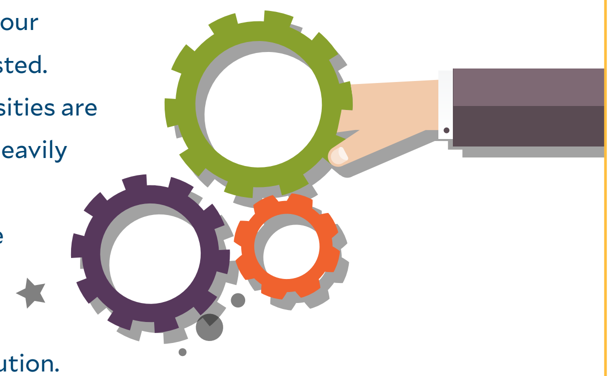
STUDENT CONNECTIONS℠

An integrated strategy for student loan repayment success

Everyone can probably agree that successfully repaying student loans is a good thing. Institutions that want to maximize the positive impact of sound loan management can do so by taking an integrated and proactive approach to supporting repayment. At the same time, schools whose students often struggle to repay loans face serious challenges as a result.

Whether you're excelling or struggling in this area, your performance is transparent to anyone who is interested. Cohort-default rates (CDRs) for colleges and universities are readily available to the public. They have become a heavily scrutinized indicator of a school's overall caliber and are easily compared among institutions. Prospective students, their families and informed guidance counselors can – and do – use them to gauge the general outlook for students who attend your institution.



Perhaps a more palpable outcome affected by CDRs is your participation in the Title IV financial aid process. If your CDR is too high, your school could become ineligible to accept federal funds that help most students pay for their education.

You also can be cut off if your withdrawal rate is too high. Since this rate correlates with CDRs (about 70% of students who default on their loans do not complete college), it is doubly important. And, because more than 70% of full-time students receive federal aid, stakes are high for institutions throughout the country.

Helping students manage their debt goes beyond maintaining your school's reputation and bottom line. It is also the right thing to do. Collection expenses, wage garnishment and even the seizure of income tax refunds and other government payments can affect students in delinquency and default. A damaged credit rating can have long-lasting effects. It makes it more difficult and expensive to get a home mortgage, auto loan or other forms of consumer credit. While this may seem obvious to student aid professionals, it's important to remember that many students lack this forward-looking perspective.

Promoting loan repayment success is an investment in your current and future students – and therefore in the future of your institution. It preserves your school's value proposition by completing the connection to the lifetime of opportunities promised by higher education. Read on to find out how taking an integrated, proactive approach supported by data and effective borrower outreach can help you maximize that investment.

Taking an integrated and proactive approach

The most effective commitment to borrower support is one that is championed beyond the financial aid office. It begins with senior leadership. Including their voices instills a sense of dedication, urgency and accountability.

When executives regularly communicate the importance of your commitment, they provide an ongoing affirmation that loan repayment success is an integral part of your school's mission and its empowerment of student success. Senior leaders should hold everyone accountable for preventing default by ingraining it as a priority within the culture of the school.

They also have the authority to ensure that staffing and resources are available to fulfill your commitment. That authority is useful as well when reaching out to federal loan servicers, the Department of Education and supporting organizations like Student Connections.

Once senior leadership is on board, it becomes easier to integrate multiple resources and capture every opportunity to support students. In reality, supporting repayment begins long before the first payment is due. Just as you need to be strategic about the resources available to you, you also need to understand the complete picture when it comes to the borrowers who benefit from them. You aren't creating an expectation that there's a magic bullet -- you're demonstrating a sustainable focus on your students' financial future.

Engaging early and often

- Student Connections sees better contact and counseling rates with borrowers when schools begin to engage with them early in the loan lifecycle. Borrowers at risk of default are more likely to respond to your offer of help if you've already been in touch during their grace period. Contacting them then allows you to reinforce what it takes to stay on track in the repayment process – before any payment is due. It also is a good way for you to capture and maintain updated contact information. Just as important, it establishes you as a trusted adviser who has been available both before and during any repayment challenges. The grace period is also an opportunity to support your completion rate by encouraging students who have withdrawn to re-enroll.

- Grace period counseling is a must, but you can be even more proactive in your support of repayment success. Orientation, student success courses and residence hall programs are ways you can get a head start empowering students with information. One-on-one, in-person counseling, if feasible, is especially impactful.

