



# National Default Prevention Day 2002

**Default Prevention: You Are The Key!**

**August 1, 2002**



**FSA**  
FEDERAL  
STUDENT AID

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# ***Preventing Student Default at Norfolk State University***

**Melissa Barnes**

**Assistant Director**

**Michelle McRae**

**Default Prevention Coordinator**





# ***Preventing Student Default***

This session will provide information on the steps taken by Norfolk State University to manage its student default rate.



# ***Direct Loan Program Participants***

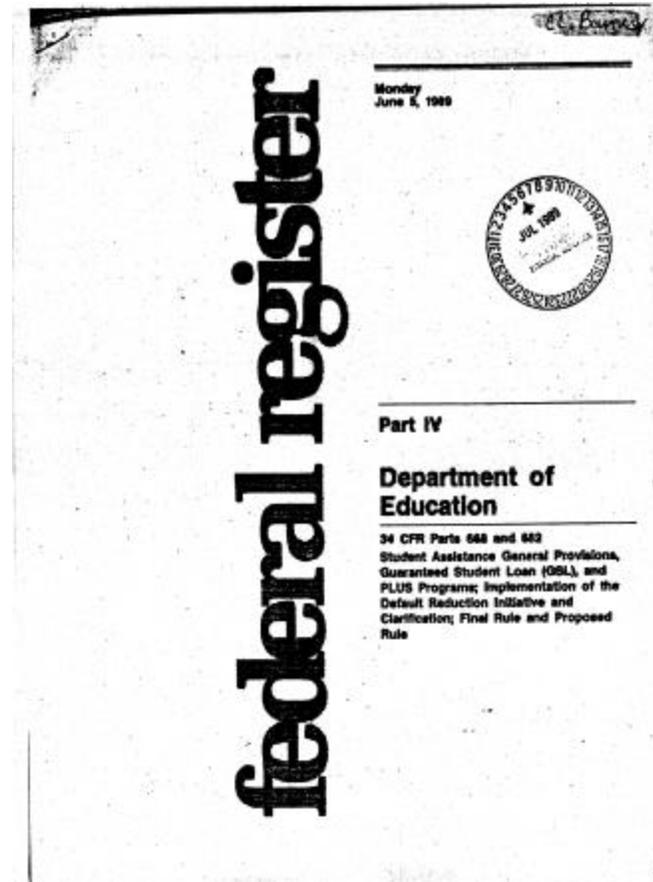
- NSU is a historically black institution with a Ford Direct Loan population over 6000 for the 2001/02 academic year
- NSU is located in Norfolk, VA
- Student Population of approximately 7,000
- Average Freshmen Class population of approximately 1,300
- Five Academic Schools
  - Liberal Arts
  - Science & Technology
  - Social Work
  - Business
  - Education





# ***Prior History***

- Monday, June 5, 1989 Federal Register (34 CFR Parts 668 and 682) was sent to schools. The Regs outlined procedures for implementation of the Default Reduction Initiatives and Clarification





# Prior History

cc: ~~xxxx~~  
David, NY  
This copy to Hunter

 UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF STUDENT FINANCIAL ASSISTANCE  
Washington, D.C. 20202  
JULY 31, 1989

PRESIDENT  
NORFOLK STATE UNIVERSITY 04896 School ID: 003765  
2401 CORPREW AVENUE Borrowers In Default: 81  
NORFOLK, VA 23504 Borrowers In Repayment: 352  
Default Rate: 23.0%

Dear President:

On June 5, 1989, the Secretary issued final regulations that employ a tiered approach in dealing with the student loan default problem at postsecondary institutions—targeting the more stringent default reduction measures on schools with the highest default rates. In his June 1989 letter (89-S-57 LD), the Secretary provided you with a summary of the major aspects of the regulations and solicited your support in implementing the default reduction measures he had announced. This is to notify you of the fiscal year 1987 default rate on loans made to students for attendance at your school under the Stafford Loan (formerly Guaranteed Student Loan) and Supplemental Loans for Students (SLS) programs. This rate is shown above, along with the number of borrowers on which that rate is based. This letter also describes the steps that your school must take to reduce defaults by its students, in light of that rate.

