

Introduction

The purpose of this Board Study Group Session presentation is to provide an analysis of the benefits and disadvantages of Federal Stafford Subsidized and Stafford Unsubsidized Loans, Federal Direct Subsidized and Unsubsidized Loans, and Parent Plus Loans to the Kern Community College's students and to the Colleges.

Benefits: Federal Stafford Loans and Federal Direct Loans enable students to attend college by providing assistance to students based on financial need (Subsidized Stafford Loans) or by supporting a student who desires to obtain financial assistance to attend college (Unsubsidized Stafford Loans and Direct Loans). All of these types of loans support the statewide mission of community colleges providing student access. These loans also expand student access by ensuring that the Kern Community College District is the district of choice for the residents of Kern, Tulare, and Mono Counties.

Disadvantages: The main disadvantage is that a student's debt accrues during the time of enrollment at a community college and continues until the debt is paid. As the student debt mounts, a percentage of students default on their loans.

Student Loan Data

Loans

Aid Year	Loans	Total Amount Paid	Average Amount Per Students
2001-2010	1,071	6,800,577	6,349.75
2010-2011	1,151	7,104,011	6,172.03
2011-2012	1,066	6,614,131	6,204.63
2012-2013	755	4,712,280	6,241.43
2013-2014	652	4,227,172	6,483.39
2014-2015	414	2,883,211	6,964.28

Degrees and Certificates

Aid Year	Loans	Degrees	Certificates
2009-2010	1,071	257	156
2010-2011	1,151	244	141
2011-2012	1,066	206	120
2012-2013	755	128	78
2013-2014	652	73	55
2014-2015	414	12	17

Ethnicity

	African American	American Indian	Asian/ Filipino	Hispanic/ Latino	Two or More Races	Unknown	White	Percent
0910	21%	2%	3%	32%	4%	1%	36%	100%
1011	24%	1%	2%	32%	5%	0%	35%	100%
1112	22%	1%	2%	39%	5%		32%	100%
1213	20%	1%	2%	41%	6%		31%	100%
1314	17%	1%	2%	44%	6%		31%	100%
1415	14%	0%	1%	48%	6%	0%	31%	100%

History

Since 1994 Porterville College decided not to participate in the Federal Loan Program for students because the default rate was very high, and the College had other available sources of financial aid to support low-income students. In addition, processing these loans was time consuming for the financial aid staff. Similarly, in October of 2007, Cerro Coso Community College officially withdrew from the Stafford Loan Subsidized and Unsubsidized Programs. Cerro Coso Community College continued to offer Federal Parent Loans (PLUS) until the end of the 2009-2010 academic year when the College could not participate in the (PLUS) program because they were not participating in the Stafford Loans. The rationale for Cerro Coso Community College withdrawing from the program was that the default rates were high, and the College had other sources of financial aid available to students. Bakersfield College has continued to participate in the Federal Stafford Subsidized and Unsubsidized Loans; Federal Direct Loans: Subsidized and Unsubsidized; and Parent Plus Loans.

Bakersfield College's Default Rate for Direct Loans

In October of 2013, Bakersfield College was one of twelve community colleges in the state of California who were placed on warning due to the 2010 three-year cohort default rate calculation being at 30%. The Department of Education announced that the Fiscal Year three-year cohort default rate is 13.7% nationwide. According to the Department of Education regulations CRF 668.217, a college who is placed on warning for the first year due to the cohort default rate being equal to or greater than 30% must establish a default prevention task force and submit a default prevention plan. The 2011 three-year cohort default rate has been reduced by 2.30% with an overall cohort default rate being 27.7%. Overall, the loan funds disbursed, the number of loans to students, and the cohort default rate have been decreasing.

Bakersfield College's Default Prevention Task Force

A Default Prevention Task Force¹ was created in 2013-2014 to oversee the default prevention effort campus wide, review and analyze data, and create the default prevention plan to incorporate interventions to reduce default risk. The group worked with a consultant, Parker, Pierson and Associates, contracted through the State Chancellor's Office to assist with the regulatory compliant default prevention plan and review of data. Through this process the task force identified three high risk groups among the loan borrowers; students who

are on academic probation; basic skills students; and students who do not complete an educational plan. The plan was submitted and approved by the Department of Education in Spring 2014. Although Bakersfield College has focused on reducing the default rates for those cohorts who have already completed their program of study, the main focus is on those students who are starting at Bakersfield College, so they can proactively shape their behaviors to reduce the risk of defaulting after they move on from Bakersfield College.

