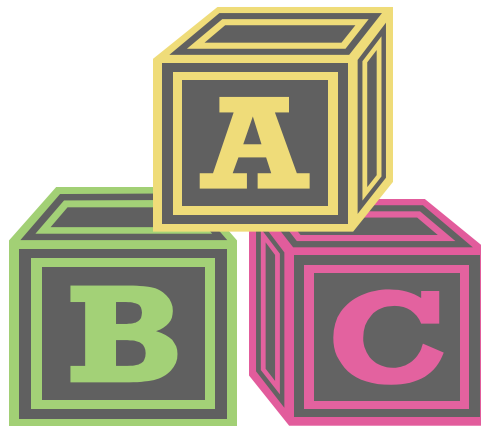


The ABC's of Debt Management

Building Blocks for a Successful Default Aversion Plan



Includes:

- **Introduction**
- **Faculty and staff initiatives**
- **Campus-wide initiatives**
- **Financial aid office initiatives**
- **Resources**

There are many factors that may lead to student loan default. Three common causes are:

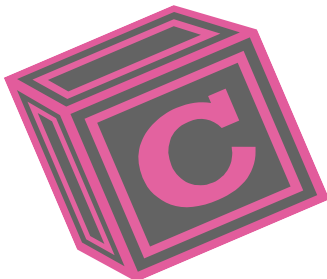
- Personal financial habits of the borrower
- Economic conditions of the job market
- Preparation of the student for the job market

Two of the three common causes can be addressed by the institution—financial habits of the borrower and preparing the student for the job market.

The education that students receive, along with help from the school's job placement department, can prepare students for the job market. However, institutions can also provide financial literacy education which will enable students to make good financial decisions and develop habits that will lead to sound financial stability.

Additionally, institutions that strive to retain and graduate students have a better chance of positively affecting their institution's cohort default rate. The added bonus for students is that they are more likely to get a job and repay their student loans.

Defaulting on a student loan has serious consequences for students as well as for your institution. This toolkit is designed to provide you with some tips and tricks that are easy to implement on any campus.



How to get them involved

Create Awareness

Provide information to faculty and staff concerning the amount of Title IV funding received by your institution and how a high cohort default rate can affect this funding. Through these efforts, explain how default aversion is a campus-wide effort, not just a financial aid office responsibility. Make the information available in a printed format and distribute at faculty/staff meetings. If possible, request to provide a short presentation on default prevention at a faculty or staff meeting.

Your admissions/recruiting area can get involved by providing valuable information to all potential students. When faculty and staff are visiting with students and families, they need to make sure that the costs of attending your institution are explained. Discuss the different ways to pay for college, starting with scholarships, grants, work- study, savings, and lastly loans. Loans should only be used as a last resort. If the student or parent will need to borrow money, direct them to a federal student loan first and address private loans if no other alternatives are available. Ensure they understand that student loans must be repaid.

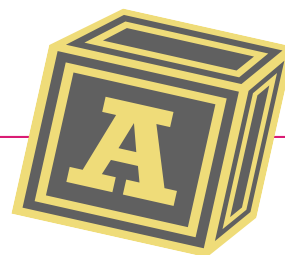
Put the Information in Their Hands

In the Resources section located at the back of this toolkit is a handout that, as mentioned above, can be distributed during faculty/staff meetings. This informational resource provides you with tips for including statistical data that is specific to your institution. Also included are general facts regarding cohort default rates and their impact, as well as suggestions to faculty and staff for getting involved in the institution's default aversion plan.



Getting others on campus involved

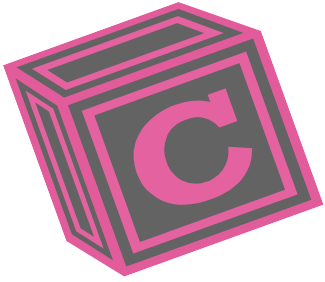
1. Establish a withdrawal procedure that requires a “sign off” by the financial aid office prior to a student being allowed to withdraw. Require student loan recipients to have a one-on-one counseling session with a financial aid administrator. The student should be made aware of how their failure to complete a term will impact them financially and should also be reminded that withdrawing could affect their future financial aid eligibility.
2. Include information about loan responsibilities and options during New Student Orientation.
3. Develop a program for students who would benefit from tutoring and mentoring. Form support groups of like individuals and include successful upper classmen to be role models.
4. Use ads promoting financial literacy. If you have campus TV that provides information to students about activities, use this tool to provide financial literacy tips. Here are a few suggestions:
 - No one plans to fail, they fail to plan. Make a financial plan today and stick to it!
 - The art of having money is not in making it, but keeping it!
 - Stay out of debt—it’s a life saver!
 - Don’t spend what you don’t have.
 - It’s a financial 911 situation—do you have an emergency savings account?
 - You are a college student—live like one! Ramen noodles are good and cheap.
 - Buy used, and save the difference.





