



Debt Management as a Revenue Builder



MISCONCEPTION

Debt Management initiatives only benefit the student

Debt Management Counseling might alarm students deterring them from attending and ultimately decreasing revenue.



FASFAA Graduate & Professional Initiatives Committee

REALITY

The absence of debt management negatively affects your institution's earning potential

An effective debt management program can serve as a marketing tool and ultimately as a revenue builder.



FASFAA Graduate & Professional Initiatives Committee

The Balancing Act...

Desired Lifestyle

VS.



Meeting Financial Obligations



The Balancing Act...

Desired Lifestyle

VS.

Meeting Financial Obligations



Student's Consequences

Student fail to make required payments entering into default

- A damaged credit rating for at least seven years
- Loss of generous repayment schedule and deferment options
- Possible seizure of federal and state income tax refunds
- Exposure to civil suit
- Referral of the account to a collection agency
- Liability for collection costs and attorney's fees
- Garnishment of wages
- Loss of eligibility of further Federal Title IV student assistance



FASFAA Graduate & Professional Initiatives Committee

The Institution's Consequences

School's cohort default rate rises

- Title IV funding (Stafford loans, etc) in jeopardy

Student retention drops

- Resentful alumni are unwilling and unable to return to your institution

New Student Recruitment Suffers

- Negative word of mouth and poor example of alumni discourage potential students from attending.



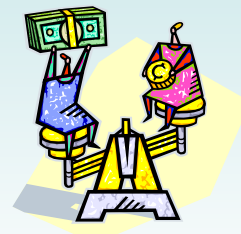
FASFAA Graduate & Professional Initiatives Committee

The Balancing Act...

Desired Lifestyle

VS.

Meeting Financial Obligations





FASFAA Graduate & Professional Initiatives Committee

Student's Consequences

- Student unable to maintain comfortable lifestyle
- Difficulty managing bills resulting in late payments
- Negatively impacted credit due to late payments
- Dependence on credit cards resulting in further debt
- Inability to afford desired items (i.e.. Purchase a home)



FASFAA Graduate & Professional Initiatives Committee

Institution's Consequences

- Student retention drops
Resentful alumni are unwilling to return to your institution.
- New Student Enrollment Affected
Negative word of mouth from alumni discourage other potential students from attending.



FASFAA Graduate & Professional Initiatives Committee

MISCONCEPTION

Students perceive the institution's tuition rates as the Students reason for their unmanageable debt.

Students believe they were overcharged.

REALITY

Only a percentage of student aid was applied to tuition.

Students generally receive what they are eligible for rather than simply what they need.



FASFAA Graduate & Professional Initiatives Committee

Maximum Federal Aid Available (Graduate) (Fall/Spring/Summer)

Stafford Subsidized Loans = \$12,500 per year/\$4,250 per term

Stafford Unsubsidized Loans = \$18,000 per year/\$6,000 per term

Total of \$30,500 in federal loan eligibility for one year.

Total of \$61,000 for two year program.



FASFAA Graduate & Professional Initiatives Committee

Loan Repayment Schedule for \$61,000

- Loan Interest Rate: 6.80% (fixed Stafford rate)
- Loan Term: 10 years
- Monthly Loan Payment: **\$702.00**
- \$84,240 annual salary



FASFAA Graduate & Professional Initiatives Committee

Borrowing Responsibly

Grad tuition and fees for 36 credit (2 year) program = **\$17,225.**

Maximum Stafford loans over two years = **\$61,000**

Difference of **\$43,775** over two years.



FASFAA Graduate & Professional Initiatives Committee

Loan Repayment Schedule for \$17,225

- Loan Interest Rate: 6.80% (fixed Stafford rate)
- Loan Term: 10 years
- Monthly Loan Payment: **\$198.22**
- \$23,786 annual salary



FASFAA Graduate & Professional Initiatives Committee

Cutting Down Expenses

Part Time Job

- 25 hours at \$6.67 per hour (minimum wage)
= gross income of \$8,671 per year

\$17,348 over two years

$$\$61,000 - 17,348 = \$43,652$$



FASFAA Graduate & Professional Initiatives Committee

Loan Repayment Schedule for \$43,652

- Loan Interest Rate: 6.80% (fixed Stafford rate)
- Loan Term: 10 years
- Monthly Loan Payment: **\$502.00**
- \$60,240 annual salary



