Federal Cohort Default Rate: Default Management Plan Requirements and Tools

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NSLDS Reports

Why Create a Default Prevention Plan?

Default Prevention and Debt Management Strategies

The Take-A-Ways
NSLDS Reports

- School Portfolio Report
- Borrower Demographic Report
- Delinquent Borrower Report
- School Cohort Default Rate History Report
School Portfolio Report

- The **School Portfolio Report** (SCHPR1) provides school users with current information about all Direct Loan (DL) and/or Federal Family Education Loan (FFEL) program loans
  - Includes all loans associated to a given OPEID
  - Includes Consolidation Loans and Underlying Loans
  - Includes Parent PLUS and Graduate PLUS Loans
  - Includes loans from the prior school for school mergers

- **Delivery Options:**
  - Available for scheduled delivery or adhoc delivery
  - Available in fixed-width and comma-separated value (.csv) formats

- **School Portfolio Report Reader**
  - Easily imports School Portfolio Report into Microsoft Excel
School Portfolio Report

ID: SCHPR1  Type: Extract
Name: SCHOOL PORTFOLIO REPORT

SCHOOL ID: 001484
SCHOOL BRANCH ID: 999999999
ENTER REPAY BEGIN DT: 01/01/0001 MM/DD/CCYY
ENTER REPAY END DT: 12/31/2998 MM/DD/CCYY
LOAN STATUS: ALL
LOAN PROGRAM TYPE: BOTH
EXTRACT TYPE: STANDARD
Sort By: --Select--
Output Medium: SAIG

Scheduled Report
Adhoc Report
School Portfolio Report

School Portfolio Report Logic:

• User specifies “Date Entered Repayment” Range
  – NSLDS suggests looking at a specific cohort year
    Example: Cohort Year 2013 = 10/01/2012 – 09/30/2013
  – The scheduled version will provide six cohort years worth of data: three years prior to the current cohort year, the current cohort year and two years after the current cohort year

• NSLDS returns the MOST RECENT information for all the loans that are associated to the OPEID
  – School mergers are accounted for
  – Consolidation loans are returned when an underlying loan is associated to the OPEID
School Portfolio Report

Key Data Elements for Default Prevention:

- Current Loan Status & Current Loan Status Date
- Date Entered Repayment
- Most Recent Repayment Plan Type & Most Recent Repayment Plan Begin Date
- Delinquency Date
- Most Recent Payment Effective Date

Suggestions:

- Ensure that the Date Entered Repayment is reasonable to when the borrower separated from your institution
- Contact borrowers (using contacts in Borrower Demographic Report) that are delinquent
- Contact borrowers that could benefit by being on an Income Driven Repayment Plan
School Portfolio Report

• Key Data Elements for calculating a numerator and denominator:
  – Loan Type
  – Date Entered Repayment
  – Current Loan Status & Current Loan Status Date
  – CDR Date of Default
  – Claim/Discharge Reason Code & Claim/Discharge Date
  – Rehabilitation/Repurchased Indicator & Rehabilitation/Repurchased Date
School Portfolio Report

• Determining loans to **include** in your denominator:
  – Identify subsidized and unsubsidized loans that qualify for inclusion in the denominator (SF, SU, SL, D0, D1, D2)
  – Date Entered Repayment between 10/01/2012 and 09/30/2013
  – Exclude where the Current Loan Status includes:
    • Cancelled (CA)
    • Abandoned (AL)
    • Closed School (CS)
    • False Certification (FC)
    • Uninsured (UA, UB, UC, UD, UI)
School Portfolio Report

- Determining loans to **include** in your numerator:
  - Using the loans identified for denominator, identify if the loan is linked to a consolidation loan (CL, D5, D6, D9)
  - Identify if the underlying loan or its consolidation loan has a CDR Date of Default between the Date Entered Repayment and 09/30/2015 for federally-serviced loans
  - Identify if the underlying or consolidation loan has a Default Claim Payment Date between the Date Entered Repayment and 09/30/2015 for commercially-serviced loans

