

PSC ED FSA TISD

**Moderator: Angie Beatty
April 24, 2012
9:30 am CT**

Coordinator: Welcome and thank you for standing by. At this time all participants are in a listen-only mode. Today's conference is being recorded. If you have any objections, you may disconnect at this time. I will now turn the meeting over to Ms. Cynthia Battle. You may begin.

Cynthia Battle: Good morning and thank you for participating in our delinquency and default provision management Webinar. I am Cynthia Battle and I will be moderating today's session. I've worked with FSA and many of my colleagues will be presenting today and tomorrow.

We are pleased to offer you two days of training related to the key aspects of managing student loan delinquency and default. Many schools have provided feedback and request for help with managing their delinquency and default aversion activities so we created the first session with a focus on building the framework for effective default provision strategies.

We will start this morning with a session that emphasizes the importance of default management as a responsibility of the entire campus. It's entitled Default Prevention: Everybody's Business.

This afternoon we have two sessions planned, the first to discuss the steps needed to identify default risks at your school and how to make effective use of the information as part of your default prevention plan.

And then the final session of the day Working with the Federal Loan Services, this session will help schools understand the roles of the servicers and delinquency and default prevention.

On tomorrow we will focus on reports and more reports so this is your opportunity to get an understanding in great detail with how the NSLDS reports work and there will be three sessions: one that deal with the school portfolio reports; one that deals with the delinquency report; and then one - the final session - will deal with manipulating NSLDS reports in general.

So we know that this is a very busy time for schools and we thank you for making time to participate in the Webinar. For your convenience all of the sessions will be recorded for you to review at a later time.

So let me go through a few of the logistics of the Webinar and then I'll turn it over to Joel so today's Webinar as the operator told you is conducted in listen-only mode. If you have questions during the Webinar, please click the Q&A button on the top of the menu bar on the top of your screen.

Once you click on the Q&A section, a new window will open. Click the top blank field to type-in your question and then click the word ask. Please remember to include the slide number with any question that you have.

During the session we will answer your questions privately. If in the event that we need to have additional research, we will respond directly to you before the end of the week.

But we intend to try and answer all of the questions as the sessions are occurring. If you have any technical problems during this session, move to the top right-hand corner of your screen. You will see a blue circle with a question mark and then immediately to the left of that a green square box.

If you have any technical problems during the session, please click on the down arrow next to the green square box, change the color to red and we will open a chat window with you to address the problem. Remember this red box is for technical questions only.

If you haven't already done so, you may download a copy of the slides by clicking on the handouts icon near the top right corner. It looks like three sheets of paper or by clicking the download slides icon printer on the bottom portion of your screen.

If there is a need for closed captioning, please select more at the top menu bar. A window will appear with the words streaming across the screen. You can click and drag that box to the left or bottom of your screen.

And finally if you would like to see larger versions of the slides, enlarge the screen by clicking on the monitor icon with the four arrows pointing away from the corners or selecting the F5 key on your keyboard.

Now we're about to begin. We have a survey at the end of the Webinar event so we hope you're able to stay throughout until the end of the Webinar and participate in that survey and you'll hear more about that as we move along.

The survey for us allows us to one, evaluate the session that we've provided as well as understand if there are additional needs or additional sessions or topics that you would like to discuss so please take the time to complete the survey and we hope to hear more from you as we proceed.

So now I will turn the session over to Joel to begin today's Webinar and it's called Default Prevention: Everybody's Business. Joel?

Joel Harrell: Thank you, Cynthia. I'm Joel Harrell, the Deputy Director of the Schools Services Group within Federal Student Aid, U.S. Department of Education and I'm here to talk to you this morning about Default Prevention: Everybody's Business.

In this session, we're going to cover several items relative to default prevention and why it's everybody's business. The first session will talk about why and the second session we'll do a cohort default rate review. Session 3 will focus on why do default prevention at all from that standpoint and of course Section 4 will focus on changes in CDR regulations.

Section 5 of the presentation we'll talk about strategies for effective default prevention and Section 6 we'll talk about interventions that we believe will help institutions in obtaining successful results with default prevention and Section 7 is a section that will focus on resources.

So as we move along, we go back to the question of why, why is it everybody's business? One of the issues involved is the issue of public notice from the standpoint that this information is shared collectively through many various sources and media tools throughout the country.

Each year as these rates become available in terms of official rates as well as grant rate, there is a lot of activity within the public domain as well as within institutions regarding these particular rates.

The screen that you see in front of you now is a screen that provides specific information for Fiscal Years '09, '08 and '07 relative to official cohort default rate searches. This is a screen that hopefully most of you are familiar with and understand that it does provide an opportunity for the public at large to have access to certain information.

The next screen that we're looking at provides information as well in terms of doing searches and it provides it in terms of two specific eligibility statuses that are related to the default issue.

Without going through all the detail here, obviously you can see that one of those issues deals with schools that are subject to laws based on three years of rates that are greater than 25% and one subject area is schools subject to loss of eligibility for most recent years greater than 40%.

I would encourage you to go back and to read both of these events on the statuses in more detailed ways in order to find out exactly how your institution might be impacted based on falling into one of those categories.

The next file is here again information that's downloadable. All of these documents are available at the Website that we highlighted in which you may go out as well as others to get specific information about the defaulted cohort groups at your particular institutions.

