



# Default Management From TIVA to Delinquency

Lessons Learned and  
What You Need to Know



# Outline

- Introduction/Overview
- Third Party Players
- Roles/Responsibilities
- Data Analysis
- Action Plan and Checklist
- Managing the Results
- Questions



# Introduction/Overview

- Explore Default Management Options
- Review Current Services Provided and Available
- Utilize Experience/Perspectives of APUS and SDW
- Competitive Marketplace for High Volume Contracts



# Explore Default Management Options

- Internal
- Department of Education
- TIVA Activity
- Third Party Servicers
- **Default**



## Review Current Services Provided and Available

- In School – Entrance/Exit
- Grace
- Repayment
- 0 – 30; 31 – 60; 61 - 90 Days Delinquent
- 91 to Default



# APUS and SDW

- APUS
  - Who; What; Where; How; Why



# Competitive Marketplace for HVC's

- High Volume Schools/Groups
- State/Sector/Association



# Players – Roles and Responsibilities

- Schools' Internal Capabilities for In-House Processing
- TIVA's
- Third Party Servicers
- Champion/Challengers
- Consultants
- Data/Portfolio Managers





# School Internal Capabilities

- Staffing
  - Student Communications and Servicer Contacts
- Budget
  - Mailings
  - Skip Tracing



# TIVA's & NFP's

- What does this mean?
- Who are they?
- What can you expect?
- Are your students confused?



# TIVA/NFP Contract

- 4 Calls by 180 Days Past Due (DPD)
- 9 Billing Statements by 270 DPD
- 1 Email/Letter sent at 15 DPD
- 4 Collection Letters Between 16 & 180 DPD
- Final Demand Letter at 241 DPD
- Notice of Default at 361 DPD

