

# Hawaii Community College Default Prevention Plan

## INTRODUCTION AND BACKGROUND

Although not required by the Department of Education to have a default prevention plan in place, the Financial Aid Office at Hawaii Community College makes significant efforts in the areas of default prevention and debt management. This document, a part of Hawaii Community College’s Financial Aid Policies and Procedures, describes these efforts and presents information about the institution’s loan program that helps guide these efforts. The Financial Aid Officer is responsible for implementation of this plan.

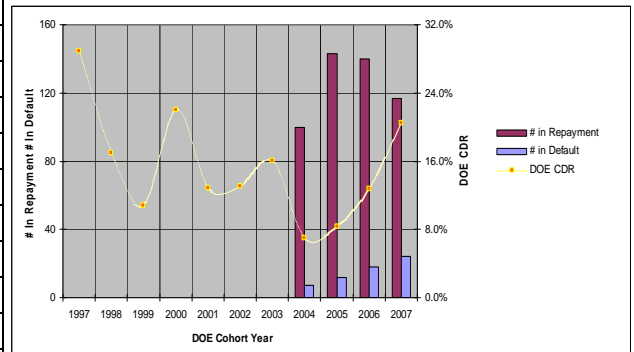
## HAWAII COMMUNITY COLLEGE STUDENT LOAN BORROWER POPULATION

To understand the default prevention and debt management efforts for loan borrowers, it is helpful to see Hawaii Community College’s borrowing population in the context of the institution. Hawaii Community College serves almost 4,000 students annually and processes over 500 loan applications per academic year. In the Fall 2008 term, Hawaii Community College had 2,884 enrolled students, 54% of which were part-time. For the 2007-2008 academic year, Hawaii Community College awarded 3.1 million dollars in grant aid to 53% of the student body, and only 7% of these students took out student loans in addition to grant aid. In contrast to Hawaii Community College’s 7% rate of borrowing in 2007-2008, the national average of borrowers among first-time full-time students in 2-year public institutions was well over 20% in 2007-08. (Drowning in Debt: The Emerging Student Loan Crisis, Dillon and Carey, 2009.)

## HAWAII COMMUNITY COLLEGE’S HISTORICAL DEFAULT RATES

Hawaii Community College’s default rates, over time, have fluctuated widely – primarily due to the small size of the cohort – two or three additional borrowers who default in a particular cohort can have a sizeable impact on the resulting cohort rate.

DOE Cohort Year	DOE CDR	Borrowers	
		# in Repayment	# in Default
1997	28.9%	0	0
1998	17.0%	0	0
1999	10.8%	0	0
2000	22.0%	0	0
2001	12.9%	0	0
2002	13.1%	0	0
2003	16.1%	0	0
2004	7.0%	100	7
2005	8.3%	143	12
2006	12.8%	140	18
2007	20.5%	117	24



Hawaii Community College’s 2008 Draft Rate (released in February of 2009) is: 14.4% (14/97), and the school’s trial three-year rates (from NSLDS trial rate reports) are: 2005 3-year trial is 15.3%; 2006 3-year trial is 19.2%; and 2007 3-year trial is 26%.

The table below show Public 2-year Associate Degree granting schools with similar sized cohorts (+/- 10 borrowers) and their 2007, 2006, and 2005 rates. These institutions provide benchmarks for Hawaii Community College, and show that similar institutions with same size cohorts also experience wide fluctuations in rates over time.

School Code	School Name	State	07 N	07 D	07Rate	06 N	06 D	06 Rate	05 N	05 D	05 Rate
007738	Southern Arkansas University Tech	AR	17	107	15.8	17	128	13.2	15	123	12.1
001102	Ouachita Technical College	AR	12	107	11.2	11	71	15.4	5	69	7.2
001224	Los Angeles Harbor College	CA	5	107	4.6	5	87	5.7	6	87	6.8
013536	Coastline Community College	CA	6	109	5.5	10	123	8.1	11	121	9
001485	Florida Keys Community College	FL	21	110	19	16	126	12.6	12	122	9.8
009231	Washington County Comm Coll	ME	13	110	11.8	9	59	15.2	9	122	7.3
008038	Middlesex Community College	CT	18	111	16.52	12	91	13.1	2	41	4.8
001913	Dodge City Community College	KS	18	112	16	21	155	13.5	9	130	6.9
001191	Diablo Valley College	CA	6	114	5.2	10	139	7.1	17	156	10.8
010390	Windward Community College	HI	11	114	9.6	21	133	15.7	15	153	9.8
001104	Phillips Comm Coll of the U of AR	AR	10	115	8.6	15	152	9.8	15	99	16.1
005258	Hawaii Community College	HI	24	117	20.5	18	140	12.8	12	143	8.3
014311	Berkeley City College	CA	19	118	16.1	12	112	10.7	9	105	8.5
006982	Naugatuck Valley Community College	CT	13	119	10.9	5	139	3.5	7	119	5.8
004453	El Centro College	TX	10	121	8.2	16	137	11.6	13	123	10.5
003816	Southern WV Comm and Tech College	WV	22	121	18.1	21	115	18.2	6	66	9
001217	Lassen College	CA	31	122	25.4	21	117	17.9	15	99	16.1
001643	Spoon River College	IL	18	124	14.5	28	146	19.1	12	112	10.7
008597	Feather River College	CA	11	125	8.8	21	125	16.8	16	91	17.5
013537	Waycross College	GA	9	125	7.2	9	116	7.7	14	128	10.9
006981	Gateway Community College	CT	13	126	10.3	7	149	4.6	10	123	8.1
008308	Cecil College	MD	14	126	11.1	12	126	9.5	10	111	9
034835	Cascadia Community College	WA	6	126	4.7	10	143	6.9	8	142	5.6
009765	Three Rivers Community College	CT	8	127	6.2	16	138	11.5	9	122	7.3
001669	Danville Area Community College	IL	19	127	14.9	23	121	19	11	108	10.1
037894	River Parishes Community College	LA	16	127	12.5	5	70	7.1			

