



# Tools For \$uccess

## FAME's Default Prevention Newsletter



### Highlights in this Edition:

- ❖ FAME announces GOAL\$, a new comprehensive default prevention & outreach program!
- ❖ FAME Alternative Loan & Money Management Tutorial now available to schools.
- ❖ FAME achieves second-highest guarantor recovery rate in the nation.
- ❖ FAME default aversion highlights
- ❖ Upcoming initiatives
- ❖ "Best Practices" Corner

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### Happy New Year!

I am excited to bring you the first edition of **Tools for \$uccess**, FAME's first default prevention newsletter. This quarterly newsletter is designed to keep you informed of FAME's current default prevention efforts, as well as new initiatives being implemented. In addition, we plan to provide you with information on the various default prevention programs that are currently in place at schools throughout Maine, along with a series of "best practices" and ideas for future programs.

Please let me know if you find this helpful, or if you have suggestions for further editions. I look forward to working with you!

Mary Dyer, *Default Prevention Specialist*

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## FAME Announces New Comprehensive Default Prevention & Outreach Program



At FAME, we are committed to providing comprehensive outreach and default prevention services to students and schools throughout the State of Maine. While we have implemented a number of successful programs throughout the years, we are refocusing our efforts and creating a series of new outreach and default prevention initiatives. Through our **GOAL\$** program, we will expand upon our current services to include additional default aversion, financial literacy tools, publications and training. In collaboration with our partners, our goal is to develop strategies to assist schools in reducing their cohort default rates and to implement a "best practices" approach to default prevention. We hope to further educate students and counselors regarding financial literacy and responsible borrowing, by increasing outreach and training. Through a combination of these efforts, we hope to further assist Maine students and families achieve their educational **GOAL\$**.

FAME has implemented **GOAL\$** in light of the following statistics:

- Maine has the 7th highest student debt level nationally (source: *Project on Student Debt, Sept. 2007*)
- The average debt for a Maine student is \$ 22,877 (source: *Project on Student Debt, Sept. 2007*).

- Over one third of Maine colleges have cohort default rates that are higher than the national average of 4.6% (*CDR Report, 2005*).

Through **GOALS**, FAME is renewing its commitment to college access, financial literacy, and default prevention by implementing a series of new initiatives such as:

- naming Angela Dostie to fill the new position of Outreach & Default Prevention Manager. Angela brings more than 10 years of financial aid experience to the position;
- recently hiring Mary Dyer for the new position of Default Prevention Specialist to implement a comprehensive default prevention program at FAME. Mary has significant experience in college financial aid;
- expanding current programs designed to assist high-risk borrowers during their grace periods;
- creating on-line Alternative Loan Counseling & Money Management tutorials for students;
- providing new financial literacy tools, publications and training;
- expanding college access, outreach & default prevention content on FAME's web site, [www.famemaine.com](http://www.famemaine.com); and
- increasing college access, outreach and training services to schools throughout Maine.

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## **NEW!! Alternative Loan Counseling & Money Management Tutorial**

We are pleased to announce the creation of a new on-line Alternative Loan Counseling & Money Management Tutorial. This product is the first in a series of new default prevention initiatives that FAME will be offering to schools in the coming months. We created this unique customized session to assist students in understanding the basics of alternative student loans and good money management. This on-line tutorial is the first of its kind to be offered through Mapping Your Future<sup>®</sup>, a public service organization providing free and neutral career, college, financial aid, and financial literacy information and services to schools, students, and families. The free service is designed to enhance the education of the student by actively involving them in the learning process.

To test the products from the student perspective, start a counseling session at <http://mapping-your-future.org/famecounseling>. Choose "Maine" as your state and "ME Demo School for Alternative Loan Tutorial" as your school.

We are in the process of planning a Mapping Your Future<sup>®</sup> training to be offered at FAME in April. Stay tuned for more information!

For more information, or to create your own unique URL to be used on your website, please contact [Mary Dyer](#).

