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US Federal Loans

Default Prevention and Management Plan

2019/20

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Section I: Introduction and Overview

To participate in the Title IV Programs (34 CRF 668.14(b)(15), Federal Family Education Loan (FFEL) and William D Ford Federal Direct Loan (Direct Loans) programmes the University is required to develop and adopt a Default Prevention and Management Plan (DPMP), and it is designed to promote student success and to reduce loan defaults. In addition to following regulatory guidance, including entrance and exit counselling for borrowers, reporting timely and accurate enrolment information to the U.S. Department of Education and sharing satisfactory academic progress information across the University, the plan has nine default prevention and management activities listed below:

Default Prevention and Management Activities

Entrance Counselling

Financial Literacy for Borrowers

Communication Across Campus

Exit Counselling

Timely and Accurate Enrolment Reporting

NSLDS Date Entered Repayment (DER) Report

Late Stage Delinquency Assistance (LSDR)

Loan Record Detail Report (LRDR) Data Review

Analysed Defaulted Loan Data to identify Defaulter Characteristics

Benefits of Adopting a Default Prevention and Management Plan

DPMP activities, techniques and tools outlined in the plan are designed to promote student and University success by increasing retention rates and reducing delinquency and student defaulters. Students benefit by having continued access to the Title IV Student Financial Assistance Programme, from learning good debt management practices and establishing a healthy credit history. The University will benefit by avoiding any limitations on participation in the loan programme due to excessive cohort default rates (CDR's), through actively promoting student success through learning, graduation, and employment, in addition demonstrating financial responsibility through repayment of the funds students borrow to finance their academic studies.

Consequences of Default for Borrowers

Students who default on their loans can face serious consequences. At the time of default, outstanding interest is capitalised, and collection fees may be added, this will result in a loan balance that is higher than the amount borrowed. Students who default on their loans will be reported to US credit bureaus, this may cause long term damage to a student's credit rating, they may experience difficulties in securing mortgages or car loans, their wages may be garnished, and federal income tax refunds and other federal payments seized. Collection efforts will continue until the default is resolved, and the defaulter may not be eligible to additional Federal student aid. The University will play a critical role in helping students avoid the damaging consequences of default.

Consequences of Default on the University

The University may face serious consequences due to high CDR's, this could include the loss of participation or provisional certification in the FFEL programmes. Activities, techniques and tools that reduce default rates, promote student and University success, help to preserve loan programme integrity thus reducing costs to the US tax payer.

Section II: Early Stages of Enrolment

The University will incorporate Default Prevention and Management plans early in the enrolment period in order to reduce default instances, with benefits to both the student and the University.

Entrance Counselling

The FFEL Regulations require all first time borrowers to receive entrance counselling. During this process the University will explain how the master promissory note process works, with emphasis on the importance of repaying the loan, financial literacy, to explain the consequences of default and to provide monthly repayment amounts based on a students programme of study. (Full contact information will also be collected to facilitate future contact, should this be required.) The listed activities will ensure more knowledgeable, responsible borrowers, and result in fewer defaulters. (Section V: Enhanced Entrance and Exit Counselling)

Financial Literacy for Borrowers

The University will in line with recommendations from the U.S. Department of Education, provide borrowers with information related to the income potential relevant to a programme of study, counselling at all stages of enrolment, interactive tools to manage debt, repayment options and University contact information. The University will provide borrowers with entrance counselling materials at enrolment, following graduation and/ or withdrawal and will provide the information listed:

- Estimate of required monthly payment on the borrower's loan balance;
- Calculators to help estimate and manage debt;
- Loan service contact information;
- Contact information for delinquency and default prevention assistance on campus;
- Introduction to NSLD for students, and
- Repaying Your Student Loans publication.

Early Identification and Counselling for Students at-Risk

Student borrowers who withdraw from their programme prematurely, or do not meet standards or satisfactory academic progress are generally referred to as 'at-risk'. The University when counselling at-risk students will focus on the causes of withdrawal or unsatisfactory academic progress and seek to resolve these matters. The aim will be to enable more borrowers to complete their educational programme, equating to a higher retention rate for the University and lower the number of default borrowers.

Communication Across Campus

The University will ensure that information relating to the prevention and management of student defaulters will be communicated to staff at all levels across the University, this University wide approach will ensure that it is not the responsibility of one single University department. Mandatory information will be circulated, with additional information provided as required, this will include borrowers' academic progress and enrolment status. The University will monitor the communication procedures to ensure they are effective and inclusive, this is particularly related to the disbursement of funds and authorisation of payments. Accurate and timely communication of student status will ensure that financial aid is paid appropriately, it will also ensure that the University complies with US Department of Education regulations regarding the University's standards of administrative capabilities, accurate timely reporting of borrowers' enrolment status, and satisfactory academic progress.

Default Prevention and Retention Staff

The University will ensure that dedicated default prevention and management staff will work with borrowers at all key points during through their University journey, through to repayment. This is key to success for both the University and student as well as default prevention, and will particularly benefit at-risk borrowers.

