

Debt Management Plan

I. Plan Objective and Goals

A. Objective

- a. Empower and prepare Harper College students to be successful in debt management and money matters.

B. Goals

- a. Help students make informed decisions about how to borrow wisely and reduce the amount borrowed.
- b. Educate borrowers about their loan rights and responsibilities.
- c. Educate borrowers about repayment plans and loan forgiveness.
- d. Help borrowers manage their loans and repayment.
- e. Educate students about money management and financial literacy.
- f. Build campus wide awareness about debt and money management issues.
- g. Reduce Harper College's Cohort Default Rate.
- h. Educate Harper College staff about the complexities of student loans and how to advise students about loan management.

II. Situational Analysis

A. College Costs vs. Financial Aid

- a. Education related expenses rise about 4 to 6 percent per year
- b. Perception of Community Colleges are that they are an affordable choice
- c. Government grants and scholarships are underfunded

B. Growing use of federal loan funds by students and parents

- a. Need-based grants have not been keeping pace with increases in college costs.
- b. Estimate that two-thirds of college seniors who graduated in 2011 had student loan debt, with an average indebtedness of \$26,600¹
- c. Average indebtedness among 2011 graduates in Illinois was \$26,470¹
- d. \$1 trillion in outstanding student loan debt; second largest form of consumer debt (mortgages are the largest)
- e. More than 7 million borrowers were delinquent or in default on federal or private student loans (more than 90 days late on a payment – as reported by the Consumer Financial Protection Bureau, June 2013)

¹ The Project on Student Debt / The Institute for College Access & Success. (2012, October). *Student Debt and the Class of 2011*. Retrieved January 2, 2013, from <http://projectonstudentdebt.org/files/pub/classof2011.pdf>

- C. Growing use of private loan funds by students
 - a. Increased borrowing especially among students that need funds beyond the annual and aggregate federal loan limits
 - b. Loan terms vary by lender
 - c. More expensive to borrow funds as compared to the federal loan programs
 - d. Students at community colleges are less likely to borrow private loans; but may use a large portion of their aggregate loan amount to cause them to borrow private loan funds beyond the community college

- D. Change in how the Cohort Default Rate is calculated for federal loans
 - a. Previous calculation measures the percentage of borrowers who default in the first two years of repayment
 - b. Current CDR calculation has changed; the time period to measure the percentage of borrowers who default increased to three years
 - c. This change to measure CDR over 3 years increased the number of borrowers in repayment and the number of defaulted borrowers; most schools CDR increased as did the national CDR for FY2009 to 13.4%
 - d. Beginning in 2014, schools will be required to comply with corrective actions if their default rate exceeds 30%
 - i. mandating a default prevention task force
 - ii. submission of a default management plan to the U.S. Department of Education
 - e. Sanctions for schools that continue with a CDR that exceeds 30% for three years include the loss of Federal Pell Grant and Federal Direct Loan funding

- E. Factors that could influence students' debt levels and impact Harper College's Cohort Default Rate
 - a. Endowment and institutional resources available for financial aid
 - b. Student demographics
 - c. Federal regulations
 - d. State rules and policies
 - e. Financial aid policies and packaging
 - f. Cost of living in local area
 - g. Education related budget
 - h. Family's resources to meet educational expenses
 - i. Employment of current and former students
 - j. Not completing program of study (Satisfactory Academic Progress, Academic Probation)
 - k. First generation student
 - l. Continuing education at another school

- F. Major changes have occurred in the Federal Family Education Loan Program
 - a. All schools switched to the Federal Direct Loan Program
 - b. Federal government contracted with loan servicers
 - c. Lenders were eliminated from participating in the Federal Family Education Loan Program
 - d. Students' loans may be serviced by multiple holders
 - e. Changes in the Direct Loan Consolidation Program

ACTION PLAN: Prepare a Brief, Concise Summary on Loan Defaults

Completion Date: April 1, 2014

Note: This will be inclusive of the 2 year and 3 year Cohort Default Rates and information released by the U.S. Department of Education in October 2013.

