



Applying Analytics to Improve Default Prevention Results

George Covino, USA Funds



Presenter

George Covino
USA Funds Vice President, Consulting
Email: george.covino@usafunds.org
Tel: (866) 329-7673, Ext. 0177



Costs/Benefits of Default Prevention



Benefits of low CDR

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



Default prevention costs

- Staffing.
- Systems.
- Contracts.



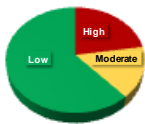
Using Analytics in Default Prevention

- 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

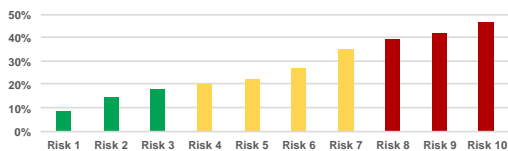


- Analytics drive development of a strategy based on your CDR goals.
 - Identify borrowers most and least likely to default.
 - Examine known indicators:
 - Dropped courses.
 - Withdrawals.
 - Date entered repayment.
 - Loan principal balance.
 - Look for any new correlations.



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





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.

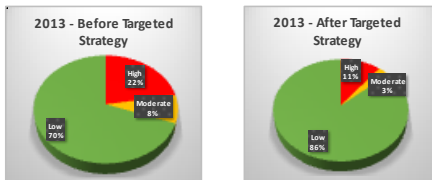


Targeted Default Prevention Case Study

- 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.
- As signed 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





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.