As you will see on this file as well, there are also specific instructions for downloading, understanding your definitions that go with each of those rates

and hopefully giving you and your institution a better idea of what's involved in learning more about the students that are contained in each one of your cohort groups.

So what's all the public noise about? Well, it's about an issue that all of us know is gaining more and more attention as we go along. Each day, each week we almost hear stories now about the escalating cost of higher education and the impact of those escalating costs potentially on student loan defaults.

And so the big news is that it's an issue that we're all concerned with and so we want to make certain that institutions like yours have all the tools they need to be able to effectively address this issue.

Let's talk now a little bit more specifically about the cohort default rate itself and go through a review of that information and the data that's associated with that.

Managing your cohort default rates and understanding the charts, while some of us may think of this as being a matter of simple mathematics, it really isn't because one does need to sufficiently understand what's involved to be able to accurately address any issues that come with the actual cohort rates.

We're going to talk about the definition of that rate in terms of what it really means. We'll spend some time talking about the periods of time so that we all can understand what those mean and how those are impacted.

The current formulas that are used for the cohort default rate calculations will also be addressed and then when are our CDRs released? That's something that you certainly want to be aware of particularly if it has possible implications for your institution from a public relations or press standpoint.

CDRs are released basically twice a year. In February there is a draft release that's made available. It's not public. There are no sanctions and then no benefits for that.

It's an opportunity for the institution to have a sort of look at what's there and what the Department is getting ready to act upon and an opportunity to have hopefully some type of way of looking at that and starting to take some steps hopefully then to look at some other things that might happen to improve those rates.

In September the official rate is released and it is a public one and sanctions do apply and benefits apply as well so it's important for you to understand those two windows of opportunity in terms of when information is released.

This form (represents) takes many of us back to our elementary school days but it's the same process of using the numerator and the denominator to come up with a fraction thereof that's going to help us to understand how this rate gets calculated.

Borrowers who have entered repayment in a one year and followed it in that year or the next one overborrows an entered repayment doing a one-year cohort period. Pretty simple. Something that we all should be familiar with now and hopefully that we don't have a lot of questions with.

Now things are starting a little bit more perhaps complicated for us as we talk about going from the two to three-year cohort default rate, a scenario for you to look at.

This information should not come as a surprise to most of us because if we understand the mathematical concept of using a numerator and the denominator and if we expand that with an additional year of a numerator with the same denominator, it's pretty apparent that that number or the resulting number is going to increase.

So what we have here is an example for you in which you see in the first diagram, the Year 1 and Year 2 information with a projected release date of September 2011 at 7.1 in this case and we take that same denominator of ours who enter repayment and we expand that by an additional year and with a release of September 2012 and now we're at a 12.1 rate.

You can see automatically the impact that's going to have on most portfolios across the country and while we certainly cannot empirically say that it's going to be exactly that same percentage, we can say that that number is going to go up or increase for most institutions.

Now let's look at the publications of two years' CDRs and the institutional CDR calculations by CDR year. This is a little chart that perhaps it might be handy to paste somewhere there on your wall in your office to just give you a reminder.

And this is also something that I would encourage you to share with your institutional leadership so that they will have an idea of when these timelines exist and what's the actual denominator going into the repayment period and the numerator and the publishing rates for those and the rate that's going to be used for sanctions.

So this is a very important slide and I would encourage us to really take a look at it and to make sure that we keep it forefront in our mind as we are going

forward. National cohort default rates, perhaps many of you have already seen this chart before.

It's a reminder of the challenges that are out there lying ahead for us as we work more intensely with institutions to address student loan default rates. This chart very graphically illustrates the downturn of early in this decade of the early 2000 years and it also clearly indicates the upswing now as we're approaching 2009 in years ahead.

So given the economy and other indicators, we have reason to believe that there still might possibly be some spiraling of that number and that's why we want to work with you to do everything we can to help stabilize and hopefully turn that number around.

Challenges, adjustments and appeals. This is an important part of this process, one in which many institutions quite frankly don't find out about until sometime after deadlines have exhausted so we want to make sure that you understand what's involved in terms of dealing with challenges, adjustments and appeals.

Challenges are basically something that's going to be dealing with incorrect data challenge, participation rate index challenge. Adjustments, a little different situation there. Uncorrected data adjustments or new data and appeals, loan servicing appeals, erroneous data appeals, economic disadvantage appeals and participation rate index appeals.

It's very important that you are familiar with all of these items and what's covered in each category as it relates to your institution's overall cohort default rate management.

Why do we do it? So what's so important about it? Why do we spend all this time talking about the issues that are associated with correctly managing default and preventing default?

Well, let's talk about some consequences here that I think many of us are already familiar with but this is a good reminder as we go through this process of why this is so important and the consequences of defaulted loans for borrowers and for schools.

Let's start off talking about for the borrower and again many of these are items that you perhaps are already aware of but we think it's important to provide a reminder so that you clearly understand and also that your borrowers clearly understand what's at risk here.

Credit report damages (unintelligible) minimum years, seizure of federal and state tax returns, legal action in federal district court, may lose occupational license, no more mortgage loans, may have difficulty obtaining car loans.

I'm not going to go through all of them but I think you have a very good idea of the magnitude and the impact for the borrower once they have reached that defaulted status and why it's so important that we do everything on our part to work with you to prevent that from happening.