Section III Late Stages of Enrolment

During the late stages of enrolment and after students have left the University, there will be many default prevention and management activities that will assist in the reduction of the number of student defaulters, this will ensure the success for both the borrower and University.

Exit Counselling

The University is required under the US Department of Education regulations to provide students with mandatory exit counselling, it will be the final opportunity for the University to work with borrowers regarding their loans. During counselling the University will explain repayment plans and options that will fit the borrowers' needs. It will also provide an opportunity to clear up any misconceptions students may have about their loan obligations and to re-emphasise the consequences of students defaulting on their loans.

Withdrawals

Students who withdraw from University prior to completing their academic programme are at the highest risk of defaulting on their loans and can often be identified while still on campus. Early identification and timely intervention can improve student retention and thus reduce the number of defaulted loans. The University will fulfil requirements set out in US Department of Education regulations to provide exit counselling, to attempt to work with students even after they have left, by providing them with support to help them resolve issues which have impacted on them, and to also encourage them to complete their studies. Students will be given access to the University Careers Service to promote employment. It should be noted that an employed borrower, even one earning less than if he/she had completed their programme, is in a better position to make loan repayments than an unemployed borrower.

Timely and Accurate Enrolment Reporting

The University in line with US Department of Education regulations will ensure the timely and accurate reporting of student enrolment, which will in turn promote University and student success. This will include adhering to a monthly schedule of reporting changes in enrolment status, it will ensure data accuracy, and is highly recommended, see Section VI Tools. It should be noted that there is a direct correlation between late or inaccurate enrolment reporting and loan defaults. The University will ensure that borrowers receive their full grace period, with all correspondence including telephone calls and interactions carried out in an appropriate and timely sequence. A detailed record of all correspondence will be kept.

Section IV: After Students Leave University

The University can use a number of simple and effective default prevention and management activities to correct data, improve practices and support borrowers during repayment.

National Student Loans Data System for Students (NSLDS) Date Entered Repayment (DER) Report

The DER report is available to the University upon request from NSLDS. The University will access the DER report bimonthly and compare data with the University Student Record System. The University will not assume that a borrower's DER or status is correct and will make any necessary corrections to the borrower's status using the NSLDS Enrolment report.

Lenders can change a student's enrolment status based on data from the clearinghouse or on request from a student. Likewise, the University can update a student's enrolment information based on information it receives from the student or another reliable source.

The University will review the DER report to ensure that it provides accurate data, including the borrower has entered the correct cohort repayment year to enable the University to receive accurate cohort default rates (CDR's) (Section VI: Tools)

Early Stage Delinquency Assistance (ESDA)

ESDA, begins at the time of separation or early in the grace period, it is a highly focused effort by lenders, guarantors, and the University to support borrowers to prepare for entry into loan repayment. Certain borrowers, an example could include students who have failed to complete their academic studies, or borrowers who share specific characteristics or academic or related experiences, may be more likely to encounter difficulties initiating and maintaining on-time loan repayment. EDSA activities that will decrease the chances of students defaulting on their loans will include focused, enhanced loan counselling, borrower education and personal support during the grace period. In addition to ESDA, to provide default aversion support for borrowers who are over 60 day delinquent, the University will utilize assistance offered by guarantors and the Direct Loan Services.

Late Stage Delinquency Assistance (LSDA)

Guarantors and the Direct Loan Service are extremely successful in working with borrowers throughout repayment, however they may lose touch with some borrowers. The University can play a critical role in helping to re-establish communication during the late stages of delinquency, examples could include serving as liaison between delinquent borrowers and staff working in borrower assistance. The University can assist with rescuing severely delinquent borrowers, who are more than 240 but less than 361 days delinquent, from default. The number of borrowers in this group is generally small, the University will contact delinquent borrowers to advise them of their repayment options, and to remind them of the help available. (Section VI: Tools)

Maintain Contact with Former Students

The University will keep in contact with former students via the Alumni Network and other media, an example is via student personal email addresses. During enrolment the University will collect personal data including cell phone numbers, email addresses and the contact details and phone numbers of family members, examples include close family members and grandparents, this will assist the University to maintain contact with former students. The University will aim to work with borrowers at every stage of repayment to prevent borrower defaults, working with lenders, guaranty agencies, and Direct Loan Services to identify delinquent and hard to reach borrowers, or those who have not been contacted at all to assist them with the repayment options and obligations. Contact from the University will contribute to this process and may be the only effective technique to save a borrower from the negative consequences of default.

