



National Default Prevention Day 2002

Default Prevention: You Are The Key!

August 1, 2002



FSA
FEDERAL
STUDENT AID

We Help Put America Through School



Default Prevention Through Innovation and Partnership

Linda L. Viau

**Director
Vermont Student
Assistance Corporation**





Collection Prevention vs. Default Prevention

Historical Focus - - Default Collections

Current Focus - - Default Prevention



Why This Change in Focus??

- According to Richard D. R. Hoffman - author of the article, “Awaiting the Storm”, in the May issue of the Greentree Gazette -
 - Latest U. S. economic downturn officially began in March, 2002
 - Exacerbated by the events of September 11th
 - Since then, delinquency in both the Direct Loan Program and FFEL has gradually worsened



Why this Change in Focus - continued.....

- Tight job market
- Consumer credit-crunch
- Fear that there will be a reversal of the downtrend in the national cohort rates



Results.....

SWITCH STARTED TO OCCUR WITH A GREATER EMPHASIS PLACED ON DELINQUENT ACCOUNTS - - EARLY INTERVENTION AND DEFAULT PREVENTION.



Results, Continued.....

- . Department of Education also changed its' focus by starting to pay incentives to guarantors for success in default prevention - **switch from “perverse incentive”**, a term used by Dick Johnston, retired Senior VP of Great Lakes
- . **Introduction of VFA Plans** with greater incentives to guarantors for successfully preventing defaults from occurring



VSAC Default Prevention Activities

- **Early Intervention Calls**
- **Motivational Letters at All Stages of Delinquency**
- **Teleservice**
- **Account Access**
- **Establishment of a Resource Center**
- **Grace Begin and End Letters**
- **SELECT Activities**



VSAC Default Prevention Activities - Continued.....

- **Mail Report Calls**
- **Promise to Pay Not Received Report Calls**
- **Identifying and Calling “Rolling Delinquency” <30**
- **Extended hours (Evenings and Weekends)**
- **Creation of “TIP Sheets” for use by Counselors**
- **Creation of Info Database for use by Counselors**



VSAC Default Prevention Activities - Continued.....

- **Use of Email**
- **Use of Third Party Billing Coupon**
- **Use of Special Flyer**
- **Referral to CCCS**
- **Advertising - “We’re Here to Help**



VSAC Default Prevention Activities - Continued.....

- **Loan Consolidation Presentations**
- **Financial Aid Nights**
- **College Pathways**
- **Representation at County Fairs**
- **Debt Management Workshops**
- **Fostering Partnerships with Schools**



VSAC Default Prevention Activities - Continued.....

- **Elect Pay**
- **Use of Internet Skiptracing Services**
- **Training, Training and More Training!!**
- **Enhancement of Billing Statement**
- **Average >20 calls Between 270-360 Days**



VSAC Default Prevention Activities - Continued.....

- **Handwritten Notes**
- **Past Due Reports for Schools**
- **Default Reports for Schools**
- **Active Participation in Industry Associations**



QUESTIONS ????????



If you wish to reach me -

**PHONE : (802) 654-3770,
Extension 223**

FAX : (802) 654-3765

EMAIL : viau@vsac.org