Status of Student Receivables

Joyce Kammerzelt
Regional Director of Sales
Today’s Agenda

• Overview Student Receivables
• The Economy
• Current Trends
• Impact on Colleges
• Looking Ahead
• College Reaction the “New Normal”
• College Traditional Limitations
• Best Practices
• FAQ
The Next Debt Bubble?

On Track for $1 Trillion: Student Loan Debt Greater Than Credit Card Debt

LIZ BYKER
Education Editor

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The Next Debt Bubble??

• By the end of 2011 $1 Trillion amassed in outstanding student debt
• Only 40 % actively being repaid
• Student Lon Debt growing at $90 Billion per year
• By the end of 2011 default rate on student loans (state and private) will be around 10%
• In 2012 roughly $100 Billion of new loans will be originated

• In 2012 more than $100 Billion of the $1 Trillion in outstanding loans will be in default (10%)
The National Economy

- Unemployment/ Underemployment
- Housing Market
  - Borrowed Equity
  - Falling Home value
  - Falling Home sales
- Bankruptcies, Foreclosures, Stock Market volatility, National Debt, Downgrade of Credit Rating
Jobless Recovery?

unemployment rate

Month

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Unemployment and Income

June Unemployment Rate Up to 9.2 Percent

- Avg. hourly earnings, % change year ago (L)
- Unemployment rate, % (R)

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Home Values

House Prices Still Weighed Down by Foreclosures

% change year ago

FHFA purchase-only

Case/Shiller 20-city

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Student Receivables

- Unemployment Remains High
- Enrollment is Up (Normal)
- Financial Aid Disbursement is Way Up
- State FTE Funding is Down (in most states)
- Operating Costs are Up
- Huge Increase in Student Receivables
- New Focus on Costs and New Revenue
New Pattern

Old:
• Unemployed return to school
• Return to the job Market more valuable
• Quickly pay off small balance

Now:
• Borrowing More
• Unable to Find Work
• Unable to pay Loans
What does this mean to schools?

- Enrollment still high
- Fed Funding uncertain
- Stimulus Money Gone
- Graduates Not Working
- Staff Cuts
- Everyone Doing More with Less

• New focus on controlling costs
Traditional Limitations

- Traditionally Community Colleges Have a Very Defined Geography
- Admit Everyone, Tuition relatively cheap
- Most Quality for Financial Aid
- Unwilling to be “harsh”
- Liberal Payment Terms
- Minimal Collection effort- don’t want to offend students
- Terms and conditions not enforced- perceived as MEAN.
- Politics Overrule Finance (Many of you deal with this daily)
Schools Reacting

• Schools Forced to look for New Revenue Sources
• Tuition Increases
• Fee Increases
• Schools looking for Savings Like Never Before
• Cutting Athletic Budgets
• Outsourcing
• Student Receivables Getting Attention
Student Accounts

- Right Now Business Office Has an Opportunity
- “Political Side” of campus More Open to Suggestions
- Getting Solid Business Processes Approved
- Write-off Increase Because Your Hands are Tied
- Nothing is Status Quo
- Must Have reasons for Students to Pay on time
- No Consequences, No Actions
Best Practices

• Who is Responsible for Paying the Bill?
• Re-evaluate Financial Aid Distribution
• Include Collection Cost Language in Registration
• Drop Students for Non-payment
• No Previous Balance Allowed to Register
• Firm Holds for Non-payment (not just Registration Hold)
• Notify Past Due Accounts
• Add Late Fee
Best Practices (Continued)

- Final Dunning Letter (advise of consequences)
- Outsource to 3rd Party Collection Agency
- Allow Credit Reporting
- Move Accounts Off Desk After One Semester (Staff Stays current)
- Redirect All Calls Back to Collection Agency
- Professionally Represent the College
Role of Outside Collection Agency

- Augment Your Internal Process
- Create Consequence for Not Paying
- Work with Former Students to Free Up Staff Time
- Find Very Mobile Former Student
- Maintain Continuous Contact
- Credit Report
- Update College
- Collect Money
Frequently Asked Questions

• How Will This Affect Retention?
• Is This Contrary to Our Academic Mission?
• Is this is the Best Interest of the Student?
• Aren’t We Mistreating our Student?
• What Will it Cost?
• Don’t all Collection Agencies Abuse Debtors?
• Won’t We Ruin Their Credit?
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Questions?

Joyce Kammerzelt
Regional Director of Sales
(585-406-4006)
jkammerzelt@conserve-arm.com
www.conserve-arm.com