Addressing Student Loan Management As A Clear and Present Danger to Institutional and Student Success
Clear and Present Dangers to Institutions & Students

• Increasing college costs

• Increasing reliance on student loans to finance postsecondary education

• Increasing enrollments of high-need, non-traditional students
Attitude toward loans and student debt

• Conversations about student loans are not very popular—on or off campus
  – We’re simply not comfortable discussing it!

• Students’ ability to finance a college education and manage debt is not currently a campus-wide concern.
  – We still look to the financial aid office to deal with students with loan issues
Student loans are an inevitable reality

Distribution of aid types – Fiscal Year 2002

- Loans: 41.6B (74%)
- Grants: 13.7B (24%)
- Federal Work Study: 1.2B (2%)

www.ed.gov/offices/OSFAP/defaultmanagement/cdr.html
Total federal student loan portfolio

- FFELP
- FFELP Consolidation
- Direct Loans
- Direct Loan Consolidation
- Perkins
- $50B
- $30B
- $7B
- $51B
- $149B

$287 Billion
Annual operations – Fiscal Year 2002

- 12 million aid applications
- 8 million aid recipients
- $56.5 billion delivered in total new federal aid
- $32 billion delivered in consolidation loans
- 22 million borrowers with outstanding loans
- 25 million Direct Loan borrower payments processed
A Perfect Storm?

• Growing Outstanding Federal Student Loan Portfolio ($287 billion in FY02)

• Growing Demand to curb Federal Budget Deficit (projected at $500 billion)

• Passage of HEA Reauthorization delayed until 2005 (non-election year)
Sanctions Are No Longer the Issue

Schools Subject to Sanctions

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The school numbers are pre-appeal and include only schools impacted by the three years of 25% or greater sanction. A school can be on extended sanction and is therefore reflected in multiple year counts. Since 1991, 1,161 unique schools were sanctioned under the three years of 25% or greater sanction.
TG Cumulative Cohort Default Rates
All TG Postsecondary Institutions

Years from Start of Repayment to Default Claim

Default Rate (%)
The SEM/DA Model Formula

Strategic Enrollment Management (SEM) + Debt Management/Default Aversion =

- early awareness in a systemic process
- cross-campus administrators focusing on meaningful efforts
- student on-campus participation and graduation
Every office has a role in debt management

The Enrollment Management Funnel

Stages of connection

- Suspects: might consider enrolling
- Prospects: have expressed interest in enrolling
- Applicants: have completed an application for admission
- Admitted: have been accepted for admission
- Enrolled: are taking courses
- Retained: continue to enroll
- Completed/Graduated: received a diploma from the institution or achieved the desired educational goal
- Donors: become loyal contributors

Loan default messages can be delivered at every stage of connection.

Student loan education is a campus-wide responsibility.

- Recruitment
- Financial Aid
- Admission
- Registrar
- Pathways
- Financial Aid
- Registrar
- Counselling
- Faculty Advisors
- Financial Aid
- Registrar
- Counselling
- Career Planning
“A clear and present danger to institutional and student success: A training model for embedding student loan default aversion within SEM”

Phase 1
Identifying targeted student populations

Phase 2
Recruiting with early awareness & education

Phase 3
Retaining students by engaging the entire campus community

Phase 4
Sustaining connections to build partnerships

Goals for default aversions within SEM
Discussion to clarify issues
Action to consider policy and practice
Exercises to plan institutional strategy
Sets the wheels in motion

- Set a context for discussions on loans and their impact to students and the institution
- Define a goal with something at stake
- Facilitate discussion
- Use the action exercises to facilitate discussions
Case study for Context

- Springboard from using UT-Pan American.
- Demonstrates each of the four phases.
- Infuses debt management and default aversion strategies into strategic enrollment management plans.

Model: Pages 25-44
For More Information:

Jacob Fraire  
Assistant Vice President,  
Educational Alliances and Partnerships  
jacob.fraire@tgslc.org

James “Matt” Short  
Director, Institutional Enrollment Services  
matt.short@tgslc.org