Educational Support Implementations 2014-2015

Category 1: Prior to initiating a loan:

- Students who seek to initiate a loan must attend an in person loan orientation/counseling session. Counseling and in person loan orientations are provided each semester to students who are interested in a student loan. Approximately 800 students have attended a counseling orientation and/or a new loan orientation.

Academic Counselors and Educational Advisors assist students with the development of a comprehensive educational plan designed to resolve the probationary status and to provide students with a clear path to goal completion. The purpose of this intervention is to continue to encourage the use of support programs. Since July 2014, approximately 800 students have submitted comprehensive student educational plans who are interested in a loan.

- Students are required to declare an academic major with a program of study as part of the loan counseling/orientation process. To date, 284 students have declared a major.
- Students must complete a minimum of 6 degree-applicable units at Bakersfield College each semester in order to be considered for Loan Payment (If applying for the entire school year).

Category 2: Students on Academic Probation

- Students on Financial Aid Warning are required to submit a Student Progress Report signed by all instructors reflecting satisfactory grades in each course before funds will be released.
- All students must complete a loan exit counseling session once they graduate, leave school, or drop below half-time enrollment (Implemented Spring 2014 semester).
- Loan disbursements are split into two loan disbursements instead on one each semester.

¹ Default Prevention Task Force Members: Zav Dadabhoy, Primavera Arvizu, Lisa Fitzgerald, Sue Vaughn, Vanessa Reyes, Connie Garza-Singh, Evette Lara, Sue Granger-Dickson, Emmanuel Mourtzanos, Leah Carter.

Repayment Support Interventions Implemented in 2014-2015

- The Office of Financial Aid requires all students who seek a Direct Student Loan to complete a financial literacy module through Financial Aid TV, <http://bakersfieldcollege.fatvcounseling.com/cms/register>. Students are required to complete and submit as part of the loan counseling process. There are two direct loan videos students are required to watch and partake in a quiz.
- Since July 2014, 347 students completed the Comprehensive Loans Part 1 video, and 338 completed the Comprehensive Students Loans part 2 video.
- Students are required to list four additional references aside from their Master Promissory Note references for additional forms of contact and future reference when in repayment. The references are checked when submitted to verify their validity. Since July 2014 until now, 284 students' references (1,136 references) have been contacted and verified before verification and disbursement of funds.
- Students are required to set up an online account with their loan servicer and submit verification that they have done so. To date, 284 students have set up an online account with their servicer.

