

# HOW TO

## Prevent Default

The System III system offers several automated tools to help your staff prevent borrowers from being included in your default rate. The *Loans to Review for Cohort Default Rate* report, the default repayment flag, QuikLetters and Automatic Direct Draft are a few of these tools.

• **Monitor loans and prevent default.** The *Loans to Review for Cohort Default Rate* report provides a list of borrowers in your current cohort group. In addition, the report includes a section listing loans that are projected to be in the next cohort year. You can use this section to anticipate which borrowers might go into default. The *Loans to Review for Cohort Default Rate* report includes the default repayment flag which shows the status of cohort borrowers.



• **Keep your eye on the flag.** Our default repayment flag (abbreviated as DFLT RPMT FLAG), visible on DataLink<sup>SM</sup> screens and on reports, can help you track the default status of cohort loans. The flag's values are:

**Blank**=loan has not entered default

**Y1**=In default, no repayment arrangement

**Y2**=In default, arrangement made

**Y3**=In default, payments not made as agreed

**N1**=No longer in default, arrangement satisfied

**N2**=No longer in default, deferment processed

**N3**=No longer in default, paid in full

System III marks, with a Y1 flag, the loans that cross the default thresholds of 240 or 270 days past due, depending on whether the borrower is in monthly or quarterly repayment. We provided daily automatic updates of the default repayment flags based on transactions processed such as deferments, special billing and payments. You should continue to monitor defaulted loans monthly for changes to account status and the default repayment flag.



**\$ Use QuikLetters to contact cohort borrowers.** Early in the fiscal year, you may send QuikLetters to borrowers on the current year *Loans to Review for Cohort Default Rate Report* to remind them of the importance of their obligation or to restate the consequences of delinquency. You may also use QuikLetters for additional due diligence contacts beyond those required by federal regulations. The contacts can be sent automatically on each loan that reaches the number of days past due that you select. Contacting projected-year cohort borrowers with a QuikLetter can help verify separation dates or remind borrowers of available deferment provisions. A QuikLetter manual will be provided if you choose this option. Please contact your Customer Service Representative for more details on QuikLetters.



**\$ Use Our Exit Interview Packages.** You can automate the exit interview process by ordering Exit Interview Packages. The complete package includes a computer-generated, personalized disclosure statement

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and mailing label for each borrower, and interview sheet. You can request that we generate exit packages for all of your borrowers a specific number of days before the separation date. You can also request individual exit packages. DataLink<sup>SM</sup> customers have the option of printing the disclosure statement from the on-line XPKG screen and attaching interview and fact sheets, available at no charge.

**“ Encourage borrowers to sign up for AutoDraft (Automatic Direct**

**Draft).** AutoDraft applications are available online and on paper for distribution during exit interviews. Encouraging borrowers to sign up for AutoDraft can help prevent delinquency and improve cash flow. Payments are debited electronically from the borrower’s bank account on the due date. Borrowers receive AutoDraft applications periodically with their billing statement and can download an application at [www.mycampusloan.com](http://www.mycampusloan.com). Borrowers can also enroll online or by calling us.



**“ Maintain constant contact with borrowers.** The *Bad Address List* and *Borrowers Without a Good Address Report* notify you that we have received returned mail from a borrower’s address or that a borrower has no valid address. This notification should be the trigger to start skip-tracing procedures such as contacting other offices on campus, searching directories, calling relatives and references, checking with the Department of Motor Vehicles and using commercial skip-tracing services or the IRS skip-tracing service.

**\$ Use our Credit Bureau Reporting service.** Credit bureau

reporting, required by Federal Perkins regulations, discourages delinquency by reporting both positive and negative payment information that will affect the borrower’s credit rating. Credit bureau reporting is a benefit for borrowers who pay on time because it helps them establish a positive credit history. WE offers automatic or manual reporting to the three major credit bureaus. Call your Customer Service Representative for details about how to set up credit bureau reporting.



**\$ Use our 90-day call service.** Federal regulations require that institutions call a borrower before starting collection procedures if the borrower has not responded to a final demand letter within 30 days. We offer schools the option of placing telephone calls to borrowers after payments are 90 days past due. If you are interested in this service, call your Customer Service Representative.

**“ Place loans automatically with designated collection agencies.** We have a process in place that allows loans to automatically be assigned to your designated collection agencies. Automatic placement occurs at a specific number of days past due which is decided by you. The agency receives a report identifying the loans that are assigned to the agency each week. The report provides information for the collection agency to begin work on the account. Call your Customer Service Representative for more information.

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*Questions?  
Call your Customer Service Representative.*