Getting others on campus involved

5. **Get your message across by getting assistance from Residence Life, work-study students, and the various academic departments on campus. These are just a few ideas:**
 - Sidewalk chalk promotion—Buy a tub of sidewalk chalk and send your work-study students out with smart money tips to write on the sidewalks around campus. Try to hit the heavier traffic areas.
 - Door hangers for dorms—Write up a fun money management menu for fliers or door hangers like some pizza and Chinese food restaurants do. TEAMM SLGFA has designed a door hanger for you to utilize and it's free! To order a supply for your school, e-mail teamm@slgfa.org and include the quantity needed.
 - Club competition—Have a contest and give a prize to the club or society that comes up with the most innovative way for a student to save money. Get faculty from the Business College to be judges.
 - Posters—Place these across campus on bulletin boards, in elevators, or on the back of bathroom stall doors. Check out the Resources Section in the back of this toolkit for free downloadable posters.
6. **Partnering opportunities:**
 - The American Library Association has a Financial Literacy Week in April. During this week, offer a free presentation during the lunch hour. Provide food and include topics such as how to select a pay-as-you-go phone, live without a car, or set up a budget.
 - Work with the TRIO program to offer a big event and promote financial literacy.
 - Invite a guest speaker who will not charge a fee to speak about finances during freshmen orientation or a freshmen experience class.
 - If you have a food service degree program, see if those students will serve food at one of your financial literacy events. The students will gain experience, and you will most likely get a discount.
 - Check with community organizations in your area for possible partnerships.



Getting others on campus involved

7. Use previous suggestions regarding partnerships for ideas about hosting financial literacy workshops. Classes or events for freshmen usually provide an excellent opportunity for such events. However, don't forget about those students who are about to graduate. They will soon be living life in the "real world" and budgeting could be a vital part of that life and their success. Offer financial literacy courses for seniors that are tailored to their needs, such as how to rent an apartment, read a lease, or buy a car. Other topics could include using credit, improving their credit score, or how to shop for the best credit card.
8. Resources:
 - TEAMM SLGFA offers free presentations. To request assistance, send an e-mail to teamm@slgfa.org.
 - National Endowment for Financial Education (NEFE) – Public and private nonprofit universities and colleges can sign up for a free online tool called CashCourse. CashCourse's financial workshop kits provide additional tools to help teach students everything from managing debt to preventing identity theft. Visit cashcourse.org for more information.
 - [Federal Trade Commission](#) – Free materials are available for bulk ordering on a wealth of financial topics.
 - [Mapping Your Future \(MYF\)](#) – SLGFA's sponsorship of MYF allows Arkansas schools the opportunity to enjoy free benefits and tools such as debt calculators, career information, Salary Wizard, default prevention tools, and financial literacy counseling sessions. See the Resources section in the back of this toolkit for a full listing of MYF member benefits.
 - The U of A Cooperative Extension Service's Family & Consumer Science Department can provide free presentations and materials on several financial topics. For more information, contact Laura Connerly at lconnerly@uaex.edu.



