Student Loan Default Prevention and Management Practices at Mississippi Community & Junior Colleges

LaShanda Chamberlain

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STUDENT LOAN DEFAULT PREVENTION AND MANAGEMENT PRACTICES
AT MISSISSIPPI COMMUNITY & JUNIOR COLLEGES

by

LaShanda Monique Chamberlain

A Dissertation
Submitted to the Graduate School,
the College of Education and Human Sciences
and the School of Education
at The University of Southern Mississippi
in Partial Fulfillment of the Requirements
for the Degree of Doctor of Education

Approved by:

Dr. Lilian Hill, Committee Chair
Dr. Richard Mohn
Dr. Thomas O’Brien
Dr. Kyna Shelley

Dr. Lilian Hill
Committee Chair

Dr. Sandra Nichols
Director of School

Dr. Karen S. Coats
Dean of the Graduate School

May 2019
ABSTRACT

Cohort default rates can impact an institution’s ability to participate in the Title IV aid programs. Title IV aid programs such as the federal Pell grant, federal work-study program, and the federal loan program is critical to student enrollment. If an institution loses its participation in the Title IV aid programs, this would be detrimental to both students and the institution. Cohort default rates at Mississippi community and junior colleges are currently above the national average. This qualitative study examines the default prevention and management practices at Mississippi community and junior colleges. Using an interview protocol, the researcher interviewed financial aid administrators to determine what practices and procedures are used at Mississippi community and junior colleges to manage their cohort default rates. The results of the study reveal that institutions in the study are completing the regulatory tasks suggested by the U.S Department of Education. In addition, one institution is using a formal default prevention and management plan approved by the US Department of Education. As a result of the findings, it is recommended that all institutions develop and implement default prevention and management plans.
ACKNOWLEDGMENTS

First, I would like to thank my dissertation chair, Dr. Lilian Hill. Dr. Hill, you were wonderful throughout my dissertation journey. Dr. Hill, your expertise, guidance, and patience throughout this process was priceless. I could not have completed it without your help. I would also like to thank my committee members, Dr. Richard Mohn, Dr. Thomas O’Brien and Dr. Kyna Shelley, for their support, suggestions and encouragement during this process as well.

Lastly, I would like to extend my sincere gratitude and appreciation to my Mississippi Gulf Coast Community College family. Without the blessing and support of my staff, co-workers, and senior administration at Mississippi Gulf Coast Community College, this dissertation would not have been possible.
DEDICATION

‘For I know the plans and thoughts that I have for you,’ says the Lord, ‘plans for peace and well-being and not for disaster to give you a future and a hope’-Jeremiah 29:11.

I would like to dedicate my dissertation to my family and my extended family; my village!! I love you all with all my heart. During this journey, there have been many times when I emotionally gave up, but the encouragement & support of my village kept me going! My success is your success! To my Mama, thank you for always supporting & believing in me. You have always been my ROCK!! To my sisters, Artela & Ariel; thank you for your unwavering support and continuously pushing me! To my babies-Joshua, Josiah, Jeremiah & Langston; Auntie loves you and I pray that I have laid the foundation for greatness from each of you. Through my path as your guide, know that you can accomplish anything you want.
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CHAPTER I – INTRODUCTION

Background

In recent years, the volume of outstanding student loan debt has reached an astounding high and surpassed the value of outstanding credit card debt (Cauchon, 2011). This increase has drawn concern and criticism from both the general public and lawmakers (Cunningham & Kienzl, 2011). As more students borrow to finance their education, the number of student loan defaults have also increased (Looney, 2011). The history of cohort default rates has been somewhat of a yo-yo in the past. Cohort default rates reached high numbers in the 1980s, stabilized in the 1990s and have peaked again in recent years all the while prompting public concern (Field, 2010). According to the United States Department of Education, a student loan borrower is considered in default on a federal loan when he or she fails to make a payment for 270 consecutive days (U.S. Department of Education, 2018). Defaulted student loans are detrimental to both students and institutions; these defaulted loans can have lasting effects for both the student and the institution (Looney, 2011). Because of a defaulted student loan, students can face any or all of the following; damage to their credit report, wage garnishment, possible loss of tax refunds and a loss of additional federal financial aid eligibility for future postsecondary enrollment (Cunningham & Kienzl, 2011). For the institution, the loss is just as catastrophic as it is for the student (Looney, 2011). The institution could lose the opportunity to offer Title IV aid to prospective students as a result of a high cohort default rate (Looney, 2011).

Unlike other forms of debt, borrowers cannot discharge federal student loan debt in bankruptcy proceedings (Cunningham & Kienzl, 2011). The current national average
cohort default rate is 10.8%, and the current national average for two-year public community colleges is 16.7% (U.S. Department of Education, 2018). Mississippi’s community & junior colleges have an average cohort default rate of 19.34% which exceeds the national average for community colleges (U.S. Department of Education, 2018). This rate is 8.54% above the national average for all institutional types and 2.64% above the national average for community colleges (U.S. Department of Education, 2018). The Default Management Task Force division of the Department of Education provides schools with a framework for a default prevention and management plan to reduce defaults and therefore foster student success (U.S. Department of Education, 2018). Currently, a default prevention & management plan is only required for schools with a 30% or higher cohort default rate in one year, schools with a recent change in ownership or schools participating in the federal loan program for the first time (U.S. Department of Education, 2018). However, all schools are encouraged to develop and to implement a default prevention and management plan for their students (U.S Department of Education, 2018).

Postsecondary institutions with a large number of student loan defaulters are at risk of sanctions that could impact their ability to participate in the federal financial aid programs (Davis, Green-Derry, Jones, 2013). These sanctions include heightened cash management oversight of federal financial aid funds by the Department of Education, federal program reviews and ultimately a loss of eligibility to participate in the Title IV aid programs (Davis, et al., 2013). Each postsecondary institution participating in the federal loan program receives an annual cohort default rate from the Department of Education; a draft rate released only to the school and an official rate released publicly
(Looney, 2011). The draft rate is released in February, and the official rate is released in September each year (Looney, 2011). Schools are allowed to challenge inconsistencies in their draft rate before the official rate is released in September (U.S. Department of Education, 2018). The cohort default rate or CDR is the percentage of federal student loan borrowers who enter repayment on their loans within a federal fiscal year and default on their loans within three years of entering repayment (U.S. Department of Education, 2018). The Department of Education views the cohort default rate as a measure of institutional quality, and thus high rates are often considered a quality issue for institutions. (Ishitani & McKitrick, 2016).

In 1965, Congress passed The Higher Education Act of 1965 to provide federal resources as a means to remove or reduce the economic barriers to a college education for Americans (Griffith, 1986). As a result of The Higher Education Act of 1965, the federal government officially entered the postsecondary education realm and became the largest provider of financial aid funds for postsecondary enrollment (Davis, et al., 2013). The Higher Education Act created the federal financial aid programs and established many of the current slate of federal financial aid programs known as Title IV aid programs (Griffith, 1986). Federal funding for financial aid programs of The Higher Education Act of 1965 or HEA are found in Title IV of the act (Griffith, 1986). The programs include the Federal Pell Grant, the Federal Direct Loan, the Federal Work-Study, the Federal Supplemental Educational Opportunity Grant or FSEOG, the Federal TEACH grant, the Federal PLUS loan and the Federal Perkins Loan programs.

The cost of a college education is a contentious issue for many American families. Over the past few decades, the cost of a college education has increased at a steady rate
Adam, 2005). Inflation and shrinking state support have prompted tuition and fees to skyrocket at public institutions (Supiano, 2013). With reduced state support at public institutions, students must shoulder more of the tuition costs (Supiano, 2013). To combat educational costs, many students seek financial assistance from financial aid programs (Elliott & Friedline, 2013). With the rising cost of a college degree, many students view student loans as a necessity to fund their postsecondary educational goals (Mueller, 2014). Likewise, many of these same students see student loans as a gateway to completing their college degree and worth the investment (Mueller, 2014). While educational costs have increased in recent years, funding for many financial aid programs has not increased at the same rate, particularly the Federal Pell Grant program (Supiano, 2013). These tuition increases have outpaced the Federal Pell Grant, and pell funds do not cover as much tuition as they once covered for students (Elliott & Friedline, 2013). As a result of the diminished purchasing power for the Federal Pell Grant, student loans have grown in popularity among college students (Ionescu, 2009). To meet the shortfall in funding their educational costs, many students from all sectors of higher education are now turning to student loans backed by the federal government and private lenders to finance their education. Community college students are not exempt from this increase in student loan borrowing trend. Currently, 24.4% of community college students receive loans to attend (Snyder, de Brey & Dillow, 2016). Despite the low cost of tuition at community colleges, many community college students often turn to student loans to meet their other indirect educational costs such as rent, food expenses, daycare expenses and transportation expenses (McKinney, Roberts & Shefman, 2013). Many nontraditional students need the extra financial resources so that they can stay enrolled
Moderate educational debt is a positive investment for a student. However, excessive educational debt, can diminish the return on investment of a college degree (Hillman, 2014).

Theoretical Foundation

The theoretical foundation for this study was developed using Becker’s Human Capital Theory (Becker, 1964). Becker (1964) likens the use of knowledge and skills of a person to the use of a machine to produce a good or service. Becker reasoned that both an individual and a machine could produce a good or service of economic benefit. Individuals can use their skills and knowledge to generate a monetary value for each service. Becker further contends any additional skills and knowledge acquired by an individual can increase their earning potential over their lifetime. To that end, education is considered a return of investment by an individual to improve their human capital (Becker, 1976). Over time, the value of a college education will exceed any short-term costs or sacrifices for the individual. To finance the cost associated with obtaining a college degree, educational loans are an investment. Students seeking a college degree will sacrifice current earnings and acquire educational loans to invest in their human capital. As a recipient of the capital good or education, the expectation is that a student will repay their loan as agreed. Likewise, Human Capital Theory proclaims success when the acquisition of education by an individual increases the individual’s ability to increase their earnings (Becker, 1976). This increase in income generates the financial resources necessary to repay the initial investment funded by educational loans.
Statement of Problem

Each year, the United States Department of Education releases cohort default rates for all institutions participating in the federal loan programs (U.S. Department of Education, 2018). Each institution is held accountable for its cohort default rate. High cohort default rate can have severe consequences for institutions. These consequences include program reviews, change in cash management practices and a loss of eligibility to participate in the federal financial aid programs (Looney, 2011). Without access to federal financial aid programs for their students, must postsecondary institutions would be forced to close their doors (Looney, 2011).

Mississippi community and junior colleges currently have an average default rate that exceeds both the national average and the national average for community colleges (U.S. Department of Education, 2018). The costs of student loan default have significant implications for students, higher education institutions and taxpayers (Looney, 2011). Although only 24.4% of community college students nationally receive federal student loans, about 54% of community college students receive federal grants to attend (Snyder et al., 2016). In Mississippi, about 19.4% of community college students receive student loans to attend, and these students graduate with an average debt burden of $6600 (U.S Department of Education College Scorecard, 2017). Also, Mississippi community and junior colleges share a unique partnership in the delivery of online education via the Mississippi Virtual Community College (Mississippi Virtual Community College, 2017). A loss of eligibility to participate in Title IV aid programs due to sanctions could negatively impact enrollment at community and junior colleges throughout the state. These high cohort default rates could jeopardize access to higher education for Mississippi community college students.
Purpose Statement

The purpose of this qualitative study was to examine the default prevention and management practices employed at Mississippi community and junior colleges by interviewing the financial aid director or student loan coordinator at each institution. Each interview consisted of open-ended questions to establish to what extent each institution was utilizing default prevention and management practices suggested by the U.S. Department of Education. A qualitative design was selected for this study because this method allowed the researcher to effectively explore and identify with the critical concept or central phenomenon guiding this research (Creswell, 2014).

Justification

This body of research has significant relevance for the higher education community, specifically community and junior colleges. The federal government and the taxpayers absorb the cost of student loan defaults (Looney, 2011). Higher education administrators, particularly community college administrators, are challenged by the financial behaviors of their students and the growing burden of educational debt. Public interest in educational debt remains a significant concern, and the public has repeatedly demanded more accountability in governmental funding (Field, 2010). Accreditation agencies hold a critical piece in the financial aid puzzle. Without approval from accreditation agencies, postsecondary institutions cannot participate in the Title IV aid programs (Hillman, 2015). Likewise, some regional accreditation agencies are now reviewing institutional cohort default management plans as a part of their recertification process (Ishitani & McKitrick, 2016). Many have called for a total reform of the current federal financial aid system (Carey, 2013). It is clear that the current federal financial aid
system for education is outdated and in need of a major overhaul (Carey, 2013). Without adequate research, these reforms could ultimately block higher education opportunities for many underserved students. Many community colleges have already exited the federal loan programs in an attempt to preserve their Title IV eligibility (Hermes, 2008). Yet, exiting the federal loan programs is not the solution to this growing problem (Hermes, 2008). Even with an exit from the programs, institutions are still at risk of losing their Title IV eligibility (Looney, 2011). As long as a school has a federal loan borrower in the repayment pipeline, the school still receives an annual cohort default rate even if the school is not currently participating in the federal loan program (Looney, 2011). Therefore, institutions could still be subject to program sanctions even after exiting the program (Looney, 2011). In addition, these moves have left their students without adequate resources to fund their education (Hermes, 2008). These students must find other ways to fund their education. As a result, some students are turning to other resources such as private educational loans and credit cards, which have higher interest rates, to pay for their educational expenses (Hermes, 2008). They are also working more at off-campus employment to pay for their educational expenses (Martinez, Bilges, Shabazz, Miller, & Morote, 2012). Research shows that students working more hours are less likely to complete their degrees (Mullin, 2010). Also, women are more likely to graduate with student loan debt than males do (Dwyer, Hodson, & McLoud, 2013).

