

## American University in Bulgaria US Federal Direct Loans

### Default Management Plan

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#### **Section I Overview**

The American University in Bulgaria (AUBG) firmly believes that student default rates are a measure of student success. Therefore, below you will find outlined the strategies that our institution employs to help the recipients of US Federal Loans understand the responsibility of borrowing loans to fund their education. The default plan is set in place to ensure that students are aware of their repayment obligations during their studies, upon graduation and at the ending of any grace periods. The purpose is to reduce, if not eliminate, the number of students who default on repayments to their loans. The American University in Bulgaria is using the Sample Default Prevention and Management Plan provided by the Department of Education as a starting point since it contains activities, techniques, and tools to promote student and school success and reduce student loan defaults.

#### **Benefits of adopting a Default Prevention and Management Plan**

The activities in this Default Prevention and Management Plan promote success by reducing delinquency and default. The college and students receive benefits with the implementation of the activities, techniques, and tools outlined in this plan. The University benefits by avoiding any limitations on participation in the loan programs due to excessive default rates. Students benefit by having continued access to Title IV Student Financial Assistance Programs, learning good debt management practices, and establishing a healthy credit history. AUBG is actively committed to promoting student success help our students learn, graduate, obtain employment, and demonstrate financial responsibility through repayment of the funds borrowed to finance their education.

#### **Consequences of Default for Borrowers and for Schools**

Borrowers who default on student loans face serious consequences. Defaulted loans are reported to credit bureaus, causing borrowers to sustain long-term damage to their credit rating. Defaulters may also face difficulty in securing mortgages or car loans, may have their wages garnished, and their federal income tax refunds and other federal payments seized. Until the default is resolved, collection efforts continue and the defaulter will be ineligible for additional federal student aid. By committing time and effort, AUBG can play a critical role in helping borrowers avoid the damaging consequences of default.

The institution may face serious consequences due to high CDRs. Consequences include the loss of participation in the Direct Loan programs as well as provisional certification. Effective, easy-to-implement tools that reduce defaults, promote student and school success, help preserve the integrity of the loan programs, and reduce costs to taxpayers are available to schools.

## **Default Prevention and Management Activities**

*Entrance Counselling*

*Financial Literacy for Borrowers*

*Communication Across Campus*

*Exit Counselling*

*Timely and Accurate Enrollment Reporting*

*Analyze Defaulted Loan Data to Identify Defaulter Characteristics*

## **Section II Early Stages of Enrollment**

The Department of Education recommends that every school implement a default prevention and management plan. Schools and borrowers benefit when schools incorporate default prevention and management activities into their operations. The American University in Bulgaria will undertake these required and recommended activities that make up a default prevention and management plan as early as during student enrollment in order to reduce the incidence of default.

### **1. Entrance Counselling**

All first-time borrowers of the Direct Loan program, new students to the University or students changing their study plan are required to undertake entrance counselling at [www.studentloans.gov](http://www.studentloans.gov) prior to their loans being certified. These students familiarize themselves with their rights and responsibilities regarding student loans and get advised about:

- How the Master Promissory Note works
- The importance of repaying the loan
- The consequences of default, and
- Sample monthly repayment amounts

A copy of the Entrance Counselling is retained in the student file.

### **2. Financial Literacy for Borrowers**

Upon the recommendation of the US Department of Education, AUBG strives to provide its borrowers with information concerning the income potential of occupations relevant to their course of study, counseling at various stages of enrollment, interactive tools to manage debt, repayment options, and school contact information. This is done through informative sessions, adding the information to award letters as well as counselling.

### **3. Early Identification and Counselling for Students at Risk of Withdrawal**

The University is responsible for monitoring borrowers and identifying those who are at risk of non-progression or withdrawal. AUBG has set counselling sessions for those students with a view to try and retain those students. Every effort is undertaken to try and resolve any issues to prevent the student from withdrawing from the university.

US students will be referred to the Student Loans Team to discuss the effect of withdrawing from studies on their Federal loans. They will be provided with information of Title IV refunds and asked to complete exit counselling.

### **4. Communication across campus**

All students who are recipients of US Federal loans are directed to the mandatory Foreign Schools Consumer Information section of the AUBG website. Borrowers' academic progress and enrolment status are monitored regularly and the information is accessible by all relevant offices across the University, including the office that disburses and authorizes US loan payments. In addition, we request confirmation from the students' advisers/supervisors of their satisfactory academic progress prior to disbursing the funds. Up-to-date contact information for both the student and the next of kin is obtained from students at enrolment and stored in our student database.

## **Section III Late Stages of Enrollment**

The following are default prevention activities that take place during the later stages of enrolment and after students have left school.

### **1. Exit Counselling**

Graduating students and withdrawing students are reminded that they must undertake Exit Counselling as part of the conditions of borrowing US Federal Direct Loans. Students are directed to <https://studentloans.gov/myDirectLoan/index.action> and are asked to confirm to the US loan administrator that they have completed their Exit Counselling.

### **2. Timely and Accurate Enrollment Reporting**

Timely and accurate enrollment reporting to the National Student Loan Data System (NSLDS) at regular intervals throughout the year is an obligatory condition of our eligibility to certify Direct Loans and AUBG will ensure that accurate information on enrollments is reported in a timely manner.

## **Section IV After Students Leave School**

There are effective default prevention and management activities for schools that will help borrowers during repayment. In addition, there are activities to help schools correct data and improve prevention and management practices and initiatives.

