**ABC Community College**

**Default Management Plan**

**2011-2012**

1. **Background**

Students attending ABC Community College (ABC) rely very heavily on financial aid. During the 2010-2011 Academic Year, ABC awarded over $17.456 million dollars in Federal Financial Aid (Pell Grant, SEOG, FWS, ACG, etc.). Over this same period of time, ABC students received over $17.276 million dollars in loans (Federal Direct Subsidized, Federal Direct Unsubsidized, Federal Direct PLUS, and alternative/private loans). While the awarding of these grants and loans provides ABC students tremendous access to educational pathways, the large amount of student loan debt that is being accumulated could result in ABC’s Cohort Default Rate (CDR) rising to the point in which our eligibility for receiving Federal Financial Aid could be revoked.

The CDR is the percentage of a school’s borrowers who enter repayment on student loans during a federal fiscal year (October 1 to September 30) and default prior to the end of the next two federal fiscal years. The National FY2008 3-Year CDR for 2-Year Colleges stands at 17.9%. ABC’s 2008 3-YR Trial CDR was 24.5% (“trial” 3-year CDRs, which are informational only, have been offered by the Department of Education for only a few years now. The first “real” 3-year CDR will be generated for the FY2009 cohort with the “draft” rate available in March 2012). This was a slight increase over our 2007 3-YR Trial CDR of 21.9%. The concern is that once a school reaches the 30% threshold they must submit a Default Management Plan to the Federal Student Aid for review. If the school stays at 30% or higher for two more consecutive years, they risk the loss of eligibility for all Federal Grants, Loans, and Work Study.

***ABC* FY2005 FY2006 FY2007 FY2008 FY2009 FY2010**

**2-Yr CDR 14.1 13.0 16.3 17.9 23.2 22.0 (draft)**

**3-Yr CDR 18.9 21.8 21.9 24.5 30.6 (draft)**

Efforts to monitor the Default Rate have been in place within the Financial Aid Department. Departmental practices have been reviewed and efficiencies have been noted as well as efforts by the staff to implement strategies in an attempt to impact the default rate, anticipating the possibility of continued increase despite the department’s efforts.

ABC Community College received the Draft FY2009 3-Year CDR of 30.6% on March 5, 2012. The list of borrowers in default has been reviewed and has identified eight borrowers that will be challenged to the Department Of Education. If the challenges are accepted the default rate is anticipated to drop, estimated at 30.2 %. The Official Default Rate will be received in September 2012. Per federal requirement, ABC will need to submit a Default Management Plan once the official default rate is received. In anticipation of this, ABC Administration is committed to being proactive in the school’s efforts to assure that our CDR does not continue to increase past our current level and, in fact, decreases. The formulation of a structured approach is now imperative and must be a College wide initiative for prevention of the default rate continuing to increase at or above 30%. If the default rate remains at the 30% level for three consecutive years, the potential loss of financial aid funds will have severe consequences and impact on the College, students and the local community.

1. **Data**

In March 2011 the Director of Financial Aid researched the FY2009 2-Year CDR to review the defaulters and determine which students were defaulting. The following are the characteristics of the FY2009 2-Year defaulters (299 defaulters in the cohort of 1,285 students) (and it should be noted that these characteristics very closely matched the FY2007 2-Year CDR defaulters’ characteristics):

* Average defaulter owed $6,886. (Total defaulted loan dollars $2,058,957/299 defaulters)
* 76% owed $1-$10,000
  + 19% owed $10,001-$20,000
  + Only 5% owed $20,000+
* 77% are Independent students (as determined by the Free Application for Federal Student Aid or FAFSA)
* 76% received a Pell Grant (indicating low-income students who typically qualify for a Pell Grant)
* 67% were freshman
* 88% had a last enrollment status of “Withdrawn”
* 85% did not graduate
* 72% had a Satisfactory Academic Progress (SAP) problem
* 77% had at least one remedial class
  + Of these students 89% had at least one remedial math class
* Pathway designations below accounted for 74% of all of the FY 2009 defaulters:
  + Three majors accounted for 49% of the defaulters
    - AGS (67 students)
    - AA (50 students)
    - Certificate of Health Care Support (29 students)
  + Additional areas accounted for another 25% of the defaulters
    - Automotive Collision/Automotive Technology (20 students)
    - Business Management/Business Technology (21 students)
    - Welding (18 students)
    - Criminal Justice (15 students)
* Campus location
  + ABC Main Campus: 79%
  + Campus 2: 10%
  + Campus 3: 6%
  + Campus 4: 3%
  + ABC Online: 2%

