



ALAMO
COLLEGES

Default Aversion Plan

In July of 2014, The Association of Community Colleges Trustees (ACCT) released a report called “Protecting Colleges and Students: Community College Strategies to Prevent Default”. Alamo Colleges - St. Philip’s College (SPC) and several other national colleges participated in the study at the request of ACCT President and CEO, J. Noah Brown. Highlights from the ACCT report based in part on the SPC data provided are consistent with findings throughout higher education related to community college students (Appendix A). The following Default Aversion Plan is a baseline plan that will serve as a guide for Alamo Colleges to implement much of the key recommendations from the ACCT report. This plan is not meant to be prescriptive to the colleges but to provide resources necessary to implement a default aversion plan or to supplement what the colleges already have in place. The very first key recommendation of the study was that default reduction should be embraced as a college-wide endeavor (ACCT, July 2014, p 3). The Default Aversion Committee that drafted this plan is made up of Alamo College staff that represented the Chancellor’s Office, Human Resources, Advising at each college, and Student Financial Aid. Members were nominated by each college for participation.

To determine a Cohort Default Rate (CDR) all students who have borrowed and leave school in a given year are placed in a “cohort”. A default occurs when a student borrower fails to make any payments for at least 270 days. At the end of three years, the CDR is determined by dividing the number of defaulted borrowers who went into repayment in that year by the number in the cohort (Appendix B). For example, the 2011 CDR for St. Philip’s College is determined by dividing the number of defaulted borrowers (133) by the number in the 2011 cohort (786) to get the CDR of 17%.

Key Recommendations to Implement from the ACCT study

- A. Direct Student Interventions
- B. Analyze Borrowers and Defaulters

C. Maintain Current Information

D. Benefits of Full Time Enrollment

A. Direct Student Interventions

While some direct intervention strategies would be cost prohibitive, Alamo Colleges could target intervention at those who are most likely to default. Face to face exit counseling has been shown to reduce default rates with at-risk students. One of the best ways to achieve this intervention is to incorporate it into the classroom. The Default Aversion Committee has identified several opportunities for direct intervention and free resources that can be used to accomplish this intervention.

Classroom participation

Colleges may provide extra credit options for students to participate in free webinars and on-line modules as extra credit projects inside or outside of the classroom. The following modules are currently in use by the colleges respectively:

St. Philip's College - USA Funds: www.lifeskills.org

Northeast Lakeview College - Firstmark Credit Union:

<https://www.firstmarkcu.org/deposits/mymark.php>

Palo Alto, Northwest Vista - Generations Federal Credit Union:

<https://www.mygenfcu.org/financial-education/financial-education/student/>

San Antonio College – Firstmark Credit Union and Generations Federal Credit Union

SAC and NLC - Career Coach: <http://www.emsicareercoach.alamo.edu/#>

Student financial aid will maintain an updated list of companies (with contact person and phone number) who provide free financial literacy services for college students on their FA SharePoint site. The following companies also provide free web based resources for college use:

The National Endowment for Financial Education (NEFE): <http://info.cashcourse.org/>

Nelnet: <http://www.nelnet.com/Get-Financially-Fit/>

PHEAA: <http://www.youcandealwithit.com/>

NorthStar Education Services: <http://nseds.com/products/repayready/>

Texas Guaranteed: <http://www.aie.org/tools-and-resources/>

American Student Assistance: <https://www.saltmoney.org/index.html>

Money Management International: <http://mappingyourfuture.org/Borrowers/>

Outreach events

The college Student Services or Campus Activities Offices could host events to educate students about budgeting, managing their finances, applying for scholarships, and saving for the future.

Student clubs and organizations are also invited to participate and/or to host events. All of the colleges currently participate in FAFSA Saturday events as well as Financial Literacy Month events during the month of April. The financial institutions and financial education organizations listed above can provide resources for organized events on a regular basis.