Let's focus now for consequences of default for the school. The CDR is a manager of a school's administrative capability and if for no other reason that's certainly something that should draw the school's attention because administrative capability certainly is one of the items that's looked at from an overall Title IV institutional eligibility requirement.

How CDRs can negatively reflect on a school's quality, we all understand that with the public being involved as it is now that people do sometimes draw those conclusions about school quality. It certainly can also result in provisional certification.

It can result in a loss of Title IV eligibility and it can threaten access to private loan funds if in fact your institution is one that heavily relies on those even though they are not Title IV-eligible programs, the actual Title IV default rate can have an impact upon those current or potential private lenders that are providing resources to your students.

The changing landscape. Loan defaults increasing, you know, for most schools educational costs are going to continue to rise. Students are borrowing more money. The combination of staff and private equals greater debt.

The changes to CDR calculations accompanied by these sanctions and an enhanced benefit, all of these are providing a picture for us now in which we see this ever-changing landscape that continues to change as it relates to why this is such an important issue and that's why we're spending the time this morning to go through these details with you.

Section 4. Let's talk about changes in cohort default regulations. The three-year CDR calculation expands default tracking when they're from two to three years. It raises the penalty threshold from 25% to 30% and it increases availability of disbursement relief from 10 to 15% effective 10/1/11.

The FY 2009 CDR plus 30%, the five things you must do beginning September 2012. This is a very important slide and hopefully you'll take note. For those schools as I said for FY 2009, CDR of plus 30, the five things you must do. Let me repeat.

Establish a default prevention team. Conduct an analysis to determine who is defaulting and why. Create steps based upon Number 2 and send plan to FSA for review. We'll come back and talk a little bit more now about each one of these items as relates to why they are important.

Conduct a risk analysis, who has defaulted and why. Consider your borrowers, those who are severely delinquent and those who defaulted. What can they tell you about why they defaulted? The result, reduced wasted resources remaining in compliance.

This is one of the areas in which we feel that institutions have additional opportunities to use data to help them to better understand who's defaulting and why. In previous years many times these kinds of data have been ignored as institutions have attempted to get their hands around what can I really do to have an impact upon those borrowers?

What we're suggesting to you is that a better understanding of who they are, their story and understanding what's going on within your institution will provide better positive results for you when it comes to managing the default rate.

A risk analysis will also enable you to create targeted interventions. You can intervene while they're in school, in the grace period and repayment. Focusing on the right problem at the right time will result in more effective interventions for the institution.

Now let's spend a few minutes talking about some specific strategies as we might as relates to what we should be doing as far as specifically targeting institutions and students. Let's start off talking about students, student

interactions. The impact of empty seats on a campus and what that means as it relates to student interaction.

Many of us never think about it but even individuals who impact our campus in terms of grooming and landscaping, their ability to be able to have impact upon students and their ability to be successful at your institution.

Cafeteria employees, while we may not think about it, often it's perhaps a smile or an attitude or an atmosphere that's created even in those non-learning environments that helps that student to somehow or another become better focused and remain more in tune with what they need to do in order to be successful.

Resident assistants. As a former college administrator, I've always said that one of the folks within a residential environment that certainly has the opportunity to provide great feedback with students are resident assistants.

They're there in a living environment and they can be very helpful in addressing student issues that relate to student adjustment and student success within an institution.

Isolated students. We all have them or have had them on our campuses. How do we find ways to connect with them? One might ask well Joel, what does this have to do with the overall picture of default prevention?

Well, all of these are ways in which you as institutions need to understand the importance of interactions with your students and what that means at each touch point in their lives.

In order to be successful with their programs and to be able to complete those programs for that we believe is one of the key factors in students being able to successfully repay their student loans and not to default on those loans.

So why should schools participate? Well, schools play a critical role, you know, we have to understand and believe that their contributions will yield improved results and so what is the motivation for a school or for you in this endeavor?

We talked about this earlier in terms of protecting the loan program integrity, improving your school's overall default rate and saving students from the consequences of default.

So when we look at those consequences and we look at the standpoint of program integrity that certainly these are just a field of reasons in which schools should be involved and should be willing to participate in this project.

School-based default prevention. We talked about this for a few minutes earlier on in our presentation from the standpoint of what do schools need to do and this first item of forming a default prevention team, one of the critical pieces, set measureable goals which we'll talk about in a few moments and develop or adopt a default prevention plan.

Default prevention team. Historically I have seen these teams across institutional campuses have different components and take on different shape and sizes within an institution.

The thing that we want to point out to you this morning is that it's very important that there are specific individuals that are on that default prevention team if in fact the team is going to be viewed as an institutional-wide effort.

There should be senior school officials at the most senior levels, vice presidents or other individuals in those capacities as members of this team. There should be representatives from various offices, admissions, academics, student affairs just to name a few but as we talked about earlier, perhaps even from food services or housekeeping or residents' life as ways of terms of being able to understand really what's going on with the institutional setting.

A student representative, who better than someone who's involved in the issues of your institution to give you feedback relative to what does a successful path for a student look like at my institution and so therefore I think you should be very deliberate and very procedural in terms of coming up with this team.

It is a team that we believe that should emanate from the highest level of your institution, hopefully one that would be appointed by your chancellor, your president, your CEO or someone at that level of responsibility within the institution so that a clear message is sent regarding the importance of this team and the work that the team will be doing.

