

## The 5 W's of Student Loan Defaulters: Using Analytics to Form Your Default Prevention Strategy

presented by:

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*Fusion of Ideas*

## What are the 5 W's?

- **Who** is defaulting?
- **Why** are they defaulting?
- **What** tactics are you currently using to improve student success?
- **Where** can improvements be made?
- **When** is it most effective to reach student borrowers?


“A major part of any plan is to periodically review progress in preventing defaults. **One element of this review is a comprehensive analysis of defaulters...** who is defaulting and why. Schools can then use this information to improve their default prevention and management practices and initiatives.”

*-Department of Education Sample Default Management Plan*

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## UNDERSTANDING COHORT DEFAULT RATES

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## What's in a Cohort Default Rate?


**Borrowers in the cohort who default within the 3 year cohort period (Numerator)**

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**Cohort of federal student loan borrowers who enter repayment during cohort fiscal year (Denominator)**

**X 100 = CDR**

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## Cohort Year 2013

October 1, 2012

September 30, 2013

September 30, 2014

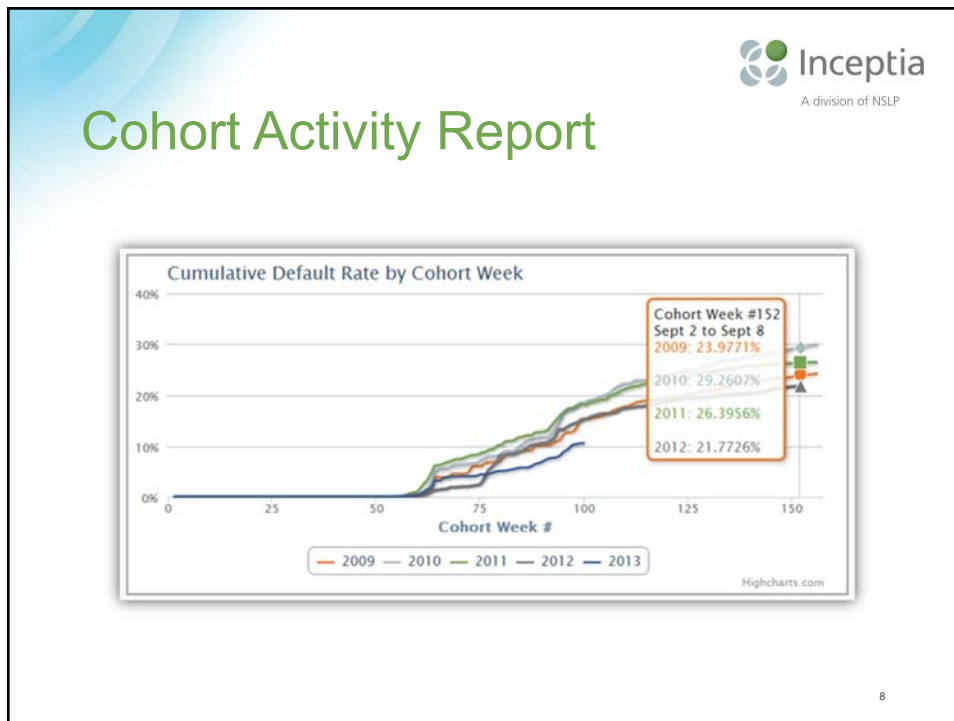
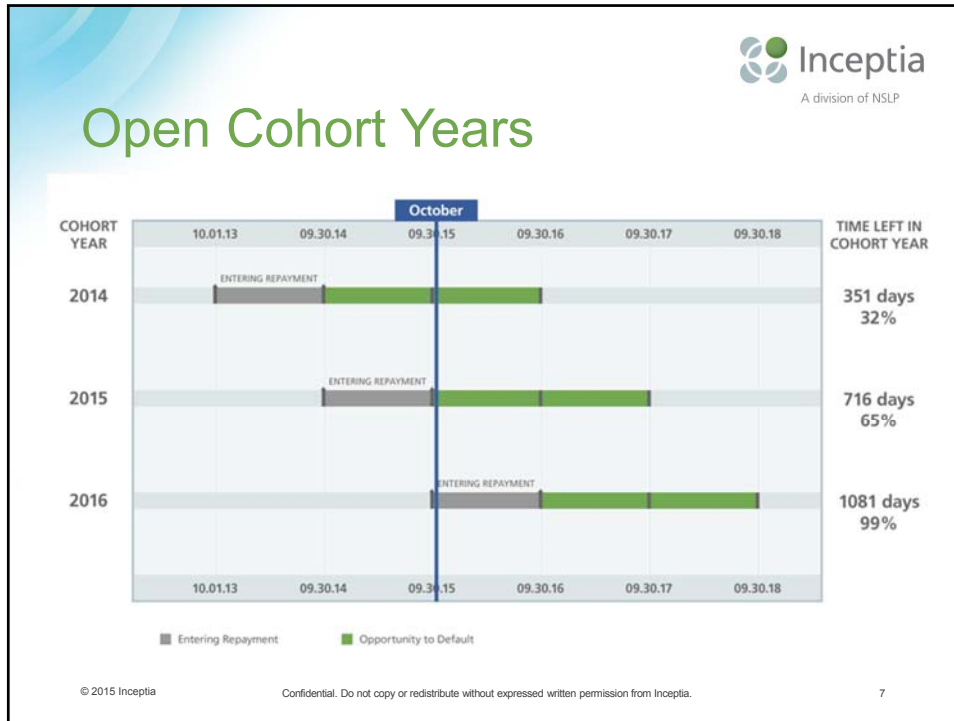
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Enter Repayment

