Trinidad State Junior College
Default Prevention Plan

The Higher Education Opportunity Act (HEOA), was enacted on August 14, 2008. The HEOA made a number of changes to the student aid programs authorized under Title IV of the Higher Education Act (HEA). These changes included timeframes for the calculation of Direct Loan Default Rates.

Default on a federal student loan occurs when a student borrower does not make a payment for 270 days after exiting an academic program. Unlike other loans, student loans typically cannot be discharged through bankruptcy. During the delinquency period, the institution must make repeated efforts to locate and contact the borrower about repayment. If the institution is unsuccessful, the loan is placed in default.

Under the new provisions, Trinidad State Junior College’s Cohort Default Rate (CDR) is calculated as the percentage of the borrowers in the cohort who default before the end of the second fiscal year of repayment. This represents a one year extension of the old default monitoring period. Currently, both two year and three year default rates will be published. Beginning in 2014, only three year rates will be published.

Currently, if a college experiences three consecutive years of default rates above 25%, the college may lose both loan and Pell eligibility.

Trinidad State Junior College (TSJC) is not required by the Department of Education to have a Default Prevention Plan in place. However, the Financial Aid Office at Trinidad State Junior College has identified default prevention as a priority and has made a significant effort to increase default prevention efforts and provide resources for responsible repayment.

This document describes these efforts and presents information about TSJC’s loan program that helps guide these efforts. The Financial Aid Director is responsible for the implementation of this plan.

Trinidad State Junior College Loan Borrower Population:
To understand the default prevention and debt management efforts for loan borrowers, it is helpful to see TSJC’s borrowing population in the context of the institution. Trinidad State serves almost 1,900 students annually and processes more than 900 loan applications per academic year. In the Fall 2011 term, TSJC had 1,864 enrolled students, 48% of which were part-time.
Trinidad State Junior College Historical Default Rates:
Trinidad State Junior College’s default rates, over time, have fluctuated widely – primarily due to the small size of the cohort – two or three additional borrowers who default in a particular cohort can have a sizeable impact on the resulting cohort rate.

Trinidad State Junior College’s 2009 cohort default rate is 22.1%, and the school’s trial three-year rates are 27.3%.

The table on the following page shows public 2-year Associate Degree granting schools with similar sized cohorts (+/- borrowers) and their 2009, 2008 and 2007 rates. The NBD column identifies the number of students in default, the NBR column indicates the total number of loans and the Rate column identifies the percentage that was reported in the three year calculation. These institutions provide benchmarks for Trinidad State Junior College and show that similar institutions with same size cohorts also experience wide fluctuations in rates over time.

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All schools are public institutions that offer Associate’s Degrees with similar cohort sizes to TSJC.

**Trinidad State Junior College Borrowing Process:**
This section will describe the default prevention and debt management efforts of the TSJC Financial Aid Office at each stage of the borrower’s loan. Efforts include:

1. Pre-enrollment Activities
2. Initial Borrowing/Application for Financial Aid
3. Re-borrowing
4. Withdrawal or Graduation
5. Entering Repayment
6. During repayment/cohort management

**Pre-Enrollment Activities**
The Trinidad State Junior College Financial Aid website provides information pertaining to student loans. Trinidad State Financial Aid and Student Success Center staff conduct workshops on campus, at local high schools and for faculty/staff. They also present the Financial Aid Overview at all mandatory new student orientation programs. All of these sessions and workshops include information on borrowing and repayment.

**Initial Borrowing/Application for Financial Aid**
The loan section of the TSJC Financial Aid website encourages students to carefully consider all options before borrowing and emphasizes the potential hazards of over borrowing. The information clearly states that loans are not part of a student’s award notification. The TSJC website, [www.trinidadstate.edu](http://www.trinidadstate.edu), includes links to the Department of Education’s Direct Lending program. Regulations require that first time borrowers of FFEL and Direct Loan program loans receive entrance counseling. Entrance counseling is performed by logging on to the Department of Education’s website, [https://studentloans.gov/myDirectLoan/index.action](https://studentloans.gov/myDirectLoan/index.action). A one-on-one counseling session will be offered to all students who want one. A group session will be offered at least once a semester to those students who have not completed an on-line counseling session.
All students who submit a loan application receive a letter from the Financial Aid Office informing them that the loan application has been processed and what their total balance of student debt is.