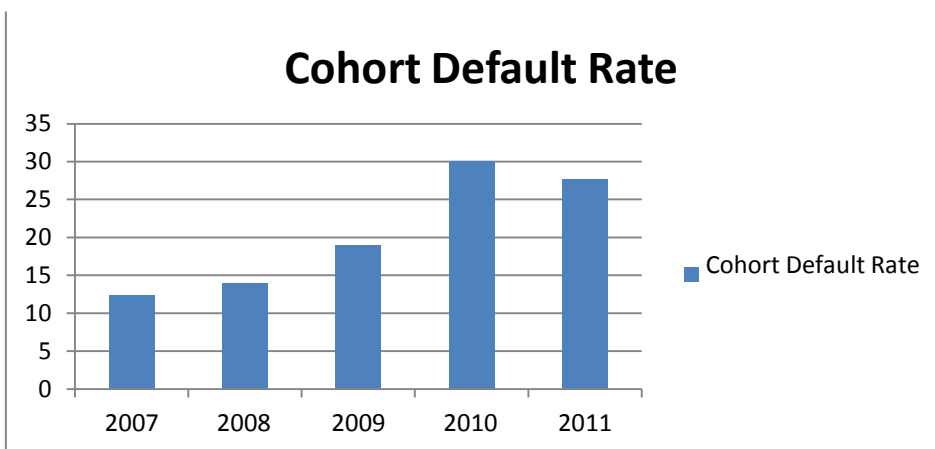
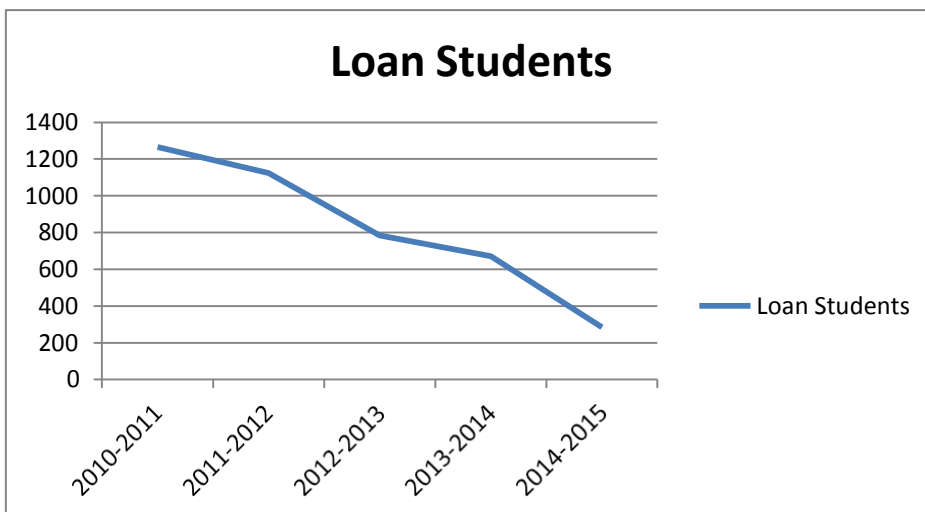
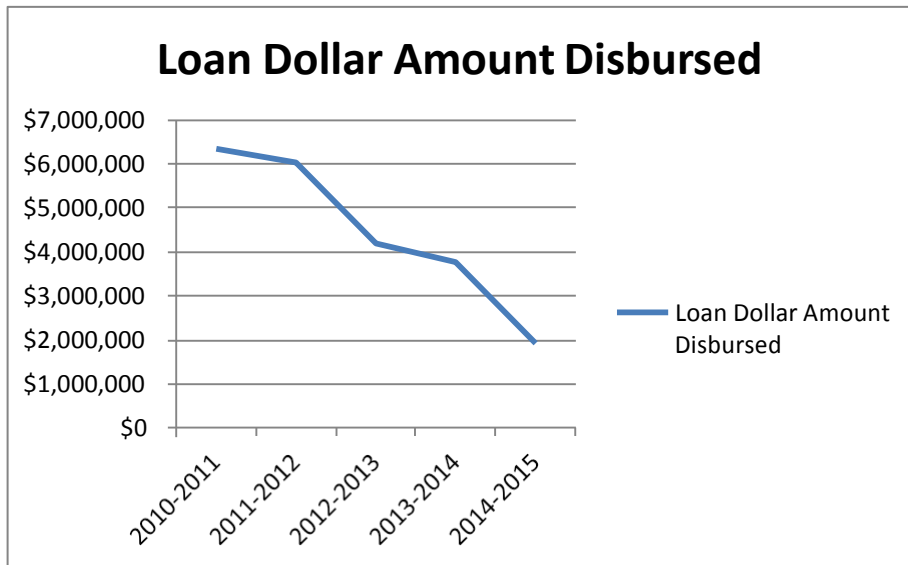
Next Steps:

The college is currently looking into two vendors' proposals, ECMC and EdFinancial, to participate in a short-term special servicing initiative to assist with the delinquent borrower challenges. The goal is to select a vendor to contact students who are in in-school, grace, current repayment, delinquent, forbearance, and deferment segments. Reports provided by the vendor when selected also must include repayment status daily reports, cohort batch performance, Cohort Default Rate (CDR) performance, and repayment status summaries. In moving forward, loan students who are on academic probation will be assigned a mentor to review their academic status and the students' educational plan and to have an in-depth discussion on financial aid. Discussions are taking place for mentorships and follow-up for students who are in the Loan Financial Aid category mentioned above.

The Cohort Default Prevention Task force continues to monitor the implementations of the Cohort Default Prevention Plan as well as the results of the efforts while making adjustments as necessary to meet institutional goals.

