

## **Tennessee Student Assistance Corporation**

Tuesday September 27, 2016

### **Discussion Item A: Student and School Services Update**

**Staff Recommendation** For discussion only.

#### **Background**

In 1974, TSAC was established as Tennessee's designated federal loan guarantor. Loan guarantees reached a high of over \$5 billion prior to the end of FFELP in 2010. On July 1, 2016, the TSAC Loan Portfolio was successfully transitioned to Education Credit Management Corporation (ECMC).

Since 2010, the loan division has continued to put students first, and developed ways to continue serving Tennessee students and institutions. These services are outlined below.

#### **License Review**

With the transition of the student loan portfolio to ECMC, TSAC entered into a contract with ECMC to continue managing the License Review (LR) program. LR matches defaulted student loan borrowers who hold an active Tennessee professional license. The division's goal is to avoid license suspension by helping borrowers into a successful repayment plan, rehabilitate their loans, and repair their credit.

#### **TN Achieves**

The Student and School Services staff is participating in the Tennessee Achieves Bridge Program, by presenting at functions across the state on topics ranging from time management, class participation, managing loans, and how to be successful in college. Each session has proven to be beneficial and attendance has been very strong with attendance at some meetings in excess of 30.

#### **Tennessee Reconnect**

The division has partnered with 26 state and private schools to assist in the Tennessee Reconnect scholarship program. Staff connect with students who are ineligible for Reconnect due to a defaulted loan and assist them in resolving the default. Students are then eligible to receive both federal and state grant assistance.

Staff have researched and located more than 2,300 accounts, and made over 2,200 communications via phone, emails, and letters. Based on the student borrower's needs and current resources we assist the individual in finding the best solution for them. Options include:

- Reinstatement: The borrower may qualify for Title IV aid after making six monthly on-time payments. Because they are technically still in default they cannot receive state aid.
- Rehabilitation: The borrower must enter into an approved payment arrangement, and make nine on-time payments over a ten month period. The default is removed and the borrower can then qualify for Title IV and state aid.
- Direct Loan Consolidation: The borrower can qualify for Title IV and state aid but the default is not removed.
- Payment in full: The borrower can qualify for Title IV and state aid but the default is not removed.

### **Financial Literacy**

The Student and School Services staff is dedicated in providing financial literacy education on behalf of TSAC to financial aid administrators and students throughout Tennessee. We offer workshops at main and outlying campuses with day and evening presentations.

Throughout the year, staff provide presentations or workshops to incoming students as well as those graduating. Information to freshman is focused on loan entrance counseling, budgeting, credit cards and smart loan borrowing. Information to graduating seniors can be loan exit counseling including loan repayment options, savings, and life after college.

### **Default Management**

As part of our default prevention services to the schools, we developed a Default Management Database. Utilizing various reports from NSLDS, we can seamlessly predict a school's cohort default rate. Identifying delinquent borrowers is a key component to averting a default claim.

### **Scholarships to Loans**

The loan division began assisting the grant and scholarship division about two years ago with state loan-scholarship programs that require a service component. If the service is not completed within a specified time, the scholarship becomes a loan. We load information from e\*GRandS into our database, identifying recipients who are in repayment and delinquent. We then begin the process of contacting the borrowers. The database allows us the opportunity to track collection activities on the accounts while also assigning pre-determined follow-up dates. This process ensures that all delinquent accounts are reviewed, researched and worked on a consistent basis. We are also in the process of matching these borrowers via the LR Program.

At the end of July 2016, we have had over 3,500 correspondences with delinquent borrowers via email, letters or phone calls. We identified:

- 110 delinquent borrowers who should be in a deferment or forbearance status
- 84 delinquent borrowers were actually providing repayment through service by teaching
- 37 borrowers who have paid their accounts in full

- 76 borrowers who are still being communicated with at this time  
NOTE: the total number of borrowers in repayment is fewer than 400.

### **School Services**

Another important service the division offers institutions is financial aid consulting, including analyzing current methods of meeting federal and state aid awarding methodologies, disbursing funds, monitoring and reporting requirements, providing best practices in the processing of student aid, and identifying areas to be improved through efficiency and technology.

### **Concluding Comments**

As the direction of the division changes, we have learned that our services are needed more than ever by the schools and students of Tennessee. The years of additional help from lenders and guaranty agencies are gone, leaving a void that many institutions are unable to fill. We look forward to the opportunity to continue serving Tennessee students.