

Planning for Student and School Success

**Examples of
Student Loan Repayment
Improvement Strategies**



StudentAidBC

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EXECUTIVE SUMMARY

The cost of defaulted student loans is high, not only to the student but also to government and taxpayers. This report summarizes some strategies B.C. post-secondary institutions may find useful in their continued efforts to promote student success and help students avoid student loan defaults.

For this purpose, student success is defined as completing a program of studies, finding employment, and repaying student loan debts. The document lists strategies for post-secondary institutions to consider using:

- Before students are recruited.
- At the recruitment phase.
- During the study period.
- At graduation.
- During the months following graduation.

It's my pleasure to provide this information to post-secondary school administrators to support them in their efforts on behalf of students.

Merv Scott
Director, StudentAid BC
Feb. 22, 2007

INTRODUCTION

This document was developed to support British Columbia post-secondary educational institutions by providing information and strategies based on current best practices in supporting student success and administering student financial assistance.

While the federal and provincial governments and their service providers are responsible for funding and managing student financial assistance, B.C. post-secondary institutions are key partners in administering and delivering financial assistance programs.

In fact, research into student loan defaults has identified successful completion of a student's post-secondary program as a leading predictor of student loan repayment. Other factors leading to successful repayment of student loans include:

- Employment and level of income.
- Good understanding of financial aid processes and loan obligations.
- Good personal and financial management.

Schools play a lead role in helping students to achieve these goals. It is important to raise awareness of this for a variety of reasons, not the least of which are the consequences of defaulted student loans. These affect student loan borrowers as well as taxpayers and the post-secondary education system.

Consequences of student loan defaults

The list of financial difficulties facing students who default on their loans includes having:

- Their student loans transferred to collection agencies.
- Their wages garnisheed.
- Their income tax refunds redirected to pay down their student loans.
- Liens imposed on their properties or assets they own.
- Their credit damaged to the point of causing future difficulties in securing mortgages or other loans.

When student loan repayment rates are unacceptable, the government has to spend more money for extra monitoring, administration and provisions to cover bad debts. Government's ability to direct funds toward the development and implementation of new programs is reduced.

Students who have negative experiences at a school may damage the reputation of the school and, therefore, future revenue.

For these reasons, as well as others, many schools have invested in student success and retention strategies.

Student success does not happen by accident. Purposeful efforts must be designed, implemented and maintained. This report offers a sampling of solutions and strategies for British Columbia's post-secondary education system. The goal is to build stronger partnerships to improve student loan repayment rates and reduce costs for taxpayers and the education system, while ensuring good outcomes for as many students as possible.

STUDENT SUCCESS PLANNING

In 2003, a working group representing interested B.C. private educational institutions developed and submitted a series of recommendations on student loan default management to the Minister of Advanced Education. Their key recommendation was for all designated private institutions to adopt a student success plan.

A student success plan was described as a set of procedures used by an institution to ensure that its students are successful. Student success was defined as completing a program of studies, finding a job as a result, and repaying student loan debts.

The report recommended that post-secondary institutions help to ensure student success by planning and taking measures during five key phases of the education process:

- 1 Before students are recruited.
- 2 During the recruitment phase.
- 3 During the study period.
- 4 At graduation.
- 5 During the months following graduation.

Strategies for Improving Student Loan Repayment

The document you are reading builds on the recommendations from the above student success plan, in the context of improving student loan repayment rates. It identifies strategies, drawn from a variety of sources, for post-secondary institutions to use in each of the five key phases of the education process.

PHASE 1: BEFORE STUDENTS ARE RECRUITED

ACTIONS:

- 1. Form a student success steering committee.**
- 2. Involve industry.**
- 3. Build alliances.**
- 4. Review marketing plans.**
- 5. Provide student financial assistance training.**

1.1. Form a student success steering committee

Many post-secondary institutions establish executive-level steering committees to develop, direct and monitor programs that bring resources and focus on student success.

