

DEFAULT PREVENTION (FEDERAL REQUIREMENTS)

Federal regulations and statutes contain many default prevention measures designed to ensure that students do not default on their Title IV loans. The default provisions contained in federal regulations and statutes may not specifically state that they are default prevention measures, but these provisions ensure that the student:

- Knows he/she has a loan obligation and not a grant
- Understands the terms of the loan and repayment obligation
- Is properly notified as to when the repayment obligation begins
- Receives required notices relative to the loan obligation
- Begins repayment at the proper time

In addition to these 'implicit' requirements, Federal regulations also stipulate that schools undertake prescribed default prevention measures under certain conditions:

Under [34 CFR 668.14 \(b\) \(15\)](#), the Department requires that schools participating in the Direct Loan program for the first time, or schools who have undergone a change in ownership that resulted in a change in control, develop a default prevention plan. Schools may adopt the [Department's Sample Default Prevention Plan](#) or they may develop a unique version of a default prevention plan. In either case, a school must not only adopt but execute such a plan.

Under [34 CFR 668.217](#), the *Department* requires that schools which achieve a cohort default rate equal to or greater than 30% must develop a default prevention plan which includes at least the following:

- Establish a default prevention task force
- Identify the factors causing the default rate to exceed the threshold
- Establish measureable objectives and the steps a school will take to improve the cohort default rate
- Specify the actions to be taken to improve student loan repayment, including counseling students repayment options
- Submit the default prevention plan to the Department.

In the event a school is equal to or greater than 30% for a second consecutive year, the regulations require that a school must revise the default prevention plan and submit it to the Department for review. The Department may, at this time, require a school to revise the plan or specify actions the school must take to satisfy their regulatory responsibilities.

Proper performance of default provision measures stated in federal regulation and statute are the foundation of your default prevention efforts, and may, as stipulated in Federal regulations, have compliance consequences for your institution.

ENTRANCE AND EXIT COUNSELING

A school must conduct entrance counseling for first time borrowers before releasing the first disbursement of a Title IV loan to the borrower. Entrance counseling is a default prevention requirement that has been established in regulation for many years. Schools are required to provide comprehensive information about the terms and conditions of the loan, borrower's rights and responsibilities, and information about staying in touch with the holder of the loan.

Prior to the borrower's leaving school, the school must conduct **exit counseling** to inform the borrower once again of some of the information provided during entrance counseling and to provide more specific information about loan repayment and debt-management strategies. The exit counseling session can be conducted either individually or in groups or on the web. Direct Loan Servicing Center provides online entrance and exit counseling.

Available Resources for Entrance and Exit Counseling: [Entrance Counseling on StudentLoans.gov](#); [Exit Counseling on NSLDS](#); [Your Federal Student Loans Booklet](#)

PROVIDING BORROWER INFORMATION AT SEPARATION

Within 60 days after the exit counseling session, the school must provide Direct Loan Servicing Center all updated borrower contact.

NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS) ENROLLMENT REPORTING

NSLDS is used to update the enrollment status of students who borrowed Direct Loans. This information is very important because it is used to determine the student's eligibility for in-school deferments and to determine the date when the grace period begins.

Completion of enrollment reports satisfies the regulatory requirement found in [685.309](#). Schools are required to update NSLDS for all enrolled students. In some cases, Enrollment Reporting and updating will be for loans not necessarily originated at your school. Schools must report information for students who received some or all of their Title IV loans at other schools.

Institutions must report the following information to NSLDS (not less than semiannually):

- Changes in a student's enrollment status;
- The effective date of the enrollment status; and
- The anticipated completion date

NSLDS ENROLLMENT REPORTING PROCEDURES [NSLDS Enrollment Reporting Guide](#)

NSLDS will place an **Enrollment Roster File** in the school's designated SAIG mailbox on the business day of the month designated by an Enrollment Reporting Schedule. Schools may set up their schedule using the Enrollment Reporting Schedule web page under the Enroll Tab on the [NSLDS Website](#)

Responses to the Enrollment Roster File are due within **30 days** of receiving the file in the school's SAIG mailbox. After the Roster File is updated, the school returns it either as a **Submittal File** or by completing it online, eliminating the need to return a Submittal File.

NSLDS processes the submittal file and returns an **Acknowledgement/Error File** that contains a count of accepted records and any error records. Error records must be corrected and returned within 10 days of receipt of the Acknowledgement/Error File. The file is returned as an **Error Correction File**. The Acknowledgement/Error File may not indicate any errors, but will serve as proof that the Submittal File was received and processed by NSLDS and should be kept for audit purposes.