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## TSAC Training Workshop

**R**egister now to reserve your spot for the training workshop on March 19, 2010. The sessions for the day include Verification Process, Student Eligibility, Treatment of Homeless and Foster Youth on the FAFSA, State Grants and Scholarships and Lottery Scholarship Updates. In addition to the informational sessions, e\*GRandS training will be included.

Please R.S.V.P. to Karen Myers, your plans for you or your staff to attend the workshop. Refreshments will be served from 8:30 a.m. to 9:00 a.m.

and the workshop sessions will begin at 9:00 a.m. and conclude at 3:30 p.m. Lunch will be provided. The deadline for reserving your space is March 12th. Karen can be contacted by calling 866-291-2675 ext.150 or at her direct line (615) 253-7473. Her e-mail address is [Karen.myers@tn.gov](mailto:Karen.myers@tn.gov).

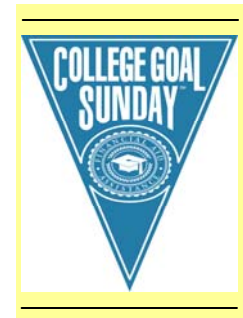


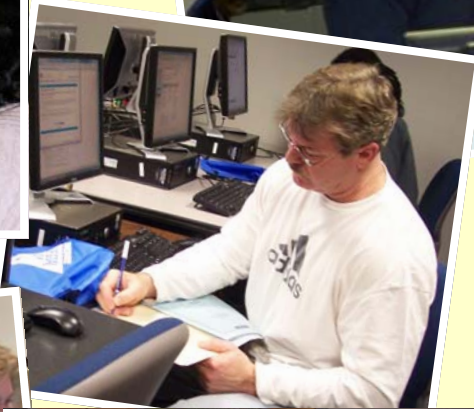
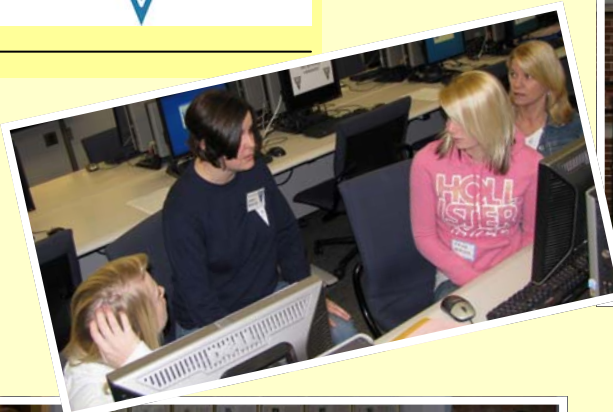
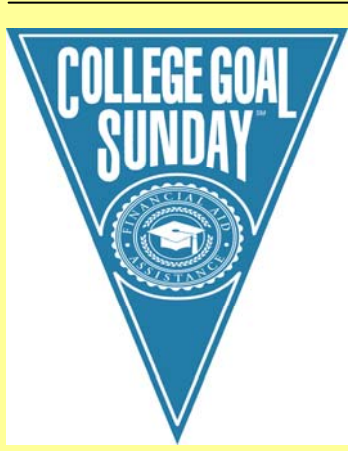
## 2010 College Goal Sunday

**M**ore than 2,700 students and parents attended 34 College Goal Sunday events this year. Thanks to all of you, we had 350 volunteers to help us staff the events. As usual, the comments on the evaluation forms from students and parents are heartwarming. If you haven't already served as a volunteer for College Goal Sunday, we hope that you will volunteer for 2011.



See additional pictures on pages 2 & 3.







# TSAC LOAN ADMINISTRATION

**A**s the thought of Spring draws closer, I tend to reflect on how quickly time seems to pass by. The Fiscal Year 2008 Draft Cohort Default Rates were distributed to institutions on Monday, February 8. The draft rate forms the basis of a school's official cohort default rate. Therefore, the importance of reviewing the accuracy of the draft rate is a crucial step in managing the official rate as well as helping borrowers that may be listed as default in error.

As part of the draft notification, you should have received a Loan Record Detail Report (LRDR). The LRDR contains specific information on the loans that are included in your cohort default rate. We recommend you compare the information on the LRDR with your school records. Attention should be given to reviewing the student separation information such as graduation, withdrawal, or below half-time enrollment dates. It may also be helpful to compare the LRDR with other loan information in your school records as well as outside information received from lenders and Data Managers (guarantors or servicers).