A critical first step for such a committee is to do an assessment of their school to review and understand how they currently promote student success. It is also important to assess the educational success of your students through student outcome surveys, analysis of the reasons for withdrawals, and measurements of the students' engagement with the school, faculty and fellow students. The committee can also play a key role in the success of students by developing and monitoring a student loan repayment improvement plan. The student success steering committee should include the school's director of financial awards as well as faculty representatives.

“Though it is true that student success is everyone’s business, it is the business of the faculty in particular. They must be involved in institutional efforts to enhance student success. We must be intentional, proactive, and intrusive. Student success does not arise by chance.”

*Vincent Tinto,
B.C. Career Colleges Association Conference
May 14-15, 2006*

1.2 Involve industry

A post-secondary institution can maintain ongoing contact with businesses and industries related to the programs the school offers, to ensure that programs and courses are appropriate and relevant in the labour market. Keeping in touch with industry and the labour market will also help give the school recognition within that industry.

Industry can be engaged in several ways. For example, an industry advisory board can be formed, made up of industry representatives and school officials such as financial aid, admissions, faculty, program and marketing staff. The advisory board would be charged

with keeping the school up to date on changes in the industry, through labour market surveys and interviews with employers, to better understand the skills and knowledge students need to market their skills to employers.

Lists of employers willing to spend time with students discussing the merits of a particular course of study and its relevance to the marketplace could be made available to students who are considering enrolling in the school.

An employed borrower is better able to make loan payments than an unemployed borrower.

1.3 Build alliances

Historically, the responsibility for managing student loans fell entirely on the financial aid staff at post-secondary institutions. For student success strategies to truly take effect at a school, the financial aid department should have the support of its own campus. Student success, retention and student loan repayment play an important role in the ongoing viability of a school. Every employee should be aware of and engaged in success and retention efforts. Forging alliances between employees and departments with a school facilitates learning and promotes progress. In the context of improving student loan repayment, these are some of the recommended steps:

- Stress the importance of loan default prevention to senior administration and ask them to help secure resources.
- Enlist alumni organizations and the registrar's office in providing loan management information to students and in improving contact updates for campus services as well as loan service providers.
- Engage other departments and faculties in pilot programs (such as work study, graphic design for communication with borrowers, etc.).
- Develop retention committees to identify students at risk of withdrawing, and find ways to keep them engaged in school (such as study and writing skills sessions, student mentoring, providing financial assistance, etc.).
- Encourage faculty to invite financial aid staff to present information sessions for new students during the first week of classes.

1.4 Review marketing plans

A post-secondary institution's recruitment marketing plans should only target potential students with aptitude for the programs offered at the school. Advertising in trades publications, journals and magazines related to the field of study can help promote recruitment of students with an interest in that field of study.

Institutions can market their programs well in advance of study dates so that potential students have time to plan and save for their study period. This will lower the amount of

money the student needs to borrow. It will also help them to plan for their time at school, and to make arrangements like day care for their children.

Institutions can take part in open houses, college information nights and career fairs to inform potential students about the benefits and costs of a post-secondary education.

1.5 Provide student financial assistance training

Post-secondary institutions should provide their student financial aid offices and staff with adequate resources and training to ensure the policies and procedures of StudentAid BC are clearly understood, as well as the responsibilities that come with school designation under the program. The B.C. Career Colleges Association offers financial aid training sessions at least twice a year. Contact the BCCCA at bccca@shaw.ca for more information.

Institutions can make student loan default prevention a priority for the entire financial aid office by educating front-line staff and advisers on default prevention measures. Inviting industry experts and government resources to provide training on their respective areas of responsibility is an effective way to accomplish this.

PHASE 2: DURING RECRUITMENT

ACTIONS:

- 1. Establish entrance standards.**
- 2. Conduct student interviews.**
- 3. Conduct admissions testing.**
- 4. Review school recruitment incentives.**

2.1. Establish entrance standards

It's important that post-secondary schools identify all pre-entrance requirements needed to prepare students for the academic requirements of the program, as well as to ensure the person is suited to a career in their chosen field. Specifically, minimum entrance requirements should address not only academic standards but also industry needs and personal suitability. Only students who meet entrance requirements should be allowed into the program of studies.