The plan. The plan provides for consistency. The add default management sample plan you will find in our Dear Colleague letter, Jan 0514 issued back in September 2005 revise and adjust your plan as needed to maximize your success.

Please don't feel as if that guidance as issued is the exact formula that one must follow. It is only a guide to give you some ideas. You know your institution and your student clientele better than anyone and so use your good judgment and wisdom as you go about crafting and developing a plan for your institution.

Financial literacy. Again a role that schools can have a significant role - a part at least - that schools can play a significant role. Can you make it a part of your curriculum? As we know many institutions now do require particularly for entering freshman or freshman orientation or freshman seminar that part of that curriculum that's (revised) the students is one that does contain financial literacy information.

Can your school make it part of its curriculum? Some schools offer literacy classes for credit and while yours may be one of these or a combination of both, the point is it's very important to build a financial literacy component into your effective default management plan.

Some resources that we want to share with you as relates to financial literacy, these resources as you can see can be available to lenders, guarantors, counseling resources or the JumpStart Coalition for Personal Financial Literacy and you will see each one of these have a link that's associated with them below.

Please make sure that you go out and take a look at these resources and that you share them with other individuals at your institution as well as your students as it relates to getting the message out about resources that are available for financial literacy.

Now let's switch gears and talk a little bit about two key defaulter characteristics so often we have conversations in terms of what do defaulters look like or what are the leading factors that create default and so two characteristics that we want to talk about for a few moments are the issue one is contact issues.

We have examined a large population of defaulted borrowers and determined that the majority had contact issues so what do we call contact issues? Well, it is as simple as it sounds. How do you contact someone? Half had bad telephone numbers. Most defaulters were not successfully contacted by phone during the 360-day collection effort leading up to default.

So clearly - very clearly here - the ability to be able to have good contact information, good telephone numbers, good e-mail addresses, Twitter accounts or whatever the case may be, all of these are effective tools in maintaining contact with your student borrowers.

The information that most defaulters we're not able to successfully contact them during the 360-day collection effort, well obviously if there is (nobody) to contact, you nor federal student aid can work effectively with that student to provide information, to provide options.

As you know many of my students take the approach of I'm not going to answer the letter or I'm not going to answer the phone or I'm not going to keep in contact with my school and we all know what that kind of action leads to and so here again, two key default characteristics. One of the major ones, this issue of contact information and how do we make sure that we have that?

Now let's talk about the student success approach. Focus on helping borrowers to develop a healthy relationship with their education - students success relations as we call them - and include increasing program completion rates, decreasing program completion time and helping non-completers find a job.

Many of us might say that while these are not issues that perhaps the schools or the default teams should be responsible for, but we would argue to the

contrary that these issues lie at the heart of what institutions must think about and must consider if in fact they truly want to focus in on default management.

The idea that student success is linked to the issue of student defaults is one that is not new. It is one however that has gained additional attention I think over the last couple of years because institutions are understanding more and more that yes, at the end of all discussions it's that student's ability to be successful in completing their program that gives them a greater chance of being able to pay those student loans at the end of that program.

Increasing the completion rates. A lot of conversation now about graduation and completion rates. Decreasing completion time. How do we find ways to be able to help students to more swiftly move through their programs? These are all issues that are also tied to the cost factor and helping non-completers find a job.

Traditionally many institutions have taken the approach that if for whatever reason a student doesn't complete the program that while there might be some responsibility for reaching out in certain ways, they have not thought about that from the standpoint of what can I do at this particular point to help those non-completers find a job or get back in school or whatever the case may be.

Anything that enables that student to be able to continue down the path of being successful. Borrowers who do not complete. Historically the majority of borrowers who default, withdrew from school without completing academic programs or ones who we have indicated who have not completed have a greater risk to some degree of defaulting on their loans than others.

Borrowers who did not complete but did not achieve the academic credential, they may have reduced earning power and they may not benefit from school-job placement and they probably are going to have one or more loans to repay.

So as we look at this situation of borrowers who did not complete, we see the possible impact that it has here not just on not being able to repay the loans but these other factors who also can have an impact upon earning power being able to get job placement benefits and being able to apply that loot and have the resources to be able to repay their student loans in a timely fashion.

Borrowers who do not complete may not receive the exit counseling. They may not respond to communications attempts by their loan services or they may lose part or all of their grace period if they fail to notify the financial aid office and NSLDS is not updated timely and accurately.

This is an important part of the process of managing the overall default issue. We have found that in many cases schools or institutions are not aware that the borrower for whatever reason has not completed the program or has stopped attending and that information does not get timely submitted to NSLDS.

Consequently that student is going to be faced with possibly ending-up in a timing scenario in which by the time that information is received within NSLDS, the student may very well be close to the default period.

So here again very important for you as an institution to establish the relationships with your students to have those students' interactions, to have the communications going on so that you're able to be able to help that student borrower to understand the importance of communicating, to understand the importance of notifying you regardless of what may happen.

Characteristics of students at risk. While these are certainly only a small list of factors and a school may have unique factors which, you know, which certainly may be different from those, we wanted to highlight these as things that you at your institution should be aware of as relates to students being at risk and things that may help them to be able to understand why everyone at the institution has to be involved in terms of making an environment for students to be successful.