Community and junior colleges are essential to the economic growth for the country. Historically, community colleges have been the engines that drive the country during moments of financial distress such as the Great Recession (Barrow & Davis, 2012). Typically, individuals have sought to improve their knowledge and skills, so they
are more marketable in a sluggish job market (Barrow & Davis, 2012). As a result, community colleges have a propensity to enroll students who are more likely to default on their student loans. (Jaquette & Hillman, 2015). Most community colleges have programs that allow immediate entry into the workforce for many individuals (Mullin, 2010).

Students who complete these programs receive credentials such as a certificate or diploma (Mullin, 2010). These programs are considered gainful employment programs by the United States Department of Education (Serna, 2014). An individual who earns a certificate or diploma can expect to increase their lifetime earning potential (Carnevale, Rose & Hans, 2012). Federal regulations established in 2010 now require additional disclosures and measures for gainful employment programs at community colleges and for-profit institutions (Serna, 2014). Under the federal regulations, criteria are used to ensure that students enrolled in gainful employment programs do not assume excessive debt compared to their projected income for their new occupation (Serna, 2014). Unlike the regular cohort default sanctions, gainful employment sanctions do not compromise all a school’s Title IV aid programs (Carnevale et al., 2012). On the other hand, gainful employment regulations mandate the loss of Title IV eligibility for individual programs (Serna, 2014). Although institutions are held liable for students repaying their loans, ultimately student loan repayment is primarily driven by two key fundamentals; the means and desire of the borrower to repay the loan (Monteverde, 2000). As a result, the ability to secure adequate employment after completing a postsecondary credential is more meaningful to the student loan conversation because it gives students the financial means to repay the loan (Monteverde, 2000). Using the results of this research, college
administrators could develop policies and practices to ensure students can enroll in and complete gainful employment programs without collecting excessive loan debt. All in all, this research has considerable implications for several areas within the higher education community. It is both timely and necessary to inform community college administrators as well as administrators from other sectors of higher education.

Definitions of Terms

The following section includes terms and definitions used in this study.

*Cohort default rate.* The percentage of student loan borrowers who enter repayment on their loans within a federal fiscal year and defaults on their loans within three years of entering repayment (U.S. Department of Education, 2017).

*Community college.* A two-year college that awards certificates, diplomas and associate degrees (American Association of Community Colleges, 2017).

*Default.* Default occurs when a borrower fails to repay his loan. A federal student loan falls into default status when the borrower does not make a payment after more than 270 days (U.S. Department of Education, 2017).

*Default prevention and management plan.* A plan, under the guidance of the U.S. Department of Education, implemented by a school on a voluntary or mandatory basis to prevent or reduce cohort default rates (U.S. Department of Education, 2018).

*Deferment.* Under specific circumstances, the loan payment is postponed. During periods of deferment, direct subsidized loans do not accrue interest. Direct unsubsidized loans do accrue interest during periods of deferment (U.S. Department of Education, 2017).
**Delinquent borrower.** A borrower who fails to make a payment on his loan by the due date (U.S. Department of Education, 2017).

**Dependent student.** Student required to use parental information on the Free Application for Federal Student Aid (FAFSA) as determined by the questions in the student status section of the FAFSA (U.S. Department of Education, 2017).

**Entrance Counseling.** Entrance counseling is a mandatory counseling session for first-time borrowers. The student must complete entrance counseling before he or she can receive federal loan funds. Entrance counseling covers all the rights and responsibilities of the student loan borrower. Counseling can be completed online or in-person (U.S. Department of Education, 2017).

**Exit Counseling.** Exit counseling is a mandatory counseling session that student loan borrowers must complete when they graduate or drop below a half-time enrollment status. Exit counseling focuses on loan repayment and the various repayment options available to borrowers (U.S. Department of Education 2017).

**Expected family contribution (EFC).** The index number used to establish federal financial aid eligibility. The EFC is based on the income and family information from a student’s FAFSA (U.S. Department of Education, 2017).

**Federal Direct Loan.** A federal educational loan made directly to the federal government under the William D. Ford Federal Direct Loan Program (U.S. Department of 2017).

**Federal Family Education Loan.** A federally guaranteed educational loan made by a private lender. This program was discontinued in 2010 under the Health Care and Educational Reconciliation Act of 2010 (U.S. Department of Education, 2017).
**Federal Perkins Loan.** A federal educational loan awarded to undergraduate and graduate students with financial need. The Federal Perkins Loan included a cancellation provision for individuals employed in certain occupations or eligible volunteer service. The federal Perkins loan program ended September 30, 2017, and the final disbursement for this loan occurred by June 30, 2018 (U.S. Department of Education, 2017).

**Federal Direct PLUS Loan.** A federal educational loan available to parents of dependent students and graduate students. Unlike the federal Stafford loan, PLUS loan borrowers are subject to a credit check. PLUS loan borrowers can borrow up to the annual cost of attendance each year (U.S. Department of Education, 2015).

**Federal Direct Subsidized loan.** A federal educational loan based on financial need. A borrower is not responsible for interest on subsidized loans during in-school, grace or deferment periods. The federal government pays interest during these periods (U.S. Department of Education, 2017).

**Federal Direct Unsubsidized loan.** A federal educational loan that is not based on financial need. The borrower is responsible for interest during all periods including in-school, grace or deferment periods. The borrower can elect to capitalize interest payments and add the payments back to the loan balance. The federal government does not pay interest on unsubsidized loans (U.S. Department of Education, 2017).

**Financial aid administrator.** A professional individual who is responsible for the administration of federal, state or institutional financial aid at a postsecondary institution (U.S. Department of Education, 2017).

**Financial need.** Financial need is calculated by subtracting a student’s EFC from the cost of attendance (U.S. Department of Education, 2017).
**Forbearance.** Under certain hardship conditions, loan payments are suspended or reduced. During periods of forbearance, interest continues to accrue and is the responsibility of the borrower (U.S. Department of Education, 2017).

**Free Application for Federal Student Aid (FAFSA).** The free application used to apply for the federal financial aid programs (U.S. Department of Education, 2017).

**Grace period.** A six-month period which occurs after a borrower graduates, leaves school or falls below half-time status. During this period, the borrower is not required to make payments on their loans (U.S. Department of Education, 2017).

**Grant.** A type of need-based financial aid that does not require repayment (U.S. Department of Education, 2017).

**Independent student.** A student not required to use parental information on the Free Application for Federal Student Aid (FAFSA) as determined by the questions in the student status section of the FAFSA (U.S. Department of Education, 2017).

**Loan Servicer.** The entity that handles the administrative functions or services of a federal student loan on behalf of the federal government (U.S. Department of Education, 2015).

**National Student Loan Data System (NSLDS).** A federal database containing financial aid award information for all aid awarded under Title IV of the Higher Education Act of 1965 (U.S. Department of Education, 2015).

**Private educational loan.** An educational loan not funded or backed by the federal government. Unlike federal educational loans, private educational loans often require a test of creditworthiness. (Ionescu & Simpson, 2016).
Return of Title IV Calculation \((R2T4)\). Anytime a student receiving Title IV funds withdraws from classes or stop attending classes before the official end of the term, the institution must recalculate the federal aid package for the student. An unearned Title IV aid must be returned to the federal government (U.S. Department of Education, 2017).

**Quality Enhancement Plan (QEP).** A plan used in the reaffirmation process for accreditation by SACSOCs as a part of an institution’s commitment to an effective evaluation process. The QEP is aligned with either student learning outcomes, student success efforts or both (Southern Association of Colleges and Schools Commission on Colleges, 2012).

**Satisfactory Academic Progress (SAP).** A policy required by the Department of Education for all Title IV aid programs. The policy measures a student’s progression to a degree or certificate within a specified timeframe. Students who fail to meet SAP standards will lose their federal aid (U.S. Department of Education, 2015).

**Southern Association of Colleges and Schools Commission on Colleges (SACSCOC).** A regional accrediting body of degree-granting institutions in the southern states. These states include Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas and Virginia (Southern Association of Colleges and Schools Commission on Colleges, 2012).

**The Higher Education Act of 1965 (HEA).** Legislation signed into law by President Lyndon B Johnson in 1965. The act provided federal resources for students to attend a postsecondary institution (Griffith, 1986).

**Title IV Aid programs.** Federal financial aid programs established by the Higher Education Act of 1965. These programs provide financial aid resources to eligible
students for enrollment at eligible postsecondary institutions (U.S. Department of Education, 2017).

*William D. Ford Federal Direct Loan program.* A Title IV program which provides loan funds to eligible student borrowers and parent borrowers for attendance at a postsecondary institution (U.S. Department of Education, 2017).

**Delimitations**

The study is limited to the default prevention and management practices employed at Mississippi community and junior colleges. As a result, the findings from this study may not be reflective of the community and junior colleges in other states or regions of the country.

**Assumptions**

This study is based on the following assumptions:

1. All participants will answer interview questions openly and honestly based on their knowledge and skills.
2. All participants are currently employed as a financial aid administrator at one of the fifteen community and junior colleges in Mississippi.
3. All participants have a working knowledge of the federal financial aid programs including the federal loan program.
CHAPTER II – LITERATURE REVIEW

Background

The history of student loans for the federal government is a complex one. Prior to the passage of the Higher Education Act of 1965, the National Defense Education Act of 1958 established a loan program for students pursuing a degree in fields that supported national defense and national science efforts (Fuller, 2014). This loan program was initially called the National Defense Student Loan Program but is now known as the Federal Perkins loan program (Fuller, 2014). This loan program was created primarily to focus on attracting students majoring in fields such as military sciences, engineering, and education (Fuller, 2014). The primary goal of the Federal Perkins loan program was to support the educational aspirations of individuals in fields that would expand the United States’ presence globally (Fuller, 2014). Under the Federal Perkins loan program, the federal government invested funds that would help build America and allow America to compete globally (Fuller, 2014). With the Higher Education Act of 1965, the federal government expanded its role in postsecondary education and became a crucial stakeholder in higher education for Americans (Hegji, 2014). The Higher Education Act of 1965 was instrumental in providing access to education beyond high school for many Americans and continues to do so today (Fuller, 2014). The primary purpose of the Act was to provide access to a college education for all Americans regardless of their socioeconomic status by removing financial barriers that prevented college access for Americans (Fuller, 2014). The act is organized into nine sections also called titles. Funding for the federal student aid programs are governed under Title IV of the Act, and the financial aid programs are often referred to as Title IV aid programs (Fuller, 2014).
Congress is required to reauthorize the Higher Education Act every 5-10 years, and with each reauthorization process since the mid-1980s, concern for student loan defaults has increased (Gross, Osman, Hossler, & Hillman, 2009). Almost from the beginning of the federal loan program, lawmakers have expressed concern for student loan defaults because the cost of student loan defaults is ultimately passed on to taxpayers (Gross, et al., 2009). Even so, reauthorization of the Higher Education Act has steered students more to loans and away from grants (Hillman, 2014). During the 1972 reauthorization process, two critical financial aid programs were born, a grant program that would later become the benchmark of federal aid and a federal student loan program was introduced (Fuller, 2014). This loan program, the Guaranteed Student Loan Program, was an attractive program for students because payments to the principal balance were deferred while a student was enrolled in school and the federal government paid all interest payments on the student’s behalf during this deferment period (Fuller, 2014). The Guaranteed Student Loan is now known as the Federal Stafford Loan (Fuller, 2014). In 1980, the Department of Education began actively tracking data on student loan defaults (Hillman, 2014). During this period, student defaults occurred when a borrower was 180 days delinquent on his or her loan (Frass, 1989). In 1987, Secretary of Education William Bennett proposed a comprehensive plan where postsecondary institutions would be held accountable for the defaults of their student loan borrowers (Frass, 1989). Under the initial default initiative plan, institutions could face penalties if their cohort default rate exceeded 20% (Frass, 1989). Under the proposed legislation, the department could terminate an institution’s participation in the Title IV aid programs as a result of a high cohort default rate (Frass, 1989). If the defaults were the result of
circumstances beyond the institution’s control, the institution could appeal the
termination to the Department of Education (Frass, 1989). In 1989, the final legislation
for cohort default rates was passed by Congress and established the sanctions for schools
with high default rates (Gross, et al., 2009).

The 1992 reauthorization of the Higher Education Act of 1965 was pivotal to the
landscape of the federal financial aid policies related to student loans (Gray, Merisotis,
O’Brien, 1995). Critical changes to federal financial aid occurred during this
reauthorization process (Gray et al., 1995). These changes include increased loan limits,
the introduction of the unsubsidized loan and changes to the cohort default rate policy
(Gray et al., 1995). The increased loan limits by Congress were meant to combat the
rising cost of college tuition and give students more funds to help cover their
postsecondary costs (Gray et al., 1995). However, an unintended consequence of the
increased loan limits was an acceleration of debt levels among student borrowers (Fuller,
2014). Prior to the 1992 reauthorization process, all federal loans were awarded based
on financial need, and the government subsidized interest payments on these loans
(Fuller, 2014). The federal unsubsidized loan was introduced during the 1992
reauthorization process (Fuller, 2014). Unlike the previous loan, the unsubsidized loan
was not awarded based on financial need (Fuller, 2014). Likewise, the federal
government does not pay the interest payments on the unsubsidized loan and, the interest
is the responsibility of the borrower (Fuller, 2014). In addition to the unsubsidized loan,
the 1992 reauthorization process also increased annual loan limits for students allowing
students to borrow more under the federal loan programs each year (Fuller, 2014).
Attributed mainly to rising tuition cost, these loan increases were instrumental in the
federal government’s shift to less reliance on grants and more on loans in its federal student aid policies (Davis, et al., 2013). Furthermore, the 1992 reauthorization process tightened the reins on institutions and increased the sanctions for schools with high cohort default rates (Fuller, 2014).

