Improving Your CDR

A Best Practice Playbook for Higher Education Professionals

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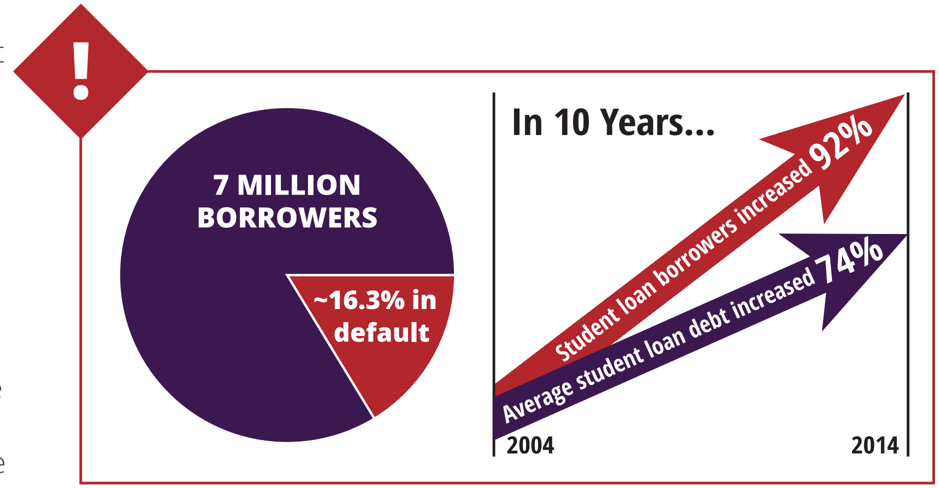
STUDENTS.
SCHOOLS.
SUCCESS.

Why Should I Read This Playbook?

Of the 5.1 million student borrowers who entered the repayment phase on their student loans in 2012, some 611,000 defaulted. That puts the national average at 11.8 percent.



Whatever your school's rate is, there's work to be done. We wrote this playbook to help all schools –low and high CDRs alike – take a holistic approach to student success and default aversion. Our student loan counselors have helped more than 2 million students take control of their student loan finances since 2009, and we're ready to share that knowledge with you.

This playbook offers both long-term strategies and short-term tactics you can implement to help improve your CDR.

Additionally, you will learn:

- What a healthy CDR means to your school
- The timeline you should follow to ensure CDR success
- Proven solutions to lower your CDR quickly
- Long term strategies for sustaining a healthy CDR and promoting financial wellness

After reading this playbook, we hope you'll feel empowered to keep your CDR as close to zero as possible – because if even one of your students defaults, that's too many.

Let's get started!

Steps for Improving Your CDR Quickly

We believe in taking a holistic approach to managing default by reaching students at the time of enrollment, during their education and before they enter repayment. But for schools that need to lower their CDR right away, the holistic approach must be combined with immediate solutions to reach the students who are currently at risk of defaulting. Only by helping those students will your school's CDR improve.

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Our counselors have helped more than 2 million students get back on track with their loans

Monitor Your CDR and High-Risk Borrowers

If your CDR is rising, waiting until February to see your draft CDR notification package is risky. You should monitor your CDR, the students who have defaulted and the students at high risk for defaulting daily. The sooner you can reach out to these students, the less likely they will default.

Accessing your CDR on-demand isn't easy when done manually. You will need to download your SCHPR-1 file from NSLDS. These files are often challenging to understand, which is why many schools opt for third parties to download, analyze and report on this information for them.

Once you have a process in place for monitoring your CDR and identifying students at risk of defaulting, come up with a plan for reaching those students. Many institutions have in-house call centers or small task forces dedicated to reaching students at risk for default. This approach to CDR management is proactive, and often requires a heavy investment to show results. At a minimum, be prepared to invest in day and night shift employees, software, equipment and space.

To be truly effective, you'll also need:

- Vendors to provide up-to-date contact information for students whose contact information has changed since leaving school.
- A wordsmith dedicated to testing the script used when contacting a borrower.
- A strong relationship with the servicers – at i3 Group, we have dedicated 1-800 lines reserved with servicers, saving time and energy for everyone.