1. Draw upon other industry white papers
2. Content is specific to the following:
 - a. Explain Cohort Default Rate
 - b. Explain the federal regulations and the impact of the Cohort Default Rate
 - c. Describe the critical nature of the issue
 - d. Importance of having and implementing a Debt Management Plan
 - e. Fit with Harper College's strategic plan and the goal of student success
 - f. Cite industry initiatives
3. Use to educate internally at Harper College and as a topical reference
4. Use as documentation for budget requests

- G. The industry (including servicers; independent, private companies) is providing more tools to students and families to make more informed decisions about their college choices
 - a. Research shows that how and where one enrolls has a big impact on the likelihood of completing a degree or certificate, leaving with heavy debt, and being able to pay it off
 - b. Students and families need meaningful, reliable, and comparable information about colleges at every stage in the process, to help them make wise decisions about where to go and how to pay for it
- H. U.S. Department of Education is more proactive in developing tools and resources for students and schools
 - a. Federal Initiatives Harper College is Implementing
 - i. Federal Shopping Sheet: a new model format for financial aid offers to help students and families understand and compare the real cost of attending the different colleges to which they have been accepted
 - ii. Net Price Calculator: an online tool on Harper College's website that gives prospective students an early, individualized estimate of how much it would actually cost them to attend that school
 - iii. Income Driven Payment Plan Form for Students
 - b. Direct Loan Servicing Webpage
 - i. Entrance and Exit loan counseling

- ii. Financial Awareness Counseling Tool (FACT)
- iii. Repayment Information
- iv. Repayment Calculators
- v. Income Based/Driven Repayment Plans
- vi. Loan Forgiveness
- c. National Student Loan Data System (NSLDS)
 - i. Evaluate the new reports for schools, student data and counseling tools to determine their usefulness and relevancy for Harper College and our students

III. Target Groups with Potential Student Loan Debt or has Incurred Loan Debt

- A. Prospective Harper College students
- B. Current Harper College students
- C. Harper College Alumni
- D. Harper College students that did not complete their program of study
- E. Parents with PLUS Loan debt
- F. Students with both federal loan and private loan debt

IV. Strategies and Tactics

- A. Provide tools for students to help them make more informed decisions
 - a. Direct Loan mandatory Entrance and Exit Counseling
 - b. Federal Financial Awareness Counseling Tool (FACT) module program
 - c. Online resources
 - d. Monitor industry initiatives and best practices through listservs, conferences, networking, professional associations, endowments (including Mapping Your Future)
 - e. Provide Direct Loan Summary information to Harper College students who have loan debt

ACTION PLAN: Utilize Key Features from the U.S. Department of Education Websites

Completion Date: Review Quarterly – September 30, 2013; December 23, 2013; March 31, 2014; June 30, 2014

1. Evaluate the repayment calculators
2. Assess the Financial Aid Counseling Tool (FACT) module program and utilize components
3. Assess the data from NSLDS reports
4. Design and post information and links on the Harper College website
5. Design and introduce a Direct Loan Summary tool using data from NSLDS and COD to inform Harper College students about their current loan debt level
6. Promote the ED website information to students through numerous OSFA correspondence

ACTION PLAN: Assess, Utilize and Promote the CashCourse Website and Services

Completion Date: June 30, 2014

Note: Harper College completed the enrollment and implementation process to become a CashCourse user in 2012-13.