- Suggestion:
  - *Factor in the delinquency date to determine which federally-serviced loans could be included in the numerator in the future*
School Portfolio Report

- Determining loans to exclude from your numerator:
  - Date of Rehabilitation is between the CDR Date of Default and 09/30/2015 for federally-serviced loans
  - Date of Rehabilitation is between the Default Insurance Claim Payment Date and 09/30/2015 for commercially-serviced loans
  - Loan is in a discharge status and the Current Loan Status Effective Date is earlier than the CDR Date of Default or Default Insurance Claim Payment Date:
    - Bankruptcy (BC, DK, OD)
    - Disability (DI, DS)
    - Veteran's Disability (VA)
    - Fraud (FR, FX)
    - Death (DD, DE)
The **Borrower Demographic Report** (*SCHBR1*) provides school users with demographic information of borrowers for an OPEID.

- Companion Report to School Portfolio Report
- Includes mailing address
- Includes phone number
- Includes e-mail address
- Includes Exit Counseling contacts

**Delivery Options:**
- Available for adhoc delivery (scheduled coming soon)
- Available in fixed-width and comma-separated value (.csv) formats
The **Delinquent Borrower Report** *(DELQ01)* provides school users a report of borrowers with loans reported as delinquent in payments to one of the federal loan servicers.

- Includes all loans associated to a given OPEID
- Includes Consolidation Loans and Underlying Loans
- Includes Parent PLUS and Graduate PLUS Loans
- Includes loans from the prior school for school mergers

**Delivery Options:**

- Available for scheduled delivery or adhoc delivery
- Available in fixed-width, comma-separated value (.csv), and pre-formatted formats
Delinquent Borrowers Report

- **ID:** DELQ01
- **Type:** --Select--
- **Name:** DELINQUENT BORROWER REPORT

- **SCHOOL ID:** 001484
- **SCHOOL BRANCH ID:** *
- **FEDERAL LOAN SERVICER:** *
- **COHORT YEAR:** *
- **DELINQUENT 31-89 DAYS:** NO
- **DELINQUENT 90-149 DAYS:** NO
- **DELINQUENT 150-209 DAYS:** NO
- **DELINQUENT 210-269 DAYS:** NO
- **DELINQUENT 270-359 DAYS:** NO
- **DELINQUENT 360+ DAYS:** NO
- **EXTRACT TYPE:** STANDARD
- **Sort By:** --Select--
- **Output Medium:** SAIG

- **Reporting Type:** FIXED WIDTH
- **Frequency:** WEEKLY
- **School Branch ID:** ALL

SAIG Mailbox: TG50001 - TEST ORGANIZATION

- **Update**
Delinquent Borrowers Report

Delinquent Borrower Report Logic:

• User specifies the Cohort Year or includes all Cohort Years
  – Example: Cohort Year 2013 = 10/01/2012 – 09/30/2013
  – The scheduled version will provide six cohort years worth of data: three years prior to the current cohort year, the current cohort year and two years after the current cohort year

• User specifies one or more Delinquency Categories
  – 31 – 89 Days
  – 90 – 149 Days
  – 150 – 209 Days
  – 210 – 269 Days
  – 270 – 359 Days
  – 360 + Days (not yet assigned to DMCS)
Delinquent Borrowers Report

Delinquent Borrower Report Logic:

• Output consists of:
  – Student's Identifiers (SSN, Name, DOB)
  – Address
  – Phone numbers
  – E-mail address
  – Loan data including:
    • Date of Delinquency,
    • Days Delinquent,
    • Date Entered Repayment,
    • Date of Default Loan Status,
    • CDR Date of Default,
    • Repayment Plan,
    • Payments and
    • Current Servicer's contact information
School CDR History Report

• The *School CDR History Report* (DRC035) provides school users with supporting back-up detail to the Cohort Default Rate calculation.