A school’s cohort default rate includes loans made under the Federal Family Education Loan program also known as FFEL and the William D. Ford Direct Loan program (Looney, 2011). The Federal Family Education Loan program was terminated in 2010 under the Health Care and Educational Reconciliation Act of 2010 making the William D. Ford Federal Direct Loan program the only federal loan program (Cunningham & Kienzl, 2011). Under the current federal loan program, there are four types of loans: direct subsidized loans, direct unsubsidized loans, Direct PLUS loans, Direct Grad PLUS loans, and the direct consolidation loan (U.S. Department of Education, 2017). Under the current regulations, a school’s cohort default rate only includes direct subsidized loans, direct unsubsidized loans and direct consolidation loans (Looney, 2011). The direct PLUS loans are not included in a school’s cohort default rate (Looney, 2011). There are annual loan limits for student borrowers based on their dependency status and enrollment status (U.S. Department of Education, 2017). Dependent students can borrow up to $5,500 as a freshman, $6,500 as a sophomore and up to $7,500 as a junior or senior (U.S. Department of Education, 2017). Independent students can borrow up to $9,500 as a freshman, up to $10,500 as a sophomore and up to $12,500 as a junior or senior (U.S. Department of Education, 2017). Dependent students whose parents cannot borrow under the Federal Direct PLUS loan program can borrow an additional $2000 each year (U.S. Department of Education, 2017).
In addition to annual loan limits, there are also aggregate loan limits for students. At the undergraduate level, dependent students can borrow up to $31,000, and independent students can borrow up to $57,500 (U.S. Department of Education, 2017). There are several repayment plans available to student loan borrowers (U.S. Department of Education, 2017). Currently, student loan borrowers can select from eight different plans to repay their federal student loans (U.S. Department of Education, 2017). Many of these repayment plans are flexible and are designed to reduce the burden of student loan repayment on borrowers (U.S. Department of Education, 2017). The repayment plans have repayment periods ranging from 10 years to 25 years (U.S. Department of Education, 2017). Also, borrowers with low income can select a repayment which is income sensitive (U.S. Department of Education, 2015). This is especially beneficial to recent graduates whose starting salary may be lower (U.S. Department of Education, 2017). These repayment plans were designed to make loan payments more flexible for the borrower (U.S. Department of Education, 2017).

Table 1

Annual Loan Limits

<table>
<thead>
<tr>
<th>Grade Level</th>
<th>Maximum Subsidized</th>
<th>Maximum Unsubsidized</th>
<th>Maximum Subsidized + Unsubsidized</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Year, Dependent</td>
<td>$3,500</td>
<td>$2,000*</td>
<td>$5,500</td>
</tr>
<tr>
<td>1st Year, Independent</td>
<td>$3,500</td>
<td>$6,000</td>
<td>$9,500</td>
</tr>
<tr>
<td>2nd Year, Dependent</td>
<td>$4,500</td>
<td>$2,000*</td>
<td>$6,500</td>
</tr>
<tr>
<td>2nd Year, Independent</td>
<td>$4,500</td>
<td>$6,000</td>
<td>$10,500</td>
</tr>
<tr>
<td>3rd &amp; 4th Year, Dependent</td>
<td>$5,500</td>
<td>$2,000*</td>
<td>$7,500</td>
</tr>
<tr>
<td>3rd &amp; 4th Year, Independent</td>
<td>$5,500</td>
<td>$7,000</td>
<td>$12,500</td>
</tr>
</tbody>
</table>

*Dependent students whose parents do not qualify for the Federal PLUS loan can borrow an additional $2,000 in unsubsidized loan funds.
Table 2

Subsidized and Unsubsidized Aggregate Loan Limits

<table>
<thead>
<tr>
<th></th>
<th>Subsidized</th>
<th>Unsubsidized</th>
<th>Maximum Subsidized + Unsubsidized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Undergraduate</td>
<td>$23,000</td>
<td>$8,000</td>
<td>$31,000</td>
</tr>
<tr>
<td>Independent Undergraduate</td>
<td>$23,000</td>
<td>$34,500</td>
<td>$57,500</td>
</tr>
<tr>
<td>Graduate &amp; Professional</td>
<td>$65,000</td>
<td>$73,000</td>
<td>$138,500</td>
</tr>
</tbody>
</table>

Student Loan Defaults

The literature on student loan defaults is a mixed bag of information ranging from student characteristics to school characteristics. Much has not changed in the federal loan programs’ regulations since Joe McCormick pointed out a serious flaw with the program in 1987 (McCormick, 1987). McCormick (1987) pointed out that student loan defaults were a problem and would remain such because “any social program that lends money to young people with no credit history, no collateral, no cosigner, and no assurance of success in their educational pursuits.” (p.32). McCormick further declared that all parties have an ownership stake with student loan defaults (McCormick, 1987). Yet despite the challenges, the overall concept for the federal loan program is for the common good for students. (McCormick, 1987). A review of the latest cohort default rates, yield higher rates for community colleges and lower rates for four-year institutions (U.S. Department of Education, 2018). As a matter of fact, Woo (2002) found that borrowers from vocational schools, two-year public community colleges and for-profit institutions were more likely to default on their loans. Yet, several other studies have pointed not to institutional type as a catalyst for default but other characteristics as well. These studies have found that characteristics such as ethnicity and completion status are predictive of
default status (Lochner & Monge-Naranjo, 2014). Notably, community colleges tend to have a great deal of students who drop out without completing a degree (Mullin, 2012; Lochner & Monge-Naranjo, 2014).

Furthermore, community college students often exercise a pattern of enrolling, stopping and reenrolling over time (Mullin, 2012). This enrollment pattern is commonly known as a pattern of stop-out enrollment (Mullin, 2012). This points to a pivotal gap in the literature on cohort default rates. One of the first entries into the literature on student loan defaults ensued with a 1984 study conducted in California (Wilms, Moore, Bolus, 1987). In the 1984 study, researchers examined the behaviors of borrowers (Wilms et al., 1987). Researchers did not find a significant relationship between defaulters and institutional types (Wilms et al., 1987). According to the findings, two characteristics were present among those who defaulted on their student loans; their ethnicity and their completion status (Wilms et al., 1987). In effect, African-American students and those who dropped out were more likely to default on their student loans (Wilms et al., 1987).

In another study, researchers used the 1984 study as a framework to investigate the patterns of defaults and analyzed the National Postsecondary Student Aid Study data for 1973-1985 (Volkwein, Szelest, Cabrera & Napierski-Prancl, 1998). As a result of studying the data, researchers also found a small relationship with the type of institution and defaults (Volkwein et al., 1998). Like the 1984 study, there was a strong relationship between ethnic groups and degree status (Volkwein et al., 1998).

In the 1989, the Department of Education made a notable shift in the accountability of student loan defaults (Fraas, 1989). With the shift in policy, institutions would now be held responsible for the defaults of their students (Frass, 1989). Based on
findings from a study on institutions with high cohort default rates, researchers found an alarming amount of federal educational dollars flowing into costly for-profit institutions (Jaquette & Hillman, 2015).

In another study examining repayment and non-repayment among bachelor’s degree recipients, researchers concluded race was the only significant contributor (Lochner & Monge-Narango, 2014). Based on data from the study, African American students were more likely to have lower levels of repayment than other ethnicities (Lochner & Monge-Narango, 2014). Simply put, disadvantaged students such as students with low socioeconomic statuses, minorities, or those students less prepared for college; are more likely to experience difficulty repaying their student loans (Looney & Yannelis, 2015). In a California study on student loan defaults, researchers discovered an interesting revelation; borrowers with lower levels of debt were more likely to default on their loans than borrowers with high level (Woo, 2002). When borrowers with a low debt level default on their loans, the default occurs most likely as a result of the borrowers not completing their program and earning a credential (Luna-Torres, McKinney, Horn & Jones, 2018). As a result of the findings in the California study, researchers discovered student loan defaults usually do not occur as a result of one single element but as a result of multiple elements acting in concert with each other (Woo, 2002). Common elements found as a result of the study were program completion status, low-income students, and students underprepared academically (Woo, 2002). Consistent with other studies, researchers found that students at the University of Texas at Austin were less likely to default on their loans when they persisted and completed their degree (Herr & Burt, 2005).
Community Colleges and Cohort Default Rates

The first community college opened in 1909 in Joliet, Illinois (Boggs, 2010). In 1922, the Mississippi Senate passed Senate Bill 251 which allowed the state’s agricultural high schools to offer college-level curriculum (Young & Ewing, 1978). Pearl River Agricultural High school seized the opportunity and became the first in the state to provide college-level courses in 1922 (Young & Ewing 1978). Agricultural high schools in Mississippi would later become junior colleges (Young & Ewing, 1978). Most of these junior colleges would ultimately become community colleges (Mississippi Association of Community Junior Colleges, 2007). In 1929, Mississippi became the first state in the nation to create a statewide system of its junior colleges (Young & Ewing, 1978).

Community colleges were initially established to meet the needs of students in rural areas (Thelin, 2004). With the use of community colleges, students in rural areas were able to complete their first two years of college close to home before moving on to a university (Thelin, 2004). Today, almost all of Mississippi’s junior college are now known as community colleges (Mississippi Association of Community Junior Colleges, 2007). Cohen and Brawer defined the American community college as “any institution regionally accredited to award the associate in arts or the associate in science as its highest degree” (Cohen & Brawer, 2008, p.5). Since their early beginnings, the educational opportunities at community colleges have evolved a great deal (Boggs, 2010). Access to higher education for many Americans begins a community college. The American community college system accounts for almost half of all undergraduate enrollments (U.S Department of Education, 2012). As a whole, community colleges are
somewhat unique when compared to other postsecondary institutions. Community colleges offer a variety of educational opportunities to citizens of the communities they serve (Mullin, 2012). African-Americans and Latinos are among the largest groups of minorities enrolled at community colleges (Mullin, 2012).

Even dating back to the early days, student loans have presented a unique challenge for community colleges (Emmert, 1978). From the beginning, administrators recognized the very nature of the at-risk population of community colleges would experience difficulty repaying student loans (Emmert, 1978). Cohort default rates are considered a measure of institutional quality by the Department of Education and allow the federal government to hold institutions accountable for their students’ ability to repay loans (Looney, 2011). Advocates for community colleges argue this is not a fair assessment because such a small percentage of community college students borrow to attend each year (Field, 2010). During the 1998 reauthorization process, policymakers expressed concern for high default rates among community college borrowers (Gross et al., 2009). Seeing a negative impact on persistence among community college students, administrators argued against loan increases (Dowd & Coury, 2006). The negative impact of student loans defaults is shared by both the student loan borrower and the institution (U.S. Department of Education, 2018). Institutions with high cohort default rates can face sanctions which could impact their future enrollment of students (U.S. Department of Education, 2018). The cohort default rate is a percentage of students who default on their federal student loan within a specified period (U.S. Department of Education, 2018). The department can impose sanctions when an institution’s cohort default rate exceeds 40% in one year or 30% in three consecutive years (U.S. Department
of Education, 2018). All institutions can challenge their cohort default rates (U.S. Department of Education, 2018). For the challenge period, institutions may submit their challenge after they receive their draft rate each February (U.S. Department of Education, 2018). There are two types of challenges available to schools; an incorrect data challenge and the participation rate index challenge (U.S. Department of Education, 2018). Most schools file incorrect data challenges but few file participation rate index challenges (Looney, 2011). Successful participation rate index challenges allow schools with less than 21% of its students borrowing student loans to avoid sanctions (U.S. Department of Education, 2018).

Student loan defaults and cohort default rates have increased significantly in the last several years (Hillman, 2015). A sluggish job market at the hands of the recession during 2007-2009 sent many unemployed individuals to community colleges to learn new skills (Monks, 2014). Besides, recent graduates entering the workforce during this recession period also experienced difficulty finding employment (Monks, 2014). Surprisingly, student loan defaults often occur among borrowers with relatively low loan balances (Hillman, 2015). In a three-state study of community colleges in Iowa, Kentucky, and Louisiana; almost half of the students in default on their federal loans had a loan balance less than $5000 (Campbell & Love, 2017). While several factors may contribute to this finding, it is worth noting the vulnerability of low-income borrowers (Campbell & Love, 2017). Without the earning potential often associated with an earned degree, even a small loan payment is challenging for a low-income borrower (Campbell & Love, 2017).
Institutional Characteristics and Cohort Default Rates

Researchers Ishitani & McKitrick (2016) found that cohort default rates are linked to institutional attributes such as the demographics of the student population and the academic ability of the student. On average, undergraduate borrowers at a university in the Southeast shared the following characteristics: African-American ethnicity, first-generation college student, low-income, independent financially of their parents and with lower GPAs (Javine, 2013). According to Cunningham & Kienzl (2011), borrowers who attend two-year public institutions and for-profit institutions are more likely to have trouble repaying their students loans compared to students from other sectors. According to recent research, lower cohort default rates were associated with effective practices such as retention and degree completion (Ishitani & McKitrick, 2016). In a study of multiple community colleges, default rates were as low as 9% among completers compared to 27% among non-completers (McKibben, La Rocque, & Cochrane, 2014).

In a study examining student loan defaults, Hillman (2014) also found a strong relationship between student loan defaults and degree completion. According to the study results, borrowers who complete a credential are less likely to default on their loans than those borrowers who do not complete a credential at all (Hillman, 2014).