The default rate for your school shown above is based on data provided by the guarantee agencies in the FY 1988 Tape Dump submissions. The rate was calculated as the percentage of your school's students entering repayment on Stafford or SLS loans in FY 1987 who defaulted before the end of FY 1988. Beginning with the fiscal year 1989 cohort rate, for schools with less than 30 borrowers entering repayment, the three-year average rate described in the regulations will be used in applying the new regulations. See 34 CFR 668.15(f)(1). Please note that the fiscal year or "cohort" default rate is different from the cumulative and/or dollar-based default rates that may be used by your guarantee agency for other purposes.

Since your school's default rate is above 20 percent, you are required to take one of the following steps, unless that rate is based on fewer than 30 borrowers entering repayment:

(1) Within 60 days of the date of this letter, submit to the Secretary and the guarantee agency that guarantees the largest volume of loans to your borrowers (a) a proposed default management plan; (b) a detailed justification for any deviation in that plan from Appendix D to 34 CFR Part 668; (c) the default analysis described in 34 CFR 668.15(b)(2)(i); (d) the statistical analysis described in 34 CFR 668.15(b)(2)(ii); and (e) a description, per 34 CFR 668.15(b)(2)(iii), of the default reduction steps that your school has taken beyond those otherwise required by law. However, if your proposed default management plan includes all the default reduction measures listed in Sections I and II of Appendix D, you need not provide the default analysis described in Section 668.15(b)(2)(i) or the statistical analysis under Section 668.15(b)(2)(ii).

- July 31, 1989, Roberta Dunn, Deputy Assistant Secretary for Student Financial Assistance and William Moran, Director, Student Financial Assistance Programs sent a letter to the President of colleges and universities with co-hort default rates above 20%



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# Prior History

In 1990, the institution received a statement from the Dept. of Ed that provided information on the institution's default rate from 1987-90.

SID: 003765

SCHOOL: NORFOLK STATE UNIVERSITY

ADDRESS: 2401 CORPREM AVE  
NORFOLK, VA 23504

REGION: 03 CONG. DIST: 02

TITLE IV RECIPIENTS: 7183

## MOST RECENT PROGRAM FUNDING

1990

PELL 5719641  
SEOG 287726  
PERKINS 94573  
CWS 532028

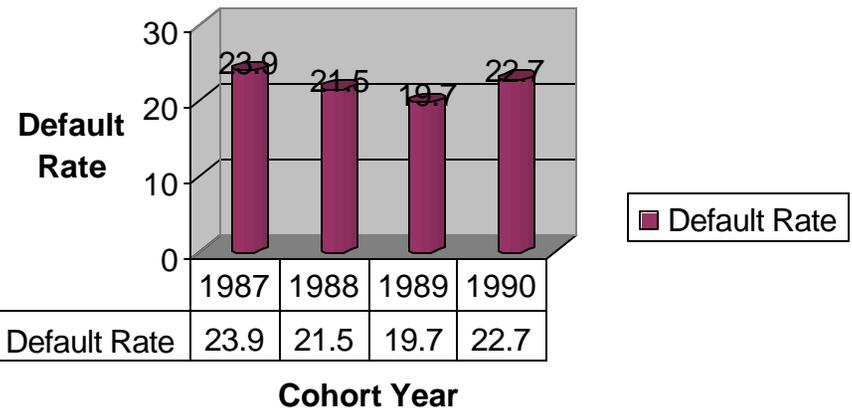
GSL:  
STAP 5526612  
PLUS 904593  
SLS 328589

TOTAL: 13393762

## DEFAULT RATES

COHORT YEAR	BORROWERS IN REPAY	BORROWERS IN DEFAULT	DEFAULT RATE
1990	1143	260	22.7
1989	954	188	19.7
1988	922	198	21.5
1987	741	177	23.9

