

2011 Fall ILASFAA Workshop

Unlocking the Mystery: Financial Literacy & Student Default



Today's Agenda

- * The Cohort Default Rate (CDR)
- * Financial Literacy
- * Getting Started at Your Campus



The Cohort Default Rate (CDR)

- * The cohort default rate for schools is defined as the percentage of a school's borrowers who enter repayment on certain Federal loans during a Federal fiscal year and then default within the default period.

The Cohort Default Rate

- * Federal Fiscal Year – A fiscal year runs from October 1, to September 30 and is defined by the year in which it ends.
- * The current fiscal year is FY12 (10/1/11 – 9/30/12).

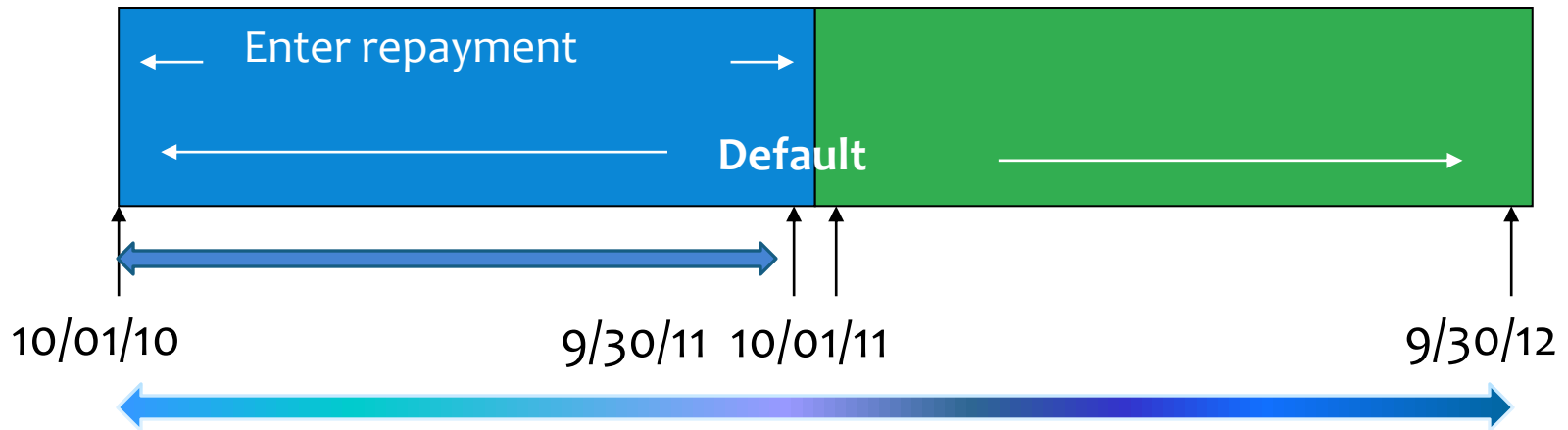
The Cohort Default Rate

- * Cohort Default Period - The “cohort default period” refers to the two-year period that begins on October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the following fiscal year.

The Cohort Default Rate

What students impact my CDR?

- * Any student that enters into repayment during the fiscal year and then defaults during the default period will impact your Cohort Default Rate!



The Cohort Default Rate

Borrowers in the cohort who default
within cohort default period.

(Numerator)

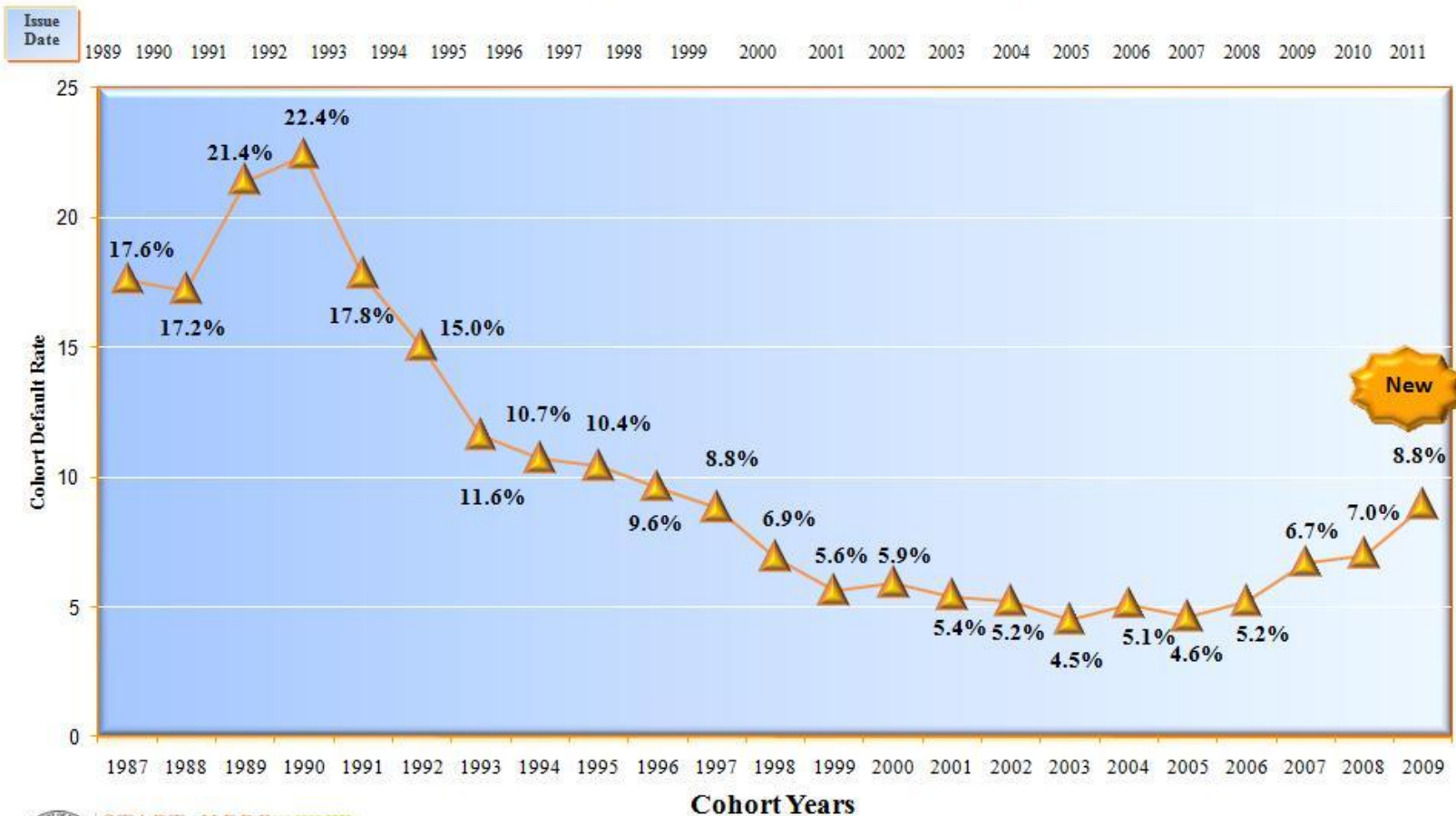
Cohort of federal student loan borrowers who
enter repayment during cohort fiscal year.