• Delivery Options:
  – Pushed with each CDR Release or adhoc delivery
  – Available in fixed-width and pre-formatted formats. Comma-separated value (.csv) coming soon!
## School CDR History Report

### Report List | Web Report List

**ID:** DRC035  
**Type:** ~Select~  
**Name:** SCHOOL COHORT DEFAULT RATE HIST RPT

<table>
<thead>
<tr>
<th>School</th>
<th>001484</th>
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<tbody>
<tr>
<td>EXTRACT TYPE</td>
<td>STANDARD</td>
</tr>
<tr>
<td>Sort By</td>
<td><del>Select</del></td>
</tr>
<tr>
<td>Output Medium</td>
<td>SAIG</td>
</tr>
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</table>

### Cohort Default Rate History List

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<tr>
<th>Select</th>
<th>Fiscal Year</th>
<th>Rate Type</th>
<th>Numerator</th>
<th>Denominator</th>
<th>Rate</th>
<th>Process Date</th>
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</thead>
<tbody>
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<td>3YR OFFICIAL</td>
<td>804</td>
<td>5128</td>
<td>16.6</td>
<td>08/08/2015</td>
</tr>
<tr>
<td>[ ]</td>
<td>2011</td>
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<td>813</td>
<td>5122</td>
<td>15.8</td>
<td>01/24/2015</td>
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<td>3930</td>
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<td>07/26/2014</td>
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<tr>
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<td>3YR DRAFT</td>
<td>701</td>
<td>3932</td>
<td>17.8</td>
<td>01/11/2014</td>
</tr>
<tr>
<td>[ ]</td>
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<td>2881</td>
<td>18.3</td>
<td>07/28/2013</td>
</tr>
<tr>
<td>[ ]</td>
<td>2011</td>
<td>3YR DRAFT</td>
<td>530</td>
<td>2867</td>
<td>18.3</td>
<td>02/24/2013</td>
</tr>
</tbody>
</table>

Submit
Why Create a Default Prevention Plan?
Why is a Default Prevent Plan encouraged for all institutions?

✓ Establishes default prevention goals
✓ Shows the institution’s commitment to default prevention
✓ Provides a framework for school-based initiatives
✓ Protects the integrity of the loan programs
✓ It’s the right thing to do for students!
A Default Prevent Plan is required if the institution:

34 CFR 668.14 (b)(15)
✓ Participates in the Direct Loan program for the first time
✓ Participates in the Direct Loan program and have undergone a change of ownership

34 CFR 668.217
✓ Has a 3-Year Cohort Default Rate of 30% or greater for any one federal fiscal year
First year at 30% or more:
- Create a Default Prevention Plan and task force
- Submit plan to FSA for review

Second consecutive year at 30% or more:
- Review/revise default prevention plan
- Submit revised plan to FSA
  » FSA may require additional steps to promote student loan repayment

Third consecutive year at 30% or more
- Loss of eligibility: Pell, DL
- School has appeal rights
Identify factors causing rate to exceed threshold

- Conduct analysis
- Identify factors that appear to increase risk

Establish measurable objectives to improve rate

- Identify mechanisms to routinely evaluate success and failure of activities

Specify actions to improve student repayment

- Includes (but not limited to) counseling on repayment options
- If possible, offer classes on financial literacy
Default Prevention and Debt Management Strategies

# 1 Assemble the TEAM

# 2 Goals for the TEAM

# 3 Analyze NSLDS Data

# 4 Measure Results

4 Simple Default Prevention Steps
The prevention and management of loan default is a school-wide effort and not the sole responsibility of the financial aid office.

YOUR Default Prevention Task Force should drive your default prevention process:

- Assess the resources you have available
- Team participants SHOULD be across campus
- Identify the purpose of the task force
- Detail responsibilities of determining risk
Members of the Default Prevention team may include:
- Representatives from various offices on campus
  ✓ Financial Aid
  ✓ Enrollment Management/Admissions
  ✓ Academic Affairs Representative
  ✓ Senior School Officials
  ✓ Student Services
  ✓ Career Counseling

Select a leader for the group; Consider appointing an institutional Default Coordinator.

