Student Success
Financial Literacy-based Default Prevention

Preston R Garbett
Significance of Cohort Default Rates

- Impacts
- 30% for three cohorts
- 40% once
Impacts

Higher education institutions' Cohort Default Rates can impact how a financial aid office functions, particularly their ability to disburse federal student loans.
30% for three cohorts

If an institution has a published CDR exceeding 30% for three consecutive cohort years, they will lose their Direct Loan and Pell Grant eligibility. This will apply not only to the current year but the next two academic years as well.
40% once

If an institution has a CDR in excess of 40% for any single cohort year, they will lose their Direct Loan and Pell Grant eligibility for the remainder of that year as well as the following two academic years.
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CDRs
Students Who Default
Interactive Maps
Two Options
A Better Approach
How default prevention is usually handled
We can do better!
Our Superhero team

2013 Median CDRs

Low

High
Students Who Default

- Students who drop below half-time or do not graduate
  - Typically they have smaller loan obligations

- Retention should go hand-in-hand with any successful default prevention program
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2013 Median CDRs

Low

High
How default prevention is usually treated
Late Stage Contact

- Lack of up-to-date contact info
- Lack of preparation
- Contacting the students too late in the process
Self-Initiated financial resources and tools

- The student who do utilize these resources are outside the CDR
- All this information can be overwhelming
Self-Initiated financial resources and tools

- The student who do utilize these resources are outside the CDR

- All this information can be overwhelming
I'll use SUPER-MATHMATICS. One bean weighs 1/20 of an ounce. The jar weighs 12 pounds. Allowing two pounds for the jar, that makes 20 times 16 times 10, or **32,000 beans**! Next request, please.

Yipe! He *didn't* need X-ray vision to count 'em!
A Better Approach

A Successful student loan repayment program utilizes:

- Financial Literacy
- Retention
- Borrower Mindset
- Analytics
Financial Literacy

There is no standard definition for Financial Literacy.
Financial Literacy

There is no standard definition for Financial Literacy.
- Their future payments
- How the process works
- Repayment options
Patterns

"Specific patterns of financial behavior taken with public attitudes toward higher education provide a context for current default trends and the need for financial literacy initiatives"
Patterns

"Specific patterns of financial behavior taken with public attitudes toward higher education provide a context for current default trends and the need for financial literacy initiatives"

What patterns do you see arising?
Case Study
Case Study

“I have not received anything in the mail or a phone call about [a] repayment start date”
Retention

"...financial literacy and education is an important tool to increase student retention and completion"

The students who default more frequently than others are the students who drop below half-time or withdraw from an institution.

Message early and often.

In a situation like this where a student drops below half-time or withdraws entirely, it is imperative to inform the student about repayment.
Case Study

“I understand I am behind on my payments, with my financial hardship I still cannot make my payments at this time. Please give me more time.”
Borrower Mindset

Many students do not receive the information they need to understand and be successful in repaying their student loans.

Students may not realize there are options when facing financial hardship or other options before becoming delinquent or defaulting on their student loans.
Case Study

“I’ve tried doing stuff for my student loans and they make it too hard. I need someone to walk me through it. Also I don’t answer my phone if I don’t know the number. Is there a number I can call that I will recognize?”
Analytics

The analytics of any successful financial-literacy based default prevention program will need analytics to measure the success of their messaging.

The analytics should include monthly reports that utilize raw data to understand trends, identify successful messaging, and drill down to individual student data.
ACCT
Association of Community College Trustees

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1. Students who borrow the least are the most likely to default
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2. Many defaulters take no action on their debt—suggesting the complexity of the repayment system and a lack of information may be stymying students.

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3. A large number of borrowers-especially defaulters-are earning few credits and not completing a credential
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3. A large number of borrowers-especially defaulters-are earning few credits and not completing a credential

4. Institutions lack access to complete information and a user-friendly way to analyze loan data, making default management unnecessarily difficult
Literature

Financial Literacy at Minority-Serving Institutions
Published: December 2011
Shannon M. Looney

“Current financial literacy levels suggest an urgent need for a more systemic approach to educating and graduating students”

“...strong financial literacy strategies and efforts require ongoing assessment, targeted outreach, and interventions, and campus-wide support and partnerships”
We can do better!

The ideal messaging timeline might look somethi...
The ideal messaging timeline might look something like...
Identify your needs

The ability to identify an institutional CDR needs is critical to successfully implementing a customized financial-literacy based strategy that addresses your unique student population.

Any plan should include:
• Holistic Messaging
• Multiple platforms of communication
• Measures for success
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Two Options

Twinkle-to-Wrinkle

In-grace and Beyond...
Twinkle-to-Wrinkle
In-grace and Beyond...

If you’re budget is tight...

![Graph showing stages of delinquency: In-grace, Delinquent (90-269), Early Stage Delinquency (31-89), Late Stage Delinquency (270+), Default]
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Interactive Maps

Idaho  United States
United States

https://infogram.com/2013-cdrs-1g0n2ozzrqq00p4y
Idaho

https://infogram.com/idaho-1gqq2qnnd5d7278
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2013 Median CDRs

Low

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Our Superhero team

Captain America  Iron Man  THOR  Hawkeye
Our Superhero team

Captain America  Iron Man  THOR  Hawkeye
Our Superhero team

- Captain America
- Iron Man
- THOR
- Hawkeye
Our Superhero team

Captain America  Iron Man  THOR  Hawkeye
Our Superhero team

Captain America
Iron Man
THOR
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Steve        Preston        Bryan        Spencer
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