General analysis of the data shows that the primary problem is related to retention – students only attend a few semesters, borrow an average of $6800 (this disproves earlier assumptions that the main problem lay with students accumulating high loan debts), and then drop out (usually on academic or financial aid probation or suspension) without completing a certificate or degree. Without obtaining an academic credential students then have difficulty obtaining better employment and have trouble repaying their loans.

On November 23, 2011 the Coordinator/Research Analyst of the Institutional Research (IR) Office, presented information to the SPECIAL Project Team (grant awarded to ABC in Fall 2011) in reference to the default rate. The data was obtained from the Federal Student Aid Data Center. The comparison of ABC to Peer Colleges, Valencia Community College and Cochise College was analyzed. The document showed that ABC has a larger percentage of students that receive loans at 34%. The comparison of three-year default rates of the above entities shows the overriding economic effect of recent years to be similar throughout the country. Although ABC’s steadily rising default rate is noted, it is graphed as the second highest rate incline with Cochise Community College having the largest increase in their default rate. Additionally, public institutions have not been impacted by the economic effects as drastically as private higher education institutions with some of these cohort rates higher than 50% for FY 2008. Colleges with improvements in their default rate were identified and offered as resources for ABC to consider in the development of strategies and best practices.

Additional research and statistical analysis of ABC students and alumni will be on-going with the IR Office.

1. **Previous Strategies and Efforts**

Informal analysis of monitoring the rising ABC Default rate has been ongoing before the formalization of this plan. Based on the changes and the increase of the 2-Year CDR and with the introduction of the 3-Year CDR per Federal Regulations, the Financial Aid Office at ABC has implemented the following:

Processes/Efforts with Direct Impact

* Fall 2009 – Required in-person Entrance Loan Counseling for all ABC Campus Students.
  + Other students are required to do on-line Entrance Loan Counseling.
* Fall 2009- All loan applicants must submit *Additional Loan Request* (ALR) form for an extra Unsubsidized Loan. This ALR form requires the student to identify their career goals, current and projected student loan debt, and a future budget based on their stated career goals to include their monthly student loan payment.
* Spring 2009 – Analyzed FY2007 2-Year CDR defaulters.
* Fall 2010 – Adopted the Department of Educations’ Sample Default Management Plan.
* Spring 2011 – Analyzed FY2009 2-Year CDR defaulters.
* Summer 2011- Hired Default Prevention Coordinator for prevention intervention of at-risk ABC enrolled students. Examples of at-risk students are those on FA SAP Warning or Probation for poor academic progress, or those students identified in the Early Alert System.
* Fall 2011 – Contracted with *Nelnet* for “Responsible Repay” program – utilized to contact alumni with student loans in delinquent status for both Nelnet’s own assigned ABC borrowers as well as ABC borrowers with other loan servicers (such as Sallie Mae, ACS, and Great Lakes) above the required contacts required by federal regulations.
* Fall 2011- Developed Customer Solutions Center (CSC):
  + Answered all phone calls to Financial Aid and allowed more time for processing FA verifications, loans and student interaction with the FA Advisors.
  + CSC also provided additional support in contacting alumni with follow up in regards to mailed Exit Counseling materials (required when borrowers fall below 6 credit hours).
* Fall 2011- Added R2T4 list to be contacted by Default Prevention Coordinator for prevention intervention.
* Fall 2011-Upon needing a signature on an Official Withdrawal form in the FA Office, staff checked loan history and directed student to Default Prevention Coordinator for prevention intervention.
* Spring 2012- Contracted with Vendor for *Borrower Connect*, a software program for in-house delinquency intervention by the Default Prevention Coordinator.

