1

MAKING HISTORY

LIKE NEVER BEFORE…

- 3+ Years of "Pause" on Student Loan Payments
  - Principle reduction was NOT promoted
  - 3+ years to pay down principle with no interest
- New Loan Servicers and Servicing Contracts
- Mass Loan Transfers During Pause
- Mass Student Loan Forgiveness Not Happening
- Expansion of Income-driven Repayment for Loans with Original Balance of $12,000 or Less
- Fresh Start Program Benefits Focused on Defaulted Borrowers

DANGER!
HIGH RISKS AHEAD!

Federal Servicers Do Not Have Staff to Handle What Is Coming!

Proprietary

2

The COVID-19 Student Loan Payment Pause

What is happening now? Good question!

- **The definition in the latest "extension" states** that the loans will enter repayment 60 days after the earlier of:
  - 60 days after the Supreme Court issues its decision regarding student loan forgiveness, or
  - 60 days after June 30, 2023, if the Supreme Court has not rendered a decision
- **Since the Supreme Court issued their decision in June 2023:**
  - The DER will occur on September 1, 2023 ***(interest starts accruing)***
  - The borrowers' due dates will be on or before October 15, 2023
- **Biden's additional 90 days plus 90 days to make payments will INCREASE borrowers' debt**

For student loan servicers, schools, and borrowers, this is not a realistic or manageable time frame.

3

August 24, 2022, Biden-Harris Loan Forgiveness

Supreme Court Ruling: As expected, this DID NOT HAPPEN.

Next?

Income-based Repayment Loan Forgiveness Already Exists

- Loans forgiven after 20 to 25 years of repayment
- ED is recalculating the number of payments to include periods of deferment and forbearance
- Many have loan debt greater than what they borrowed
- Borrowers will receive a 1099 for the amount forgiven and will owe taxes

This will NOT affect your current cohort default rates.

4

5

August 24, 2022, Biden-Harris Income Driven Repayment

The New Income Driven Repayment

- Original loan balance of $12,000 or less
- Minimum payments are calculated at 5% of discretionary income
- Unpaid interest is NOT capitalized or added to the principal balance of the loan
- Loan forgiveness occurs after 10 years of repayment
- Nothing is promised about the tax ramifications which currently are subject to reporting on a Form 1099

The IDR repayment schedules are often calculated interest-only or, for those not defined above, are in negative amortization where the unpaid interest is greater than the payment. These borrowers have either the same balance or a higher balance when the loans qualify for loan forgiveness. As seen in our surveys, the mental, emotional and financial stress from not progressing toward paying the loan off is often severe. The tax payment on the loan amount forgiven can be unrealistic causing more trauma to borrowers.

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6

The Fresh Start Program Primarily Serves Defaulters

The Fresh Start Program put forth by the Biden Administration on April 6, 2022, primarily helps borrowers in default get "a fresh start" *for one year after the payment pause ends*.

- **Stops Collections**
  - Tax refunds (and child tax credits) will not be withheld
  - Wages will not be garnished
  - Social Security payments (including disability benefits) will not be withheld
  - Collection calls will not be made
- **Stops reporting default status** to the government credit reporting system
- **Removed the default status from the borrower's credit record for a period of one year.** If the loan is not rehabilitated within that year, the information is replaced in the borrower's credit record. *This could encourage over-borrowing from borrowers with no intent of repaying.*
- **Restores the ability to rehabilitate defaulted loans** if the borrower failed at their first attempt to rehabilitate
- **If new federal student aid is taken before Fresh Start ends**, then:
  - Transfers defaulted loans from collections (either ED or guarantee agency) to a loan servicer
  - Change status from default to repayment
  - Remove the record of default on your credit report

Fresh Start primarily helps **DEFAULTERS** for one year

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7

The Fresh Start Program Primarily Serves Defaulters

continued

The promise to "transfer" the defaulted loans into the FDSL program through consolidation was abruptly stopped on Sept 29, 2022, when ED announced they would not accept any more applications. This, basically stopped the majority of promises for defaulters in the Fresh Start Program.

