, EFC, etc.)
5. Set realistic goals of where your school wants to be

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Creating a Default Prevention Plan
Additional Resources

- TIVAS (Title IV Additional Servicers)– find out what they’re doing
 - Avoid overlap
- <http://ifap.ed.gov/DefaultPreventionResourceInfo>
- defaultpreventionassistance@ed.gov
- Free Webinars

Default Management

NSLDS Helpful Reports
Defaulted Borrowers -

NSLDS REPORT ID: SCHDF1

EdConnect: AHSLDSOP
AD HOC QUERY AND PRODUCT DEL

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Defaulted Borrowers Report – SCHDF1

- Loan Period
- Interest Rate
- Original Lender
- Current Lender
- Date of Repayment
- Amount of Loan
- Status and Status Date

Default Management

NSLDS Helpful Reports

Delinquent Borrowers Report – DELQ01

NSLDS:

- ORG
- School Profile
- Reporting Type: REPORT
- Frequency: Daily, Weekly, Monthly, Quarterly

EdConnect: DELQFMOP
NSLDS DELINQ BORROWER REPORT FORMATTED

Default Management

Delinquent Borrowers Report – DELQ01

- Demographics (Name, Address, Phone Number, E-mail)
- Loan Date and Loan Type
- Cohort Year
- Days Delinquent
- Servicer
- Monthly Payment Amount

REPORT ID: DELQ01		U.S. DEPARTMENT OF EDUCATION		DATE: 03/07/2013
PAGE # : 1		NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)		TIME: 21:04:21
DELINQUENT BORROWER REPORT				
REPORT PARAMETERS: SCHOOL CODE :001484				
SCHOOL BRANCH CODE :*				
SERVICER :*				
COHORT YEAR :*				
DELINQUENT 31-89 DAYS :Y				
DELINQUENT 90-149 DAYS :Y				
DELINQUENT 150-209 DAYS :Y				
DELINQUENT 210-269 DAYS :Y				
DELINQUENT 270-359 DAYS :Y				
DELINQUENT 360+ DAYS :Y				
SORT SEQUENCE :SSN				
BORROWERS 360+ DAYS DELINQUENT				
SN	NAME	ADDRESS	PHONE NUMBERS	

	23-45-6789 DOE, JOHN J			
	5 ROOSEVELT AVE # 1	HOME: (207)XXX-XXXX	WORK: (207)XXX-XXXX	CELL: (000)000-0000
	WATERVILLE ME 049014925			
MAIL:				
MAIL@GMAIL.COM				
LOAN DT	LOAN TYPE	COHORT YEAR	DAYS DELQ	FEDERAL LOAN SERVICER
1/13/2000	DE	2001	495	DIRECT LOAN SERVICING CENTER (ACS)
				(800)848-0979
				\$ 9,161
ORIGINAL SCHOOL OPEID: 88888800				
UNDERLYING LOAN DATE: 09/29/1995 TYPE: SF APPROVED AMT: \$ 2,625				
				\$9,161
TOTAL MONTHLY PAYMENT AMOUNT: \$ 71				

Default Management
Loan Record Detail Report (LRDR)

- **Draft report comes out annually in February**
 - This year, the LRDR is late
 - FY 2011 2-yr Draft Rate on March 18th
 - FY 2011 3-yr Draft Rate on March 25th
- If your school is enrolled in the eCDR, LRDR will be available via SAIG
- If not, you can download the LRDR through NSLDS
- Draft Default Rate is available on the last page of the LRDR
- For more information view EA from 3/5/2013 on IFAP

Default Management

- **Once the report is received, you have 45 days to file a challenge.**
 - **Two types of challenges**
 - Incorrect Data Challenge
 - Participation Rate Index Challenge
 - **Two types of adjustments**
 - Uncorrected Data Adjustment
 - New Data Adjustment

Default Management
Loan Record Detail Report (LRDR)

- **Things to review:**
 - Repayment start date
 - Did the borrower get their **full grace period**?
 - Borrower was excluded from the denominator but should be included
 - Example: $5/100 = 5\%$ $5/101 = 4.95\%$
 - Duplicate Social Security numbers
 - The student should only be included once even if they have defaulted on multiple loans

Incorrect Data Challenge

Schools eligible	All
Conditions	Incorrect data in the LRDR (Incorrect data is either incorrectly reported, included, or excluded.)
Time Frame	School must file within 45 days of receiving the draft LRDR.
School role	School must submit a cover letter, a completed incorrect data spreadsheet, a copy of the relevant section of the LRDR, and any supporting documentation to the agency holding the loan.
Data Manager role	Data Manager holding the loan reviews the challenge and issues decision within 30 days of receiving the challenge. If Data Manager agrees that a change should be made, it must correct the data in its internal data system and NSLDS.
Default Prevention and Management role	Review the Data Manager responses to a school's challenge if the Department is the Data Manager.
Cohort Default Rate Guide section	Chapter 4.1

Participation Rate Index Challenge

Schools eligible	All, but only schools anticipating a sanction will benefit.
Conditions	Schools with a low borrower participation rate.
Time Frame	School must file with 45 days of receiving its cohort default rate and the draft LRDR.
School role	A school submits a cover letter and a completed participation rate index challenge spreadsheet to the Department.
Data Manager role	None.
Default Prevention and Management role	Department reviews the challenge and issues a decision. If successful, the school will not be subject to sanctions with the release of the official cohort default rates.
Cohort Default Rate Guide section	Chapter 4.2