Recent Cohort Default Rate:

The 2011 three year cohort default rate released September 2014 is 27.7%; therefore, the college will not be placed on warning. Several Cohort Default Rate challenges were submitted in 2013-2014 and 2014-2015. Over 37 appeal files have been submitted to Electronic Cohort Default Rate Appeals submission.



Recommendation

It is recommended that Bakersfield College continue to participate in the Federal Stafford Subsidized and Unsubsidized Loans, the Federal Direct Subsidized and Unsubsidized Loans, ,and the Parent Plus Loans. It is also recommended that the College monitor the default rate as well as to enforce academic progress standards.

Appendix A

Summary of Financial Aid Awards offered at KCCD

Federal Financial Aid

- Federal Pell Grants are grant programs based upon students' need, cost of attendance, and level of enrollment.
- Federal Supplemental Educational Opportunity Grants are federal programs that provide additional assistance to students with exceptional financial need.
- Federal Work Study provides on campus employment. This program is designed for students who can demonstrate financial need and enrollment in six or more units. Employment is used to fund college expenses.
- Federal Direct Stafford Loans are federally-funded student loans that are provided through the Department of Education and are available at Title IV-eligible schools. Subsidized Stafford loans are awarded based on financial need. Students will not be charged interest before beginning repayment or during the period of deferment. The federal government "subsidizes" the interest during these times. Unsubsidized Stafford loans are not awarded based on financial need. Any eligible student can take out an Unsubsidized Stafford loan. Interest accrues from the time the loan is disbursed to the time the loan is repaid in full. Stafford Loans can be used to cover a student's total cost of attendance, which includes enrollment fees, housing expenses, books, and other education-related expenses.
- Federal Direct Loans can be subsidized or unsubsidized. Federal Subsidized Loans are available to undergraduate students with financial needs. The U.S. Department of Education pays the interest on a direct subsidized loan while (a) the student is in school at least half time (referred to as grace period); (b) for the first six months after the student leaves school; and (c) during a period of deferment, that is, a postponement of loan payments.
- Direct Unsubsidized Loans are available to undergraduate students and graduate students, and there is no requirement to demonstrate financial need. The College determines the amount the student can borrow based on the student's cost of attendance and other financial aid the student receives. The student is responsible for paying the interest on a Direct Unsubsidized Loan during all periods. If the student chooses not to pay the interest while in college and during grace periods and deferment periods, the interest will accrue and be capitalized; that is, interest will be added to the principal amount of their loan.
- Parent Plus Loans are loans that graduate or professional degree students and parents of dependent undergraduate students can use to help pay education expenses.

State Financial Aid

- The Board of Governors waiver is supported by the state of California and waives the enrollment fees for eligible California residents. The Board of Governors waiver is available for students who have

already qualified for other types of financial aid and for students who have exceptionally low incomes.

- Book Vouchers are available for Pell-grant eligible students to purchase books and supplies.
- Cal Grant B is for students from disadvantaged and low income families.
- Cal Grant C is for students enrolled in occupational programs.
- Cooperative Agencies Resources for Education (CARE) is a state-funded program offering supportive services and financial assistance for low-income, single parent students participating in the Extended Opportunity Programs and Services (EOP&S).

Local Grants

- The Board of Governor's fee waive is funded by the State of California to waive enrollment fees to eligible students based on financial need.
- High School Waivers for high school students enrolled at Community Colleges, their fees are waived.
- Scholarships are cash awards provided by any of the Colleges' foundations and local groups and organizations for students who can demonstrate academic merit and/or financial need.

Appendix B

United States Department of Education release letter of the official Fiscal Year 2011 3 Year Cohort Default Rate for Bakersfield College

UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202
September 2014

BAKERSFIELD COLLEGE
001118
1801 PANORAMA DRIVE
27.7
BAKERSFIELD, CA 93305-1299

OPE ID:
FY 2011 Official 3 Year Cohort
Default Rate:

RE: FY 2011 3-Year Official Cohort Default Rate Notification Letter

Dear President:

On October 28, 2009, the U.S. Department of Education (Department) published in the Federal Register the regulations enacted by the Higher Education Opportunity Act of 2009 that will govern the calculation of cohort default rates. Under the new provisions, an institution's Cohort Default Rate is calculated as the percentage of borrowers in the cohort who default before the end of the second fiscal year following the fiscal year in which the borrowers entered repayment. This extended the length of time in which a student can default from two to three years.