According to another study, researchers found that borrowers with low loan balances and no degree were more likely to experience delinquency on their loans (Mezza & Sommer, 2016). Cunningham & Kienzl (2011) also found a relationship between student loan borrowers from community colleges and degree completion. Borrowers from a two-year public institution were more likely to experience delinquency or default on their loans when they left school without completing a credential.
Borrowers who persist and complete a degree or other credential are less likely to default on their student loans than borrowers who leave school without completing a credential (Nguyen, 2012). Borrowers who drop out of college experience both difficulty repaying their student loans and unemployment at a higher rate than borrowers who complete their degree (Nguyen, 2012). Restrained by no degree and student loan debt, borrowers are often hindered by unemployment and low income which makes repaying their loans almost impossible (Nguyen, 2012). In 2009, 25% of non-completers from community colleges had taken out student loans while they were enrolled (Wei & Horn, 2013). Also, student loan borrowers who experience financial stress are more likely to drop out of college as well (Britt, Ammerman, Barrett, & Jones, 2017). Just as significant, community college students taking developmental courses are also using student loans to finance their education (Fernandez, Barone, & Klepf, 2014). Yet, these students taking developmental courses are more likely to drop out and not complete their degree (Fernandez et al., 2014).

Webber & Rogers (2014) further expands on the use of institutional characteristics in their research of four-year institutions and cohort default rates. In the study, researchers studied student loan default data for bachelor’s degree-granting institutions and found some remarkable findings (Webber & Rogers, 2014). Findings from the study showed an increase in cohort default rates for four-year institutions that serve a large population of minority students (Webber & Rogers, 2014). Surprisingly, they also found that cohort default rates were lower at institutions labeled by Carnegie as doctoral universities. (Webber & Rogers, 2014). In addition to a measure of institutional quality, they found a positive relationship between lower cohort default rates and
initiatives devoted to institutional resources promoting student success (Webber & Rogers, 2014).

In a study of student loan borrowers at Iowa community colleges, 35.9% of defaulters left school without earning a credential (Campbell & Hillman, 2015). In another study on student loan defaults, Hillman also found a correlation among race, ethnicity and socioeconomic status (Hillman, 2014). This finding is worth noting for community college administrators since community colleges serve minorities and individuals from low socioeconomic backgrounds at a higher rate than other sectors of postsecondary institutions (Mullin, 2012). The very thing that makes community college unique is also problematic for these institutions. Christman (2000) employed both quantitative and qualitative research methods to analyze the characteristics of student loan defaulters at a two-year public community college. Like Hillman’s research, the findings of this study indicate defaults are often influenced by pre-existing conditions present before to the borrower’s initial enrollment, and thus institutions can exert little or no control over these characteristics (Christman, 2000). In the study, characteristics such as low socioeconomic status, being a minority and a nontraditional status were high among defaulters (Christman, 2000).

Default Prevention and Management Plan

To assist schools with the management and reduction of their cohort default rate, the U.S. Department of Education provides schools with a sample default prevention and management plan (U.S. Department of Education, 2018). This sample plan, recommended for all schools, includes nine activities and techniques which is beneficial for schools to manage and reduce student loan defaults (U.S. Department of Education,
The use of a default prevention and management plan is not mandatory for all institutions; however, all schools are encouraged to use a plan (U.S. Department of Education, 2018). Certain institutions are required to use a plan for default prevention and management (U.S. Department of Education, 2018). These institutions include schools participating in the federal loan program for the first time, schools with a change in ownership or control and schools with a CDR above 30% (U.S. Department of Education, 2018). Regardless of the use of a default prevention and management plan, all schools participating in the federal loan program must complete the following regulatory activities in their federal loan administration processes: entrance counseling and exit counseling for borrowers, timely and accurate enrollment reporting to the U.S. Department of Education and a Satisfactory Academic Progress policy (U.S. Department of Education, 2018). Other tasks and activities in the sample plan include financial literacy initiatives, an early alert system for at-risk borrowers, communication efforts beyond just the financial aid office and an institutional review of cohort default data provided by the U.S. Department of Education (U.S. Department of Education, 2018). This institutional review of data can help individual schools identify common characteristics among its student loan defaulters (U.S. Department of Education, 2018). Lastly, schools are urged to hire staff explicitly devoted to default prevention and retention efforts (U.S. Department of Education, 2018). Findings from a recent study on institutional quality are student loan defaults echoed this recommendation (Ishitani & McKitrick, 2016). Student engagement and interaction with other members of the campus community outside the financial aid office may help foster a sense of student
satisfaction that may lead to positive behaviors with student loan repayment responsibilities (Ishitani & McKitrick, 2016).

Entrance counseling, online or in-person, is required by the Department of Education for all first-time borrowers (U.S. Department of Education, 2017). In addition to entrance counseling, exit counseling is also required when a borrower graduates, leaves school or drops below half-time enrollment (U.S. Department of Education, 2017). Both entrance and exit counseling are available online through www.studentloans.gov, a website provided by the U.S. Department of Education (U.S. Department of Education, 2018). Both entrance and exit counseling is a required function of default management and prevention efforts (U.S. Department of Education, 2018). During these counseling sessions, students receive information on their rights and responsibilities as a student loan borrower under the federal loan programs and information on repayment plans (U.S. Department of Education, 2018). Burdman (2012) completed a study, “Making Loans Work”, under the commission of the Institute for College Access & Success (TICAS) and the California Community Colleges Student Financial Aid Administrators Association (CCCSFAAA). The study sets the framework for successful student loan programs at community colleges and the critical components of the framework mirror the recommendations from the Department of Education’s Default Prevention and Management Plan (Burdman 2012; U.S. Department of Education, 2018). According to Burdman’s research (2012), many financial aid administrators feel a one-on-one entrance counseling session is more beneficial to their students, but the limited staff in most financial aid offices makes this delivery method more challenging. A financial aid administrator from only one college in the study admitted to having an effective in-
person entrance counseling process where he meets with students on a one-on-one basis (Burdman, 2012). According to McKinney, Roberts, and Shefman (2013), many financial aid offices lack adequate staffing to provide individualized entrance counseling to their students effectively. In a study of financial aid administrators at community colleges in California, Florida, and Texas; McKinney & Roberts (2012) found that financial aid counselors would like to provide more assistance to students but are just overwhelmed with their current duties. In another study, researchers Whitsett and O’Sullivan reported some alarming findings on student loan counseling (Whitsett & O’Sullivan, 2012). In their study, almost half of the students surveyed reported either not receiving loan counseling or not retaining any of the information covered in the sessions (Whitsett & O’Sullivan, 2012). This finding is challenging because it shows that many student loan borrowers are not receiving vital information essential to the repayment of their educational debt such as repayment plans, deferment, and forbearance. Also, students can guess their way through the online loan counseling sessions (Whitsett & O’Sullivan, 2012). The current online model does not penalize students when they answer questions incorrectly (Fernandez, Fletcher, Klepfer & Webster, 2015). Many students acknowledged being unfamiliar with the terms in the counseling session and simply guessed multiple times until they got the correct answer they could move forward through the module (Fernandez et al., 2015). Cooley (2013) also identified faulty provisions within the popular online module of loan counseling offered by the Department of Education. Vital information is presented to student loan borrowers in a brief session and without sufficient means to fully authenticate a student’s identity (Cooley, 2013). The current process does not have a safeguard to prevent a parent or
other individual from completing the counseling session on the student’s behalf (Cooley, 2013).

With the expiration of the Federal Educational Loan program in 2009, many loan guarantors such as Inceptia, Texas Guarantee, and USA Funds have shifted their focus to research that supports student financial aid and student success. In a 2014 study on entrance counseling, researchers at Texas Guarantee discovered some alarming but relevant findings on the effectiveness of online entrance counseling (Fernandez et al., 2015). Timing is another issue for both entrance and exit loan counseling sessions (Fernandez et al., 2015). Researchers in the study were alerted by the timing of counseling which contains a large volume of information and delivery medium for counseling is often overwhelming for students (Fernandez et al., 2015). Students are generally under pressure to complete entrance counseling quickly so that they can secure funds for their education and they often do not retain the materials from the counseling session (Fernandez et al., 2015). As a result of a study with Iowa community colleges, Campbell & Hillman (2015) suggested multiple phases to the loan counseling process. Their findings suggest that phases would be more effective than the current loan counseling process (Campbell & Hillman, 2015). Students are merely overwhelmed by the massive amount of information in the single counseling session and are not retaining the critical information (Campbell & Hillman, 2015). Likewise, student loan borrowers at a large urban community college in Texas confirmed this fact in a recent study (McKinney, Mukherjee, Wade, Shefman & Breed, 2015). Participants in the study expressed a desire to learn more about student loans but felt they were left to find out information out on their own (McKinney et al., 2015).
Another recommendation from the Department’s sample default prevention and management plan is for schools to promote financial literacy programs among its students (U.S. Department of Education, 2018). Most of the previous research on financial literacy has focused on traditional college students enrolled at four-year universities or colleges. There is a dearth of research on financial literacy and community college students. According to the findings of a recent study at a public university, college students exhibited low financial literacy skills particularly among females and minorities (LaBorde, Mottner & Whalley, 2013). According to the researchers of the study, students exhibited a lack of understanding related to debt such as credit card debt and educational loans (LeBorde, Mottner & Walley, 2013). Students are utilizing the use of other debt related instruments such as credit cards and student loans without a full understanding of how they work (LaBorde et al., 2013). A recent research study of college freshman at a Midwestern university amplified the absence of financial knowledge and the unrealistic expectations based on this deficiency (Simpson, Smith, Taylor & Chadd, 2012). According to the findings by the research team of Simpson, South, Taylor, and Chadd (2012), students have unrealistic expectations for their future income and these expectations could lead them to incur higher student loan debt levels.

Based on a multi-state research study of college students and financial literacy, researchers found many college students exhibit risky financial behaviors that affect both their finances and their academics (Cude, Lawrence, Lyons, Metzger, LeJeunne, Marks, Machtmes, 2006). Because of these findings, researchers recommend a campus-wide approach to address students need for financial literacy programming (Cude, et al., 2006). In a study of credit card use among university students, researchers found a high need for
financial literacy among minorities and low-income individuals (Lyons, 2008). These students exhibited poor performance managing their credit cards and may have trouble managing their student loans if they do not receive an adequate financial education (Lyons, 2008). As a result of student loan usage and debt levels in Texas, researchers propose providing student borrowers with a strong support system which includes financial literacy and enhancing loan counseling emphasizing repayment plans (Shook, Webster, & Fletcher, 2010).

Using a case study approach, a team of researchers recently studied default prevention practices at Mohave Community College in Arizona (Charles, Sheaff, Woods & Downey, 2016). With the release of cohort default rates for FY2009, the institution had the sixth highest cohort default rate among public community colleges and needed to implement serious changes to preserve its eligibility for the Title IV aid programs (Charles et al., 2016). Like many of Mississippi’s community colleges, Mohave Community College serves a rural population with 64% of its students receiving some federal aid (Charles et al., 2016). After conducting their case study, researchers found significant changes that positively impacted the institution’s cohort default rate and changes to the campus culture concerning student loans (Charles et al., 2016). Mohave reduced its cohort default rate by utilizing the challenge process from the Department of Education, implementing a campus-wide financial literacy program and supporting student success (Charles et al., 2016). Fueled in large part in participation in the Achieve the Dream program, the Community College of Baltimore County implemented a financial literacy program for its student population (Reams-Johnson & Delker, 2016). In the light of the research led by Reams-Johnson & Delker (2016), recommendations for
a successful financial literacy program hinges on a campus-wide approach that includes financial education embedded in the curriculum and access to financial education materials through interaction with student support personnel (Reams-Johnson & Delker, 2016). Although the research findings could not confirm it, college personnel at the Community College of Baltimore County have credited their financial literacy efforts with an increase in retention rates (Reams-Johnson & Welker, 2016). Once an institution develops and implements its financial literacy program, it is critical that the program is evaluated on consistently basis for maximum effectiveness (Kezar & Yang, 2010).

Student loan defaults may be complicated by a lack of knowledge or poor recordkeeping methods by student loan borrowers. In a 2010 study of Iowa State University students, researchers found 13% of the participants did not even know they had a loan and 37% did not know how much they owed on their student loans (Andruska, Hogarth, Fletcher, Forbes & Wohlgemuth, 2014). Female borrowers had better recordkeeping skills than male borrowers (Andruska et al., 2014). As a result, researchers recommend providing borrowers annual loan information that includes both current and cumulative loan balance information (Andruska et al., 2014).

Although cohort default rates are a necessary concern for community colleges, the lack of the availability of student loans may be more detrimental to students. According to national findings by the Institute for College Access and Success, 9% of community college students did not have access to federal student loans in 2015-2016 (Cochrane & Szabo-Kubitz, 2016). In Mississippi, three of the 15 community colleges in the state do not participate in the federal loan program (U.S. Department of Education, 2018). Like other research studies, Burdman (2012) found that community colleges that do not offer
access to federal student loans are detrimental to students. This practice often forces many students to work more hours or finance their education using more costly means such as private loans and credit cards (Burdman, 2012). In addition, private loans and credit cards lack tools such as deferment, forbearance and flexible repayment plans which are beneficial to students as they repay their loans (U.S. Department of Education, 2017). No access to federal student loans can have a domino effect on enrollment and completion rates for community college students. Students who lack access to federal loan funds often work more hours, attend as a part-time student or do not enroll at all (Cochrane & Szabo-Kubitz, 2016). According to previous research, both actions hurt degree completion objectives (Cunningham & Kienzl, 2011; Hillman, 2014, Nguyen, 2012). This negative impact was also further advanced by a study at a large urban community college in Texas (Luna-Torres, McKinney, Horn & Jones, 2018). As a result of the study, researchers found a significant relationship among the completion of a degree and whether or not the student obtained a student loan while enrolled (Luna-Torres et al., 2018).