Making the most of available resources

1. SLGFA's Early Stage Delinquency (ESD) and Late Stage Delinquency (LSD) reports for schools are available via secure e-mail. ESD flags the borrower when he or she is 150 days delinquent while the LSD picks up the borrower when he or she is 211 days delinquent and about to default on his or her loan. The reports can be used by the school to make phone contact with the borrower and to encourage the borrower to make payment arrangements to avoid default. TEAMM SLGFA developed [Making the Call - A Guide for Successful Contact with Delinquent Borrowers](#), which contains helpful tips and a sample phone script.
2. SLGFA's ESD and LSD letters for borrowers are also available via secure e-mail. The ESD and LSD borrower letters allow schools to notify borrowers about the possibility of default, providing borrowers with the contact information of SLGFA's Default Prevention Department or their loan holder. Mail that is sent from the borrower's school is typically opened before mail sent from the loan holder. Therefore, schools that mail out the ESD and LSD letters can be quite successful in making contact with their borrowers. Contact TEAMM SLGFA at teamm@slgfa.org to sign up for the ESD and LSD services.
3. One way to remind graduates about their student loan responsibilities and repayment options is via a congratulatory e-mail. See the Resources section for a sample e-mail.
4. If an Early Detection System, as mentioned in Resources for Faculty and Staff Initiatives, has been implemented, designate a financial aid office staff member to get in touch with students who have missed or failed a test and assist them in getting back on track to success.
5. Make information available to students where they are. A couple of ways to do that could be through dorm meeting presentations or via Web chats a couple of nights a week. Students can ask financial aid staff questions and get answers right away without having to go to the financial aid office.
6. Since students are responsible for signing and returning award letters to accept the types and amounts of financial aid awarded, ask the student loan borrowers to complete an additional step. Add the following sentence and ask them to complete it with answers to their specific loan award:

I understand that I am borrowing \$_____ at a _____% interest.
Based on standard repayment terms of 10 years, the estimated payment
for this loan would be \$_____ per month.

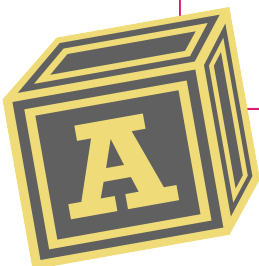
To help students get the answers, include a link to a repayment calculator like this one:

www.mappingyourfuture.org/paying/standardcalculator.htm.

Making the most of available resources

7. Improve students' financial literacy by including additional requirements prior to receiving a student loan:

- Initial student loan borrowers will already be required to complete loan counseling; have them complete financial literacy counseling as well. [Mapping Your Future](#)® and [NEFE](#) both have free online sessions. Financial literacy sessions should promote prudent borrowing, encourage the continued search for gift aid, remind borrowers that taking out a student loan involves a legally binding contract to repay them, and include the importance of knowing the amount borrowed and estimated payment amount for each of their loans. The initial counseling should also include information about making satisfactory progress and should encourage students to follow a degree plan in order to graduate on time and limit their debt burden. Those who graduate in a timely manner are also less likely to default on a student loan.
- Mapping Your Future also has [loan management counseling for graduates](#). This could be included as an exit requirement for student loan borrowers.
- Have second-year borrowers visit with a financial aid officer about their academic progress and their plans for paying for the remainder of their education. Make them aware of their previous debt so that they will realize the impact that a new loan will make on their total indebtedness and future payment amounts.
- Require third-year borrowers to repeat financial literacy counseling.
- For students in their fourth year who are preparing to graduate, in addition to exit counseling, require additional counseling on budgeting and financial preparedness for life after college. Require borrowers to complete counseling before they receive their caps and gowns for graduation.



RESOURCES

TEAMM SLGFA provides several free publications such as:

- **[Solving the Puzzle of Student Loan Management](#)** – A brochure that provides information about avoiding default, repayment options, and the consequences of default.
- **[Student Loan Repayment Options](#)** – A brochure that provides basic information on each of the student loan repayment options, and includes detailed information on the Income Based Repayment (IBR) option.
- **[Private Student Loans: Understanding the Cost of Borrowing](#)** – A brochure that informs borrowers of the costs involved with private loans.
- **[Private Student Loans: Research, Remember, Repay](#)** – A guide to responsible borrowing.
- **[Federal Student Loan Debt Management Guide: A Supplement to Entrance and Exit Counseling](#)** – A comprehensive booklet about federal student loans.

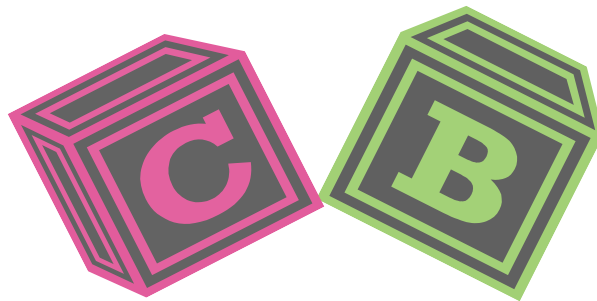
To request any of the above publications, contact TEAMM SLGFA at teamm@slgfa.org.