Student orientations

The colleges could introduce budgeting and financial concepts during new student orientation using various mediums such as group presentations, on-line resources or through interactive participation in games and presentations. Many of the experts from the financial institutions and organizations listed are willing to conduct presentations and to provide resources for organized events. Student financial aid maintains an updated listing of companies who provide free services. Each company's contact person and phone number is accessible on the FA SharePoint site.

Career services - connect career choice to loan debt

Human Resources staff present Career Coach <http://www.emsicareercoach.alamo.edu/#> to students at SAC and NLC and could expand this to the other colleges. The presentation helps students by exploring careers and provides the most current local data on wages, employment, job postings and associated education and training.

Many loan repayment plans exist that may benefit a student who has chosen a specific career, such as: Standard Repayment, Extended Repayment, Graduated Repayment, Income-Contingent Repayment, Income-Sensitive Repayment, and Income-Based Repayment. See <http://www.finaid.org/calculators/icr.phtml>.

Financial aid will work with our default aversion provider to automatically enroll severely delinquent borrowers into income-driven repayment plans. Income driven repayment may result in no payments for some borrowers in the early stages of their career and is adjusted as earnings increase. We will also inform students about Public Service Loan Forgiveness (PSLF) programs that may apply to certain borrowers with employment in federal, state, local government agency, entity or not-for profit-organizations that are tax exempt by IRS.

Staged curriculum

Through the new academic advising model, proactive counseling could be provided through periodic touch points with students. Student financial aid will provide scripting to assist with these discussions following a case load model based on students' academic progression: 0-15 hours, 16-30 hours, 31-42 hours, and over 42 hours. At a minimum, Student Financial Aid could provide a flyer to all students visiting an Advisor who have financial aid.

Academic advisors can introduce financial concepts relevant to the students' education and borrowing levels such as:

- Earning potential within their career field and its relation to their borrowing level.
- Impact of dropping classes to loan debt and program completion.
- Estimated expenses to complete AA, BA, or Professional degree and resources available.

Advise of loan status when dropping class

Student Financial Aid will coordinate with the Director of Advising to develop Financial Aid touch-points for drop advising, ensuring all students will have been informed of default aversion prior to dropping their class. As a supplement, we will develop a process to systematically notify all student borrowers with critical information about the impact of dropping classes to their educational goals and their financial aid status. This added communication will allow us to capture/connect with those students who pursue a drop without going through the Alamo ADVISE model. Working with the Director of Advising, we will explore the feasibility to include Financial Aid messaging in addition to what is already being sent through the already robust early alert system.

B. Analyze Borrowers and Defaulters

According to ACCT, p 40, many institutions find it difficult to implement a default aversion strategy that reaches every student. Analyzing borrower cohort default data allows the institutions to target those who are “at risk” of default by uncovering their unique characteristics. This may be different at each Alamo College due to the make-up of the student body. A Student Profile of the Alamo Colleges is provided in Appendix C.

Student financial aid, in coordination with the Directors of Advising will identify and track a cohort of borrowers to follow through their educational program to employment; with the intent to evaluate if there is a correlation between choices made throughout their educational path and default aversion. The Institutional Research Office has been asked to assist with evaluating results to identify which groups to target for additional counseling and default avoidance strategies, such as in school deferment, hardship waiver, and IBR programs. An early alert of potential defaulters will be created based on the attributes we find that suggest higher risk of default, which will be implemented in future default aversion efforts. Results of the cohort data will be used to strengthen the exit interview and to be more targeted to the realities of our borrowers. Borrower data from NSLDS, outsourced agency, and servicer reports will be used in the analysis. Student Financial Aid and Directors of Advising will create a measure to evaluate the Student Default Risk Index for program accountability.

C. Maintain Current Information

One of the challenges of helping students stay out of default is having current information so that they can be contacted after leaving school. Processes that collect this information will greatly supplement the efforts of our Default Aversion vendor.

