

# **A Look at Student Loan Collections: Where Are We Today...and Where We Are Going**

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.

# Why Student Loans Are a Lucrative Market

- Types of Business
  - Federal Loans
  - Private Loans
  - Institutional Loans
- Increasing Debt Levels
- More Delinquent Accounts

# Today's Student Loan Market

- Over 1 TRILLION dollars in student loan debt.
- Now a larger market than credit card debt.
- \$550 billion outstanding in 2<sup>nd</sup> quarter of 2011 vs. \$440 billion in 3<sup>rd</sup> quarter of 2008.

# Today's Student Loan Market

- Average debt is \$24,000.
- In 1993, fewer than half of graduates even had to borrow.
- 2 out of 3 graduates in 2008 have student loan debt to repay.

# Today's Student Loan Market

- According to Moody's, student loan performance has remained stagnant compared to other sectors.
- Delinquency and loss rates on outstanding loans have remained steady through the recession.

# Today's Student Loan Market

- Double-digit growth in student loan dollar balances in the last decade.
- Even real estate appreciation did not grow as rapidly.
- The cost of education (tuition and fees) has more than doubled since 2000.

# Today's Student Loan Market

- Long-term outlook for student lending remains worrisome, according to Moody's.
- Rising demand for loans will continue.
- Elimination of some federal loan interest subsidies will cause increased debt levels.

# Today's Student Loan Market

- What has been changing?
  - The federal government has replaced banks as lenders (Federal Direct Loans vs. Stafford Loans)
  - Other federal financial aid resources are shrinking.
  - Gaps are increasingly being filled by private loans.
  - Borrowers are finding it more difficult to obtain credit.

# Today's Student Loan Market

- Latest federal loan default rates are troubling.
  - Increase from 7% to 8.8% in 2010.
  - Default rate has nearly doubled since 4.6% in 2005.
- Default rate for private loans is approximately 5.5%.

# Today's Student Loan Market

- Meanwhile, delinquency is growing:
  - 11.2% of student loans were more than 90 days past due, with delinquencies rising.
  - 12.2% of credit card debt is delinquent, but has been declining for the last year.
  - 41% of borrowers are delinquent at some point in the 1<sup>st</sup> 5 years after entering repayment.

# What You May Not Know About Delinquency

- Delinquency is less serious and common than default.
- Students who graduate from college don't become delinquent or default.
- The highest-borrowing students are the ones who become delinquent.

# What You May Not Know About Delinquency

- Borrowers understand the various available repayment options.
- Low-income students don't borrow to attend college.

Source: Forbes.com (5/11/11)

# The Future of Higher Education Collections

- Issue: Economic Conditions
  - Fewer jobs for graduates and dropouts create more difficulties for loan repayment.
  - Lack of financial literacy creates issues in understanding benefits (i.e., deferment, forbearance, consolidation).
  - Full payment vs. arrangements

# Educational Debt You Might Not Know About

- Tuition and Fees
  - Terms and conditions established by each college or university.
  - Collections policies and procedures determined by each institution.
  - Public institutions may need to comply with state standards.
- Institutional Loans
  - Terms and conditions set by school.

# Tips for Market Entry

- Do your homework
- Know your prospects
  - Type of institution
    - Public
    - Private
    - For-profit
  - Decision makers

# Tips for Market Entry

- Many schools use RFPs.
- Slow decision making.
- Relationships have an impact.
- Focus on service.

# Tips for Market Entry

- Know your competition
  - Who are they?
  - How are they different?
  - What do they charge?
  - With whom do they do business?

# Tips for Market Entry

- Participate in relevant organizations and conferences.
- Use public information and/or hire or retain a higher education expert.
- Target easy opportunities.
- Accept other types of educational debt.

# The Future of Higher Education Collections

- Federal Student Loans
  - U.S. Department of Education (ED) Collection Contract (PCAs)
    - Large and small businesses
    - GSA Certification
    - Subcontracting opportunities for small businesses
  - New contract in 2013
  - Potential that the ED contract will be the sole entry point for federal loan collections within 3-5 years.

# The Future of Higher Education Collections

- Private student loans
  - Lenders seeking quality collection firms
  - Entry process is more similar to other sectors
    - Banking
    - Credit Card
    - Retail
  - Fewer federal regulations

# The Future of Higher Education Collections

- Campus-Based Loans/Student Accounts
  - Economic conditions are leading to growing debt levels and delinquencies.
  - Schools need to recover outstanding debt to help offset institutional expenses.
  - More opportunities for secondary placements.
  - Control your own destiny.

# What's Next???

- Short chat session to follow today's webinar.
- Remaining webinars are scheduled for:
  - November 17
  - December 8
- Questions:
  - Email to [david@thedrggroup.com](mailto:david@thedrggroup.com)