Track Default Status

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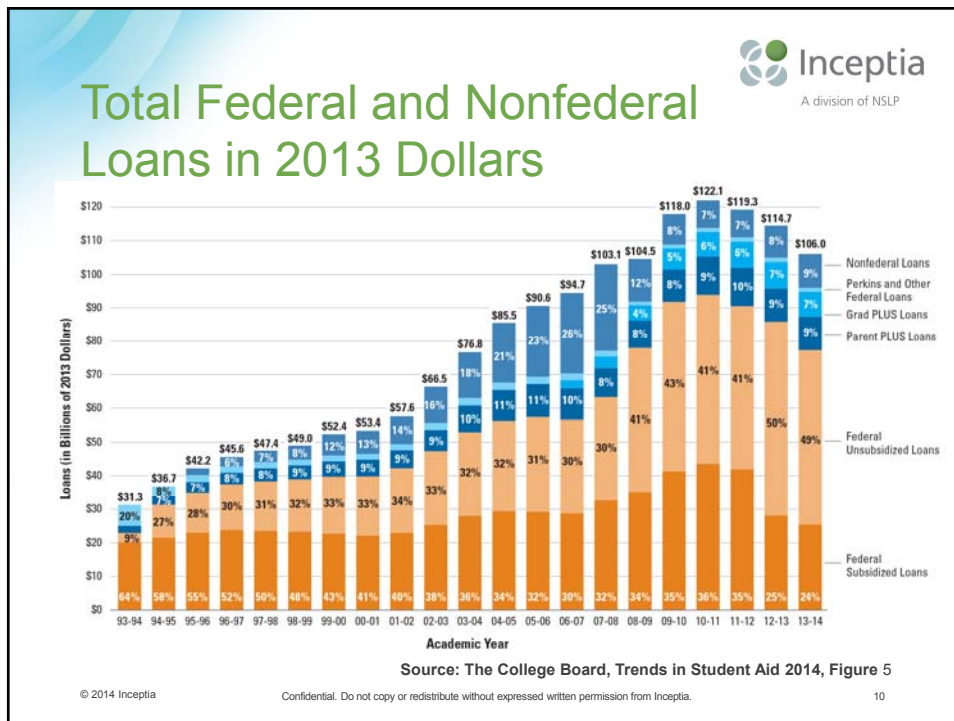


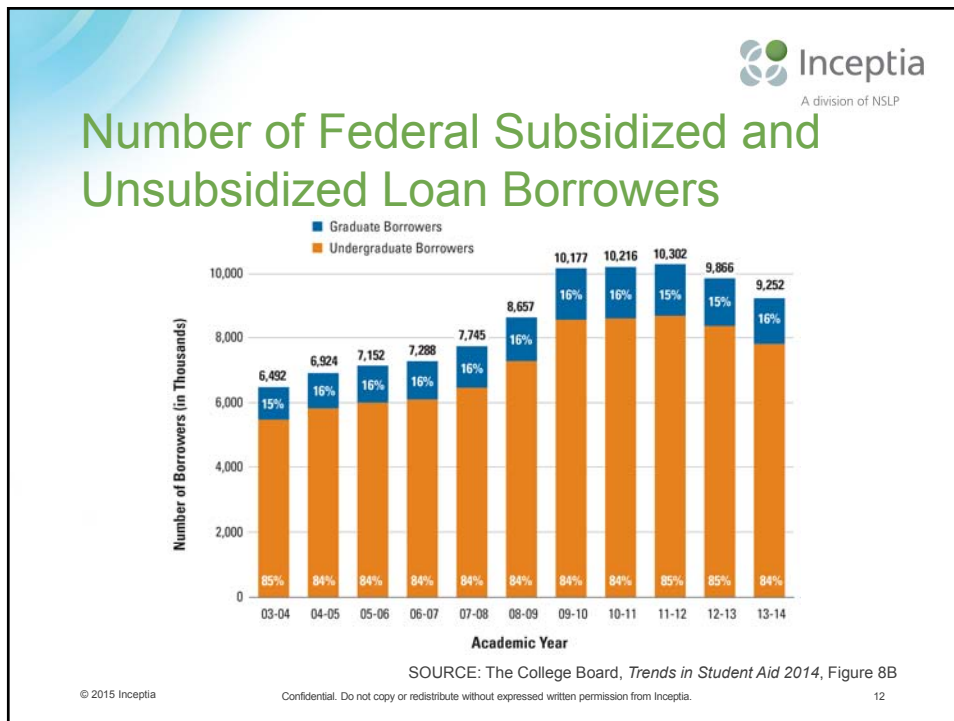
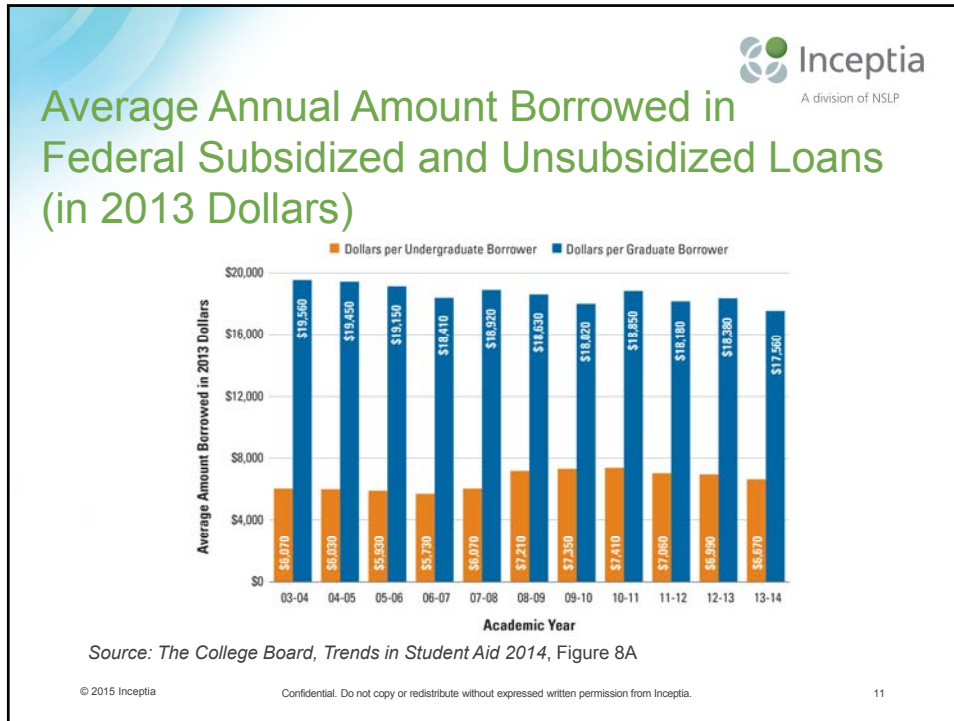