As a part of default prevention efforts, the Department of Education encourages schools to analyze institutional data from the National Student Loan Data Systems (NSLDS) for delinquent and default borrowers (U.S. Department of Education, 2018). Institutions can conduct this type of data analysis to identify trends and develop outreach initiatives for future students (U.S. Department of Education, 2018). As administrators work to combat the student loan debt issue at their institutions, they are encouraged to graduate students in a timelier manner (Craig & Raisanen, 2014). The research findings of this study are consistent with the completion status found in other studies; students
who graduate on-time amass less debt than students who do not (Craig & Raisanen, 2014). Students who graduate within a two- or four-year span respectively at community colleges and four-year institutions will amass less loan debt (Craig & Raisanen, 2014). Institutions must incorporate completion agendas as a part of their default prevention and management efforts (Craig & Raisanen, 2014). As reported in previous research studies, there is a strong correlation between degree completion and student loan defaults (Cunningham & Kienzl, 2011; Hillman, 2014, Nguyen, 2012). As such, institutions are encouraged to study trends in their data for completers and non-completers (McKinney, Gross & Burridge, 2014). After analyzing these trends, community college administrators are encouraged to develop outreach efforts for these at-risk students (McKinney et al., 2014). In a recent study of bachelor’s degree graduates, Chen and Wiederspan (2014) found that students with high levels of educational debt shared specific characteristics. These characteristics include first-generation status, low income and GPA status (Chen & Wiederspan, 2014). Based on these findings, institutions are encouraged to work closely with these groups of students and develop strategies to help students make informed choices as they borrow to finance their education (Chen & Wiederspan, 2014). Dating back to the 1984 study in California, researchers proposed punitive actions such as forcing out institutions from the Title IV aid programs is not the answer (Wilms et al., 1987). Although there are some bad actors such as propriety schools and some for-profit institutions in the Title IV aid programs, forcing institutions out is merely putting a bandage on a bigger issue.

Institutions must seek to build viable support systems for those students at risk of dropping out; this is particularly important for students with student loans (Gladieux &
Key to this mission is the development of programs that support both academic advising and financial advising as students make progress from the application stage to the graduation stage (Gladieux & Perna, 2005). Researchers recommend incorporating financial aid planning into the full degree path into academic advisement (Luna-Torres, et al., 2018). Advisors are encouraged to include student loan repayment information and salary information for the chosen degree program in the process as well (Luna-Torres, et al., 2018). As a result of student outcomes in Texas, a researcher team also suggested incorporating financial advising into academic advising sessions (Neal, Fletcher, Shook, & Webster, 2012). The team contends that while exit counseling sessions are helpful to inform students of available repayment plans, the sessions usually occur after the student has amassed the debt (Neal et al., 2012).

Private Educational Loans

Private educational loans require a credit check and are not guaranteed by the federal government (Ionescu & Simpson, 2016). To boot, private educational loans are usually more costly than federal educational loans, and they do not offer flexible repayment plans like those available with federal educational loans (Ionescu & Simpson, 2016). The terms and conditions for most private educational loans are set by the private lender, not the federal government (Ionescu & Simpson, 2016). Most financial aid administrators encourage students to use private educational loans when the student does not have any other options (Cochrane & Szabo-Kubitz, 2014). Like federal educational loans, borrowers cannot discharge private educational loans in bankruptcy (Dynarski, 2015). Many policymakers argue that this is an unfair provision that could cause undue hardship for borrowers (Mueller, 2015). Private educational loans, unlike federal
educational loans, lack essential conditions such as income-based repayment plans or loan limits which would protect borrowers (Mueller, 2015). The repayment plans for private educational loans are not as flexible and offer little relief for if a student encounters problems repaying the loan (Mueller, 2015). Supporters of private educational loans argue these provisions minimize the risk of default on these loans (Fraser, 2016). Students enrolled at private and for-profit institutions are more likely to use private educational loans to finance their education than students at other sectors such as those students attending historically black colleges & universities and community colleges (Goldrick-Rob, Kelchen, Houle, 2015). In addition, many families believe the Free Application for Federal Student Aid (FAFSA) is a complicated application and will opt to apply for private loans rather than complete the complicated FAFSA (Kantrowitz, 2009).

Conclusion

The academic success of Mississippi college students is vital to the state’s citizenry. When a student completes a college degree, their opportunities for employment are more significant. Mississippi’s fifteen community and junior colleges are responsible for a significant number of the state’s undergraduate enrollment each year. As such, each institution must make every effort to ensure their students are successful in their academic endeavors. To accomplish this goal, access to federal financial aid programs is a must.
CHAPTER III - METHODOLOGY

Overview

Community and junior college students are defaulting on their federal student loans at a higher rate than other community and junior college students in the nation (U.S. Department of Education, 2018). This is an alarming predicament for these two-year institutions. The purpose of this qualitative study was to examine the default prevention and management practices employed at Mississippi community and junior colleges by interviewing the financial aid director or student loan coordinator at each institution. A qualitative research design uses a method of inquiry that allows the researcher to gain an in-depth understanding of the primary topic or phenomenon of the research study (Creswell, 2014). In qualitative research, researchers collect data by observing the behaviors or actions of their subject in their natural environment, interviewing their subjects, and by examining documents (Merriam, 2009). In contrast to the collection of data using survey instruments in quantitative research, the qualitative researcher him or herself is the data collection instrument (Creswell, 2014). McCaslin and Scott (2003) likened the development of a qualitative study to that of an artist with a blank canvas. Qualitative researchers develop their research design much like an artist develops and cultivates a portrait (McCaslin & Scott, 2003). The richness and depth of qualitative research stem from a strong need to inquire explicitly into a topic (Creswell, 2014). In addition to the strong need of inquiry peaked by the researcher, an expectancy must also exist that will add a significant contribution to the literature (Merriam, 2009).

This qualitative study evaluated the default prevention and management practices currently in use at community and junior colleges in Mississippi. This multiple case
A study was constructed to determine what practices and procedures Mississippi community and junior colleges are using to manage and reduce their cohort default rates. The U.S. Department of Education has standards and recommendations that schools are encouraged to use in their default prevention and management efforts (U.S. Department of Education, 2018). A qualitative study design was appropriate for this study because it allowed the researcher to gain a more in-depth understanding of the default prevention and management practices directly from the participant’s perspective at each community and junior college. Participants for this study were financial aid directors or student loan coordinators from a community or junior college in Mississippi. The following research questions guided this research study.

Research Questions

1. What default prevention and management practices are currently used at Mississippi community and junior colleges?
2. Are the practices used at Mississippi community and junior colleges reflective of the suggested practices from the U.S. Department of Education’s Default Task Force?
3. What guidelines is each community college implementing to reduce its cohort default rate?

Research Design and Procedures

For any research study, the selection of a research design is an essential step in the research process, and it is imperative that the researcher select a design that is appropriate for the topic and the proposed study (Creswell, 2014). With a qualitative research design, the researcher strives to gain an understanding of a central phenomenon (Creswell, 2014).
The qualitative research method uses data collection techniques such as interviewing or observing participant behavior and the researcher acts as the primary instrument for data collection in the study (Creswell, 2014). This qualitative study consisted of interviews with financial aid administrators from community and junior colleges in Mississippi. For the study, each institutional interview represented a separate case. The researcher analyzed each case independently to gain an understanding of the default prevention and management practices and procedures at each college. The researcher then used the results of each case and conducted a comparison of all the cases. By using a multiple case-study design, the researcher analyzed and evaluated the impact of default prevention and management practices for cohort default rates at Mississippi community and junior colleges.

**Purposeful Sampling**

Participants for qualitative research are generally selected in a purposeful manner. Creswell (2014) defines purposefully selecting participants as a process of selecting research participants that will provide the best opportunity to understand the central phenomenon of the study. This study was designed to study default prevention and management practices of Mississippi community and junior colleges. Therefore, financial aid administrators from Mississippi community and junior colleges represented the ideal sample of experts for the selected topic. For this multiple case-study, the researcher conducted interviews with financial aid directors and student loan coordinators from a community or junior college in Mississippi. During the interviews, the researcher asked participants a series of open-ended questions to understand the current default prevention and management practices used at community and junior colleges in the state.
The researcher used an interview protocol of questions to facilitate the discussion during the interview. This protocol served as a guide for the topics covered in the interview. Interviews conducted for this study were recorded electronically via recording software. The researcher first gained permission to conduct research at Mississippi community and junior colleges from the Council on Institutional Research and Effectiveness (CIRE) of the Mississippi Community and Junior College Board. As a research entity of the Mississippi Community and Junior College Board, approval from CIRE is necessary to conduct research at any community or junior college in Mississippi. Once CIRE approval was secured, the researcher gained IRB approval from the University of Southern Mississippi’s Institutional Review Board. After IRB approval was granted by the University of Southern Mississippi’s Review Board, the researcher was also required to gain individual approval for each community or junior college participating in the study. The researcher received individual approval to conduct research at thirteen of Mississippi’s community and junior colleges.

As a financial aid administrator at a community college in Mississippi, the researcher was cognizant that her analysis of default prevention and management practices at community and junior colleges could appear to be a bias for this research study. Throughout the data collection and data analysis process, it is imperative that the researcher exercise a position of neutrality. To protect this study from research bias stemming from the researcher’s personal feelings; the researcher offers a positionality statement of the researcher’s experiences, assumptions, and bias. According to Merriam (2009), qualitative researchers are encouraged to include a statement of the researcher’s positionality vis-à-vis the topic and research participants. The inclusion of this statement
adds critical context that will help readers fully understand the data collection and analysis process for the study (Merriam, 2009).

Researcher Positionality Statement

To protect this study from research bias stemming from the researcher’s personal feelings; the researcher offers the following statement of experiences, assumptions, and biases. As a financial aid administrator at a community college for the past 20 years, I am responsible for awarding financial aid award packages which include grants, scholarships and student loans to students. I have a duty to help remove the financial barriers for students, so that they may reach their educational goals. In addition, I am an advocate of the best interests of students with issues related to financial aid. I have no strong feelings either way regarding student loans. I do recognize the importance of student loans to the educational process, and I also recognize the burden that student loans may present to student loan borrowers on a long-term basis. When students must turn to educational debt, administrators have an obligation to ensure students enroll and graduate with two complete records; their academic record and manageable educational debt.

Being a financial aid administrator allowed me to communicate well with the financial aid administrators I interviewed. I face the same job demands, work within the same state and national policy and regulations, and understand and use the same terminology. My goals for students is similar to that of the other financial aid administrators.
Pilot Study

It is not uncommon for researchers new to qualitative research to use a pilot study prior to conducting a qualitative study. Pilot studies can serve multiple purposes for researchers, notably those new to qualitative research (Sampson, 2004). This preliminary step allows the researcher to test the questions in the interview protocol to ensure they collected the type of data that adds value to the study (Sampson, 2004). Using a pilot study also allows a novice researcher an opportunity to build confidence in conducting interviews. After securing IRB approval, the researcher conducted a small pilot study in June 2018 by interviewing a retired financial aid professional.

Informed Consent and Confidentiality

Participants for this study received informed consent electronically via email. Prior to conducting each interview, the researcher reviewed the informed consent form with each participant. No personally identifying information was collected for this study. Prior to data collection, institutions and participants were assigned pseudonyms by the researcher. Data collected for this study was coded using these pseudonyms.

Data Collection

Once this study received CIRE approval from the Mississippi Community and Junior College Board, IRB approval from the University of Southern Mississippi and approval from the community or junior colleges; the researcher began the data collection process. Of the 15 community and junior colleges in the state, 13 institutions approved the researcher’s request to conduct research at the institution. When the researcher received permission from each institution, the approval also included contact information for the financial aid administrator at the institution. The researcher then used this contact
information to recruit participants. The researcher recruited participants from the 13 institutions by email. The recruitment email included an overview of the research study, informed consent, and information for the data collection process (Appendix D). Once participants agreed to participate in the study, interviews were scheduled at a time and place that was convenient for the participant. As the research instrument for the study, the researcher collected primary data by conducting interviews with the financial aid director or student loan coordinator at the community or junior college. Interviews were either conducted in-person or by telephone between June 2018-October 2018. Although the researcher wanted to conduct interviews either in-person or by using Zoom/Skype, that technology was not readily accessible by all participants. For this study, I conducted eight interviews; two interviews were conducted in-person, and six interviews were conducted by telephone. All interviews were recorded by the researcher using recording software and all interviews were stored electronically in a password-protected folder in the researcher’s possession. Although the interviews were recorded, the researcher also took detailed notes during each interview. The researcher also conducted secondary data collection by retrieving cohort data records for the institutions from the Department of Education’s cohort default rate database. All electronic versions of data for this study will be held for a period of one year following the study.

Sample Size

Unlike quantitative research, large sample sizes are not always necessary for qualitative research (Creswell, 2014). For research involving case studies, Creswell (2014) recommends a sample size with four to five cases. This study included a sample
size of eight cases. Although this was slightly above the recommended sample size, the researcher felt the inclusion of all cases added significant value to the study.

Data Analysis

Once the researcher completed the data collection process for this study, the researcher analyzed and interpreted the data. In qualitative research, the data analysis process includes organizing the data, examining the data, identifying themes among the data and validating the accuracy of the data (Creswell, 2014). Shortly after completing each interview, the researcher transcribed the recorded interviews. To preserve the richness of the data collected in each interview, the researcher made every attempt to transcribe each interview shortly after the interview was conducted. The researcher carefully analyzed and organized the data from each interview. Identifying emerging themes among the data was critical for the study. Once the data was analyzed, the researcher coded the data. Coding the data in qualitative research is used to identify emerging themes or trends within the data.