Loan Record Detail Report (LRDR) Data Review

The University will adopt a proactive approach to default prevention and management, with responsibilities stretching beyond prevention plans, initiatives and strategies. A thorough appraisal of the draft and official CDR data will ensure that the rates are accurate and include the correct borrowers and loans. The University will review the LRDR rates, which contains all data that comprises the CDR calculation. The US Department of Education recommends that all Universities review their LRDR regardless of their CDR and take responsibility for challenging incorrect data contained in the draft CDR, to request adjustment, or submit an appeal against inaccurate data as reflected in their official CDR. (Section VI: Tools)

Analyse Defaulted Loan Data to Identify Defaulter Characteristics

Despite implementing a robust and far reaching default prevention and management plans are, it is inevitable that some borrowers will default. The University will periodically review how effective the plan is in preventing defaults, this will include a comprehensive analysis of defaulters, to identify who is defaulting and why. This information will be used to improve the default prevention and management practices and initiatives. The LRDR also provides key data about borrowers that can be used to assist in determining common default characteristics. The University will also examine defaulter characteristics alongside the success of the default prevention and management processes, the data will be used to better understand defaulters, to inform future development of default prevention and management practices to reduce the number of defaulters.

Section V: Enhanced Entrance and Exit Counselling

In addition to complying with the applicable requirements in 34 CFR 682.604, 34 CFR 685.304, 34 CFR 668.165 and 34 CFR 668 Subpart D, the US Department of Education recommends that entrance and exit counselling also include the following:

Requests for Borrower Information

- During entrance and exit counselling, the University will obtain borrowers, referee and family members cell phone and email addresses beyond those listed on their loan application, and
- During exit counselling, the University will obtain updated addresses cell phone numbers and email addresses from the borrower, their referees and family members.

Information about Repaying the Loan

- Estimated balance of loan(s) when the borrower completes the program;
- Interest rate on the borrower's loan(s);
- Name, address and telephone number for the borrower's lender;
- During exit counselling, provide a sample loan repayment schedule based on the borrower's total loan indebtedness;
- Estimated monthly income that the borrower can reasonably expect to receive in his or her first year of employment based on the education received at your University, and
- Estimated date of the borrower's first scheduled payment.

Reminders about Personal Financial Management and Title IV Loans

- The University will provide financial literacy resources to borrowers at enrolment, throughout attendance, and following graduation or withdrawal;
- Students will be advised that they should only borrow funds to meet their needs and can cancel or return any funds in excess of what is needed;
- Borrowers must inform their lenders immediately of any change of name, address, telephone number, or social security number;
- If a borrower is unable to make a scheduled payment, he or she will be advised to contact the lender before their payment due date to discuss a change in repayment plan or other repayment options, and
- General information should be provided about:
    - Repayment options; and
    - The sale of loans by lenders and the use by lenders of outside contractors to service loans.

Section VI Tools and Activities for Universities

The University will use the tools listed below to ensure data accuracy, and will employ effective loan counselling and default prevention and management techniques to aid students and the University.

Where do I begin?

FSA Assessments for Default Prevention and Management
http://www.ifap.ed.gov/qamodule/DefaultManagement/DefaultManagement.html

Loan Counselling

Students and Counsellors http://www.studentaid.ed.gov

The Student Guide and NSLDS for Students http://www.studentaid.ed.gov

How much will it cost? http://nces.ed.gov/ipeds/cool/ http://www.dlssonline.com/tools/search.asp

(for Direct Loan Borrowers)

How will I pay for it? http://studentaid.ed.gov/students/publications/student_guide/index.html

Will I make enough money in my chosen occupation to repay student loans I receive?
http://www.bls.gov/search/ooh.asp?ct=OOH

http://data.bls.gov/PDQ/outside.jsp?survey=nc

Repaying Your Student Loans http://www.studentaid.ed.gov/students/publications/repaying_loans/index.html

Ombudsman Office http://www.ombudsman.ed.gov

Ensuring Student Loan Repayment Best Practices for Schools
http://www.ifap.ed.gov/eannouncements/0119stuhbkbestprectice.html

SFA Assessments for Schools

For Direct Loan Schools, Direct Loan Servicing/Schools website, accessed via COD website http://www.cod.ed.gov

For FFEL Schools, Default Prevention Strategies
http://www.ifap.ed.gov/qamodule/DefaultManagement/DefaultManagement.html

or contact your guaranty agency

General Connections/Publications

Information for Financial aid Professionals (IFAP) Library with publications, training, tools, references, laws, etc.
http://www.ifap.ed.gov

The Office of Federal Student Aid http://www.ed.gov/about/offices/list/fsa/index.html

The Student Guide http://www.studentaid.ed.gov

NSLDS https://www.nsldsfap.ed.gov or https://www.nsldsfap.ed.gov/secure/logon.asp

ED Pubs, the Department of Education Online Publication Ordering System, helps you identify and order free publications from the Department. Examples of resources available at ED Pubs include the following:

- Repaying Your Student Loans (in English and Spanish)
- The Student Guide
- Getting Ready to Pay for College
- Counsellors and Mentors Handbook

www.edpubs.org

1-877-4ED-Pubs or edpubs@inet.ed.gov

U.S. Department of Education Default Prevention and Management Team

The US Department of Education Assistance will provide support with the development and operation of the default prevention and management plan, or to discuss any part of this document:
fsa.schools.default.management@ed.gov

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