Steps for Improving Your CDR Quickly (Continued)

Many institutions find it more cost-effective to outsource their call center to experts such as i3 Group. The advantages of outsourcing include:

Less up-front costs and long-term maintenance fees on equipment, human capital, contact information vendors – In particular, vendors that specialize in providing updated contact information can be a costly investment. Default aversion providers like i3 achieve cost savings due to the volume of requests they make and the number of vendors they work with.

A high cure rate – i3 Group is proud to have an 88% cure rate, meaning, 88% of the delinquent students we reach are put on a repayment plan suitable for their situation. Many more students are adjusted to sustainable plans even if they are not currently delinquent.

The best possible experience for borrowers – Our student loan counselors, all equipped with at least some college experience, go through rigorous training to ensure students understand their options.

On-demand analytics – our clients see their current CDR, worst-case scenario and best-case scenario so they can take a proactive approach to CDR management.

Communicate

A lack of knowledge about the loan lifecycle is a common reason why students risk delinquency and default. Institutions that help their students become financially literate have lower CDRs than institutions that do not, so it's important to make financial knowledge a priority at your institution. In a later chapter, we will discuss the benefits of developing a financial literacy program that spans the entire loan lifecycle – from enrollment to repayment. The following section is dedicated to communicating with students who have already entered repayment and may not have the financial acumen needed to be successful in paying back their loans.

Steps for Improving Your CDR Quickly (Continued)

Communicate Early and Often

Students are less likely to fall behind on loan payments when you reach out to them before they have the chance to become delinquent. This is especially true in cases where the student does not complete his or her program. Borrowers who separate from their college are more than four times more likely to default on their loans. For these students, larger than anticipated loan balances or less-than-expected income during repayment are very real concerns.

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64% of college students borrow money to finance their education, 40% fail to earn a bachelor's degree within six years, and many never complete their education.

Even for students who do graduate, navigating the repayment maze is difficult. It's best to preemptively eliminate any confusion a student might have about repayment upon graduation and during the grace period. You can mass communicate financial obligations in a variety of ways during grace, such as direct mail, seminars and mass emails, but we find it most effective to use these months as an opportunity to build rapport with students while their loans are still in good standing. This rapport is accomplished using one-on-one communication channels such as telephone, in-person meetings, single-recipient email or web chat. This one-on-one communication is specific to the student and gives him/her the chance to ask questions.

By establishing the student-counselor relationship early, students are not only less likely to miss a payment, they will also be more receptive to your call if they do.

Communicate on Different Channels

Sometimes a traditional phone call or email is not enough. We say, go where the students are – online and mobile. According to Nielsen, Millennials are the largest segment of smartphone owners. You should allow students to receive emails, text messages, and/or mobile app push alerts notifying them of upcoming, critical points in the loan lifecycle. Keeping students actively engaged in managing their loans through their preferred communications mediums is key to improving repayment success.

Steps for Improving Your CDR Quickly (Continued)

Most universities don't have the time or resources to build a mobile app that does this, but don't worry – there are already apps that do it for you. iontuition, a sister company of i-3 Group, allows students to manage their loans, subscribe to account alerts, see their monthly credit score, learn about financial literacy and even call or web chat with i3 student loan counselors who can walk them through their repayment options. The most financially savvy universities pair outbound calling with tools like iontuition so students are equipped to deal with loan repayment themselves.

Communicate Effectively

Communicating with students at multiple points and channels isn't enough – you must do so effectively. We suggest a three-pronged approach – **educate, dedicate and resonate**.

Educate students so they fully understand the process, potential impacts, and their rights and responsibilities. Make sure they know they have plenty of options for repayment so they should never default on their loans. And after you've assured them there's no reason to default, make sure you communicate the consequences if they do.

Dedicate the time to evaluate every situation and figure out what's going to help the borrower in the long run. Be prepared to answer a variety of questions and spend ample time with each borrower. Our counselors often spend 30 to 60 minutes with borrowers – this patience is what allows us to maintain an 88% cure rate.

