

## **Student Loan Default Prevention Plan**

### **Introduction and Background**

The United States Department of Education requires all colleges that receive federal funds to establish a default prevention plan. The Financial Aid Office at Los Angeles Southwest College makes significant efforts in the areas of default prevention and debt management to ensure eligible students receive a loan, students are aware of their requirements and obligations as borrowers, and students do not default on the loan. This document describes these efforts and presents information about the institution's loan program that helps guide these efforts. The Financial Aid Office is responsible for implementation of this plan.

### **Organization of Debt Management Activities**

This document describes the default prevention and debt management efforts of the Financial aid Office at each stage of the borrower's loan:

1. Pre-enrollment Activities
2. At initial enrollment/application for financial aid
3. Upon re-borrowing for 2nd year
4. Upon withdrawal or graduation
5. Loan Default Prevention – Helpful Tips

#### ***1. Pre-enrollment Activities***

The Los Angeles Southwest College Financial Aid web site provides information pertaining to student loans. This site includes links to the Department of Education's Direct Lending program. Financial Aid staff conducts workshops on campus, at local high schools and for faculty/staff. They also present the Financial Aid Overview at all mandatory new student orientation programs. All of these sessions and workshops include information on borrowing and repayment. Moreover, the Financial Aid Office provides an event called "Financial Aid Awareness Day" to inform students of the financial aid process.

[http://www.lasc.edu/students/financial\\_aid/applying\\_for\\_financial\\_aid.html](http://www.lasc.edu/students/financial_aid/applying_for_financial_aid.html)

#### ***2. At initial enrollment/application for financial aid***

The loan section of the Financial Aid Office web site expresses the philosophy of careful consideration before borrowing and emphasizes the potential hazards of over borrowing. The packaging philosophy focuses on grant —loans are not part of a student's award notification. All students who qualify for a loan receive a letter from the Financial Aid Office informing them that the loan application has been processed and what their total loan indebtedness is.

First-time borrowers are **required** to attend a Loan Workshop which includes information about the processing of the loan and the skills required to maintain Satisfactory Academic Progress (SAP). Additionally, **all students must** complete the **Financial Literacy 101** on-line program prior to loan certification. A certificate of completion of Financial Aid 101 must be provided to the Financial Aid Office prior to loan certification. After a student's loan is disbursed, a notification is sent to the student informing them that they have the option of reducing or cancelling a portion or the entire loan.

The following is the link to the Financial Aid 101 on-line program and code required to start the workshops:

Website: <https://www.financialliteracy101.org/index.cfm>

Code: trio

*Check with the Financial Aid Office for updated code.*

### **3. Upon re-borrowing for 2nd Year**

The Financial Aid Office **requires** that second-year borrowers still complete entrance counseling to remind them of their borrowing obligations and their increasing debt. In addition, the completion of a Satisfactory Academic Progress (SAP) Workshop is required prior to receiving loan. Second-year borrowers will also be **required** to complete the **Financial Literacy 101** on-line program prior to loan certification. A certificate of completion of Financial Aid 101 must be provided to the Financial Aid Office prior to loan certification.

### **4. Upon Graduation or Withdrawal**

#### *Graduation:*

The Admissions and Records Office at Los Angeles Southwest College sends a report to the Financial Aid Office of students who have applied for graduation. The Financial Aid Office contacts these students to notify them of the exit counseling requirement, and online as well as in-person exit counseling are offered.

#### *Withdrawal:*

Students who withdraw from Los Angeles Southwest College are sent an exit packet which directs them to [studentloans.gov](http://studentloans.gov) to complete their exit counseling.

## **Loan Default Prevention**

Students are responsible to repay, in full, all loans used to pay for their education. Repayment of student loans helps ensure the availability of loan funds for the future. Borrowers are encouraged to take the responsibility of loan repayment seriously.

Some helpful hints on avoiding delinquency are as follows:

- Send in the required payment each month even if a bill was not received.
- Send in larger or additional payments to reduce the amount of interest paid on the loan. Be sure to indicate that the extra amount should be applied to the principal or used as a future payment.
- Remember that overpaying one month does not mean that the next month's payment can be skipped or that it will be reduced.
- Call your lender/servicer immediately if the payment will not be made on time or in cases of financial hardship. The lender/servicer may be able to work out an alternative plan.
- Know the deferment rights. After sending in the necessary forms, follow up with the lender/servicer to confirm that the appropriate loan(s) has been deferred.
- Understand the borrower's rights and responsibilities under each loan program. Keep all paper work such as promissory notes, lender correspondence, cancelled checks, etc.
- Always call to resolve a discrepancy.
- Never ignore correspondence or requests for payment from the lender/servicer.

If a default does occur on the loan(s), in spite of all the arrangements available to prevent this from happening, one or more of the following repercussions may occur:

- The default status may be reported to a national credit bureau and have a negative effect on credit ratings for seven years.
- Deferment possibilities may be lost.
- Wages may be garnished.
- Federal and state income tax refunds may be withheld.
- Ineligibility status for any further federal or state financial aid funds.
- The entire unpaid amount of the loan, including interest and cost of collection, may become due and payable immediately.
- High default rates among Los Angeles Southwest College borrowers impacts the College's eligibility for participation in federal student aid programs. Therefore, Los Angeles Southwest College is concerned about students' loan default rates because it jeopardizes all students.
- Students may obtain additional information about loan repayment and default prevention guidance from the Financial Aid Office.