



Reducing Your CDR.... Family Feud Style

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SWASFAA



Bridging Connections and Transforming Success



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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.



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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 |



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Are you ready to play the Feud?

FAMILY FEUD



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FSA's Default Prevention Strategies

