



NEWSLINE

A publication of the
Louisiana Office of Student Financial Assistance



LOSFA collects nearly \$28 million in defaulted student loans this year

The Louisiana Office of Student Financial Assistance (LOSFA) today announced the recovery of nearly \$28 million during the federal fiscal year (FFY) ending October 31, 2000, from borrowers who defaulted on student loans.

“It is somewhat ironic,” LOSFA Executive Director Jack L. Guinn said, “that this news comes so closely on the heels of recent media reports criticizing many state agencies for failure to collect debts owed to Louisiana. However, this announcement is clear evidence that LOSFA is not one of those agencies.”

LOSFA is the state agency designated by the U.S. Department of Education as the guarantor for student loans made within Louisiana under the Federal Family Education Loan Program (FFELP).

Aggressive collection efforts within the agency have lifted LOSFA’s cumulative recovery rate from a mere 30.6 percent in FFY

1991 to 62.5 percent in FFY 1999-2000. “This rate, which is calculated by dividing the total dollar amount defaulted into the total amount collected, is a difficult figure to move—given its cumulative nature,” Guinn continued. “Over the past 10 years, however, LOSFA has consistently increased its collection rate and has secured a spot as a top recovery unit among other student loan guarantors nationwide.”

Over the past year, LOSFA has been successful in collecting approximately \$15.6 million in defaulted student loans for lending institutions whose own prior collection efforts had failed. It was during this same period that LOSFA’s collections section helped recoup defaulted loans from borrowers totaling nearly \$28 million. Those numbers include some loans that stretch back nearly four decades, back to 1964. Throughout its history LOSFA has guaranteed more than \$2 billion in FFELP funding for Louisiana students.

“Federal student loans have no statute of limitations,” Byron Henderson, LOSFA collections administrator, said. “They never go away, they just continue to grow.”

A wide array of collection tools is available to LOSFA, which aid in the agency’s recovery efforts. Henderson added that many borrowers falsely presume they can escape accountability for the defaulted loans and hide from their debts, but eventually one of the collection methods will catch up with them. Often this

comes years after the loan default and brings with it years of accumulated interest.

Among the tools LOSFA has at its disposal for collection efforts is the federal law that enables administrative garnishment of a defaulted borrower’s wages. This expedited process simply requires that LOSFA inform the borrower of the impending action. If satisfactory repayment arrangements do not result from this communication, LOSFA may then instruct the borrower’s employer to begin garnishing wages.

Other means, including seizure of state and federal income tax returns and the withholding of both academic transcripts and licenses and certificates to practice a particular profession, are often utilized by the agency. These highly effective collection methods were instrumental in the attainment of LOSFA’s FFY 1999-2000 in-house collection total of \$10.5 million. Assistance from a number of outside collectors, including the state Attorney General’s Office, contributed another \$5 million in collections. The remainder of the annual sum of \$28 million was collected through federal income tax offsets, rehabilitations and consolidations of the defaulted loans.

“It is a shame some of these defaulted borrowers wait so long to repay their loans,” Henderson said. “There are many ways we can help them to minimize the consequences of having defaulted on their loan. If they just call us, we can even show them how to get their loans out of default and clean up their credit report.”

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NEWS AND UPDATES

Federal privacy act and TOPS are compatible: Under the Family Educational and Privacy Rights Act (FEPR), the federal government is required to withhold funds from any educational institution or governmental agency that releases a student's education records and/or the personally identifiable information contained in such records – except in certain circumstances.

According to George Eldredge, General Counsel for the Louisiana Office of Student Financial Assistance (LOSFA), there are at least three exceptions provided by FEPR which allow postsecondary institutions to release a student's educational records to LOSFA in order to meet their statutory obligations under the state-funded Tuition Opportunity Program for Students (TOPS).

The exceptions are as follows:

1. 20 U.S.C.A. 1232g (b)(1)(D): Allows releases 'in connection with a student's application for, or receipt of, financial aid...'
2. 20 U.S.C.A. 1232g (b)(1)(F): Allows releases to organizations conducting studies for, or on behalf of, educational agencies or institutions for the purpose of developing, validating or administering predictive tests, administering student aid programs...'
3. 20 U.S.C.A. 1232g (b)(5): Allows state officials to have access 'to student or other records which may be necessary in connection with the audit and evaluation of any federally or state-supported education program...'

