



Follow-Up Report 2016

Addendum

Follow-Up Report 2016 Addendum

This Follow-Up Report 2016 Addendum addresses the Commission's Concern regarding the College's student loan default rate. Specifically, the Commission noted its concern as follows:

“The Commission's Financial Review Task Force noted that the student loan default rate has been above 30% for the last two years. While the team noted the College meets the federal regulation on Title IV, the Commission is concerned that if the College does not take immediate action to reduce this rate, it will no longer satisfy federal regulations and student financial aid may be at risk.”

Resolution and Analysis

The College continues to be committed to minimizing the loan debt burden for its students. Per the Department of Education's Federal Student Aid Office, the College's current student loan default rate is now at 15.9% ([Ev. A.1](#)).

The United States Department of Education (USDE) calculates student loan default rates based on a three-year cohort model. Federal regulations require institutions that exceed 30% to establish a college Student Loan Default Prevention Task Force to review and conduct an analysis of the defaulters and to develop and submit a Loan Default Prevention Plan. For FY 2011, the College's default rate of 33.10% was a result of 78 defaults from the 235 in repayment status. For FY 2012 the College's default rate of 31.6% was a result of 97 defaults from 306 in repayment status.

Beginning Fall 2013, the College moved to address the FY 2011 and FY 2012 default rates. The information below describes the actions taken by the College.

The College established a Student Default Prevention Task Force and prepared and implemented a Default Prevention Plan in compliance with the U.S. Department of Education requirements ([Ev. A.2](#), [A.3](#), [A.4](#)).

- The College established a Student Default Prevention Task Force and prepared and implemented a Default Prevention Plan in compliance with the U.S. Department of Education requirements ([A.2](#)).
- As part of the Default Prevention Plan, the College participated in the Chancellor's Office default prevention program with i3Group to reduce the number of loan defaults ([Ev. A.5](#)).
- The College submitted a proposal and received approval to participate in the US Department of Education Experimental Site project limiting student eligibility for federal Unsubsidized Direct Loans ([Ev. A.6](#)).
- The Higher Education Act allows schools that have very few student loan borrowers to appeal a high default rate. If the school's Participation Rate Index (PRI) is below a

certain threshold the appeal is approved and the school is not subject to any federal sanctions. Palomar College submitted an FY 2012 PRI appeal which was approved by the U.S. Department of Education in April 2015 (Ev. [A.7](#)).

- The College contracted independently with Inceptia, National Student Loan Program to help students resolve their delinquency issues and work toward successful student loan repayment. Inceptia's work has contributed to the reduction of the College's default rate (Ev. [A.8](#)).

As a result of activities completed by the College, the current loan default rate has dropped to 15.9% (Ev. [A.1](#)). The College continues to be compliant with all requirements of the Title IV Federal Financial Assistance of the Higher Education Act. Students are informed of institutional, state, and federal requirements that include student eligibility for all programs. Students are directed to read and understand the policies, procedures, and guidelines posted on the Palomar College Financial Aid webpage (Ev. [A.9](#)). This information is updated annually to remain in compliance with federal regulatory requirements and consumer information. Students are also directed to informational videos through FATV (Ev. [A.10](#)). The Financial Aid Policy and Procedures manual is also updated annually. The College will continue to educate students about the responsibilities of student loan borrowing and the risk of defaulting.

The College is in compliance and meets Title IV Federal Regulations.

The College meets the Accreditation Standard (III.D.3.f.).

Evidence: Addendum

Number	Name
A.1	Default Rate Notification Letter - September 2016
A.2	Default Prevention Plan
A.3	i3Group Management Report
A.4	Inceptia Cohort Repayment Analysis
A.5	i3Group Student Loan Default Management Vendor
A.6	Letter of Application - Experiment 6
A.7	Participate Rate Index Challenge - April 28, 2015
A.8	Inceptia Contract
A.9	Financial Aid web page
A.10	Financial Aid TV