

SENT VIA E-MAIL

August 1, 2011

VFA Team  
U.S. Department of Education  
Office of Federal Student Aid  
830 1<sup>st</sup> Street, NE, Room 111  
Washington, DC 20202

Attention: VFA Team:

American Student Assistance<sup>®</sup> (ASA) is pleased to respond to the Department of Education's (ED) Request for Proposals for a Voluntary Flexible Agreement (VFA). ASA<sup>®</sup> is responding to Area of Responsibility II (AR II), Delinquency and Default Prevention and Management; Area of Responsibility III (AR III), Community Outreach, Financial Literacy and Debt Management, School Training and Assistance, and School Oversight for Massachusetts and the District of Columbia; and Area of Responsibility IV (AR IV), Lender and Lender/Service Oversight.

Even though proactive, comprehensive education debt management services, as we envision them, have not been delivered in a concerted way across the federal student loan programs, your Request for Proposals indicates that ED views these services as necessary components of the federal student loan program. ASA's overarching goal is to continue to develop, improve, and deliver these services on a national scale at no cost to the borrower. Thus, ASA's response combines default prevention from AR II with financial literacy and debt management from AR III to propose a new suite of proactive education debt management services called Wellness. ASA's Wellness program is aimed at proactively establishing a relationship with student loan borrowers before repayment begins, rather than reactively treating the symptoms of delinquency with form letters and requisite telephone calls. By providing the right information to borrowers at the right time, ASA becomes a trusted partner of borrowers as they navigate the many obstacles to successful repayment. ASA believes that if the myriad available repayment options are actively coupled with an effective communication and engagement approach, no federal student loan borrower working in good faith should ever experience serious delinquency or default.

Although ASA's VFA proposal stands alone, ASA has agreed in principle to two potential, independent collaboration agreements (see attached addenda). While working out the details will require additional time and consultation with ED, the Pennsylvania Higher Education Assistance Authority (PHEAA) has agreed to transfer its lender held portfolio to ASA for services under our Wellness program. ASA also agrees to transfer its guarantor held loan portfolio to PHEAA for services under AR I. Similarly, the Finance Authority of Maine (FAME) is considering transferring its lender held portfolio to ASA to take advantage of Wellness for its borrowers. Each addendum is predicated on ED's negotiated acceptance of the individual organization's VFA proposals.

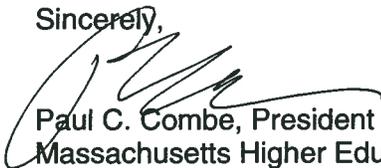
VFA Team  
August 1, 2011  
Page Two

ASA is confident that our Wellness program will deliver value to ED and, accordingly, we propose to be paid only for borrowers that are in good standing. ASA, with our capacity to take on additional volume, also proposes a financing plan that takes advantage of economies of scale, significantly lowering the price for service as the volume of borrowers under management increases. Lastly, believing that the need for these services applies to all federal student loan borrowers, and in the interest of demonstrating the transferability of Wellness across all federal student loan programs, ASA's proposal includes three pilot programs to expand Wellness across the federal student loan programs.

ASA is uniquely positioned to leverage its considerable investments in the development of our technology, expertise and service culture to improve the borrower experience. ASA has developed a secure, scalable, and flexible technology platform that is ready to be audited for FISMA compliance. More importantly, ASA's Wellness staff is trained, experienced, and motivated to help borrowers find solutions that work best for them. Our staff delivers the highest quality of service to borrowers utilizing an approach that has been proven through our past VFA to meet ED's objectives of improving the borrower experience while reducing delinquency, default, and administrative costs across the program.

ASA stands ready to assist the Department of Education with what we believe are the key objectives of this VFA process: minimize program risks for the FFELP portfolio, implement a cost-effective, sustainable delivery model, and help borrowers understand and manage their student loans. We look forward to continuing discussions with ED to successfully implement this VFA.

Sincerely,



Paul C. Combe, President and CEO  
Massachusetts Higher Education Assistance Corp. d/b/a  
American Student Assistance  
100 Cambridge Street, Suite 1600  
Boston, MA 02114  
617.728.4500  
Email: [combe@asa.org](mailto:combe@asa.org)

VFA Contact:

Debra J. Chromy, Ed.D.  
Vice President of Strategic Partnerships  
American Student Assistance  
100 Cambridge Street, Suite 1600  
Boston, MA 02114  
Direct line: 617.521.6087  
FAX: 617.535.2638  
Email: [dchromy@asa.org](mailto:dchromy@asa.org)

# American Student Assistance Voluntary Flexible Agreement (VFA)

Proposal to:

US Department of Education

August 1, 2011

**This page intentionally left blank**

## Table of Contents

Introduction .....	4
Objectives.....	5
Financing Plan (Confidential-Proprietary Business Information).....	6
Financial and Operational Impacts (Confidential-Proprietary Business Information) .....	8
FISMA Compliance.....	8
Delinquency and Default Prevention and Management (GA Area of Responsibility II) .....	9
Activities and Tactics Related to Objectives .....	9
Direct Loan Wellness Pilot Proposals .....	16
Justification of Activities and Tactics .....	17
Implementation Plan.....	18
Service Improvement.....	19
Performance Metrics and Evaluation.....	20
Increased Efficiencies.....	20
Growth, Timing, and Limitations to Service Expansion.....	21
Community Outreach, Financial Literacy and Debt Management, School Training and Assistance, and School Oversight (GA Area of Responsibility III) .....	22
Activities and Tactics Related to Objectives .....	22
Justification of Activities and Tactics .....	25
Expertise and Accomplishments Related to Objectives.....	28
Implementation Plan.....	28
Service Improvement.....	29
Performance Metrics .....	30
Performance Evaluation .....	30
Financing and Pricing Strategies (Confidential-Proprietary Business Information).....	30
Increased Efficiencies.....	30
Growth, Timing, and Limitations to Service Expansion.....	31
Lender and Lender/Service Oversight (GA Area of Responsibility IV) .....	32
Activities and Tactics Related to Objectives .....	32
Justification of Activities and Tactics .....	33
Implementation Plan.....	33
Expertise and Accomplishments Related to Objectives.....	33
Service Improvement.....	33
Performance Metrics .....	34
Performance Evaluation .....	34
Financing and Pricing Strategies (Confidential-Proprietary Business Information).....	35
Increased Efficiencies.....	35
Growth and Timing Limitations to Expansion .....	35
Appendices .....	36
Appendix AR2 - 1: A Learning Organization - Practices Based in Research.....	36
Appendix AR2 - 2: Expertise and Accomplishments.....	39
Appendix AR3 - 1: <i>My Money 101</i> Courses and Learner Outcomes .....	43
Appendix AR3 - 2: Student Webinar Training Sessions and Campus Staff Train-the-Trainer Sessions .....	46
Appendix AR3 - 3: School and Community Outreach Training Sessions .....	48

## Introduction

American Student Assistance® (ASA) is pleased to submit this response to the Department of Education's request for proposals for a Voluntary Flexible Agreement (VFA). ASA® is responding to Area of Responsibility II (AR II), Delinquency and Default Prevention and Management and integrating it with Area of Responsibility III (AR III), Community Outreach, Financial Literacy and Debt Management, School Training and Assistance, and School Oversight for Massachusetts and the District of Columbia. ASA is also responding to Area of Responsibility IV (AR IV), Lender and Lender/Service Oversight.

In this proposal, ASA is combining default prevention from AR II with elements of Financial Literacy and Debt Management from AR III to propose a comprehensive suite of proactive education debt management services collectively referred to as ASA's Wellness services. During our initial VFA, ASA demonstrated that establishing early, frequent, and meaningful communication with borrowers, especially prior to the start of repayment and in the early stages of repayment, is one of the keys to improving borrower outcomes by reducing delinquency and default, which reduces the overall cost of administering student loan programs. ASA's proposed services under a new VFA will further confirm the value of Wellness services over and above the reactive approaches typically employed by traditional guaranty agencies.

As one of the original VFA guarantors, ASA is uniquely positioned to leverage its considerable investments in technology, people, and expertise to improve the borrower experience with federal education debt while assisting ED in relieving the burdens of government and reducing the overall cost of administering the FFEL program. ASA has developed a secure, flexible technology platform capable of servicing not only its own portfolio, but millions of additional federal loan borrowers. In addition to having capacity to expand, ASA's system is also ready to be audited for FISMA compliance. More importantly, ASA's Wellness staff is trained, experienced, and motivated to help borrowers find the best solution for their individual issues. ASA's culture of a "solution state of mind" allows our staff to deliver the highest quality service to the borrowers, a personalized approach that has been proven to meet ED's objectives of improving the borrower experience while reducing delinquency, default, and administrative costs across the program.

Delivering Wellness services in a cost effective manner requires achieving economies of scale. ASA's pricing model is based on providing services to a minimum of 3 million borrowers. Combining ASA's portfolio of 1.4 million borrowers with other lender held FFEL portfolios from guaranty agencies participating in the VFA process, but not electing or not chosen to provide services under AR II, or any other guarantor portfolios for which ED may subsequently determine such services are desired we can achieve the necessary economies of scale. Our performance based pricing model assumes that ASA will be paid only for borrowers in good standing, defined as those that are less than 90 days delinquent on their loans.

As a means of demonstrating the benefits of ASA's proactive Wellness services beyond FFELP, our proposal includes three pilot programs for Direct Loan (DL) and ECASLA Put borrowers. The first pilot proposes to provide Wellness services to a representative population of ECASLA Put and DL borrowers, enabling the benefit of a lower per unit cost associated with higher volumes and the continued development of new services to engage borrowers. The second pilot is focused on late stage delinquencies, those borrowers that are more than 270 days delinquent but have not yet been added to the Default Management Collection System. ASA believes that an intensive communication initiative can help borrowers and ED avoid the costs of default and collection. The third proposed pilot targets effective communications to DL borrowers having recently completed a rehabilitation program, seeking to minimize recidivism risk and ensure ongoing success for this at-risk population.

ASA is also well positioned to support the functions outlined in AR III for Massachusetts and the District of Columbia and nationally for AR IV. Working with outreach groups such as The Educational Resources Institute (TERI), the Colleges of Worcester Consortium, and the Consortium of Universities of the Washington Metropolitan Area, ASA provides support for outreach activities in its service area. For training and support, ASA provides schools with a comprehensive catalogue of courses on topics ranging from compliance with federal regulations to training students on financial literacy. And, ASA has an experienced staff in place ready to fulfill the requirements for reviewing schools, lenders, and servicers. ASA's proposal for Lender/Servicer Oversight contains an innovative proposal designed to provide ED with performance data related to service delivery and program integrity at a reasonable price.

ASA looks forward to working with ED to establish a sustainable and measurable VFA that provides much needed assistance to borrowers and value to the Department.

### **Objectives**

ASA seeks to accomplish three objectives through a well structured VFA with ED:

- To help borrowers on a national basis to successfully manage their education debt, leveraging the scalability of ASA's established proactive Wellness programs designed to deliver a better borrower experience and improved repayment outcomes.
- To reduce the cost of administering student loan programs for ED while establishing a long-term, financially sustainable model to provide students and borrowers with effective support services.
- To demonstrate both the effectiveness and value of Wellness services across all federal loan programs.

ASA is prepared to discuss these and other concepts in more detail as the VFA negotiation process continues.

## Financing Plan (Confidential-Proprietary Business Information)

Whereas ASA views Financial Literacy and Debt Management as subsets of the larger continuum of our Wellness discipline, the services offered in both AR II and AR III are included in a single combined pricing structure. Given a minimum portfolio of 3 million borrowers assigned for services under AR II, ASA proposes a base monthly charge for each borrower whose loans are in good standing (LIGS). LIGS is defined for the purpose of this VFA as loans not more than 90 days past due. While we will continue to work with borrowers that are more than 90 days past due, ASA will receive no fee on this population of borrowers until the delinquency is cured. If the borrower's delinquency falls below 90 days, ASA will resume billing for the borrower's account.

This pricing model is designed to take advantage of economies of scale, allowing ASA to lower the [REDACTED] monthly per borrower fee for borrowers exceeding the assigned baseline of 3 million. The chart below contains prices for up to 7.5 million borrowers. The pricing model continues to scale at amounts greater than 7.5 million and ASA will provide pricing for higher levels on request. The monthly fee is structured as follows:

Pricing Schedule					
Assigned Baseline Number of Borrowers	Baseline Monthly per Borrower Fee	Incremental Borrowers (Above Baseline)	Fee per Incremental Borrower per Month (Within Tier)	Total Assigned Borrowers	Monthly per Borrower Fee (Weighted Average for Full Population)
3,000,000	[REDACTED]			3,000,000	[REDACTED]
		1 to 500,000	[REDACTED]	3,000,001 to 3,500,000	[REDACTED]
		500,001 to 1,000,000	[REDACTED]	3,500,001 to 4,000,000	[REDACTED]
		1,000,001 to 1,500,000	[REDACTED]	4,000,001 to 4,500,000	[REDACTED]
		1,500,501 to 2,000,000	[REDACTED]	4,500,001 to 5,000,000	[REDACTED]
		2,000,001 to 2,500,000	[REDACTED]	5,000,001 to 5,500,000	[REDACTED]
		2,500,001 to 3,000,000	[REDACTED]	5,500,001 to 6,000,000	[REDACTED]
		3,000,001 to 3,500,000	[REDACTED]	6,000,001 to 6,500,000	[REDACTED]
		3,500,001 to 4,000,000	[REDACTED]	6,500,001 to 7,000,000	[REDACTED]
		4,000,001 to 4,500,000	[REDACTED]	7,000,001 to 7,500,000	[REDACTED]

The above pricing schedule will apply for all guarantor FFELP borrowers assigned to ASA under AR II, as well as any DL and/or ECASLA Put borrowers assigned to ASA under either the "Direct Loan Repayment Initiative Pilot" or the "Direct Loan Post-Rehabilitation Pilot" described in the **Direct Loan Wellness Pilot Proposals** section on page 16.

For the "Direct Loan Pre-Default Intervention ("Pre-hab") Pilot, also described in the **Direct Loan Wellness Pilot Proposals** section on page 16, ASA proposes a one time fee of [REDACTED] percent of the total loan balance for each borrower successfully averted from default and returned to good standing (using the 90 day LIGS standard as stated above).

For the duration of any transition period preceding the anticipated full transfer of ASA's defaulted loan portfolio (see Phase I and Phase II discussion in the **Implementation Plan** section), ASA would be paid on a schedule consistent with that established and in force between ED and the applicable AR I guarantor(s).

ASA understands that the combined range of services provided by VFA guarantors must be cost neutral. We believe that ED has the opportunity to structure a more efficient delivery model better aligned with the objectives outlined by ED in the VFA Requests for Proposal, largely by reallocating existing FFELP funding streams not currently well aligned with these objectives.