Many of these are items that we've talked about previously before for study habits, finance needs, relationship issues, dependent care, housing, feeling unwelcome, no campus connection, first-generation, no role models or family support. All of these are items that fit within the student-at-risk category perhaps at your institution.

Part of your work with your default management team is to better understand your institution and you realize it gets better based on data which of these factors perhaps are (appropriate) with my student population. Under no circumstances are we expecting or do we believe that somehow or another you're going to be able to manage all of these perhaps on your campus.

The important factor though is that you do make an effort as you go through your research and you do your analysis that you start to understand from your campus perspective what are the issues? What are the things that are out there?

What are the things that you're looking at as it relates to students being at risk and how can you help to mitigate some of those? If there are poor study habits, can you provide more tutorial opportunities for students? If there are language barriers, can you address that issue on your campus?

And how also can you reach out perhaps better to deal with issues of fiscal and mental health challenges while on your campus? All of these are here just to paint the picture of you need to understand your student population, understand the kinds of students that you're bringing to your institution and how that also can have an impact.

Late registration. I know this is a concern that many of us have at all of our campuses and I do understand that for various reason, many of our institutions are very much enrollment-driven and there is a need and desire to try and to maximize registrations as much as possible but the issue of late registration also brings up an issue as it relates to default management and default prevention.

Has the student missed classes? Does a late start indicate poor or no preparation? Do your late registration policies increase or decrease default risk? We don't know the answers to all of these but certainly they're questions that you should have and that you should be aware of as you make those decisions.

As you look at this slide and see an example of late registration, of classes perhaps starting officially on one day and the last day to register is seven class opportunities perhaps later.

While we recognize this does happen within many institutions, our point is that if in fact you know that you're putting students in these kinds of risk environments, what are you doing at your institution to provide them with the additional support, encouragement or help to make sure that these late registration periods do not end-up putting them in a jeopardy situation or increasing the risk but somehow they're on their road toward a student loan

default simply because of a lack of preparation and not getting started on time?

Those are institutional issue I think that each of you has to look at and address as you move on. If you're going to register students well after classes have begun then as I said earlier, recognize they may be at higher risk of default.

Follow-up with them to ensure that they're catching up or that they're keeping up. Do you have a process whereby if in fact a student is going to register late, that a faculty person is involved in evaluating that student's ability to be able to enter that class at that point in time?

That's just one of the tools that many of the schools use to make the connection or determination and so while we're not saying that late registrations don't happen or that there are cases in which they are as one for them to happen, we're saying that you need to understand if that is the case, the potential risk that you might put that student in as it relates to default and to have a course of action to assist that student so that that's not the case.

Identifying students in trouble. Does your school have an early warning system? Do you take attendance? Issue mid-term grades which provide clues as to whether or not the student will persist?

One of the great opportunities I think in existence within our current new satisfactory academic progress regulations is that we do provide students - I'm sorry, institutions now - with more leadway in being able to have some type of intrusion into the student's academic performance as it relates to overall Title IV eligibility period.

And so what we're saying to you as an institution is that once you identify the types of students that are coming to your institutions and you understand the risks that are involved, do you have additional systems to be able to help those students?

Whatever those might be, anything that you can do that will allow that student to be able to understand that there are going to be points in which you'll be checking to see how they're persisting and you're going to use that information and that data to help other students at your school. That's the important part of this message.

Helping students in trouble. Reaching out immediately. Help them remain in school. If they've already left, help them to return. May involve help to overcome obstacles.

While these are very sort of revolutionary I guess concepts in the minds of some but in the minds of many of us, they're the kinds of things that we're going to have to do now to be more proactive in reaching out and helping students to be able to remain in school and to be successful.

These slides - this particular slide - speaks specifically to the issue of the default team and the image and the responsibility that it has in getting a message out to their entire campus.

For a long period in time, we have taken the approach with many of our institutions, presidents and others in senior administrative positions but somehow or other this issue of default prevention, default management is one that resonates within the student financial aid environment and that therein lies the solution.

I think all of us have learned over the years particularly most recently that that is perhaps not the most effective way of having success with this issue and so here again I strongly encourage you and I go back to our initial slide in which we talked about having the right kinds of individuals on the default team, making certain that they have the ability to impact your entire institution because this truly is everybody's business.

It's everybody's business to help students to be more successful to remain in school. It's everybody's business to help those students who may have left and how may have obstacles to overcome to getting back in school.

Because at the end of the day that not only helps us in terms of demonstrating our commitment to help that student be successful, but it has a positive impact upon that student as it relates to decreasing their risk of defaulting on that student loan.

Now Section 6, let's talk a little bit about interventions that are out there and how those may have an impact upon this. Remember, the right student admitted to the right program with the right student support services delivered at the right time leading to program completion and employment in addition to traditional (aversive) strategies, that's default prevention.

And so the emphasis on here is that yes, we want you to understand that there are new approaches now, that there are new opportunities but at the same time we're not asking you to throw away those things that you've traditionally been doing that have been working and providing good results for you.

So this new approach is one that's more broader. It involved more products of the institution. It allows everyone to get onboard at your institution in

understanding and realizing the importance of being able to help students to be able to avoid those risks.