## Due Diligence and Borrower Communications - Example

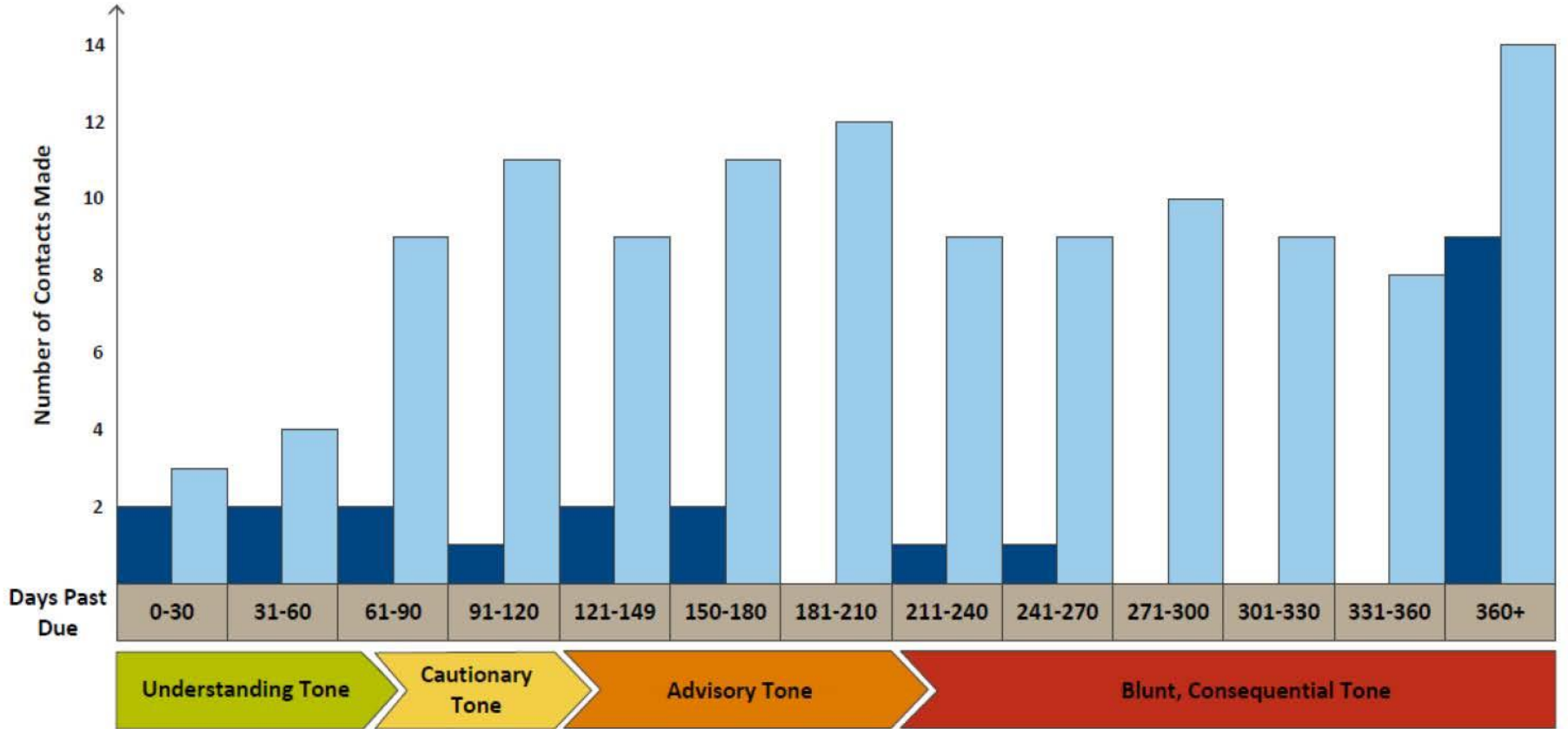
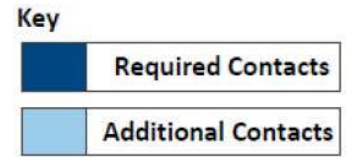
Days Past Due (DPD)	0	30	60	90	120	150	180	210	240	270	300	330	360	>360
<b>Activities Performed</b>	minimum 4 calls before 180 DPD of those 4 calls one before 90 DPD, one after							no 45 day gap in due diligence activities						
	9 billing statements mailed													
	e-mail / letter at 15 DPD													
	4 collection letters must be sent between 16 DPD and 180 DPD								final demand letter sent at 241 DPD					notice of default sent at 361 DPD
	additional calls and e-mails													
	ad hoc activities: calls, letters, e-mails													
	onboarding welcome letter and welcome phone line											collection letter sent at 300 DPD		

required activities performed

additional activities performed

**Notes:**

1. Statements, calls, and e-mails are sent at different times of the month for different due dates.
2. E-mails explain we have options to help and to call us. We provide delinquent customers a direct phone number to avoid the IVR system.



Due Diligence and Borrower Communications - Example

Days Past Due (DPD)	0	30	60	90	120	150	180	210	240	270	300	330	360	>360
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Example 1- Based on Servicing Record Review

Calls	9	10	13	3	4	0	1	0	0	3
Letters	3	0	0	0	0	0	0	0	0	0
Skip	3	8	0	3	4	0	0	5	3	11

Example 2 – Based on Servicing Record Review

Calls	0	4	24	28	0	0	0	0	0	0
Letters	0	2	2	4	1	1	0	0	0	0
Skip	1	1	2	8	5	20	9	9	4	2

**Green Zone**  
**Delinquency: 1-90**

**Activities: Strong**

**Orange Zone**  
**91-180**

**Strong**

**Yellow Zone**  
**181-270**

**Weak**

**Red Zone**  
**270+**

**Weak**



# Third Party Servicers

- Who are they?
- What is their relationship with TIVA's/NFP's?
- Why consider engaging their services?
- Sole Provider vs Champion/Challenger?