## Financing Plan -Continued (Confidential-Proprietary Business Information)

ASA proposes a more efficient and aligned federal student loan programs funding model that includes:

- Implementing a single performance-based per borrower, per month fee for borrowers assigned to ASA for the activities in AR II and services provided in AR III.
- Eliminating all current guarantor fees.
- Relinquishing ASA's defaulted loan portfolio. This presents ED with an opportunity to leverage its substantial size in negotiating scaled and efficient recovery agreements with selected AR I guarantors.
- Effectively leveraging savings derived from consolidated and streamlined collections functions (AR I) to cover costs of critical default prevention and related efforts. We anticipate that substantial savings will be realized through reductions in guarantor retention rates on FFELP default recoveries. We estimate that cumulative net guarantor retention rates could be reduced by over [REDACTED] freeing up several hundred million dollars to enable other valuable borrower and school services within the VFA framework.
- Returning the Federal Fund to ED. Given the range of services proposed under our VFA, ASA will not need to maintain the Federal Fund for claim payment. The Secretary's Complement associated with prior defaults is an available stream of revenue to ED. We recommend that ED accumulate the complement across all agencies and use it as a payment source for services provided in AR II and AR III.
- Proactively working with borrowers through Wellness services to increase active borrower repayment, reduce delinquency and default, improve overall borrower outcomes and reduce costs to ED.
- Reducing ED's cost of default and recovery in the DL program by averting default for late stage delinquencies.
- Centralizing the lender and lender/servicer review function with one agency, reducing duplication of effort and enabling efficiencies of increased scale.

## **Financial and Operational Impacts (Confidential-Proprietary Business Information)**

ASA's proposal to ED is based on achieving a minimum number of borrowers to service to provide an economical solution. As noted above, ASA's Wellness program realizes significant economies of scale for populations in excess of 3 million borrowers. This allows us to offer ED a sustainable price structure and solution for Wellness services.

ASA's portfolio currently consists of 1.4 million borrowers and we realize that the FFELP portfolio will experience attrition over time. There are several ways to achieve and sustain sufficient scale to offer the most advantageous pricing to ED. To help meet this goal, ASA is prepared to fulfill the requirements of AR II for any guaranty agencies participating in the VFA process, but not electing or not chosen to provide services under AR II, or any other guarantor portfolios for which ED may subsequently determine such services are desired.

As further described in a later section, ASA also proposes inclusion of DL and ECASLA Put borrowers, both to increase the base of borrowers receiving these services, and to enable an ongoing scalable service delivery model for all federal loan borrowers.

## **FISMA Compliance**

ASA has established the foundation for the management of its Information Security Program in accordance with the requirements, policies and guidelines set out by Federal Information Processing Standards (FIPS), Office of Management and Budget (OMB), and National Institute of Standards and Technology (NIST) Special Publications. Endeavor Systems was engaged in January 2010 to help with ASA's FISMA preparedness. The engagement drove compliance by defining accreditation boundaries, the development of System Security Plans and ensuring their compliance with NIST Special Publication 800 – 53 for operational information and information systems. Systems and Environments are rigorously baselined and hardened using NIST standards and once placed in production are scanned on a defined frequency for vulnerabilities. Plan of action and milestones (POA&M) are generated and proactively managed through our systems development lifecycle (SDLC) procedures.

ASA categorized, using FIPS 199 & 200, selected controls from SP 800-53 and produced a System Security Plan used in obtaining the current interim authority to operate on its Direct Loan Transition Service System which is supported by 5c and 6c clearance level staff. ASA's information security assets are managed by onsite certified Information Security professionals (CISM's and CISSP's).

## **Delinquency and Default Prevention and Management (GA Area of Responsibility II)**

### **Activities and Tactics Related to Objectives**

ASA's success in producing positive outcomes in repayment behavior for student loan borrowers is rooted in the lessons learned over the term of our original VFA. Specifically, the reactive nature of beginning default aversion activities three or four months after the problem begins is inadequate to address the real reasons for delinquency and default. For this reason, ASA treats default aversion as a component of its more comprehensive Wellness program that begins repayment conversations with borrowers before the end of the grace period, identifies and communicates with at-risk borrowers, encourages positive repayment habits, and provides borrowers with **useful and objective** information, support, and guidance throughout the life of the loan.

### **Using Portfolio Analysis to Target At-risk Borrowers**

ASA takes a disciplined and data-driven approach to borrower portfolio management and the related communications disciplines. We have continually invested in analysis tools and development of competencies to support targeted communications initiatives for discrete borrower populations. We have developed analysis and modeling capabilities that enable us to segment borrowers in or approaching repayment so that we can apply tailored contact and counseling efforts based on their individual circumstances and risk profiles. ASA has the necessary knowledge and the right tools to employ both simple and advanced data mining techniques. These capabilities allow us to reach more borrowers more effectively with prudent allocation of staff and other resources – providing a more scalable service solution.

### **Borrower Communication and Support Programs**

At the heart of ASA's success in helping borrowers succeed is our commitment to provide quality "one borrower at a time" counseling. We believe that no borrower acting in good faith should default and that many borrowers can be helped to avoid delinquency and default by providing them with the right information at the right time. This is a contact sport—when we contact borrowers and have a meaningful discussion by phone, e-mail, or on-line, we can help them. Our delinquency and default prevention service offerings include a unique combination of communication programs designed to drive borrower engagement, including direct mail, electronic communications and web support to enable and supplement direct counselor interaction, most often accomplished via phone.

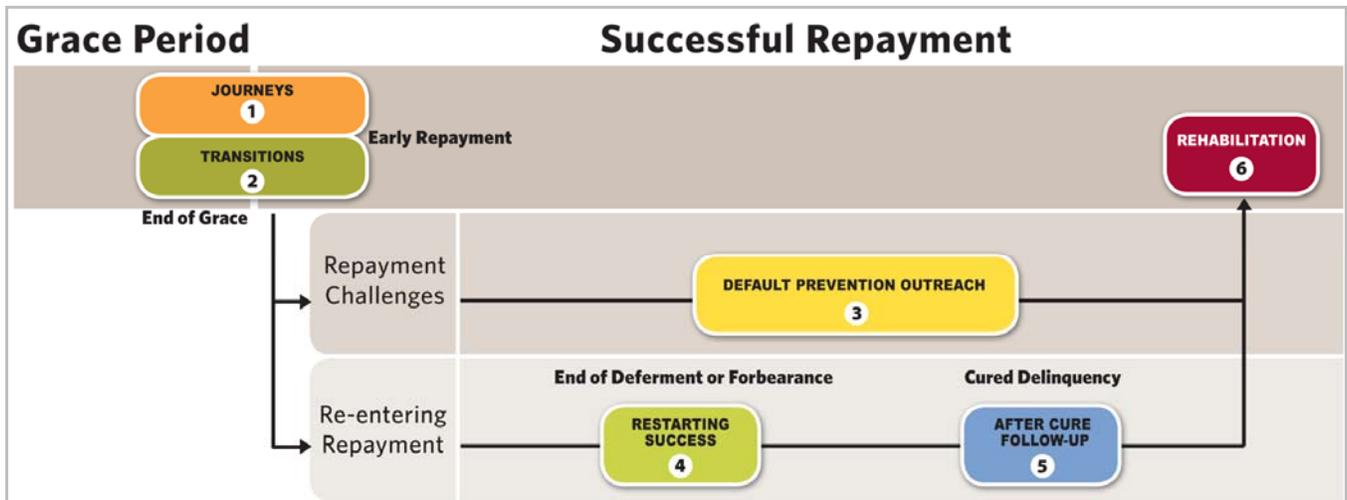
Our counseling efforts are spearheaded by several counseling teams within our Borrower Services division dedicated to helping borrowers understand and manage their loan repayment obligations. Our teams of counselors are trained to approach each borrower with a resolution mindset that focuses on the best solution for each individual borrower.

Our Repayment Assistance team works with borrowers that are currently past due, seeking to educate them regarding the consequences of default and making sure that each borrower understands all of their repayment options, including the appropriate use of deferments and forbearances to manage short-term periods of difficulty. Our counselors engage directly with servicers to resolve borrower issues, including routinely facilitating a three way phone conference with the borrower and servicer to resolve a specific matter without risk of handoff or delay.

In addition, we engage a team of Borrower Information Specialists charged with executing a host of communications campaigns targeted at borrowers with specific information needs. Their proactive outreach efforts, often targeting borrowers that are not delinquent or perhaps not even yet in repayment, are an important component of our delinquency management and default prevention strategy.

ASA will offer customized versions of the multi-channel borrower communications programs described below, tailored as appropriate to meet the specific needs of the borrower populations assigned to ASA. Communications are sent to targeted borrower segments on a regular basis via direct mail and e-mail. When possible and appropriate, direct mail or e-mail communication is co-branded with the borrower’s servicer or school to increase contact effectiveness. All communications include links to ASA’s website, providing access to comprehensive information and tools designed to help borrowers understand and successfully manage their debt. Regardless of how communications with borrowers begin, they always have access to a live counselor.

ASA proposes a continuum of borrower communications initiatives under AR II, with a focus on specific “moments of truth” when borrowers are most in need of assistance in managing their loan repayment.



Specific communications initiatives will include the components listed in the following tables, with modifications as appropriate based on populations being served:

## Summary of Borrower Communication Programs

### 1. Journeys

Program Name	Description	Program Overview / Goal	Program Activities
<p><b>Journeys</b></p> <p><b>Target Audience:</b> Recent Graduates approaching repayment</p>	<p>ASA's <i>Journeys</i> communication program introduces ASA to borrowers during their grace period following graduation.</p>	<p>Prepare borrowers for loan repayment and help them understand their obligations, leading to better management of their loan debt and prevention of delinquency and default.</p>	<ul style="list-style-type: none"> <li>• <b>Focused e-mail and print communications</b> that provide valuable repayment information and are timed to coincide with important steps from the grace period through the first 3 years of the repayment process.</li> <li>• <b>Proactive telephone outreach</b> at critical moments to ensure that borrowers make payments or take advantage of applicable options to repay their loans.</li> <li>• <b>Experienced counselors available via phone</b> who help borrowers understand their best long term options to manage their education loan debt.</li> <li>• <b>Engaging and interactive web resources</b> including budget worksheets, calculators, and other personal finance and debt management tools that illustrate to borrowers how choosing the right repayment options can benefit them.</li> </ul>

### 2. Transitions

Program Name	Description	Program Overview / Goal	Program Activities
<p><b>Transitions</b></p> <p><b>Target Audience:</b> Borrowers who have withdrawn from school</p>	<p>ASA's <i>Transitions</i> program is designed to engage borrowers who withdraw before completing their education program. By connecting with withdrawn borrowers during their grace period.</p>	<p>Engage borrowers who withdraw before completing their education program. <i>Transitions</i> seeks to decrease the risk of student loan payment delinquency and default within this high risk population.</p>	<ul style="list-style-type: none"> <li>• Clear and <b>concise e-mail and print communications</b> sent immediately to withdrawn borrowers upon notification from schools. For this population, our focus is on helping them make smart repayment choices and understand their options while they are deciding their educational path.</li> <li>• <b>Proactive telephone outreach</b> tailored to select target groups of borrowers based on calculated risk profile and/or other factors</li> <li>• <b>Experienced counselors available via phone</b> who help borrowers understand the implications of interrupting their education on their borrowing and repayment options.</li> <li>• <b>Web Resources</b> including a customized and downloadable Student Loan Repayment Checklist.</li> </ul>

### 3. Default Prevention Outreach

Program Name	Description	Program Overview / Goal	Program Activities
<p><b>Default Prevention Outreach</b></p> <p><b>Target Audience:</b> Borrowers with a current delinquency</p>	<p>ASA proposes a highly coordinated, multi-faceted approach to engaging past due borrowers, actively working to manage default risk. Again, the key is to utilize all possible communications channels to engage those borrowers.</p> <p>Our empathetic, borrower-focused communications strike a very different tone from typical due diligence communications and effectively entice borrowers who have not responded to previous contact from their loan servicer.</p>	<p>Highly coordinated, multi-faceted approach to engaging past due borrowers, actively working to manage default risk. Focus on educating each borrower regarding the consequences of delinquency and default, and how to choose the resolution that best fits his or her situation.</p>	<ul style="list-style-type: none"> <li>• <b>Customized e-mail and direct mail support</b>, based on the borrower's degree of delinquency and assessed default risk. Variable messaging is utilized in these communications and tailored to the borrower's stage of delinquency as well as default risk. Borrowers are encouraged to contact ASA's dedicated delinquency counselors who provide individual assistance with a focus on real solutions to the types of difficult issues that may have led to delinquency.</li> <li>• <b>Additional targeted use of direct mail</b> to reach borrowers who may be resistant to dealing with debt management issues. ASA utilizes innovative direct mail techniques to effectively generate borrower response.</li> <li>• <b>Proactive telephone outreach</b>, to help each borrower understand the urgency of accessing ASA's resources in order to identify practical solutions for avoiding default.</li> <li>• <b>Dedicated delinquency counselors available via phone</b> who understand the challenges of different stages of delinquency. The counselors focus on the best long term solution for each borrower. Conversations often involve proactive coordination with the individual borrower's servicer(s) with the goal of curing the delinquency in a timely manner.</li> <li>• <b>Engaging and interactive web resources</b> that educate borrowers about the consequences of delinquency. Interactive tools demonstrate the true financial cost of delinquency and default, present various repayment options, and assist borrowers in planning how to resolve repayment difficulties.</li> </ul>

## Proactively Sustaining Success

### 4. Restarting Success

ASA sees value in reinforcing positive behavior and helping borrowers who have achieved good standing maintain that success. The following communication initiatives target borrowers not currently in a problem status, but at somewhat higher risk for continuous challenges based on their prior repayment history.