2.2 Conduct student interviews

Interviews with students during recruitment are important to ensure students understand their responsibilities while in school and after they leave full-time studies and must repay their student loans. At this stage, the student needs to understand the level of financial support the school will provide and the financial implications of continuing their education. The interview process can include the following elements:

- 1 The student's career expectations should be a focus of the entrance interview to ensure that what the student expects from their study program is what the school can deliver. Information about the earning potential of students completing the program should be clear, accurate and available. This information can be provided through one-on-one counselling, group information sessions or classes, publications, online tutorials, electronic newsletters, or any combination of these and other sources.
- 2 Before the entrance interview, students could be asked to conduct information interviews with employers in their chosen field, and given a suggested list of topics to research. The student would then be asked to discuss these topics at their entrance interview. Expectations and personal suitability could be discussed.
- 3 Counselling and other support services should be explained to the student. Students need to know what resources are available to them in terms of academic and financial support. As well as being informed about financial aid, the student should also be told about their responsibility to repay student loans.

- 4 Budget planning could be undertaken to help the student understand the financial resources (including student aid) they will need to pay tuition, books and other school costs, as well as living expenses while they are studying. Schools could also provide students with a list of any available scholarships and bursaries.
- 5 Based on labour market information, post-secondary schools could educate their students about the likelihood of getting a job after they complete their training and the expected salary in their chosen field. Students also need to be told how much they will need to pay each month when they begin repaying their student loans.
- 6 Students need to understand up front the importance of telling their student loan service provider about any change in their status, as well as the potential impact on their student funding if they withdraw from full-time studies. Giving students up-to-date written information on the school's tuition refund policy is also important. Students should be encouraged to keep personal records of all the student loan documentation and school-related information they receive so they can refer to it in the future.
- 7 This is the time to give students information on any loan default prevention assistance available to them on campus, including contacts, as well as similar services offered by their student loan service providers or lenders.

2.3 Conduct admissions testing

Pre-enrolment testing is a chance to find out a potential student's suitability for the courses offered by the school. This testing can include a written exam, a portfolio of the student's work, a review of the student's resume to determine any prior interest in the field and/or results from information interviews (see above). It should also include questions during the entrance interview that help the school determine the student's readiness to take on the work involved in a particular program of study.

Schools could analyze admission test scores of students who graduate compared with the test scores of those students who withdraw, fail or are asked to leave their program. Raising the passing grade may increase the success rate of students at the school. The exam could also be adjusted to make it more applicable to industry and employer needs.

2.4 Review school recruitment incentives

Where institutions offer incentives to student recruiters or other staff, it is recommended they be divided so the larger amount is paid when the student graduates.

The school needs to track and evaluate the effectiveness of these incentives by reporting on the success of their former students in finding employment and paying off student loans. These reports can also be provided to the school's student success committee and/or industry advisory board.

PHASE 3: DURING STUDY PERIOD

ACTIONS:

1. **Train financial aid administrators.**
2. **Teach financial literacy.**
3. **Educate borrowers.**
4. **Use technology.**
5. **Offer counselling.**
6. **Support at-risk students.**
7. **Manage withdrawals.**
8. **Be accurate and on time with enrolment reporting.**
9. **Offer work-study programs.**
10. **Set up practice education.**

3.1. Train financial aid administrators

Post-secondary schools must follow the rules and regulations to administer the StudentAid BC program successfully. When private institutions sign their designation agreements with the Province, they agree to fulfill the obligations outlined in the agreement and in the StudentAid BC policy and procedures manual. Public institutions designated by provincial legislation must also follow these policies and procedures.

3.2 Teach financial literacy

Budgeting, money management, credit, compound interest and managing debt are some of the financial literacy topics that can benefit students, especially those early in their first year of post-secondary study. Instruction can be done through one-on-one counselling, group workshops and for-credit courses. Some programs of study are suitable for having financial literacy components built right in into the course materials and exercises.