In addition to entrance counseling, TSJC screens 100% of student loan requests. If the student has more than $30,000 in student loan debt, they will initially be denied the student loan. Student is notified in writing as to why the loan was denied. The student may appeal the decision if they have sufficient reasons. For example: they already have a bachelor’s degree. All reasons requesting an appeal require a written request from the student to the Financial Aid Director.

*Re-borrowing*

The Financial Aid Office requires that second year borrower’s still complete entrance counseling to remind them of their borrowing obligations and their increasing debt. Financial Aid workshops on scholarships, student employment and life skills management are available through the financial Aid Office and Student Success Centers on each campus.

If a student is put on a Satisfactory Academic Progress contract and has a high loan debt and low estimated family contribution (EFC), TSJC will allow the student to receive grants but restrict them on receiving loans until they meet the Satisfactory Academic Progress standards.

Additional contact information is collected with the Federal Direct Stafford Loan Request Form. TSJC refers and encourages students to review financial literacy resources like Education-Cents. The EducationCents website can be found at [www.//educationCents.org](http://www.//educationCents.org). It is recommended that students take the Paying for College and Credit portions.

TSJC has a process in place for students who are identified as being at-risk. A list of students who are placed on financial aid suspension is sent to the Success Center. Students on the list are referred to the Intervention Specialist who sits with each student and develops a student success plan based on an evaluation of the student’s circumstances that includes deadlines and time frames.

*Withdrawal or Graduation*

**Withdrawal:** Students who withdraw from TSJC are sent an exit packet which directs them to studentloans.gov to complete their financial exit counseling. An exit interview form is included in the packet; students are asked to return the signed and completed form to TSJC’s Financial Aid Office.

Every TSJC student that stops attending for at least half time (this includes graduates) is mailed a loan exit packet. This packet includes information regarding loan status and where their loan is currently located (1 of 5 servicing agents through Department of Education). Instructions are included on how to complete the exit counseling online. Many publications are available to assist the student in answering questions regarding repayment.
Graduation: The TSJC Registrar’s Office sends a report to the Financial Aid Office of students who have applied for graduation. The Financial Aid Office notifies students regarding the exit counseling requirement, and provides information about online and in-person exit counseling session options. Students who do not complete the required exit counseling have a hold placed on their student account, preventing them from receiving their diploma until the exit requirements have been satisfied.

Repayment
The website [https://studentloans.gov/myDirectLoan/index.action](https://studentloans.gov/myDirectLoan/index.action) assists students with managing their loans, viewing their loans, repayment plans and calculators as well as loan discharge, public service loan forgiveness, teacher loan forgiveness and other options. If students have trouble making payments, they may also be directed to the NSLDS website [www.nslds.ed.gov](http://www.nslds.ed.gov) to view their loan debt.

Each February, Trinidad State Junior College receives a listing from the Department of Education of a Draft Cohort Default Rate via the EdConnect software. The specific banner file names used are shdrrop (cover letter), shcdrrop (Loan Record Detail Report – School LRDR) and shedreop (actual students who went into default). This list is shared with a contracted debt recovery specialist, NelNet Responsible Repay. TSJC has contracted with NelNet to provide professional services related to debt recovery assistance and to reduce its loan debt and cohort default rate. NelNet follows up directly with borrowers if they become delinquent and assists TSJC in reducing the number of default borrowers.

TSJC will collect and review any relevant internal enrollment and repayment data. This may include:

- Records from financial aid office or registrar’s office;
- Student Status Confirmation Reports or other electronic enrollment reports;
- Transfer requests for new students and former students;
- NSLDS borrowers- enrollment history or borrower aid history to see if the student might be enrolled at a different institution;
- Lender or service records; and
- Data from a guarantee agency.

**TSJC’s Default Prevention Plan**

*Default Prevention Efforts:* Several Best Practices in Default Prevention have been implemented at TSJC over the past twelve months, including:

1. Establishment of a Default Prevention Taskforce – The TSJC Default Prevention Taskforce has met regularly since it was established in Spring 2011. The body of this Taskforce comprised of Financial Aid and Student Affairs staffs from both campuses.
communicate regularly to identify strategies for effective communication and dissemination of outreach information to borrowers.