Any errors you find should be submitted as an Incorrect Data Challenge. Incorrect Data Challenges must be filed within 45 days of receiving the draft LRDR. Schools must submit a cover letter, a completed incorrect data spreadsheet, a copy of the relevant section of the LRDR, and any supporting documentation to the agency holding the loan. The contact information to submit paper appeals for loans held by TSAC is:

Tennessee Student Assistance Corporation  
Susie Jackson - Loan Servicing Department  
6420 Southpoint Parkway  
Jacksonville, FL 32216  
904.281.4340



There is also an electronic appeals process to help schools utilize a paperless program. The electronic Cohort Default Rate (eCDR) Appeals Incorrect Data Challenge (IDC) User Guide can be found at <https://ecdrappeals.ed.gov/ecdra/index.html>.

Additional references such as Cohort Default Rate Guide, Quick Reference, Updates to Guide, Templates and Spreadsheets may be accessed at: <http://ifap.ed.gov/DefaultManagement/finalcdrg.html>.

Jane Pennington  
Associate Executive Director for Loan Administration

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## Note To All TSAC Lenders

**T**he Tennessee Student Assistance Corporation's (TSAC) Claims Department is moving from the Jacksonville, FL office to the Aurora, CO office. We are notifying you that beginning Monday, March 1, 2010 all TSAC claims and claim documentation should be mailed to:

**Claims Department  
TSAC/NGS  
Suite 400  
3015 South Parker Rd.  
Aurora, CO 80014**

# Effecting Change on Default Rates

Colleges, unlike leopards, can change their spots (or in this case their default rates), a study released today argues.

The report by Education Sector, "[Lowering Student Loan Default Rates](#)," is largely a historical look at how a consortium of historically black colleges and universities, faced with the prospect of federal penalties a decade ago, altered their policies and programs in ways that helped to lower their so-called cohort default rates and keep the colleges out of trouble.

The report's authors share the details of that story now not because it is interesting or compelling -- though it is -- but because they believe it sheds light on a timely problem facing other colleges as the federal government is again poised to change its approach to calculating student loan default rates.

[Beginning in 2014](#), colleges will be judged based on the proportion of federal loan borrowers who begin loan repayments in a given fiscal year and who default on their loans within three years, up from the current two. Institutions with cohort default rates above a certain threshold risk losing their access to federal loan or grant funds, and the change in the formula is expected to put significantly more institutions at risk.

Among those most likely to be affected are for-profit colleges, which on average have the highest default rates now. Leaders in the career college sector have long objected that default rates are a seriously flawed indicator of the quality of institutions -- a point argued forcefully in [2008 research by Indiana University scholars](#) and commissioned by the Career College Association; the research generally argued that individual student traits (income, etc.) mattered more than institutional factors, such as institutional type (public vs. private, for-profit vs. nonprofit, etc.), levels of students' borrowing, etc.

Those arguments, which the Career College Association put forward in 2008 to oppose [a Congressional proposal at the time](#) that would have toughened the government's law on default rates even more than the one ultimately adopted, caught the attention of Education Sector's Erin Dillon, one of the authors of the new report. She was struck, she said in an interview Monday, that the career college study seemed to "argue that it was not appropriate to hold institutions accountable" for their default rates, because the low rates were so directly attributable to the fact that the institutions disproportionately educated students from low-income backgrounds.

Education Sector explores those assumptions in two main ways. First, by recounting in detail the story of how 12 historically black colleges and universities in Texas and nearby states lowered their default rates from 1999 to 2002 to avoid losing their eligibility for financial aid, the authors hope to provide "powerful evidence that institutional practice can make a difference in determining a school's default rate, even for schools that enroll high percentages of low-income and first-generation students," Dillon and her co-author, Robin V. Smiles, write.

The institutions in question, which included small private institutions such as Jarvis Christian College and Texas College and public ones such as Texas Southern University, worked closely with Texas Guaranteed, a student loan guarantor, to form the [Texas Historically Black Colleges and Universities Default Management Consortium](#), through which they collaborated to create default management teams, changed their financial aid packaging strategies, and strengthened their efforts at retaining students, among other practices.

"The major takeaway from this is that institutional practices do matter," Smiles said. Added Dillon: "The big lesson for for-profit institutions is that these institutions were able to decrease their default rates [more] than other institutions that enroll very similar student populations. Instead of blaming your default rates on the students you enroll, there are actually steps you can take" to lower those rates.

The second part of the Education Sector analysis -- which meshes 2007 Education Department data on cohort default rates with data on students and institutions from the Integrated Postsecondary Education Data System -- was inspired directly by Indiana's review of existing research for the Career College Association, which was flawed, the authors say.