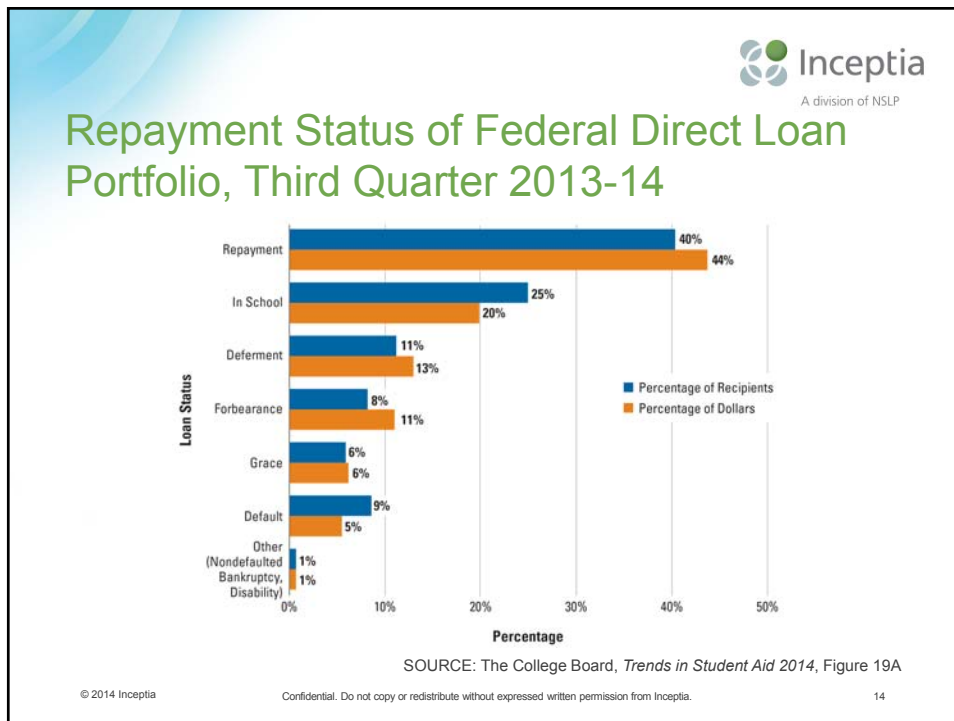
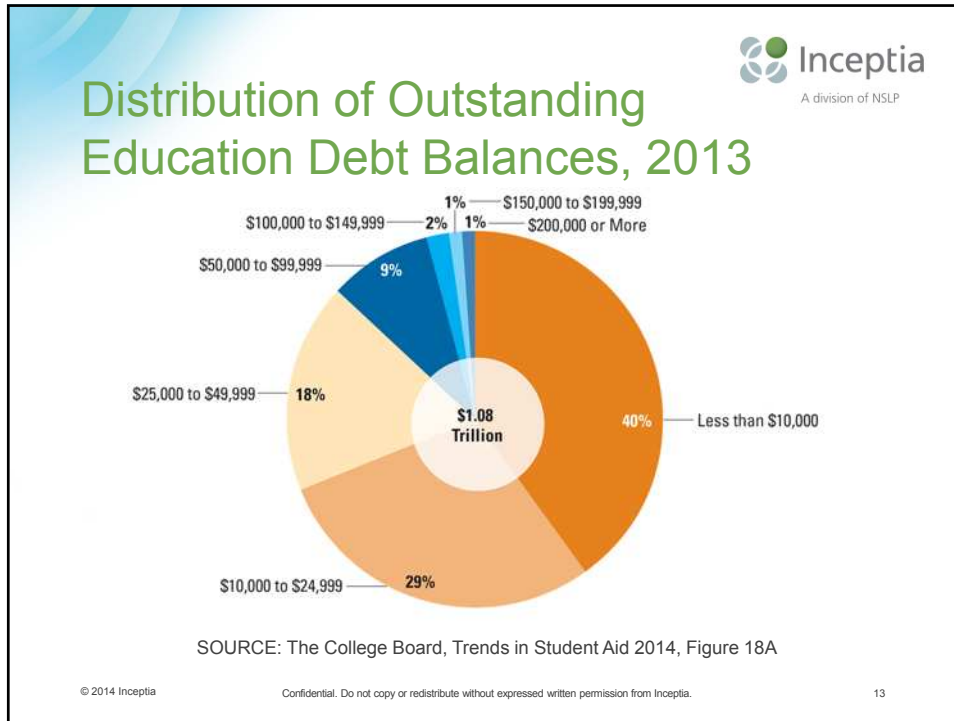
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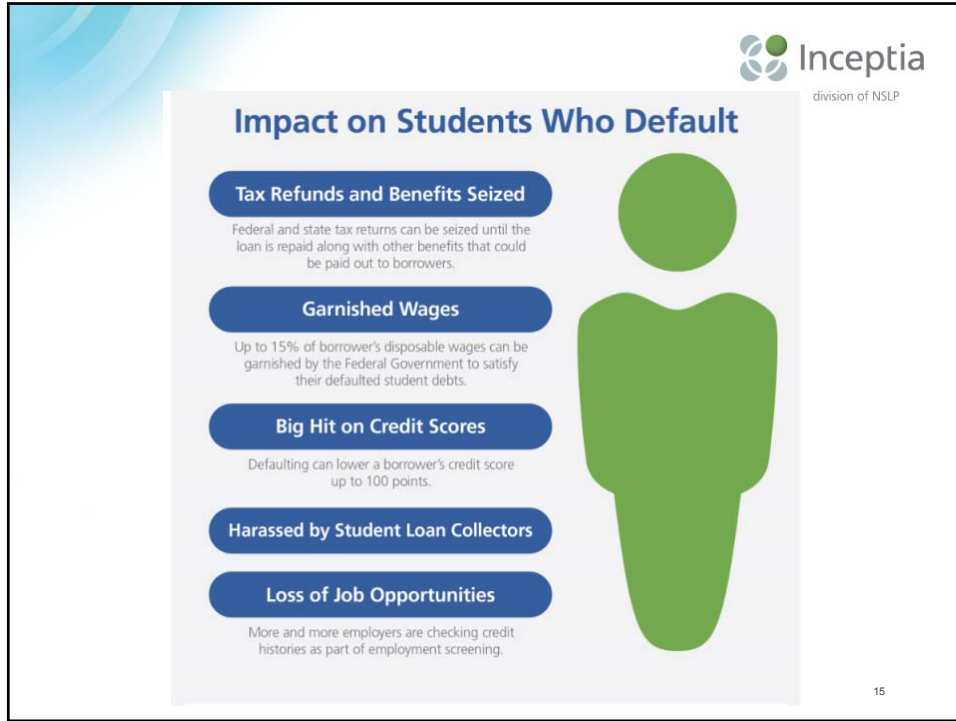
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**Impact on Students Who Default**