3.3 Educate borrowers

During the study period, educational institutions are encouraged to continue communicating with students about the responsibilities of loan repayment. Several methods can be used:

- Invite loan service providers to present information sessions and workshops for students. Make these sessions mandatory for first-time borrowers.
- Conduct orientation programs that encourage students to engage with other students and faculty. To provide information about financial assistance, these

orientation sessions can include handing out material like the CanLearn website address and Murray Baker's book, *The Debt Free Graduate*.

- Offer one-on-one counselling sessions to students who cannot attend group sessions or workshops.
- Offer sessions and workshops intermittently throughout the semester to promote good attendance.
- Provide computers in reception areas to help students access web-based information on financial aid and school activities, and to encourage engagement between school, students and staff.
- Meet with student borrowers at the end of the semester or study program to identify those who may need, and provide, additional counselling.

3.4 Use technology

Schools can make full use of the Internet by creating a financial aid webpage for students to view and use as a reference. The webpage should link to other financial aid and scholarship sites. To give students easy access to these online tools, the school can set up computers for student use in financial aid offices, lobbies or labs.

By providing students and graduates with school-based e-mail addresses, the school can use e-mail services to communicate with them.

3.5 Offer counselling

By tracking students who are having difficulties with their studies, the school can identify students who may be at risk of withdrawing. Providing on-campus services like counselling, academic advising, tutors, peer advisers and extra study time will help students be more successful academically and may prevent their withdrawal.

While students are in their study period, they would also benefit from financial counselling and information. This counselling can help to avoid problems students may face as they adjust to school. The following subjects can be discussed:

- **Student loan repayment responsibilities** can be raised during the study period as a reminder. School officials are encouraged to explain how loan agreements work, which forms must be completed to keep loans in good standing, and the importance of regular up-to-date loan payments in establishing and maintaining a good credit history.
- **The consequences of loan default** can be communicated often and through different channels such as student interviews, bulletin boards, written communications and exit interviews.
- **Mentorship for students** is helpful if set up to allow new students to communicate with and learn from their peers who have more experience in the

study program or with an instructor. Mentoring can include advice on academics, financial planning, interview skills and career services.

Having school staff dedicated to loan default prevention will be invaluable to the student. School staff can establish excellent relationships with students early in their school experience. This increases the likelihood that a student will successfully complete their program of study, as the student feels that he or she is a partner with staff and the school.

To avoid defaulting on their loans, students should be encouraged to monitor their financial status during their study period. They can do this by:

- Understanding the roles of the student loan partners, including the lender or service provider.
- Understanding the forms.
- Using credit wisely.
- Understanding the cost of borrowing and credit.
- Managing their finances.
- Establishing a budget both during and after their study period.

By following these financial best practices, and by avoiding withdrawal from studies or course failure, most students will be in a good position to repay their loans.

3.6 Support at-risk students

At-risk students include those who withdraw from studies before finishing. Research has shown that with no credential and reduced employment prospects, these students are more likely to default on their student loans. Schools can help by:

- Taking extra steps to identify ‘at-risk students’ by building profiles of those who most often withdraw.
- Explaining the consequences of loan default to at-risk students.
- Trying to prevent withdrawal by giving extra attention to students with unsatisfactory scholastic standing or poor attendance. This can be in the form of tutoring, emergency aid or one-on-one counselling.
- Scheduling monthly meetings with these at-risk students to monitor progress and improvement.
- Providing students with a list of counselling services and agencies in the community that could help them with their areas of concern.

Students who have been put on academic probation in their first semester would benefit from meeting with a counsellor to develop a plan for success. When signed by the student and the counsellor, this obligates the school to offer remedial assistance where needed.

Scheduling reading and review days next to critical exam points in the college calendar helps students prepare for their exams.

3.7 Manage withdrawals

Many student borrowers who default on their loans withdrew from school before completing their studies. These borrowers, at the highest risk of default, can often be identified while still on campus. Early identification and intervention can improve student retention and reduce the number of defaulted loans.

Many schools send regular e-mails to inform students about government assistance programs and deadlines, such as when loan payments will become due and interest relief procedures.

