

DEFAULT AVERSION SYMPOSIUM II
November 21, 2006

**Breakout Sessions - Two-Year Public and Private
and Proprietary Institutions**

Session I

Facilitator:

Jennell Floyd, Default Prevention Supervisor, Student Assistance Corporation (SAC)

Jennell's comments to participants:

- When Jennell gets on the phone with the students, a couple things are happening. The students are being asked if they are working, how much they are earning, can they afford to repay, and how much can they afford?
- Jennell believes that we need to start showing that we care. We need to start communicating with students before they get into trouble.
- She does not promote consolidation to students. She tries to look at every best possible option before consolidation.
- Jennell mentioned that first-year traditional students often sign prom notes without considering the ramifications of borrowing maximum loan amounts. Then, when Jennell is speaking to them during exit interviews, they are often a bit more mature, and may even feel remorseful for borrowing so much.

Observations from the Participants:

- Are there any significant differences for students in specific programs, for example debt levels for specific programs, etc.
- Are the students being educated on what they are signing? Many times students have no clue as to what they are signing. In default aversion management, communication is high on educating the student. We all know that just because we put it in writing does not mean that the students are reading it. Putting it in writing is pretty much just "CYA" for the financial aid community. Workshops were discussed, but it was agreed that they were not well attended and the students attending were not the ones that need the information.
- The toughest group to get to complete the exit interview process is comprised of those who withdraw or drop.
- Most schools do online entrance and exit; smaller schools are doing face-to-face and believe they are getting a good response with their counseling sessions.
- The more students you can meet with, more connections; more connections, hopefully – fewer defaults.
- Students talk among themselves and hopefully one student will say if you are having a problem, go see financial aid because they are willing to help. If you develop those relationships early on, it is easier for the students to remember the helpful person later on.

- New students tend not to be active listeners during orientation sessions and initial counseling. Therefore, it may be more effective to give them the information they need when they need it, in smaller pieces.
- Defaulted students are entitled to more loans after the U.S. Department of Education (ED) sends them a letter saying they have become eligible again. They need to be re-educated. Recognize these students ahead of time as such and give them the additional resources they require. Let them know you care.
- Are we really doing students a favor when they register late, file the FAFSA quickly, hurry the start and then within six weeks we are filing an R2T4. We could do some quick research to see how we may be actually sabotaging ourselves and the students. Many were in agreement with this school of thought. Schools should be firm on the cut-off dates.
- Schools should have a separate default prevention coordinator (lots of laughs) although it is not realistic for many of the smaller schools.
- Google your students' names, your students' names on MySpace.com, look up anyone, etc. (for current contact information).
- Toots commented that you want to make sure that your efforts are targeting the right students. Research the past and do your homework to determine who are your most likely defaulters and then target them with your efforts.
- Noel Levitz CSI college report targets high-risk students and targets them for extra counseling.
- The proprietary sector is dealing with students who are mostly not educated early on regarding basic loan knowledge on either end, from getting the loan to repaying the loan.
- Educate students in the high school years as well as parents about the terminology of financial literacy so it starts to be familiar early on. Let the parents know that there are places they can go for answers before they have to walk onto a college campus. High school guidance counselors and financial aid officers are wearing too many hats--who should be the person responsible for educating and delivering effectively the information and early awareness that is required? Unfortunately, guidance counselors tend to make it sound like financial aid is all scholarships and not loans. The kids coming in then believe they are getting ripped off.
- Parents need to be educated too. It is time for parents to remember that it is their responsibility to help their child with their education.

MGA Tools:

- Question: What are you doing on financial literacy? What kind of positive outcome do you see on your return? Michigan Institute of Aviation has required courses to teach time management, money management, etc. **Life Skills** includes modules to help students learn about financial literacy. Some campuses teach the workshops as open forums, some require them for graduation. All feel that when the student is taught financial literacy, they are more successful in repaying their student loans.
- Life Skills from MGA will help with the development of a default aversion plan.
- Colleges can use MGA's delinquency reports to send letters and use the promissory notes to send letters to the references, especially around the holidays.