**Tax Refunds and Benefits Seized**  
Federal and state tax returns can be seized until the loan is repaid along with other benefits that could be paid out to borrowers.

**Garnished Wages**  
Up to 15% of borrower's disposable wages can be garnished by the Federal Government to satisfy their defaulted student debts.

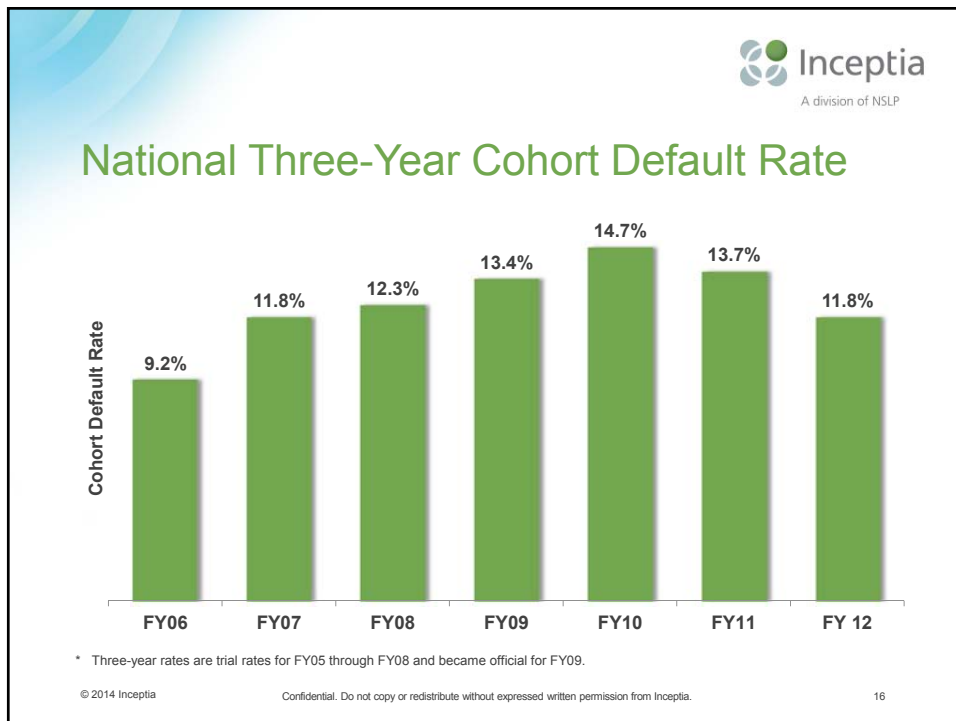
**Big Hit on Credit Scores**  
Defaulting can lower a borrower's credit score up to 100 points.

