



Best Practices Debt Management

George Covino

EAC

November 2002

Agenda

“I wish I’d thought about it...but, I’m doing public sector work afterwards, so I’m still paying a \$700 school repayment and I’ll be getting around - my starting salary should be anywhere from \$40 to \$60,000. That makes it very tight for me...”

Focus Group Participant

USA Funds,, 2002



Current Situation



Group Exercise

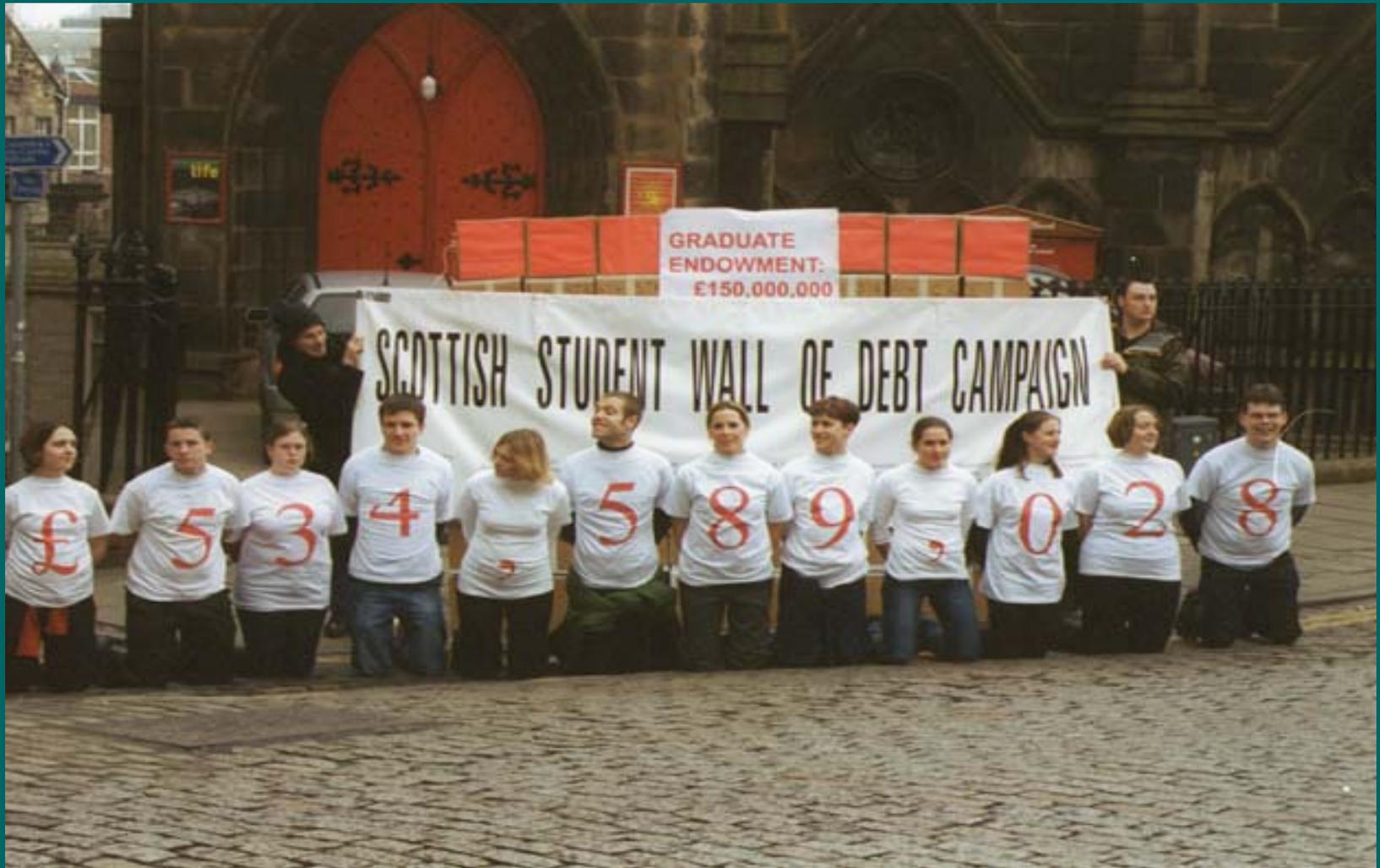


Best Practices



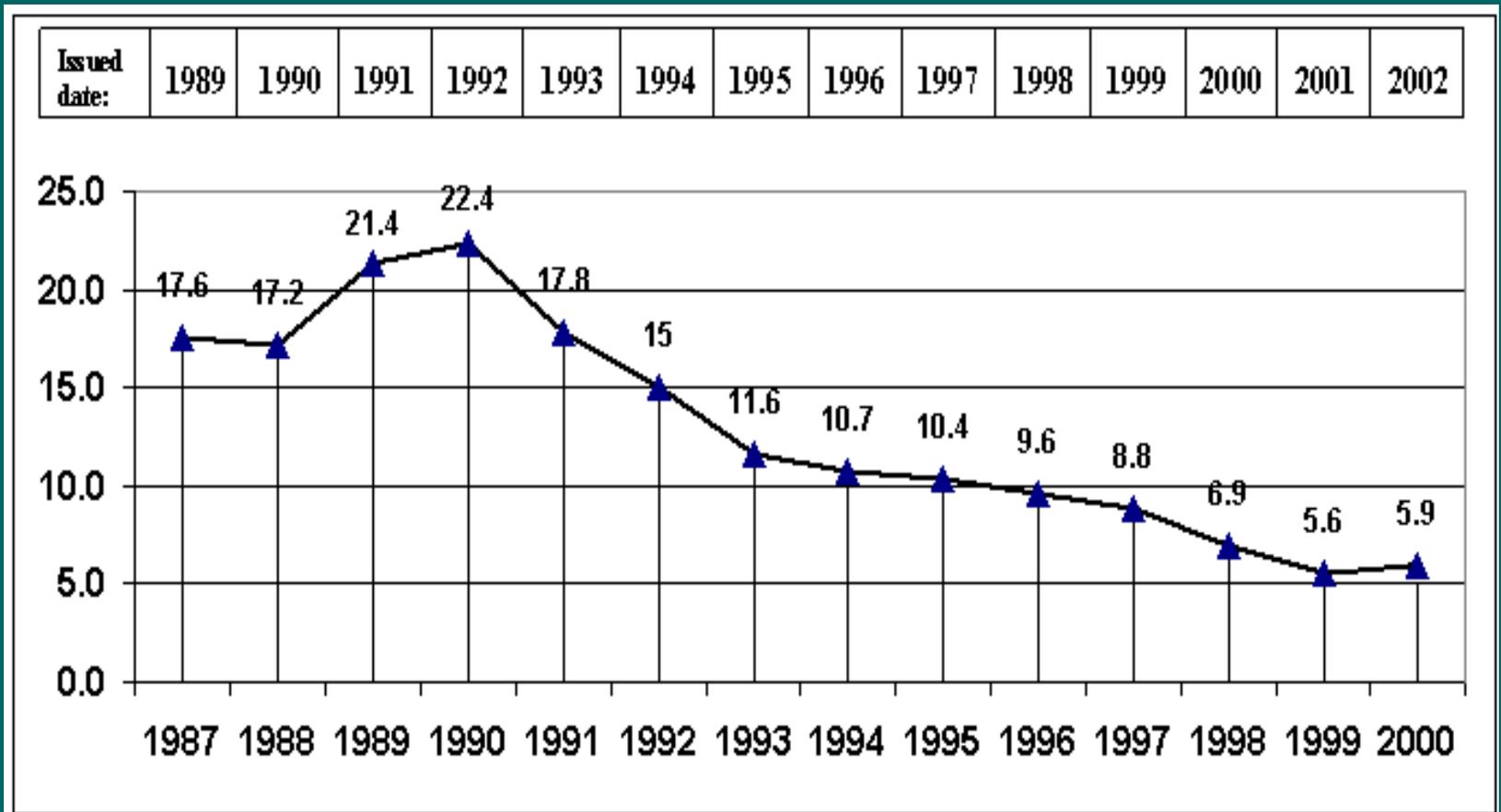
Q & A

Current Situation



Current Situation

U. S. Department of Education National Cohort Default Rates



Current Situation

- **FY 2000 National Default Rate**
 - **6,450 schools**
 - **142,378 borrowers in default**
 - **2,399,774 borrowers in repayment**
 - **5.9% cohort default rate**

Current Situation

- **FY 1998 Federal cost of FFELP**
 - **Total cost - \$6.4 billion**
 - **Cost of default - \$3.19 billion**



Current Situation

- **NELLIE MAE Undergraduate Students and Credit Cards, 2002**
 - **83% of undergraduate students have at least one credit card**
 - **Average balance is \$2,327**
 - **Graduating students have an average of \$20,402 in combined education loans and credit card balances**

Current Situation

- **NELLIE MAE Graduate and Professional Borrowing, 1999**
 - **High debt burdens not always offset by comparably high salaries**
 - **Most graduate borrowers report feeling “very burdened” by their student loan debt**
 - **22% report using 1/5th monthly income to make student loan repayments**

Current Situation

- **NELLIE MAE 2000 Credit Card Usage Analysis, 2001**
 - **Average number of cards - 4**
 - **Average credit card debt - \$4,776**
 - **Percentage with balances between \$6,000 - \$15,000 - 20**
 - **Percentage with balances exceeding \$15,000 - 6**

Current Situation

“Not having enough loan money to even pay for tuition...it’s very expensive and we have to take out the max, it doesn’t cover tuition. So I find myself taking out private loans, which is increasingly bad...”