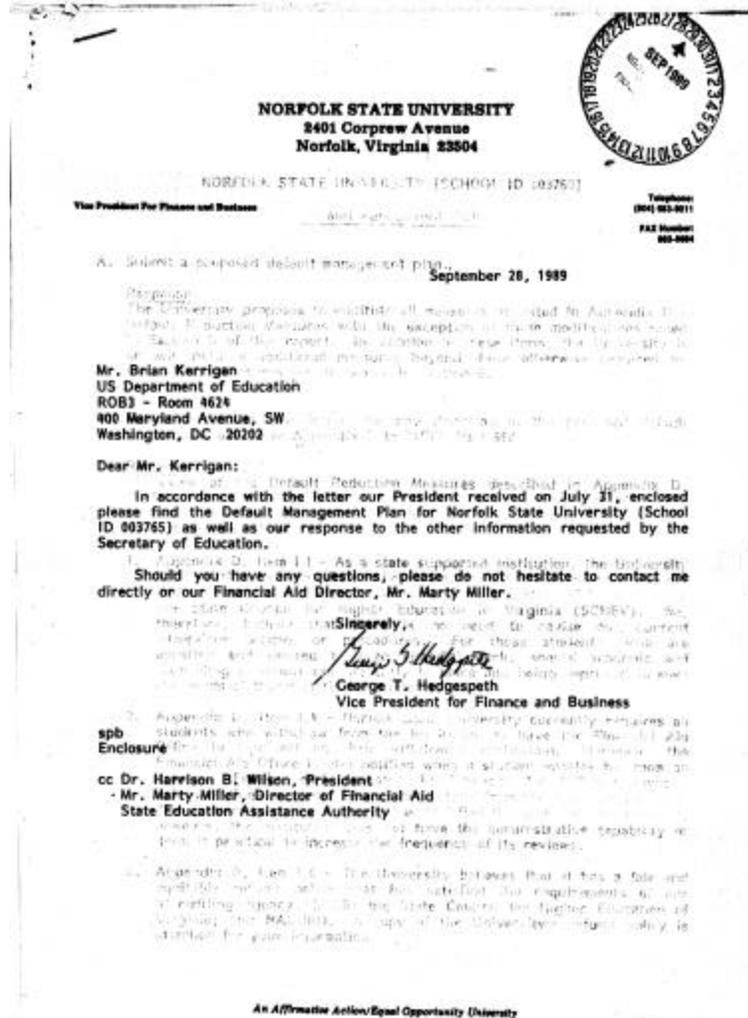
### NSU Default Rate





# Prior History

- Institutions with a default rate above 20% had to develop a default initiate plan and submit the plan to the Dept. of Ed for approval



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# ***Institution Saw Progress***

- After the Dept of Ed accepted NSU's plan and after the plan was placed into action, the institution's default rate began to make slow progress; however, in a sporadic fashion

Fiscal Year	Rate Type	Program Type	Numerator	Denominator	Rate	Process Date
2000	DRAFT	Dual	145	2502	5.7	01/13/2002
1999	OFFICIAL	Dual	162	2558	6.3	08/04/2001
	DRAFT	Dual	155	2578	6	01/13/2001
1998	OFFICIAL	Dual	391	2398	16.3	09/27/2000
	DRAFT	Dual	391	2405	16.2	12/18/1999
1997	OFFICIAL	Dual	566	2449	23.1	08/28/1999
	DRAFT	Dual	562	2476	22.6	02/27/1999
1996	OFFICIAL	Dual	547	2022	27	09/26/1998
	DRAFT	Dual	547	2149	25.4	03/28/1998
1995	OFFICIAL	FFEL	456	2143	21.2	09/27/1997
	DRAFT	FFEL	464	2609	17.7	03/29/1997
1994	OFFICIAL	FFEL	484	2183	22.1	11/02/1996
	DRAFT	FFEL	488	2223	21.9	06/06/1996
1993	OFFICIAL	FFEL	301	1491	20.1	01/14/1996
	DRAFT	FFEL	302	1648	18.3	06/18/1995



## ***A Turn for the Worst***

- In 1993, NSU's default rate took a turn for the worst and once again was over 20%.
- In 1995, the institution was no longer exempt from maintaining default rates in order to receive federal funding
- Since 1995, President Clinton's legislation requires that all HBCUs maintain default rates of 25% or lower in order to continue to receive federal funding



# ***Institution's Initiative***

- The institution decided to budget and hire a Default Prevention Coordinator in conjunction with utilizing services of third party servicer to get default under control
- Scope of Default Management Coordinator's Position
  - To assist in the institution's efforts to reduce the Direct Loan Default Rate
  - To conduct continuous entrance and exit counseling seminars for all first-time borrowers and students who exit the institution
  - To correspond with delinquent borrowers
  - To review delinquent borrowers reports and correspond with students
  - To provide debt management counseling



## ***Common Reason Why Students Don't Repay Loans***

- No one told them they had to repay the loans
- Drop-out/No obligation to repay
- Unemployed & unable to pay
- Currently employed but can't afford to pay
- Unaware of how the system works