"In my opinion, TOPS is an education and financial aid program, and therefore, the various statutory and regulatory requirements for submission of data by public and private postsecondary educational institutions are covered by one or more of these exceptions," Eldredge said. "I note that FEPR does not differentiate between public and private institutions. Both are subject to the same requirements, limitations and exceptions."

LASFAA spring conference held: The Louisiana Association of Student Financial Aid Administrators (LASFAA) spring conference was held at the Hotel Acadiana in Lafayette March 15-16, with a majority of school financial aid officers in attendance and many lender and servicer representatives on hand. The conference provided a venue for vendors booths and offered several information sessions covering such topics as: the return of Title IV; a U.S. Department of Education conference call; program participation agreements; diversity awareness; and the Family Educational and Privacy Rights Act (FERPA).

Southeastern Louisiana University (SLU) names new director: Sam Domiano has been installed as the new director of Financial Aid and Admissions at SLU in Hammond, replacing Mary Genco.

LOSFA Pre-claims name change: Effective April 1, 2001, the name of the Pre-claims section will change to **Default Prevention**. LOSFA will continue to provide effective and timely default prevention service to lenders, schools and borrowers. The Default Prevention section may be reached at (800) 256-3137.

LOSFA Public Information and Communications (PIC) Division welcomes new representative: Linda Gooch has moved to the Automated Call Distribution (ACD) unit of PIC from LOSFA's START Saving Program office, where she served as a program assistant. Gooch is a native Baton Rougean who received her bachelor's degree in marketing from the University of Texas. After graduation, she worked in management for several years at department stores in Houston and Dallas. Gooch met her husband of 19 years in Texas. The couple moved back to Baton Rouge in 1984, where she served as manager of Volunteer Services at the Baton Rouge General Medical Center, Mid City, working with 300 adult volunteers and 65 teens.

National figures project Louisiana's cohort default rate will decline – again

The U.S. Department of Education recently released the 1999 draft cohort default rates for guarantors, showing a projected cohort default rate of 6 percent for the Louisiana Office of Student Financial Assistance (LOSFA), a reduction from its 1998 rate of 9.04 percent. LOSFA is the department's designated guarantor for Louisiana.

The cohort default rate is defined by statute as the percentage of borrowers who enter repayment in a certain year and default before the end of the following year. The recently released draft data is for fiscal year (FY) 1999

and represents the cohort of borrowers who entered into repayment during the FY 1999 period (Oct. 1, 1998 through Sept. 30, 1999 and defaulted before Sept. 30, 2000.)

The figures for the 1999 draft cohort default rate for Louisiana represent 18,662 borrowers in repayment status with 1,119 of those defaulting.

This is the third consecutive year that LOSFA's default rate has declined. The national student loan default rate fell to a record low of 6.9 percent for the 1998-99 cohort year, down from a high of 22.4 percent in FY 1990.

During FY 1999, LOSFA was successful in preventing 90 percent of past due accounts

from defaulting. This represents a dollar amount \$245,921,751 in averted defaults.

LOSFA attributes the improved rate to several factors. The LOSFA default prevention section works closely with borrowers, lenders and schools to assist in resolving delinquencies. Borrowers are counseled on available options for avoiding default and are provided with necessary information and forms. Numerous letters are sent and phone calls are placed to remind borrowers of their obligations and provide advice on how to resolve existing delinquencies. LOSFA also notifies schools of their delinquent borrowers and many of them work with LOSFA by supplementing its default prevention efforts. As a result, many defaults are prevented.

Early high school graduates now eligible to receive TOPS award at time of graduation

Students who are eligible for the state's Tuition Opportunity Program for Students (TOPS) but who graduate early from high school will now be able to receive their awards as they graduate, as a result of an emergency rule adopted by the Executive Committee of the Louisiana Student Financial Assistance Commission (LASFAC) on March 9.

The committee action amended a portion of a rule which previously mandated that early high school graduates (those completing course work before May of their fourth year) may not be awarded a TOPS award until their peer class graduates.

While the previous standard did not prohibit students from graduating prior to their peer class, it did prohibit such students from being awarded TOPS until the time their peer class could first receive the award.

