


**Finding Balance: Improving Your CDR in a Changing Financial Climate to Cultivate Student Success**

Presented by:  
Brenda McCafferty  
NCASFAA Spring 2015



## Agenda


- Current national trends
- Understanding Cohort Default Rates
- Creating a default prevention strategy
- Insourcing versus outsourcing
- Checklist for evaluating vendors

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## CURRENT NATIONAL TRENDS

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## Average Student Loan Debt for the Class of 2012

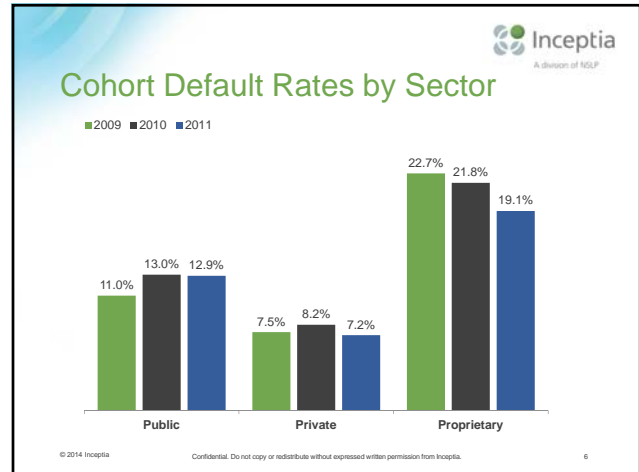
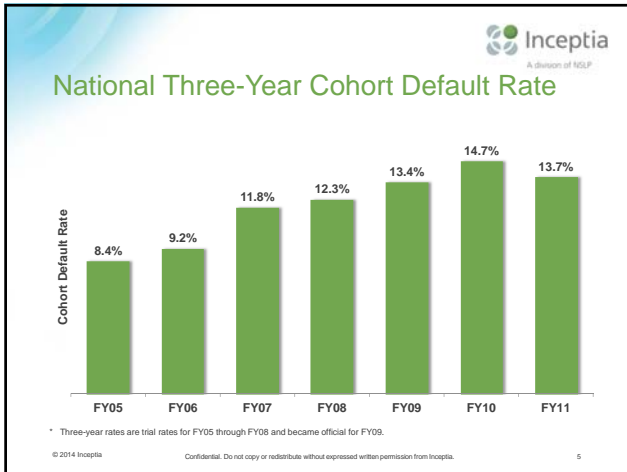
7 out of 10 college seniors who graduated in 2012 had student loan debt.



**Average Debt > \$29,400**

Source: The Institute for College Access & Success, December, 2013

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### Impact on Students Who Default

- Tax refunds and benefits seized
- Garnished wages
- Additional costs for future borrowing due to higher interest rates
- Limitations in borrowing
- Contacted by student loan collectors
- Loss of job opportunities

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### Impact of your CDR

#### The Shopping Sheet

1. Graduation Rate
2. Cohort Default Rate
3. Average Indebtedness

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## CDR Sanctions

**Design and Submit Default Management Plan**

- 30% CDR** One plan required
- A second plan required for a second consecutive year of 30%

**Loss of Eligibility\***

- 30% CDR** for three consecutive years
- 40% CDR** for any one year


\*except in the event of a successful adjustment or appeal

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## UNDERSTANDING COHORT DEFAULT RATES

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## CDR Equation

Borrowers in the cohort who default within cohort default 3 year period  
(Numerator)

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Cohort of federal student loan borrowers who enter repayment during cohort fiscal year  
(Denominator)

**X 100 = CDR**

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## Cohort Year 2012

October 1, 2011

September 30, 2012

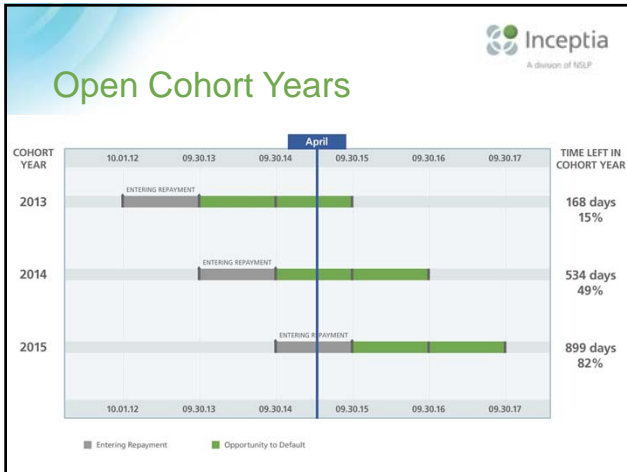

September 30, 2013

September 30, 2014

Enter Repayment


Track Default Status

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## CREATING A DEFAULT PREVENTION STRATEGY

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### Current Efforts

- What current strategies and processes do you currently have in place?
- Do you already have goals your working toward?
- What resources are you currently utilizing?
- Do you have a timeline your working against to enhance or create your strategy?