Topics to cover

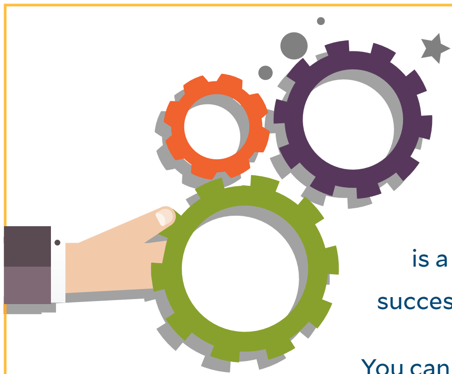
- Topics should include loan repayment options and qualifiers for repayment relief. But you should also promote financial literacy and other nonacademic skills that increase student success. When we survey students who have taken our financial literacy courses, we find that nine out of ten report making at least one positive change in their personal finance or academic behavior.
- Financial literacy training offered during entrance counseling can motivate a student to learn even more. We also found that students who took one lesson in our financial literacy and student success program curriculum often went on to take additional lessons regardless of whether those lessons were required. You can maintain that momentum by staying engaged throughout the student's time at your school. Ensuring these messages are interspersed throughout campus touchpoints requires a coordinated approach. Again, having executive support makes this a lot easier to accomplish

Leverage your best assets

- Another resource that schools should integrate into their default prevention strategy? Their own students. Students who are successfully managing their debt make excellent ambassadors. Complement your borrower outreach with the voices of your alumni and development staff.
- You should also survey your students to confirm what they need to know and how they would like to receive that information. They will feel engaged and invested in the program from the start because they were involved as subject matter experts in its creation. Your audience is likely to find the content more relevant as well.

Although an integrated approach means a wider use of resources for a wider audience, it doesn't mean treating them all the same. The most common mistake in a default prevention strategy is taking a blanket approach, offering the same level of counseling and contact to all borrowers in a cohort.

But that approach is inefficient; you're committing too many resources to those borrowers who are probably going to repay their loans without intervention, but not enough to those who are most likely to struggle. The solution? Take a targeted approach to default prevention, applying different levels of outreach based on a borrower's level of risk. That means reaching out to students who have left your institution, whether through withdrawal or graduation, to offer repayment guidance. It also means making sure your school is scheduling time to communicate with borrowers who are delinquent. And, it means using data to prioritize your borrowers by their default risk level so you can tailor resources and messaging where they will have the greatest impact .For more on this, see the next sections.



What gets measured gets managed

As we just mentioned, data are important to optimizing the outreach that is so important to a proactive, integrated repayment success program. There is a lot of information that can help you paint an accurate picture of what future success looks like.

You can measure the correlation between various student attributes – past and present - and default risk. That means you can even integrate cohorts that are beyond your influence into your approach. Mining the data within them allows you to predict future results and match current and incoming borrowers to the tools and customized messaging in your default prevention arsenal that will most benefit them. Variables to watch include GPA, courses of study, campuses attended, loan amount and tenure in school.

Why is it important to delineate your borrowers? One Federal Reserve Board model found that the riskiest 15 and 30 percent of borrowers accounted for 40 and 70 percent, respectively, of all student loan delinquencies.

Just as it's important to know the characteristics of your borrowers who are most likely to default, it also is critical to understand factors that tend to predict which students are most likely to drop out, since we know that withdrawal rates correlate with default rates. More than 70 percent of federal student loan borrowers who default on their loans leave school before completing their programs. Sixty percent earned 15 or fewer credit hours and 69 percent did not complete a credential. GPA, child care access, and employment status are among the factors that have influenced completion rates. Applying analytics can reveal additional factors unique to your students.

Finally, knowing your data will help you catch errors in your reported CDR. You can do this by comparing your Loan Record Detail Report (LRDR) to your institution's system of record. You should examine things like:

- Type of loan: Are the loans listed in the LRDR the kind of loans that affect the CDR, or did a PLUS or Perkins loan sneak its way in?
- Loan status.
- Enrollment status, enrollment status date and last date of attendance or date the student was considered less-than-half-time (LTHT): If you have a student who withdraws from all classes and the last date of attendance is March 15, but the Registrar's Office sends enrollment data showing that the student ceased attending or dropped below half-time on April 2, that could affect your cohort. Pay close attention to borrowers at LTHT status. Students often float between LTHT and eligible enrollment status or withdrawal status.

- Date entered repayment: This, of course, is driven by the last date of attendance. If the last date of attendance is incorrect, this may be wrong, too. And it certainly could affect the cohort year the student will be counted in.