## ORGANIZATION OF DEBT MANAGEMENT ACTIVITIES

This document is organized using Hawaii Community College's "Life of the Loan" approach, and describes the default prevention and debt management efforts of the Financial aid Office at each stage of the borrower's loan:

1. Pre-enrollment Activities
2. At initial enrollment/application for financial aid
3. Upon re-borrowing for 2<sup>nd</sup> year
4. Upon withdrawal for graduation
5. Upon entering repayment
6. During repayment/cohort management

### 1. PRE-ENROLLMENT ACTIVITIES

The Hawaii Community College Financial Aid web site provides information pertaining to student loans. This site includes links to the Department of Education's Direct Lending program as well as the USAF Life Skills Modules. Financial Aid Counselors conduct workshops on campus, at local high schools and for faculty/staff. They also present the Financial Aid Overview at all mandatory new student orientation programs. All of these sessions and workshops include information on borrowing and repayment.

2. AT INITIAL ENROLLMENT/APPLICATION FOR FINANCIAL AID

The loan section of the Financial Aid Office web site expresses the philosophy of careful consideration before borrowing and emphasizes the potential hazards of over borrowing. The packaging philosophy focuses on grant and gift aid--loans are not part of a student's award notification. All students who qualify for a loan receive a letter from the Financial Aid Office informing them that the loan application has been processed and what their total loan indebtedness is. First-time borrowers must complete three Life Skills Modules prior to loan certification. After a student's loan is disbursed, a notification is sent to the student informing them that they have the option of reducing or cancelling a portion or the entire loan.

3. UPON RE-BORROWING FOR 2<sup>ND</sup> YEAR

The Financial Aid Office has required that second-year borrowers still complete entrance counseling to remind them of their borrowing obligations and their increasing debt. In addition, the completion of five Life Skills Modules is required prior to loan certification. Financial Aid Workshops on scholarships, student employment and life skills management are offered monthly.

4. UPON GRADUATION OR WITHDRAWAL

*Graduation:*

The Hawaii Community College Registrar's Office sends a report to the Financial Aid Office of students who have applied for graduation. The Financial Aid Office contacts these students to notify them of the exit counseling requirement, and online as well as in-person exit counseling are offered. Students who do not complete the required exit counseling have a hold placed on their student account which prevents them from receiving their diploma or any Hawaii Community College services until the exit requirements have been satisfied.

*Withdrawal:*

Students who withdraw from Hawaii Community College are sent an exit packet which directs them to [studentloans.gov](http://studentloans.gov) to complete their exit counseling. The USA Funds Student Loan EXIT Interview form is included in the packet, and students are asked to return the signed and completed form to the Financial Aid Office.

5. UPON ENTERING REPAYMENT

Hawaii Community College has used USA Funds Debt Manager to communicate with borrowers as they enter and make their way through repayment. A letter, sent monthly after the borrower is 60 days delinquent, helps negotiate the transition to repayment. Jody Adviento-Turner is the primary user of the software and is the students' contact throughout repayment.

6. DURING REPAYMENT/COHORT MANAGEMENT

Throughout repayment, Hawaii Community College uses USA Funds Debt Manager to send delinquency, deferment, and forbearance letters and emails to borrowers. This tool has been used for several years. This communication generally generates telephone conversation with the borrowers, and Jody Adviento-Turner is the primary owner of the activities managing this communication. Borrower detail reports are monitored.

## **MEASURING THE EFFECTIVENESS OF HAWAII COMMUNITY COLLEGE'S PLAN**

Each year, Hawaii Community College will evaluate its financial aid packaging policies, taking into account institutional as well as student needs. The focus of this review will be to encourage conservative borrowing by students and to promote scholarships, other gift aid, and federal work/study in lieu of loans, and will tie into the institutional effectiveness plan. The Financial Aid Officer will examine on an ongoing basis this default management plan to assess its effectiveness. As part of this assessment, the Financial Aid team will work closely with its regional USA Funds debt management consultant, evaluate plans used by other institutions, review useful Web sites, and attend default prevention conferences and workshops to ensure that Hawaii Community College delivers the most effective programs and services to its students.