

# Student Loan Basics: What You Need to Know

David R. Glezerman

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# Today's Presenter

## David R. Glezerman

Assistant Vice President and Bursar, Temple University



David R. Glezerman is assistant vice president and bursar at Temple University, where he has been employed since 1986. Employed in higher education receivables management for 32 years, Glezerman is a co-author of *Managing and Collecting Student Accounts and Loans: A Desk Reference for Educational Receivables Stewardship*, published by the National Association of College and University Business Officers (NACUBO). A certified instructor for ACA International, Glezerman is a past recipient of ACA's Member of the Year and Charles F. Lindemann Instructor of the Year awards and is designated as a Master Credit Executive (MCE).

Glezerman also has written many articles for and has been referenced by numerous collections and higher education industry publications for his views on higher education receivables.

# What Makes Student Loan Collections Different?

- Types of Lenders
  - Government
  - Banks
  - Schools
- Types of Borrowers
  - Students
  - Parents
- Different Terms and Conditions
  - Creditworthiness
  - Collection cost assessment
  - Bankruptcy protection

# What Makes Student Loan Collections Different?

- Borrowers' Rights and Responsibilities
  - Payment options
    - Standard (Equal)
    - Graduated
    - Income Contingent
    - Income Sensitive
  - Length of Repayment

# What Makes Student Loan Collections Different?

- Borrowers' Rights and Responsibilities
  - Deferments
  - Forbearance
  - Cancellation

# Types of Federal Student Loans

- Federal Direct Student Loans (a.k.a. William D. Ford Direct Student Loans or FDSL)
- Federal Family Education Loans (FFEL)
- PLUS Loans (Parent or Graduate Student)
- These loans are governed under Title IV of the Higher Education Act (HEA)

# Types of Federal Student Loans

- Federal Perkins Loan (Perkins)
  - Formerly known as National Direct Student Loans (NDSL)
    - Also a Title IV loan
  - Managed by colleges and universities
    - Utilize 3<sup>rd</sup>-party billing services to perform basic functions and activities



# Types of Federal Student Loans

- Campus-based programs operated through the U.S. Department of Health and Human Services (HHS)
  - Health Professions Student Loans (HPSL)
  - Primary Care Loans (PCL)
  - Nursing Student Loans (NSL)
- Management is similar to Perkins loan program

# Terminology

- Consolidation
  - Refinancing two or more loans into a single obligation
- Rehabilitation
  - A plan allowing for 9 consecutive monthly payments to gain a fresh start and cleared credit.
- Administrative Wage Garnishment (AWG)
  - A non-judicial process used to obtain payment.

# Terminology

- Default
  - When a payment is not received or benefit not requested.
  - Measure of lender performance based on regulatory measures.
- Due Diligence
  - The “roadmap” outlining required billing and collection activities.
- Servicer
  - A third party firm which provides billing and other routine services on behalf of a lender

# Due Diligence

- Entrance/Exit Interviews (Counseling)
- Grace Period Notices
- Bills
- Past Due Notices
  - 15 days past due
  - 45 days past due
  - 60 days past due

# Due Diligence

- Telephone calls
  - 90 days past due
- Final demand letter
  - 120 days past due
- Collection agency placement(s)
  - 12 month maximum without payment(s)
- Litigation
- Assignment to U.S. Department of Education

# Account Resolution

- Payment in full
- Past due payment(s)
- Deferment
- Forbearance

# Challenges to Timely Account Resolution

- Economic Conditions
- Skips
- Lack of Knowledge/Literacy
- Unwillingness to Pay

# What is a “Cohort” Default Rate

- Performance measure for federal loan programs.
- Methodology is established through federal regulations.
- Sets up time frame for successful account resolution.



# Key Talking Points for Successful Federal Loan Collections

- Negative credit rating.
- Mandatory assessment of collection costs.
- Non-dischargability in bankruptcy.
- Ineligible to receive additional federal financial aid.
- Consider loan consolidation.

# Key Talking Points for Successful Federal Loan Collections

- If un- or under-employed:
  - Eligibility for deferment or forbearance
    - Usually in 6-month increments with a 3-year maximum.
    - May require some payment of interest and/or reduced principal.
- Cancellation
  - Certain types of service (i.e., teaching in designated areas or law enforcement)

# Key Talking Points for Successful Federal Loan Collections

- “How short are you?”
- Establish a regular routine of payments.
- Who *will* assist you with payments?
- “Your school/lender has referred this matter to us for resolution.”

# Notes to Notice

- Short chat session to follow today's webinar.
- Final webinar is scheduled for December 8.
- Questions:
  - Email to [david@thedrggroup.com](mailto:david@thedrggroup.com)