Regularly collect accurate student data

Processes will be created to collect current contact information when requesting services, and during student visits to offices on campus. Information will be captured during transcript requests, visits to counseling and career/job services, scholarship applications, and during the graduation ceremony planning stages.

Supplemental entrance counseling resources

Student Financial Aid will expose students to additional entrance counseling activities to ensure they fully understand the implications to repay the loan. In addition, we will provide budgeting exercises and financial planning worksheets-as part of the loan application process, and supplemental budgeting information to students who request additional loan funds.

Regularly notify of exit counseling

Student financial aid will continue to notify students who leave school of the exit counseling requirement. Email the following exit counseling session link to students who do not register in the subsequent semester: <https://studentloans.gov/myDirectLoan/index.action>. Also, we will send an email to every borrower requesting they complete the exit counseling session after every academic year has ended.

Outreach to at-risk borrowers after they leave

Student financial aid will maintain a list of at-risk borrowers and scripting on the SharePoint that staff can use to call/email students to encourage them to return to school. If unable to return we should encourage them to stay in touch with their loan servicer to avoid delinquency.

D. Benefits of Full Time Enrollment

The majority of community college students need financial aid to cover the cost of their education and only 2 percent have their needs fully met with grant aid (ACCT, p. 5). Student loans can be a valuable resource for those students who wish to enroll full-time but are unable to due to outside factors. Providing students the resources to attend full-time can contribute to increased completion rates, productive students in the work-force and lower default rates.

It may seem counter-intuitive to increase lending when trying to lower default rates but it may benefit the student as well as the colleges. For instance, one of the reasons for the CDR of Palo Alto College is due to the low number of borrowers in their CDR calculation (Appendix B).

There may be situations where it is in the best interest of the student to borrow funds to attend full-time and accelerate the completion of a degree. In the long-run it may actually reduce the total amount borrowed by the student to complete their educational goals.

Degree Completion Sooner

College Advising, Student Financial Aid, and new student orientations will encourage full-time enrollment and communicate the benefit for students to treat their academic careers like a full-time job. Alamo College's full-time and part-time enrollment for the fall 2013 is provided in Appendix D. At Alamo Colleges, only 4% of our student borrowers are dependent students and 96% are independent. This means the student is either married, has dependents, is over 24 years of age, is a veteran, or otherwise is not dependent on their parents for financial support. Financial aid and Advising will work together to develop talking points for advisors to use when advising students with financial difficulties to discuss whether additional resources are needed to allow the student to remain enrolled or to continue to enroll full time.

Increased Earnings potential

Studies agree that people with higher education degrees or certificates earn substantially more income throughout their lifetime when compared to people who do not complete higher education. The coordinated reinforcement from Alamo Colleges will guide our student borrowers to the full-time enrollment experience. Through these efforts, we can educate students to make informed decisions related to pursuing loan funds as a resource for attaining full-time enrollment. Providing a clearer, smoother pathway to student success will develop a student who will be comfortable and confident when the time comes to pay their student loans and continue the cycle of being productive members in society.

Conclusion

This Default Aversion Plan is created to provide all of the Alamo Colleges a base-line plan that will allow them to use the elements that make sense for their environment. As the ACCT study stated, Default Aversion has to be a College wide effort to be successful. Student Financial Aid will provide information resources to the colleges and work with Information Resources to analyze defaulter data so the efforts can be targeted and effective. It is the goal of the committee that the implementation of the ACCT key recommendations of direct student interventions, analyzing borrower and defaulter data, maintenance of current information, and explaining the benefits of full-time enrollment to students will result in a decrease in our Cohort Default Rates to a level that is consistent with or below our peer institutions. At the same time, these efforts may enhance the Alamo Colleges Wildly Important Goal (WIG) of increased persistence.