The amended rule applies to early graduates of the academic year 2000-2001 and thereafter who both meet the requirements for TOPS and:

- graduated midyear and started college in the spring term 2001 (will be paid retroactively for spring 2001);
- graduated midyear and did not start college in the spring term 2001 (will be paid the first term they enroll as a first-time, full-time freshman in an eligible institution, but no earlier than the fall term 2001 and no later than one year after the date of graduation); or
- graduate in May/June 2001 (will be paid the first semester they enroll as a first-time, full-time freshman in an eligible institution, but no earlier than the fall term 2001 and no later than one year after the date of graduation).

The rule was amended by the Executive Committee in response to feedback from several different sources. The change was favored by participants at the

seven Guidance Counselor Workshops conducted by the Louisiana Office of Student Financial Assistance (LOSFA) this past December. Held at various locations throughout the state, the workshops were well received, with a total of 573 high school guidance counselors, head guidance officers and other school officials in attendance.

During the workshop, those in attendance were given the opportunity to raise issues and voice concerns regarding TOPS policies and procedures. One of the issues most frequently raised was the "early graduation" rule.

The general consensus of workshop participants was that the rule unfairly penalized the most gifted students, was difficult to explain to parents and created difficulty and confusion in identifying, certifying and processing such students.

TOPS processing dates, events timeline

MARCH 9, 2001	Last Day to Web certify high school graduates of 2000 on LOSFA Web Site: www.osfa.state.la.us . This portion of the site is presently inactive and will remain so until May 8, 2001.
MARCH 16, 2001	Letter forwarded to high schools soliciting their participation in electronically certifying high school graduates of academic year 2000-2001 on the Web.
APRIL 7, 2001	ACT national test and DEADLINE for 2001 high school graduates to achieve a TOPS qualifying ACT score without penalty.
APRIL 15, 2001	Last day for receipt of Free Application for Federal Student Aid (FAFSA) by federal processor for PRIORITY PROCESSING.
APRIL 20, 2001	Last Day for institutions to return eligible part-time listing described in TOPS Bulletin T2001-03 dated March 12, 2001.
APRIL 20, 2001	DEADLINE for high school requests to participate in electronic certification of TOPS applicants via the Web.
MAY 4, 2001	Final TOPS Master Roster processed for academic year 2000-2001. Fall semester 2001, spring semester 2001, fall term 2001, winter term 2001 and spring term 2001 payment requests will continue to be accepted in both electronic and manual form until June 27, 2001
MAY 5, 2001	Last date for SAT national test. If used as ACT equivalent, result is award reduction by one semester.
MAY 7, 2001	Final TOPS Master Roster for 2000-2001 is available for electronic retrieval.
MAY 8, 2000	First mailing of the high school certification forms to schools that will manually certify their graduates of academic year 2000-2001. Further mailings will be made May 15, 22, and 29, and June 5 as additional applications are received.
MAY 8, 2001	Graduates of academic year 2001 to be certified by high schools are available to high school counselors on the Web at www.osfa.state.la.us .
MAY 14, 2001	Initial TOPS Master Roster for award year 2001-2002 available for electronic retrieval.
MAY 14, 2001	Files opened to receive electronically filed spring semester 2001 and spring term 2001 TOPS grade reports.
MAY 18, 2001	Processing begins to determine those eligible for continuation in award year 2001-2002.
MAY 21, 2001	First date for students to check 2001-2002 TOPS eligibility at www.osfa.state.la.us .
JUNE 2, 2001	Processing begins to determine applicants eligible for an initial TOPS award.
JUNE 27, 2001	Final date for electronic submission of fall semester 2001, spring semester 2001, fall term 2001, winter term 2001 and spring term 2001 TOPS payment requests. All subsequent billings for these terms accepted as manual payment requests only.
JUNE 30, 2001	Deadline for 2000-2001 academic year high school graduates to achieve TOPS eligible ACT or SAT score with one semester penalty.

TOPS processing dates, events timeline

JULY 2, 2001	DEADLINE for receipt of 2001-2002 FAFSAs by federal processor to qualify for full award.
JULY 26, 2001	Final date for electronic submission of summer semester 2001 and summer term 2001 TOPS Payment Requests and for all 2000-2001 refunds.
AUG. 1, 2001	Production of TOPS high school certification forms is resumed on a weekly or as-needed basis.
AUG. 3, 2001	Final date for receipt of award year 2000-2001 payment requests.
AUG. 31, 2001	DEADLINE for receipt of 2001-2002 FAFSAs by federal processor with one semester penalty.
SEPT. 30, 2001	Final date for electronic submission of 2001 TOPS grade reports, including exchange students, summer-away students, and corrected TOPS grade reports.
OCT. 30, 2001	DEADLINE for receipt of 2001-2002 FAFSAs by federal processor with two semester penalty.