## Guarantor Recovery Rates Announced

**The U.S. Department of Education recently announced the guarantor recovery rates for the federal fiscal year ending September 30, 2007. FAME is pleased to announce that we have earned the second-highest recovery rate in the nation!**

Through our recovery efforts, borrowers who are in default on their Federal Family Education Loans can bring their loans into good standing and, as a result, avoid many of the negative aspects of default such as damaged credit and loss of Title IV aid eligibility. We believe that all defaulted borrowers deserve a second chance and, through a combination of efforts, FAME provides them with that opportunity.

Nearly **44%** of FAME's total recoveries were resolved through loan rehabilitation, in turn removing the default status from the credit history of **over 500 borrowers**.

Attached below are the recovery totals for all of the nation's guarantors. For more information, please contact [Mary Dyer](#).

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### FAME Default Prevention Highlights:

- Student Assistance Corporation<sup>®</sup> (SAC) has provided FAME's default prevention services for over 10 years (originated as a department within the former USA Group).
- SAC is the nation's largest student loan default prevention company.
- SAC employs 350 staff members dedicated to providing default prevention services to student loan borrowers.
- In 2006, SAC achieved a 93.14% cure rate (delinquency resolution) for the FAME portfolio.
- FAME recorded a 0.65% trigger default rate (2006) and a 3.8% (2005) cohort default rate.
- In 2006, SAC averted over **\$133 million** in potential loan defaults and prevented **16,253 student loan defaults**.

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### Default Prevention Initiatives on the Horizon:

- FAME is exploring potential enhancements to our early intervention program, currently offered through EDSI<sup>®</sup>. Stay tuned for more updates!
- We are in the process of developing a default prevention model for postsecondary schools to use as a default prevention "best practices" guide.
- The default prevention section on the FAME website will be expanded to include more information regarding loan repayment. In addition, a new "for borrowers" section will be added to the FAME website that will include several new publications to assist borrowers as they enter repayment.

## Best Practices Corner

In each edition of **Tools For \$uccess**, we will highlight a school or organization that has implemented effective strategies that demonstrate creativity and an overall commitment to preventing student loan defaults. As we discover these "best practices," we will also incorporate them into our default prevention model for schools. If you have a success story that you would like to share, please feel free to contact [Mary Dyer](#).

### ***\$uccess Through Early Intervention: Kennebec Valley Community College***

Kennebec Valley Community College (KVCC) has long been concerned about student loan default and, as a result, the financial aid office has employed a part-time loan counselor for more than 10 years. Dave Gordon has been under contract in this position since 2003 and has recently been hired to the newly-created part-time staff position of Financial Aid Counselor. Dave is the primary person responsible for assisting students with the upfront loan process, as well providing them with exit counseling and loan repayment upon graduation or separation.

In order to reduce the number of KVCC students who are defaulting on their loans, KVCC utilizes a custom report that was created by FAME that produces KVCC delinquent borrower information. This report includes borrower contact information, loan amount and the number of days that the loan is past due. Dave downloads and prints the delinquent borrower report on a monthly basis and contacts borrowers via phone or mail to assist them with any questions they may have regarding loan repayment. The hope is that through this additional contact directly from the school, delinquent borrowers will gain a better understanding of the consequences of default, as well as the many options available to them. Many students end up pursuing deferment or forbearance options that they did not know existed. Because the information comes directly from KVCC, the borrower is more likely to respond, as the financial aid office is often perceived as the most trusted source of information.

In addition to contacting delinquent borrowers, KVCC also utilizes EDSI<sup>®</sup>, FAME's early intervention program. This program was created through a partnership with General Revenue Corporation<sup>®</sup> (GRC), to assist schools in Maine with lowering their cohort default rates. GRC focuses on the reduction in the school's cohort default by utilizing a "best practices approach" in educating high risk borrowers during their grace period and providing delinquency resolution. Through this program, borrowers are contacted throughout their grace period via phone and/or regular mail and are provided with a wealth of information regarding loan repayment options, rights and responsibilities, as well as the consequences of default. In order for KVCC students to receive this additional support, Dave enters the student information into the EDSI<sup>®</sup> database at the time of graduation or when the student has transferred or withdrawn.

For more information regarding KVCC's default prevention initiatives, please contact [Mary Dyer](#).