



Applying Analytics to Improve Default Prevention Results

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Presenter

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Costs/Benefits of Default Prevention



Benefits of low CDR

- Avoid sanctions.
- Disbursement waivers.
- Reputation.
- Recruitment advantage.
- Alumni relations.



Default prevention costs

- Staffing.
- Systems.
- Contracts.



Blanket vs. Targeted Default Prevention

All Borrowers



Same Activities

Blanket Approach

Targeted Approach





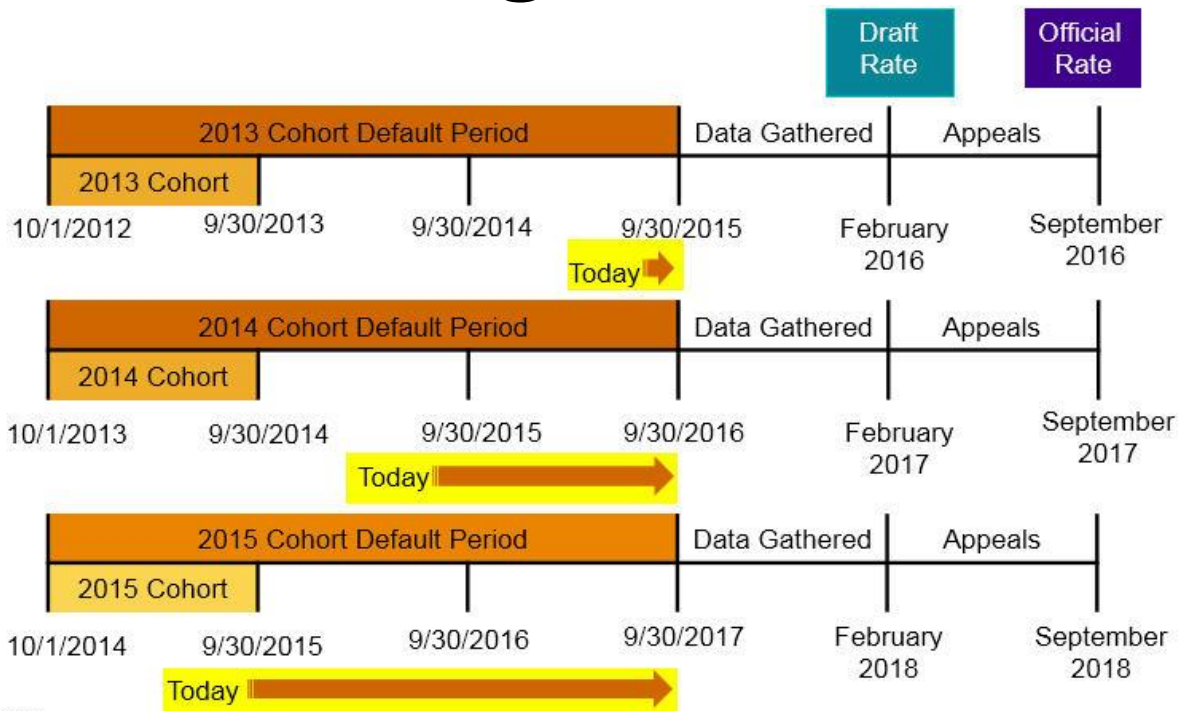
How Does Your CDR Compare?

2011 Official CDRs	
Public	12.9%
< 2 years	13.6%
2-3 years	20.6%
4 years +	8.9%
Private	7.2%
< 2 years	25.0%
2-3 years	12.0%
4 years +	7.0%

2011 Official CDRs	
Proprietary	19.1%
< 2 years	20.6%
2-3 years	19.8%
4 years +	18.6%
Foreign	3.8%
Unclassified	0.0%
TOTAL	13.7%



Influencing Future Rates





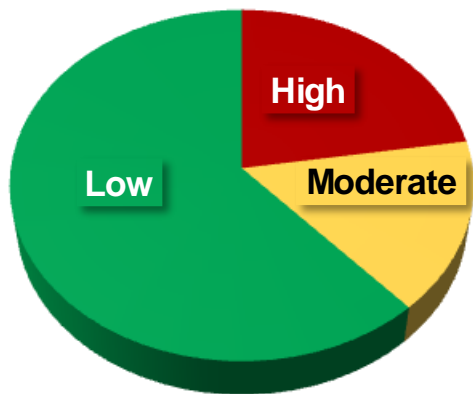
Using Analytics in Default Prevention

- Understand your borrowers currently in repayment.
 - Use data available today to achieve results in the future.
 - Analyze your portfolio:
 - First-year retention rates.
 - Academic progress towards completion.
 - Deferment and forbearance use.
 - Identify additional characteristics and traits.