Uncorrected Data Adjustment

Schools eligible	All
Conditions	School successfully filed an incorrect data challenge and data to be corrected was not corrected.
Time Frame	School must file within 30 days of receiving the official LRDR.
School role	School submits a cover letter, a completed uncorrected data adjustment spreadsheet, and a copy of the Data Manager's response to the school's incorrect data challenge to the Department.
Data Manager role	If the Department notifies Data Manager that the adjustment was successful, Data Manager must correct the data in its internal data system and in NSLDS.
Default Prevention and Management role	The Department reviews the adjustment request and issues a decision. If appropriate, the Department recalculates the cohort default rate.
Cohort Default Rate Guide section	Chapter 4.3

New Data Adjustments

Schools eligible	All
Conditions	School believes its official LRDR contains new, uncorrected data.
Time Frame	School must initiate request for new data adjustment within 15 days of receiving the official LRDR. In general, the school has 30 days from the receipt of Data Manager's final response to submit the new data adjustment to Department.
School role	School submits a cover letter, a completed new data adjustment spreadsheet, a copy of the relevant sections of the draft and official LRDRs, and any supporting documentation to the Data Manager holding the loan. A school sends a copy of the cover letter and spreadsheet to the Department. If the Data Manager agrees to correct the data, the school submits a cover letter, the completed new data adjustment spreadsheet, and the Data Manager's response to the Department.
Data Manager role	Data Manager holding the loan reviews the request and issues a decision. If the Data Manager agrees that a change could be made, it must correct the data in its internal data systems and in NSLDS.
Default Prevention and Management role	Department reviews the adjustment request and issues a decision. If appropriate, the Department recalculates the cohort default rate.
Cohort Default Rate Guide section	Chapter 4.4

LRDR Appeals

- There are six appeals available during the official cycle
 - Erroneous Data Appeal
 - Loan Servicing Appeal
 - Economically Disadvantaged Appeal
 - Participation Rate Index Appeal
 - Average Rates Appeal
 - Thirty-or-Fewer Borrowers Appeal
- For more information:
<http://www.ifap.ed.gov/drmaterials/attachments/CDRGQuickRef093005FINAL.pdf>

LRDR Appeals

- **If schools choose not to appeal the draft LRDR that may not challenge the data of the official LRDR**

Financial Literacy

A 2010 survey by the College Savings Foundation revealed that:

- 68% have not researched any type of student loan. Of the 66% who are taking out or considering loans, 80% have not projected the total amount they will need to graduate, and **82% haven't calculated the monthly loan repayment amount.**

The 2010 Back to School Survey conducted by Visa survey revealed that:

- 93% of Americans believe all high school students should be required to take a class in financial education. While a handful of states have adopted varying degrees of financial literacy curriculum, only four states require high school students to take a semester-long course in personal finance. Only 3% of survey respondents do not think a financial education class should be required, with 4% unsure.

Financial Literacy

At FSCJ:

- Students applying for a loan are encouraged to complete a financial literacy module through *Navigating your Financial Future (NyFF)*
 - Other modules:
 - Managing your budget
 - Repayment of your Student Loan Debt
 - Financial Aid
 - How to use NSLDS
 - Financial Literacy Grant from Florida Grants Department

Financial Literacy

- Encourage students to:
 - Estimate their income based on career choice:
<http://www.bls.gov/ooh/home.htm>
 - Explore current debt through NSLDS
 - Look at repayment amount based on current loan debt <http://www.finaid.org/calculators/loanpayments.phtml>
 - Create a budget
http://www.navigatingyourfinancialfuture.org/Calculators/Budget_Plan.aspx

Financial Literacy

- Financial Literacy Grant from Florida Grants Department
 - \$10,000 one time payment
 - Working with several different departments
 - Our department focusing on outreach to Student Life Classes
 - Introducing Dave Ramsey Foundations in Personal Financial College Edition to about 120 students.
 - Video-based
 - Workbook included

Financial Literacy

Foundations of Personal Finance College Edition

- DVD based
- 5 sections:
 - Savings
 - Budget
 - Debt
 - College Essentials
 - Family, Friends, and Philanthropy

Financial Literacy

- Recent Student Feedback:
 - Rated 4.6 out of 5
 - "I enjoyed it. It reminded me of what I should be doing RIGHT NOW!"
 - "This was a very eye-opening course, continue to teach this to other college students and seniors in high school."
 - "Very informative and helpful to those who don't know a thing about money."

Financial Literacy

- Sample 1 hour 15 minute class:
 - Introduction
 - Pre-Assessment
 - Video Introduction
 - Discussion
 - Savings – Section 1
 - Discussion on why saving money is important
 - Savings – Section 2
 - Discussion on paying cash for items

Financial Literacy

- Case Study from their Textbooks
- Homework assignment on retirement savings

- Buy in from Faculty members
 - DVDs can be used in the future – professors would keep the DVDs
 - Students would to purchase text books for \$15

Financial Literacy

No Financial Literacy Budget??
There are plenty of free resources!

- Federal Trade Commission – ftc.gov/MoneyMatters
- FDIC – Financial Education Program
- Money Wi\$e – www.money-wise.org
- Practical Money Skills for Life – www.practicalmoneyskills.com
- Jump\$tart – <http://jumpstart.org>

Financial Literacy

- Team up with professors to teach financial literacy in classrooms where students are more susceptible to default.
- Research your defaulted population with reports from NSLDS and target those students.
- Encourage the use of NSLDS, budget tools, and repayment tools before the student takes on debt.

Juliana Gullick
Florida State College at Jacksonville
Default Prevention Coordinator
jgullick@fscj.edu
904-357-8917