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### Plan of Attack

#### Create a Taskforce

- 1 Create a Taskforce**  
(clear objectives and measurable goals)






## Plan of Attack

### Create a Taskforce

**Four Key Points:**

1. Select a cross-functional team for your taskforce.
2. Promote effective taskforce leadership.
3. Set a clear mission and establish objectives for the group.
4. Determine obtainable goals.

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## Plan of Attack

### Create a Taskforce

<p><b>Mission</b></p> <p>To create a default prevention strategy with measurable objectives which will empower students and borrowers to become more financially responsible adults.</p>	<p><b>Objectives</b></p> <ol style="list-style-type: none"> <li>1. Profile a typical defaulter and identify characteristics.</li> <li>2. Use profile to target current students. Develop four actionable ideas to improve borrower and financial education in-school.</li> <li>3. Outline a default prevention program to support past student borrowers.</li> <li>4. Determine metrics.</li> </ol>
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**EXAMPLES**




## Plan of Attack

### Analytics

**2 Get Analytics**  
(data-driven approach helps fuel smart decisions)





## Plan of Attack Analytics

Report	Description
<b>School Portfolio Report (SCHPR1)</b>	Provides school users with information about all Direct Loan and/or FFEL program loans for a specified school
<b>Delinquent Borrower Report (DELQ01)</b>	Provides school users a report of borrowers who have been reported as delinquent in making loan payments to one of the federal loan servicers
<b>Cohort Default Rate History Report (DRC035)</b>	The Cohort History Rate Report (SHCDREOP) provides school users a report of borrowers who have entered repayment within the designated cohort year and those who have defaulted.
<b>School Specific Information</b>	Demographic information on your student borrowers that can be found on your schools information system

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## Plan of Attack Strategic Plan

### 3 Plan Strategically (action-oriented default prevention strategy)



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## Plan of Attack Strategic Plan

### Target Areas

- Academic support
- Retention strategies
- Financial literacy
- Debt management
- Default prevention

*In house  
Outsource  
Combination of efforts*

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## Plan of Attack Strategic Plan

### Plan Components


- Executive Summary (overview)
- Research Findings
- Enhanced Entrance Counseling
- Early Stages of Enrollment
- Late Stages of Enrollment
- After Students Leave School
- Expanded Exit Counseling
- Tools and Activities for Schools

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## Plan of Attack Implementation

**4 Execute, Execute, Execute**  
(implementation strategy)

## Plan of Attack Implementation

1. Know Your Plan
2. Breakdown Objectives and Tactics
3. Empower Taskforce Members
4. Track Progress
5. Share Progress



## Plan of Attack Metrics


**5 Measure Results**  
(get the numbers right and use them to adapt)




## Plan of Attack Metrics


**Good metrics will:**

- Drive the strategy and direction of your institution
- Provide focus for the financial aid office and other areas within the institution
- Help make decisions
- Drive performance
- Change and evolve as your needs change
- Produce good internal and external public relations




## INSOURCING VERSUS OUTSOURCING

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### Questions

- Who can I help?
- How do I help?
- How do I measure success?
- Do I have the right number of staff and the optimal hours of operation?
- How will I train staff initially and ongoing?
- Do I work with all delinquent borrowers or only those that are in active cohort years?
- How many students do I need to help make a difference?
- Do I have the tools to send letters and emails efficiently?
- Is my office secure?