Let's talk now about some of the other resources that are out here to you. Hopefully these are sites and links that you're already familiar with. We've used some of these in our discussions thus far this morning. They are links that you should be able to access very readily from your institutional work study that provide an additional amount of resources about each one of these items.

Understanding the Cohort Default Rate Guide provides some very specific information for you to understand how all that works. The Delinquency Default and Management Guide piece that we've used a lot of in our presentation this morning.

The Assessment Tool - let me just talk about that. That's one of I think one of the most overlooked tools that we have available, and it's a tool that allows you to go out and take an institutional introspective view of your institution as it relates to what are we doing right now? How can we improve that?

And the beauty of this piece is that it's a self-initiated process. So often we find ourselves responding to issues with institutions when there is a crisis moment or a crisis response that's needed. We really believe this assessment tool gives you the opportunity to be more proactive in addressing those issues before they become critical ones through audits or program reviews or through the publishing of Cohort Default Rates.

Additional resources you'll find here include the Operations Performance Management and Service Group, as well as other information here in a link that you can find that also provides information to schools and institutions

about calculations, data challenges, and all the information that you might need to be able to go through the process of challenging that particular information that you received through your CDR. So, final thoughts or questions?

What Senior Managers Must Know - well one of the things that everybody I think understands now is that everyone's CDR will increase starting with the 209 official rates.

And this is a very important piece because when we talk about what senior managers must know, not only are they talking about obviously we know that the staff that's involved most integrally with the Student Financial Aid Programs will shortly be aware of this, but this is information that each one of us -- each one of you at least -- has responsibility to make sure that your immediate supervisors and the senior officials at your institution are aware of these particular pieces of information.

Because you don't want anyone to be surprised in terms of what's coming on; what's happening. They should know or should already know that just based on the math that we shared earlier, if you just do the math and understand how that numerator and denominator process works, the rates are going to go up.

And so you should have done the homework, hopefully with your senior managers to make sure that they already are aware of that fact.

If your CDR is going to be greater than 30% you must have a plan. We talked about the plans earlier and what those plans have to look like, and why it's so important to have that plan.

And we would hope that you would not wait until that rate gets over 30% - equal or over 30% to have a rate - to have a plan. We would hope that you would start that plan immediately, regardless of what that rate might be and that you see this not as a punitive or a, you must kind of activity, but as something that you're doing because you know it's a right thing to do for your institution. And more importantly it's a right thing to do for your students.

Loan default is the consequence of everything your school does. And I know that there's a lot of conversation about this from the standpoint of how do you hold me responsible; how do you not hold me responsible as an institution.

But at the end of the day it does go back to the institution as an indicator of whether we like it or not, of quality and an indicator of how that institution is received within its own internal as well as external communities.

A Default Prevention Team including all critical stakeholders is a must. And I cannot overemphasize that point because that goes back to this idea of creating the ethos within your institution; creating the environment in which as I said earlier, everybody understands the importance of doing this and why it's so important.

And I cannot overemphasize that point because that truly does speak to this issue of why it is everybody's business.

If we don't manage high default rates, higher cohort default rates will manage us. I think that's very much a truism.

The Secretary himself, Secretary Duncan, has spoken in great detail to this issue of how all of us; those of us here at Federal Student Aid as well as you at

your institutional setting must put our minds together, roll up our sleeves and find ways to help students to be able to do this.

And so there is no way of getting around that. It's an issue that we must deal with and one that we must be able to address as you move along. If we don't manage the rates they're going to manage us. No way around that particular item.

As you can see this little window gives you an opportunity in this slide to see again a preview of these free Webinar conferences that we're doing. We've started off today with the conferences on everybody's business, identifying some default risks and developing a plan, and working with the Default Prevention Team.

And you can see there also the other sessions that are going on later on this afternoon as well as the sessions for tomorrow.

At this point I'm providing my contact information as well as the contact information for (Cynthia Battle). Should you have questions or items that you wish to email to our attention then please feel free to do that as well.

And I'll also stop now to respond to questions that may have come in throughout this presentation.

One of the questions we have received - so the 209 official rate is a two year rate? And that is a question that was sent in to us, and the answer to that is based on that calculation, it is an official two year rate for that period of time. Correct.

Another question that we have received - once we get all the data, how do we limit a student's borrowing when we have to be compliant? As I understand it we cannot refuse to give Title IV funding if we only suspect they are default waiting to happen.

Note, we confirm you cannot refuse funding, but leverage counseling to ensure borrowers understand responsibility also shared for the information.

Let me respond to this. It's often a question that we do receive from institutions is how do you on one hand want us to be responsible for controlling this issue when we have to deal with the compliant part of this and that we really can't deny students loans.

And of course we do understand the issue from the standpoint of unless they're a default waiting to happen or you have reason to believe that. It's a very good question and we certainly don't want students to be borrowing excessively and we don't want institutions to be doing anything that would allow opportunities for students to borrow unnecessarily.

What we encourage institutions to do is to develop a process that does remain compliant. There is nothing within our regulation that prevents an institution from having counseling sessions as frequently as possible, providing other information to students.

Some institutions that I'm aware of do have students to come in and do additional interest sessions each time they have a loan. They have other documentation that has to be in place before doing a loan.

And so all of those are ways in which you can create some other additional methods for getting that message out to students.

We do understand that the institutions don't have a lot of discretion and just coming out and denying a student loans. But what we do encourage you to do is to go back and look very closely.