APPENDIX A

Highlights of the ACCT report for the St. Philip's College data are included in this plan as follows:

St. Philip's College, Continued

HIGHLIGHTS FROM FY 2010 COHORT DEFAULT RATE DATA

Program Completion	<p>➤ With 41 percent of borrowers entering repayment having completed their program, St. Philip's borrower cohort includes a greater share of graduates than any other college in our sample</p> <p>The default rate among completers (11 percent) is substantially lower than that of non-completers (28 percent) at St. Philip's College. This is consistent with existing research that documents the relationship between college completion and default.</p>
Credit Completion	<p>➤ The lion's share (86 percent) of students entering repayment had completed at least 15 credits, but those who had not completed 15 credits defaulted at a very high rate (42 percent)</p> <p>The relatively high share of borrowers accruing 15 credits or more may be attributable to the college's loan packaging policy, which limits automatic packaging to second-year returning students, and may lead to higher borrowing rates among returning students. Unsurprisingly, those attaining at least 15 credits defaulted at a rate far lower (18 percent) than those who did not (42 percent).</p>
Remediation	<p>➤ The vast majority of borrowers entering repayment (85 percent) had taken remedial coursework</p> <p>The large share of borrowers entering repayment who had taken remedial coursework was more than 30 percentage points higher than the average share across our sample colleges. According to St. Philip's staff, approximately 58 percent of all St. Philip's students in 2010-11 took at least one remedial course. Students with remedial coursework also experienced a much higher rate of default (23 percent) than borrowers who had not taken remedial coursework (13 percent).</p>
Dependent Status	<p>➤ Hardly any borrowers entering repayment — 4 percent — were dependent students</p> <p>Staff reported that the average age of students at St. Philip's is 26 years old — many of whom are likely to be independent — and suggested that many in-district dependent students living with their families would have a lower cost of attendance and therefore be less likely to borrow.</p> <p>The small share of dependent student borrowers may also be related to the college's loan packaging policy, whereby new students must request loans, while returning students have loans automatically packaged.</p>

APPENDIX B

The Alamo Colleges General Default Information is displayed below:

General Default Information						
	San Antonio College	St. Philip's College	Northwest Vista College	Palo Alto College	Group 3 Two-Year Texas Public	National Average All Colleges
U.S. Department of Education Cohort Default Rates - 3-year						
FY 2011 - 3 year rate:	16.10%	17.00%	13.80%	18.50%		
FY 2010 - 3 year rate:	19.30%	23.40%	16.30%	18.30%	tbd	14.70%
FY 2009 - 3 year rate:	18.90%	23.10%	20.50%	15.90%	21.44%	13.4%
FY 2008 - 3 year rate:	17.32%	18.08%	15.83%	19.47%	19.59%	
FY 2007 - 3 year rate:	20.40%	20.70%	17.50%	20.40%	21.46%	
FY 2006 - 3 year rate:	14.30%	18.80%	15.50%	14.70%	18.74%	

Re-payers in each cohort:

Additional Default Information	SAC	SPC	NVC	PAC
Re-payers in Cohort - FY 2011:	1314	786	629	328
Re-payers in Cohort - FY 2010:	1,357	820	554	362
Re-payers in Cohort - FY 2009:	1,309	808	495	406
Re-payers in Cohort - FY 2008:	1,430	897	575	417
Re-payers in Cohort - FY 2007:	1,512	993	570	419
Re-payers in Cohort - FY 2006:	1,937	1,254	563	469