1. Assess this Free resource and the October 15, 2013 new release (November 15, 2013)
 - a. Website and Workshops for postsecondary schools
 - b. Sponsored by the National Endowment for Financial Education® (NEFE®), a nonprofit private operating foundation with its own endowment that is dedicated to improving the financial well-being of all Americans
 - c. Manages the website and workshop content
 - d. Staff and students review package of services
 - e. Review promotional materials targeted to studentsImportant: If assessment proves positive, then proceed with Step 2.
2. Promote use of the website to Harper College students
 - a. Implement promotional campaigns
 - b. Update the link and provide information related to the October 15, 2013 release
 - c. Train staff about CashCourse
 - d. Submit Reimbursement application for funds up to \$1,000 from CashCourse
 - e. Feature in Harper College email blast to students

- B. Develop website resources
 - a. Loan Management
 - i. Loan terms
 - ii. Tracking multiple holders
 - iii. How to use NSLDS
 - iv. What to do when transferring to another college
 - v. Key loan repayment triggers and dates
 - vi. Grace period
 - vii. Repayment plans
 - viii. Loan consolidation
 - ix. Income Based Repayment
 - x. Auto debit
 - xi. Deferment
 - xii. Forbearance
 - xiii. Loan Forgiveness
 - xiv. Education tax credits
 - xv. Bankruptcy
 - xvi. Private loans
 - xvii. Calculators
 - b. Default Management
 - i. Consequences of default
 - ii. Loan rehabilitation
 - iii. How to bring loan current
 - iv. Deferment and Forbearance tracking tool
 - c. Financial Literacy
 - i. Terms
 - ii. Consumer decisions and purchases
 - iii. Career decisions and salaries
 - iv. Budgeting
 - v. Building good credit / credit scores
 - vi. Repairing bad credit
 - vii. Retirement
 - viii. Income taxes
 - ix. Investments
 - d. Links to Online Resources

ACTION PLAN: Develop Web Content and Resources for the Harper College Site

Completion Date: Phase 1: Initiated June 30, 2013 Additions to Phase 1 and Phase 2: June 30, 2014

Note: These resources will be impacted by the redesign of the financial aid website pages scheduled for 2013-14.

1. Determine Content Source: developed by Harper College or link to external sources
2. Phase I (Review Quarterly – September 30, 2013; December 23, 2013; March 31, 2014; June 30, 2014)
 - a. Loan Management topics
 - b. Default Management topics
 - c. Links to online resources
3. Phase 2 (Review Quarterly – September 30, 2013; December 23, 2013; March 31, 2014; June 30, 2014)
 - a. Financial Literacy topics
 - b. Links to online resources
4. Monitor industry information shared on listservs, at conferences and through industry communications.

C. Identify and Prioritize At Risk Populations

Assumption: Students have borrowed federal loan funds while attending Harper College.

- a. Pre-borrowers
 - i. Never borrowed while attending Harper College
 - ii. Prospective student
 - iii. Current Harper College student
- b. Current borrowers – High Priority
 - i. Borrowed while attending Harper College
 - ii. Current Harper College student
 - iii. Harper College alumnus
- c. Future borrowers
 - i. a or b as defined above
 - ii. Will be borrowing while attending Harper College
- d. Borrowers no longer needing any additional loan funds
 - i. Current Harper College student
 - ii. Last semester of program of study
 - iii. Completed program of study - alumnus
- e. High Aggregate– High Priority
 - i. Borrowed federal loans while attending another college

- ii. Completed 2 years of borrowing at maximum annual level while enrolled at Harper College
- iii. Reached 150% maximum period of time limitation for Direct Subsidized Loans
- iv. Reached threshold of aggregate loan limit
- f. Students transferring– High Priority
 - i. Earned a credential from Harper College
 - ii. Know student will be attending another college or university
- g. Students enrolled in remedial classes
- h. Federal Pell Grant recipients
- i. No credential students; didn't finish program of study
 - i. Student left Harper College without earning a credential or completing their program of study
 - ii. Identify if student enrolled in another college or university
- j. Students enrolled less than 6 hours in a term– High Priority
 - i. Student currently enrolled less than 6 hours at Harper College during the current term
 - ii. Student previously was enrolled 6 hours or more in a term
 - iii. Identify if loan converted to repayment
- k. Students not meeting Satisfactory Academic Progress standards / on academic probation
 - i. Is student enrolled at Harper College or another college or university
 - ii. Financial aid at Harper College is suspended, denied or cancelled
 - iii. Is there any overlap with g. above
 - iv. Did the student earn a credential from Harper College