**Harassed by Student Loan Collectors**

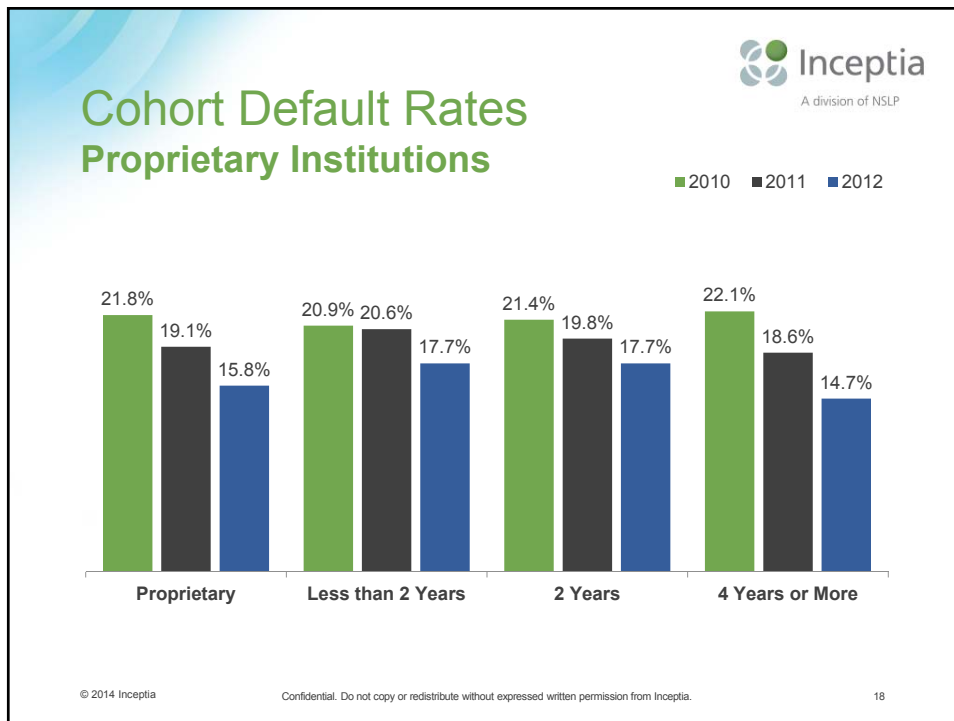
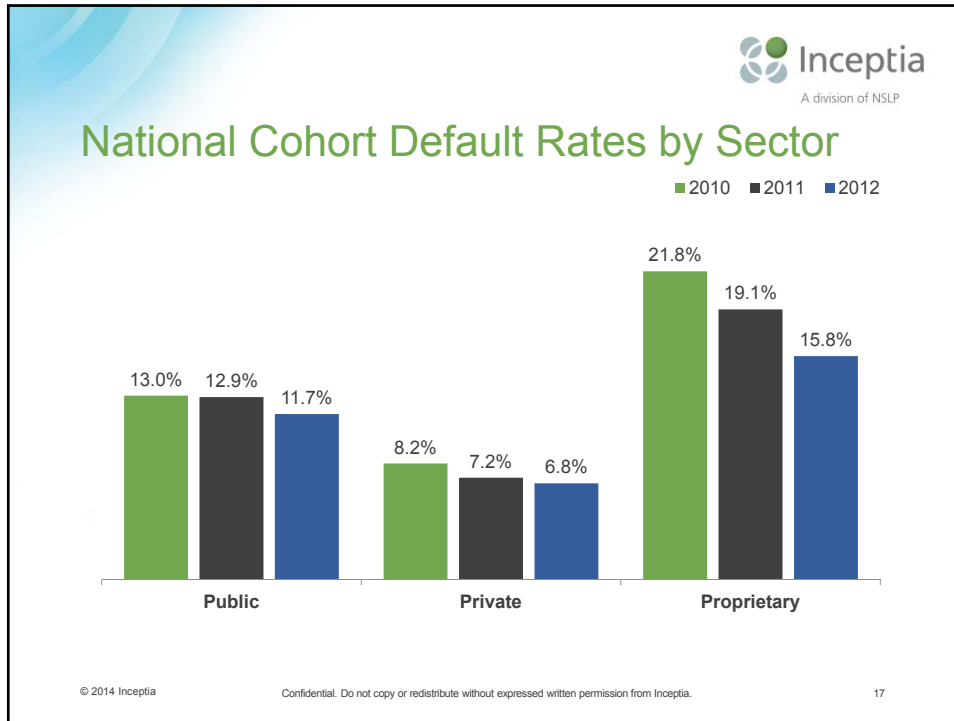
**Loss of Job Opportunities**  
More and more employers are checking credit histories as part of employment screening.