## 1. Maintain Contact with Former Students

AUBG finds that all of the practices and strategies mentioned previously are much easier to employ if the institution is able to reach and keep in contact with its former students after they have left campus. By collecting ample reference information including cell phone numbers, e-mail addresses, and numbers and names of a variety of family members AUBG will have the resources to maintain contact with former students. One of the best methods schools can employ to avert defaults is to work with borrowers during every stage of repayment. Work with lenders, guaranty agencies, and servicers to identify delinquent and hard to reach borrowers, or those who have not been contacted at all to assist them with their repayment options and obligations. Contacting borrowers is an essential activity upon which successful default prevention and management can be built. AUBG firmly believes that contact from the school may be the only effective technique to save a borrower from the negative consequences of default.

## 2. Analyze Defaulted Loan Data to Identify Defaulter Characteristics

No matter how effective and far-reaching a default prevention and management plan is, some borrowers default. A major part of any plan is to periodically review progress in preventing defaults. One element of this review is a comprehensive analysis of defaulters. Defaulted loan data will be closely monitored to identify borrowers and to delve deep into the reasons for defaulting. The frequent examination of defaulter characteristics coupled with an assessment of default prevention and management successes and shortcomings can provide valuable information. They will allow the institution to promote success by taking preventive measures to correct ineffective practices thereby preventing current and future borrowers from experiencing the same difficulties that plagued past defaulters.

## Section V Tools and Activities

We will make use of the recommended tools listed below to ensure data accuracy and use effective loan counselling and default prevention management techniques to aid students and the University

### **Where do I begin?**

FSA Assessments for Default Prevention and Management

<http://www.ifap.ed.gov/qamodule/DefaultManagement/DefaultManagement.html>

### **Loan Counseling**

Students and Counselors

<http://www.studentaid.ed.gov>

*The Student Guide* and NSLDS for Students

<http://www.studentaid.ed.gov>

How much will it cost?

<http://nces.ed.gov/ipeds/cool/>

<http://www.dlsonline.com/tools/search.asp> (for Direct Loan Borrowers)

How will I pay for it?

[http://studentaid.ed.gov/students/publications/student\\_guide/index.html](http://studentaid.ed.gov/students/publications/student_guide/index.html)

Will I make enough money in my chosen occupation to repay student loans I receive?

<http://www.bls.gov/search/ooah.asp?ct=OOH>

<http://data.bls.gov/PDQ/outside.jsp?survey=nc>

*Repaying Your Student Loans*

[http://www.studentaid.ed.gov/students/publications/repaying\\_loans/index.html](http://www.studentaid.ed.gov/students/publications/repaying_loans/index.html)

Ombudsman Office

<http://www.ombudsman.ed.gov>

*Ensuring Student Loan Repayment Best Practices for Schools*

<http://www.ifap.ed.gov/eannouncements/0119stuhbkbbestpractice.html>

SFA Assessments for Schools

<http://www.ifap.ed.gov/IFAPWebApp/qualityassurance/SFAAssessment.jsp>

Mapping Your Future

<http://www.mapping-your-future.org>

Jump Start Coalition for Personal Financial Literacy

<http://www.jumpstart.org>

## **Enrollment Reporting and Data Accuracy**

*NSLDS Enrollment Reporting Guide*, formerly SSCR User's Guide

<http://www.ifap.ed.gov/nsldsmaterials/010904NSLDSEnrollRepGuide.html>

NSLDS Date Entered Repayment Report, School Repayment Information Loan Detail Report, and Enrollment Reporting Summary Report

<https://www.nsldsfap.ed.gov>

NSLDS Reports, requesting and formatting questions

<https://www.nsldsfap.ed.gov> Reports Tab

NSLDS User ID

CPS/WAN Technical Support 1-800-330-5947

NSLDS Customer Support 1-800-999-8219

*Cohort Default Rate Guide* for information on challenges, adjustments, and appeals

<http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>

## **Default Prevention**

FSA Assessments

<http://www.ifap.ed.gov/qamodule/DefaultManagement/DefaultManagement.html>

*Ensuring Student Loan Repayment Best Practices*

<http://www.ifap.ed.gov/eannouncements/0119stuhbkbestpractice.html>

NSLDS Reports and Exit Counseling

<https://www.nslsdfap.ed.gov>

NSLDS Reports, requesting and formatting questions

<https://www.nslsdfap.ed.gov> Reports Tab

NSLDS User ID

CPS/WAN Technical Support 1-800-330-5947

NSLDS Customer Support 1-800-999-8219

*Late Stage Delinquency Assistance (LSDA) Guide:*

For Direct Loan Schools,

Direct Loan Servicing/Schools website, accessed via COD website

<http://www.cod.ed.gov>

For FFEL Schools,

Default Prevention Strategies

<http://www.ifap.ed.gov/qamodule/DefaultManagement/DefaultManagement.html> or contact your guaranty agency

## **General Connections/Publications**

Information for Financial aid Professionals (IFAP) Library with publications, training, tools, references, laws, etc.

<http://www.ifap.ed.gov>

The Office of Federal Student Aid

<http://www.ed.gov/about/offices/list/fsa/index.html>

*The Student Guide*

<http://www.studentaid.ed.gov>

NSLDS

<https://www.nslsdfap.ed.gov> or <https://www.nslsdfap.ed.gov/secure/logon.asp>



# American University in Bulgaria

ED Pubs, the Department of Education Online Publication Ordering System, helps you identify and order free publications from the Department. Examples of resources available at ED Pubs include the following:

- *Repaying Your Student Loans* (in English and Spanish)
- *The Student Guide*
- *Getting Ready to Pay for College*
- *Counselors and Mentors Handbook*

[www.edpubs.org](http://www.edpubs.org)

1-877-4ED-Pubs or [edpubs@inet.ed.gov](mailto:edpubs@inet.ed.gov)