(Denominator)

X 100 = CDR

The Cohort Default Rate

National Student Loan Default Rates



The Cohort Default Rate

| Institution Type | FY 2007 | FY 2008 | FY 2009 |
|------------------|---------|---------|---------|
| Public | 5.9% | 6.0% | 7.2% |
| Private | 3.7% | 4.0% | 4.6% |
| Proprietary | 11.0% | 11.6% | 15.0% |

The Cohort Default Rate

- * Draft CDR is released in February each year.
 - * Not public information and only available to the school.
 - * Schools have 45 days to challenge any incorrect data.
- * Official CDR is released in September.
 - * Made public.
 - * Schools can appeal rates if they participated in the data challenge.

The Cohort Default Rate

Why is the CDR important to my school?

- * A student loan default negatively impacts the student, the school and finally the taxpayers.
- * A high default rate could lead to loss in Title IV funding.
- * A lower default rate can help distinguish your school's success in preparing student's for a successful career.

The Cohort Default Rate

Lowering Student Default

- * Contact students during their grace period!
- * Reach out to delinquent students prior to default.
- * Keep up to date student contact information.
- * Participate in the CDR draft challenge.
- * Develop and implement a proactive financial literacy program.

Financial Literacy and Default

Why should I implement a financial literacy program?

- * Students entering college are financially unprepared.
- * College costs are at an all time high and continue to rise!
- * The economy has left many students and borrowers either unemployed or underemployed.
- * Students indicate that they are leaving school based on financial stress.

Financial Literacy & Default

Percent of freshmen in agreement (Fall 2010)

| Selected survey items | Year | Students at 4-year private institutions | Students at 4-year public institutions | Students at 2-year institutions (public and private) | First-generation students | Non-first-generation students | OVERALL national percentages |
|--|-----------|---|--|--|---------------------------|-------------------------------|------------------------------|
| Sense of financial security | | | | | | | |
| I have financial problems that are very distracting and troublesome. | Fall 2010 | 31.3% | 27.7% | 34.0% | 40.2% | 26.6% | 30.7% |
| | Fall 2009 | 31.6% | 26.5% | 35.6% | 40.2% | 26.9% | 30.8% |
| | Fall 2008 | 29.2% | 26.3% | 35.0% | 38.3% | 25.5% | 29.3% |
| | Fall 2007 | 27.9% | 26.1% | 35.5% | 38.2% | 24.9% | 28.7% |
| I have the financial resources that I need to finish college. | Fall 2010 | 46.3% | 46.7% | 45.5% | 39.0% | 49.5% | 46.3% |
| | Fall 2009 | 45.0% | 47.2% | 44.1% | 38.7% | 48.5% | 45.5% |
| | Fall 2008 | 46.4% | 47.9% | 43.8% | 38.5% | 49.9% | 46.4% |
| | Fall 2007 | 47.3% | 48.9% | 44.7% | 39.3% | 50.8% | 47.4% |

Financial Literacy & Default

Financial Literacy at your campus!

- * Where do I start?
 - * Be proactive! Identify key interactions early in the student life cycle to introduce financial fundamentals.
 - * Intrusive entrance and exit counseling. Develop a process that encourages personal interaction either one-on-one or in group settings.

Financial Literacy & Default

It Takes a Campus to Graduate a Student!

- * Gain buy in from all student facing departments.
 - * Student finance
 - * Academics
 - * Student Services
 - * Career Services

Financial Literacy & Default

Best Practices

- * Integrate financial literacy into the classroom.
- * Financial literacy workshops or seminars.
- * Utilize current technology.
 - * Develop a plan and measure your results over time.
 - * Persistence, student borrowing habits, student default.
- * Remember, change won't happen overnight!

Questions

Thank You

Michael McSpadden

Group Financial Literacy Supervisor – DeVry University

512-231-2523

mmcspadden@devry.edu