- Date of default: Of course, you should check this carefully, too. Just being one day off could make a difference. Think of it this way - you have two students headed for default. One student defaults September 30, and the other defaults October 1. The student who defaulted September 30 will be included in your CDR, while the one who defaulted a day later will not.

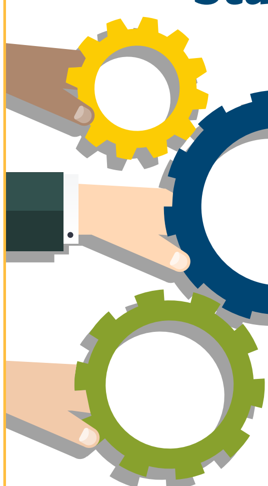
Here are a few online resources with additional helpful information about staying on top of CDR trends:

The Department of Education's Cohort Default Rate Guide

Loan Record Detail Report (LRDR) Import Tool

Complete College America

Stay Connected



Regardless of the state of your CDRs, borrower engagement is critical. If they are under control, borrower communication will keep them that way. If they are too high, additional outreach can reduce them. Work with your team to analyze your borrower data to determine what you would like to accomplish with borrower communication and where you should focus your attention. This exercise will also confirm whether your internal staff can effectively engage borrowers or if you will benefit from outside help. Here are the most important reminders for effective borrower outreach:

Counseling vs collections: Your outreach will be much more successful if your borrowers understand that it comes from a student-first orientation. If not, it may be mistaken for questionable collection efforts that can bombard student borrowers. Focus on the long-term best interests of the borrower, not a quick-fix. Take the time to understand individual situations and to explain all applicable options. Connect the borrower and servicer and follow up with the borrower to ensure an understanding of the agreed plan of action. This requires more effort, but in return it delivers better results for all stakeholders.

Multiple cohorts require multitasking: Think of your task of constantly managing four open cohorts as holding four ice cubes in your hand. The one that that you've had the longest is going to melt first, but that doesn't mean you can ignore the others. Doing so will only mean you'll face the same problem as the cycle continues and the next takes its place. Take advantage of occasions when you can have the most impact, but remain engaged with all cohorts.

Multi-channel communications: Your borrowers are diverse, so your communications should be too. We find that phone calls are usually the most effective; however, not all borrowers are available by phone. Complement your phone counseling with email and other outreach so you can connect with as many borrowers as possible.

Tailor your messaging: Just as diverse communications vehicles are important, so is thoughtful messaging. Avoid "form letters" and other "cookie cutter" content. Your outreach should be shaped by the borrower's individual circumstances. It should effectively explain repayment options and borrower resources. Avoid industry jargon and remember that outreach is a two-way conversation, not a mo nologue.

Early outreach: Grace period is a great time to start communicating with borrowers, especially those who have withdrawn from school. Rather than waiting to see if someone defaults, you can proactively establish your institution as a resource ready to provide support if and when needed. This builds trust among your borrowers, establishes your institution's identity as a counselor vs. a collector and increases the likelihood of successful delinquency counseling down the road if necessary.

Offer helpful supplemental resources: Include dedicated pages on your school website with links to internal and external borrower resources. In addition to providing practical support, publishing these resources further strengthens your institution's credibility as a source of constructive counseling. With so many companies trying to get students and former students to pay for repayment assistance, it is always a good idea to remind your borrowers that you are legitimate.

Routinely gather contact and reference information: Outdated contact information is a frequent barrier to effective outreach. Each time you speak with a borrower, verify all of the contact information you have for that individual. You also can keep your borrower contact database up to date by cross-referencing information from other departments on campus to your records.

An integrated, proactive approach strengthened by data analysis and thoughtful outreach will position your school to satisfy the college dreams of more and more students. Even if your school lacks the resources to maintain a robust default prevention program, you can offer one with the help of an outside organization like Student Connections. Whether you are conducting your borrower outreach on your own, outsourcing it to a third-party or doing a little of both, having a tool that can provide transparency around which borrowers have been contacted and the effectiveness of those communications can streamline your efforts. Consider solutions like Student Connection's Borrower Connect and Success Center, which can be scaled to the needs of any campus and borrower population, to ensure you are maintaining an integrated, proactive and comprehensive approach to repayment success.

Contact Student Connections: (800) 766-0084 | www.studentconnections.org

Student Connections, a Loan Science company, is a corporation passionate about helping students overcome the barriers that can get in the way of attending college, completing their programs of study and achieving success while in school and after graduation.

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