## ***Plan of Action***

- **Mandatory Group Seminars—every student receiving student loans required to attend**
  - **Tools**
    - **Department of Education publications**
    - **Video**
    - **Mass Mailings**
    - **Phone-a-thons**
  - **Credit Report Illustration**
  - **Career Choices**
  - **Completing & signing of various forms**
    - **Forebearance**
    - **In-school Deferments**
    - **Economic Hardships**
    - **Unemployment Deferments**



# ***Follow-up Interviews***

- One-on-one Interview(s)
  - The importance of developing rapport with the students
- Credit Report Review
  - Judgments, Collections, and Beacon Scores
- Loan consolidation



# Other Services

- On-going audio and video presentations through campus television—"Default Prevention"
- Student Orientation presentations
- Mandatory Entrance/Exit Interviews
- Default Prevention Help-Line
- On-line access to student loan forms

Office Hours and Staff  
How to Apply  
Financial Aid Forms  
Satisfactory Academic Progress (SAP)  
The Appeals Process  
The Documentation Process  
The Verification Process  
The Award Process  
Work-Study Program  
Student/Parent Loan Programs  
Scholarships  
Do I have enough money?

Click on the form name to view and print the form. The Adobe Acrobat Reader is required to view these forms. To get the reader, go to [Get Acrobat Reader](#) or click on the icon.

**Financial Aid Verification Forms**

- [2nd Undergraduate Degree Form](#)
- [Bankruptcy Letter](#)
- [Asset/Dependency Status Form](#)
- [Certification of Non-Filer's \(CNF\)](#)
- [Child Support Verification Form](#)
- [Household Verification Form](#)
- [Loan Discharge Letter](#)
- [Low Income Verification](#)
- [Military Benefits Verification](#)
- [SAR Signature Page](#)
- [Social Security Benefits Verification Form](#)
- [TANF Verification Form](#)
- [Teacher Certification Form](#)
- [Worksheet A/B/C](#)

**Student Loan Forms**

- [Forbearance Request](#)
- [Deferment Request](#)

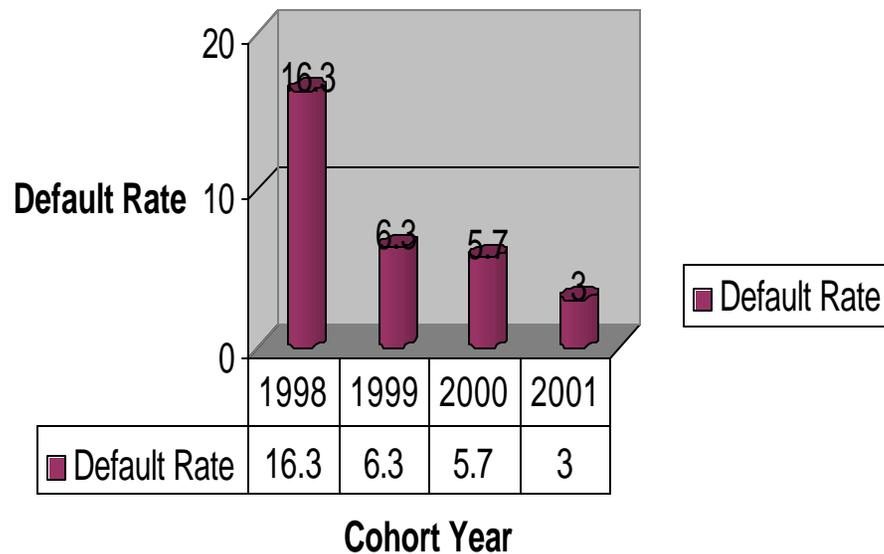
**Student Employment Forms**

- [Federal W-4 Withholding Form](#)
- [I-9 Employment Eligibility Form](#)
- [State \(VA\) W-4 Withholding Form](#)

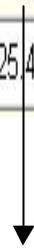


# Summary

### NSU Default Rate



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	DRAFT	Dual	547	2149	25.4	03/28/1998



**Default Rate beginning from 1996-97**



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## **Contact Us**

We appreciate your feedback and comments. We can be reached:

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Email:[cmcrae@nsu.edu](mailto:cmcrae@nsu.edu)