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### Insourcing Default Prevention

- Personal connections with students
- Complete control over all communications with borrowers

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### Outsourcing Default Prevention

- Increased operational efficiencies and cost savings
- Reduced overhead costs
- Compliance with all laws and regulations related to contacting students and protecting their data
- Professional counselors who receive ongoing training on latest repayment plans and options

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## Insourcing vs. Outsourcing Cost Analysis


Program Development	Program Operational Costs	Overhead
<ul style="list-style-type: none"> <li>• Computer workstations</li> <li>• Software</li> <li>• Phone lines</li> <li>• Training (initial and ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Personnel</li> <li>• Paper</li> <li>• Postage</li> <li>• Media publications</li> <li>• Counseling materials</li> <li>• Recording services</li> <li>• Skip-tracing</li> <li>• Systems to report</li> </ul>	<ul style="list-style-type: none"> <li>• Telephone services</li> <li>• Long distance charges</li> <li>• Equipment maintenance</li> </ul>

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## CHECKLIST FOR EVALUATING VENDORS

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## Checklist for Evaluating Vendors

- People, processes and technology
- Level of data security
- Goal alignment
- Track record


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## Checklist for Evaluating Vendors

- Right-party verification
- Ongoing counselor training
- Warm transfer calls
- Spectrum of communication tools
- Call recording
- Hours of operation


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**QUESTIONS**



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**Financial Literacy 2.0:  
Translating Financial Education  
Into Applied Behaviors**

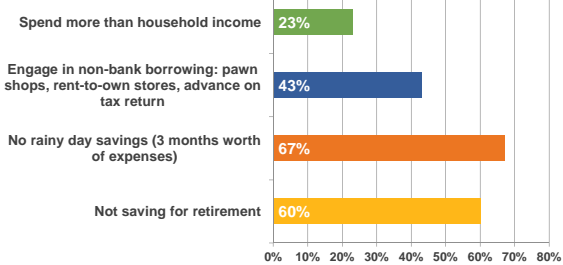


**THE FOUNDATION**

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**Millennials 18-34**




Behavior	Percentage
Spend more than household income	23%
Engage in non-bank borrowing: pawn shops, rent-to-own stores, advance on tax return	43%
No rainy day savings (3 months worth of expenses)	67%
Not saving for retirement	60%

Source: 2014 Financial Capability of Young Adults Survey conducted by FINRA Investor Education Foundation

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## Current Efforts & Results

- Weak Standards at Secondary Level
  - Only 17 states require a Personal Finance course
  - Only 22 states require a course in Economics
  - Only five states require a stand-alone personal finance course for graduation

Source: CEE Survey of the States 2014

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## Not Meeting Core Competencies Domestically

### How First Year College Students Scored on Financial Education Topics

Earning	Protect	Spending	Borrowing	Saving/Investing
GRADE	GRADE	GRADE	GRADE	GRADE
B	D	D	D	F

Source: 2013 Inceptia Financial Aptitude Analysis

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## Middle of the Pack Globally


### American Mediocrity

Average score in financial literacy among teens in the strongest and weakest participant countries, and the U.S., as measured on a scale from 326 points to more than 625.

Shanghai, China	603
Belgium	541
Estonia	529
Australia	526
New Zealand	520
OECD average	500
United States	492
Croatia	480
Israel	476
Slovak Republic	470
Italy	466
Colombia	379

Source: OECD | WSJ.com

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## Unprepared for College

- 81% of college students underestimate how long it takes to pay off a credit card balance.
- 75% of students with credit cards were unaware of late payment charges.
- 30% of students with loans drop out without a degree.

Source: CEE Survey of the States 2014

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## Unprepared After College

- 30% of 18-24 year olds income goes towards debt repayment.
- An average student debt burden of \$53,000 for couples with bachelor degrees leads to a lifetime wealth loss of nearly \$208,000.
- Nearly two-thirds of this loss (\$134,000) comes from reduced retirement savings, while more than one-third (\$70,000) comes from lower home equity.

Sources: CEE Survey of the States 2014; Demos study, "At What Cost?" 2013

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## Affects on American Economy

- The National Association of Realtors report that 49% of Americans cite student loan debt as a "huge obstacle" to home ownership.
- Anecdotal research indicates students with loan debt are living with parents, delaying marriage & having children, and have also altered career trajectories.


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"Secretary of the Treasury Jacob Lew remarked that student debt is 'hampering our economy' across multiple sectors of society."