This year, the fiscal year (FY) 2011 3-Year cohort default rate will be the only cohort default rate released. Schools will be subject to loss of eligibility as a result of cohort default rates that exceed sanction levels. Cohort default rates based on the 2-year cohort period ended with the FY 2011 2-Year cohort which released in 2013.

This letter officially notifies you of your school's FY 2011 3-Year cohort default rate based on Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans made to students for attendance at your school. Your school's FY 2011 3-Year cohort default rate is shown above. Please note that even if your school is no longer participating in the student loan program(s), federal law requires the Department to notify your school of its cohort default rate.

Since the Department is no longer mailing hardcopies of the cohort default rate notification letters to any schools, please refer to <http://www.ed.gov/offices/OSFAP/defaultmanagement/ecdr.html> for a description of the other files that the Department transmitted to you along with this letter.

WHAT FORMULA DID THE DEPARTMENT USE TO CALCULATE MY SCHOOL'S RATE?

The Department uses one of three methods for calculation of cohort default rates:

1. Official non-averaged rate for schools with 30 or more borrowers entering repayment,
2. Official averaged rate for schools with 29 or fewer borrowers entering repayment,
3. Unofficial rate for schools with 29 or fewer borrowers entering repayment with less than three years of data.

For a complete explanation of the types of rates, please see Chapter 2.1 of the Cohort Default Rate Guide, How the Rates are Calculated, available at <http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart2.html>.

WHAT TYPES OF LOANS DID THE DEPARTMENT INCLUDE IN MY SCHOOL'S RATE CALCULATION?

The Department included three types of loans in your school's cohort default rate calculation:

- 1) Federal Stafford Subsidized and Federal Stafford Unsubsidized Loans
- 2) Federal Direct Subsidized and Federal Direct Unsubsidized Loans
- 3) Federal Supplemental Loans for Students (Federal SLS Loans). Although rare, it is possible for Federal SLS loans to be included in your school's cohort default rate calculation.

WHAT LOAN RECORD DETAIL REPORT (LRDR) ACCOMPANIES THIS NOTIFICATION LETTER?

Your school's FY 2011 3-Year official cohort default rate may be a non-averaged rate, an averaged rate, or an Unofficial rate (less than 30 borrowers entering repayment and not two years of previous data needed to calculate an averaged rate). Accordingly, the LRDR that accompanies this letter reflects all loans that went into repayment during FY 2011 and defaulted by September 30, 2013

Please note that if a technical problem caused by the Department results in an inability to access the data, schools have five business days from the receipt of the eCDR notification package to notify Operations Performance Division at the email address given below. All schools must meet the established submission timeframes for cohort default rate adjustments and appeals. The Department will not review adjustments and appeals that any school submits outside of the established timeframes.

For more information on how to read the loan record detail report, please refer to Chapter 2.3 of the Cohort Default Rate Guide, Reviewing the Loan Record Detail Report, available at <http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart2.html>

ARE THERE ANY SANCTIONS OR BENEFITS ASSOCIATED WITH MY RATE?

According to the Higher Education Act of 1965 (HEA), as amended, the Higher Education Reconciliation Act of 2005 (HERA), Pub.L.109-171 and the Department's regulations, your school is not subject to any sanctions based on your school's FY 2011 3-Year cohort default rate. However, if your school's official FY 2011 cohort default rate is 30.0 percent or greater, the Department may provisionally certify your school when your school applies for recertification to participate in the Federal Student Aid Programs. For more information about provisional certification, please refer to 34 C.F.R. Section 668.16(m) (1) and (2) (i) or contact the School Participation Management Division at 202-377-3173.

Based on your school's FY 2011 cohort default rate, your school is not eligible for the benefits associated with cohort default rates that are described in Section 428G(e) of the Higher Education Act and the Higher Education Reconciliation Act of 2005 (HERA), Pub. L. 109-171. For more information on the sanctions and benefits associated with official cohort default rates, please refer to Chapter 2.4 of the Cohort Default Rate Guide, Cohort Default Rate Effects, available at <http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart2.html>.