2. **Revision of the Master Promissory Note** – In March 2010, the Master Promissory Note was updated. The revisions included an additional signature confirmation from the borrower.

3. **Focus on Student Success** – TSJC has utilized an Early Alert system since 2009 to find students that are having academic difficulties. The system includes direct communication between the Advising staff, Student Success Center and Financial Aid staff. This effort has assisted in identifying borrowers who may be apt to leave school without completing their program. Early Alert efforts reach students quickly, identify obstacles and resources to address problems, provide information about loan expectations obligations and assist in identifying strategies to keep students in school.

4. **Attendance Communication** – TSJC’s Student Services staff have worked steadily with faculty to communication about student attendance and absenteeism. Instructors realize the importance of reporting a student’s last date of attendance when student absence reflects non-continuance. The topic of classroom attendance has been discussed regularly at faculty and staff in-service trainings occurring each semester.

5. **Poster Campaign** – The TSJC Default Prevention Taskforce developed a series of default prevention posters that have been used on both campuses that outline the consequences of loan default.

6. **Graduate Information** – TSJC has identified loan repayment information specific to graduates. In Spring 2012, graduates will receive a letter from the Financial Aid Office with loan payment contact information.

7. **Media Campaign** – Student newspaper publications including the Trojan Tribune and Commode Chronicles have included communications related to default prevention.

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**Future Strategies**
The following strategies are currently being discussed to reduce the cohort default rate:

1. Expand the NelNet contract to include “Financial Wellness” activities.
2. Invite NelNet to campus and ask them to identify additional strategies to reduce the default rate.
3. Increased application requirements for students coming to TSJC with loan debt.
4. Limit the number of credit hours for students who test into remedial coursework.
5. Amend the TSJC Satisfactory Academic Progress policy.
6. Send current students annual statements of their loan status with a projected pay back schedule each year.
7. Identify if TSJC could implement a “Work-Plan” for students to work off loan balance on campus.
8. Create Financial Aid/FAFSA days on campus for students and parents to highlight responsibilities and requirements.
9. Close the Financial Aid/Business Office suite at 4:00 p.m. each day to allow staff additional time to process loans, and implement new default prevention strategies.
10. Hire a Default Counselor to implement default strategies and minimize student loan default.
11. Create a policy that addresses matriculation of Transfer Students based on criteria including course completion, hours attempted, hours earned and overall loan debt.
12. Implement attendance sign in sheets for all classes. This will be used to establish last date of attendance and identify at-risk students.
13. Follow up with schools that have actively reduced their default rate to identify new and/or additional default rate reduction strategies.
14. Increase on campus education and training about the consequences of defaulting on Student Loans, using a communication campaign via short emails to students, faculty and staff.
15. Create a script focused on Student Loan Default that can be shared with the campus community so that everyone is “speaking the same language.”
16. Expand the Default Prevention Task Force to include representatives from all departments.
17. Top down, administrative participation and support of the importance and execution of strategies from the Default Prevention Plan.
18. Acquire lists of students at-risk of default from 30 – 269 days. Survey, education and inform the borrower of options including forbearance, loan forgiveness, etc.
19. Create a mandatory ½ - 1 credit soft skills/survival course to include financial and loan management, time management, career counseling, course, college and transfer advising.
20. Provide training on ways to integrate financial literacy into all departments that would be provided to all faculty and staff.
21. Support evaluation of prospective students transferring in from other institutions with existing loan debt.
22. Support the creation of a policy related to “drop for non-payment.”
23. Divide the loan disbursement within the semester and make the second disbursement later in the semester, i.e. after mid-terms.
24. Eliminate the “warning” step for financial aid eligibility and proceed directly to the “suspension” phase after one failed semester attempt.
25. Review all programs to see if the number of credits can be decreased and program length extended so student financial aid Pell grants can stretch further.
26. Do not allow students to register over one week late for classes.
27. Help students find other resources (i.e., scholarships) to help alleviate the financial burden and need for student loans.
28. Require students to compete the “money management” and “payment for college” segments on www.Educationcents.org