**Rohit Chopra**  
CFPB Student Loan Ombudsman


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## PLANTING THE SEED


### Expanding Financial Education Efforts

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## Financial Education Programs

- Workshops
- Peer to peer mentoring
- Financial literacy fairs
- Curriculum
- Gaming
- Face to face counseling
- Freshman seminar
- Graduation counseling
- Online courses
- At-risk programs

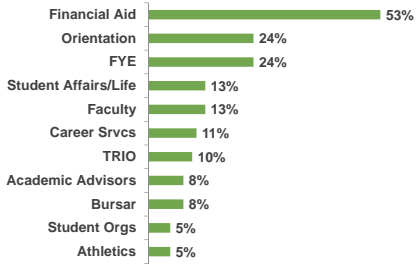


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## Unified Front: A Campus-Wide Approach

*Who delivers financial education?*



Deliverer	Percentage
Financial Aid	53%
Orientation	24%
FYE	24%
Student Affairs/Life	13%
Faculty	13%
Career Svcs	11%
TRIO	10%
Academic Advisors	8%
Bursar	8%
Student Orgs	5%
Athletics	5%

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## Unified Front: A Campus-Wide Approach

Why we all need to be cogs in the machine

- President & Board
- Admissions Officers
- Enrollment Managers
- Bursar/Business Office
- Student Affairs Directors
- Faculty Members
- Alumni/Giving Office



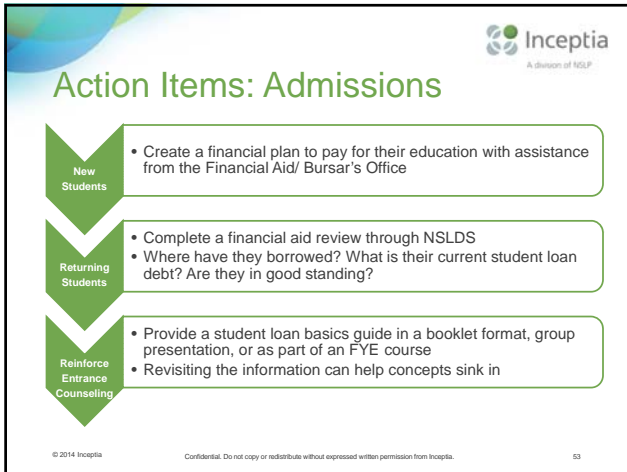
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“Given the wide array of talent and enthusiasm that exists on every university campus, the creation of a successful financial literacy program can be achieved by harnessing and channeling those skills and energy into a financial literacy program that fits the institution and its students. Collaboration was the key to our first-year success.”

*Irene Jasper  
Duke University*

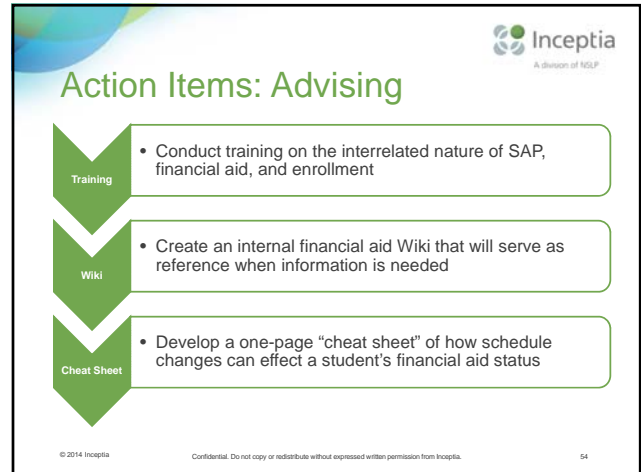
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**Action Items: Admissions**

- New Students**
  - Create a financial plan to pay for their education with assistance from the Financial Aid/ Bursar's Office
- Returning Students**
  - Complete a financial aid review through NSLDS
  - Where have they borrowed? What is their current student loan debt? Are they in good standing?
- Reinforce Entrance Counseling**
  - Provide a student loan basics guide in a booklet format, group presentation, or as part of an FYE course
  - Revisiting the information can help concepts sink in

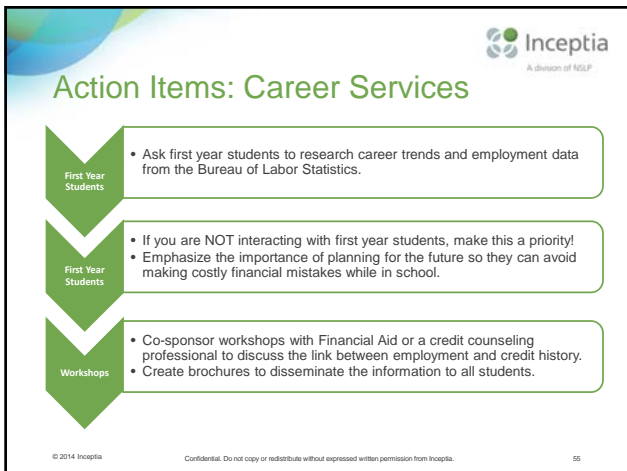
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**Action Items: Advising**