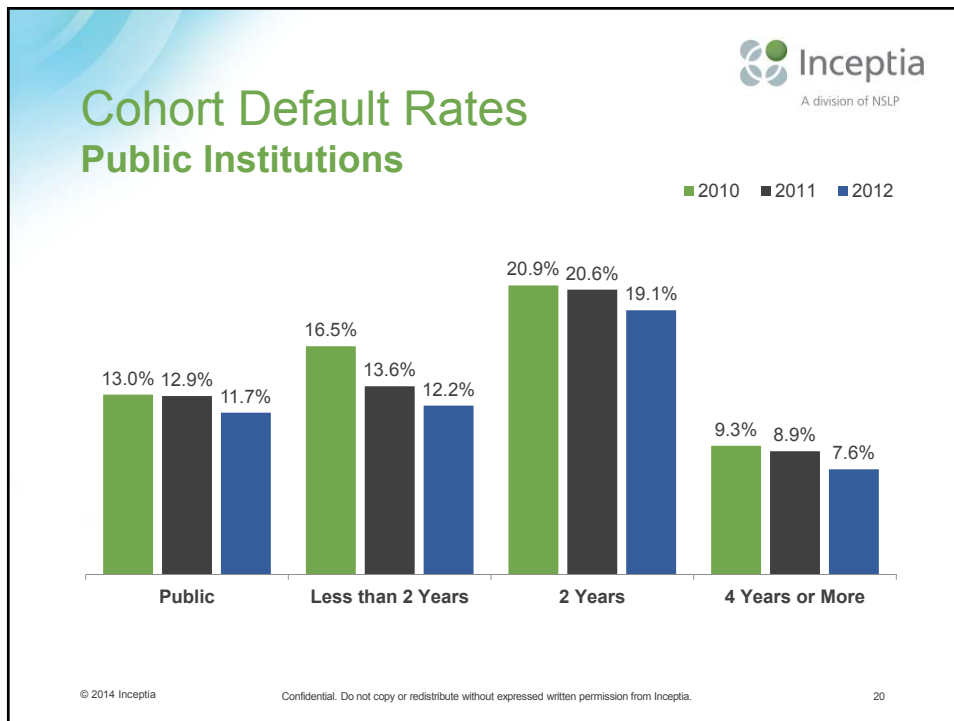
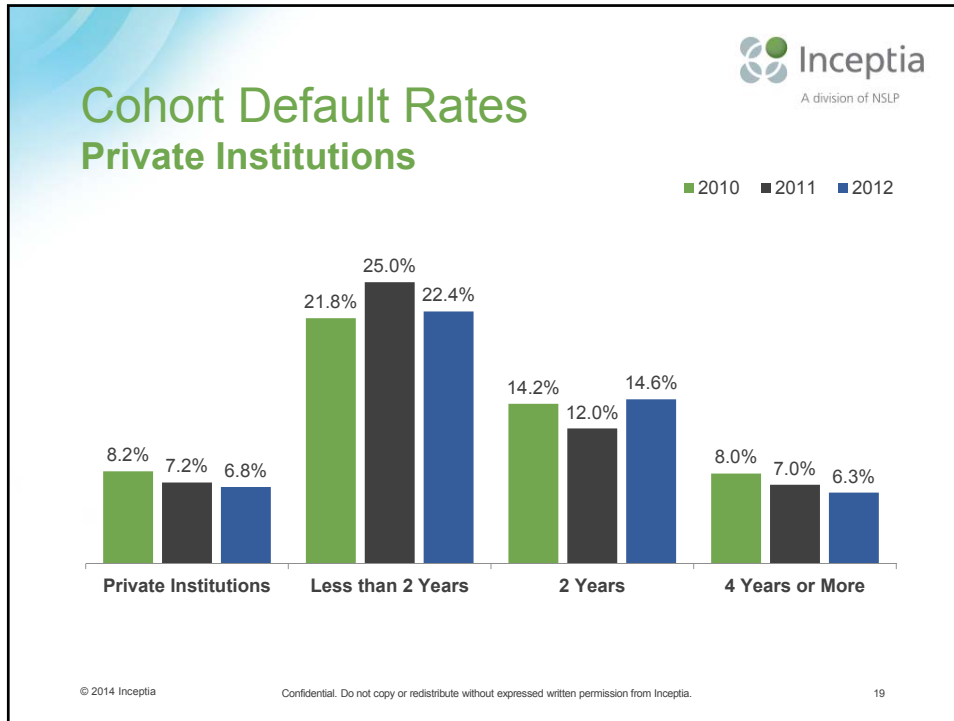
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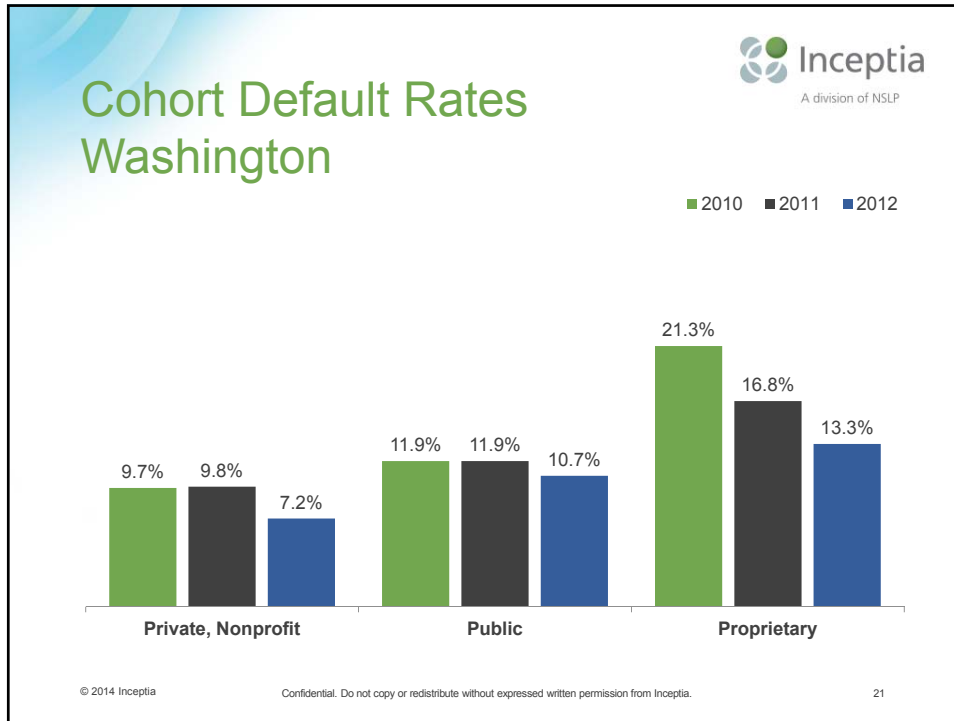

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## COMPREHENSIVE ANALYSIS OF DEFAULTERS *RESEARCH STUDY*


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### Why Analyze Your Data?

- Benchmark Profile
- Magnitude of the Problem
- Target Resources
- Ongoing Success



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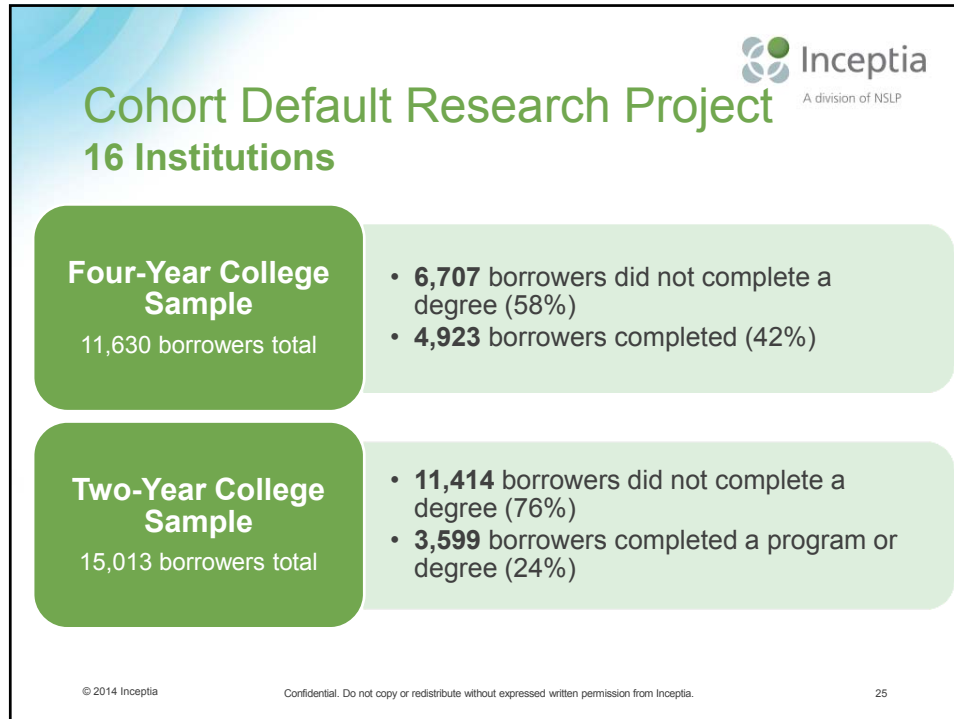
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### Cohort Default File Analysis