ACTION PLAN: Identify and Prioritize At Risk Populations

Completion Date: Prioritize student groups: November 1, 2013

Contact students that borrowed in 2013-14: March 15, 2014

Contact students who complete their program of study: May 31, 2014

Identify trends and patterns for Harper College students: June 30, 2014

1. Gather data related to Harper College
 - a. Internal sources
 - b. External sources
2. Identify the reasons and patterns of Harper College students who are:
 - a. Current on their student loan payments
 - b. Past due on their student loan payments
 - c. In default on their student loan payments

D. Develop Key Messages for Specific Groups

E. Help students to only borrow the minimum amount of loan funds they need

- a. Discontinue auto packaging of federal loans
- b. Students create a budget
- c. Financial Aid Information sessions
- d. Loan Management information sessions
- e. Outreach events
- f. Students meet with a Financial Aid Advisor, as needed
- g. Increase the use of grant and scholarship sources
- h. Alternatives to borrowing
- i. Money saving tips and strategies

ACTION PLAN: Assess the Loan Request Process

Completion Date: March 31, 2014

1. Evaluate the 2013-14 loan request process, form and budget
2. Implement changes for 2014-15
3. Train OSFA staff

F. Identify and assess debt management services that are available from third party providers

- a. Select 4 to 5 providers and conduct research
- b. Contact other colleges who use external debt management services
- c. Generate student communications utilizing NSLDS reports

ACTION PLAN: Research and obtain proposals from third party debt management service providers

Completion Date: Summarize Research December 1, 2013

Note: Staff completed the researching debt management companies, products and services in 2012-13.

A. Fee-based providers

1. SALT
2. Inceptia
3. Ceannate – Loanlook and i3
4. Financial Aid TV
5. Decision Partners
6. Wright International Student Services
7. TG
8. Guarantors
9. Others

B. Summarize the research

G. Leverage Harper College's position and resources

- a. Identify gaps in the due diligence performed by the federal loan servicers and assess Harper College's role to fill these gaps
- b. Work with the federal loan servicers that have Harper College students in their portfolio
 - i. Develop contacts and build relationships
 - ii. Assess reports and default management tools

ACTION PLAN: Register with each U.S. Department of Education servicer that manages federal student loans for 50 or more Harper College students and select services to utilize

Completion Date: The research to identify the servicers that held loans for Harper College students was completed in 2012-13. Discontinue this plan for 2013-14 and reassess the status, improvements and changes among the loan servicers under contract with the U.S. Department of Education in 2014-15.

Note: The U.S. Department of Education has expanded the number of loan servicer contracts from 4 to 15 organizations. The loans taken out by Harper College students could be assigned to any of the 15 servicers. Maintaining relationships with 15 loan servicers is not efficient for Harper College and has caused us to reconsider the approach for this action plan. We are currently assessing if information in the new NSLDS reporting for schools will supplant the need for working with individual loan servicers.

Loan servicers are required contractually to perform due diligence in servicing student loans at specific points during the lifecycle of the loan. Each servicer can provide individual loan information for each of the loan it services for students that attended Harper College. Specialized reports are available in order to mount a letter writing/email campaign when students are in defined stage of default or repayment. Sample letters and emails can be provided.

1. Review NSLDS Portfolio Report from 10/12/12 to identify each servicer that manages 50 federal loans
2. Register with each of the following servicers. The number of Harper College students managed by each servicer is noted, along with unique services provided by the entity.
 - a. FedLoan Servicing (Pennsylvania Higher Education Assistance Agency – PHEAA) (1,319 students)
 - i. Financial literacy information is available to students and parents at YouCanDealWithIt.com.
 - ii. Default Prevention Plan Builder is provided for schools to establish a default prevention plan.
 - iii. FedLoan Servicing Bulletin is provided as an overview of the school's full portfolio.
 - iv. PageCenter is provided for online report retrieval system.
 - b. Great Lakes Educational Loan Services, Inc. (1,277 students)
 - i. Delinquency Letters and Labels tool to automatically create letters to send to borrowers who are at least 31 day delinquent on loans that they service. Generated in .pdf format to be printed on school letter head.
 - ii. Borrower at Risk Report for Stafford and PLUS loans and Default Report is provided.