Processes/Efforts with Indirect Impact

* Summer 2008- Academic Advising Department created and centralized advisors.
* Fall 2009- AAA STEPS to Success class added to ABC Basic Skills Requirements.
* Fall 2009-Implemented revised New Student Orientation including “Financial Success” session.
* Spring 2010-Reinstated Drop for Non-Payment.
* Fall 2010- ABC *Financial Aid Newsletter* distributed quarterly to all students and staff.
* Fall 2010- Implemented FAFSA Award Pending deadline one week prior to start of semester classes.
* Spring 2011-Registration closes on Friday before first day of semester classes.
* Fall 2011- Received $25,000 SPECIAL Grant from Vendor to implement Financial Literacy.
* Spring 2012-SAP Appeals Process modified including implementing required submission of Academic Plan (via a completed Curriculum Sheet) and Registration Holds until Eligible for Aid status achieved.
* Spring 2012 – Campus-wide communication begun. FA Director and VPSS updated “Monday Morning Huddle”, and attended all three academic division meetings to describe the CDR and the potential impact on the college.

1. **Current Approach**

The Financial Aid Director (FA Director) and Vice President of Student Services (VPSS) have identified a multi-discipline membership for a Default Management Task Force (DMTF) and it has been assembled.

DMTF Purpose and Objective:

The purpose of the Task Force is to assist in analysis, advice, and suggestions for lowering the Cohort Default Rate (CDR), assist in garnering college wide awareness and support to improve/change college policies and procedures with recommendations to Cabinet.

The Task Force will be responsible to develop a Default Management Plan for ABC Community College. They will be responsible for implementation, evaluation and modification of the plan based on data analysis of ABC Financial Aid statistics. The goal is to decrease the current default rate below the identified Federal threshold, provide practices and protocols for financial aid awarding and disbursement at ABC, align with Federal Compliance, provide resources to students for financial literacy, and increase awareness college-wide of the default plan and financial aid protocol.

Frequency of Meetings: Initial meeting occurred on December 2, 2011 followed by the next meeting on March 9, 2012. Future meetings will be held monthly on the first Friday of each month at 10:00 AM.

Members

Director of Financial Aid (Committee Chair), Vice President of Student Services, Director of Admissions and Records, Director of Advising, all Financial Aid Advisors, Default Prevention Coordinator, Co-Chair of Retention Task Force (faculty), Coordinator/Research Analyst, Cashier Office Supervisor, Director of Recruitment, Coordinator of Customer Solutions Center, Assistant Director of Student Life, Administrative Assistant (Committee Secretary).

This group has met and has begun to formulate a four-prong approach that will address (A) Retention Strategies, (B) Financial Literacy/Awareness for all constituents of ABC Community College, (C) Debt Management for ABC students who apply for and receive student loans, and (D) Default Management for ABC Alumni who have borrowed student loans.

1. **Retention Strategies (Timeline - Summer/Fall 2012)**

The college is embarking on an ambitious plan to strengthen the retention of its students. Protocols are being added, revised or enhanced to increase the current ABC retention rate. Although the strategies for retention are not based on the Financial Aid Cohort Default Rate, per Federal Guidelines, ABC is noting the guidance to go beyond financial aid processes and will be integrating the retention strategies to address the whole student. Addressing the student in multiple areas of admissions and enrollment processes, academic achievement, and financial responsibility will add additional depth to this plan as well as involve the College Registration holds on all new students.