- ✓ 60 variables
- ✓ 1, 2 or 3 years Benchmark Report
- ✓ Tracking changes with each new CDR file

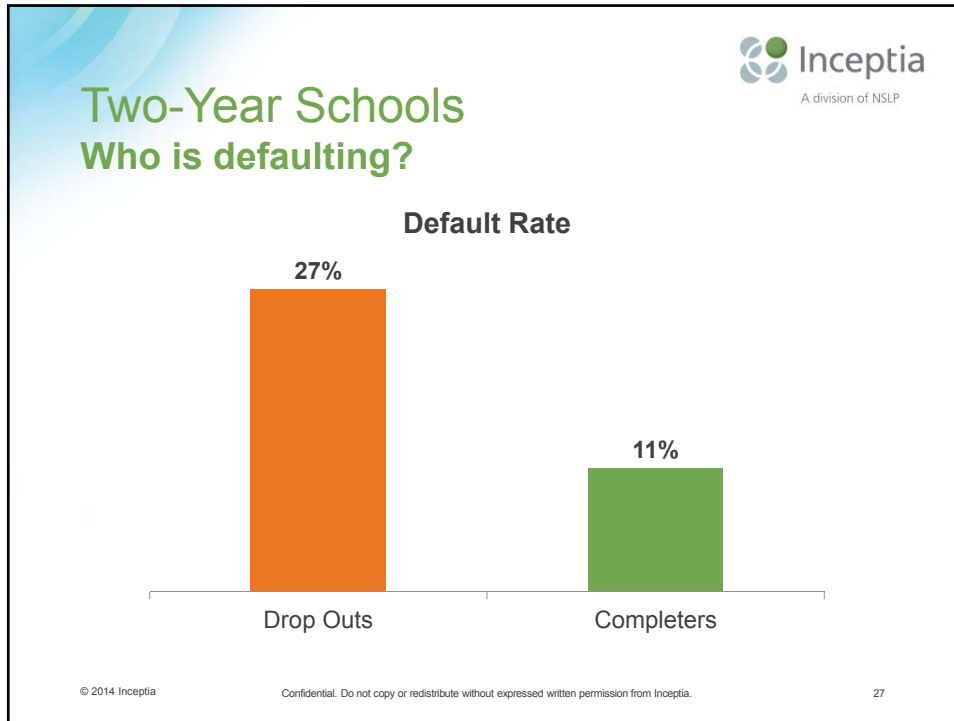
*Who is defaulting?*

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***Completion  
is  
paramount!***

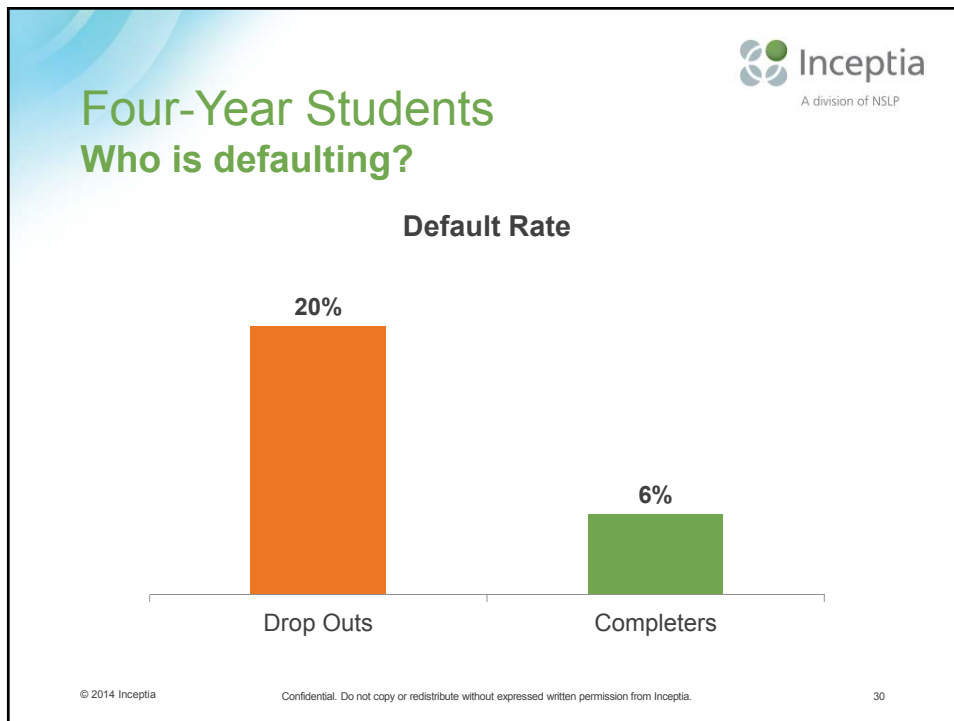
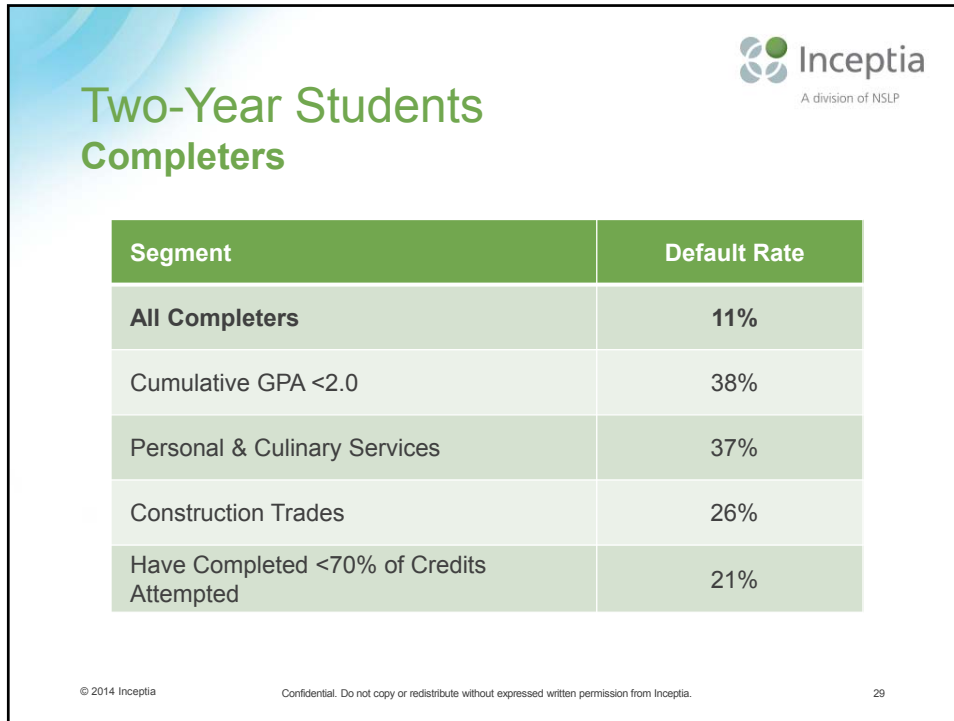
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**Two-Year Students  
Non-Completers**