# Consultants/Data Portfolio Managers

- Provide expertise you do not have
- Independent arbiter of multiple options
- Data analysis – bucket analysis
- Potential Portfolio Balancers (C/C Scenario)





# APUS and SDW

- SDW
  - Who; What; Where; How; Why



# Default Prevention Strategy

- Your Default Rate
- Repayment & Cure Patterns by Buckets
- Cost vs. Benefits
- Default Challenge Considerations



# Default Prevention Strategy

- **STEP 1** - Get data from NSLDS for analytics and make decisions based on trends and future projections:
  - **Your Cohort Default Rate**
    - Compare the FY11, FY12, and FY13 CDR projections to determine the trend
    - FY13, FY14, & FY15 projected CDR's can be calculated using the NSLDS School Portfolio Report



# Default Prevention Strategy

- **Step 2 - Where do you want the CDR to be?**
  - **Your Cohort Default Rate**
    - What is the projected CDR rate goal the College has set for FY13 and FY14?
    - Does the Administration agree?
    - Based on future projections, is that rate achievable and what are the steps that need to be taken to achieve it?



# Default Prevention Strategy

- **Step 3 - What resources are available:**

- **Your Cohort Default Rate**

- Staffing
- Budgeting
- Timelines
- Players

*Defines  
strategy*



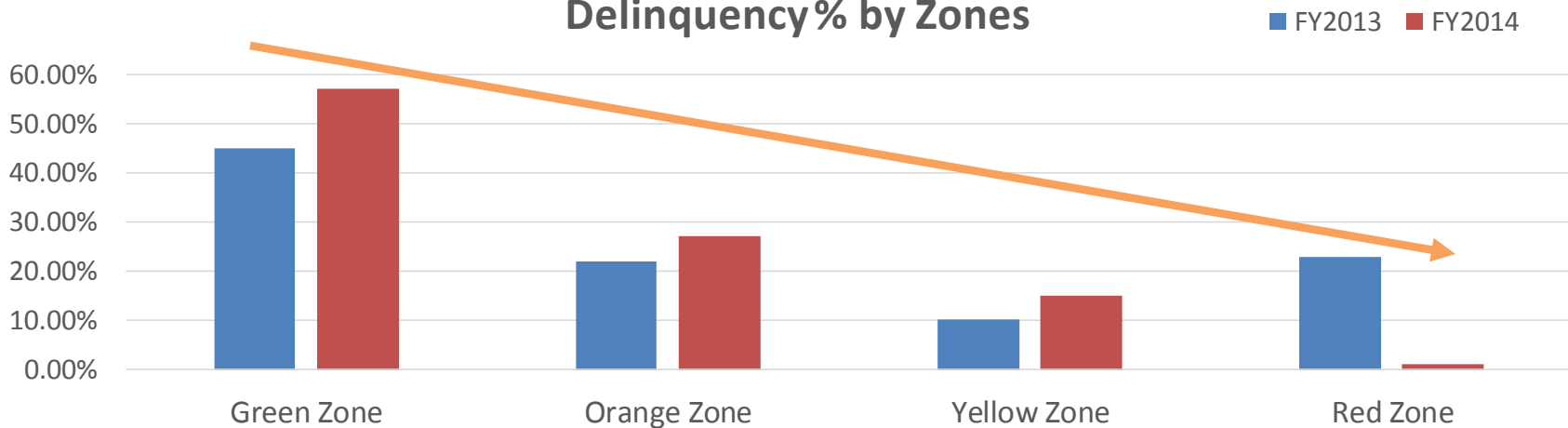
# Default Prevention Strategy





- Repayment & Cure Patterns by Buckets
- Cost vs. Benefits (Delinquency Analysis)
- Default Challenge Considerations