Additional benefits of the Fresh Start Program include:

- **If the loan defaulted during the payment pause** (technically defined as 361 days past due), it will be taken out of default when the loans enter repayment at the end of the payment pause.
- **Benefits that already exist** are included:
  - Income-Driven Repayment (IDR) plans
  - Forbearance
  - Deferment

MOHELA is suing the Administration because forgiving loans and moving defaulted loans from their portfolio takes away the income needed for them to stay in business. The profit margins are already limited by old loans where the majority of payments goes to principal and not to interest where they can make money. The situation is a similar to what happened with the transition to 100% direct lending when decisionmakers thought they could dictate when an entire industry would go out of business.

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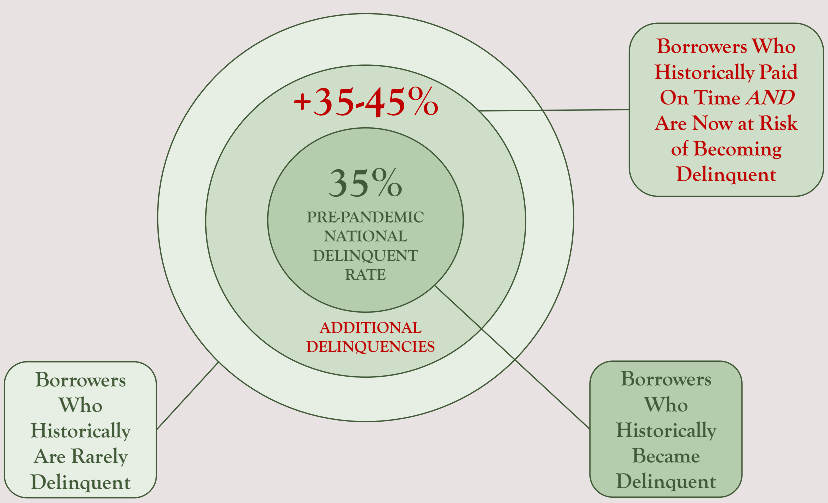
8

POST PANDEMIC PANDEMONIUM

How does this affect your schools, your borrowers, and your cohort default rates?

9

Risks and Challenges with HIGH delinquent rates



We anticipate that delinquent rates will at least DOUBLE when student loans re-enter repayment in 2023.

10

RISK Priorities for Schools

continued

1. **EXTREME RISK of losing Title IV Eligibility:** CDRs 30% and higher
2. **HIGH RISK of losing Title IV Eligibility:** CDRs 20% and higher
3. **MODERATE RISK of losing Title IV Eligibility:** CDRs from 15-19.95%
4. **RISK OF CASH FLOW CHALLENGES:** CDRs from 7.5-15%
   a. Loss of waiver of the 30-day delayed certification for first-time borrowers
   b. Loss of waiver of the multiple disbursement requirement

SCHOOL SECTOR	TOTAL # SCHOOLS	# SCHOOLS IN JEOPARDY	% SCHOOLS AFFECTED	TOTAL BORROWERS	HIGH RISK OF LOSING TITLE IV ELIGIBILITY				MODERATE RISK OF LOSS		RISK WITH CASH FLOW	
					30% & OVER		20-29.95%		15-19.95%		7.5-15%	
					# Schools	# Borrowers	# Schools	# Borrowers	# Schools	# Borrowers	# Schools	# Borrowers
TOTALS	**4,670**	**2,390**	**2**	**1,931,366**	**72**	**6,502**	**391**	**165,226**	**614**	**454,744**	**1,313**	**1,304,894**
PUBLIC	**1,552**	**1,118**	**72%**	**1,141,374**	**4**	**768**	**119**	**73,264**	**332**	**290,350**	**663**	**776,992**
PRIVATE	1,481	265	18%	305,441	11	1,861	52	19,950	66	39,351	136	244,279
PROPRIETARY	**1,361**	**946**	**70%**	**482,925**	**53**	**3,800**	**213**	**71,869**	**212**	**124,884**	**468**	**282,372**
FOREIGN	276	61	22%	1,626	4	73	7	143	4	159	46	1,251