Program Name	Description	Program Overview / Goal	Program Activities
<p><b>Restarting Success</b></p> <p><b>Target Audience:</b> borrowers re-entering Repayment (Post Deferment or Forbearance)</p>	<p>Designed to prepare borrowers to resume repayment as they near the end of a deferment or forbearance period. Using data from servicer partners, ASA sends communications to borrowers approximately one month before they are scheduled to resume repayment.</p>	<p>Prepare borrowers that are scheduled to resume repayment as they near the end of a deferment or forbearance period, seeking to avoid surprises and reduce risk of problems in time of transition</p>	<ul style="list-style-type: none"> <li>• <b>E-mail and direct mail communications</b> that provide specific information on the due date and amount of a borrower's upcoming payment. The goal of the communications is to prepare borrowers for resuming repayment and to offer ASA's counseling services if they need additional help.</li> <li>• <b>Optional e-mail payment reminders</b> that the borrower can use to ensure that they make their payments in a timely manner.</li> <li>• <b>Proactive phone outreach</b> to ensure that borrowers make payments or take advantage of applicable options to repay their loans.</li> <li>• <b>Dedicated counselors available via phone</b> who provide borrowers that need additional information on repayment plans or other options the tools they need to choose the best solution for their situation.</li> <li>• <b>Engaging and interactive web tools</b> that enable borrowers to understand the consequences of failing to make payments after deferment or forbearance. Interactive tools demonstrate the true financial cost of delinquency and default, present various repayment options, and assist borrowers in planning how to resolve repayment difficulties.</li> </ul>

## 5. After Cure Follow-up Support

Program Name	Description	Program Overview / Goal	Program Activities
<p><b>After Cure Follow-up Support</b></p> <p><b>Target Audience:</b> Cured borrowers entering repayment</p>	<p>Designed to keep recently cured (formerly delinquent) borrowers from falling behind on their payments again. By providing support and encouragement, the After Cure campaign lowers the risk of borrower delinquency recidivism.</p>	<p>Keep recently cured (formerly delinquent) borrowers from falling behind on their payments again</p>	<ul style="list-style-type: none"> <li>• <b>E-mail communications</b> encouraging borrowers to keep up the good work and reminding them to contact ASA with any questions at any point in time during their repayment. Borrowers are also reminded to contact their servicer directly if they find that they are encountering repayment difficulties.</li> <li>• <b>Engaging and interactive web resources</b> illustrate how returning to delinquency can damage the borrower's credit rating and impact their financial futures.</li> </ul>

## 6. Post Rehab Support

Program Name	Description	Program Overview / Goal	Program Activities
<p><b>Post Rehab Support</b></p> <p><b>Target Audience:</b> Re-entering Repayment – After Rehabilitation</p>	<p>Designed to provide supplemental information to newly-rehabilitated borrowers, seeking to minimize the risk of re-default. ASA works proactively with servicers to provide borrowers personalized, informative communications to help them continue their repayment success. These communications include clear and concise messaging that goes beyond the required loan transfer paperwork. The communications message provides positive reinforcement and a clear understanding of how rehabilitation has improved the borrower's credit. This communication series is especially important since borrowers can no longer rehabilitate more than once.</p>	<p>Provide supplemental information to newly-rehabilitated borrowers, seeking to minimize the risk of re-default.</p>	<ul style="list-style-type: none"> <li>• <b>E-mail and direct mail support materials</b> to all borrowers who have successfully completed their rehabilitation program, congratulating them on taking positive action, confirming the new servicer / payment process, and encouraging borrowers to automate their upcoming payments.</li> <li>• <b>Required enrollment</b> in monthly e-mail payment reminders.</li> <li>• <b>Dedicated counselors</b> available via phone who help guide the borrower through this transition period</li> <li>• <b>Engaging and interactive web tools</b> that direct borrowers to understanding the consequences they face if they do not start making payments after completing a rehabilitation program, and illustrate how re-defaulting can damage the borrower's credit rating and would not enable them to rehabilitate again.</li> </ul>

## **Additional Borrower Services**

ASA also proactively monitors trends in calls to our Ombudsman's office, identifies specific needs to interact with borrowers, and develops solutions for those who are in unique situations and need special assistance. Targeted communications are sent in the form of e-mails, direct mail, and telephone outreach. The messaging is specific to the borrower's situation and directs them to appropriate resources that can provide support. Below are examples of recent communication initiatives:

- **NSLDS Awareness:** Focused on borrowers who had loans that were held by multiple servicers, highlighting NSLDS as a useful resource available to help borrowers understand how to find where loans were held, along with related support information .
- **Military Borrowers:** This effort focused on borrowers who qualified for specific repayment options based on their military service.
- **New Tax Offset Program candidates:** This initiative focused on borrowers who were newly selected for tax offset, to improve communication regarding their options.
- **Social Security Offset Relief:** Based on calls received by ASA's Ombudsman unit, a mail campaign reached out to borrowers who were likely candidates for Social Security benefit garnishment. The communication explained the process for removing the attachment on their accounts.

ASA will continue to identify other borrower populations with special needs that will benefit from ASA's communication and counseling resources.

## **Ombudsman and Borrower Advocacy**

In 1999, ASA created the position of Ombudsman to facilitate resolutions to longstanding or complex issues, as well as to identify trends to improve operations and policies so that similar disputes do not occur in the future. ASA has learned first-hand that a focus on problem resolution translates into significant cost-savings and improved customer relationships with borrowers.

Often working closely with the FSA Ombudsman, our Ombudsman has built a reputation of compassion, knowledge and effectiveness throughout the industry. Borrowers, legislators and others turn to her to facilitate resolutions both in and outside of ASA.

ASA's Ombudsman's office is supplemented by an expanded Borrower Advocacy service group of trained counselors and subject matter experts that assist borrowers in resolving a host of challenges ranging from understanding and obtaining discharges for which they are eligible, to resolution of complex disputes involving schools, lenders, servicers and others. This group has represented a key aspect of ASA's borrower-centric service delivery, and our proposal anticipates an active ongoing role for this advocacy function.

## **Direct Loan Wellness Pilot Proposals**

While the primary focus of ASA's VFA proposal relates to assisting FFELP borrowers, we are pleased to include three proposed pilot programs designed to favorably impact borrowers with other federal loans, while demonstrating the value and transferability of Wellness services across loan types.

### **Direct Loan Repayment Initiative Pilot:**

ASA proposes to launch and manage a pilot program consisting of a sizable sample of DL borrowers and ECASLA Put borrowers selected to receive Wellness support as part of ASA's VFA. The goal of this pilot is to establish, over the term of the VFA, that our proactive approach to targeting and engaging borrowers with timely and effective communications to positively impact repayment behavior is a more effective approach for reducing delinquency and default than a program that merely treats the symptoms in a reactive fashion. Specifically, the pilot would include the following elements:

- Identification and selection of a representative cross section of DL and ECASLA Put loan borrowers for pilot inclusion, with selected populations evenly distributed among the federal student loan servicers. (Note: Suggested initial pilot size: 1 million to 1.5 million borrowers)
- A workable data exchange process with each federal student loan servicer to enable ASA access to data necessary to conduct Wellness outreach activities. (Note: ASA has already begun working with current federal student loan servicers to establish such access, as a service provider assisting borrowers on behalf of client schools)
- Customized communications campaigns for assigned DL and ECASLA Put populations, similar to those described elsewhere in this VFA proposal.
- Relative success metrics established with ED to enable ongoing assessment of the value of services provided under this pilot.

Applying the precepts of Wellness to augment the servicing methods of the federal student loan servicers will benefit both borrowers and ED. Borrowers will receive valuable information that helps them make good choices when repaying their student loans, reducing the potential for delinquency and default. Lower delinquency and default rates translate into lower costs for ED, allowing resources to be used more effectively across all student loan programs. ED will also have the benefit of comparing the outcomes for borrowers in the DL and ECASLA Put loan program that have received Wellness services to those that have not had access to these services.

### **Direct Loan Post-Rehabilitation Pilot:**

ASA also proposes a pilot to work with DL borrowers that have completed a loan rehabilitation program and returned to repayment. Leveraging our substantial experience in working with similar FFELP populations, ASA will provide proactive support designed to ensure borrowers successfully transition into a sustained pattern of successful repayment. ASA and ED will be able to compare the resulting re-default rates against comparable populations not receiving such services. ASA's only fee for the proposed services will be the regular monthly per borrower fee as outlined in the Financing Plan section.

### **Direct Loan Pre-default Intervention ("Pre-hab") Pilot:**

ASA proposes to work with a selected population of DL borrowers not previously assigned to ASA beginning immediately after they reach 270 days of delinquency. Using an aggressive communications campaign leveraging ASA's proven success with rehabilitation programs as a borrower focused service, we will engage these borrowers and encourage them to return to a repayment schedule before their loans are sent to the Default Management Collections System. We believe this will both provide effective resolution for impacted borrowers and establish a savings opportunity for ED. ASA's compensation, as described in the Financing Plan section, and only applicable when default is averted, will likely represent a small fraction of the comparable costs if standard collections activity is necessary.

## Justification of Activities and Tactics

A recent study by the Institute for Higher Education Policy found that two out of five student loan borrowers - 41 percent - are delinquent at some point in the first five years after entering repayment, and many fall past due and default without taking advantage of their options to restructure the debt or postpone payment (see [http://www.asa.org/pdfs/corporate/delinquency\\_the\\_untold\\_story.pdf](http://www.asa.org/pdfs/corporate/delinquency_the_untold_story.pdf)) Additionally, 2011 market research sponsored by ASA indicates that less than one third of borrowers understand their repayment options after they graduate.

Proactive communication may be one effective remedy: “Often, not enough information flows to borrowers between the start of the six-month grace period and their first reported delinquency 60 to 90 days after their first payment due date. Yet borrowers’ ability to choose options to deal with repayment problems depends on receiving good information early in the process” (IHEP Study, p. 29).

The specific activities set forth in this proposal are based on the research ASA has conducted over the past 12 years in establishing best practices for engaging borrowers toward successful loan repayment. Taking a research and development approach, ASA refined its Wellness program over the years for maximum efficiency and results. We discovered that success is derived through **targeting** borrowers most at risk for repayment trouble and **engaging** them with relevant information to influence their attitudes and behaviors, thereby **impacting** their loan outcomes. ASA’s lessons learned and many successes with programs based on this methodology, combined with the findings of multiple industry studies over the years on student loan payment, justify our proposed activities. Additional information regarding ASA’s experience is provided in “Appendix AR2 - 1: A Learning Organization - Practices Based in Research” on page 36.

## Expertise and Accomplishments

Over the past decade and more, ASA has distinguished itself as the “Wellness guarantor” in the FFEL program through its depth of experience and proven success in creating and managing effective debt management and delinquency and default prevention programs.

Believing that our true mission as a public purpose organization lies in helping student loan borrowers to successfully manage their student loan debt, ASA began, as early as the late 1990s, to rethink our value proposition in the federal student loan program. We believed then, as we do now, that students, parents and alumni need unbiased advice and support in understanding their student loan repayment options so as to help them maximize their rights and options to prevent delinquency and default. Of our own accord, we adopted a Wellness, or prevention first, philosophy that emphasized proactive outreach and education to borrowers starting before repayment problems occur.

Beginning in 2001, ASA applied for and received a VFA. Our “FFELP Wellness” VFA centered on a performance-based fee structure that aligned revenue incentives with keeping loans in good standing (less than 90 days delinquent). ASA’s VFA was rooted in the concept that, with the many repayment options available in the federal student loan program and, with the right information at the right time, no student loan borrower who was working in good faith should fall delinquent or default.

ASA’s initial VFA utilized a performance based model which resulted in demonstrable default savings within a cost-neutral framework as measured by objective benchmarks. Through our initial VFA we developed and continue to refine a comprehensive data-driven approach to portfolio management, using detailed performance metrics that shape activities to improve borrower outcomes. Among the accomplishments arising from the VFA and sustained to date are:

- ASA’s cohort default rate has consistently beaten the national average, and during the term of our VFA, by an average of greater than 50 percent.
- Our annual default or “trigger” rate has consistently beaten the national rate, and during the term of our VFA, our trigger rate was, on average, 43 percent better than the national rate.

- Our loans in good standing consistently represent 94-95 percent of ASA's loans in repayment. ASA's percentage of borrowers actively repaying is consistently higher than the national average.
- We achieve an average decline in delinquency rate of approximately 50 percent among contacted borrowers when we reach out to at-risk populations with customized information.
- We created a "borrower-first" corporate culture that has translated into superior customer service: 90 percent of ASA borrower customers say they are "extremely satisfied" with our service. Borrower Testimonials are available at <http://www.youtube.com/watch?v=qMsaBNhm79g>.
- ASA established the validity of a shortened rehabilitation period, successfully returning borrowers to repayment after 9 months of consecutive monthly payments, and helped lead the efforts to promote rehabilitation as a preferred method of getting borrowers back on track following default.
- ASA was able to attain the accomplishments noted above while our portfolio rapidly grew from \$7 billion to \$45 billion, from regional to national, and significantly altering the risk profile of our borrower population.
- Through the work of our Ombudsman's office and borrower advocacy approach ASA borrower disputes have been substantially reduced, both within ASA and with the federal Ombudsman's office. The number of active litigation cases against the corporation has remained very low despite a dramatic increase in portfolio size and risk.

## Implementation Plan

ASA's Wellness approach represents a refinement of our innovative communications and borrower engagement programs established under our original VFA. The transition to a new VFA model allows ASA to further expand and develop our capabilities in areas where our focus is most effective. The transition will be seamless to ASA borrowers in repayment and, with our renewed focus, we can continue to improve our services and increase our reach to a much broader national borrower base.

ASA anticipates working closely with ED and other guarantors participating in the VFA process to establish workable implementation plans to accomplish the necessary transfer of responsibilities among parties. While there may be several possible scenarios for staging these transitions, ASA believes that the provision of services under AR II will best be accomplished through the conversion of lender-held borrower portfolios to ASA (and other AR II providers) from guarantors who will not provide such services (including, but perhaps not limited to, guarantors participating in AR I). This approach seems consistent with ED's stated objectives related to long term risk mitigation, efficiencies, and elimination of potential conflicts of interest.

Regarding portfolio transfers, ASA has considerable experience in converting guarantor portfolios, having converted our own from a mainframe to our current platform, as well as converting portfolios for the Oregon Student Assistance Commission and the Missouri Department of Higher Education. ASA is confident in our ability to quickly and accurately load loan portfolios to our Education Debt Management Services (EDMS) system and securely exchange data on an ongoing basis.

Briefly, ASA's portfolio conversion methodology involves mapping tables and attributes in their original state to a SQL server database that is constructed to mirror the original file structure. After the initial load, the mirror database is reconciled to ensure the accurate transfer of data. After analyzing the data structure, conversion scripts are written and tested against the database. These scripts are used to translate the data in the mirror database to the EDMS database. Once the data transfer has been fully executed, the EDMS database is reconciled to the mirror database. After reconciliation, the borrower communication programs identified in the Activities section are performed on the new borrowers.

Upon lender-held loan portfolio conversion, lenders and servicers with loans in ASA's repayment portfolio will submit pre-claim requests and file claims with ASA. To support the adjudication process, the AR I guarantor will receive lender claim filings and supporting documentation from ASA. The AR I guarantor will begin reporting on new defaulted loan records to ED on Forms2000 and provide updates to NSLDS.

ASA's proposed Direct Loan Repayment Initiative Pilot involving DL and ECASLA Put borrowers will require establishing additional data exchange processes with federal student loan servicers. ASA, working with client schools as a service provider, has already begun working independently with the current federal servicers on exchanging data for borrowers. For the pilot, ASA proposes a substantial sample of borrowers drawn from each of the federal student loan servicers. We anticipate working closely with ED and participating servicers to structure a workable implementation plan for initial and ongoing data exchange, as well as other pilot program particulars, including success metrics. Similar collaboration will be necessary to fully define and implement the Direct Loan Post-Rehabilitation Pilot and the Direct Loan Pre-default Intervention Pilot programs.

As ASA is not proposing to provide services under AR I (Claims and Collections), we recommend a phased approach to transitioning our defaulted loan portfolio to one or more guarantors selected for AR I. With the ultimate goal to accomplish a complete transition of claims and collections functions, we also want to avoid any risk of disruption to borrowers making payments, particularly those in the pipeline for completing a rehabilitation process. While this will require much discussion and collaboration among stakeholders as this process plays out, we envision the following as a possible phased transition scenario:

In **Phase I**, ASA will transfer the non-performing portion of our defaulted loan portfolio to the AR I guarantor. The AR I guarantor will assume the responsibility for federal reporting for this portion of the portfolio. Borrowers with existing payment streams will remain with ASA for a transitional period to avoid any disruption to the payment process during the VFA implementation period.

