

## Pellissippi helping former students avoid loan default

By Amy Beth Miller amy.miller@thedailytimes.com | Posted: Monday, July 18, 2016 12:00 am

With the power of a personal phone call, Pellissippi State Community College is helping former students avoid defaulting on their student loans.

The college's Default Aversion Unit, launched in 2013, has helped cut the default rate from 22.7 percent to 16 percent. That's lower than the national average for community colleges, 19.1 percent.

Instead of receiving phone calls from debt collectors, borrowers receive a call from Pellissippi, which works with them and the student loan servicer.

"In a lot of cases, the student loans that are in default are \$3,000 or less," said Dick Smelser, Pellissippi's financial aid director.

Often the borrower is able to arrange an income-based repayment, which sometimes cuts the amount owed each month to zero and takes the loan out of default status. Interest continues to accrue on the loan, but such arrangements can help borrowers going through a financial hardship.

"No one should be going into default," Smelser said.

If a borrower defaults on a student loan, it affects the person's credit report for seven years, and that can make it more expensive to obtain a loan for a home or car, for example.

For colleges and universities, default rates of 30 percent or more for three consecutive years, or a rate of 40 percent or more for a single year, can strip them of eligibility for federal student loans.

Instead, Pellissippi is approaching a rate so low it would benefit students and the college. New borrowers usually receive their student loans in two payments, 30 days apart. At a college with a default rate of only 15 percent, however, loans can be made in a single payment.



### PSTCC reduce student loan

Dick Smelser, financial aid director, and Nadia Keyes, coordinator, lead efforts at Pellissippi State Community College to reduce student loan defaults.

## **Early Outreach**

Instead of paying an outside company that will contact borrowers for colleges, Smelser opted to create an in-house program at Pellissippi. Four students under the federal work-study financial aid program and Pellissippi ambassadors receive extensive training from the financial aid office on how to work with borrowers.

From the companies that service student loans, Pellissippi receives lists of former students who are at least 60 days past due making repayment. At 270 days, the loan is considered in default.

“We attempt to call each student,” said Nadia Keyes, Pellissippi’s financial aid manager. “They are not collectors. They are representing Pellissippi State Community College as a courtesy to assist the student.”

The borrowers recognize that Pellissippi’s financial aid office isn’t an adversary. “We’ve helped them before get their aid,” Keyes noted.

The Default Aversion Unit explains the situation and options, and it offers to create a three-way conference call with the borrower, Pellissippi representative and student loan servicer to resolve the issue.

In a single day, the college’s financial aid coordinator, who works with the students, may help five borrowers avoid default. Each month the Default Aversion Unit is reaching about 800 borrowers in some way, leaving messages, sending emails and mailing letters if it can’t reach them on the phone.

Having the college work with them makes the situation less stressful for many borrowers. The program has been so successful that word of mouth is spreading, and borrowers are coming in to the financial aid office requesting help.

## **Financial Literacy**

Calls from the Default Aversion Unit are just one way Pellissippi is working to ensure its students have a strong financial future.

Working with partners such as Regents Bank, Y-12 Federal Credit Union and the Tennessee Student Assistance Corp., the college offers financial literacy programs and information about loan repayment options.

Pellissippi also is making available to its students EverFi Financial Literacy, an interactive, online program.

The college is reducing the number of student borrowers and debt amounts too. Since 2010-11 the number of borrowers has fallen from about 3,500 to 1,600, and the average loan amount has fallen from about \$5,100 to \$4,500.

“We’re a low-cost school,” Smelser said, noting that working just 15 hours a week at minimum wage earns enough to cover tuition and fees at Pellissippi.

When students drop below six credits a semester, which makes them less than a half-time student, the college notifies borrowers that they will have to start repaying their loans in six months so they know their options and can begin making plans to repay on time.