

Reducing Your CDR.... Family Feud Style

Presented by: Rosemary Martinez-Kepford, ECMC









What is Default?

- ☐ Failure to repay a loan according to the terms and conditions agreed upon when the borrower signed the MPN
- ☐ Technical default occurs at 270 days delinquent; prevent borrower default through 360 days or claims paid date
- ☐ CDR calculations based on # not \$
- Consequences to the borrower and the institution can be severe









Consequences of Default for Schools

High Cohort Default Rates can:

- Negatively reflect school quality
- ☐ Impact enrollment
- Delay disbursement processes
- ☐ Result in Provisional Certification
- Result in loss of Title IV eligibility







Objectives

- ☐ Identify risk factors
- Recognize motivational and informational problems
- ☐ Present recommended strategy for creating a default prevention plan









Keep in Mind.....

- ☐ Know who is at risk
 - A 1st year student exiting with \$2,500 in student loan debt or A graduating senior with \$25,000 of student loan debt?
- □ Highest risk of defaulters
 - Most Critical Risk Indicator: Completion
 - Most Important Success Indicator: Completion
 - Average debt of 1st year dropouts: \$4,500: Monthly payment over 10 years: \$52
 - Average debt of college seniors: \$25,250*: Monthly payment over 10 years: \$291
- ☐ Who is most difficult to help?









Consider this

- A successful default prevention program must be strong enough to influence the behavior of the most difficult borrower.
- ☐ The students most likely to default are the most difficult students to influence.
- ☐ Maybe what we really have is a motivation problem, not an information problem.













Debtor Psychology

Motivation obstacles for borrowers

Avoidance: "I don't want to deal with this..."

Ignorance: "I don't know what to do about this..."







Three Causes of Avoidance

Fear

Confrontation

Negative treatment

Personal embarrassment

Procrastination

"It's only a student loan..."

"It's a government loan – it will take someone a long time to come after me."

Feelings of Being Overwhelmed or Helpless

"I cannot afford the past due amount..."

"I have so many other problems..."

"There is nothing I can do right now..."









How Do We Overcome Obstacles?

Information vs. Recommendations

- Recommendations are more important than information
- Giving information is not enough.
- We must tell them what to do and how to do it.

"Contact your servicer"

"Ask About..."

"Here are links, resources, contact points..."

- Provide action items throughout school
- "Motivate the student borrower to action"

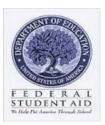








FSA's Default Prevention Strategies



1 Borrower Communication

2 Financial Literacy for Borrowers

#3 Communication **Across Campus**

4 Timely and Accurate **Enrollment Reporting**

#5 **Review NSLDS and** School -Based Data

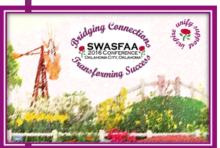
#6 Third Party Relationship











Are you ready to play the Feud?









FSA's Default Prevention Strategies