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What This Means for Schools

- RISK of voluminous and unmanageable default prevention tasks
- RISK of burdens for on-campus staff as a result of high call volume from borrowers seeking advice and assistance
- RISK of losing disbursement benefits that enhance cash flow for schools with 3 consecutive CDR rates under 15%
- RISK of high default rates leading to loss of Title IV eligibility for both Pell Grants and Federal Direct Student Loans
- RISK of low repayment rates with administrative and financial consequences
- RISK of audits triggered by quickly escalating cohort default rates after having low rates created by the student loan pause
- RISK of Limit, Suspend and Terminate (LS&T) based on administrative capabilities
- RISK of school closures and associated costs thereof

Nearly **HALF of ALL eligible schools** are in jeopardy of facing some type of adverse consequences.

Nearly **2 million students** could subsequently face adverse consequences.

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Do you know your POTENTIAL
Title IV Eligibility RISK?
Potential Title IV & CDR Risks
Proactive
Investment
Intensity Affects Results
Reactive
Cost
Costly Processes and Standards Possibilities
Significant Increased Overhead for Audits, Oversight, Administration and Reduced Cash Flow
Low Risk
Predictable Costs
High Yield
Results
Accreditation Standards
Appeals
Department of Education Sanctions
• Loss of Disbursement Benefits
• Provisional Certification
• Letter of Credit
• Reimbursement
• Loss of Title IV Eligibility
Low Yield
Unpredictable High Costs
High Risk
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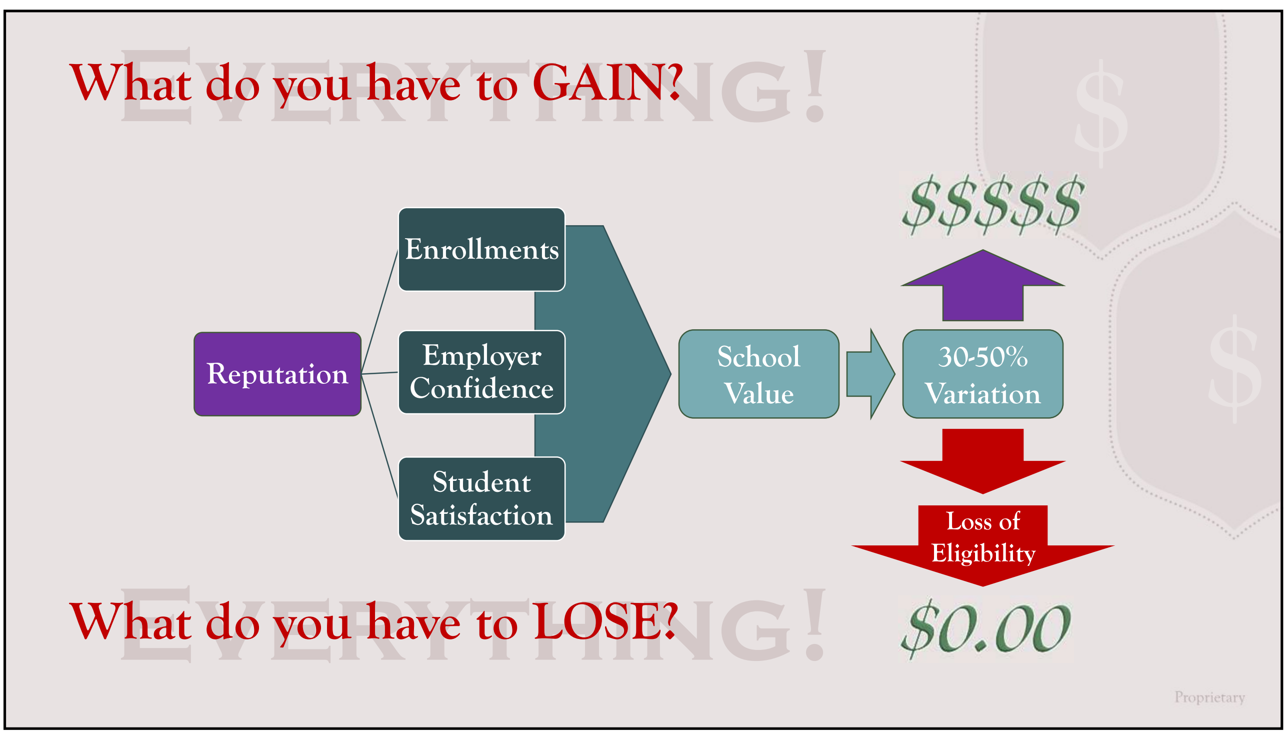