> "With multiple websites, hosted by some 11 loan servicers, as well as the U.S. Department of Education itself, and no mobile platforms with any standardization, the student loan program's online presence is confusing and not user-friendly. The Education Department disburses almost $100 billion annually in loans very well, but the Department doesn't do nearly as well at promoting responsible financial behavior by student borrowers,"
> —Balaji "Raj" Rajan, CEO of Ceannate Corp.

Resonate with borrowers so the time you spend communicating isn't wasted. After you've reached a solution, you should always follow up with tools that will help the student be successful in repayment. Tools like iontuition give students a central location to manage their loans and access counselors again if they have questions.

Steps for Improving Your CDR Quickly (Continued)

Remember that to educate, dedicate and resonate, you need to be able to get in touch with the student borrower. Your school's liability rests in a period of time where students typically change contact information – they change their school email address, move to new locations, get new cell phone numbers, etc. Having a partner experienced in locating a person's whereabouts is more important than ever.

Case Study

In 2014, a major for-profit university was working with i3 Group, another default prevention vendor, and its own in-house team of call center employees to reach delinquent students. Its CDR rate was 19.8%. Because its CDR had been steadily rising, the university needed to change something soon or face the consequences later. Upon evaluation, the university decided to eliminate its in-house team and work with just one vendor, leaving i3 solely in charge of its default prevention program. Default aversion at for-profit universities is traditionally more challenging than default aversion at traditional universities – their CDRs are higher and their students are often non-traditional students who may not be in a position to pay back their loans.

Despite these challenges, i3 Group has been able to bring the university's 2012 rate down to 15.5%, well below the average for-profit CDR. The university is expecting even lower rates moving forward. Our methodology can be applied to universities with low and high CDRs alike – no matter your school's circumstances, our counselors are ready to help your students get on the path to financial success.

Financial Literacy as a Long-Term Solution

Once you've put processes in place for reaching students who are in repayment, you should focus on developing a long-term solution for managing your CDR. Many institutions have implemented financial literacy programs to not only educate students about their loans, but to also educate them about personal finance. Students make a number of other important financial decisions during college beyond student loans. This is a time when they open a bank account, apply for a credit card, begin earning paychecks, pay rent, etc. Teaching students the basics of financial literacy such as budgeting, saving, managing debt, protecting their identity, and many other tasks are key to ensuring future financial success.

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More than 30 percent of student borrowers have student loan debt above $30,000 and 24% have credit card debt above $1,000

Implementing a financial literacy program not only helps students, it has financial benefits for your school as well. In 2010, the University of Illinois found a 14 percent drop in failed payment plans after creating a financial literacy program. It not only helped those who had graduated, but also helped students stay in school to complete their education.

When creating a financial literacy program, it's important to remember that students learn differently. Therefore, a successful program will incorporate multiple outreach channels. Traditional channels such as one-on-one counseling, grass roots campaigns, campus-wide seminars and financial literacy documentation are great starters, but typically not enough. You should also incorporate mobile-based programs to reach busy students who are glued to their smartphones and want to learn on their own time. According to the Financial Literacy and Education Commission, "Innovative personal financial management tools can help equip students and graduates with information and skills to effectively manage their finances while in college and manage repayment of their student loans once they have left."

We've seen this trend ourselves: About half of iontuition users access the platform on mobile devices such as smartphones or tablets. Users can subscribe to account notifications such as loan disbursement dates, grants awarded, loan status changes and more. They can also access interactive learning modules that keep them engaged and make financial literacy more retainable.

Financial Literacy as a Long-Term Solution (Continued)

The iontuition web portal also provides these resources for student borrowers:

- Student loan dashboard and repayment optimization
- Financial literacy content, including entrance and exit counseling. Our entrance counseling videos are the gateway to life-long repayment support.
- Loan servicer contact information – Most students don't know who their servicer is. Our portal makes finding that information easy.
- On-demand access to i3 counselors via web chat or hotline – this comes in handy when students have questions or need to adjust their repayment strategy

These not only give students the tools to learn and manage finances, they meet U.S. Education Department recommendations on what borrowers need to be able to manage and repay student loans.

> "I honestly think more students should be using iontuition. It's super easy to use and as I get ready to graduate, I think it's something that is absolutely essential. It's easy to forget that college doesn't last forever and even though there is a grace period, the responsibility of paying back student loans comes pretty quickly after. In my opinion, having a service like iontuition makes my loans a lot easier to handle and a lot less stressful."