Creating a Custom Strategy for Student Success

Portfolio Risk Levels

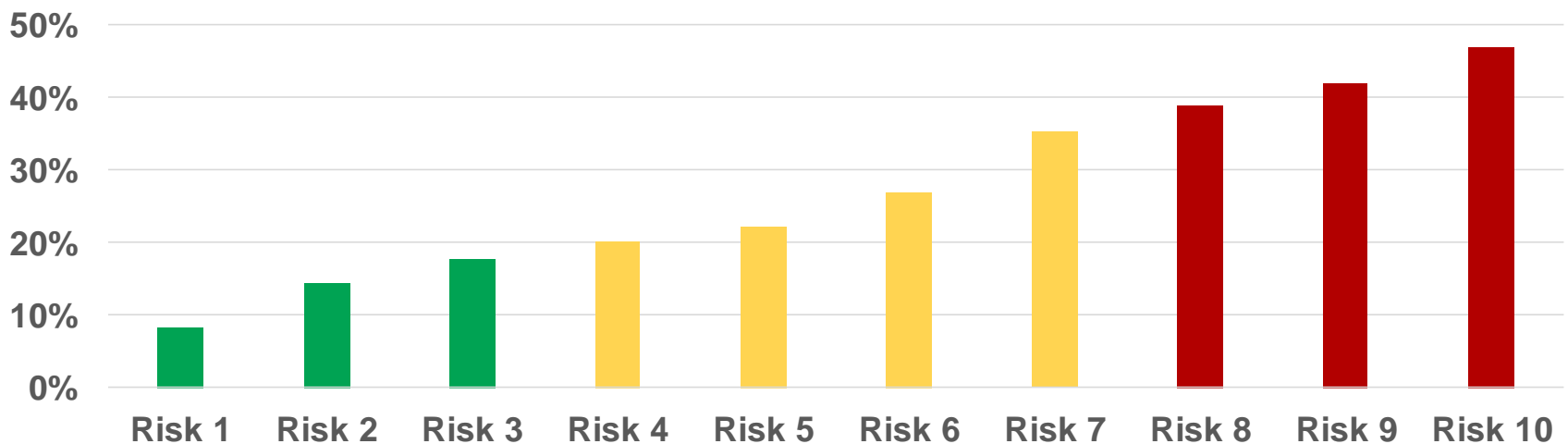


- Analytics drive development of a strategy based on your CDR goals.
 - Identify borrowers most and least likely to default.
 - Examine known indicators:
 - Dropped courses.
 - Withdrawals.
 - Date entered repayment.
 - Loan principal balance.
 - Look for any new correlations.



Creating a Custom Strategy for Student Success

2012 Cohort Default Rate Analysis





Creating a Custom Strategy for Student Success

- Develop a strategy for outreach.
 - Risk category.
 - Borrower status.
 - School's budget.
- Implement custom communication strategies.
 - Telephone attempt frequency and messaging.
 - Email messaging relevant to borrower's default characteristics.
 - Call-to-action messaging and videos.
 - Regular reporting.



Targeted Borrower Outreach

Low Risk	Medium Risk	High Risk
<p data-bbox="504 1068 763 1102">Fewer Activities</p> 	<p data-bbox="838 1068 1078 1102">More Activities</p> 	<p data-bbox="1163 1068 1402 1102">Most Activities</p> 



Targeted Borrower Outreach

- Capitalize on early intervention opportunities for borrowers at highest risk of default.
 - Exit counseling methodologies.
 - Counseling during grace period.
 - Best contact rates.
 - Driving student success.



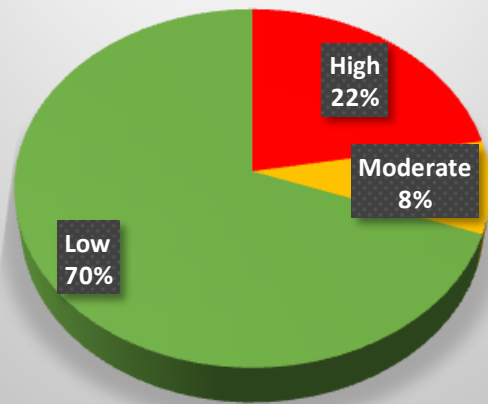
Targeted Default Prevention Case Study

- Projected 2012 CDR: 26 percent.
- 58 percent of borrowers accounted for 80 percent of defaults.
- High default risk characteristic: Non-completion students with low loan balances.
- Assigned a risk score based on default risk characteristics to the 2012 and 2013 portfolios.
- Every college and university has variation.

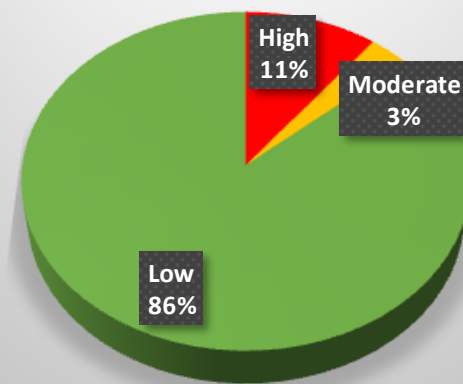


Targeted Default Prevention Case Study

2013 - Before Targeted Strategy



2013 - After Targeted Strategy





Targeted Default Prevention Case Study

- Early age strategy is to be proactive, not reactive.
 - Highest contact rate.
 - Highest student success rate.
 - Lower CDR.
- Most effective outreach approach:
 - Grace period.
 - Less than 90 days delinquent.
 - Targeted contact with borrowers more than 90 days delinquent.



Creating a Custom Strategy for Student Success

- Use analytics to target limited resources for maximum effect.
 - Extract actionable knowledge and insights from portfolio data.
 - Identify efforts where targeted resources should be allocated.
 - Spend resources to create greatest opportunity to achieve desired results.



Creating a Custom Strategy for Student Success

- Cohort Default Rate management drives student success by:
 - Proactively reaching student borrowers during grace.
 - Leveraging repayment counseling to empower borrowers to make positive financial decisions.
 - Facilitating direct conversation between loan servicers and student borrowers.