Validity of Data

There are several techniques available to validate the credibility of data collected in qualitative research. To ensure validity and credibility for the data collected, the researcher completed member checks also called respondent validation (Merriam, 2009). Respondent validation permits the participants for the study to check or validate information collected during the data collection phase of the study. For this study, transcribed data from each interview was shared with the respective participant. The participant was allowed to correct or clarify any misrepresentation.
CHAPTER IV – RESULTS

The purpose of this study was to examine the default prevention and management practices at Mississippi community and junior colleges. Cohort default rates at Mississippi community and junior colleges are higher than the national average for community colleges. The U.S. Department of Education has provided all postsecondary institutions with a sample default prevention and management plan to reduce and manage student loan defaults at their institutions effectively. Within the sample plan, there are nine default prevention and management activities that schools are encouraged to implement. These nine activities include the following: entrance counseling, financial literacy resources to students, developing a communication plan for borrowers that includes the multiple campus offices, exit counseling sessions, reporting enrollment data to the department on a timely basis, monitoring repayment data information from NSLDS, Early Stages Delinquency Assistance to students, Late Stages Delinquency Assistance to students, periodic review of the Loan Detail Report from NSLDS and an analysis of cohort default data from the U.S. Department of Education to identify common characteristic among the institution’s defaulters. Although all institutions are not required to implement a default prevention and management plan, all institutions participating in the federal loan program are required to complete the following regulatory activities: entrance and exit counseling for student loan borrowers, timely and accurate enrollment reporting to the department, and the development a satisfactory academic progress policy. Likewise, all institutions are encouraged to either implement all nine of the suggested activities or to submit their own plan to the U.S Department of Education for approval. There is an exception to this requirement. This exception
mandates any postsecondary institution new to the federal loan program or a postsecondary institution with a change of ownership and control must develop and implement a default prevention and management plan. In addition, these institutions must have their plans approved by the U.S. Department of Education before implementing them. To accomplish the purpose of this study, the following research questions guided this study.

1. What default prevention and management practices are currently used at Mississippi community and junior colleges?
2. Are the practices used at Mississippi community and junior colleges reflective of the suggested practices from the U.S. Department of Education’s Default Task Force?
3. What guidelines are each community college implementing to reduce their cohort default rate?

Population Sample

The results of this study were based on a purposeful sample of financial aid administrators from community and junior colleges in Mississippi. This sample of participants was selected specifically for this study based on their proximity to the topic and their professional role at their community or junior college. There are fifteen community and junior colleges in the state of Mississippi. The researcher received approval from twelve of the fifteen community and junior colleges. Of the twelve institutions that granted approval for this study, eight institutions participated in this study. The researcher conducted interviews with eight community and junior colleges for the study. Interview participants for this study included two males and eight females. At
some locations, multiple individuals participated in the study. Participants were either the Director of Financial Aid or the student loan coordinator for the institution. The participants had a range of professional experience in administering financial aid. Collectively, they all have experience working as financial aid administrators that ranged from just over two years of experience to over 30 years of experience. In addition, some of the individuals have worked in other areas of higher education as well.

Table 3
Demographics of Participants

<table>
<thead>
<tr>
<th>Name</th>
<th>Gender</th>
<th>Educational Background</th>
<th>Years in Financial Aid Profession</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sarah</td>
<td>Female</td>
<td>Masters</td>
<td>37 years</td>
</tr>
<tr>
<td>Tom</td>
<td>Male</td>
<td>Masters</td>
<td>32 years</td>
</tr>
<tr>
<td>Abigail</td>
<td>Female</td>
<td>Masters</td>
<td>20 years</td>
</tr>
<tr>
<td>Olivia</td>
<td>Female</td>
<td>Masters</td>
<td>9 years</td>
</tr>
<tr>
<td>Jasmine</td>
<td>Female</td>
<td>Masters</td>
<td>2 years</td>
</tr>
<tr>
<td>Kaitlyn</td>
<td>Female</td>
<td>Doctorate</td>
<td>19 years</td>
</tr>
<tr>
<td>Ethan</td>
<td>Male</td>
<td>Masters</td>
<td>25 years</td>
</tr>
<tr>
<td>Savannah</td>
<td>Female</td>
<td>Masters</td>
<td>20 years</td>
</tr>
<tr>
<td>Danielle</td>
<td>Female</td>
<td>Masters</td>
<td>26 years</td>
</tr>
<tr>
<td>Michelle</td>
<td>Female</td>
<td>Masters</td>
<td>6 years</td>
</tr>
</tbody>
</table>

*All names are pseudonyms

Findings from the Interviews

All of the institutions who participated in the study are currently participating in the federal loan programs. Most of the participants did not know the average loan debt for their students. However, based on the data obtained from the College Scorecard, the average loan debt for Mississippi community and junior college students is $5,000-
$9,200 at graduation. This debt level could also include debt obtained while enrolled at other institutions.

**Cohort Default Rates**

Collectively, the FY 2015 cohort default rate for all institutions in the state ranged from 12.2% to 24.5%. Participants were asked about their rate and how that rate compared to the national average for two-year institutions. For the institutions participating in the study, most felt their cohort default rate was either in line with others in the state or slightly below others in the state. As one participant noted, “We’re all in a tight little bubble with our default rates.” This participant also noted that CDRs had been somewhat of a yo-yo in recent years; up and down. Another financial aid administrator noted rates for community and junior colleges in Mississippi are in a tight little cycle. According to one of the directors, “Each year, I look at our rate and where it stacks up to other community colleges in the state. I know our plates are full, but if there is one thing we have to get to do, I feel it is important to closely monitor our rate.”

**Entrance Counseling**

The interview participants were asked what procedures they used to conduct entrance counseling and whether that information was provided in an online or face-to-face format. All but one institution uses the online module for entrance counseling provided by the U.S. Department of Education at www.studentloans.gov. Those using the online counseling module agree that it is the most convenient choice for both the students & the institution. However, students may not retain much of the materials covered in the online module. One institution conducts entrance counseling in-person using group sessions. The group sessions are scheduled at different times throughout the
week to accommodate students’ class schedules. In addition to the group sessions, students must also complete a loan packet before they attend their entrance counseling sessions. The financial aid administrator at this institution noted, “when students pick up their loan packets, we require them to look up their current loan debt. They have to look at the salary for their field and what their starting salary would be for that field. This helps them determine if they’re going to be able to pay back their student loans. We deny loans if the debt level does not match up with the salary.” This institution has also signed on to a new loan summary letter service with their third-party servicer and plan to add these summary letters to future entrance counseling sessions.

Interestingly, a different financial aid administrator noted, “We had mandatory in-person sessions in the past, but then we were told to discontinue these sessions by the U.S. Department of Education because it was inconvenient to make online students come into to complete the sessions in person.” The administrator went on to explain that they did not receive any complaints from students about coming in to complete the sessions. The participant noted, “We were concerned because we felt like the online module doesn’t always tell students everything they need to know about student loans. Students are really just clicking through and not retaining the information.” Another director commented, “we just don’t have the resources to complete face-to-face entrance counseling sessions.” All expressed concern for whether or not students are actually retaining the critical information covered in the entrance counseling sessions. One financial aid director noted it is not uncommon for someone else to complete the entrance counseling on the student’s behalf but there is really nothing you can do about it. According to this participant, “we often see cases where entrance counseling is
completed by someone other than the student such as a parent, girlfriend or boyfriend. There’s really nothing you can do when it is completed with their FSA ID.” At one institution, there are computers available in the financial aid office for students to use. For students using the computers in the financial aid office, financial aid staff is available to answer any questions related to the counseling materials. Notably, the one institution conducting in-person entrance counseling has the lowest CDR among the institutions in the study. Also, one institution does not include student loans in their award packages initially. Loans are not packaged until the student completes entrance loan counseling and the master promissory note (MPN).

Table 4

Entrance Counseling

<table>
<thead>
<tr>
<th>Institution</th>
<th>Entrance Counseling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cold Water Junior College</td>
<td>Online Session</td>
</tr>
<tr>
<td>Holly Springs Community College</td>
<td>Online Session</td>
</tr>
<tr>
<td>Magnolia Community College</td>
<td>Online Session</td>
</tr>
<tr>
<td>Rolling Fork Community College</td>
<td>Online Session</td>
</tr>
<tr>
<td>Walnut Grove Community College</td>
<td>Online Session</td>
</tr>
<tr>
<td>Water Valley Community College</td>
<td>Online Session</td>
</tr>
<tr>
<td>West Point Junior College</td>
<td>Online Session</td>
</tr>
<tr>
<td>Winona Community College</td>
<td>In-Person Sessions</td>
</tr>
</tbody>
</table>

*All names are pseudonyms

Default Prevention and Management Efforts

Although schools are not required to have a formal default prevention and management plan, schools are encouraged to implement such plans. For the most part, the institutions in this study are doing a little bit more than the U.S. Department of
Education’s required tasks. Only one institution in the study is using a formal default prevention and management plan. Prior to implementing the plan, the institution requested and received approval from the U.S. Department of Education for their plan. According to the administrator at this institution, “we had to do something. Our rate was really high when we went to the 3-year rates. We submitted our default prevention plan, and it was approved by the U.S. Department of Education. When the Department reviewed our plan, they made some suggestions, and there were some things they wanted us to include in the plan.” One financial aid administrator admitted to only doing the required entrance and exit counseling session but that the institution plans to be more proactive in the future. Although a formal plan has not been implemented, one institution has financial literacy information included on the college’s website for their students. In addition, the institution has plans to incorporate financial literacy efforts into their student success courses. This financial aid director also noted recent changes with their accreditor, SACSCOC, Southern Association of Colleges and Schools Commission on Colleges, that will add accountability requirements that institutions must provide financial literacy programming to students.

At another institution, the financial aid administrator said they are completing the following additional activities in default prevention and management efforts: enrollment reporting through the Clearinghouse every 30 days, financial literacy information on their website, and the use of a third-party servicer to contact delinquent borrowers. According to another financial aid director, their institution is using several activities in an effort to prevent and manage student loan defaults. These activities include a financial literacy column in the weekly newsletter emailed to students; accessing the debt portfolio from
the National Student Loan Data Systems, NSLDS; and using the results on the debt portfolio navigator from the loan servicer; Great Lakes; and data analysis of their annual cohort default rate by their institutional effectiveness office. Another participant stated its institution is mostly doing the basic stuff which includes some financial literacy stuff. They also go out to classes and speak with students about financial aid and financial literacy when invited by instructors. As a part of this institution’s Quality Enhancement Plan, QEP, for SACSSOC, they are also focusing on a cohort of students with Satisfactory Academic Progress (SAP) issues and providing these students with financial literacy information. At one institution, resources are offered to students on their website in the consumer information section of the financial aid page. This institution is also using a third-party servicer to contact delinquent borrowers. In addition, the financial aid administrator noted that the cost of attendance budgets are also an essential tool in a school’s default prevention and management efforts.

**Cohort Default Rate Challenges**

According to the U.S. Department of Education, data errors can impact a school’s cohort default rate negatively. For this reason, all institutions are encouraged to review the data file for their draft cohort default rate and challenge any discrepancies. Five financial aid administrators said they have never submitted a challenge to their draft rate. The other three institutions have submitted challenges in the past. Of these schools that submitted challenges, they either received some assistance from the Department of Education or their third-party servicer to conduct the review of their data. One participant noted reviewing the data but not really finding anything to challenge. One participant said they had submitted challenges in the past, but they did not challenge last
year’s rate. According to another financial aid administrator, the challenge process is very time-consuming especially when you do not know how to look for the errors effectively. This financial aid administrator now has resources from their third-party servicer to assist with the challenge process. Using the tools, they run an analysis of the data in the draft cohort rate and data from their system. As a result of this analysis, the tool gives the institution a report of the inconsistencies to review. This process has yielded successful challenges for the institution. Another financial aid administrator made the following point, “I have heard the data challenge process is a very time-consuming process with very little results. In the grand scheme of things, we don’t have control over the cohort default rate. If the department let institutions have more control, we could prevent some of these defaults by not piling on the debt. Managing cohort default after the fact does us no good. We’ve got to be able to manage it before the debt even occurs.” One of the schools that have not challenged their rate noted the following: “the institution has not challenged our rate in the three years that I have been employed here. But future efforts include plans to review our data for challenges.”

*Financial Literacy Resources*

Based on the guidelines for an effective default prevention and management plan, including a component for financial literacy and educating students on borrowing wisely is essential. The researcher received an array of answers to questions about this topic. One participant felt that one-on-one interactions with students were critical because students need to know what they are borrowing and what their debt level is as they navigate the financial aid process during the enrollment at the institution. The financial aid administrator from the school requiring face-to-face counseling felt that their in-
person counseling is their biggest tool to help educate students on borrowing wisely. They build a rapport with the students, and the students are comfortable coming into the office when they have questions. At one institution, financial literacy information from their third-party servicer is available to students on the college’s website. The information includes an interactive module that students can complete. After a student completes the module, the college receives the results. According to one administrator, “I think it is a struggle for the colleges. We’ve tried different things; we provide information to the students to help them as they’re trying to decide what to borrow. It is a struggle because the Department of Ed will only let you do so much. How do you teach students when they don’t have the proper resources to help them make informed choices? We encourage students to develop a budget when they inquire about borrowing student loan funds.” This participant further expanded by stating “So we’re trying to educate with the additional materials we’re providing students. Whether or not this is helping our default rate, I can’t tell you. The fewer people who borrow, the higher the rate. So where we’re trying to help out students, we’re not necessarily helping our default rate.” In another interview, a participant noted a similar scenario. This financial aid administrator said, “speaking from experience, I share my experience with student loans and how to borrow wisely. I encourage the students to stick to the cheaper route and find alternatives to student loans.” Another director said that an effective process is to encourage students to borrow only what is needed to cover their educational expenses. “Students often don’t really know how much they need to meet their educational expenses; they often borrow the maximum amount.” One participant made the following statement “there isn’t a one-size fits all for sure. It has to start before they get to us. Perhaps a course before they
begin college, before they can come to school, something that is taught. High schools
don’t need to be bombarded with any more material to teach, but we need to find a place
to teach it.” This participant also noted “there needs to be a shift in the culture; going to
schools. We need to be able to say no to allowing students to go into debt. Orientation
and First-Year Experience classes should contain financial aid information and loan
information. We don’t have those classes here, but it would be a great help to educate
students on loans.” One institution has an institutional form students must complete
before they get a loan. When students bring the form, the financial aid staff talks to them
about loans. At one community college, the financial aid administrator said they make
every effort to speak at all freshmen orientation classes and provide counseling at the
front counter and on the phone when necessary. The administrator noted they have plans
to implement financial literacy efforts in the coming year. Another financial aid
administrator finds the one-on-one conversations with students about student debt
beneficial.

