

3357:13-17-17 Student Loan Default Reduction Policy

A) Default is defined as the non-repayment of a loan. In the student loan industry, Default on these special kinds of loans, damages multiple student loan program participants. It harms all those involved in the student loan process including: student borrowers, colleges at which the loans were received, and the federal tax payers who provided the funding of the loans.

Following is the necessary background to gain a better understanding of this effect:

1) Students are provided loans by the U.S. Department of Education (ED) to help them fund their college educations.

2) Students are required to begin repaying their loans six months after they cease to be enrolled in college at least half-time.

a) Students who do not repay their loans as required are considered *delinquent*.

b) Students who are delinquent for 270 days are declared to be in default.

c) Students who default face multiple penalties.

3) Colleges at which defaulters received their loans can be sanctioned by ED.

a) A college's Cohort Default Rate (CDR) is a ratio of the number of its students who default within three years of going into repayment (numerator) divided by the total number of its students who enter repayment (denominator) during that period.

i) Colleges which have a CDR of 15% or greater are required to have two disbursements of all student loans.

ii) Colleges which have a CDR of 30% or greater for three consecutive years are subject to being removed from all Title IV student aid programs.

b) North Central desires to achieve and maintain a CDR of less than 15%.

4) North Central seeks to enact all steps necessary to assist its students to avoid default, and resultantly achieve its CDR goal.

B) Encourage Academic Success - Students who are academically successful are more likely to repay their student loans than those who fail to achieve success. The College will foster academic success.

1) Purposeful admission and goal pursuit. The College will:

a) Recruit students whose main purpose in coming to the College is to gain an education. It will discourage attendance by those seeking to attend the College solely to qualify for federal student aid.

b) Channel those with severe remediation needs to the no cost *Solutions* or *Success Unlimited* programs. Students in these programs are not classified as regularly enrolled and as such are not eligible for any type of student aid. By not being able to take out a loan, a student cannot default.

2) A robust new student orientation. The College will:

a) Ensure that students are prepared to begin their college careers prior to beginning them. They will receive required testing, scheduling, orientation, and all other necessary services prior to the beginning of the semester.

b) Defer the start term of those who cannot complete preparation activities prior to the beginning of the semester.

3) Accurate and thorough academic advising. The College will:

a) Assist each student to understand how pursuing a college education integrates with his/her life goals, and assist him/her to develop a plan for academic program completion.

b) Assist students to become academically successful.

c) Monitor students to keep them focused on their goal completion plans.

4) Class attendance. The College will cancel a student's registration in a class which s/he never attended or stopped attending.

5) Intervention for students with academic difficulty. The College will:

a) Provide tutoring and other academic support services.

b) Assist students in understanding how lack of academic success can impact financial aid eligibility.

6) Transition from student to wage earner. The College will:

a) Provide academic programs which prepare its students for well-paying careers.

b) Assist its graduates to secure employment commensurate with their educational attainment.

C) Promote Financial Literacy and Accountability.

The College will assist students to become knowledgeable and to develop abilities which will enable them to manage their financial lives. Being financially literate empowers students to be able to control their financial destinies and provides them skills needed to avoid default.

1) Become financially literate. The College will:

Assist students to chart their financial lives and gain confidence in their ability to control them.

2) Acceptance of financial responsibility. The College will:

a) Assist students in understanding that making a purchase or contracting for a service (such as registering for college classes) creates an obligation to pay for the item or service purchased. Students will accept ownership of their financial obligations.

b) Assist students to develop an understanding that accepting a loan generates a repayment obligation, and to create a feeling of responsibility for meeting that obligation.

3) Early awareness of and reflection on loan repayment. The College will:

a) Assist students to begin thinking about repayment when they take out their first loan.

b) Provide repayment information and encourage students to think about repayment throughout their enrollment at the College.

4) Components of student loan accounts. The College will:

a) Require students to participate in both loan entrance and exit counseling.

b) Teach students how to determine loan amounts borrowed (both current and aggregate), who “services” their loans, their projected repayment amount, and to understand the consequences of default.

5) Avoid excessive borrowing. The College will:

a) Educate students, and if necessary provide intervention, to assist them in refraining from borrowing an amount which cannot reasonably be repaid.

b) Prevent loan funds from going to ineligible students.

D) Encourage Loan Repayment - Repayment is the culmination of the student loan process. It is the concluding point in the cycle of applying for and receiving a loan, using it to pay for an education, earning wages using skills provided by that education, and using part of those wages to repay the loan.

1) Student contact information. The College will:

Develop procedures for ensuring that student contact information in Encore is accurate and current.

- 2) Encourage students to understand their entire student loan borrowing history.

This is a continuation of the awareness they gained while in school.

- 3) Encouraging students to learn about the loan repayment process in general and how it relates to them specifically.

Students will understand when repayment begins, how much they are to pay, to whom payments are made, and how to contact their servicer/s.

- 4) Assisting students to learn about the various repayment options.

- a) Several different payments are available and students will be able to choose the one most advantageous for their needs.

- b) Students will understand the advantages and disadvantages of loan consolidation and who to contact should they wish to pursue it.

- 5) Assisting students in understanding how to handle repayment difficulties.

Students will understand deferments and forbearances and should know who to contact if payment problems arise.

E) Defaulter Profile - Knowing who defaults and identifying common characteristics of defaulters can help the College make data-driven decisions for developing and implementing default reduction initiatives.

- 1) Personnel from various College departments, including Financial Aid, Institutional Research, and Information Technology Services, will collaborate to identify data needs and sources, and to obtain desired data.

- 2) Generated data will be analyzed and an awareness will evolve.

- 3) Policies and procedures based on the analysis will be created, implemented, and evaluated.

Effective: May 1, 2015

Next Review: May 1, 2026

Review Dates: 5/1/15, 5/10/21