Focus Group Participant

USA Funds,, 2002

- **Alternative loans**
- **Troubled economy**
- **Uncertain employment**
- **Threat of war**
- **Other issues?**

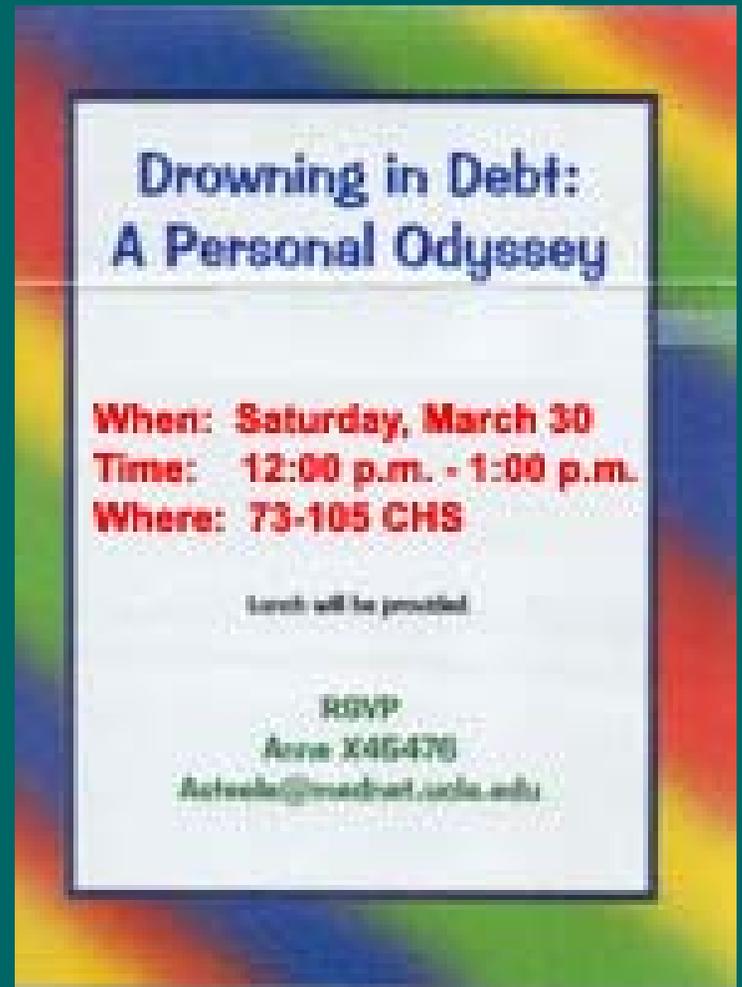
The top portion of the slide features a background of various coins, including US quarters and pennies, which are slightly out of focus. The title 'Best Practices' is centered over this background in a large, bold, white font with a black drop shadow.

Best Practices

- **Identify one or two good ideas you use at your institution/organization**
- **Share them with your group**
- **Group reports on “Best Practices”**

Best Practices

- **UCLA Medical School**
 - **School-wide commitment to financial literacy**
 - **Hi tech-hi touch approach**
 - **Creativity and awareness**
 - **<http://www.medsch.ucla.edu/>**



Best Practices

Vacations on a Shoestring

Thursday,
September 28, 2000

12:00 p.m. - 1:00 p.m.

Room 23-105 CHS



Make Tons With Medical Funds

Wednesday, February 21
12:00-1:00 p.m.
Room 33-105 CHS

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Best Practices

- **Nellie Mae FinMan**
 - **E-mail and web-based program**
 - **Topics**
 - **Budgeting**
 - **Managing credit**
 - **Taxes and retirement**
 - **Salary projections and loan repayment**
- **<https://www.nellie-mae.com/finman/index.html>**



Best Practices

- **Unlock The Future**
- **Best Practices in Student Retention**
- **Life Skills**
- **2003 Symposium**
- **Default Management System (DMS)**
- **Graduate Professional Life Skills**
- **<http://www.usafunds.org>**



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There for you

Contact Information

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“I think preventative information is clearly, in my mind, called for. Kind of like a “scared straight” thing, but before people go bad. As in giving more specific information as to what the repayment schedules are specifically for people - sitting down and actually talking to them about it.”

Focus Group Participant

USA Funds,, 2002