FASFAA Graduate & Professional Initiatives Committee

Borrowing comparison over two years

- Borrowing Maximum Stafford = \$702.00
- Borrowing Modified Scenario = \$502.00
- Difference of **\$200.00** per month



FASFAA Graduate & Professional Initiatives Committee

Borrowing comparison over two years

- Borrowing Maximum Stafford = \$702.00
- Borrowing Modified Scenario = \$198.22
- Difference of **\$503.78** per month



FASFAA Graduate & Professional Initiatives Committee

Improving relationships

- Financially Literate Graduates
- Examples of Success
- Positive Perception of your institution

Increasing revenue

- Improved reputation
- favorable word of mouth
- living examples of financial success



Part II:

*Best Practices in Managing
Loan Debts and Reducing
your Default Rates*



AGENDA

- When do we “do” default prevention?
- How do we do it?
- What do you think?



FASFAA Graduate & Professional Initiatives Committee

First, some questions...

- What is your institution's default rate?
- Who, in your opinion is most likely to default on their loans?
- Who is (or who should be) responsible for default prevention at your institution?



FASFAA Graduate & Professional Initiatives Committee

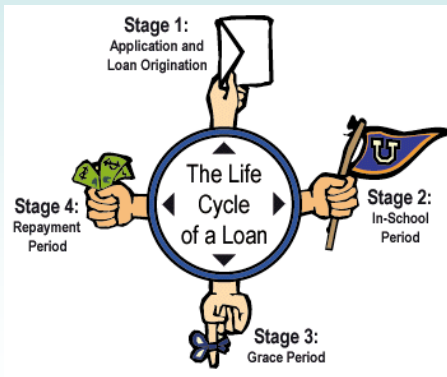
When do we do Default Prevention?





FASFAA Graduate & Professional Initiatives Committee

- We see four opportunities in the Loan Cycle:



FASFAA Graduate & Professional Initiatives Committee

- **Initial counseling tools**
- [Conducting an initial loan-counseling session.](#)
- [Entrance-interview components.](#)
- [Supplemental data sheet.](#)
- [Rights and responsibilities summary checklist.](#)
- [Federal Stafford loan test.](#)
- [How much can you afford to pay?](#)





FASFAA Graduate & Professional Initiatives Committee

- **Tools for the in-school period**
- [Ongoing counseling for continuing students.](#)
- [Counseling for students who withdraw from school.](#)
- [Counseling for graduating students.](#)
- [Academic-year completion letter.](#)
- [Lender notification of borrower-status change.](#)
- [Exit-interview procedures.](#)
- [Exit-interview components.](#)
- [Student-loan exit interview form](#)



FASFAA Graduate & Professional Initiatives Committee

Grace Period

- The six months after leaving school or graduating are some of the most important for successful repayment...
- What do you do to help your students make a successful transition?



FASFAA Graduate & Professional Initiatives Committee

- **Grace-period tools**
- [Grace-period follow-up steps](#).
- [Grace-period letters](#).
- [Graduate letter](#).



FASFAA Graduate & Professional Initiatives Committee

Repayment Period

- How do you outreach to borrowers in repayment?
- What should a school do to help borrowers?



FASFAA Graduate & Professional Initiatives Committee

- **Tools** for the Repayment Period
- [Standard repayment.](#)
- [Loan-repayment options.](#)
- [Deferments.](#)
- [Forbearance.](#)
- [Cancellation.](#)
- [Delinquency.](#)
- [Default.](#)
- [Forbearance letter.](#)
- [Deferment letter.](#)
- [Delinquency letters.](#)



FASFAA Graduate & Professional Initiatives Committee

- A Successful Debt Management Plan
 - Educate borrowers.
 - Evaluate your current Debt Management Plan.
 - Review your aid packaging policy.
 - Mobilize the entire campus.
 - Hire and train staff appropriately



FASFAA Graduate & Professional Initiatives Committee

Thank you for participating!

Please give us your feedback!



FASFAA Graduate & Professional Initiatives Committee

Region I Workshop

Brenda M. Brown
University of Miami School of Law
bbrown@law.miami.edu

Jocelyn Allen
Access Group
jallen@accessgroup.org

Region V Workshop

April Halaychik
Nova Southeastern University
halaychi@nova.edu

Chris Miller
USA Funds Services
chimille@usafunds.org



FASFAA Graduate & Professional Initiatives Committee

www.fasfaa.org