At-Risk Student Borrowers

The researcher received many responses to the question about whether there was a
specific group of their student population that needed extra student loan counseling or
educational workshops to encourage borrowing wisely. One financial aid administrator
noted that most first-year students and students from low-income families do not really
understand credit and need additional counseling. Student loans are often the first time
these students have taken out a loan of any kind. The financial aid administrator
concluded by stating that these students are not familiar with having that much money at
one time. One noted “I would argue that most students need on-campus loan counseling
but athletes specifically.” Another administrator said “I would like to get to the point to meet with our healthcare students. I realize they need the money, but I would like to advise them on how to use their loan eligibility wisely, their annual amounts. Most of them want to borrow their maximum amount for the year in the fall and spring, but they often don’t have any eligibility left for the summer term. But their program requires summer enrollment.” One participant noted the non-completers is a population that needs extra student loan counseling. Another noted their prep students need the extra counseling. According to one administrator, all of them need the extra counseling.

According to the financial aid administrator at another institution made the following statement “students from low socioeconomic backgrounds understand the least about the whole process. They come from a culture where they just don’t understand. Maybe they’ve never really had money to handle. They just don’t know how to make wise choices regarding money. It seems like they don’t really have anyone helping them that totally understands loans and the differences between the two types of loans.” One financial aid administrator felt that dependent students are their neediest students and could really use additional loan counseling.

_Cohort Default Rate Analysis_

The U.S. Department of Education encourages schools to complete an analysis of their cohort default rate file each year. By completing this analysis, schools can identify common characteristics present among their defaulters and work more closely with these students. Five of the eight colleges have completed an analysis of their CDR data. As a result of the data analysis, the following groups were identified as groups more likely to default on their student loans; non-completers, students having Satisfactory Academic
Progress issues, and students who are underprepared for college academically. One institution also found a correlation between defaults and students in specific career or one-year certificate programs. According to one participant, “we have conducted a data analysis in the past but not recently. We need to do an analysis of our default data on a regular basis.” Another institution reported the following, “Yes, we did a while back using our third-party servicer. We found that students in some of our career programs such as Construction Management and Welding were a high risk for defaults. One participant noted that defaults are the highest among those students who do not graduate. Another participant echoed this and stated the following “at my old institution it was the non-completers and students enrolled in lower earning majors like social work. These students borrowed all this money trying to get their degree and they started out making $20,000-25,000 a year. I know studentloans.gov tries to get them to think about that now in the online module. I know they have their budget section, income vs. expenses. But students don’t really understand what these questions are trying to convey to them. You literally have to break it down and explain it to students. This also shows students are missing the information for repayment plans. Students can change to repayment plans that allow them to make repayment easier for them. Many are missing this from entrance counseling.” The participant concluded by noting the following:

“It is almost like students need a refresher for counseling. That’s a proposal from the Department of Ed, to go back to an annual loan counseling and an annual MPN instead of the current 10-year MPN students complete now. Now they’re thinking of taking us back to where we were 20 years ago. Not sure how they will format it. Students would have to acknowledge their current debt level as
they decide what to borrow each year. Some of us at the community colleges are already doing this.”

Although data analysis has occurred at some institutions, none of the institutions have implemented any actions with this information.

Possible Exit from the Loan Program

Participants were asked whether their institution considered exiting the loan program due to the threat of high cohort default rates. This question generated mixed responses. Most said no, citing a lack of funding for these students not eligible for Pell Grants or scholarships. Most expressed concern for those middle-income families who do not usually qualify for the Pell grant. As one director noted, “I have considered it. We have a large number of students getting a full Pell grant. However, our on-campus students need access to both Pell grant funds and loan funds to meet their educational expenses.” Another financial aid administrator put it bluntly, “you have to look at the impact for those non-Pell students. You would cut those students off if you exit the program. That would cause a mass exodus to alternative or private loans.”” One participant said “our administration has talked about it but is not sure if we could do it. They wanted to know what the impact would be if we left the program.” One financial aid administrator said, “Yes, we did consider it, but we would still be held accountable for our rate and could still lose eligibility for our other financial aid programs.” Another participant had this response “Our previous administration thought about it and went to the previous president when the default rate started getting up there. But have we seriously considered it, no. Our students need access to loans to complete their degree.” One participant noted bluntly, “Me, yeah. The school, no.”
Private Loan Borrowers

Most of the participants reported a very small population of their students receive private educational loans. According to one participant, SAP students who were not successful on an appeal are the primary group of students receiving private educational loans. When asked if the institutions had a large number of students getting private loans, one participant said “No, we don’t. We have seen an increase in the number of students getting private loans in recent years. But most don’t qualify for private loans because of credit issues, and they can’t get a co-signer.” Another director echoed this statement by stating “We may do 10 or 12 private loans a year. We don’t have a large population receiving them because the credit approval process kicks them out of it. Also, there are so few private lenders for community college students. Federal loans tend to be more beneficial to the student. The private loan system seems to be broke as well.”

Exit Counseling

Like entrance loan counseling, exit counseling is also a requirement by the U.S. Department of Education. Exit counseling is required for students graduating and any student who drops below a half-time enrollment status. Varied responses resulted from the interview question on this topic. All institutions are conducting exit loan counseling as mandated, but each director noted that the process is challenging. In many cases, schools do not get a 100% participation with exit counseling, but they must document that they sent the exit counseling information to students. The institutions are documenting exit counseling requests and completed exit counseling results in their administrative software system. One institution noted that they previously held all academic records until the student complete the required exit counseling but no longer
hold these records. Most participants noted it is easier to get exit loan counseling information out to graduates. One director noted they are sending letters to all students who apply for graduation. The letter includes instructions to complete exit counseling and information from their third-party servicer. One participant noted they are sending exit counseling information out to students by mail to prospective graduates using graduation rosters from the registrar’s office. Another participant said they use their administrative software system and reports to identify graduates and send out exit loan counseling requests. According to the participant, the completion of exit counseling information is also tracked in their administrative software system. At the one institution where entrance loan counseling is conducted face-to-face, exit loan counseling is not conducted face-to-face. According to the administrator at this institution, “For those participating in graduation, we give them an exit packet with their cap & gown. For those not participating in graduation, we mail their packet to them. In the packet, there is information on how to contact their loan servicer. We use the exit loan counseling materials provided by the U.S. Department of Education which includes information on deferment, forbearance, repayment plans and consolidation.” At another institution, the financial aid administrator said they send out letters by mail telling students to complete exit counseling and financial aid personnel also speak to graduating students at graduation activities such as practice. Another participant is sending out packets to their graduates. These packets are co-branded with their third-party servicer and contain key information about loan repayment. Another financial aid administrator sends out email messages directing students to studentloans.gov to complete their exit counseling. In addition to the required exit counseling, one institution is conducting grace counseling
sessions with the help of their third servicer. These grace counseling sessions are conducted while the student is in their grace period, the six months before loan payments start. This grace counseling session adds another layer of reinforcing the exit counseling information and repayment options. As one administrator noted, “If we know they’re going to graduate, we send them information. We get the graduation list to make them aware. We get pretty good participation from them. But there are always some that are just not going to complete counseling even if they graduate.”

For stop-out students and drop-outs, all institutions admitted to struggling with this part of the requirement. Most institutions have a process in place within their administrative software system to identify stop-out students and drop-out students. The institutions are sending out exit counseling information either by email or by mail. At one institution, there is a formal withdrawal process where students must check out with multiple offices on campus. When students come into the financial aid office to complete the withdrawal process, financial aid personnel discuss exit counseling information with the students. If the student has time to complete the counseling session, they are encouraged to complete it at that time. One administrator noted, “it is almost impossible to track the stop-out and drop-out students. We do the best we can.” At another institution, exit counseling information is sent to both the school email address and the student’s personal email address listed on their FAFSA. The director at this institution said, “students are more likely to check this email address than the email address assigned by the school.” Another participant said they send students information about exit counseling each year. In the message, students are told about exit counseling and encouraged to complete exit sessions if it applies to them.
Throughout the data collection process and interviews, another theme emerged from many of the participants. For these institutions, costs and limited staff play a significant role in their default prevention and management efforts. Participants spoke very candidly about wanting to do more but the lack of financial resources or adequate staffing in the financial aid office makes it difficult. One participant put it this way “we can’t really hire an outside firm for default aversion. I also know the department is looking at some of these firms because of bad practices which hurt students. We just don’t have the money as an institution. Of course, there are so many factors that contribute to the default rate. Many of these factors just have never been explored.”

Summary

In summary, the findings for this qualitative study yielded the following results. Only one community college from the study is currently using a formal default prevention and management plan approved by the U.S. Department of Education to manage their cohort default rate. Although the other institutions do not have a formal plan in place, they are all completing the required activities mandated by the U.S. Department of Education for the federal loan programs. In addition, each institution demonstrated an initiative to implement practices to manage and prevent student loan defaults among its students. The administration of the federal student loan program is tricky for all financial aid administrators, particularly administrators at community colleges. Community colleges overwhelmingly serve minority students, students from low socioeconomic backgrounds, and underprepared students.
CHAPTER V – DISCUSSION

Discussion

The purpose of this qualitative study was to examine the default prevention and management practices at Mississippi community and junior colleges and determine whether or not they align with the suggested practices from the U.S. Department of Education. Since the Department of Education moved from a 2-year cohort default rates to the 3-year cohort default rates with the release of rates for fiscal year 2014, Mississippi community and junior colleges have seen an increase in their rates. This discussion of the study includes a summary of the results and common themes that emerged from the study, conclusions, and implications of the study, and recommendations for future research. In addition, this discussion section also includes limitations of the study for financial aid administrators and institutions.

Summary of the Findings

The use of a qualitative design model for this study was very significant. The researcher received candid yet valuable responses to the interview questions during the interviews. Through the use of this method, the study participants were able to clearly illustrate the default prevention and management practices at each community or junior college in the study. I begin my interviews with each participant by asking them about their cohort default rate and how it measures up to the national average for community and junior colleges. As cohort default rates continue to rise, the institutions are mindful of their rates. Next, I asked the participants about their entrance counseling procedures. Of the eight institutions, only one institution conducts entrance counseling in person using...
group sessions. The other seven institutions use the online module provided by the U.S. Department of Education at www.studentloans.gov.

I then asked the participants about the other suggested activities beyond the required activities by the Department which they are using at their institutions. For the most part, all are currently doing some of the suggested activities or has plans to implement many of the activities in the future. Participants were asked whether or not their institutions have challenged incorrect data elements in their cohort default rate. Five of the eight have challenged incorrect data elements in the past. Of those institutions which have challenged incorrect data elements, they utilized assistance from either the U.S. Department of Education or from their third-party servicer to help locate any inconsistencies or incorrect elements in their cohort default rate data. For the next question, I asked the participants about their student population and if they have identified any at-risk groups of students among their student populations. All of the participants have identified potential at-risk student loan borrowers at their institutions. Although they have identified their at-risk students, most are not doing much outreach to these students. I also asked the participants what practices are effective to educate students about borrowing wisely. The participants expressed an array of responses to this question.

When asked if their institution has considered exiting the federal loan program, almost all participants noted their institution had considered it but none in the study has actually exited the loan program. The main reason given for not exiting the loan program is that many of their students need access to loan when they are not eligible for grants or scholarships. According to the study participants, non-federal loans also known
as private and alternative loans are not a viable option for most community and junior college students. Unlike loans in the federal loan program, these loans require a test of creditworthiness that may hinder approval for most community or junior college students. Finally, the interviews ended with a discussion on the exit counseling requirement. Each institution has a plan in place to notify graduating students about the exit counseling requirement. Unlike entrance counseling, institutions do not have the means to ensure 100% compliance with the exit counseling requirement. All institutions are using the online exit counseling sessions provided by the U.S. Department of Education. All eight institutions have a system in place to identify graduating students and reach out to these students at the various graduation activities at each campus or by mail. Institutions are still required to exit counseling for students who drop out or drop below a half-time status. According to the participants, the institutions have a plan in place to reach these students, but the response rate is low. For regulatory purposes, the institutions document their records that they have sent out exit counseling information to all both graduates and those students who leave school before completing their degree.