As you know, the beginning factor in determining loan eligibility goes back to student cost of attendance. And we believe that if institutions are doing a thorough and adequate job of establishing that cost of attendance, and you've made sure that that's a valid number; one that you're comfortable with, then the remaining amount, based on your calculations and those approved by the Department is going to be an amount for which students have (unintelligible) eligibility.

We clearly understand that students sometimes do borrow unnecessarily and they borrow without having a full understanding of what it means to repay those loans on the back end based particularly upon their course of study.

So we would encourage you to continue to work with your students relative to understanding what it means to be excessive borrowing, keeping in front of them all the information about repayment and what that means based on the particular course of study that they've chosen.

Perhaps create opportunities where students do come back in and have additional sessions prior to the disbursement of additional funds. And while here again these are not necessarily requirements in terms of eligibility, we believe they are best practices that if you do them consistently and do them with your students and in a way in which they understand your goals, and you communicate that with them that most students will buy into those as understanding that they are ways to help borrowers to understand their

responsibilities and to be more understanding of what it means to borrow based on limits based on degree programs and programs of completion.

And so we don't want to dictate decisions regarding careers, but we think it's important for institutions to have that as a part of that discussion.

Another question - what is disbursement relief from Slide 24?

Disbursement relief on Slide 24 -- if I go back to that slide -- refers to the requirements as it relates to single and multiple disbursements for institutional loans.

Based upon particular rates or particular cohort default rates institutions have certain requirements -- excuse me -- pertaining to single or multiple disbursements of loans.

So the term disbursement relief there is referring to whether or not the institution is going to be required to make multiple disbursements, etcetera, based on those default rates.

At this point I don't have any additional questions that have come through. One second, here's another one.

Slide 15 - the default rates two year ends in September 2013. And does the three year start in 2014 for those three year rates? And the answer is yes.

Do we have additional questions?

Cynthia Battle: Joel?

Joel Harrell: Yes.

Cynthia Battle: This is Cindy. I'm just going to go ahead and read you some of the questions.

Joel Harrell: Great.

Cynthia Battle: Okay. (Unintelligible) that we received today it says, it is my understanding that we can deny loans if we believe the student may not be able to pay the loan back. We have to provide a written explanation on why the loan is denied to the student.

And I think you've partially addressed that, but that was one of the questions from (William).

Joel Harrell: All right, great question. And here again, this is an area I think I would say to institutions that you need to be on one hand careful and cautious that you don't develop a process that is somehow or another perceived by students not to be fair and open and objective relative to that issue.

And that if in fact you are going to deny on those basis, that you have within your written policies and procedures the steps, the information that's going to be required by their institution to make that kind of decision, and that that's detailed in writing and that you have some solid sight - solid factors that you're going to use

What are you going to use to evaluate the fact that that student is not going to be able to repay that loan?

And so the key here is to make sure that it's not a subjective process, that it's one that does have some clear, very defined points to it. And it's one that as I

said, I would be very careful about in pursuing because you don't want to create an environment in which somehow or another it's perceived, true or not, that you have somehow or another created an additional eligibility requirement for a student that's not within the scope of the current title program regulations.

So does this institution have the ability to do that? I would say that yes, you do. But I think you must be very careful in coming up with very clear objective standards for how you're going to do that, what's going to be involved in that review, who's going to make that decision, and how can you ensure that it's done in a standard, fair, across the board manner.

And most importantly that it's written down in very clear procedures and posted in applicable places so that your students and parents understand that prior to securing or applying for a loan at your institution.

Cynthia Battle: On the next question, a school is asking for clarification on whether they can require entrance counseling every academic year prior to getting a loan?

Joel Harrell: And we may - well we may have to check back and get you a follow-up response on this.

It is my understanding of the current regulations that no, they cannot be required before every disbursement. The current Title IV regulations do not require an entrance interview prior to each and every disbursement.

However, from a best practices standpoint - and here's where the importance of having a Default management Team that is anchored within the institution comes in to play.

If your Default Management Team does the analysis; does the homework and determines that that's an effective approach for reducing defaults on your campus.

And if you communicate that information throughout your campus in a constructive way then I think it's something that you would be able to do and that your students hopefully would understand why you're doing it and that your campus would support that activity.

But from the standpoint of being able to say that it's a rigid requirement for that student being able to receive those subsequent disbursements, the regulations I think would not support that.

But the community and your institution would be the judge really in terms of deciding is this a practice that we want to do. Is this something that we think that's in the best interest of our student or in our institution?

And if it is done in that kind of a way, while I'm sure that it will, there would be someone that would call you to task on it. I think that you would be able to demonstrate that it is a good (unintelligible) practice, particularly if it's one that you have data that shows that's you've gotten successful results.

Cynthia Battle: Okay Joel, the next question is, referring to the three year cohort default rate, does that include Clark Perkins Loans?

Joel Harrell: The three year cohort default rate does not include those Perkins Loans. I believe that is correct. Is that correct Cindy?

Cynthia Battle: That is correct.

Joel Harrell: All right, I just wanted to be sure that it does not include the Perkins Loan Programs. Thank you, ma'am.

Cynthia Battle: The next question that we received - please explain the difference between a challenge and an appeal or where we can find information - additional information.

