



# National Default Prevention Day 2002

**Default Prevention: You Are The Key!**  
August 1, 2002

**Final Report**



**FSA**  
FEDERAL  
STUDENT AID

*We Help Put America Through School*

## **National Default Prevention Day (NDPD) 2002**

### **Goals**

Economic indicators point to an increase in student loan defaults. In order to preserve program integrity and accountability, it is a goal of the Secretary of Education and Federal Student Aid (FSA) to maintain a National Cohort Default Rate (CDR) below eight percent.

In partnership with schools and the lending community, FSA sponsored NDPD 2002. Events were held concurrently in twelve locations, in each of our ten regional office cities, Washington, D.C., and Puerto Rico. Building on the success of NDPD 2001, this one-day conference offered a broad program of best practices and creative ideas in default prevention. With a total of 1,975 registrants and actual attendance of 1,575, an increase of more than twenty-six percent was realized.

### **The Committee**

Jo-Ann Craig	Rutgers University-NASFAA
Connie Kent	National Student Loan Program-NCHELP
Bill Kohl	National Student Loan Program-NCHELP
Ann Maria Fusco	FSA - Financial Partners Channel
Ben Leborys	FSA - Students Channel
Clarence Hicks	FSA - Schools Channel
Ralph LoBosco	FSA - Schools Channel
Maureen Nixon	FSA - Schools Channel
Ron Selepak	FSA - Schools Channel
Mark Walsh	FSA - Schools Channel

### **An Invitation Strategy**

Although the entire financial aid community was invited to participate, the Committee determined a need to concentrate on those schools with Cohort Default Rates (CDRs) that exceeded specific measures outlined in FSA's Strategic Plan. The Committee also elected to focus special attention on those schools that exceeded the national average of 5.6 percent, while maintaining a loan volume in excess of ten million dollars.

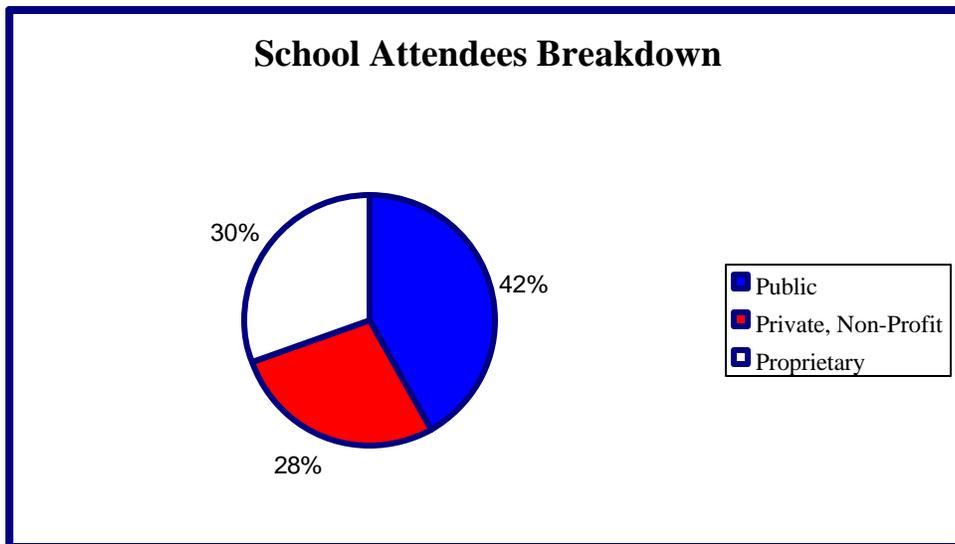
Consistent with this strategy, a general letter was sent to all schools that participate in a loan program. In addition, a second invitation letter was sent to:

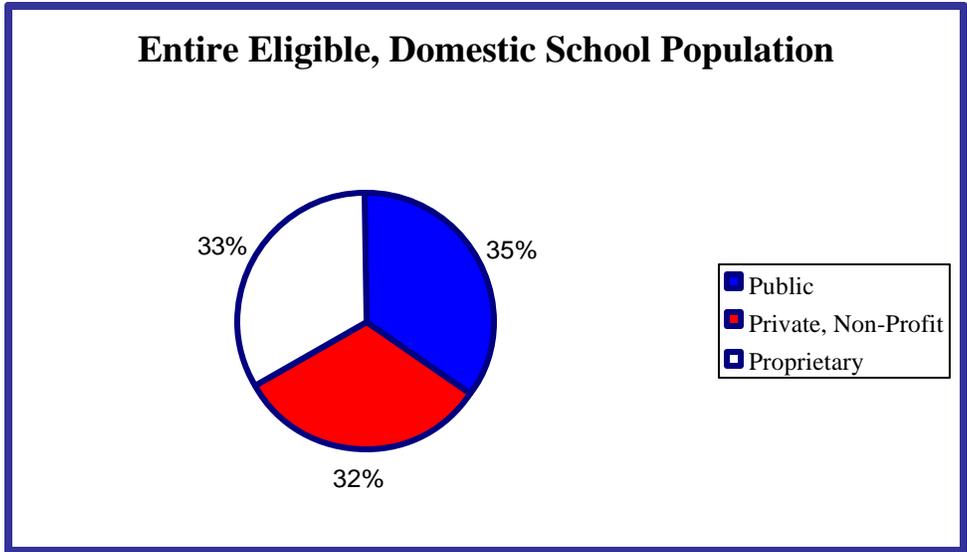
- All schools new to Title IV participation within the past year (63)
- All schools with Perkins default rates greater than 50 percent (42)
- All schools with CDRs greater than 8 percent (1478)
- All schools with CDRs greater than 5.6 percent and a loan volume that exceeds \$10 million (98)

In addition to this correspondence, an email reminder regarding NDPD 2002 was sent to each Financial Aid Officer.

The following graphs indicate that this strategy was a success in that there were a significant number of attendees from each of the special invitation groups, and that the breakdown of the attendees was representative of the school universe.

<b>Special Invitation Group</b>			
<b>List Description</b>	<b>Original List OPEID# Count</b>	<b>On List and Attended NDPD</b>	<b>Attendees as Percent of Original List</b>
1. Schools new to title IV participation.	63	13	20.6%
2. Most recent default rate equals or exceeds 8% and has a Perkins Loan default rate that is in excess of 50% for the past three years	42	17	40.5%
3. Most recent default rate equals or exceeds 8%	1478	349	23.6%
4. Most recent loan funding is greater than 10 million dollars and the latest default rate exceeds the national average of 5.6%	98	38	38.8%





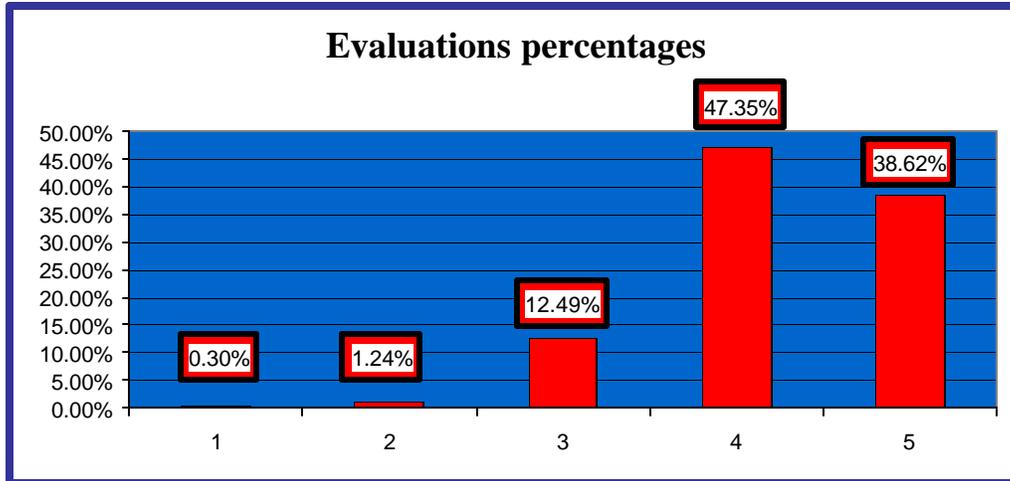
**TOOL KIT**

In addition to copies of all presentations, participant materials this year included a “Tool Kit” designed to assist schools with default management activities on their campuses. An important feature of the Tool Kit was an Individual School Report developed by the Default Management Staff of FSA. The report provided each school representative with a snapshot view of their school’s CDR, as well as a comparison with schools of similar size and type within their state and region. It also provided a graph demonstrating how a reduction of a specified number of defaulters could positively impact the overall CDR of the school.