In **Phase II**, all borrowers not previously transferred, regardless of payment status, will be transferred to the AR I guarantor. ASA will work with ED and the applicable AR I guarantor(s) for establishing a workable timeframe for this final transition.

## **Service Improvement**

ASA's mission-driven approach to assisting borrowers improves the level of service to borrowers and, by extension, to ED. ASA's proactive Wellness program represents a substantial improvement over approaches typically utilized by other guarantors. Rather than wait until a lender or servicer declares a borrower to be in trouble, ASA is continuously analyzing portfolio data and repayment trends to determine populations at risk and to craft engaging communications initiatives to provide borrowers with the tools and options to avoid delinquency and default.

As an example, realizing that many borrowers would encounter repayment, deferment, and forbearance issues as a result of having some, but not all, of their loans sold in the PUT program, ASA used NSLDS data, cross-referenced with its own portfolio information, to identify borrowers with multiple servicers. ASA then began a proactive communications initiative to inform this population about the potential for difficulty along with suggestions for resolving it. Instead of following minimum due diligence requirements that focus only on obtaining overdue payments, ASA's progressive approach to identifying and resolving potential problems allowed these borrowers to avoid technical defaults caused by split servicing. ED also benefited by avoiding the high cost of delinquency and default.

Under ASA's proposed Wellness VFA, we will continue to identify trends and new communication initiatives to contact potentially at-risk borrowers, before they encounter difficulty, to provide them with the information and tools they need to avoid delinquency and default while providing the highest level of service.

## Performance Metrics and Evaluation

ASA anticipates working closely with ED to establish specific measures of success. We believe that key success measures for this program should be based on comparing the repayment success of borrowers in the assigned portfolio to similar borrowers (based on school type, level of indebtedness, risk profile, etc.) not assigned to ASA as outlined below.

AR II Objective	Metric Description
Improve Repayment Behavior	Improving Loans in Good Standing (LIGS) and reducing delinquency and default rates, relative to external populations.
Lower Cohort Default Rate	Lower cohort default rates relative to comparable populations with similar risk profiles.
Reduce Delinquency Rate	<ul style="list-style-type: none"> <li>Percentage of borrowers greater than 90 days delinquent.</li> <li>Outcomes for borrowers who are delinquent greater than 180 days.</li> <li>Percent of cures that go back into delinquency. Lower incidence of repeat delinquency within 18 months of cure date, relative to comparable populations.</li> <li>Delinquency rates for borrowers who have completed a deferment or forbearance period. Lower incidence of delinquency following end of deferment or forbearance periods, relative to comparable populations.</li> </ul>
First Payment Success	Percentages of borrowers successfully making the first payment due at the start of repayment, relative to comparable populations
Higher Cure Rate	Higher percentage of borrowers who have resolved at least one delinquent loan, relative to comparable populations.
Reduce Recidivism (delinquency and re-default)	<p>Lower incidence of recidivism (delinquency and re-default) measured during 18 month period following rehabilitation relative to comparable populations.</p> <p>Lower incidence of recidivism (delinquency and re-default) measured during 18 month period following cured delinquency relative to comparable populations.</p>
Borrower Satisfaction with Services	Borrower survey results meeting or exceeding established targets

ASA is committed to conducting ongoing evaluation of performance relative to established metrics, measurements, and benchmarks to ensure we are meeting or exceeding agreed upon success criteria as contained in the VFA. ASA will work with ED to establish both ongoing performance reporting requirements and the frequency and nature of audits and/or operational reviews.

## Increased Efficiencies

ASA has made significant investments in our business processes, people, and systems to create a Wellness program that has been proven to positively affect borrower behavior and reduce delinquency and default. ASA is proposing to leverage our investment in these resources by delivering services to a much broader borrower population. By increasing the number of borrowers served by our Wellness program, we can significantly reduce the per borrower cost of the program to ED, offering a cost effective solution that will improve the borrowers' experience in managing their federal education debt.

## **Growth, Timing, and Limitations to Service Expansion**

ASA is a national guarantor and a private, not for profit 501(c)(3) organization. ASA's current portfolio consists of 1.4 million borrowers. As noted above, ASA is prepared to absorb additional volume and expand its service area at the direction of the Secretary. ASA sees no limitations in our capacity to expand our service delivery to many multiples of our current borrower base.

ASA's EDMS system is built on a secure, flexible technology platform that supports rapid increases in scale represented by the introduction of loan portfolios from ED and other guaranty agencies. Additional borrowers can easily be accommodated by distributing the volume across an expanded network of database and web servers. Similarly, ASA's telephony infrastructure can also be expanded to meet increases in both inbound and outbound call volume.

ASA has made significant and ongoing investments in systems, processes, programs, and our staff to create a core competency in assisting borrowers in successfully managing their education loan debt – ASA's Wellness programs. More recent investments in our infrastructure, particularly our systems and security, have been forward looking with an eye to providing these services, on behalf of the federal government, to all federal student loan borrowers. Examples of how ASA has managed growth and improved service quality are:

- ASA has previously demonstrated success in managing significant organizational growth while building a unique culture of service. As our portfolio rapidly grew in a short period of time from \$7 billion to \$45 billion and became more national, rather than regional, ASA staff more than doubled while delivering continuous improvement in customer service and outreach to borrowers, schools, and ED. During this same period of growth, ASA successfully converted the Missouri guarantor portfolio to the ASA system.
- ASA has continued to make significant investments over the past several years in both our systems and the skills of our technology staff. We have implemented a new technological infrastructure platform, shifted the organization to agile development methodologies, and delivered business solutions based on a Service Oriented Architecture supported by state of the art hardware and server virtualization. This strategy enables ASA to scale its system and technical capacity vertically and horizontally in an efficient and cost-effective manner.
- ASA has focused on developing and maintaining a culture of service that permeates the organization from senior management to front-line staff. We have developed and refined a corporate talent strategy to focus on the important role every staff member has in delivering on ASA's mission. Our most recent annual employee survey results reported 91% of employees understand our mission and 89% demonstrate a commitment to ASA's core values.
- ASA has a comprehensive approach to managing recruiting, training, and staff development. We utilize proven methods for preparing counselors to assist borrowers, including in-depth counselor training, call monitoring and coaching, and certification on relevant subject matters and service expectations. We also actively use borrower satisfaction surveys to assess our effectiveness, acknowledge service success, identify improvement opportunities, and to shape future training.
- ASA has continued to develop and refine analytic capabilities that enable us to appropriately target borrower assistance efforts where they are most needed and can be most impactful. This continued investment in refining our analytics has improved our borrower contact rate and ability to reach an increasingly larger number of borrowers with tailored communications which enables greater efficiencies, results, and capacity.

ASA has the experience and expertise to enable the effective incorporation of efficiencies required for a highly scalable service operation while maintaining the "one borrower at a time" mission, culture and service focus that has made us successful to date.

## **Community Outreach, Financial Literacy and Debt Management, School Training and Assistance, and School Oversight (GA Area of Responsibility III)**

### **Activities and Tactics Related to Objectives**

#### **Financial Literacy and Debt Management**

Effectively engaging students and borrowers in a curriculum of financial education is important in helping them develop financial competency. We see this activity as a foundation of the Wellness services continuum more fully described in the section responding to AR II. ASA proposes a comprehensive financial literacy and debt management program—consisting of an online financial education tool, engaging communications, monthly webinars, and on-site trainings—designed to provide students with the tools needed to make informed decisions about managing their money and education debt.

#### **My Money 101™**

Students in our service area and borrowers assigned to ASA will receive access to ASA's online financial education tool, *My Money 101*, which includes self-paced courses and downloadable materials that address the specific financial issues students and, in particular, borrowers face every day. Consistent with ASA's expertise in building relationships, this is the starting point for delivering Wellness to borrowers and introducing ASA to students as a valuable resource. *My Money 101* helps students and borrowers learn how to manage their money effectively so that they can avoid financial problems. Current course offerings include:

- Banking Basics
- Books, Bills, and a Balanced Budget
- Building and Maintaining a Winning Score
- Cracking the Credit Code
- Entrance Counseling
- 5 Weeks, 5 Months, 5 Years: Setting and Achieving Your Financial Goals
- Grand Theft Identity
- Know Your Loan Repayment Options
- Making Sense of Financial Aid
- Student Loan Basics

A detailed description of current course offerings is provided in Appendix AR 3-1.

#### **Financial Education Messaging**

Students and borrowers will have the option to register to receive monthly e-newsletters on topics relating to personal finance and money management, and will be able to access additional content as well as interactive tools, calculators, and worksheets designed to assist them in successfully managing their finances and education debt.

**Monthly Webinars**

ASA will provide an ongoing series of monthly webinars, which are available live and on demand. These engaging courses put students on the path to greater financial stability and accountability by teaching them:

- How to make and stick to a budget.
- How to build and keep good credit.
- Ways to protect themselves and their credit from identity theft.
- The different types of financial aid and federal loans.
- How to borrow student loans wisely.
- Their available student loan repayment schedules and options.

A detailed description of current course offerings is provided in Appendix AR 3-2 on page 46.

**School Training**

ASA understands the importance of a well-trained financial aid office and proposes to provide comprehensive training sessions to schools in Massachusetts and the District of Columbia including:

- On-Campus Training Sessions – These half-day training sessions would take place on campus at the request of individual schools. The specific topic and focus of these training sessions would be determined and scheduled in conjunction with the school.
- Quarterly Training Events – These full-day training events would take place on a quarterly basis at various locations throughout Massachusetts and the District of Columbia. The specific topic and focus of these training sessions would be determined by ASA in consultation with participating schools.

The training sessions listed below are designed to help schools counsel their students about financial issues and develop comprehensive approaches to influence student success. New trainings are created based on school requests and identifiable trends. A detailed description of each of these training sessions is provided in Appendix AR 3-3 on page 48.

Focus	Training
<p><b>Default Prevention and Education Debt Management</b></p>	<ul style="list-style-type: none"> <li>• A Campus-Wide Approach to Successfully Managing Your Default Rate</li> <li>• Challenging Your Draft Cohort Default Rate</li> <li>• Counseling Students to Minimize Borrowing</li> <li>• Debt Management Strategies: Small Effort—Large Results</li> <li>• Due Diligence During Repayment</li> <li>• Partnering for Student Success</li> <li>• Skills for Serving Your Students</li> <li>• Tips and Resources for Managing Your Cohort</li> <li>• What’s in a Cohort Default Rate?</li> </ul>
<p><b>Financial Education</b></p>	<ul style="list-style-type: none"> <li>• Financial Literacy on Your Campus: One Good Education Deserves Another</li> <li>• Helping Students Plan Their Road Trip to Financial Freedom</li> <li>• The Keys to Presenting Successful Financial Literacy Programs on Campus</li> <li>• Loan Repayment—Know the Options</li> <li>• What Students Really Think About Financial Literacy</li> </ul>

Focus	Training
<b>Train-the-Trainer</b>	<ul style="list-style-type: none"> <li>• Banking Basics</li> <li>• Books, Bills, and a Balanced Budget</li> <li>• Building and Maintaining a Winning Score</li> <li>• Cracking the Credit Code</li> <li>• Entrance Counseling</li> <li>• Exit Counseling</li> <li>• Financing Graduate School</li> <li>• 5 Weeks, 5 Months, 5 Years: Setting and Achieving Your Financial Goals</li> <li>• Grand Theft Identity</li> <li>• Know Your Loan Repayment Options</li> <li>• Making Sense of Financial Aid</li> <li>• Planning for Major Purchases</li> <li>• Starting with Your Salary</li> <li>• Student Loan Basics</li> </ul>

### Community Outreach

ASA has a long history of working with the community, in both the Massachusetts and Washington, DC areas, to improve financial literacy efforts and support programs that improve access to higher education. ASA believes that students and borrowers should be given the tools they need to make informed decisions about higher education debt prior to taking a student loan. For that reason, ASA has partnered with a number of non-profit entities to enhance the work that is done for college access. ASA's strength has always been improving the outcomes of borrowers in repayment and we continue to focus on that mission while supporting the work of others in a way that is collaborative and in the best interests of all students and borrowers.

ASA provides financial support for many non-profit organizations in the Massachusetts community. Because of the large concentration of colleges in Massachusetts and Boston, in particular, there are organizations in our service area that are central to national efforts to improve educational and economic outcomes through public-private partnerships and civic engagement. Compared with other large metropolitan areas, Boston itself has a very high number of non-profit organizations per capita. The opportunities for ASA to collaborate with these organizations are abundant, and ASA helps these organizations meet their outcome goals and objectives, and supports their efforts to improve access to higher education. Rather than compete against these agencies to work in the access space, ASA acts as an effective resource to help access agencies meet our shared objectives.

ASA is the primary financial support for the College Information Center at the Martin Luther King, Jr. Library in Washington, DC. This center helps students and their families plan for college early, helps them to apply for the appropriate kinds of financial aid, and helps them through the complicated process of financing higher education and repayment through in-person debt counseling.

ASA also works directly with non-profit agencies and Educational Opportunity Centers, like the Colleges of Worcester Consortium, to provide financial aid counseling and workshops to members throughout the Commonwealth of Massachusetts.

ASA is the Massachusetts state-designated provider of financial literacy and debt management services under the College Access Challenge Grant and we have worked closely with the grant recipients to provide trainings and workshops.

## School Oversight

ASA proposes that we implement our Compliance Assistance Program (CAP) which concentrates on ensuring the school's successful administration of federal student loan programs to current and future student loan borrowers. Our program focuses on assisting Financial Aid Offices with implementing changing federal regulations, timely enrollment reporting, monitoring withdrawal rates and debt management. The program also assesses the school's internal controls related to delinquency and default prevention. ASA will perform on-site CAP reviews of the schools in Massachusetts and the District of Columbia that are selected for review from a set of pre-established criteria.

Our review testing elements will continue to follow Federal Regulations and include:

- Entrance and exit counseling
- Citizenship status
- Financial Aid Transcripts (FATs)
- Verification and certification process, if required
- Student budget and cost of attendance (COA) calculations
- Satisfactory academic progress (SAP) standards/enforcement
- Leaves of absence
- Attendance records
- Withdrawal rate
- Determination of withdrawal dates
- Refund calculation and notification
- Debt management
- Enrollment Reporting
- National Student Loan Data System (NSLDS) rosters, reporting, and procedures
- Separation of duties
- Follow up prior program review and external audit findings related to Title IV corrective actions
- Loan information and supporting documentation

ASA's model will use a mix of the following criteria for school selection: student repayment rates, the success of the school's debt management plan, trends in Ombudsman borrower issues, loan repayment delinquency rates, school risk assessments, if made available from the ED Regional Offices, and adherence to Section 487(d)(4) of the Higher Education Act (the 90/10 Rule). The number of schools selected for review based on these criteria will be agreed upon between ASA and ED.