Schools can try to work with students even after they have left school by encouraging them to complete their programs of study and helping them to resolve the issues that prompted their withdrawal. At this time, the school can mail or e-mail the student information about loan repayment, interest relief programs and options for returning to school. The school may wish to offer job placement or emergency aid services for a short time to students who have withdrawn or are about to withdraw. The school can also help students who return to campus by providing career and debt management counselling.

When a student loan recipient has left their studies before the end of the study period, the school must report this as a withdrawal to StudentAid BC so steps can be taken to ensure repayment of the student's loans.

The school can introduce administrative processes that can help reduce the risk of students dropping out of their programs. These include:

- Establish record-keeping procedures and systems to alert the school's financial aid office when a loan recipient withdraws from school (based on StudentAid BC's definition of a withdrawal).
- Communicate with enrolled students continually to ensure they understand the consequences of withdrawal.
- Ask faculty, instructors and staff to alert the school's financial aid personnel when students enrolled in their courses are no longer attending classes.
- Ensure that the school's procedures for dropping a course will identify those students who are withdrawing, in a timely fashion, so technical defaults can be avoided.
- Require the student to attend an academic and financial counselling session if they do drop a course.
- Present information sessions on student loans and other forms of student assistance to all faculty and staff.
- Ask whether any student who drops below full-time attendance is concurrently enrolled at another post-secondary institution, and advise the student of split enrolment options.

Where students have withdrawn from a course or from full-time studies, the school must

have systems in place to identify and report the withdrawal. The student would benefit from a discussion about the consequences of the withdrawal and the implications it will have on the repayment of their student loan. Information should include the student's repayment schedule, the debt management tools available to them, the effect of their withdrawal on any future student assistance, and the consequences of loan default on their credit ratings.

3.8 Be accurate and on time with enrolment reporting

There is a direct link between late or inaccurate reporting and loan defaults. By reporting changes in enrolment promptly, the school ensures the student will receive services and important communications (such as telephone calls and correspondence) from the government and the service provider at the right time. Communications from the service provider increase the likelihood that student borrowers will repay their loans.

Also, the school needs to ensure that there are effective communication links between their financial aid office and their student advising office.

Note: StudentAid BC policy requires schools to report changes in student status. These include withdrawal, a change from full-time to part-time study, or failure to maintain a satisfactory scholastic standing.

3.9 Offer work-study programs

Many post-secondary schools offer part-time jobs for their students. For those students who need to earn a wage during their studies, any chance to work on campus will increase their connection to the school and give them valuable work experience.

Peer tutors can be hired under work-study programs to help students who are struggling with their studies or their finances. Tutors can help students tap into existing resources that will allow them to complete studies.

3.10 Set up practice education

During their program of study, students can be placed in work experience situations with industry employers. This will help the student measure their level of comfort in the workplace, based on their knowledge and skills, and it will help schools give feedback to students on how they are performing at that stage of their program. Properly managed, a practicum provides invaluable experience to the student and a useful conduit for feedback about program content to a school.

PHASE 4: AT GRADUATION

ACTIONS:

- 1. Conduct exit interviews and surveys.**
- 2. Engage graduates**

4.1 Conduct interviews and surveys

Whether conducted online or in person, exit interviews and surveys are a chance for the school and the student to exchange information that will benefit both parties. At these interviews, the school can give the student loan repayment information, addresses and contact numbers for StudentAid BC and the loan service provider. In turn, the student can give the school any updates to their address and other contact information. The exit interview is also a final opportunity to provide counselling on the responsibilities of loan repayment.

Aspects of the exit counselling can include the following:

- Review the information from the entrance counselling sessions, particularly the consequences of student loan default and the importance of repayment obligations whether or not the student gets a job or is dissatisfied with the program of studies.
- Update contact information with the student. Encourage them to provide more than one contact name and address to increase the opportunity for schools or loan service providers to track the student.
- Discuss the repayment assistance programs and services provided by government and the loan service provider, such as interest relief and revision of payment terms. Giving the student with written information on these programs is important. This documentation may include brochures and/or applications forms.
- The school and the student can determine estimates of required loan payments once the grace period (the six months after leaving full time studies) has ended.