What do you have to GAIN?
EVERYTHING!
Reputation
Enrollments
Employer Confidence
Student Satisfaction
School Value
30-50% Variation
$$$$$
Loss of Eligibility
$0.00
What do you have to LOSE?
EVERYTHING!
Proprietary

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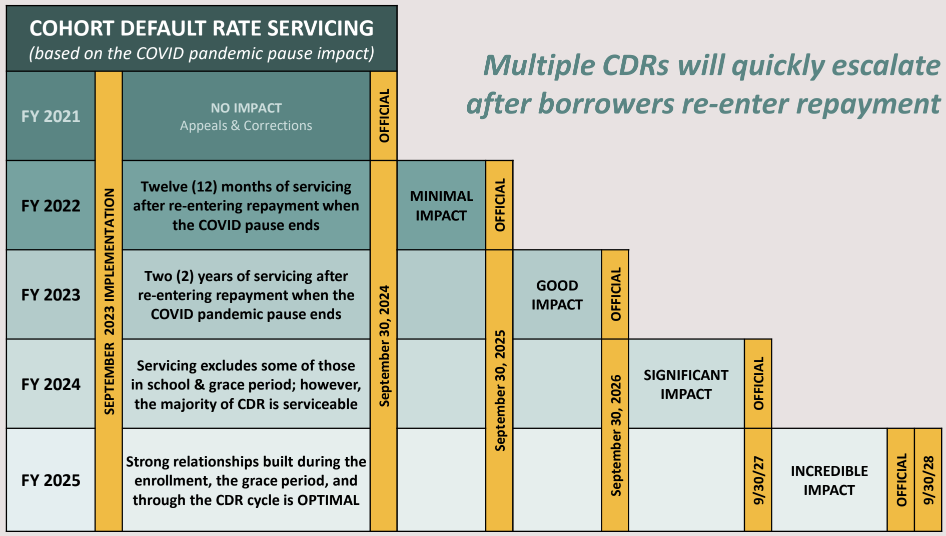

Multiple CDRs will quickly escalate after borrowers re-enter repayment

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Relevant Cohort Default Rates (CDR) Defined

CDR FY	Last Dates of Attendance	Dates Student Loans Entered Repayment	Dates of Default Counted Against Schools	Official Cohort Default Rate (Release-By Date)
FY 2021	03/30/2020 - 03/29/2021	10/01/2020 - 09/30/2021	10/01/2020 - 09/30/2023	9/30/2024
FY 2022	03/30/2021 - 03/29/2022	10/01/2021 - 09/30/2023	10/01/2021 - 09/30/2024	9/30/2025
FY 2023	03/30/2022 - 03/29/2023	10/01/2022 - 09/30/2023	10/01/2022 - 09/30/2025	9/30/2026
FY 2024	03/30/2023 - 03/29/2024	10/01/2023 - 09/30/2024	10/01/2023 - 09/30/2026	9/30/2027
FY 2025	03/30/2024 - 03/29/2025	10/01/2024 - 09/30/2025	10/01/2024 - 09/30/2027	9/30/2028

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RISKS for Borrowers

- RISK of confusion that leads to high delinquent and default rates
- RISK of lack of support for solutions – federal servicers' voicemail messages tell borrowers there is a minimum of two (2) hours hold time
- RISK of unaffordable payments due to escalating interest rates
- RISK of not getting deferments and forbearances processed in a timely manner due to shortage of staff at federal loan servicers
- RISK of choosing repayment schedules that put them into interest only or negative amortization where the debt is never reduced
- RISK of the consequences of defaulted loans that will crush their financial future