APPENDIX C

 **ALAMO COLLEGES** Student Profile
Institutional Research & Effectiveness Services Fall 2013

Characteristic	NLC	NVC	PAC	SAC	SPC	Alamo Colleges ¹
Headcount Enrollment ²	5,399	15,965	8,427	19,428	10,238	59,457
Gender						
Male	45%	45%	40%	41%	44%	42%
Female	55%	55%	60%	59%	56%	58%
Ethnicity						
White	41%	27%	22%	29%	30%	28%
Hispanic	44%	59%	69%	57%	52%	58%
African American ³	11%	7%	4%	8%	12%	8%
Asian	1%	3%	1%	3%	3%	2%
Other	3%	4%	3%	3%	4%	3%
Age						
<18 years old	3%	18%	18%	12%	17%	15%
18-21 years old	73%	44%	39%	39%	29%	39%
22-24 years old	11%	13%	12%	15%	13%	14%
25-30 years old	6%	12%	13%	16%	16%	14%
31-35 years old	3%	5%	6%	7%	9%	7%
36-50 years old	4%	6%	9%	9%	13%	9%
>51 years old	1%	1%	2%	2%	3%	2%
Average Age	21.5	22.7	23.8	24.6	25.9	23.3
Enrollment Profile						
Full-Time	7%	24%	17%	25%	17%	22%
Part-Time	93%	76%	83%	75%	83%	78%
Academic Major	91%	89%	87%	78%	61%	80%
Technical Major	9%	11%	13%	22%	39%	20%
First Time in College	42%	14%	16%	14%	11%	14%
First Time Transfer	8%	6%	6%	8%	7%	7%
Dual Credit	0%	18%	18%	11%	17%	15%
Continuing	50%	61%	61%	67%	65%	64%
Average Credit Hours	5.0	7.6	6.7	7.6	6.7	8.3
Associates Degree or Higher	0%	3%	3%	3%	5%	3%
Economic Profile						
Economically Disadvantaged	26%	24%	37%	34%	34%	32%
Receiving Financial Aid ⁴	n/a	47%	50%	54%	51%	57%
Test into Developmental Education ⁵						
Math	39%	36%	46%	52%	55%	46%
English	35%	32%	43%	47%	50%	41%
Reading	22%	18%	31%	29%	32%	26%
Any Developmental	51%	48%	59%	63%	67%	57%

Notes:

¹ Alamo Colleges Duplicated Headcount

² Headcount by Location

³ African American includes Black or African American, and one or more race category one of which includes African American

⁴ Financial Aid most recent available data Fiscal Year 2012-13 (Fall 2012)

⁵ Percent testing into developmental education includes FTIC credential seeking students only

source: Certified CBM001, ACCDODS, Argos DBKS: FIN_Aid, Factbook, Student Profile

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APPENDIX D

Alamo Colleges Factbook 2013

Full-Time and Part-Time Status Fall 2013						
	Full-Time		Part-Time		Total	
	n	%	n	%	n	%
San Antonio College	5,673	24.7%	17,331	75.3%	23,004	100.0%
St. Philips College	1,769	17.3%	8,469	82.7%	10,238	100.0%
Palo Alto College	1,399	16.6%	7,028	83.4%	8,427	100.0%
Northwest Vista College	3,902	24.4%	12,063	75.6%	15,965	100.0%
Northeast Lakeview College	89	7.1%	1,171	92.9%	1,260	100.0%
Alamo Colleges (Duplicated Count)	12,832	21.8%	46,062	78.2%	58,894	100.0%
Alamo Colleges (Unduplicated Count)	15,271	29.9%	35,830	70.1%	51,101	100.0%
Very Large Community Colleges (Unduplicated Count)	98,149	21.0%	368,789	79.0%	466,938	100.0%
Texas Community Colleges System (Unduplicated Count)	186,171	26.6%	514,700	73.4%	700,871	100.0%
<small>Source: THECB Accountability System Prepared by: Institutional Research and Effectiveness Services (IRES), 2/2014</small>						

REFERENCES

Association of Community College Trustees & The Institute for College Access & Success.
Protecting Colleges and Students: Community College Strategies to Prevent Default. July 2014.

ADDENDUM

2016-2017 Default Aversion Committee Members

Elizabeth	Aguilar-Villarreal	Palo Alto	College
Lisa	Alcorta	San Antonio	College
Chris	Bordovsky	Human Resources	District
Lisa	Cervantes	Student Financial Aid	District
Stephen	Delgado	Student Financial Aid	District
Stephanie	Estrada	Northeast Lakeview	College
George	Johnson	St. Philips	College
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