Internet Resources

Mappingyourfuture.org – Mapping Your Future provides a wide variety of counseling sessions and other default prevention tools. Because of SLGFA's support of Mapping Your Future, Arkansas schools can reap the benefits of membership without having to pay a fee.

[Federal Student Aid's Default Prevention Resource Page](#) – A page of consolidated delinquency and default prevention resources for schools in one location.

SLGFA.org – Provides default prevention information for both borrowers and schools.



DEFAULT AVERSION INITIATIVES

Financial aid facts for faculty and staff members

What is Title IV funding?

Title IV funding is federal funding available to eligible students who complete the Free Application for Federal Student Aid (FAFSA) at <http://fafsa.ed.gov>. Title IV funding provides financial aid in the form of the Pell Grant, Federal Supplemental Education Opportunity Grant (FSEOG), Federal Work-Study, and federal student loans such as Stafford, Perkins, and PLUS loans for parents and graduate students.

What percentage of revenue for (insert college or institution name here) is comprised of Title IV funding?

(Gather this percentage from either the institutional research office or treasurer's office. Also include the dollar amount of Title IV funding your institution receives.)

What is Cohort Default Rate (CDR)?

An institution's cohort default rate, or CDR, is the percentage of an institution's federal student loan borrowers who enter repayment within a cohort fiscal year and default prior to the end of the following two-year cohort default period. For example, if 400 borrowers enter repayment and 110 of them default within the cohort default period, the CDR= 27.5%. FY 2009 rates, published in 2011, will reflect a 2-year cohort default rate. The official 3-year rate for FY 2009 will be published in September 2012, along with the 2-year rates for FY 2010. Changing to a 3-year cohort default rate will likely result in higher cohort default rates.

How does the CDR affect our institution?

Currently, if an institution's three most recent CDRs exceed 25%, the institution loses eligibility to receive Title IV funding. Also, if the CDR exceeds 40% for just one period, the institution immediately loses all Title IV eligibility.

What would the loss of Title IV aid mean to me?

(Visit with institutional personnel to determine how the loss of aid equates to loss in student enrollment. If student enrollment decreases, this could have an adverse effect on staffing, program offerings, or other services offered by your institution.)

Suggested action for faculty and staff members**I don't teach financial literacy, business, or economics. What can I do as an instructor?**

Incorporate student loans or financial literacy into whatever class you teach. Here are some suggestions for various courses or departments:

- **Speech and Communications**—Have students give a speech on topics such as financial planning, budgeting, consequences of student loan default, how to avoid credit card debt, buying a car, or financing a college education without going into debt—the ideas are endless.
- **Theatre Arts**— Have students create an improvisational performance on how to avoid student loan debt or other types of debt. You could also get your students to create a short YouTube video concerning the consequences of student loan default or how to search for scholarships in order to avoid taking on student loan debt.
- **Business Law**—Have students explore why it is difficult to have federal student loans discharged in bankruptcy.
- **Sociology**—Have students conduct a study on the new faces of debt and how student loan debt affects borrowers several years after graduation.
- **Psychology**— Have students explore the psychological risk factors of debt, including excessive student loan debt.
- **Business, Economics, and Accounting**—Ensure that your students have a basic understanding of applying for and receiving all types of student loans, as well as repayment terms and capitalization of interest.
- **History**— Have students develop a historical timeline of the highs and lows of America's economic history.

Why students do not successfully repay

The majority of students who do not successfully repay their student loans are students who withdraw during the school year or never complete their program of study.

To effectively address your cohort default rate, the institution needs to identify students who are at risk of not completing their degree or program of study. Analyze your institutional data to determine trends for your campus and develop a plan to address retention. Students who complete college have a higher repayment rate than those who do not complete college.

If your institution does not have a research department or sufficient staff to analyze your data, you may consider meeting with work-study students and brainstorm on the reasons why students don't complete and ways to increase retention. Students love free food, so consider offering pizza or snacks during your meeting. They are your "in" into the mindset of your current student population—use them!