# Default Prevention Strategy

Delinquency% by Zones

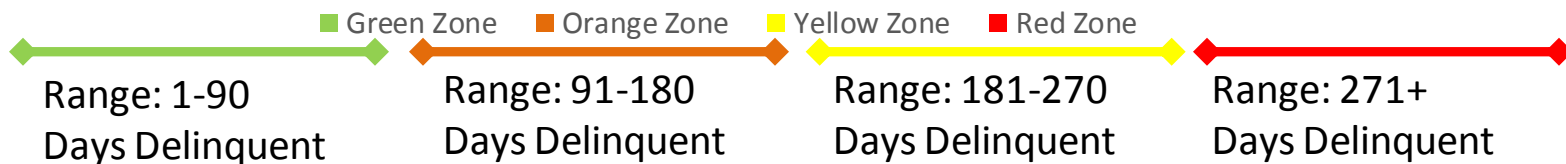
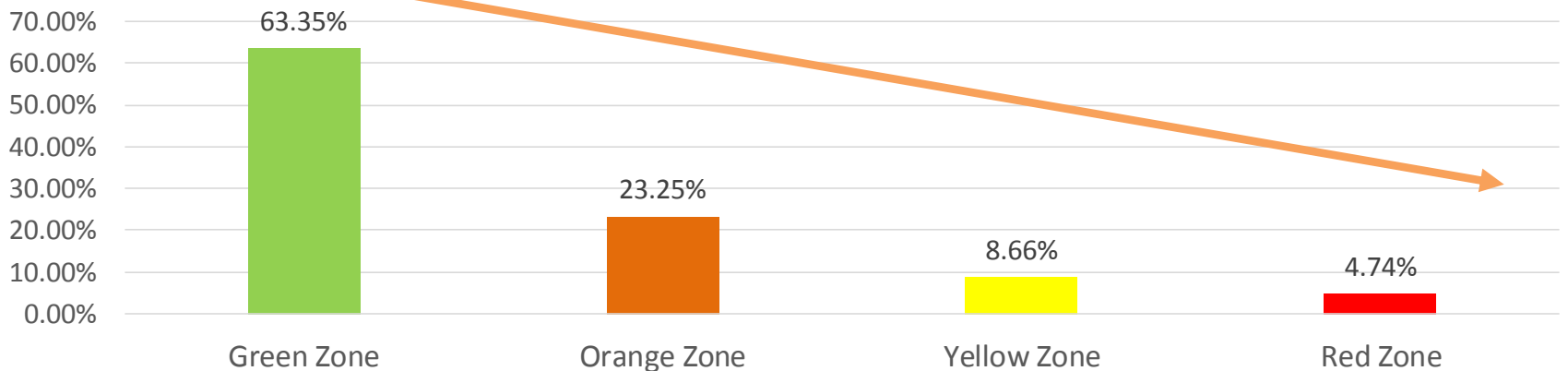


 <b>Range: 1-90</b> <b>Days Delinquent</b>	 <b>Range: 91-180</b> <b>Days Delinquent</b>	 <b>Range: 181-270</b> <b>Days Delinquent</b>	 <b>Range: 271+</b> <b>Days Delinquent</b>
<p>52% overall for FY13 &amp; FY14</p>	<p>25% overall for FY13 &amp; FY14</p>	<p>14% overall for FY13 &amp; FY14</p>	<p>9% overall for FY13 &amp; FY14</p>