Segment	Default Rate
<b>All Non-Completers</b>	<b>27%</b>
Pell Eligible	42%
Academic SAP 1 <sup>st</sup> Term	38%
1 <sup>st</sup> Term GPA <1.0	37%
1 <sup>st</sup> Term Credits Completed <50%	35%
Needed English Remediation	34%
Male	32%
Students of Color	31%

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### Four-Year Students Non-Completers

Segment	% Default
<b>All Non-Completers</b>	<b>20%</b>
1 <sup>st</sup> Term Credits Completed <50%	35%
Cumulative GPA <1.0	34%
Academic SAP 1 <sup>st</sup> Term	30%
1 <sup>st</sup> Term GPA <2.0	29%
Needed Remediation	25%

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### Four-Year Students Completers

Segment	% Default
<b>All Completers</b>	<b>6%</b>
English Language & Literature	12%
Foreign Languages	12%
Less than 70% Credits Completed	10%
Area, Ethnic & Group Studies	10%
Low Income (Family Income <\$30K)	9%
Cumulative GPA 2.0 -2.99	9%

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**TACTICS TO IMPROVE  
STUDENT SUCCESS**


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### Where and What Improvements Can Be Made?

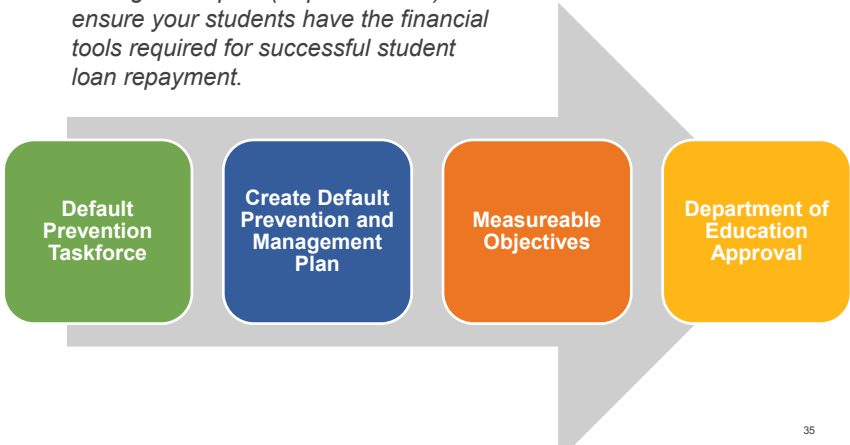
1. Make a list of current strategies and processes.
2. Be proactive! Understand the unique characteristics of **your** at-risk borrowers.
3. Create a default prevention plan (whether required by the ED or not).
4. Implement or enhance financial education programs and borrower communication outreach.

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## U.S. Department of Education Default Prevention Plan Requirements

*An effective default prevention and management plan (required or not) can ensure your students have the financial tools required for successful student loan repayment.*




**Default Prevention Taskforce**

**Create Default Prevention and Management Plan**

**Measureable Objectives**


**Department of Education Approval**

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## Possible Strategies Financial Education

- Comprehensive online financial education program
  - Life stage-appropriate topics
- Peer-to-peer advising
- First-year experience class
- Alumni services




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## Possible Strategies Borrower Outreach

- Clear communication
- In-person counseling
- Grace program
- Delinquency program
  - Emails
  - Letters
  - Phone calls


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## Possible Strategies Others

- SAP analysis
- Grant opportunities
- Early 150% tracking
- NSLDS appeals
- Cohort Activity Report  
[www.inceptia.org/toolkit2](http://www.inceptia.org/toolkit2)


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# QUESTIONS



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## CONTACT INFORMATION

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