Outreach promotes 'Financial Aid Awareness Month'

During the month of February — designated as national Financial Aid Awareness Month — representatives from the School and Lender Services (SLS) Section of the Louisiana Office of Student Financial Assistance (LOSFA) provided support to state colleges and universities by aiding the school's outreach programs aimed at raising local awareness about financial aid.

Sigmund Morel, representing SLS territory south of Alexandria, visited Nicholls State University in Thibodaux, where he discussed the entire LOSFA aid package — including the TOPS program, student loans and scholarships — with more than 300 workshop participants.

At McNeese State University in Lake Charles, Morel explained the programs to an audience of enrolled students and witnessed real-time assistance provided for workshop participants who opted to check their current aid status at a computer conveniently located on-site.

Morel was also on hand for similar events held at Southeastern University in Hammond

and the University of Louisiana at Lafayette, where counselors helped students fill out financial aid applications on-the-spot.

Jeff Cropco, representing SLS territory in Alexandria and the northern portion of the state, participated in Grambling State University's financial aid night targeting prospective graduates from surrounding parishes. Cropco described the student loan process, the TOPS program and provided helpful hints in filling out the federal financial aid application.

As the Bossier Parish Community College (BPCC) program was held simultaneously with Grambling's, Cropco was unable to attend both events. LOSFA Public Information and Communications Manager Michelle Darling stepped in to provide LOSFA support for the community college, promoting the Student Tuition Assistance and Revenue Trust (START) Program — the state's "cradle-to-college" savings plan — to BPCC's above-average-aged (29 years old) student population.

Kelly Hutson, representing SLS territory in New Orleans, attended similar events at Dillard University and the University of New Orleans. The Dillard University program was held in conjunction with the

school's Financial Aid Fair, offering a cornucopia of browse tables, lender merchandise and refreshments.



As part of an outreach effort to promote financial aid awareness in the community, Kelly Hutson, LOSFA School and Lender Services (SLS) representative, assists the financial aid department at the University of New Orleans in presenting a workshop held at the UNO campus Feb. 15. The workshop offered general financial aid information and information on the TOPS program, in addition to providing students, parents, staff and the general public with access to several lenders who were on hand to explain the student loan process.

Parents attend TOPS Seminars across state

Seven hundred and fifty parents of college-bound Louisiana students recently participated in a series of statewide Tuition Opportunity Program for Students (TOPS) Seminars presented by the Louisiana Office of Student Financial Assistance (LOSFA) spanning a six-week period from late January through early March.

The seminars targeted the parents of Louisiana's latest crop of TOPS hopefuls — hailing from 75 high schools and

representing 27 parishes — in order to familiarize them with the policies and procedures which are so necessary in obtaining and maintaining the state's premier higher education scholarship.

Seminar venues covered nine geographically and culturally diverse locations across the state — from Houma and New Orleans in the south, to Bossier City and Monroe in the north; Lake Charles and Lafayette in the west; Mandeville in the east; centrally located Alexandria; and the capitol city of Baton Rouge.

Each seminar consisted of three stand-alone sessions presented by specially trained teams assembled from a contingent of nine public information representatives specifically detailed from LOSFA for the mission.

“The first presentation concerned the Free Application for Federal Student Aid (FAFSA), which is the ‘one-stop shopping’ application for most types of state and federal financial aid,” Jerri Mack, public information representative and veteran presenter, said.

“We explained methods of filing, advantages to electronic filing, a brief step-by-step overview of the FAFSA and the importance of receiving and correcting the Student Aid Report. The key purpose of this presentation was to point out the most important aspects of the FAFSA in relation to TOPS,” she said.

The second presentation covered the TOPS program, and included, “everything you ever wanted to know about TOPS,” according to Mack. Items discussed were as follows: award levels, general eligibility, the core curriculum, residency, early admissions and early graduation, disabled students, ACT scores (in regard to TOPS), SAT substitutions, ACT and FAFSA deadlines for TOPS, renewing the TOPS award when in college and LOSFA's Web site where students can check TOPS eligibility in June.