# Default Prevention Strategy

## Cure Rate % by Zones



63.35% overall cure rate - FY13 & FY14

23.25% overall cure rate - FY13 & FY14

8.66% overall cure rate - FY13 & FY14

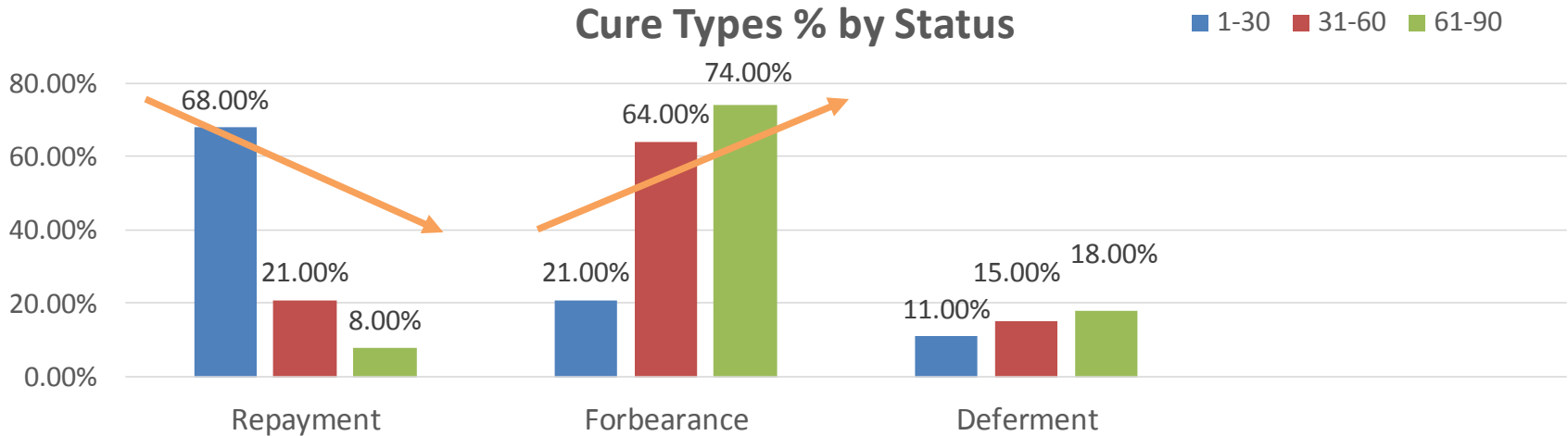
4.74% overall cure rate - FY13 & FY14





# Default Prevention Strategy

Cure Types % by Status



Repayment Status	
1-30	68%
31-60	21%
61-90	8%

Forbearance Status	
1-30	21%
31-60	64%
61-90	74%

Deferment Status	
1-30	11%
31-60	15%
61-90	18%



# Default Prevention Strategy

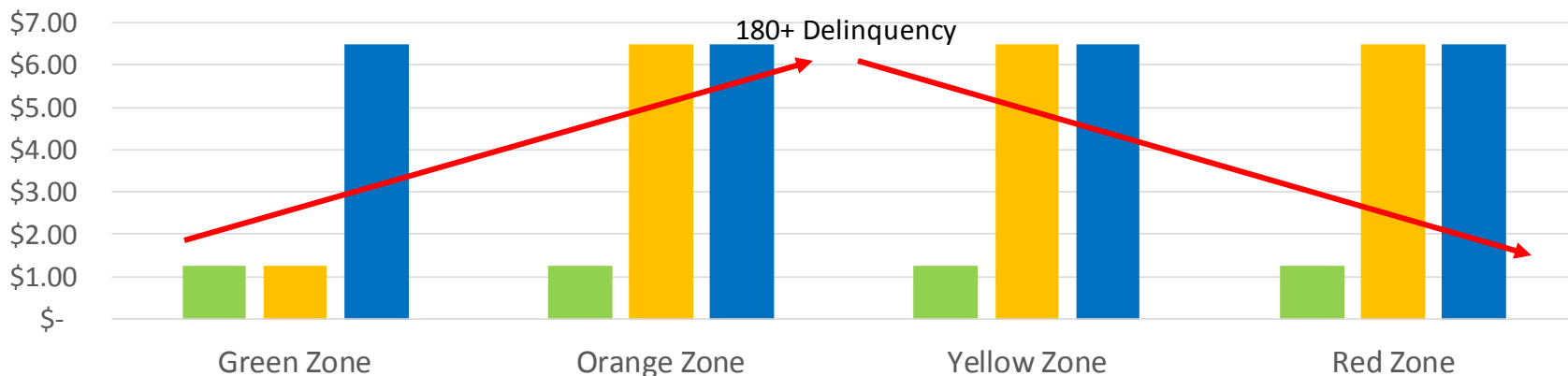
- Cost vs. Benefits
- Default Challenge Considerations