The Ohio State University (OSU) is an exceptional example of an institution that pairs traditional outreach programs with innovative tools to manage its CDR. OSU developed a nationally recognized, peer-to-peer financial coaching program on campus, named Scarlet & Gray. More than 60 volunteer students help deliver financial education, from loan management to credit card debt to every-day budgeting. They also offer financial literacy presentations to freshman students, sorority and fraternity organizations, student organizations, and classes. Scarlet & Gray is also active on social media sites such as Twitter and Facebook so that students can easily set up appointments, engage with the firm's thought leadership and get quick answers to their financial questions. The Ohio State University also subscribes to iontuition so their students can see their loan balance and interest rate, access financial literacy articles and call student loan counselors for free. This comprehensive approach to financial literacy puts OSU students on the path to financial success.

Tale of Two Schools

What happens when a college or university doesn't take action to prevent default? What happens when it does? Let's compare. Getting Ahead College and Falling Behind University are similar in size, diversity of the student body, majors, and finances. But each one has a different way of dealing with student loan defaults.

Getting Ahead College

GA's financial aid office reaches out to students as soon as they enroll. They invite students to meet with a financial aid counselor.	GA requires students to complete entrance counseling, either online or in the office.	GA students are introduced to iontuition, an online student loan management and financial literacy tool.	GA students attend on-campus financial literacy programs to ensure they understand how to manage their finances.	GA students graduate with the financial knowledge needed to be successful borrowers.	A GA representative calls students during their grace period to get them set up on a loan repayment plan.	A GA representative monitors the university's CDR and on-demand report of delinquent students.	GA gets its CDR - only 1.2%!

Falling Behind University

FB's financial aid office sends students a thick envelope of loan application and information.	FB provides a booklet with the required information and a signature form that acknowledges receipt of material.	FB sends out some financial literacy material and refers student questions to the financial aid office.	FB emails all graduates with basic information about paying back their loans.	FB doesn't communicate with students during the grace period and relies on students to contact their loan servicer with questions.	FB's draft CDR is published. It's higher than expected.	FB sends out a mass email to all delinquent students prompting them to avoid default.	Falling Behind U. gets questions from alumni when its CDR is published at 8.4%.

What's Next?

Keeping your CDR as close to zero as possible is not an easy task. The most successful universities take a holistic approach to CDR management by combining up front financial literacy programs with default prevention outreach. They engage with students early and often, on multiple channels and communicate effectively. They give students smart tools to be successful in loan repayment.

> "I am sooo happy to announce that our default rate published today is...down almost 9% from last year, which is almost unheard of in one year. However, thanks to the Default Prevention Taskforce and the i3 group, we won't have to worry about that!"
> — Kira Tippins, Director of Financial Aid and Scholarships at Fresno City College

If you decide to outsource your default prevention outreach program, make sure the vendor is reliable. Confirm the vendor has gone through extensive third party auditing to ensure physical and data security controls that meet the requirements for handling federal data.

In addition, make sure to ask:

- What is your cure rate?
- Can students contact you via the web?
- Have you ever lost a client?
- Can you provide a list of references?
- What tools can you provide to help students stay on top of their loan payments?

We hope this playbook has given you the push to keep your CDR as close to zero as possible. If you want to take control of your school's CDR, our loan counselors can help.

Visit http://www.i-3group.com/contact-us-prospective-school-form to learn more.

About i3 Group

i3 reaches students at enrollment and sticks by them after school. We don't believe there is an "end" to the need for accurate loan data and timely counseling services. We help you contextualize data at the cohort level and then reach out to individual students with targeted services. While school-supported learning may cease, the relationship between student, school, and loans must continue.

We use multiple channels to fit each student's preference. Our counselors aren't just trained to "cure" loans—but to help students fully understand the process, potential impacts, and their rights and responsibilities. Our tools and information provide students with the best options to reduce the total cost of loan repayment, helping them benefit in the long run.

To learn more about how i3 Group can help your school: visit www.i-3group.com or email partner@i-3group.com