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Champion Empowerment Institute Post-pandemic Survey

On-going Survey Results:

- 84% of respondents have graduated and 3% are still in school
- 61% used the money to pay basic monthly expenses during the pause
- If the loan forgiveness does not pass, 55% will struggle to make payments
- 28% will file for deferments, forbearances, or a new payment plan (est. 12 million)
- 43% believe it will take over 10 years to repay their student loans
- 60% are unsure if they can make the payments when payments resume (not tied to loan forgiveness)
- Loan forgiveness and lower fixed interest rates were the most important priorities with better repayment options coming in last
- *Most* written comments included language about reducing or eliminating interest

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Elements of Successful Default Prevention

- Student Accountability
- Borrower Education
- Financial Literacy
- Proactive Debt Management
- Communications to Reduce Skip Rates
- Timely Repayment Communications

When borrowers are properly educated about their student loans, the repayment rates reflect that! Be prepared for anything the lawmakers and regulators make as a criteria for Title IV eligibility!

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Elements of Successful Default Prevention

continued

- **First Impressions Are Lasting Impressions.** Debt management starts the minute the student walks through your doors so prioritize it in your schools, so students prioritize it in their lives.
- **The Environment:** Communicate critical information with posters and brochures posted in the lobbies, classrooms, and offices. These printed materials portray financial education, debt management information, school events, and highlight successful students.
- **Communicate Complex Information:**
  - Speak to students in practical language and avoid acronyms
  - Communicate what is best for the student borrowers which may not be the easiest solution
  - Pause frequently and encourage questions
  - Impress students with your interest in them, not just with your technical knowledge

Create a culture of WIN-WIN! Positive experiences create positive results!

22

Student Borrower Accountability

- Have every borrower with prior loans bring the loans current, if needed, prior to letting the student start school. Adding debt on top of unmanaged debt is a recipe for disaster!
- If the student is in default on any loans, require full rehabilitation prior to starting school and taking out new loans:
  - 9 on-time payments within 10 months
  - Payment-in-full by the borrower
  - Rehabilitation through consolidation
  - Getting a new loan after 6 on-time payments does not rehabilitate the loans for the student or for the school!
- Teach the borrower to manage their own debt – don't do everything for them.

Empower students with knowledge and tools that will support their financial health for a lifetime!

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Student Borrower Accountability

- Electronic processes have taken the ownership of the loans away from the students:
  - Have students *sign* a Master Promissory Note every time they take out a new loan
  - Have every student *sign* an In-school Deferment when starting school and whenever the anticipated graduation date changes
  - Have every student *fill out* "Change of Address" cards or forms and send them to all relevant loan servicers
- Get the students involved in their responsibilities:
  - Individual Entrance Interviews
  - Disbursement Acknowledgements
  - Individual Exit Interviews

One-on-one borrower education session have a significant impact on students and speaks to the school's position on the importance of paying student loans!

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Borrower Education

- Use every opportunity during and after enrollment to encourage interest payments during deferments and forbearances.
- Encourage payments first. If the borrower can't make full payments, encourage them to pay the accruing interest at a minimum. You can not require them to do so, but you can encourage the payments.
- Repeat the basics MANY times so the concepts are remembered.
- Put complicated details in writing and provide everything to the borrower.
- Provide a folder for the borrower to print, organize, and safeguard *all* documents and information regarding their student loans.

Make students responsible for their own realities!
Give a man a fish and he eats for a day. Teach a man to fish and he eats for a lifetime!

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Financial Literacy

- Budgeting
- Debt Reduction
- Paying Interest As It Accrues
- Payment Schedules that Promote LONG-TERM Financial Success
- Proactive Debt Management
  - Before Enrollment
  - During Enrollment
  - During the Grace Period
  - During Periods of Deferment and Forbearance
  - During Negative Amortization

Empower students with knowledge and tools that will support their financial health for a lifetime!