## Justification of Activities and Tactics

### Financial Literacy and Debt Management

The pursuit of higher education is strongly embedded in the American Dream. More Americans than ever before are going to college and, if we are to achieve the nation's goal of being number one in the world in college graduation rates by 2020, many more low-income and first-generation students will have to complete a postsecondary program. As a result, more students will likely rely on student loans to gain access to college. In an ASA-sponsored survey of financial aid officers in April 2009, only 20 percent agree that the majority of students today have sufficient understanding and preparation for the commitment they are undertaking. And approximately half (48 percent) feel that students today are less prepared for financial commitment than students five years ago. At the same time, financial aid administrators are often being asked to "do more with less".

Further, studies show that for many students and families, the school choice decision is an emotional one. A 2011 ASA -sponsored study shows that those who wish to attend a particular college find the means to do so, with 64 percent of students and families borrowing to cover costs. Yet many college-bound students and their families lack the fundamental financial literacy and debt management skills necessary to make the best decisions regarding borrowing for college. In a 2008 financial literacy survey, the JumpStart Coalition for Personal Financial Literacy found that high school seniors correctly answered only 48 percent of the questions, while college freshmen only correctly answered 59 percent (see <http://jumpstart.org/04-09-2008-financial-literacy-declining-among-high-school-seniors.html>). For these students, as well as nontraditional and adult students, borrowing federal loans –sometimes tens of thousands of dollars - for college constitutes their first introduction to the practical implications of debt management. It's a milestone moment in their lives. For this reason, we believe the federal student

loan program is an ideal opportunity to take a “Montessori approach” (learning by doing) and instill greater financial competencies and debt management skills in the 30 million Americans nationwide with student loan debt, as well as those about to take out student loan debt for the first time.

Students themselves are recognizing that they need financial literacy before, during, and after college. ASA’s research shows that an overwhelming majority (74 percent) of student loan borrowers believe the school has an obligation to provide basic financial literacy tools and resources before graduation and 67 percent of alumni find appealing the idea of financial literacy programs available to them after graduation.

The content of ASA’s financial literacy and debt management curriculum was designed to address the most pressing needs of students today. For example, our trainings include topics such as:

- *Credit Scores* – the National Foundation for Credit Counseling reports that 37 percent of adults don’t know their credit scores.
- *Credit Cards*- Sallie Mae reports that 84 percent of undergraduates have at least one credit card.
- *Increased Borrowing for Graduate School* - According to FinAid.org, graduate students borrow an additional \$25,000 for a Master’s degree, \$52,000 for a doctoral degree, and \$80,000 for a professional degree.
- *Identity Theft* - The Federal Trade Commission (FTC) estimates that as many as 9 million Americans have their identities stolen each year.
- *Applying for Aid* - FinAid.org reports that 20 percent of students don’t apply for aid because the forms were too much work.
- *Other Consumer Debt* - Cars.com reports that about 70 percent of buyers use loans to purchase cars.
- *Understanding Your Obligations* - According to ACT, Inc., one-third of all first-year students at 2- and 4-year colleges do not return for their second year.

The format of ASA’s financial literacy offerings also fit the preferences of borrowers. Sixty percent of students in ASA’s 2011 survey chose online resources as the most preferred way to learn about financial literacy, while 47 percent want school-sponsored workshops in person with an instructor. Our web-based *My Money 101* allows borrowers to conveniently access training on their schedule and at their pace, while our monthly webinars are available live or on demand. We also assist higher education institutions in delivering robust in-person workshops as an expansion of their traditional entrance and exit interviews.

ASA believes that this “Montessori approach” to delivering financial literacy and debt management education, by being actionable, relevant, timely, and ongoing, provides students and borrowers with the financial competencies they can carry with them for life.

### **Community Outreach**

ASA is proposing that we continue our practice of leveraging partnerships with local college access and financial aid organizations to expand our reach into the community. Many of these organizations have vibrant, existing relationships with students and families (particularly low-income and first generation), as well as established presences in local media and advertising. Providing services to these organizations, as well as building new relationships with other like-minded agencies, is a cost-effective method for our organization to provide financial literacy and debt management to an already established and targeted audience. In addition to cost savings, this approach minimizes confusion in the community. College access, financial literacy and debt management is a crowded space, with many public and private sector organizations striving to get the word out. ASA looks for ways to coordinate efforts, versus taking a fragmented or fractured approach, when engaging the community. Wherever and whenever possible, we realize efficiencies by capitalizing on each other’s strengths, instead of “reinventing the wheel” separately.

### **School Training and Assistance**

As noted above, students are looking to their schools for guidance on financial literacy and debt management. ASA's research has found that college administrators believe financial literacy and default management activities to be "must haves" for student borrowers. Seventy-nine percent of respondents to an ASA survey rated the availability of these services "extremely important." However, the lion's share of respondents acknowledged that developing or utilizing in-house resources to provide this would be costly and time-consuming and they do not have the resources to do so effectively. Many higher education professionals do not possess the requisite skill set to teach financial literacy basics or to counsel students on the specifics of loan repayment. Similarly, NASFAA research shows that financial aid offices are understaffed and typically do not have the resources necessary to provide services to both their current and former students. ASA supports financial aid professionals by investing in web technology to enable more students to access information on their own, and providing financial aid offices with training, tools, and support. This provides them with the information they need to become more fully proficient and feel confident in teaching their own students, as well as eases the burden of developing an entire financial literacy curriculum on their own. A list of current trainings is outlined in Appendix AR 3-3 on page 48.

### **School Oversight**

With constantly changing regulations coupled with resource constraints and staff turnover, schools need assistance to ensure they remain in compliance in administering federal student loan programs. Given ASA's experience in working with schools in Massachusetts and the District of Columbia, ASA is well positioned to continue to aid ED in providing oversight and assistance for these schools.

## **Expertise and Accomplishments Related to Objectives**

### **Community Outreach**

Please see our most recent Community Affairs report for a comprehensive review of ASA's commitment to the Massachusetts and District of Columbia communities. The report can be found at <http://www.asa.org/pdfs/corporate/asa-community-affairs-report.pdf>.

### **Financial Literacy and Debt Management**

ASA has a long history of delivering valuable debt management information to borrowers through individual counseling sessions that result in establishing good repayment habits. With this approach, borrowers in ASA's portfolio have consistently high repayment rates, resulting in loans being paid down more quickly.

ASA has expanded upon the lessons learned during its original VFA to provide students with web-based tools to help them make good choices regarding education financing and debt. *My Money 101* is the primary vehicle for delivering services to a broad range of students, with personal counseling sessions available at libraries in Boston through the Higher Education Information Centers that were jointly established by ASA and TERI and the College Information Center at the Martin Luther King, Jr. Library in Washington, DC. Our successes in providing these services are detailed throughout the attached Appendices.

### **School Training**

ASA has offered training services to schools for years. Events have included annual training conferences, presentations at industry conferences, training sessions on individual campuses and regional training events. In recent years, ASA has added webinars to expand access to larger populations. ASA now offers a robust curriculum of courses that provide education professionals with the tools they need to stay in compliance with federal regulations and improve their office operations. In the last three years, ASA has delivered over 450 individual sessions to more than 11,750 financial aid professionals. Overall, ASA's training sessions have been rated very highly; evaluation results are available on request.

### **School Oversight**

ASA has been a leader in the program review / oversight area, conducting school program reviews for over 25 years. We have also partnered with ED and participated in numerous joint reviews over that time period. In addition, ASA staff has received commendations for their "outstanding support to the US Department of Education and the Office of the Inspector General".

## **Implementation Plan**

### **Community Outreach**

As noted in the Activities section, ASA already makes significant contributions to the Massachusetts and District of Columbia communities in providing access to education through outreach activities. ASA's implementation plan consists of continuing the work that is already underway, while seeking additional opportunities to work with local agencies and organizations to support community outreach.

### **Financial Literacy and Debt Management**

ASA is prepared to work immediately with students in our service area and borrowers assigned to ASA on the implementation of ASA's comprehensive financial literacy and debt management program. ASA is committed to promoting both *My Money 101* and the monthly webinars on campuses using all appropriate marketing materials and activities. ASA will also promote the availability of these programs to all borrower populations assigned for Wellness services under the VFA.

## **School Training and Assistance**

ASA is prepared to work with schools in Massachusetts and the District of Columbia immediately on the implementation of school training and assistance.

ASA will continue to work with schools to define, schedule, and deliver trainings on individual campuses and on a regional basis.

## **School Oversight**

The success of the proposed School Oversight activities is contingent upon gaining the authority to access relevant data in a timely manner and having the ability to normalize data from disparate systems. ED will need to provide NSLDS data and querying capabilities to enable ASA to analyze trends and help reduce student delinquency and default. Timely access to school electronic and paper data is also required for review and analysis. School cooperation and compliance with data requests is critical for ASA to deliver an efficient and cost effective approach to oversight. Any data exchange between parties will be fully secured via ASA's secure FTP server. ASA's CAP approach to oversight will be unique in the industry and is fully transferrable to all domestic and foreign school oversight, as well as Perkins Loan oversight. Should ED require such expanded services, additional fee structures will be negotiated.

ASA will provide ED and the students of schools in Massachusetts and the District of Columbia with assurance that their school is providing them with the tools necessary to manage their education debt through our Compliance Assistance Program. We will use NSLDS reporting tools combined with enrollment tracking and financial aid application data to identify at risk borrowers which will enable schools to modify debt management plans as needed. This internal control based approach to FFELP and DL compliance provides greater assurance of future delinquency reduction and default prevention due to its evaluation of current borrower data as opposed to past borrower data.

## **Service Improvement**

As ASA moves more functionality related to financial literacy and debt management to the web, increased access to online resources and tools for schools and borrowers will improve service levels by making self-paced learning more available.

ASA proposed services regarding financial literacy, debt management and school training and assistance will help improve the service to both students and schools—students will receive the information they need to successfully manage their education debt and schools will receive the support and resources needed to manage the process. Our online financial education tool, *My Money 101*, coupled with our financial education messaging, allows borrowers to access self-paced learning modules and web-based resources on their own. Our monthly webinars are available live and on demand. In addition, we provide schools with the resources to deliver comprehensive in-person sessions through our train-the-trainer workshops.

Completion of post-secondary programs is a key determinant of student success and successful education debt management. ASA intends to work with schools to develop models to identify at-risk students to inform initiatives designed to assist these students, improving persistence and retention rates.

## Performance Metrics

By using multiple state and federal data sources, ASA will make routine reports to ED on the following metrics:

Area III Objective	Metric Description
Increase number of contacts with students and prospective students for post secondary education.	Documented increases in populations within service area participating in one or more aspect of outreach effort, including community based in-person events as well as web-based interactions.
Increase rate of post secondary education enrollment.	Year over year improvement in, the number of students from first generation, low income and underrepresented populations that successfully enroll in a program of higher education following interaction with ASA.
Increase rate of post secondary education attendance and completion	Over a period of five years, measurable improvement in the number of students from first generation, low income and underrepresented populations that successfully complete a program of higher education.
Increase the number of students applying for federal financial aid	Year over year the number of students in contact with ASA filing the FAFSA on or before designated deadline date
Increase in Financial Literacy awareness	Improved test scores based on successfully completing the Financial Education curriculum (based upon pre- and post-tests)

## Performance Evaluation

ASA is committed to conducting ongoing periodic evaluations in concert with the metrics, measurements, and benchmarks we have identified.

## Financing and Pricing Strategies (Confidential-Proprietary Business Information)

ASA views Financial Literacy, Debt Management, and Default and Delinquency Prevention and Management as a continuum of services. Accordingly, the price for performing the activities in AR III for all assigned borrower populations and for all schools and communities in Massachusetts and the District of Columbia are included in the pricing schedule in the Financing Plan section of this proposal. ASA is prepared to offer these services in other states as determined by ED at a price to be negotiated.

## Increased Efficiencies

ASA will continue to evolve and refine the services that comprise our commitment to providing Community Outreach, Financial Literacy, School Training and Assistance and School Oversight. By leveraging relationships with local community outreach and educational access partners, ASA will continue to provide the high level of service to its stakeholders under the VFA as it currently provides as a guaranty agency. ASA's use of technology to deliver information to students and schools can broaden the reach of these services **without a commensurate increase in cost**. Through the use of webinars, ASA can conduct training on multiple campuses simultaneously, increasing the number of users who receive instruction and information at the same time. Similarly, by providing financial literacy tools and information in an engaging and interactive web format, ASA can deliver assistance to students on their schedules, increasing the number of users that will take advantage of the services offered.

## **Growth, Timing, and Limitations to Service Expansion**

ASA is a national guarantor and a private, not for profit 501(c)(3) organization. Although this response is submitted for ASA's service area of Massachusetts and the District of Columbia, ASA sees no limitations in our capacity and is prepared to expand its service area at the direction of the Secretary.

ASA works closely with community groups in Massachusetts and the District of Columbia to deliver outreach services. By networking with local providers, ASA is able to support valuable activities that increase access for students, while taking advantage of expertise that has been developed to meet the needs of the community. ASA anticipates taking a similar approach, including working with other guarantors as appropriate, if asked to take on additional service areas by ED.

ASA uses technology to deliver the maximum benefit for ED's investment in school training. By offering financial literacy and school resources through its website, ASA is able to provide students and administrators with instant access to the information they need without increasing the expense of delivery. ASA has also expanded its use of webinars to provide cost effective training to multiple sites at the same time. Tools like these will allow ASA to expand its service area if needed.

## **Lender and Lender/Servicer Oversight (GA Area of Responsibility IV)**

### **Activities and Tactics Related to Objectives**

ASA's lender and lender/servicer oversight process is aimed at ensuring consistent lender and servicer compliance with federal regulations and to protect ED, and indirectly, other program participants including borrowers, from the risks associated with non-compliance. Within the process, we will work closely and collaboratively to ensure Title IV student loan borrowers are provided with timely, comprehensive and accurate information by their lenders/servicers to assist them in repayment. All proposed oversight activities are transferable to all non-FFELP servicers if required by ED.

ASA will ensure that our oversight process is cost effective to taxpayers, ED, lenders, and servicers. This review and monitoring work can be accomplished through desk reviews utilizing good communication amongst all parties, electronic data gathering, and data analysis techniques. This will be a reliable cost reducing methodology that will benefit all parties.

Desk program reviews will be focused on ensuring the accuracy of lender and servicer administrative and financial controls. The Common Review Initiative (CRI) methodology and practices, as approved by ED, will serve as a base model for the oversight responsibilities.

