



Tools For \$uccess

FAME's Default Prevention Newsletter

November 2008



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Dear Financial Aid Administrators,

Happy Autumn!

Fall has always been a beautiful time in Maine. As we transition into a winter season filled with new challenges, we are reminded that the work we do is more important than ever. As a new wave of both traditional and adult-age students descend upon Maine campuses, we at FAME continue to explore ways by which to assist them in achieving their educational goals and financial success. We understand that in these difficult economic times, our outreach and default prevention initiatives are more critical than ever to the Maine students and families we serve.

In this November edition of *Tools for \$uccess*, you will find a variety of exciting announcements regarding our latest initiatives, all of which were created to promote the success of Maine students. Most notably, we are extremely excited that our expanded outreach and default prevention initiatives are well underway.

We hope you find this newsletter informative and helpful. I look forward to working with you throughout the coming year!

Mary Dyer, *Default Prevention Specialist*

Default Prevention Program Update

We are pleased to report that, as of September 30, 2008, nearly 1,400 FAME borrowers were identified to receive early outreach through our new default prevention program. As part of our GOAL\$ program, beginning August 1, 2008, FAME borrowers are identified weekly through enrollment data reported to FAME's guarantee database and contacted directly via phone, mail and e-mail throughout their grace period. Borrowers are provided with information regarding the total amount of their loan, as well as the monthly payment due. In addition, borrowers are counseled regarding the various loan repayment options, lender/servicer contact information, as well as how to avoid default. This exciting new program replaces EDSI[®] and, as a result, schools are no longer required to manually enter student data in order to participate.

We have begun the process of analyzing and distributing student specific reports to our school partners. We welcome any questions and/or feedback that you may have. Schools will begin receiving a monthly report beginning in November. Attached to this e-mail, you will find copies of sample scripts and the FAME borrower letters that are utilized through this program. For more information, please contact [Mary Dyer](mailto:Mary.Dyer@famemaine.com).

Department Releases Official 2006 Cohort Default Rates

The U.S. Department of Education released the official FY 2006 cohort default rates on September 15, 2008. **The FY 2006 national cohort default rate was 5.2 percent.** FAME's official FY 2006 default rate was 6.4 percent, with a total of 504 borrowers defaulting within the cohort period. The increase in our default rate can be attributed to the significant number of borrowers who consolidated their loans with another guarantor or through the direct lending program, in turn reducing the total number of borrowers in repayment under the FAME guarantee.

The Department also released a summary of the [FY 2006 official cohort default rates by state](#) and [institution type](#), as well as a [graph](#) showing the trend in national default rates.

We are currently in the process of analyzing our official defaulted borrower data and will be providing this information to schools in the coming months. Data elements will likely include average indebtedness, average EFC and separation status.

For more information regarding the FY 2006 CDR, or to utilize the cohort default rate search, [click here](#). If you have any questions regarding FAME's cohort default rate or the cohort default rate at your institution, please contact [Mary Dyer](#).

FAME Releases New Publications

We recently released two new brochures to educate student loan borrowers regarding teacher loan forgiveness, as well as where to find information regarding their student loans. The brochure, entitled **Locating Your Federal Student Loans**, was designed to provide students with instructions on how to find information on their student loans, such as navigating the National Student Loan Data System. In addition, the brochure entitled **Federal Loan Forgiveness Programs for Teachers** was created to educate teachers in understanding potential loan forgiveness options. Both of these brochures can be ordered on the FAME Web site through the newly redesigned publication ordering page. To order copies, please click [here](#).

FAME Presentations Now Available

October was a busy month at FAME, and our new outreach efforts went into full swing! Mary Dyer, Mila Tappan and Trisha Malloy presented several important sessions on topics ranging from the ACG/SMART Grant to dealing with difficult customers and default prevention on campus. All of the sessions offered at **Financial Aid 101: A Training for Counselors & Mentors** have been posted to the FAME Web site. To request a copy of a FAME presentation or to request that a session be presented on your campus, please contact [Mary Dyer](#).

NEW!! Delinquent Borrower Counseling Guide

We are excited to announce that FAME recently created the "FAME Delinquent Borrower Counseling Guide." As part of our GOAL\$ Program, this guide was developed for schools that are interested in providing delinquent borrower counseling as part of their own campus-

based default prevention efforts. Throughout Maine, there are schools that expand upon the minimum federal loan counseling requirements and provide outreach to borrowers who are at risk of defaulting. This guide was designed to assist in the process. Delinquency is defined as any borrower who is more than 60 days late on their loan payment. To download a free copy of this guide, please visit the publication ordering page on FAME's Web site. If you would like more information regarding this or any other GOAL\$ Program initiatives, please contact [Mary Dyer](#).