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Communications to Reduce Skip Rates

- Collect emergency contact information
- Collect at least 6 references
- Call the references to verify their information and to begin creating relationships with them that will make them more likely to help if skip tracing is needed
- Collect regular updates for student contact information
- Mail grades – students are more likely to update information if that is the only way to get grades
- Collect information on borrower's important relationships to send out graduation announcements because these are excellent references and a great way to market your schools

You can't help borrowers who you can't find!
Verify information regularly and create relationships with their references!

27

Importance of On-going Communications

- **The Objective.** Lay a foundation through your communication that promotes responsible student loan borrowing and repayment.
- **Communication Methods.** Mail, email, in-person, phone, video, written material - try them all!
- **Repetition and Reinforcement.** Communicate critical key concepts many times with students and make complex student loan information easily available when they need it.
- **Key Concepts.** Basic concepts will be remembered if they are repeated consistently and often.
  - This is a LOAN and it must be repaid.
  - If you can't make timely payments, there are options to delay or reduce your payments.
  - If you need help, this is how to get in touch with Champion Col-EDGE Solutions' mentors.

Complexity is the enemy of execution! Make it easy for borrowers to be successful!

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Strategies for Success: During Enrollment, Grace Period, Repayment, Deferment, and Forbearance

- **Financial Literacy Training.** Budgeting, debt reduction, and making sound long-term financial stability decisions.
- **Data Monitoring.** Ensure data is accurate and monitor "red flag" data for proactive solutions.
  - Accrued and unpaid interest will increase debt.
  - Monitor contact information to ensure the borrower is receiving critical communications.
- **Communicate to Educate.**
  - Pay interest as it accrues to avoid compound interest and larger debt.
  - Pay down the principal balance to reduce the debt burden and reduce payments.
  - Choose a repayment schedule that is affordable and saves interest over the life of the loan.
  - Provide notice for the loan payment due date to keep the borrower informed of payment responsibilities.

Proactive practices will reduce delinquent rates and will set up borrowers for success!

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Strategies for Success: Delinquent

- **Data Monitoring.** Ensure data is accurate and monitor "red flag" data for proactive solutions.
  - The borrower who never makes the first payment is the highest risk of default.
  - Flag accounts a priority as soon as they become 30 days past due.
  - Monitor contact information to ensure the borrower is receiving critical communications.
- **Communicate to Educate.**
  - Provide details about the borrower rights and responsibilities.
  - Provide information for options to delay or reduce the payment(s).
  - Detailed information about the loan amount(s), payment amount(s), and due date(s).
  - Choose an affordable repayment schedule that saves interest over the life of the loan.
- **Forms Processing and Monitoring.** Never assume the borrower forms are properly completed or processed. Technical defaults that should never have happened are abundant and avoidable. Check forms to ensure they are properly filled out, then submit the forms and follow-up to ensure they are properly processed.

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There is no one MIRACLE
for SUCCESSFUL
default PREVENTION

PROACTIVE default prevention
is an INVESTMENT

REACTIVE default prevention
is a CONSEQUENCE

YOUR SCHOOL'S FINANCIAL FUTURE DEPENDS ON EFFECTIVE DEFAULT PREVENTION

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Avoid a post-pandemic pandemonium at your institution!

The covid pause has created problems that will make default prevention more complicated than it has ever been.

Schools and students are more vulnerable because inflation will make it difficult for borrowers to make timely payments. If borrowers do not pay, schools risk closure.

Ensure your future by partnering with the Champions of default prevention!

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Champions Companies' Solutions

www.ChampionsCompanies.com solutions@ChampionsCompanies.com

Avoid a post-pandemic pandemonium in your life! Let our experts find the best solutions for avoiding student loan defaults. Your future depends on it!

Champion Col-EDGE Solutions (est. 1989) gives colleges an ***edge*** over competitors with proven full-service student loan default prevention solutions that enhance quality education experiences.

Champion Empowerment Institute (est. 2013) offers foundational concepts and education about finances, budgeting and life skills to empower students to make wise decisions and develop financial freedom.

Call 800.761.7376 *today* to discuss your best solutions!