The seminar concluded with a presentation on the Louisiana College Payment Plan and showcased the way in which the START Saving Program, the Louisiana guarantee, and the TOPS program dovetail — all working together to consolidate a student's financial aid plan from cradle to college. Specific details about the START Saving Program were also discussed.

Audience reaction to the seminars was very enthusiastic, with high ratings given in all evaluation categories for quality, quantity and usefulness of both the presentations and the information provided.



LOSFA Assistant Executive Director for Support Services Mark Riley (left) and LOSFA presenting team member Glenda Boeking (center) discuss the TOPS program with one of the many attendees who participated in the TOPS Seminar for parents which was held at Baton Rouge Magnet High School Feb. 6.

Trailblazer camps set for midsummer

T

he Louisiana Office of Student Financial Assistance (LOSFA) is gearing up for its eighth annual Trailblazer program and will be offering educational and fun-filled camps

for high school seniors at Northwestern State University in Natchitoches July 15-17 and Southeastern Louisiana University in Hammond July 29-31.

Trailblazers is an innovative approach to training high school students about postsecondary financial aid opportunities, with this year's camps exploring the following topics in depth: state scholarships (including the Tuition Opportunity Program for Students); college admissions; the financial aid process; career choices; surfing the

Internet for financial aid; and federal student aid programs.

The unique Trailblazer experience begins with a three-day camp held on-campus at a state university during midsummer. Trailblazers live on-campus for three days and two nights, during which time they participate in several intensive group training sessions. When not in sessions, the Trailblazers are provided with a variety of opportunities to get acquainted with their peers from around the state and to learn more about campus life. Camp evenings are devoted to fun and entertainment, and include many festive activities.

Upon returning to their respective high schools in the fall, and under the supervision of their school guidance counselors, the Trailblazers are expected to

share their new-found information and expertise with fellow students.

To nominate a student, the counselor and/or principal must select one qualified junior and one alternate (both must be seniors in 2001-02) who are enthusiastic about the opportunity of becoming Trailblazers. To be considered, nominees must be college-bound, academically outstanding and effective public speakers among their peers.

Room and board will be provided for each Trailblazer at no cost, but transportation to and from the site is the student's responsibility. Specific details will be mailed by LOSFA to confirm attendees prior to camp registration. For more information, please contact a public information and communications representative at the toll-free number at (800) 259-5626, Ext. 1012.

Fifty-five percent of students who lost TOPS still in school

In a January report to the Legislature, the Louisiana Office of Student Financial Assistance (LOSFA) disclosed that 10,817 recipients of the state's Tuition Opportunity Program for Students (TOPS) scholarship, from the high school graduating classes of 1997, 98 and 99, had forfeited their awards.

Included in that number were 2,536 students whose awards had been suspended for failure to maintain the requisite grade point average.

Beginning with their second year in the program, all TOPS recipients must maintain a minimum grade point average of 2.50 to remain in the program. Recipients whose awards were suspended for failure to maintain this average have up to two years to regain the minimum average and have their awards reinstated.

To determine the college persistence of students whose awards had been for-

feited or suspended, LOSFA compared its data with the public college enrollment data maintained by the Board of Regents. Of the 10,817 students affected, 5,944 or 55 percent remained enrolled in a public college as of the fall semester of 2000. Enrollment data for the state's private colleges was not available for comparison, but when that data is incorporated, the percentage of students who have continued in college after loss of their awards is expected to reach 62 percent.

Since January, the number of suspended awards has decreased by 93, leaving 2,443 students currently in this status. The data from the Board of Regents shows that the greater majority of these students have remained in school and, based upon the reduction in suspended awards that has been experienced, it is evident that more students with suspended awards will be reinstated to the program, further reducing the award forfeiture rate experienced to date.

The program, now in its third year of awards, covers students from the graduating classes of 1997-2000. With each succeeding class, the rate at which students have retained their awards has increased. Retention data for the class of 2000 will be available at the close of the spring semester this May.

Notably, none of the students in these classes (1997-2001) were aware of the program's requirements when they entered high school as freshmen. The first entering class of high school freshmen to be familiar with the standards for TOPS will not graduate until 2002. Consequently, the data currently available relating to persistence rates may be insufficient to warrant conclusions as to the long-term impact of the program.

LOSFA and the Board of Regents are improving the flow, analysis and reporting of data, enabling performance comparisons to be made between TOPS and non-TOPS recipients as the basis for future decisions about the program.

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