More suggestions for faculty and staff members

Early Detection System—When grades are posted online, develop a mechanism that will detect student loan recipients who have missed or failed a test. Once the student has been identified, the financial aid office should be alerted and the student instructed to report immediately to the financial aid office. This will provide the institution with an opportunity to counsel or tutor underperforming students before they drop out or get too far behind to pass the class.

Web site Initiatives—Use your Web site to your advantage. Whenever a student logs on to check their grades or account balance or to register for classes, incorporate pop-up tips on money management. You might also want to include budget calculators, debt management counseling, or links to other personal finance resources.



Mapping Your Future® Participating Membership for Schools Includes:

- 21 types of student counseling sessions with more sessions to be added soon
- School portal for data retrieval, management and reporting
- Storage of archived records
- ExitExpress and SchoolExpress (automated retrieval)
- Default Prevention Tools
 - Ability to enable website integration of counseling
 - Ability to enable website integration of calculators
 - Retrieval of updated student data (from counseling)
- Customized counseling (adding some school-specific content, determine questions, HEOA required information)
- Access to new features and services now under planning and development.

Schools help their students and reap many benefits with Mapping Your Future's Online Counseling

Mapping Your Future's Online Counseling enables schools to enhance their default prevention plans and enhance financial aid processes by maintaining contact with students through enhanced counseling and data collection. Mapping Your Future's Online Counseling allows students to complete counseling anytime, anywhere – all from the convenience of a computer. Outreach with prospective and current students is increasingly important to make sure students receive the information they need to understand financial aid rights and responsibilities.

Meet regulatory requirements

Schools can meet federal loan counseling requirements and help borrowers understand education loan obligations with the convenience of Mapping Your Future's Online Counseling.

- Direct Loan and Direct PLUS entrance counseling session options meet Direct Loan counseling regulations.
- Direct Loan and Direct PLUS exit counseling session options meet regulations for both the Direct Loan and Federal Family Education Loan Programs.
- Online Counseling sessions are updated as needed to meet all regulations, including the Higher Education Opportunities Act, even giving schools the ability to provide required school-specific information.
- Direct Loan and Direct PLUS exit counseling sessions meet regulations for forwarding of exit records to appropriate guaranty agencies and the Direct Loan Program. ExitExpress enables guaranty agencies that sponsor Mapping Your Future to retrieve appropriate records of those students who have FFELP loans, meeting federal requirements for schools to forward those records to the guaranty agency within 60 days of students completing the counseling. In addition, ExitExpress allows schools to easily export Direct Loan and Direct PLUS exit records for Direct Loan borrowers in the NSLDS Exit Counseling Submittal Template. They can then upload the records to NSLDS.

Straightforward setup and technology

Financial aid professionals with various levels of technology experience find that the Online Counseling setup process is straightforward. By working with Mapping Your Future, schools also have the opportunity to include enhanced customization and technology features in the counseling process.

- Streamlined technology with user-friendly interface which enables cross-browser capability.
- Report options include a variety of printable and electronic counseling reports that are easy to access and may be uploaded to the schools' financial aid management system (this may require some additional programming by the school's technical staff).
- The opportunity to customize the counseling to provide school-specific information and/or integrate the counseling into school-specific processes.
- Compatible with a variety of platforms resulting in fewer questions and complaints to your office.
- No PIN or login required by students to complete counseling.

Customization options available

Mapping Your Future offers a number of options enabling schools to customize the counseling to best fit the needs of their students and help students better understand their rights and responsibilities.

- The customization options include customized pages, school-specific information, record formats, question selection, as well as other ways to enhance the session.
- Schools participating in Mapping Your Future have a secure customized portal that allows them to receive news and information, update and manage their account and student records, and view up-to-date student loan data via the Meteor Network.
- The [debt/salary wizard](#) and [budget calculator](#) help students understand the impact of borrowing and importance of managing their money.

Excellent customer service, and security is a high priority

- Mapping Your Future's customer service staff provides prompt, personalized, and courteous service to schools and students.
- Schools can be set up and using Mapping Your Future's counseling – usually within the same day of the request.
- Mapping Your Future also offers an online User's Guide for schools, providing step-by-step instructions for all of the features and services of Online Counseling.
- Mapping Your Future protects Online Counseling data via a secure web server and the use of password protection. At the end of counseling sessions, students enter information on a secure form. Schools then retrieve information from a secure, password-protected site.