Borrower Debt Management Statement Options

FAME's Borrower Debt Management (BDM) service allows schools to provide their student borrowers with detailed loan information to assist them in keeping track of their loans. Loan data provided on each individual statement includes amounts borrowed for Stafford, Grad PLUS and consolidation loans, lender contact, loan amount, loan period and interest rates. Schools frequently use this tool during exit counseling. There are a variety of delivery options for schools, such as alpha sorting and requesting that statements be mailed directly to graduating students (rather than to the financial aid office). In the coming months, FAME will be contacting schools to review these options. For more details or to sign up for the Borrower Debt Management Statement Service, contact [Mary Dyer](#).

State of Maine Loan Repayment Information

We recently added a new State of Maine Loan Program Repayment section to the FAME Web site. This new section provides detailed information regarding Educators for Maine, Maine Health Professions and Medical Dental Education Loan & Loan Repayment Program. To review this new section, [click here](#). If you have any questions, please contact [Claude Roy](#).

New Cohort Default Rate Calculations

As a result of the [Higher Education Opportunity Act](#) (HEOA), the formula that is used by the federal government to calculate cohort default rates has been changed. Beginning with fiscal year 2009, the new CDR formula will include students who default by the end of the second fiscal year after beginning repayment. The current CDR looks at two fiscal years - the one in which the borrower began repayment and the following one. The new formula looks at up to three fiscal years - the one in which the borrower began repayment and the following two.

Current Formula:

Borrowers who defaulted in 2006 or 2007
Borrowers who entered repayment in 2006

New Formula:

Borrowers who defaulted in 2006 or 2007 or 2008
Borrowers who entered repayment in 2006 and 2007

Even though the new definition doesn't affect institutional eligibility until October 1, 2011, it will involve students going into repayment during the fiscal year about to begin. Since the

new CDR will include a longer period of repayment history, most schools will likely see an increase in their CDRs. NASFAA recently circulated an article titled **"Preparing for Upcoming CDR Changes."** To read this article, [click here](#).

For more information regarding upcoming changes to the CDR formula, contact [Mary Dyer](#).

Default Prevention Initiatives on the Horizon

- We are in the process of updating our Alternative Loan Counseling & Money Management Tutorial and we are hoping to add information regarding Additional Unsubsidized Loan borrowing. Please feel free to contact [Mary Dyer](#) if you have any suggestions or feedback regarding our current counseling content.
- As part of our GOAL\$ program, we are in the process of creating financial literacy information specifically for the Maine adult learner population. In addition, we are also in the process of developing financial literacy sessions for high school students in Maine.

Best Practices Corner

In each edition of **Tools For Success**, FAME highlights a school or organization that has implemented effective strategies that demonstrate creativity and an overall commitment to preventing student loan defaults. During recent school visits, I have been asked to offer suggestions for implementing campus-based default prevention. Therefore, I thought it might be helpful to provide you with some basic default prevention tips or "best practices" that you may be able to incorporate into your current default prevention initiatives:

- Provide anticipated salary information to students at entrance
- Know who your defaulted borrowers are – analyze your data
- Require students to complete annual entrance counseling or an annual MPN
- If your school has a freshman experience course, be sure that it includes a session on financial literacy or responsible borrowing
- Provide in-person counseling to "at-risk" students
- Consider placing a "hold" on the diploma or transcript for students who don't complete exit counseling
- Provide special letters to withdrawn borrowers
- Make your in-person exit and entrance counseling sessions fun (prizes, food, etc.)
- Be sure to have a financial aid table at commencement
- Collect additional references as part of exit counseling
- Enroll in FAME's Borrower Debt Management service
- Contact delinquent borrowers by phone or mail
- Don't forget about credit cards; are they marketed on your campus?
- Implement a campus-wide policy to verify address any time a student calls a campus department
- Offer Alternative Loan or additional debt counseling
- Strive toward accurate enrollment reporting
- Respond to all skip-tracing requests
- Utilize email to communicate to students

If you have any questions about these suggestions, or if you would like assistance in implementing your own campus-based default prevention initiatives, please contact [Mary Dyer](#).

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