Our program review focus will be:

- Accuracy of current school enrollment information
- Timely changes in borrower status from in-school through grace period and into repayment
- Changes in borrower repayment status including all deferment / forbearance provisions and accurate payment application to loan balances
- Accurate reporting and updating of NSLDS data between lenders, servicers and guarantors.
- Accuracy of Lender's Interest and Special Allowance Request and Report (LaRS reports)

Areas of review will include:

- Documentation from prior program reviews
- Independent audit results
- Audited financial statements
- System procedures and internal controls
- Lender's Interest and Special Allowance Request and Report (LaRS reports)
- NSLDS Lender Manifest, error reports, unreported loan reports, and procedures
- Details on accuracy of data retained or transmitted
- School enrollment dates
- Conversion of loans to repayment
- Application of prepayments and refunds
- Deferments and forbearances
- Interest accrual and capitalization
- Due diligence & skip tracing
- Claim filing
- Credit Bureau reporting
- PLUS loan credit checks
- Reconciliation of loan sales/acquisitions
- Loan information and supporting documentation
- Individual borrower files

## **Justification of Activities and Tactics**

Providing appropriate oversight of participating lenders and servicers is a core component of ED's risk mitigation strategy for the FFEL program. We believe this is especially important over the next several years, with program risks potentially exacerbated with the departure of lenders and servicers no longer actively participating in this program. As an independent stand alone guarantor without lender/servicer affiliation, ASA is uniquely positioned to provide these services with no potential conflicts of interests.

## **Implementation Plan**

As noted above, ASA intends to reduce costs to ED by using desk audits to replace the more expensive and disruptive on site visits at lenders and servicers. ASA will tailor its staffing to the number of organizations it is requested to review and the schedule that is agreed upon with the Department.

The selection of lenders and servicers for review will follow current ED regulatory requirements pertaining to loan volume. In addition, ASA will consider other risk factors for lenders and servicers that may arise from other oversight activities. Reviews will focus on system procedures and internal controls and use advanced data analysis to review and detect systemic reporting errors. ASA will employ enhanced data mining techniques to analyze large datasets from lenders and servicers to examine for fraud and non-compliance in key risk areas of Title IV financial aid programs.

The success of the proposed activities is contingent upon gaining the authority to access relevant data in a timely manner and having the ability to normalize data from disparate systems across the country. This will require timely access to lenders' and servicers' electronic data as needed for review and analysis. The cooperation of lenders and servicers and their compliance with data requests will be vital for ASA to deliver an efficient and cost effective approach to oversight. ED assistance and liaison with the lenders and servicers in these efforts will be a necessary component. All data will be exchanged in a secure manner.

## **Expertise and Accomplishments Related to Objectives**

ASA has been a leader in the FFELP program review/oversight sector for many years. In that capacity, we have over 25 years of experience in conducting program lender and servicer reviews. We have dedicated full time staff for the program review function. We also have partnered with ED and participated in numerous joint reviews over the same time period. ASA was one of the founding members of the CRI review process and has actively participated in CRI with staff and resources since inception of the pilot program in 2004. Additionally, for the past four years we have been using automated data analysis techniques to review very large datasets for errors and anomalies.

## **Service Improvement**

With a single provider for Lender and Lender/Servicer Oversight services, ED will be able to work with a partner to create an oversight program that meets its objectives in a cost efficient manner. ED will also benefit from a consistent review process, using a methodology that has been developed in conjunction with ASA.

ASA proposes for ED's consideration the optional implementation of a Continuous Auditing Approach designed to enhance program integrity and create further efficiencies in the audit process. Continuous auditing is the use of automated methods, using data analysis software to perform control and risk assessments on a more frequent basis and examine data more in depth than could be done with just a periodic program review. The traditional program review relies heavily on sampling techniques to provide compliance assurance. Continuous auditing methodology using automated data analysis tools will provide comprehensive assurance on financial, compliance, and operational data used by lenders and servicers. With these audit analytical tools we will examine large datasets to determine if a control system is functioning properly to prevent fraud, errors and waste. The "continuous" aspect refers to the near real-time capability for financial information to be checked and shared. Not only does it allow the

integrity of information to be examined and evaluated at any given point in time, it also means that the information is verified on a more frequent basis for errors, fraud and inefficiencies.

Simply by including data-driven indicators of risk, ASA can bring continuous auditing to bear on the selection of lender review activities. Continuous auditing can be approached on an incremental basis. Exceptions not reported on a timely basis or left uncorrected pose an escalating level of risk. Using continuous auditing techniques we will be able to help lender/servicers make timely decisions to improve performance, strengthen controls, and minimize risk for all parties.

As with the standard audit process, the success of this approach is dependent upon timely access to current student loan data from schools, lenders, servicers and ED. With this data ASA will do a detailed loan level analysis of key student loan control areas. Again, ASA must be given the authority to access and analyze, on a timely basis all pertinent data held by lenders and loan servicers, and other Title IV participants associated with the borrower’s loans. Data will only be used for the purposes of compliance with federal student loan regulations, determining accuracy of LaRS billings, and timeliness of NSLDS reporting

ASA is also prepared to work with ED to develop and perform close-out reviews on lenders and/or servicers that are exiting or no longer participating in FFELP. For those lenders, desk reviews will be performed that focus on the timely and accurate transfer of outstanding loans to other lenders or entities and the accuracy of LaRS submissions for all lenders involved in the transfer/closeout quarter.

**Performance Metrics**

Measurable outcomes relating to our performance objectives will include:

AR IV Metric Title	Description
Increase the completion rate for required reviews,	Meet completion targets established by ASA and ED.
Reduction in repeat findings	Year over year reduction in repeat findings
Improved satisfaction with program reviews based on survey results from lenders/servicers	Survey results and action plans will be shared with ED on pre-established time intervals

**Performance Evaluation**

ASA is committed to working with ED to confirm appropriate metrics and to conducting ongoing periodic evaluations of performance relative to the established metrics, measurements, and benchmarks.

## **Financing and Pricing Strategies (Confidential-Proprietary Business Information)**

**Program Reviews:** The cost for each lender reviewed is [REDACTED]. This pricing is contingent upon ASA being assigned a minimum of 75 lenders for review annually. Travel costs, if necessary, will be billed separately. It is estimated that no more than ten percent of the program reviews will require travel.

**Optional Services:** The annual costs for continuous auditing, close out reviews, review of lender compliance audits and post audit surveys will be based upon population sizes and scope agreed upon between ED and ASA as part of the final negotiations for this VFA.

### **Increased Efficiencies**

Centralizing the lender/servicer oversight function in a single agency offers economies of scale and the benefit of a consistent review methodology to ED. The use of ASA's combination of desk reviews and continuous auditing of lenders and servicers will provide the Department with an accurate portrayal of the operational practices of lenders and servicers in the FFEL program without a commensurate increase in the cost of performing reviews.

### **Growth and Timing Limitations to Expansion**

Taking on the national Lender and Lender/Oversight function for ED will require additional staff, depending on the number of lender reviews that are done and the additional functions requested and allocated by ED in the final VFA document. ASA is confident that we will be able to staff this function efficiently and train new staff members effectively and in a timely manner to meet the requirements of ED.

## Appendices

### Appendix AR2 - 1: A Learning Organization - Practices Based in Research

One of the unique aspects of ASA's original VFA was its focus on experimentation and iterative learning—testing, measuring, and refining new approaches to reach and communicate with borrowers. Rather than commit to a rigid schedule of activities, we embraced the opportunity to try new and innovative ways to connect with the borrower and positively affect repayment outcomes.

Taking a research and development approach, ASA refined its wellness education debt management program over the years for maximum efficiency and efficacy. We discovered that success is derived from **targeting** borrowers most at risk for payment trouble, **engaging** them with relevant information to influence their attitudes and behaviors, thus **impacting** their loan outcomes. The many successes we've experienced combined with lessons we've learned, have shaped our current Wellness program and encouraged us to continually assess and refine our engagement strategies.

#### *Lessons Learned – Targeting and Timing*

While ASA's original VFA set out to prove that more communication with borrowers is essential to preventing delinquency, communication for communication's sake is not an effective or efficient business model. As outlined in the Activities section, ASA proposes a continuum of intervention and education activity, both proactive and reactive, that targets borrowers at higher risk for payment problems and times communications to correspond with critical decision points along the life of the loan.

#### *Lessons Learned – Wellness is a Contact Sport*

Making contact and engaging with borrowers is critical to the success of ASA's programs. In every targeted borrower population, we saw time and again that the higher the contact rate, the lower the delinquency and default. (See *Journeys* and *Transitions* charts below as examples of the effectiveness of borrower contact in decreasing delinquency rates.) Each element of ASA's Wellness programs, from our print or web communications content, graphics and delivery method to our proactive phone outreach, is geared toward elevating the contact rate, whether that is opening an e-mail, clicking on a link, visiting a website, or enabling a phone conversation with a counselor.

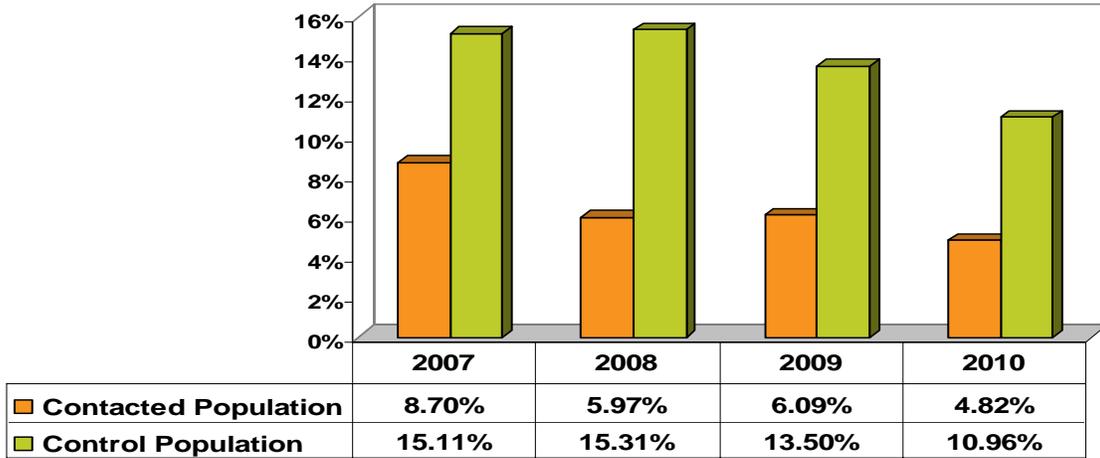
#### *Lessons Learned – Co-Branding*

Many of ASA's education debt management programs incorporate co-branding in our communications with the borrower's servicer and/or school. The inclusion of the servicer's logo or a letter from the school raises a borrower's recognition and trust and therefore contact rates, particularly in the critical early stages of the borrower's transition into repayment.

#### *Borrowers Entering Repayment*

Borrowers who do not begin a regular pattern of monthly payment are at high risk of default. One of ASA's most successful outreach programs, and a justification for continuing such outreach under a new VFA, is the *Journeys* program for recent college graduates. As outlined in the "Activities" section of this proposal, *Journeys* expands upon the traditional exit interview by proactively delivering information on loan repayment, budgeting, general financial literacy and debt management, and career advice to college graduates just as they need it – during their six- month grace period as they transition between college and the real world, as well as throughout the first 18 months of repayment. *Journeys'* goal is to start borrowers on the right path so they get into a regular habit of monthly payments. When we engaged these borrowers in communication, we significantly lowered delinquency rates, often by 50 percent or more:

### Journeys Delinquency Rates\*

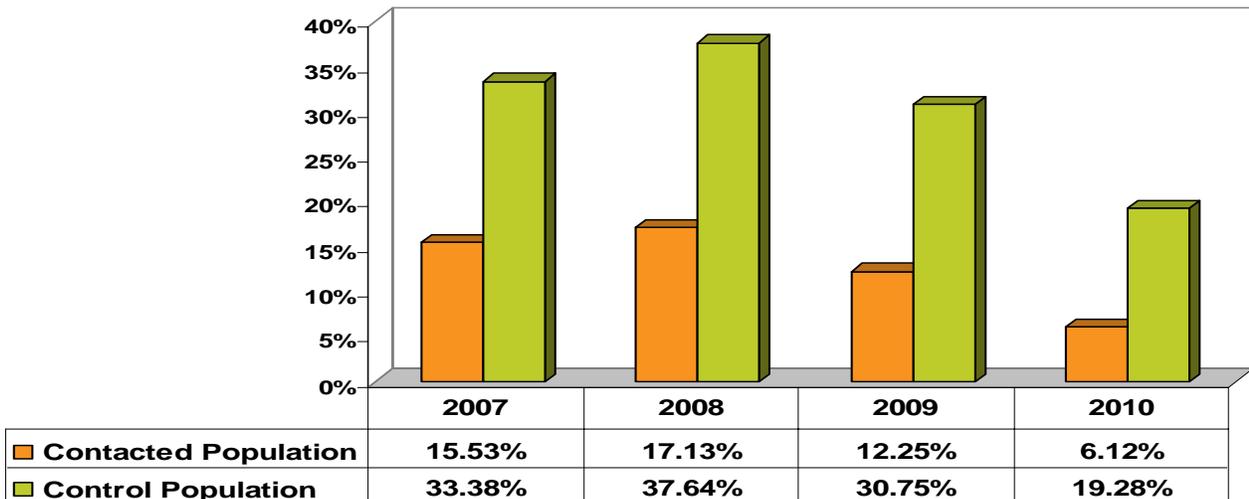


\*Delinquency Rate refers to borrowers having at least one delinquency filing within 1 year of the communication launch. Control population refers to borrowers that weren't sent any communication material and no attempt to contact.

### Withdrawn Students

Numerous studies in recent years have shown that students who have college debt but no degree have a significantly higher risk of delinquency and default. A recent study by the Institute of Higher Education Policy (IHEP), "Delinquency: The Untold Story of Student Loan Borrowing," ([http://www.asa.org/pdfs/corporate/delinquency\\_the\\_untold\\_story.pdf](http://www.asa.org/pdfs/corporate/delinquency_the_untold_story.pdf)) reported that 59 percent of borrowers who left without a degree or credential fell delinquent or defaulted within the first five years of repayment, vs 38 percent of those who graduated (Table 3,). Further, students who withdraw at *all types of institutions* are at higher risk (See IHEP Study, Table 6,). Over the past several years, ASA's *Transitions* program has targeted withdrawn borrowers, as soon as possible after they leave school. Delinquency rates for borrowers we engaged through *Transitions* communications were more than 50% lower than for those borrowers not contacted:

### Transitions Delinquency Rates\*



\*Delinquency Rate refers to borrowers having at least one DAAR filed within 1 year of the communication launch. Control population refers to borrowers that weren't sent any communication material and no attempt to contact.

In addition to large communications initiatives like our Journeys and Transitions programs, we also enhance borrower success with specific targeting based on special needs, sometimes on a smaller scale. For example, ASA was able to identify just 70 retirees out of its portfolio of 1.5 million borrowers who were facing Treasury Offset of their Social Security benefits to pay off an old student loan debt. ASA reached out to these borrowers to thoroughly explain their options and in some cases was able to reduce the monthly offset to zero.

