



## DELINQUENT BORROWER COUNSELING GUIDE

At FAME, we are committed to providing comprehensive default prevention services to student borrowers and schools throughout Maine. It is our view that default prevention is most successful when there is a close collaboration between FAME and the colleges we serve.

Many schools expand upon minimum federal loan counseling requirements and provide outreach to borrowers who are at risk of defaulting. We have created this guide to assist schools who wish to initiate delinquent borrower counseling on their campus.

### Consider Creating a Default Prevention Plan

Before considering whether to begin counseling delinquent student borrowers, you should first consider creating a default prevention plan. This plan will help you prioritize your default prevention goals. One of the most important elements of a default prevention plan is an assessment of resources available, as well as a determination as to which borrower counseling approach works best for you. For more information and guidance on such a plan, please refer to the ***FAME Model Default Prevention Plan for Schools***.

### Definition of Delinquent Borrower

A borrower is considered delinquent when his/her student loan payment is 60 days or more past due.

### What does FAME do to assist delinquent borrowers?

Once a borrower enters delinquency (60 days or more past due), FAME's default aversion program is initiated. The intent is to provide the borrower with long-term debt management solutions. Borrowers are contacted via phone and mail in an effort to assist them with payment resolution.

Options presented to the borrower may include:

- Automatic debit repayment
- Alternative repayment options (graduated, income-sensitive, interest-only)
- Loan consolidation
- Deferment options
- Loan forbearance (presented last)

## Delinquent Borrower Report

In order to assist our school partners with delinquent borrower counseling, FAME provides schools with access to a delinquent borrower report. This report includes borrower name, contact information and number of days delinquent. To receive a copy of this report, please contact Mary Dyer at [mdyer@famemaine.com](mailto:mdyer@famemaine.com).

## Letter Campaigns

Schools may contact delinquent borrowers through a variety of methods. Some prefer to reach borrowers via mail using their school letterhead. Typically, these letters contain information regarding the consequences of default and how to avoid it, along with whom to contact to resolve the delinquency. This approach has advantages and disadvantages. Mailing campaigns typically require less time and resources, particularly if the school provides the borrower with lender or guarantor contact for follow-up (instead of the school). However, it is our view that direct phone communication remains one of the most effective means of providing default prevention outreach and counseling.

## Telephone Outreach

One of the most effective ways to counsel delinquent borrowers is through direct phone calls. During these calls, schools can provide information on how to resolve the delinquency, as well as answer any questions the borrower may have. Direct phone calls offer many advantages over traditional mailings and offer a more personal approach to counseling and delinquency resolution. When determining whether this approach will work, consider available staff resources and knowledge, availability during optimum calling hours (evening and weekends) and follow-up requirements.

Regardless of the type of delinquency campaign you offer, remember that any effort made by a school to reach borrowers can have a positive impact on the long-term success of your default prevention goals.

## Steps for Counseling Delinquent Borrowers

1. Verify that the borrower is still delinquent using your delinquent borrower report. It's possible that the borrower may have made a payment or applied for deferment or forbearance and may not need to be contacted.
2. If your call is answered by anyone other than the borrower, be sure not to disclose ANY personal and confidential information, including the fact that the borrower has a loan.
3. Identify yourself and let the borrower know that your institution is providing its former students with this *free* service to assist them with any questions they may have regarding their student loans. Be sure to identify the name of the school you are calling from.
4. Let the borrower know that you are aware that they are having trouble making their loan payments.

5. Reassure the borrower that there are many options available to them to avoid default and that you are there to provide them with information on how to get caught up on their payments, or to explore reducing or temporarily postponing payments.
6. If the borrower expresses a willingness to discuss their options and receive your assistance, begin by discussing how many days late they are and the consequences of default.
7. Try to avoid using default as a threat. Instead, reassure the borrower that you are there to help.
8. Discuss whether the borrower can pay the past due amount to bring their loan into good standing. If they can, contact the servicer with the borrower on the phone. Suggest that they discuss changing payment plans if the borrower is struggling with the current amount (assuming it's standard).
9. If the borrowers can't make payments to get caught up, discuss with them whether they are working and what factors are preventing them from paying their loan. This will help you determine whether a borrower may be eligible for deferment.
10. Introduce the concept of deferment and explain to the borrower that the most common reasons for deferment include half-time attendance in school, unemployment and economic hardship.
11. If the borrower doesn't appear to be eligible for a deferment, review the forbearance option as a last resort option ONLY. Explain to the borrower that interest continues to accrue during periods of forbearance, which will only increase the total amount they will owe.
12. You may wish to refer the borrower directly to his/her servicer for more detailed information regarding deferment or forbearance. Some deferment and forbearance requests may be completed verbally over the phone (depending on the type), while many require additional documentation. Deferment forms are available through the FAME website: [www.famemaine.com](http://www.famemaine.com).
13. Be sure to offer to mail or e-mail the borrower any necessary forms they'll need to complete or you may choose to e-mail them directly to the borrower. Be sure to provide them with the phone and fax number of their loan servicer, as well as the mailing address.

## Privacy Concerns

There are numerous privacy laws that you must comply with when counseling delinquent borrowers. Here are some important things to remember:

- Don't disclose a borrower's personal information to anyone other than the borrower.

- Personal information includes social security number, loan information and the fact that a borrower has a loan.
- Do not use postcard mailings that reference the fact that a borrower has a loan.
- Do not leave messages that disclose that the borrower has a loan.

### **Important Reminders**

- If the borrower is delinquent on his/her Stafford Loan, they are likely to be delinquent on other loans such as Perkins or Alternative Loans. It may be helpful to refer delinquent borrowers to their lender, or in the case of Perkins, to your campus loan collection office or servicer.
- Try to contact the borrower between 8:00 a.m. and 9:00 p.m. Be aware of the borrower's time zone.
- Be sure to give borrowers sufficient time to explain their circumstances; sometimes they simply need to be heard.
- Reinforce the fact that you are trying to help them get back on track.
- Be sure to review any instructions or steps the borrower needs to take before concluding the call. You may wish to provide your contact information in case the borrower has follow-up questions.