. . . Continued on page 6

# Effecting Change on Default Rates (cont.)

Most previous studies on defaults treated the question of whether a student graduated from an institution as solely a student trait, rather than as an institutional characteristic. "But research on graduation rates clearly illustrates that institutional practices and programs can moderate, and in some cases, overpower, the role of income, race, or other prior education in determining students' outcomes," the authors write. "By categorizing graduation as only a student characteristic, the existing research overstates the influence of student background on a student's likelihood to default."

The Education Sector analysis, like the previous studies, finds that student demographics "are a significant predictor of cohort default rates," the authors write. "But we did not find that they are the sole predictor ... or even the primary predictor."

Institutions with large proportions of Pell Grant recipients -- a leading indicator of having a low-income student body -- and heavy enrollments of underrepresented racial minorities tended to have higher default rates, the Education Sector researchers found. "Even after controlling for these student characteristics, though, an institution's ability to retain and eventually graduate its students emerged as an important factor in determining that institution's cohort default rate, regardless of the types of students it enrolls," the report found. "Both a higher retention rate and a higher graduation rate predicted lower default rates among four-year institutions, and higher retention rates predicted lower default rates among public two-year institutions. Surprisingly, though, neither retention rate nor graduation rate were significant predictors among for-profit colleges."

## Response from the Career Colleges

Harris N. Miller, president of the Career College Association, said via e-mail Monday that officials of the group did not have time to review the Education Sector report's methodology to decide "whether we agree with the conclusions about how much default variance is explained by external factors (e.g., nature of student population, state of economy) as compared to factors over which an institution has more control." Miller's "initial reaction," he said "is that the analysis underplays the significance of the student risk factors of students who attend community colleges, minority serving institutions, and career colleges."

And the career college group agrees, Miller said, "that students, institutions, lenders and the government working together can assist students in preventing defaulting on loans. That is why CCA has had a [Default Prevention Initiative](#) in place for eight years that meets regularly with the [Education] Department to share best practices with other institutions and the Department that help address student default."

The extent to which institutions have control over their default rates, the Education Sector researchers argue, also makes it incumbent on them to sustain their focus on the problem. The consortium that helped the historically black colleges in Texas avert a crisis a decade ago "is less active and campus awareness of default prevention is less acute" today, the Education Sector report says, and "the rate has come back up at some schools."

With rates certain to rise for virtually all colleges when the default calculation shifts to three years from two, those institutions, and others, could once again be at risk unless they redouble their efforts.

February 23, 2010 - reprinted with permission from the author:

### Doug Lederman

Editor, Inside Higher Ed

<http://insidehighered.com>

[doug.lederman@insidehighered.com](mailto:doug.lederman@insidehighered.com)

# Update on the Printing of the TSAC Notice of Loan Guarantee (NOG)

**A**s a move toward becoming even more environmentally friendly and even more efficient with TSAC processes, Nelnet Guarantor Solutions (NGS) will soon be printing all TSAC Notice of Loan Guarantee's (NOG's) on flash forms. The new flash forms will be printed on standard 8 ½" by 11" paper with all of the information that is currently printed on the school, lender, and servicer new and revised NOG's. The NOG's will be delivered to our schools, lenders, and servicers the same way they are now, but in a more efficient format. No longer will there be a need for staff to pull apart the multi-paged NOG's with their form feed edges. The need for shredding the unused pages of the NOG's will also be eliminated by this change. We are hoping all of our schools, lenders, and servicers will be able to streamline their processes on their end with the result being better customer service for our borrowers.

This change will make all processes that revolve around NOG's more efficient and less cumbersome for everyone. Please contact Susie Jackson at NGS if you have any questions, comments, or concerns at [susan.jackson@guarantorsolutions.com](mailto:susan.jackson@guarantorsolutions.com).

**NOTE TO SCHOOLS:** If you no longer want to receive the NOG's, please contact Bill Heath at TSAC: [bill.heath@tn.gov](mailto:bill.heath@tn.gov).



An advertisement for TSAC (Tennessee Student Assistance Corporation). The background is a collage of diverse children's faces. The text reads: "Today's dream is tomorrow's future. College pays. We can get you there." Below this is the TSAC logo, which consists of a circular emblem with three stars and the letters "TSAC" in a large, bold, sans-serif font. Underneath the logo, the text "TENNESSEE STUDENT ASSISTANCE CORPORATION" is written in a smaller font, followed by the website "www.TN.gov/collegepays" and the phone number "(800) 342-1663".