* 1. Credit hour limit (up to 11.5 credits) for students who test into two or more College remedial classes.
  2. Policy for enrolling in and passing AAA 098, STEPS to Success (freshman success course).
  3. Review and revise the “No show”, “Drop”, and “Withdrawal” policies.
  4. Review certificate offerings and time to completion.
  5. Training for faculty and staff on retention cohort.
  6. Retention cohort action plan.
  7. Implementing “Course Signals” College wide (Early Alert System)

1. **Financial Literacy/Awareness for all constituents of ABC Community College** **(Timeline – Spring 2012)**

This will be a broad sweeping initiative outreaching all constituents at ABC, faculty, staff and students. Outreach programs will be designed around curriculum opportunities, workshops, financial literacy TV, portal enhancements, guest lecturers and other resources as identified. The Task Force will engage Student Life, Student Organizations, Faculty and Staff in order to reach the most members of campus. The goal will be to bring the issue of Financial Literacy to the forefront and provide our college community with avenues for them to be able to learn and incorporate strategies to becoming financially healthy. This also aligns with the ABC AQIP Goal of Valuing People.

* 1. Student Outreach
     + Financial Aid Newsletter-monthly publication
     + SPECIAL Grant Awarded in September 2011.
       - Implementation of Vendor curriculum in AAA 098 STEPS to Success
       - Development of student peer mentors for financial responsibility
       - Title initiative as SAFE
     + College Goal Sunday
     + FAFSA Workshops ( FAFSA Free For All)
     + New Student Orientation
     + Develop mentoring program
  2. Faculty outreach
     + Financial Aid Newsletter
     + Attend Division Meetings once per semester
       - Default awareness
       - Change in withdrawal policy- focus on attendance
  3. Staff awareness
     + Financial Aid Newsletter
     + Attend department meetings once per semester

1. **Debt Management for ABC students who apply for and receive student loans** **(Timeline – Spring/Fall 2012)**

The overriding belief is that this needs to be comprehensive, individualized and structured to provide accurate information and initiate a pathway for student financial awareness and success. Implementing requirements at ABC for all student loans, communicating the process and holding students accountable for their financial debt are critical. Student intervention, prevention and coaching strategies will be included which will involve increased staff time at the onset. But the intent is the long term relationship that will be established, an increase in student learning, accountability, and lower student loan debt, and ultimately an acceptable and manageable cohort default rate.

1. Enhanced Entrance Loan Counseling
   * All residents of ABC County and those students that attend the ABC campus are required to attend an in-person Entrance Loan Counseling session.
   * Students at the other campuses may utilize the on-line Entrance Loan Counseling website. Research possibilities of in-person sessions for these students as well.
   * By Fall 2012, all ABC Financial Aid students will attend the in-person Entrance Loan Counseling session.
   * Collect additional contact/reference information (physical addresses, telephone numbers, email addresses, social networking sites, etc.).
   * Required Vendor courses (To be determined).
2. Student Loan Processes
   * The FA Office will continue to award the base offer amount only.
   * Students must first accept the base offer amount online on the Student Portal.
   * After accepting the base offer amount through the Portal, students that wish to request the extra Unsubsidized loan must complete the “Additional Loan Request” (ALR). The ALR form requires the student to identify their career goals, current and projected student loan debt, and a future budget based on their stated career goals to include their monthly student loan payment.
3. At-risk Students
   * The Default Prevention Coordinator will obtain lists of all students on SAP Warning and Probation, identify student loan borrowers, and then contact them to set up a meeting with the student to discuss their current loan debt, repayment obligations, repayment options, etc. These students will have registration holds placed on their account and must meet with an academic advisor to adjust their course schedules within the academic plan. They will also be required to complete Vendor courses (To be determined). The registration hold will remain in effect until the student Eligible for Financial Aid
   * The Default Prevention Coordinator will obtain lists of students identified by the Early Alert System, identify student loan borrowers, and contact them to set up a meeting to discuss their current loan debt, repayment obligations, repayment options, etc. A Registration hold may be implemented based on academic progress.
   * The FA Advisor responsible for completing Return of Title IV Funds (R2T4) calculations will modify the letter that is sent to each R2T4 student to include verbiage that they if they had student loans they must make an appointment with the Default Prevention Coordinator to discuss their current loan debt, repayment obligations, repayment options, etc. A Registration hold may be implemented based on academic progress.
4. Reduce or Deny Student Loans on a Case-By-Case Basis
   * In accordance with the Higher Education Act [Amd. 1998 – Title IV, Part F, Section 479A(c)] [Code of Federal Regulations: 34 CFR 682.603(e)] a school may refuse to certify a loan (or a portion of a loan) if the reason is documented and provided to the student in writing. As part of ABC’s default management effort we evaluate every loan application individually and review all relevant criteria including but not limited to debt ratio, academic progress, and educational goal. If a student loan is reduced or denied we will provide a written notification to the student with the reason(s) included. The student will be referred to the Default Prevention Coordinator for intervention. A registration hold may be placed on the student’s account.
5. **Default Management for ABC Alumni who have borrowed student loans (Timeline – Spring/Fall 2012)**