Other suggestions/observations from the participants included:

- Working closer with career placement.
- Mandate exit interviews on campus or the student does not graduate.
- Informal withdrawals are toughest to reach.
- Staffing levels do not allow the financial aid office to do what they know is adequate.
- Student's mindset is "only tell me what I need to know now."
- Communication requires multiple avenues to be effective.
- Use email more frequently to communicate to students.
- Setup a toll-free line for students who need any type of help, including financial aid issues.
- Mandate a financial literacy class or session for incoming students.

Session II

Facilitator:

Justin Draeger, Assistant Director for Communications, National Association of Student Financial Aid Administrators (NASFAA)

Focus:

How to conduct a research project.

1. Develop questions.
2. Discuss the hypothesis? (What is your "gut feeling" about the end results?)
3. Check the available data.
4. Analyze what the data says.
5. Formulate alliances.
6. Explore what policy changes are necessary.

Format: Divided participants into groups to discuss what we want to know about students.

Notes/Discussion:

How many students are taking out student loans that actually need to?

Why are students maxing out loans? They have living expenses regardless of whether they came to school or not.

We think they are doing this to improve their quality of life or borrowing to pay off other things.

Group questions:

1. Why do students drop out when they do?
 - a) Too hard.
 - b) Sentenced to jail.
 - c) Transportation.
 - d) No sitter.
 - e) Expectation changed.

2. Why do parents feel they should not have to help? When they graduated from high school they were able to find a job and why do their children need to go to college and get a higher education?
 - a. Generational differences.
 - b. Parent burned previously.
 - c. Parent dropped previously.
 - d. Teaching responsibility.
 - e. Economy.
 - f. Parent believes college costs too much.
3. Impact that transfer students have on colleges in relation to higher potential defaults?
4. Why are students maxing out their loans?
 - a. Pay off old debts.
 - b. Never have been able to borrow before.
Policy: Educate the student and try to only get the student to borrow only what they need.
5. Do students know the difference between federal and private loans? Maybe yes.
6. Are students financially literate? No.
 - a. Survey outcome measures from Life Skills workshops.
 - b. Financial literacy components.
 - c. Then fill the void, incorporate business partners by inviting the interested parties in to conduct workshops for the students to become more financially literate.
7. Are we dealing with First Generation College students?
 - b. Behave differently.
 - c. Took care of business.
8. Do the students have realistic salary expectations? No.
9. Why don't students attend class?
10. Is there a correlation between students who miss classes and defaulters?
11. Is there an economic element to student success?
12. What drives the first generation student to be successful in school?
13. Why do students enroll and drop multiple times?
14. Correlation between persisters and defaulter rates.
 - a. Not motivated.
 - b. Appear to not care.

- i. All staff in the school would have benefit in keeping these students in school.
 - ii. Students sometimes said that daycare issues caused them to drop, unfair instructors, etc.
 - iii. Policy: Make certain all staff is on the same page when it comes to treatment of students; have a re-entry policy and stick to it; add a daycare if your student body could justify it.
15. What causes resistance to completing the process? Overwhelmed.
16. Why don't students read what you send them?
17. What is the level of parental involvement after the age of 18?
18. What are the correlations between students above age 17 and likelihood to default?
19. Are the "last in" the more at-risk students for defaulting?
20. What are the best means for communicating with students?
 - a. Face-to-face is best.
 - b. Alliance with the faculty.
 - c. Entrance and exit counseling one-on-one.
 - d. Face-to-face also gives the student someone they can relate to down the line, a face to a name.
21. Do vocational education students default more than liberal arts students?
22. Do students from a culture of poverty default more often?
23. Are defaulters more likely to be transient?
24. If 23 is true, why?
25. What causes our students to lose interest or enthusiasm?
26. Do students who receive cash back act differently than students who only borrow enough to cover costs?
27. High school GPA and likelihood of default? Higher GPA better student.
28. Are there differences that exist now that most schools do not send exit material by certified mail? Would signing for a packet of material increase the likelihood of readership and response?
29. Justin commented that Secretary Spellings would like schools to be accountable. He offered best way is to communicate with students.