A software application that was developed by the Philadelphia Direct Loan School Relations Office staff was also included in the Tool Kit. The application is designed to assist schools with default prevention by allowing them to download National Student Loan Data System data files and sort defaulters and borrowers. In addition to the individual school report and software application, NDPD participants were provided with a list of various web sites that are geared to default prevention, a default management checklist, credit management literature, and other materials.

**Evaluations**

The evaluation results spelled out how well NDPD met the participants’ needs. An overwhelming majority of respondents (85%) rated the overall conference as either a 4 or a 5 on a scale of 1 to 5.



1 the lowest, 5 the highest

#### NDPD Survey Questions

1. How well did this workshop meet your needs/expectations?
2. How well did our announcements describe this workshop?
3. Our goal is to provide accurate, clear and organized materials. How would you rate our materials?
4. Please rate the presentation and/or slide shows for clarity and accuracy.

#### Summary

The unifying theme of NDPD 2002 was Awareness... how the school, the guarantor, the lender, and ED each have a vital role to play. NDPD 2002 was very successful for a variety of reasons :

- All NDPD 2002 sessions were well attended.
- The attendees correlated with our intended audience, representing all three categories of institutions: Public, Private Non-Profit, and Proprietary.
- Successful strategies of early awareness, prevention, and teamwork to reduce defaults were emphasized.
- The Tool Kit provided schools with practical new tools to support their default management efforts.

#### Recommendations of the NDPD Planning Team

- The Individual School Report can be such a powerful tool for an Institution. FSA should consider making it available through a download from IFAP or provide it with the notification of an Institutions' official CDR.
- Because the Official Cohort Default Rates are published each September, build on the success of NDPD 2001 and NDPD 2002 by declaring each September National Default Prevention Month, and hold NDPD during that month. The attendance for NDPD 2001 and 2002 exceeded 2,500, which underscores the financial aid community's desire that this become an annual event.

- Consider a type of Amnesty Program for any defaulted borrower that brings his/her loan into a current status during National Default Prevention Month. The Amnesty may be a forgiveness of interest and/or interest penalties or other incentives that might be used to encourage defaulters to bring loans into a current status.

**Quotes from Attendees**

The following are representative the comments given by the participants at NDPD 2002:



“We didn’t have any plan (default management) in place, so now I have ideas to put a plan together. I inherited a high cohort default rate, so this was very helpful.”

“Excellent workshop. Last year’s was great. This one was even better.”

““Excellent workshop – thank you!”

“Great workshop – enjoyed the school perspective.”

“The *Tool Kit* is a very useful reference.”

“Excellent forum for sharing and planning.”

“Credit planning and best practices sessions were very informative! Well-organized event.”

“Excellent day and so necessary!”

“Today’s workshop is yet another example of ED’s support and commitment to institutions.”



“It was terrific to get the broad scope of so many different approaches. I will implement a couple of specific ideas, such as a more proactive late stage delinquency program this year.”

“Incredibly informative, interesting and fascinating! I’m anxious to go back with these new and fresh ideas.”

**The following organizations provided refreshment breaks.**

Region I:	American Student Assistance National Asset Management
Region II:	New Jersey Higher Education Student Assistance Raytheon Enterprise Information Systems
Region III:	ECMC Linebarger, Goggan Pena & Samson, LLP
Region IV:	Raytheon Enterprise Information Systems
Region V:	USA Funds Illinois Student Assistance Loan Corporation
Region VI:	Texas Guaranteed State Loan Corporation Student Financial Assistance
Region VII:	Missouri Department of Higher Education
Region VIII:	Utah Higher Education Assistance Authority
Region IX:	Oregon Student Assistance Commission EDFUND
Region X:	Montana Guaranteed Student Loan Program
Washington, DC:	AES/Pennsylvania Higher Education Assistance Authority
Puerto Rico:	National Student Loan Program
All Sites:	USA Funds provided post-it-notes, pens, and pads