I know we went through it a little bit, but she wants to know - a school wants to know the difference between the challenge and appeal and where they can find additional information.

Joel Harrell: The Resource slide that we talked about earlier -- and I'll go back to that one that has the Default Guide on it -- that is a great place in terms of getting the particular information about challenges and about appeals.

And let me also go back to that particular - I know I may not be able to pull it up here on our piece, but that particular slide it talks about those. And one second here if I might - as I was saying earlier, the Default Guide is the best place to go in terms of getting the specific technical language relative to how to do that.

And that Cohort Default Guide link was on that last Resource page slide that we pulled up. I don't have the particular numbers here right now. I'll come back to that, but that's the best hard copy.

Challenges or judgments, and appeals, we covered those on Slide 23. And challenges pretty much are what we're talking about. There is data in which the data is incorrect. And we're actually looking at challenging a participation rate index.

The adjustments are situations in which uncorrected data adjustments are being made or new data adjustments are being made. And of course the appeals are the end result of that in which after going through that process you are going to make an appeal based upon one of those several issues, either it's a loan servicing issue or there was erroneous data that was appealed earlier - the economic disadvantage appeal.

So at the end of the day we're talking about two pieces of those - the challenges which deals with incorrect data or participation rate in which you're challenging that information; adjustments in which you are correcting or providing new data, and the appeals which could be along those items that we talked about in terms of the different categories of loan servicing, economic disadvantage or erroneous data.

Cynthia Battle: Joel are you ready for the next one?

Joel Harrell: I'm ready.

Cynthia Battle: All right. A school asked, if they go through the stages of setting up a default prevention tax task force trying to lower their rate but concerned that they will be over the CDR rate for a third year in 2014, is it an option for the school to remove themselves from the Student Loan Program in order to protect their Pell Grant Program?

Joel Harrell: Okay, that's a very interesting question. There is - you know, we at Federal Student Aid we allow institutions to determine which programs they would like to participate in.

And so we certainly would not want to be in a position of saying to an institution that you should terminate participation in this program in order to protect possible eligibility for another program.

I think that is a - here again, I go back to the importance of having this overall default prevention team, that is a team including senior officials and a team that represents your entire institution. Because that is where that kind of discussion I think would need to emanate from in terms of understanding the implications of doing that.

And it's very easy to say that yes, in order to protect Pell, let me do away with loan programs, and maybe that is a conclusion that the school comes to.

But I would strongly suggest that before getting to that point that the institution do a very thorough analysis of what it would mean to make that decision and that it would also make a determination as to whether or not it believed it really has no ability to have an impact upon the default rate.

Because I'm sort of hearing in that question that the institution is saying we have determined it is no way we could have any impact upon the default rate so therefore our solution is to terminate participation in the loan program.

And while that sounds as certainly maybe a possible option and something that would be feasible, I would strongly suggest that the institution really, really take a close look at that.

We at Federal Student Aid would certainly not give guidance from our perspective to an institution and say terminate eligibility here to protect eligibility there. Because those are very, very key decisions and could certainly have a dramatic impact upon institutions.

And we just would want to make sure that the institution understands the impact of such a decision and that you do your due diligence and homework before coming to such a decision of that nature.

Cynthia Battle: All right Joel, it looks like that's the majority of the questions. I think you've addressed all of the questions.

I want to just send it out to the participants to see if there are any additional questions that Joel should address to the group. And we'll give that a minute or a second or two, and then we'll share those with you Joel.

Joel Harrell: That's fine.

Cynthia Battle: Yes, we are responding to the questions as they come in.

Joel Harrell: Good.

Cynthia Battle: So if there are any others, we're monitoring them now. Let me share, there are a couple of schools that are raising their hand as opposed to typing out those questions, and we can't see those.

So if you could type out your question then we would be able to share that with Joel.

We are receiving - we've been responding to a number of the questions about the availability of the presentation, so again we will have this presentation. It is being recorded. We will post that and we will share out information about when that will be posted within the next couple of days. And so it will be available on ISAP.

And for those that were not able to download the presentation, it is available under the handout link in the upper corner.

Okay Joel, it looks like we've addressed most of the questions. We'll continue to monitor the chat and we will either respond to the schools that we have not responded to or we will research any of the questions that we have not addressed already.

So it looks like you can open it up to the survey portion of your presentation and allow the participants to complete the survey. And again, please let us know whether we've provided the information that you need. And if there's any additional information that we can present or prepare for you, please let us know as well.

((Crosstalk))

Man: Do we need to do it or do we need to ask them or we just click on it?

Man: Maybe.

Man: They need to.

Joel Harrell: Hello Cynthia?

Cynthia Battle: Yes, I'm here Joel.

Joel Harrell: On the start survey button, do I do anything with that or you guys have that under control on your end?

Cynthia Battle: You would hit the start survey.

Joel Harrell: I'm asking a question.

Cynthia Battle: That would be for the participants to hit the start survey button.

Joel Harrell: I've got you. So there's nothing that I need to do?

Cynthia Battle: The participants should be able to see the survey at this point.

Joel Harrell: Okay, got you.

Cynthia Battle: Thank you.

Joel Harrell: Do I sign off?

Angie Beatty: Hello, this is Angie. Mr. Joel, are you there? Hello.

Coordinator: Thank you for joining today's call. You may disconnect at this time.

END