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Biography of Mary Lyn Hammer

Ms. Mary Lyn Hammer's belief that education is the vehicle for making dreams come true has led her in a passionate fight, beginning in 1987, rectifying problems in the higher education industry to insure future participation for all students.

During her career in higher education, Ms. Hammer has touched more than 3 million students' lives through her companies and a nation of students through her advocacy work in higher education.
Ms. Hammer has worked closely with Congressional Representatives and key staff at the U.S. Department of Education on many issues over her 33+ year career in the higher education industry to insure program integrity and access to low-income students.

Ms. Hammer's experience specific to the contents of this evidence include the following:

- **1988-1989** Ms. Hammer turned evidence over to Congress and the U.S. Department of Education (USDOE) and testified numerous times regarding a student lending corruption ring in California that put several companies out of business and cost the government an estimated $750 million to rectify.
- **1989** Her innovative "Hands On" Default Management Program was recognized by the USDOE for its remarkable results and was used as the basis for default management in what became known as "Appendix D". Ms. Hammer was active in aiding the USDOE in drafting this regulatory language for default management that was mandatory for high default rate schools from 1989 until 1996 and still exists today in rewritten regulations under "Subpart M" and "Subpart N".
- **1990-1993** As part of several laws affecting higher education and cohort default rates, Ms. Hammer helped draft statutory and regulatory language for cohort default rate (CDR) appeals.
- **1993-1995** She helped draft the Cohort Default Rate Guide and several revisions over the years.
- **1994-1998** Ms. Hammer worked with Congressional members on school-based loan issues and cohort default rate matters that became statutory language in the 1998 reauthorization of the Higher Education Act of 1965.
- **1999** She served as an alternate negotiator for school-based loan issues in the 1999 Negotiated Rulemaking.
- **2000** She served as a primary negotiator for school-based loan issues in the 2000 Negotiated Rulemaking. The original default management regulations under "Appendix D" were rewritten into "Subpart M" in addition to other loan issues.
- **2002-2008** Ms. Hammer worked with Congressional members on school-based loan issues and cohort default rate matters. Although she was opposed to increasing the cohort default rate (CDR) definition, she was instrumental in correcting what was originally written as a 4-year CDR definition to a 3-year CDR definition and helped draft the increased threshold and appeal rights for sanctions under the new definition.
- **2009** She served as a primary negotiator for Loan Issues - Team 2 and provided expert witness testimony for Team 1 Loan Issues. Default management regulations were written into "Subpart N" for the 3-year CDR definition along with conforming language for appeals in addition to other loan issues.
- **1988 to Date** Ms. Hammer has testified many times at Congressional and USDOE hearings and has worked closely with Congressional members, education committee professional staff, and key staff at the USDOE on many issues during her career in higher education to insure program integrity and access to quality higher education for at-risk students. Why? Because Mary Lyn Hammer was an at-risk student herself.
- **2014-2019** Ms. Hammer turned evidence about corruption in data and reporting for higher education institutions and sectors. As of July 1, 2019, 982 pages of harmful "gainful employment" federal regulations were removed from the Federal Register based on her work.

Ms. Hammer is the Owner, Founder, President and CEO of Champion College Services, Inc. Champion offers default prevention for Federal and private student loans, job placement verification, skip tracing, consulting services, and custom surveys for students, alumni, and employers. She specializes in staff training, program development, and default prevention operations. She has participated in training sessions and workshops for numerous state, provincial, regional, national, and private associations in both the U.S. and Canada in a continued effort to share her experiences and knowledge.

Her accomplishments include numerous state, regional, and national awards and recognitions over the years in both the higher education industry and in professional business arenas. Ms. Hammer has served on as a board member for numerous education associations, coalitions and groups. She has had hundreds of articles published in numerous higher education magazines over the years. She is an avid supporter of the Imagine America Foundation, a provider of need-based college scholarships. She currently serves on the Board of Directors for Champion for Success, the Advisory Board for Fintech, and as a Steering Committee Member for (Arizona) Governor Ducey's Achieve60AZ initiative.

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