Students who graduate or leave ABC (i.e. alumni) are responsible for repaying their incurred student loans 6 months past the last date of attendance. The assumption that students are aware of their options for repayment and have a thorough understanding of their financial obligations is unrealistic. Therefore the College must continue proactive interventions to assist the alumni in their financial responsibility.

* 1. Internal processes
     + The Default Prevention Coordinator (with assistance from the Customer Solutions Center) will contact students on the monthly Exit Counseling List to ensure they received their packet of information and to recommend they set up an appointment to discuss their current loan debt, repayment obligations, repayment options, etc.
     + The FA Office will access and utilize reports from the National Student Loan Database System (NSLDS) such as Delinquent Borrower Reports, Date Entered Repayment Reports, etc. on a monthly basis.
     + The FA Office will receive, review and challenge the draft default rate data using the Loan Record Detail Report (LRDR) and work with servicers for corrections.
     + The FA Office will work with borrower delinquency reports from loan servicers and assist them with skip tracing, if necessary, utilizing the additional contact information received at Entrance Loan Counseling.
     + The FA Office will assist potential ABC graduates to prepare for financial repayment responsibility by offering Exit Loan Counseling sessions, Vendor modules, etc.
     + The Graduation Requirement form will be modified to include the requirement of Exit Loan Counseling.
  2. External resources
     + Third party delinquency assistance
       - ABC implemented an agreement with Nelnet’s “Responsible Repay” in Fall 2011.
       - Their services/responsibilities are to provide additional contacting of delinquent borrowers beyond the standard requirements for the students in their portfolio as well as students in other student loan servicers (such as Sallie Mae, ACS and Great lakes) portfolios.
     + Vendor borrower software
       - ABC implemented an agreement with vendor to utilize their borrower software in January 2012.
       - This software allows ABC to import delinquent student files from NSLDS and create custom mail and email notifications.
       - Due to the prior relationship with Vendor (SPECIAL Grant) this new service will be provided for free for one year to ABC.
* Department Of Education’s Default Prevention Team
  + Contacted the Department of Education’s Default Prevention Team for default prevention assistance.

1. **Timeframe**

This Default Management Plan will be communicated to the President for her to review, distribute as she sees fit, and then return any comments, suggestions, questions or concerns to the Task Force. The Task Force will continue planning and implementation in order to meet the various timelines identified above.

1. **Review and Modifications**

It will be the responsibility of the FA Director and VPSS to gather data through the Institutional Research Office and the Financial Aid Office. Data, outcomes, changes in federal requirements and other relevant information will also be represented to the Task Force who will in turn modify the plan and implement and modifications accordingly. This default management plan will be regularly reviewed and adjusted as needed.

1. **Feasibility of Resources at ABC**

Human, financial and physical resources are adequate at this time to adopt additional strategies for Default Management.

Human Resources

Currently the Financial Aid Staff (10.5 FTE) are viewed as the integral staff for processing of Financial Aid applications including loans. Prior to the implementation of the Customer Solutions Center (CSC), staff were challenged with overwhelming work load often resulting in frustrated students, delayed awards and other office inefficiencies. The back log of processing and imaging was increasing and the possibility of adding additional support to students in the areas of early loan prevention intervention was not possible. Implementation of the CSC has drastically improved the processing of Financial Aid at ABC. Recent report of the accomplishments and outcomes for the CSC was presented and validated the overall positive impact. Because of the CSC, staff work load is up to date, scanning of documents is current (previously there was a 2 year back log) and student complaints have decreased.