- Training**
  - Conduct training on the interrelated nature of SAP, financial aid, and enrollment
- Wiki**
  - Create an internal financial aid Wiki that will serve as reference when information is needed
- Cheat Sheet**
  - Develop a one-page "cheat sheet" of how schedule changes can effect a student's financial aid status

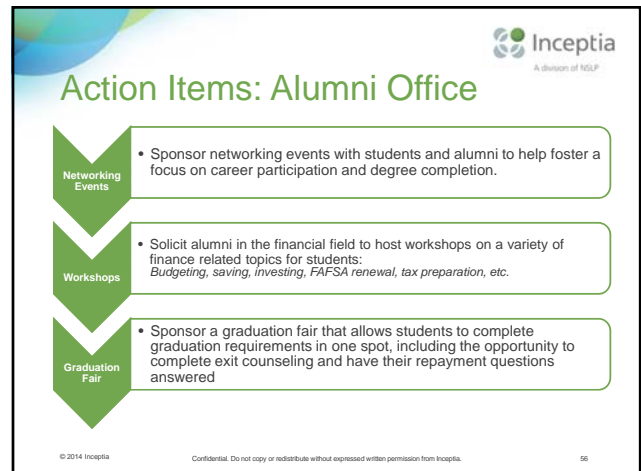
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**Action Items: Career Services**

- First Year Students**
  - Ask first year students to research career trends and employment data from the Bureau of Labor Statistics.
- First Year Students**
  - If you are NOT interacting with first year students, make this a priority!
  - Emphasize the importance of planning for the future so they can avoid making costly financial mistakes while in school.
- Workshops**
  - Co-sponsor workshops with Financial Aid or a credit counseling professional to discuss the link between employment and credit history.
  - Create brochures to disseminate the information to all students.


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**Action Items: Alumni Office**

- Networking Events**
  - Sponsor networking events with students and alumni to help foster a focus on career participation and degree completion.
- Workshops**
  - Solicit alumni in the financial field to host workshops on a variety of finance related topics for students:  
*Budgeting, saving, investing, FAFSA renewal, tax preparation, etc.*
- Graduation Fair**
  - Sponsor a graduation fair that allows students to complete graduation requirements in one spot, including the opportunity to complete exit counseling and have their repayment questions answered


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## Action Items: Faculty

- Wiki**
  - Use training and/or Wiki to help faculty understand how academic performance affects financial aid
- Committee**
  - Start or join an at-risk committee that helps identify students that would benefit from additional support and resources
- Research**
  - Conduct research on your unique student population to determine barriers to success at your institution


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## COMING TO FRUITION


### *A Plan for Behavior Modification*

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## A Plan for Behavior Modification

Four Components for Call to Action




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## Financial Literacy

- Basic budget
- Analyze the plan
- Use your savvy
- Never stop tweaking
- Look to the future




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## Borrowing Behaviors

- Get the lay of the land
- Crunch the numbers
- Ducks in a row




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## Career Exploration

- Major Matters
- Evaluate Progress
- Developing connections
- Prepare for the Leap



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## Academic Planning


- Fail to plan, plan to fail
- Strengthen skills
- Think ahead
- Activate the plan



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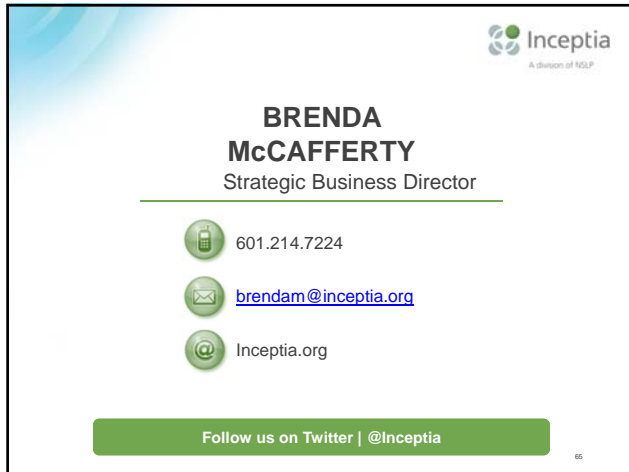



## QUESTIONS



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 Inceptia  
A division of NSLP

**BRENDA  
McCAFFERTY**  
Strategic Business Director

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 601.214.7224

 [brendam@inceptia.org](mailto:brendam@inceptia.org)

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