(Continued)

ACTION PLAN: Register with each U.S. Department of Education servicer that manages federal student loans for 50 or more Harper College students and select services to utilize

- c. Nelnet (732 students)
 - i. Offers Nsight, a tool that allows schools to access and report upon both lender-owned and Department of Education-owned loans.
 - ii. Offers Nsight Plus an enhancement that provides student loan data in a user-friendly dashboard format.
 - iii. Provides three categories of reports – Delinquency, General Portfolio and Student Counseling Reports.
 - iv. Provides the following tools: Mail Merge, borrower Search Function, Gainful Employment information and Deferment and Forbearance forms for students.
 - v. Staff available to teach schools the following financial wellness skills: establish a personal budget, evaluate debt loads, set financial goals, and develop a plan of action.
 - vi. Offers Money Monday Webinars to borrowers.

- d. Sallie Mae (1,964 students)
 - i. Uses OpenNet to allow schools to view information on individual student loans that they service.
 - ii. Provides reports that are available for schools that would enable us to send student letters if they are in a delinquency, grace, current, deferment or forbearance status.
 - iii. Reports are available identifying students entering repayment for the past six months and forecasted to go into repayment within the next six months.

3. Monitor Harper College students serviced by ACS that will be reassigned during the first quarter of 2013. The federal loan servicing contract with Direct Loan Servicing Center (ACS) was not renewed. ACS services the most Harper College students at 2,578. It is possible loans may be assigned to a new servicer. Information can be tracked in the NSLDS Portfolio Report.

4. Identify the due diligence schedule required of the loan servicers which are predominantly phone calls and written correspondence.

- a. Identify gaps where Harper College could contact borrowers
- b. Should not duplicate efforts that the servicers are already doing

- c. Form a Debt Management Task Force with representation from multiple departments at Harper College
- d. Develop borrower communications using integrated channels
- e. Conduct Financial Aid Information Sessions
- f. Conduct Debt Management Workshops
- g. Conduct Financial Literacy Workshops
- h. Outreach Events
- i. Collect data from students
 - i. Exiting Harper College
 - ii. Surveys
 - iii. Online polls
- j. Utilize 100% of Harper College Foundation Scholarships

ACTION PLAN: Conduct a Series of Workshops for Harper College Students

Completion Date: June 30, 2014

1. Hold an informational workshop during the Spring term: March 19, 2014
2. Evaluate and assess the workshop

ACTION PLAN: Develop and Conduct a Series of Student Communications Campaigns

Completion Date: See Dates and Campaigns included in the 2013-14 OSFA Communications Plan

1. Identify key intervention leverage points to send letters, emails or call students about loan management and repayment topics that are not part of the due diligence done by loan servicers
2. Identify due diligence contacts done by loan servicers
3. Prepare the content of the communications
4. Identify students and contact information
5. Determine the appropriate communications channel
6. Send out communications
7. Evaluate the campaigns

H. Develop and conduct a Harper College Staff Training Program

- a. How loans are serviced
- b. Loan management
- c. Deferments and forbearance
- d. Repayment Plans – Time Driven and Income Based
- e. Loan forgiveness
- f. Debt management
- g. Financial literacy
- h. Navigating the new webpages

ACTION PLAN: OSFA Staff Development

Completion Date: Trainings conducted for OSFA staff

March 2014: OSFA Staff Training

May 2014: OSFA Staff Training

1. Develop information materials and a training program for OSFA staff to become educated about debt management and financial literacy
2. Explore any opportunities or information available from Financial Coach, Judy Thorson
3. Conduct training sessions for OSFA staff
4. Determine the need for having any staff certifications

V. Evaluation

A. Identify Key Performance Indicators

B. Set-up a time table for evaluating the different tasks / projects