

**Excerpts, selected by the HELP Committee, from a larger document**  
**produced by the company**

# **Default Management Status Update and Strategy**

July 29, 2009

## **Agenda**

- Status Update
- Short Term Strategy
- Long Term Strategy

## **Status Update**

- Focus on top ten at-risk schools ('07 CDR >25%)
- Shift coverage to 16 high risk OPEIDs – reduced to 8 highest risk OPEIDs in July
- Process Creation/Data integrity/Reporting

## Initial Primary Focus

- Top Ten At-Risk Schools (2007 CDR >25%)

	<u>07 Draft</u>	<u>08 Current</u>	<u>Improvement</u>
Campus Name	29.2%	22.5%	-6.7%
Campus Name	28.9%	24.7%	-4.2%
Campus Name	26.9%	16.4%	-10.5%
Campus Name	26.6%	19.6%	-7.0%

- Results show that, with focus, the rates can be moved
- Note '08 Current rates are worst case net of pending cures and assume all delinquent accounts default

# Shifted Focus

## Expanded to top 16 at risk OPEIDs (April 2009)

<u>OPEID</u>	<u>08 Current</u>	<u>OPEID</u>	<u>08 Current</u>
Campus Name	28.7%	Campus Name	24.3%
Campus Name	27.7%	Campus Name	24.1%
Campus Name	26.3%	Campus Name	23.5%
Campus Name	26.2%	Campus Name	23.1%
Campus Name	25.6%	Campus Name	22.5%
Campus Name	25.2%	Campus Name	22.4%
Campus Name	25.2%	Campus Name	21.7%
Campus Name	24.7%	Campus Name	19.6%

Note: Figures are as of July 15<sup>th</sup> with 10 weeks to go

## Narrowed Focus

### To top 8 at risk OPEIDs (July 2009) with 12 weeks to go

<u>OPEID</u>	<u>08 Current</u>	<u>Cures Needed To Achieve 24%</u>	<u>Weekly Cures Needed</u>
<u>Campus Name</u>	28.7%	24	2.4
<u>Campus Name</u>	27.7%	41	4.1
<u>Campus Name</u>	26.3%	11	1.1
<u>Campus Name</u>	26.2%	18	1.8
<u>Campus Name</u>	25.6%	9	0.9
<u>Campus Name</u>	25.2%	8	0.8
<u>Campus Name</u>	25.2%	9	0.9
<u>Campus Name</u>	24.7%	15	1.5

Note: Figures are as of July 15<sup>th</sup> with 10 weeks to go

# **SHORT TERM STRATEGY**



## **Short Term Strategy (through Sept. 30 on clusters $\geq$ 24%)**

- Increase PI cure payment from \$625 to \$1,000
- Implement a field and “Home Office” bonus plan
- Daily GRC cure goals
- Overnight mail campaign
- Required overtime for field and “Home Office” personnel
- Weekly phone calls with ED/Presidents and field default management personnel
  
- Data challenges (pre-challenges)
- Servicer competency challenges
- Low income CDR waiver

# **LONG TERM STRATEGY**

## **Impact of the 3 year definition**

- 3 year cohort definition is projected to increase cohort default rates by 108% for less than 2 year proprietary schools (Chronicle of Higher Education)

## Long Term Strategy

- Expand “Fire Fighting” efforts
  - Pre-claim mitigation
- Improve institutional quality
  - ATB ↓
  - Placement ↑
  - Qualified Graduates ↑
  - Program analysis ?

## Long Term Strategy - People

- Imbed a dedicated default management person in each school with regional and group management structure reporting to Tommy (approx. \$4.5 million or 0.6% of 2009 KHEC forecasted revenue)
  - Goal is 2 cures per day per person or 36K cures in 2010 including GRC and Home Office personnel total cures estimated at 46K. KHEC 2009 cohort is estimated at 32K students
    - Starting in October 1, 2010, we will start working 3 cohort years simultaneously
  - 70 staff members (\$50K avg. plus benefits) with regionals also covering a school plus 3 group leaders

## **Long Term Strategy – People (cont)**

- Spot use of private investigators (\$0.5 million YTD '09) after Sept. 30, 2009

## Long Term Strategy - Process

- Convert all new loans to Direct Loans by March 31, 2010
  - FFEL program going away and Servicers and Lenders are in massive turmoil resulting in data and system challenges
  - FFEL defaults at >270 days; DL defaults at >360 days
    - ACS and the new DL servicers have their own data/system challenges (very big issue)
- Improve the quality of students through reduction of ATB students
- Imbed 1 hour mini financial literacy course for all students (piloted in Campus Name and Campus Name)

# ATB

<u>OPEID</u>	<u>08 Current</u>	<u>08 Starts ATB %</u>	<u>07 ATB CDR</u>
Campus Name	28.7%	19%	33%
Campus Name	27.7%	13%	25%
Campus Name	26.3%	10%	33%
Campus Name	26.2%	7%	17%
Campus Name	25.6%	28%	16%
Campus Name	25.2%	19%	27%
Campus Name	25.2%	-	-
Campus Name	24.7%	30%	39%

**Note: Figures are as of July 15<sup>th</sup> with 10 weeks to go**



## **Current Coverage**

**Redacted by HELP Committee**



- GRC and Home Office staff shifted focus to the top 8 high risk OPEIDs (July '09)
- Private investigators will stay focused on top 16 high risk

## Bonus Plan

• Bonus Plan for '08 through Sept. 30, 2009:

Individual

- |                   |               |
|-------------------|---------------|
| • $\geq$ 270 days | \$75 per cure |
| • 180 – 269 days  | \$50 per cure |
| • >90 – 179 days  | \$30 per cure |

# Cost per Cure

	Start	End	Business Days	Total	Cures		Annual	Cost	Cost per Cure
					Daily				
Home office	5/1/2009	6/11/2009	30	353	11.8		3059	\$ 29,414	\$ 83
GRC	5/1/2009	6/18/2009	35	943	26.9		7005	\$ 186,563	\$ 198
Pis	12/15/2008	6/15/2009	110	588	5.3		1390	531,200	\$ 903

## **Current State**

- How much have we spent so far on GRC \$1.2 million expense YTD June
- PI's \$0.5 million YTD June
- 5 contract CPAs are costing \$10K per week