The additional human resources (3 FTE) at ABC have provided a much needed support for the understaffed department. Although the staffing in the Financial Aid Department is below national standards the redirection of front line intervention through the CSC has been significant in providing the FA staff more time for processing, improving efficiencies in office operations and the ability to address strategies for default management. For example, with the implementation of the CSC, the number of student files “packaged” (i.e. the student file was finished and awards were offered) increased from 4,522 in Fall 2010 before the first big disbursement to 5,544 in Fall 2011 (1,022 more students packaged) – which is an astounding 23% increase over the prior year.

Physical Resources

The renovation of the Student Center which houses the Financial Aid Department includes a larger area to house ABC’s GoZone – one-stop enrollment center. The FA staff will be located in the same office area as all GoZone staff. Prior to the renovation, the FA Office had one staff member in the GoZone and was not ideal in effective communication and customer service. The centralization of Financial Aid, Academic Advising, Admissions and support staff will be beneficial in working as a team for students, improving efficiency and future changes for managing default rate through staff awareness.

Training of the GoZone staff has included the area of financial aid processes and access to student information as needed. Students are able to get information about their FA award at multiple points as they progress through the enrollment/registration process. This has decreased the need to always see a Financial Aid Advisor affording FA staff more time to address loan counseling and intervention.

Financial Resources

Financial resources for staffing at the current level remains intact with additional budgeting for outsourcing for repay options (i.e. services such as Nelnet’s “Responsible Repay”). The partnership with another vendor as a target school for their default program has afforded ABC access to their software for free.

**Current State**

ABC has been engaged in default strategies prior to and during the development of the plan. The current state is reflected below.

\*Challenging the Draft Default Rate

The list of borrowers in default has been reviewed and has identified eight borrowers that will be challenged to the Department Of Education. If the challenges are accepted the default rate is anticipated to drop, estimated at 30.2 %. The Official Default Rate will be received in September. The Director of Financial Aid has been in contact with a reviewer of challenges to clarify any potential challenges, what is permissible and assure that all potential challenges are submitted prior to the deadline.

\*Utilizing External Resources

As stated ABC entered into an agreement with Nelnet who has been working with Delinquent borrowers before they enter default status. The original agreement was a more comprehensive package but at the direction of the VPAF per the CCCS directive, ABC was unable to secure the extensive option. Nelnet has helped reduce the status of approximately 200 students from delinquency to good standing from beginning in September 2011 to December 2011 - preventing this number from entering into the default status (the number of students Nelnet is working with has since spiked due to the addition of working with delinquent borrowers from ACS) . This proactive approach has significant impact on the next default rate for ABC and is integral in managing the rate. ABC is committed to funding this external service and is anxiously awaiting the final outcome of the RFP for the awarded agency that will be able to expand these services and assist in the default management of students that have left ABC.

\*Customer Solutions Center

The addition of the Customer Solutions Center (CSC) has reduced the number of phone calls to the Financial Aid Office as well as assisted current students in completing their financial aid package. Prior to the implementation of the CSC, ABC had over 64,402 phone calls to the Financial Aid Office in 60 days. This was reduced to 7,687 phone calls during the same time frame with the CSC in operation. Handling the phone calls allowed Financial Aid Advisors more time to process packages (23% increase over the prior year) as well as more time to meet with students individually. With the implementation of the CSC, there was a 59% increase in financial aid funds distributed to students for the first financial aid disbursement date. The three additional CSC staff members has added much needed resources in Financial Aid for expanded information and customer service for students.

\*Financial Literacy Grant

Vendor awarded ABC a $25,000 grant for Financial Literacy. Implementation of financial education units to the Success course has begun. The student peer mentoring project has six identified students who are serving as mentors and developing the project. A student workshop was held recently and was the first of many financial sessions for all students.