4.2 Engage graduates

Many post-secondary institutions use graduation to encourage students to retain ties with their school. One way to do this is by inviting the graduates to help with orientation and/or counselling of new incoming students next term or to serve on advisory committees. These activities promote engagement between students, faculty and graduates at this key phase of the post-secondary education process.

PHASE 5: AFTER GRADUATION

ACTIONS:

- 1. Maintain contact with graduates.**
- 2. Hold loan repayment seminars.**
- 3. Provide career resource centres.**
- 4. Survey graduates.**
- 5. Report outcomes to student success committee.**
- 6. Offer to upgrade graduates at little or no cost.**

5.1 Maintain contact with graduates

When a student graduates it is important to maintain ties with that student. Post-secondary schools stay connected with their former students for a variety of reasons. For example, encouraging students to contact the school when they have found employment will allow the schools to recognize student success, and learn more about employment opportunities and potential employers. Ensuring that student contact information is current will be helpful for loan repayment purposes.

One strategy is for the school to retain e-mail contacts for at least seven months after graduation, so they can continue to communicate with the student. To facilitate this, the school can provide free institutional e-mail addresses and server services to students and graduates.

Post-graduation contact with schools can also be used to help students understand and meet their loan obligations and avoid loan default. Furthermore, schools can encourage students to make loan payments during the grace period, reducing the amount of interest the student must pay on their loan.

5.2 Hold loan repayment seminars

Loan repayment seminars for recent graduates can be offered by the school two or three times a year. Seminar handouts should include information about interest relief and debt reduction programs, as well as contact names and numbers for loan service providers and government offices. This will help graduates navigate the loan repayment process and ensure they get government help if they are eligible.

5.3 Provide career resource centres

Some post-secondary schools have created career resource centers that help current

students and graduates find work. Resources can include trade publications and books, but should also include access to websites where employers post jobs and where students can post resumes. This can be done in consultation with employers with whom the school has established relationships, such as members of the industry advisory committee and practicum work-placement partners.

5.4 Survey graduates

Some schools do graduate outcomes surveys four to six months after graduation. They typically include questions that address the general financial conditions the graduate is experiencing, their expectations for future employment, whether they are repaying or defaulting on their student loans, and their overall satisfaction level with the study program they graduated from. Schools can use these survey results to evaluate the success of their programs.

Employment information collected through graduate surveys will allow the school to see how successful their students were in finding jobs in their chosen field. Schools can consider sharing this information with employers to evaluate the success of their programs and to find out if the school's graduates are trained well enough to meet industry's needs.

Schools can include specific questions in their graduate surveys to gather current contact information, and find out how the student responded to the tools and processes the school used to inform them of their loan repayment responsibilities. Schools should analyze the loan default data they receive to create a defaulter profile that can be used in retooling their default management techniques and practices throughout the process of recruiting, counselling, educating and graduating students.

5.5 Report outcomes to student success committee

Graduate performance and outcome information can be regularly reported back to the school's student success committee so they can see if goals are being met or if new strategies are needed. Graduate statistics, student satisfaction results, withdrawal statistics, employment outcomes and loan default statistics can also be reported to the institution's executive committee.

5.6 Offer to upgrade graduates at little or no cost

Technology and job requirements change quickly. Schools upgrade their programs constantly to keep up with industry requirements. Offer graduates an "open door" policy for upgrading their skills. This builds goodwill between the graduate and their employer and provides the school with program input and on-going contact.

CONCLUSION

B.C. post-secondary institutions are encouraged to use any of the strategies outlined in this document to help them improve their students' loan default rate. These strategies will help schools provide their students with a positive experience in all aspects of their education, including financial assistance. This will reflect well on the school, and enhance the probability of students accepting their repayment responsibilities and maintaining their loans in good standing. This is good for all parties.

Vincent Tinto, a leading American researcher on these topics, speaking at the May 14, 2006 Conference of the BC Career Colleges Association, said:

“Students are more likely to succeed when they are placed in supportive educational settings that hold high expectations for their success, provide frequent feedback about their performance and require them to be actively involved in learning with others. Student success is the result of effective education. We must focus on student learning and those conditions that promote student learning. Student success will follow.”

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