## Appendix AR2 - 2: Expertise and Accomplishments

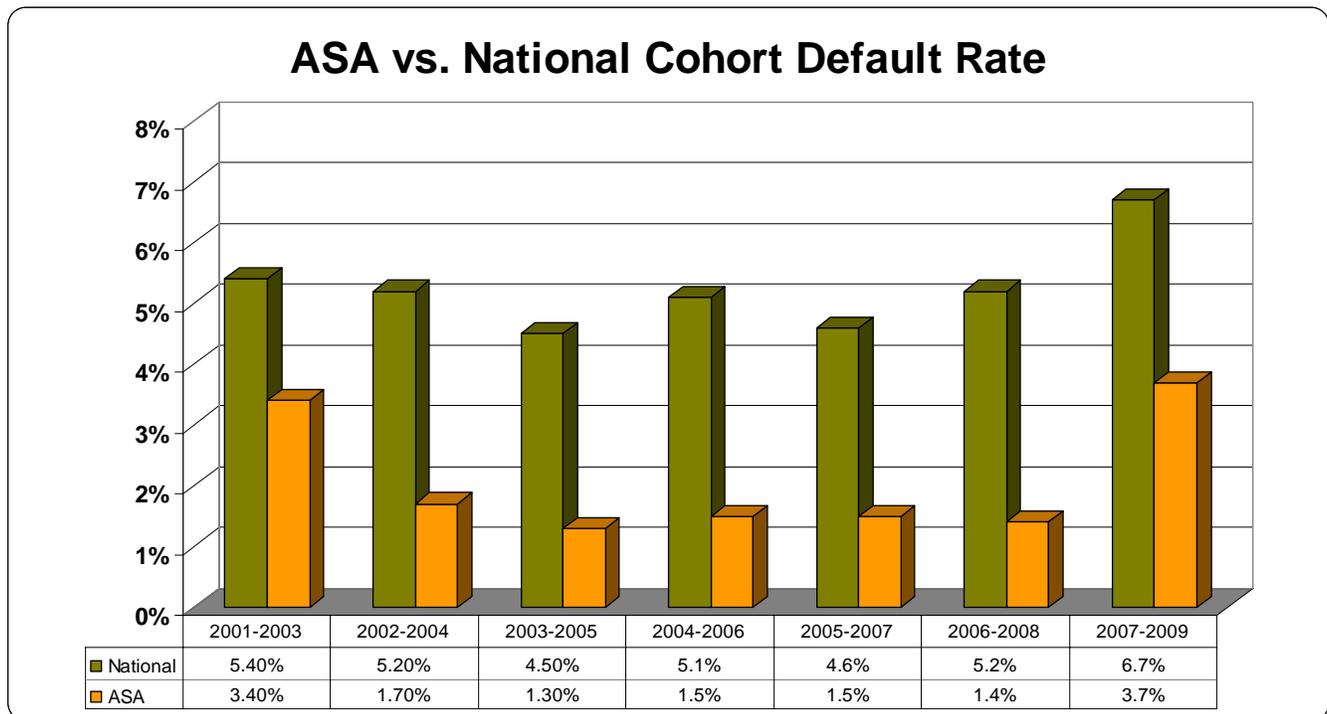
Using the innovative communications techniques developed under our original VFA, ASA has become a leader in delivering Wellness services to borrowers, engaging them with constructive messaging and personal counseling to find the right solution for their education debt circumstances.

### *Impacting Loan Outcomes*

ASA's prevention-first approach to education debt management has significantly decreased delinquency and default rates among the borrowers and schools we serve. In short, Wellness works:

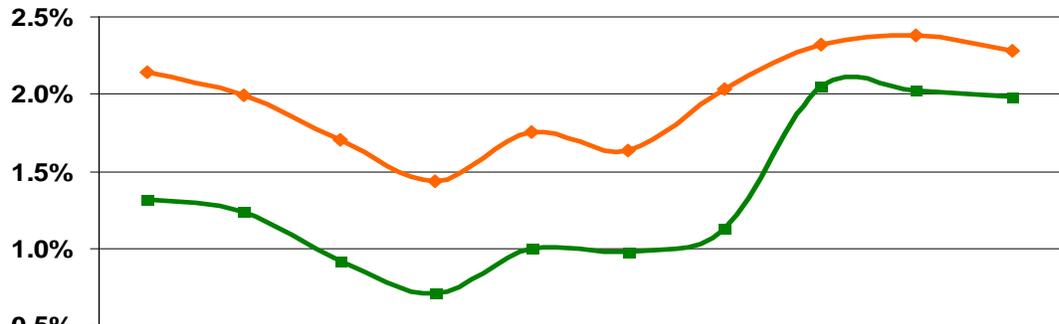
### *Our Default Rates Are Lower*

ASA's cohort default rate has beaten the national average every year since the start of our prior VFA — and during the term of our VFA by better than 50 percent - and we have routinely achieved better than market performance across school types.



Our annual total default “trigger” rate has consistently beaten the national rate, and during the term of our prior VFA did so by an average of 43%.

### FFY2001-10 Default Trigger Rate (ASA vs. All Other Guarantors)

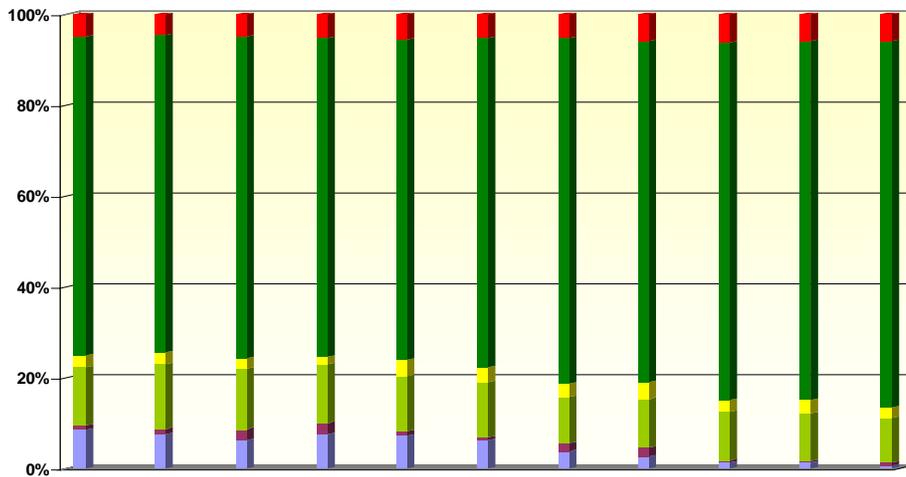


	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
<span style="color: orange;">◆</span> All Other Guarantors	2.14%	1.99%	1.70%	1.44%	1.75%	1.64%	2.03%	2.32%	2.38%	2.28%
<span style="color: green;">■</span> ASA	1.32%	1.24%	0.92%	0.71%	1.00%	0.98%	1.13%	2.05%	2.02%	1.98%

#### We Have More Loans in Good Standing

Loans in Good Standing typically represent 94-95 percent of ASA's lender-held portfolio, with only 5-6 percent in some stage of delinquency.

### ASA Lender-Held Loan Portfolio by Status



	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
<span style="color: red;">■</span> Delinquent	5%	5%	5%	5%	5%	5%	5%	6%	6%	6%	6%
<span style="color: green;">■</span> Repay (Current)	70%	70%	71%	70%	71%	72%	76%	75%	79%	79%	81%
<span style="color: yellow;">■</span> Forbearance	2%	3%	2%	2%	3%	3%	3%	4%	3%	3%	2%
<span style="color: lightgreen;">■</span> Deferment	13%	14%	13%	13%	12%	12%	10%	11%	11%	11%	10%
<span style="color: purple;">■</span> Grace Period	1%	1%	2%	2%	1%	1%	2%	2%	0%	0%	1%
<span style="color: blue;">■</span> In School	8%	8%	6%	8%	7%	6%	4%	3%	1%	1%	1%

### We Save Taxpayers Money

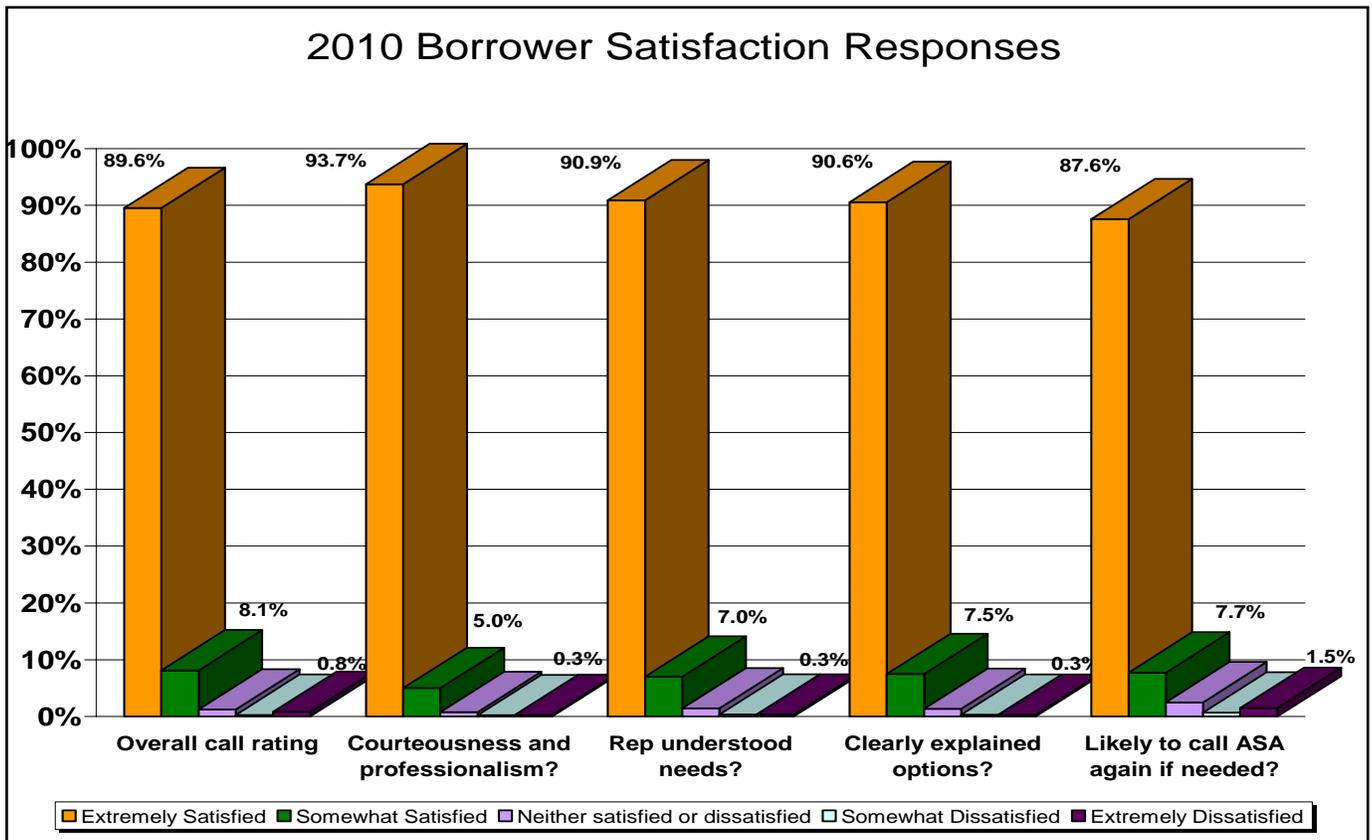
As a result of these default prevention accomplishments, ASA averted hundreds of millions of dollars in defaults during the seven-year span of our VFA.

### Delinquency Prevention

When we reached out to at-risk populations with information on repayment options, career information, general budgeting, financial literacy and debt management, **we realized an average decline in delinquency rate of approximately 50 percent among contacted borrowers.** (See *Journeys and Transitions* examples in Appendix AR2 – 1).

### Borrower Satisfaction Begins with a Borrower-First Culture

One of ASA's largest accomplishments in delinquency prevention was transforming our internal corporate culture from a "collections" environment to one that provides counseling and support for borrowers. Through an array of internal trainings and forums on mutual gains negotiation, we built a cultural foundation that began with creating success one borrower at a time; respecting the borrower, regardless of payment status, and focusing on the solution rather than the problem. The results show that borrowers have a high level of satisfaction with ASA's customer service.



Based on voluntary survey responses from approximately 23,000 ASA borrowers following calls with our four primary customer-facing groups during 2010.

But the story of our culture shift and the impact on our borrowers is best told by those who experienced it firsthand . Borrower Testimonials are available at <http://www.youtube.com/watch?v=qMsaBNhm79g>.

### ***Ombudsman and Borrower Advocacy Experience***

In 1999, ASA created the position of Ombudsman to facilitate resolutions to longstanding or complex issues that are in the interest of all parties, as well as to identify trends to improve operations and policies so that similar disputes do not occur in the future. ASA has learned first-hand that a focus on problem resolution translates into significant cost-savings and improved customer relationships with borrowers. Results from the 12 years of the ASA ombudsman's existence prove its value:

- Despite a dramatic increase in portfolio size, ASA borrower disputes are down overall and the number of active litigation cases against the corporation remains low.
- ASA's ombudsman cases make up only a small fraction of the national cases reviewed by ED each year.
- Often working closely with the FSA Ombudsman, our ombudsman has built a reputation of compassion and knowledge throughout the industry; borrowers, legislators and others turn to her to facilitate resolutions both in and outside of ASA.

ASA's Ombudsman's office is supplemented by an expanded Borrower Advocacy service group of trained counselors and subject matter experts that assist borrowers in resolving a host of challenges ranging from understanding and obtaining discharges for which they are eligible, to resolution of complex disputes involving schools, lenders, servicers and others. This group has represented a key aspect of ASA's borrower-centric service delivery, and our proposal anticipates an active ongoing role for this advocacy function.