Wide variety of counseling sessions and other default prevention tools available

- Mapping Your Future offers many counseling types, so schools don't have to use multiple counseling providers. Mapping Your Future even offers Direct Loan entrance and exit counseling in Spanish, making it easier for Spanish-speaking students to understand their rights and responsibilities. Currently, Mapping Your Future offers 21 sessions:
 - Direct Loan entrance
 - Direct Loan exit
 - Spanish Direct Loan entrance
 - Spanish Direct Loan exit
 - Perkins entrance
 - Perkins exit
 - Direct Loan and Perkins combined entrance
 - Direct Loan and Perkins combined exit
 - Nursing entrance
 - Nursing exit
 - Health Professions entrance
 - Health Professions exit
 - Direct PLUS entrance
 - Direct PLUS exit
 - Direct Loan and Direct PLUS combined entrance
 - Direct Loan and Direct PLUS combined exit
 - TEACH Grant exit
 - Financial literacy
 - Grace period and repayment
 - Loan management
 - Private loan
- Online Counseling can be used for, or in addition to, in-person counseling interviews. Financial aid professionals can provide verbal and/or audio information about student loan borrowing in a computer lab or classroom setting, and then walk students through the counseling session. Online Counseling also more easily enables schools to collect and retain required data from students.
- Mapping Your Future offers a number of other services that schools and students will find beneficial including career planning, money management, default prevention, and other services.

Reputation as a reliable and credible source of counseling

Mapping Your Future is a public service nonprofit organization that has been providing this counseling service to schools, students, and families for more than 15 years.

Another feature available is Mapping Your Future's Meteor Borrower Display, which allows student loan borrowers to view their loan data via the Meteor network, when completing Direct Loan exit counseling.

Congratulations

from



School's Logo

Congratulations, graduate!

This can be a hectic time in your life, so here are some important reminders about your student loan:

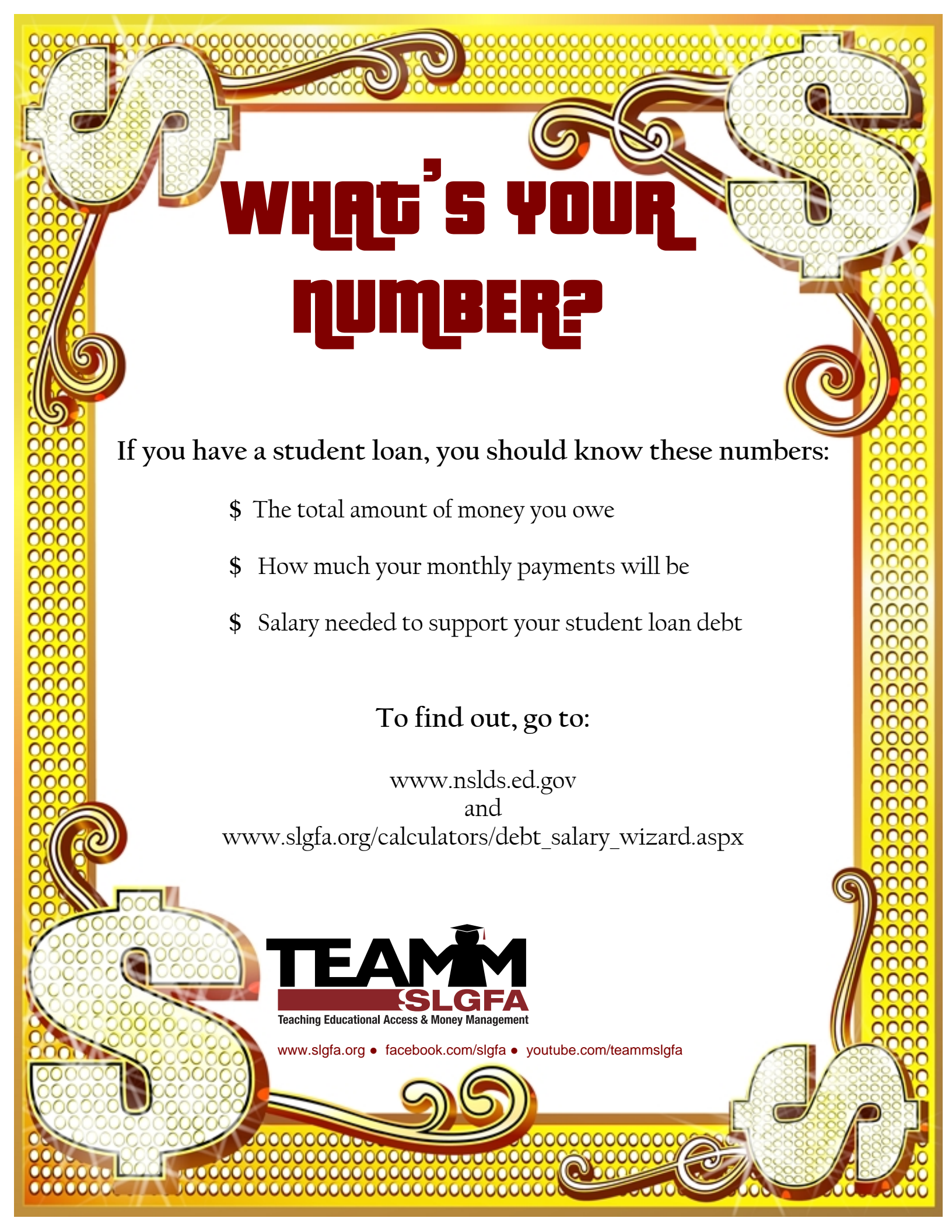
- 1. If anything changes—your name, address, phone number, or email address—contact us.** You can call (School Name's) Financial Aid Office at the number below. Also, notify your student loan lender of these changes. Their name and phone number can be found on this website: www.nslds.ed.gov, along with your loan details.
- 2. Open all your mail.** A letter from your loan holder will be sent to you in the next few months. This letter may be from an entity you are not familiar with, so open all mail to ensure you do not miss this letter.
- 3. You have several repayment options.** If you have questions about your payment, or if you are unable to make your payment, contact your loan holder or us. Assistance is available to help you successfully repay your student loan.