WILL MY RATE BE CALCULATED THE SAME IF MY SCHOOL HAS MERGED WITH ANOTHER?

The FY 2011 3-Year cohort default rate for institutions involved in a merger or change of affiliation will be based on all borrowers from the parent and the underlying institutions which have borrowers that entered repayment during or after 2011.

WHAT RIGHTS DOES MY SCHOOL HAVE TO APPEAL THIS RATE INFORMATION?

Based on your school's FY 2011 3- year cohort default rate, your school may be eligible to submit the following adjustments/appeals:

Uncorrected Data Adjustment

<http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart4.html>

Loan Servicing Appeal

<http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart4.html>

New Data Adjustment

<http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart4.html>

All Uncorrected Data Adjustments, New Data Adjustments and Loan Servicing must be made through the eCDR Appeals application. The eCDR Appeals application, as it is known, allows schools to electronically submit certain challenge/ adjustment requests during the specified timeframes and allows data managers (guaranty agency or Federal Loan Servicer) and Federal Student Aid (FSA) personnel to electronically view and respond to these challenge/adjustment requests. The application tracks the entire life cycle of each request from the time the case is submitted until the time a decision is made and the case is closed.

It has come to FSA's attention that a number of schools are challenging data in the school's cohort default rate based on an incorrect understanding of the cohort default rate calculation. This results in an unnecessary increase in the workload for the schools, data managers, and FSA. The following are some scenarios that have been noted, along with an explanation of why these allegations are considered invalid based on the current logic for the cohort default rate calculation.

- School requests that borrower be removed from numerator as borrower defaulted, then paid the loan in full (either through consolidation or another method). Borrower will continue to be counted as a defaulted borrower for cohort default rate purposes. Current regulations only allow for a defaulted loan to be removed from default for cohort default rate purposes if the borrower successfully rehabilitated the loan within the cohort period, or, for FFELs held by a guaranty agency, if the lender repurchased the loan due to the claim being submitted or paid in error. See 34 CFR Section 668.202(c)(2).
- School alleges that borrower be removed from numerator due to an incorrect date entered repayment that is resulting in the default date for the borrower being less than 360 days from the corrected date entered repayment. This allegation type applies to Direct Loans or loans that were PUT to the Department only, since FFELs held by a guaranty agency use the claim paid date as the default date, not the 360th day of delinquency. If a data manager agrees to correct the date entered repayment, they will update the default date to the 360th day of delinquency based on the new date entered repayment. However, if the updated date entered repayment and default date still fall within the cohort period, the borrower will continue to be counted in both the numerator/denominator. If the updated date entered repayment causes the updated default date to fall outside of the cohort period, borrower will be removed from the numerator only. If the updated date entered repayment falls outside of the cohort period, borrower will be removed from both the numerator/denominator.
- Borrower is included in more than one cohort year. This may be correct, based upon the situation. If the borrower had a break in enrollment of greater than six months, then the borrower will enter repayment on the loans from the first period of enrollment six months and one day after the borrower's last date of attendance (LDA) or less than half-time date (LTHT), then will receive another six month grace period based on the LDA or LTHT date of the second period of enrollment. This may result in the borrower being included in more than one cohort year. If the borrower's break in enrollment was less than six months, this is considered continuous enrollment and the borrower should be in only one cohort year.
- School was involved in a change of affiliation/merger and has borrowers counted more than once in the cohort default rate. A borrower may be counted more than once in the school's cohort

default rate if the borrower had loans certified under two or more of the OPE-IDs that were involved in the change of affiliation/merger. Please see page 2.5-2 of the CDR Guide.

If a school has any questions regarding the cohort default rate calculation, Chapter 2.1 of the CDR Guide includes a thorough explanation of how the rates are calculated. Additionally, a school involved in a change of affiliation/merger should read Chapter 2.5 of the CDR Guide for an explanation of how the change of affiliation/merger will affect the cohort default rates of all of the schools involved.

WHAT TOOLS AND INFORMATION ARE AVAILABLE TO HELP MONITOR AND MANAGE MY SCHOOL'S COHORT DEFAULT RATE?