**Appendix AR3 - 1: My Money 101 Courses and Learner Outcomes**

SESSION	DESCRIPTION	LEARNER OUTCOMES
<p><b>Banking Basics</b></p>	<p>Finding a bank is easy—the <b>FDIC insures more than 7,500</b> of them. Finding the right bank can be hard for students, though, especially if they lack financial knowledge. This session highlights the basics: banks versus credit unions, savings versus checking accounts, debit versus credit cards, and more. After attending, students will know how to pick a bank that fits their situation—right now and in the future.</p>	<p>This course positions students to:</p> <ul style="list-style-type: none"> <li>• Make informed banking decisions.</li> <li>• Understand the different types of banking institutions.</li> <li>• Understand the different types of bank accounts.</li> <li>• Identify the banking tools that can help them keep track of their money.</li> </ul>
<p><b>Books, Bills, and a Balanced Budget</b></p>	<p>Clothes, nights out, fast food, and other discretionary expenses can clog a student’s budget—and increase the debt of those already facing student loans. By taking the time to examine their expenses now, students can avoid paying for them later. This session presents <b>five easy steps students can take</b> to understand their spending, create a plan, and stick to a budget.</p>	<p>This course positions students to:</p> <ul style="list-style-type: none"> <li>• Understand the importance of budgeting and sound financial management.</li> <li>• Develop simple skills essential to financial wellness.</li> <li>• Learn about the importance of goal setting to sound financial management.</li> </ul>
<p><b>Building and Maintaining a Winning Score</b></p>	<p>Your students’ credit has a significant influence on of their lives, including being hired for a job and being able to finance a car. However, according to the National Foundation for Credit Counseling, <b>37 percent of adults don’t know their credit scores</b>. This session teaches your students about the components of their credit scores and credit reports, showing them how to make credit work for them.</p>	<p>This course positions students to:</p> <ul style="list-style-type: none"> <li>• Identify the five sections of a credit report and how to obtain a report.</li> <li>• Identify the components of a credit score.</li> <li>• Understand the impact of credit on everyday life.</li> <li>• Identify ways to improve credit.</li> </ul>

SESSION	DESCRIPTION	LEARNER OUTCOMES
<p><b>Cracking the Credit Code</b></p>	<p>Your students probably receive credit card offers regularly—Sallie Mae reports that only <b>2 percent of undergraduates have no credit history</b>. With fine print to decode about APRs, finance charges, and additional fees, students can struggle to evaluate their choices. This session clarifies those offers and highlights the importance of establishing credit, helping students choose the correct card for them.</p>	<p>This course positions students to:</p> <ul style="list-style-type: none"> <li>• Learn how to establish credit.</li> <li>• Understand the terms and conditions of credit cards.</li> <li>• Learn about consumer protection laws.</li> <li>• Identify credit card payment best practices.</li> <li>• Learn how to use credit wisely.</li> </ul>
<p><b>Entrance Counseling</b></p>	<p>According to ACT, Inc., <b>one-third of all first-year students at 2- and 4-year colleges do not return for their second year</b>. With so many students changing—or leaving—school, early awareness of borrower rights and responsibilities is key. This session highlights the required elements of entrance counseling (loan types, accessing NSLDS, what to do if they withdraw), helping students make smart decisions through their time as borrowers.</p>	<p>This session positions students to:</p> <ul style="list-style-type: none"> <li>• Know what it means to borrow a federal student loan.</li> <li>• Understand the consequences of not repaying their loans.</li> <li>• Know about costs of their loan (interest, fees, etc.).</li> <li>• Identify their options for repaying their loans.</li> </ul>
<p><b>5 Weeks, 5 Months, 5 Years: Setting and Achieving Your Financial Goals</b></p>	<p>FinAid.org lists the <b>average student loan debt among graduating seniors as \$23,186</b>. With that large a commitment—and without a plan to handle their debt—many of your students could end up overwhelmed. This session simplifies things, showing gradual steps students can take to reduce their cost of borrowing, repay their loans, and manage their credit in the first 5 weeks, 5 months, and 5 years after graduation.</p>	<p>This course positions students to:</p> <ul style="list-style-type: none"> <li>• Make informed decisions about student loan repayment and managing credit.</li> <li>• Understand what financial actions should be taken 5 weeks, 5 months and 5 years after graduation.</li> </ul>

SESSION	DESCRIPTION	LEARNER OUTCOMES
<b>Grand Theft Identity</b>	The Federal Trade Commission (FTC) estimates that as many as <b>9 million Americans have their identities stolen each year</b> . While your students cannot prevent all identity theft, they can use some simple safeguards to minimize their risk. This session reviews best practices for keeping personal information safe and shows students how to detect, address, and recover from identity theft.	This course positions students to: <ul style="list-style-type: none"> <li>• Understand the basics of identity theft and how it happens.</li> <li>• Understand how identity thieves use personal information.</li> <li>• Identify ways to deter identity theft.</li> <li>• Understand what actions victims of identity theft should take.</li> </ul>
<b>Know Your Loan Repayment Options</b>	Federal loan borrowers can <b>repay their loans in a number of different ways</b> —including postponing payments. Paying their loans is always the best option: The more they pay now, the less they pay later. But, if they find it easier to pay less—or they cannot afford to pay anything—they have options. This session outlines those options and the best online resources for student borrowers.	This course positions students to: <ul style="list-style-type: none"> <li>• Understand the rights and responsibilities for student loan borrowers.</li> <li>• Identify the six repayment schedules.</li> <li>• Identify the additional repayment tools available.</li> <li>• Learn about online repayment resources and tools.</li> </ul>
<b>Making Sense of Financial Aid</b>	Getting financial aid seems like a pain to students; FinAid.org says that 20 percent of students don't apply for aid because the forms were too much work. But, <b>your students can get aid in just five steps</b> —and the money they save will be well worth their time. This session reviews those steps and the types of aid offered at your institution, taking the pain out of the process for your students.	This course positions students to: <ul style="list-style-type: none"> <li>• Understand the financial aid application process.</li> <li>• Identify the different types of financial aid offered.</li> <li>• Know the terms and conditions of each type of financial aid.</li> </ul>
<b>Student Loan Basics</b>	Subsidized Stafford. Unsubsidized Stafford. Perkins. Grad PLUS. Parent PLUS. Private... With so many different loans available—and <b>so many different terms and conditions</b> within each—it's no wonder education loans confuse students. This session helps your students borrow wisely, teaching them about the different types of federal student loans, their repayment options, and why on-time repayment is important.	This course positions students to: <ul style="list-style-type: none"> <li>• Understand the basics of borrowing.</li> <li>• Identify the different types of federal loans.</li> <li>• Understand the terms and conditions associated with each type of federal student loan.</li> </ul>

## Appendix AR3 - 2: Student Webinar Training Sessions and Campus Staff Train-the-Trainer Sessions

SESSION	DESCRIPTION
<b>Banking Basics</b>	Finding a bank is easy—the <b>FDIC insures more than 7,500</b> of them. Finding the right bank can be hard for students, though, especially if they lack financial knowledge. This session highlights the basics: banks versus credit unions, savings versus checking accounts, debit versus credit cards, and more. After attending, students will know how to pick a bank that fits their situation—right now and in the future.
<b>Books, Bills, and a Balanced Budget</b>	Clothes, nights out, fast food, and other discretionary expenses can clog a student’s budget—and increase the debt of those already facing student loans. By taking the time to examine their expenses now, students can avoid paying for them later. This session presents <b>five easy steps students can take</b> to understand their spending, create a plan, and stick to a budget.
<b>Building and Maintaining a Winning Score</b>	Your students’ credit has a significant influence on of their lives, including being hired for a job and being able to finance a car. However, according to the National Foundation for Credit Counseling, <b>37 percent of adults don’t know their credit scores</b> . This session teaches your students about the components of their credit scores and credit reports, showing them how to make credit work for them.
<b>Cracking the Credit Code</b>	Your students probably receive credit card offers regularly—Sallie Mae reports that only <b>2 percent of undergraduates have no credit history</b> . With fine print to decode about APRs, finance charges, and additional fees, students can struggle to evaluate their choices. This session clarifies those offers and highlights the importance of establishing credit, helping students choose the correct card for them.
<b>Entrance Counseling</b>	According to ACT, Inc., <b>one-third of all first-year students at 2- and 4-year colleges do not return for their second year</b> . With so many students changing—or leaving—school, early awareness of borrower rights and responsibilities is key. This session highlights the required elements of entrance counseling (loan types, accessing NSLDS, what to do if they withdraw), helping students make smart decisions through their time as borrowers.
<b>Exit Counseling</b>	A new Institute of Higher Education Policy study shows that <b>40 percent of borrowers fall behind on their payments without first seeking a deferment or forbearance</b> . As student loan indebtedness increases, so too does the need to ensure borrowers understand how to manage that debt. This session reviews the required elements of exit counseling, arming borrowers with the knowledge they need to manage their loans after they leave school.
<b>Financing Graduate School</b>	Continuing an education can be intimidating, particularly considering the cost. According to FinAid.org, graduate students borrow an additional <b>\$25,000 for a Master's degree, \$52,000 for a doctoral degree, and \$79,836 for a professional degree</b> . This session reviews traditional financing options for graduate and professional students—while providing your students with tips that can help them live frugally and borrow less.

SESSION	DESCRIPTION
<p><b>5 Weeks, 5 Months, 5 Years: Setting and Achieving Your Financial Goals</b></p>	<p>FinAid.org lists the <b>average student loan debt among graduating seniors as \$23,186</b>. With that large a commitment—and without a plan to handle their debt—many of your students could end up overwhelmed. This session simplifies things, showing gradual steps students can take to reduce their cost of borrowing, repay their loans, and manage their credit in the first 5 weeks, 5 months, and 5 years after graduation.</p>
<p><b>Grand Theft Identity</b></p>	<p>The Federal Trade Commission (FTC) estimates that as many as <b>9 million Americans have their identities stolen each year</b>. While your students cannot prevent all identity theft, they can use some simple safeguards to minimize their risk. This session reviews best practices for keeping personal information safe and shows students how to detect, address, and recover from identity theft.</p>
<p><b>Know Your Loan Repayment Options</b></p>	<p>Federal loan borrowers can <b>repay their loans in a number of different ways</b>—including postponing payments. Paying their loans is always the best option: The more they pay now, the less they pay later. But, if they find it easier to pay less—or they cannot afford to pay anything—they have options. This session outlines those options and the best online resources for student borrowers.</p>
<p><b>Making Sense of Financial Aid</b></p>	<p>Getting financial aid seems like a pain to students; FinAid.org says that 20 percent of students don't apply for aid because the forms were too much work. But, <b>your students can get aid in just five steps</b>—and the money they save will be well worth their time. This session reviews those steps and the types of aid offered at your institution, taking the pain out of the process for your students.</p>
<p><b>Planning for Major Purchases</b></p>	<p>Making major purchases, like cars, can be exciting—but students shouldn't take the commitment lightly. Cars.com reports that about <b>70 percent of buyers use loans</b> to purchase cars; that can add up to a lot of debt for borrowers. This session prepares students to make informed decisions when shopping for big-ticket items—from car buying tips to information on when to use cash, credit, or store financing.</p>
<p><b>Starting With Your Salary</b></p>	<p>The National Association of Colleges and Employers says starting salaries for students graduating this spring average \$50,034. While that's <b>an increase of 3.5 percent</b>, that number may not be realistic for your students' majors or your school's location. This session illustrates your students' potential standard of living after graduation based on their anticipated salary and their current financial decisions.</p>
<p><b>Student Loan Basics</b></p>	<p>Subsidized Stafford. Unsubsidized Stafford. Perkins. Grad PLUS. Parent PLUS. Private... With so many different loans available—and <b>so many different terms and conditions</b> within each—it's no wonder education loans confuse students. This session helps your students borrow wisely, teaching them about the different types of federal student loans, their repayment options, and why on-time repayment is important.</p>

### Appendix AR3 - 3: School and Community Outreach Training Sessions

SESSION	DESCRIPTION
<p><b>A Campus-Wide Approach to Successfully Managing Your Default Rate</b></p>	<p>Managing the cohort default rate may seem like the financial aid office's job, but <b>student loan repayment struggles affect an institution across its entire campus</b>. This session presents strategies to increase interest and participation by other offices on your campus in managing your school's cohort default rate.</p>
<p><b>Challenging Your Draft Cohort Default Rate</b></p>	<p>Each February, your institution receives its draft cohort default rate (CDR)—but do you know what to do with it? If it's incorrect, do you know how and what you can challenge? This session walks you through the steps you need to take to <b>accurately challenge your draft CDR</b> and ensure your official CDR is accurate.</p>
<p><b>Counseling Students to Minimize Borrowing</b></p>	<p><i>USA Today</i> reports that <b>student loan debt now exceeds \$850 billion</b>. To minimize borrowing, students need help not only before admission but also after they are in school. This session details all of the different opportunities you have to counsel your students on borrowing wisely—from application through repayment—and what has worked on other schools' campuses.</p>
<p><b>Default Management Strategies: Small Effort—Large Results</b></p>	<p>When you know the who, what, when, and how behind an effective strategy, <b>default management can be easy</b>. This session answers those questions and shows you how to create a plan for your campus, implement it effectively, and set into action other small efforts that have a huge impact on your borrowers—whether they're at risk or not.</p>
<p><b>Due Diligence During Repayment</b></p>	<p>With the most recent national <b>cohort default rate increasing to 7 percent</b>, it's clear that more and more borrowers are struggling with default. Realizing how students reach this point is important—as is knowing what you can do to help them manage it. This session gives you insight on the due diligence process and lets you know what actually happens to your students on the road to repayment.</p>
<p><b>Financial Literacy on Your Campus: One Good Education Deserves Another</b></p>	<p>Many students enter school without financial knowledge—the Jump\$tart Coalition estimates <b>more than half of high school graduates</b> lack these skills. By giving students relevant financial information, you can overcome this. This session shows you how to create, implement, and market a financial literacy program that works on your campus.</p>
<p><b>Helping Your Students Plan Their Road Trip to Financial Freedom</b></p>	<p>Students often fail to understand how <b>accumulated debt and their future income will shape their lives</b> after school. Using paycheck estimators, money leakage calculations, and more, this session gives you specific ideas on how to help your students understand, prepare for, and successfully live on their true income after graduation.</p>

SESSION	DESCRIPTION
<p><b>The Keys to Presenting Successful Financial Literacy Programs On Campus</b></p>	<p>To implement or enhance a financial literacy program, <b>financial aid offices need to know certain key ideas</b>. From identifying logistical considerations to providing the right information at the right time, this session explores how these ideas all fit together—and how you and your students will benefit from each.</p>
<p><b>Loan Repayment—Know the Options</b></p>	<p>Federal loan borrowers can <b>repay their loans in a number of different ways</b>—including postponing payments. Paying is always the best option: The more they pay now, the less they pay later. But, if they find it easier to pay less—or they cannot afford to pay anything—they have options. This session helps you guide students through those options and the best online resources for them.</p>
<p><b>Partnering for Student Success</b></p>	<p>Student retention. Financial education. Default management. These student-focused initiatives are <b>most successful when multiple campus offices support them</b>. This session highlights the different ways your school can partner with other offices on campus to ensure these critical initiatives receive the support they—and your students themselves—deserve.</p>
<p><b>Skills for Serving Your Students</b></p>	<p>Providing a positive customer experience starts with <b>connecting and communicating effectively</b> with students, as well as their parents. This session covers the best approaches—from presentation planning to active listening—for conveying information, managing difficult situations, and getting your students and their parents to respond and take action.</p>
<p><b>Tips and Resources for Managing Your Cohort</b></p>	<p>Managing a cohort default rate is an institutional issue—but often a select few are tasked with <b>creating a default prevention program</b>. Detailing default aversion strategies, as well as the many resources that can help you monitor your institution’s cohort, this session lets you know where to begin.</p>
<p><b>What Students Really Think About Financial Literacy</b></p>	<p>We all believe in financial literacy, but <b>what do students really think about the topic</b>—and how can we best reach them with key information? Pulling results from our student advisory group and student surveys, this session highlights the information students find most confusing, who they rely on for financial information, and what their preferred forms of communication are.</p>
<p><b>What’s in a Cohort Default Rate?</b></p>	<p>Everyone knows the cohort default rate (CDR) calculated every year for their institution, but do they really know what goes into it, how many students actually defaulted, or how many borrowers impact the CDR percentage? This session explores all these aspects, simplifying the CDR and helping you determine exactly what you need to do to <b>achieve the rate you want</b>.</p>