The function of the team is to conduct data analysis to determine the reasons for default at your school and formulate a set of intervention strategies.
Share the basic financial aid facts with the team:

1 - Explain Title IV funding and the number of students that rely on financial aid to complete their education at your institution

2 – What is the Cohort Default Rate (CDR) and how it affects the institution

3 – Why a default prevention plan is necessary and important
Activities for the Team

- Study your default student population
  - Start with your Loan Record Detail Report (LRDR)
- Identify any common characteristics of your defaulters and non-defaulters, and borrowers and non-borrowers
- Build on early Intervention strategies already in existence
- Discuss your current strategies and determine what works and what may need some improvement
- Work closely with your servicers and lenders
Activities for the Team

- Find out what type of tools and services are available from your servicers/lenders

- Fine-tune your Loan Servicing procedures for the period while the borrower is at your school

- Have clear and precise procedures with a timeline of dates to take appropriate actions

Partner with the Federal Loan Servicers!
In order to Conduct Risk Analysis – **You NEED DATA!**

- **Academic Data** – Program completion rates, retention rates, enrollment, percentage of students who borrow, average loan indebtedness

- **NSLDS** – Review NSLDS (default and delinquency) data along with school data about defaulters and non-defaulters

- **Servicer Data** – Servicers offer customized reports

Remember! You need someone to work the data!
School Reports: NSLDS

Reports for Default Prevention

- School Portfolio Report
- Borrower Demographic Report
- Delinquent Borrower Report
- School Cohort Default Rate History Report

4 Simple Default Prevention Steps

1. Assemble the TEAM
2. Goals for the TEAM
3. Analyze NSLDS' Data
4. Measure Results
Conducting Risk Analysis:

- Use data to create a picture of borrowers at-risk of default
- ‘Who’ is not enough. Your who will be unique
- ‘Why’ will require input of academic, student affairs, and other professionals
- Knowing ‘why’ is necessary to create targeted, useful, and measureable interventions
Where To Begin?

1. Obtain your **Loan Record Detail Report (LRDR)**
   - How many defaulted borrowers are in your numerator?
   - What are the characteristics of the defaulted borrowers in your numerator?
2. Query academic data to obtain demographic data for your defaulted population.
3. Identify the “who” and understand the “why.”
4. Translate the who and why into core strategies to reduce default and build your plan.
Food For Thought: Typical Findings

- Never Contacted
- Developmental Courses
- Late Admits
- Did Not Graduate
- Gradated but No License
- Late Majors
- Exit Counseling
- Level of Indebtedness
- Poor Study Habits

- Academic Preparedness
- Grad with Minimum GPA
- Feel unwelcome, no “campus connection”
- No Jobs in Profession
- College Majors
- Attendance Factors
- Student Employment
- Transportation

Do the leg-work, let your data lead the way.
✓ Develop your own unique plan based on what your data tells you

✓ Take a look at other school plans and compare to similar schools

✓ Access the Default Prevention and Management assessment tools and resources

 DOCUMENT! Create YOUR default prevention plan!
✓ Include information on “At Risk” borrowers
✓ Identify interventions points to reduce default risk – be specific
  ✓ “Early warning” system
✓ Leverage Intervention Opportunities
  ✓ Enrolled/Grace/Repayment
✓ Specify who is responsible for what tasks or initiatives
✓ Make steps measureable
  ✓ You need to know if interventions are working
✓ Create a **written realistic executable** plan
The Take-A-Ways

Three Important Take-A-Ways from this Session

- **Assemble an Effective Team!**
  Default prevention is a school-wide effort and not the sole responsibility of the financial aid office.

- **You NEED DATA!**
  In order to conduct risk analysis and identify your defaulters you need data.

- **Partner with the Federal Loan Servicers!**
  Your default prevention plan should incorporate the products and services offered by the Federal Loan Servicers.

Get to know the federal servicers!
Default Prevention Team was created to assist schools with:

- Establishing their default prevention goals
- Assessing the resources schools have available in order to establish their Default Prevention team
- Understanding default risk through the use of servicer and NSLDS available reports and tools
- Developing/refining their default prevention plan
Need Assistance?

If schools need assistance in developing or reviewing their default prevention plan, please send a request to the following e-mail address:

defaultpreventionassistance@ed.gov

Contact Us!
QUESTIONS?

Thank You!