Tools Information	Description	Contact Information
Cohort Default Rate Guide	http://www.ifap.ed.gov/DefaultManagement/finalcdrg.html . Reference tool designed by U.S. Dept. of Education to help schools understand cohort default rates and various challenge/appeal/adjustment processes. The electronic version was revised September 2014 and may be found online.	May be printed from CDR Guide link
Default Prevention and Mgmt Website	http://ifap.ed.gov/DefaultManagement/DefaultManagement.html . Contains valuable information for schools, guaranty agencies and borrowers. Contains link for eCDR process, including enrollment procedures and downloading instructions.	Operations Performance Division 202-377-4259
eCDR Appeals	Electronic Cohort Default Rate Appeals Process eCDR Appeals facilitates the exchange of information between parties for four of the challenge/adjustment processes: Incorrect Data Challenge (IDC), Loan Servicing Appeals (LSA), Uncorrected Data Adjustments (UDA), and New Data Adjustments (NDA). The application allows schools to electronically submit these challenges and adjustment requests during a cohort default rate cycle, and allows data managers (guaranty agency or Direct Loan Servicer) and Federal Student Aid (FSA) personnel to electronically view and respond to challenges and adjustment requests. The application tracks the entire life cycle of each challenge/adjustment/appeal request from the time the case is submitted until the time a decision is made and the case is closed.	Operations Performance Division 202-377-4259

All users must complete the registration process to gain access to eCDR Appeals. The eCDR Appeals homepage contains a link to the Registration and User Account Guide, which gives step-by-step instructions for registration. Links to the User Guides for the four processes can also be found here, as well as a link to the Cohort Default Rate Guide.

Late Stage Process whereby schools work in collaboration with servicers or guarantors to identify and provide counseling to borrowers more than 240 days late on loan repayment. For Direct loan schools, the website <https://www.myedaccount.com/> identifies borrowers whose impending default will impact the school's cohort default rate.

Direct Loan Servicer 888-877-7658 (can guide you through the process)

National Student Loan Data System (NSLDS) <https://www.nslsdfap.ed.gov>. Offers schools the opportunity to request reports in extract or preformatted formats that can be retrieved through the Student Aid Internet Gateway (SAIG) account associated with the NSLDS UserID that requested the report. Listed below are some of the reports that NSLDS offers.

NSLDS Customer Service at (800) 999-8219

Report Name	Brief Description of the NLSDS Reports
DRC035	School CDR Rate History Report provides school with a copy of the Loan Record Detail Report that lists students in default/repayment during the cohort period indicated.
SCHER1	Enrollment Reporting Summary Report provides school users with the chronology of enrollment reporting events.
DER001	Date Entered Repayment Report provides school users with a list of student borrowers with loan history who are scheduled to go into repayment during a specified date range.
DRC015 DRC016	School Repayment Information Loan Detail provides school users with the current repayment status of certain borrowers in FFEL/DL loan programs who attended a school during a specific period.
SCH01B	Exit Counseling Report provides school users with exit counseling information on students who attended the requesting schools and whose anticipated completion dates

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| | |fall within a specified date range. | | | | | | | |
| |-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | |The Delinquent Borrower Report (DELQ01) provides School | | |
| |DELQ01|users a report of borrowers who have been reported as | | |
| | |delinquent in making loan payments to one of the federal | | |
| | |loan servicers. | | |
| |-----|-----|-----|-----|-----|-----|-----|-----|-----|
| | |The School Portfolio Report (SCHPR1) provides ED users with | | |
| |SCHPR1|information about all Direct Loan and/or FFEL program loans | | |
| | |for a specified school. | | |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|

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Additional tools and information may be found in Chapter 3.2 of the Cohort Default Rate Guide, Monitoring Loan Repayment Status Year-Round, available at <http://www.ifap.ed.gov/DefaultManagement/guide/CDRGuidePart3.html>

If you have any questions about this letter that are not answered in the Cohort Default Rate Guide, please contact Operations Performance Division, formerly Default Prevention and Management via email at FSA.Schools.Default.Management@ed.gov or via phone at (202) 377-4259.

Please be sure to include your Office of Postsecondary Education Identification Number (OPE ID) on all correspondence, as shown on page one of this letter.

Sincerely,

Katrina Turner
 Director
 Operations Performance Management Services
 Business Operations