# Default Prevention Strategy

Cost Benefits – Based on 500 Delinquencies

Default Prevention Plan Cost



■ Selective - Communications Only

Range: 1-365+  
Days Delinquent  
Letter/Email=500  
Total = \$625.00

■ Selective - w/Communications and Full Service

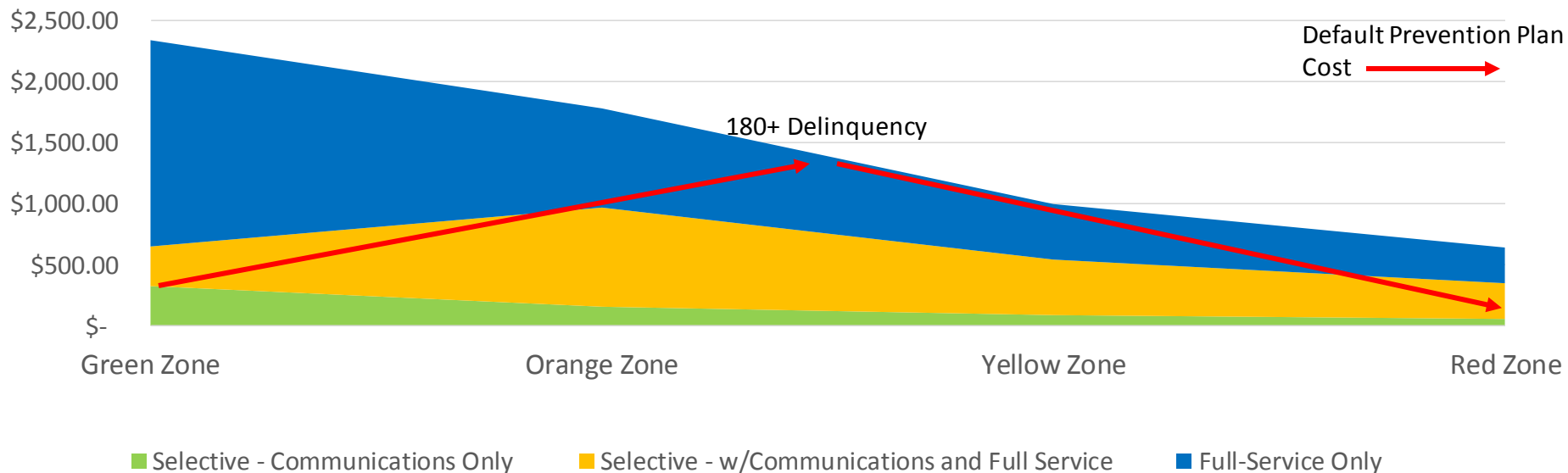
Range: 1-90 Letter/Email,  
91-365+ Full-Service  
Letter/Email = 260  
Full Service = 240  
Total = \$ 1,885.00 (42% Savings)

■ Full-Service Only

Range: 1-365+  
Full Service  
Total = \$3,250.00



## Cost Benefits – Based on 500 Delinquencies



Range: 1-365+  
Days Delinquent  
Letter/Email = 500  
Total = \$625.00

Range: 1-90 Letter/Email,  
91-365+ Full-Service  
Letter/Email = 260  
Full Service = 240  
Total = \$ 1,885.00 (42% Savings)

Range: 1-365+  
Full Service  
Total = \$3,250.00



# Default Prevention Strategy

- Default Challenge Considerations



# Default Prevention Strategy

- Default Challenge Considerations
  - Preliminary Challenges
    - Incorrect Data Challenge
    - Participation Rate Challenge (*Sanctioned Schools Only*)
  - Official Challenges
    - Uncorrected / New Data Challenges
    - Loan Servicing Appeal
    - Economically Disadvantaged Appeal (*Sanctioned Schools Only*)



# Default Prevention Strategy

## Managing the Results

- Monthly Evaluations
- Coordinating Activity w/TIVA's/Third Parties
- Adjusting the Distribution for C/C agreements
- Evaluate Cost/Benefits



# Action Plan and Checklist

- Communicate Up, Down, Across
- Analyze Your Current Portfolio
- Identify Your Peers
- Review Internal Capabilities
- Determine a Plan of Attack
- Execute





# Questions



# Feedback

- Please tell us what you thought and email suggestions for future versions of this topic to:
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