Best of luck in the future!
(School Name)

Questions? Email us at someone@schoolname.edu or call 501-555-1234



SAMPLE EMAIL



WHAT'S YOUR NUMBER?

If you have a student loan, you should know these numbers:

- \$ The total amount of money you owe
- \$ How much your monthly payments will be
- \$ Salary needed to support your student loan debt

To find out, go to:

www.nslds.ed.gov
and

www.slgfa.org/calculators/debt_salary_wizard.aspx



TEAM
SLGFA
Teaching Educational Access & Money Management

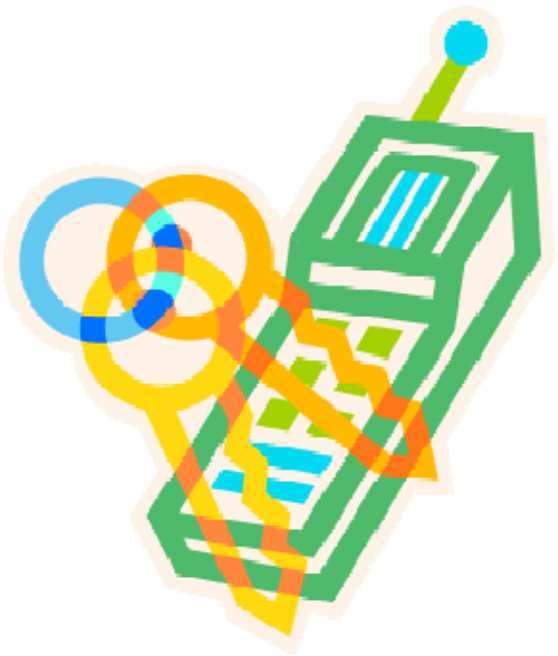
www.slgfa.org • facebook.com/slgfa • youtube.com/teammslgfa

Communication is Key

Contact your student loan holder if you:

- Change your address or any other contact information
- Have a change in your enrollment status
- Are having trouble making payments
- Have questions about your repayment or deferment options

Stay in contact with your loan holder - they are there to help!



If you do not know
who your loan
holder is or how
much you owe, go to
www.nslds.ed.gov.





Provided by:



slgfa.org

facebook.com/slgfa

youtube.com/teammslgfa