Common Themes

During the course of the study, the following themes emerged among the participants in the study. The first theme was related to financial education. The participants all echoed a need for financial education for their students. Almost all expressed concerns that students lack the necessary knowledge to make informed decisions regarding borrowing and their student loans. Many of the financial aid administrators worry their students may not fully understand the long-term effects of student loans. Many students do not fully understand the many components of the
financial aid process from the FAFSA to the different financial aid awards. It is unfair to expect these students to understand the loan program without providing additional means or opportunities to educate them. The monitoring of cohort default rates is somewhat flawed. Although the policy is designed to monitor student loan repayment for only the first three years after a student leaves the institution, loan repayment typically lasts far longer than three years for most students. The standard repayment plan for a student loan is ten years. This is especially critical for these at-risk populations at each institution. Thus, financial education tools are essential to student success.

Another theme to emerge in the study was linked to third-party servicers which are often used by institutions to manage and support their default prevention and management efforts on campus. From the interviews, I learned that some institutions are working with third-party servicers to assist with their default prevention and management efforts and some are not. Whether working with a third-party servicer or not, the cost of these services are a concern. The cost of these services are expensive over time and some colleges just cannot afford the extra expense. The more students in default, the more revenue the company collects from the institution. Amidst the growing concern of budget cuts at the state level, will institutions be able to continue to rely on these services? This is especially problematic because institutions continue to see increases in serious delinquency and default among student loan borrowers. In addition to the concern with costs, some participants were also concerned with the integrity of third-party servicers. For many of these servicers, their cost structure is based on the school’s volume of delinquent borrowers. The cost structure is usually based on the volume of the delinquent or defaulted loan at the institutions. Thus, the more students in a
default or delinquent status, the more the institution will have to pay their third-party servicer. While this cost may seem reasonable if it helps the college avoid the potential loss of participation in the Title IV aid program, is this remedy just putting a bandage on a more significant problem? Would the college be better served by committing some of these same resources to financial education for its students?

During the interviews, I also detected a bit of apprehension from some participants. This apprehension was due mainly to concerns from the U.S. Department of Education when schools are perceived as doing “too much”. In the past, the U.S. Department of Education has come down hard on schools who were doing too much or overstepping their boundaries with the administration of federal aid, particularly with federal loan. One participant even recalled an incident where a colleague at another institution was told they could not hold the release of student loans for anything but entrance counseling and the Master Promissory Note (MPN). In the incident, the colleague was simply required financial literacy sessions before releasing loan funds.

Student loans represent a double-edged sword for most administrators. The participants expressed a desire to do more for their students but were worried about feedback from the U.S. Department of Education. With a careful analysis of who are their defaulters, institutions can tailor their efforts to meet the specific needs of its population. By doing this, the institution can work with the U.S. Department of Education to develop an optimal plan. Finally, the role of reducing cohort default rates must include many stakeholders across the campus. During the interviews, many of the participants mentioned some assistance from other areas on campus such as the faculty and
institutional research departments. However, the involvement from these areas seems minimal.

As a result of the study, the researcher found that all institutions are completing the mandatory activities required by the U.S. Department of Education when administering federal loans. In addition, some institutions are completing more than the mandatory items such as providing financial literacy programs for their students, reviewing and challenging incorrect data and data analysis of their cohort default rate. As illustrated by the case study at Mohave Community College in Arizona (Charles, Sheaff, Woods & Downey, 2016), a comprehensive default prevention and management plan with buy-in from all levels of an institution can yield exceptional results in reducing cohort default rates. Only one institution is currently using a formal default prevention and management plan approved by the U.S. Department of Education. The use of a formal default prevention and management plan has been proven beneficial to this institution. Coincidentally, this institution has seen a decrease in its cohort default rate for consecutive years. While working with a third-party servicer may be beneficial, institutions would be better served to use these services in conjunction with an approved plan from the U.S. Department of Education.

Limitations

This study represented a purposeful sample of 2-year public institutions in Mississippi. The results of this study may not be reflective of other community colleges in the country. The community colleges in this study may not be reflective of other community colleges from other geographic regions of the country. Therefore, the results of this study are limited.
Recommendations for Future Research

The results of this study showed that a formal default prevention and management plan was effective in reducing the cohort default rate at one institution from the study. Future research should include a comparison of default prevention and management plans at community colleges and universities. When community college students transfer to a university, they carry with them their student loan debt from the community college. Their borrowing patterns could influence the cohort default rates at both the community college and the university. Therefore, future research should include methods at both institutions. In addition, future research for community colleges should also examine community college students and their financial behaviors. It would be especially beneficial to examine the financial behaviors of at-risk students.

Concluding Thoughts

Based on the findings from this study, I would recommend all institutions develop and implement a formal default prevention and management plan. Institutions should begin the process by analyzing the data in their most recent cohort default rate report. After analyzing the data, the institutions should work closely with the U.S. Department of Education’s Default Task Force team to develop a plan to fit each institution’s individual needs. As a result of reducing their cohort default rates, postsecondary institutions can reduce the cost of student loans to the taxpayers. In addition, cohort default rates are an incentive for schools to work closely with their student loan borrowers. The ultimate benefit of a successful plan to reduce and manage cohort default rates yields success for both the student and the institution.
Without a default prevention and management plan in place, institutions are essentially conducting risk assessment after the fact, particularly after the damage is already done. In many instances, students may already have amassed large amounts of debt. Without a plan in place, institutions are essentially managing the rates using a reactive approach rather than a proactive approach. A reactive approach offers little opportunities to impact an institution’s cohort default rate effectively. In contrast, establishing a plan allows institutions to set a foundation of success for its students.
1. What is your current cohort default rate?

2. How does your cohort default rate measure up to other community colleges in MS? Nationally?

3. Explain the procedures you use for entrance counseling? Do you use online counseling, or do you conduct entrance counseling face-to-face?

4. What is the average loan debt for your student loan borrowers?

5. Other than entrance & exit counseling, what other parts of the Default Prevention & Management Plan suggested by the U.S. Department of Education are you using?

6. Has your institution ever submitted a challenge due to incorrect data or a participation rate index challenge?

7. In your opinion, what is an effective process to educate students on borrowing wisely?

8. Is there a specific group of your student population that needs extra student loan counseling or educational workshops to encourage borrowing wisely?

9. Has your institution analyzed the data for your loan defaulters? Have you identified any common characteristics among the defaulters?

10. Because of the threat of high cohort default rates, has your institution considered exiting the loan program?

11. Does your institution have a large population of students getting private loans?
12. If your institution does not participate in the federal loan program, how do students meet their educational expenses when there’s a shortfall in grant funding or they’re not eligible for grants?

13. Explain the procedures you use for exit counseling for graduates, dropouts, and stop-outs? What tools do you use to track the participation in required exit counseling?
APPENDIX B – IRB APPROVAL LETTER

INSTITUTIONAL REVIEW BOARD
118 College Drive #3147 | Hattiesburg, MS 39406-0001
Phone: 601.266.3997 | Fax: 601.266.4377 | www.usm.edu/research/institutional.review.board

NOTICE OF COMMITTEE ACTION

The project has been reviewed by The University of Southern Mississippi Institutional Review Board in accordance with Federal Drug Administration regulations (21 CFR 25, 111), Department of Health and Human Services (45 CFR Part 46), and university guidelines to ensure adherence to the following criteria:

- The risks to subjects are minimized.
- The risks to subjects are reasonable in relation to the anticipated benefits.
- The selection of subjects is equitable.
- Informed consent is adequate and appropriately documented.
- Where appropriate, the research plan makes adequate provisions for monitoring the data collected to ensure the safety of the subjects.
- Where appropriate, there are adequate provisions to protect the privacy of subjects and to maintain the confidentiality of all data.
- Appropriate additional safeguards have been included to protect vulnerable subjects.
- Any unanticipated, serious, or continuing problems encountered regarding risks to subjects must be reported immediately, but not later than 10 days following the event. This should be reported to the IRB Office via the “Adverse Effect Report Form”.
- If approved, the maximum period of approval is limited to twelve months. Projects that exceed this period must submit an application for renewal or continuation.

PROTOCOL NUMBER: 18041601
PROJECT TITLE: Student Loan Default Prevention and Management Practices at Mississippi Community Colleges
PROJECT TYPE: Doctoral Dissertation
RESEARCHER(S): LaShanda Chamberlain
COLLEGE/DIVISION: College of Education and Psychology
DEPARTMENT: Educational Research and Administration
FUNDING AGENCY/SPONSOR: N/A
IRB COMMITTEE ACTION: Expedited Review Approval
PERIOD OF APPROVAL: 04/17/2018 to 04/16/2019

Lawrence A. Hosman, Ph.D.
Institutional Review Board
APPENDIX C - CIRE APPROVAL LETTER

Mississippi Association of Community and Junior Colleges (MACJC)

Application to Conduct Research on MACJC Institutions

Purpose: Individually conducting research on Mississippi's community and junior colleges must complete this application and obtain approval from the CIRE subcommittee on Outside research prior to conducting any research. This application serves the following purposes:

1. requires the researcher to summarize the proposed research and provide supporting documentation ensuring that research is performed in compliance with all applicable laws, regulations, and institutional and federal policies regarding human subjects research;
2. ensures the proposed research has Institutional approval through IRB approval and the endorsement of a qualified research advisor (i.e., faculty member) who assumes responsibility for the project;
3. provides the investigator with appropriate documentation that the proposed study has been reviewed and approved.

Principal Investigator (PI) Contact Information - The PI for the purposes of this application is the individual who will personally conduct this research study. Under most circumstances, the PI will be the student researcher.

Name: LaShanda M. Chamhartan
Phone: 228-334-3748
Email: la.shanda.chamhartan@mgccc.edu
Address: PO Box 100
City: Gautier
State: MS
Zip: 39553

Research Advisor (RA) Contact Information - The RA for the purposes of this application is the individual who will personally supervise and oversee this research study. Under most circumstances, the RA will be the faculty member working with the student researcher.

Name: Dr. Ullan Hill
Phone: 601-366-4032
Email: llilan.hill@usm.edu
Address: The University of Southern MS
City: Hattiesburg
State: MS
Zip: 39406

Sponsoring Institution or Agency: University of Southern Mississippi

Sponsoring Academic Division/Department: College of Education & Psychology

Source of funding for research: N/A

Start Date of Research: 03/15/2018
End Date of Research: 07/31/2018

Has the study obtained IRB approval from sponsoring institution?
What is the college of interest for the study?

<table>
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<tr>
<th>College Name</th>
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<tbody>
<tr>
<td>Jackson County Junior College</td>
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<td>Mississippi Delta Community College</td>
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<td>Mississippi Gulf Coast Community College</td>
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<td>Northeast Mississippi Community College</td>
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<td>Northwest Mississippi Community College</td>
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<tr>
<td>Pearl River Community College</td>
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<tr>
<td>Southwest Mississippi Community College</td>
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</tbody>
</table>

Approval by MACC does not imply approval of individual institutions. After receiving MACC approval, then you should contact the appropriate person at each of the institutions for institutional approval.

2. Title. Provide the title of the research study.

Student Loan Default Prevention and Management Practices at Mississippi Community Colleges

3. Research Summary. Please answer the questions below and provide a brief, non-technical description of the study.

(a) Purpose. Define the purpose of the research (professions/dissertation/etc.)

(b) Nature. Is the research Primary or Secondary? [Primary] [Secondary]

(c) Method. How will data be collected?

(d) Hypothesis. Describe your hypotheses and tell why the study is needed.

Each year, the U.S. Department of Education releases cohort default rates for all institutions participating in the federal loan program and holds each institution accountable for its cohort default rate. High cohort default rates can impact participation in the Title IV federal aid programs for the institution. The purpose of this study is to examine the student loan default prevention and management practices employed at Mississippi community colleges.

This research study will be guided by the following research questions:

1. What default prevention and management practices are currently used at Mississippi community colleges?
2. Are the practices used at Mississippi community colleges reflective of the suggested practices from the U.S. Department of Education's Default Task Force?
3. What guidelines have each community college implemented to reduce their cohort default rates?

(e) Institutional Details. Provide an estimate of the classroom or individual time and/or institutional resources required to conduct study. Include any institutional resources requested such as faculty/staff, computer labs, equipment, supplies, and/or administrative support.

To conduct this study, the researcher will interview the financial aid director or student loan coordinator at each institution. Interviews will be conducted either face-to-face, by telephone or by webinar. The institutional burden is limited to an hour of the financial aid administrator's time and the use of technology if a face-to-face interview is not possible.
[1] **Use of State/Anonymity**: Please answer the following questions about how the data will be presented.

- Is the data anonymous? [ ] Yes [ ] No

If yes, will the states selected be compared against one another or against institutions outside of the MAGIC? Will the MAGIC be compared against other states systems?

- Institutions within MAGIC will be compared against each other.
- Institutions will not be compared with institutions outside of the MAGIC.

- The MAGIC will be compared against other state systems.
- The data will not be used as comparative data.

Will the institutions involved in the research be anonymous in the published result? [ ] Yes [ ] No

Please provide a summary of data security measures to be employed in connection with the research.

The following are measures that will be taken to ensure confidentiality of the data collected for this study. All recorded interviews and documents will be kept in a sealed file by the researcher. Only the researcher will have access to the data. After all data has been collected and analyzed, all recorded interviews and documents will be destroyed.

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**Methodology**

Sections III below apply to survey, observation, and other research methods that involve direct or indirect contact with human subjects. Questions (a) through (d) in Section II apply to Sections III and IV only. (Version 5/30/2013)

III. Participants:

- **Specify number of participants and their gender, ethnicity, race, and age.** Clearly state any inclusion/exclusion criteria as well as identify any select population such as minors, pregnant women, non-English speakers, individuals with disabilities, etc. If any vulnerable populations are included (i.e., minors, adults with cognitive impairment, non-English speaking persons, etc.) identify additional protections for their protection.

Participants for qualitative research are generally selected in a purposeful manner. In order to have the best opportunity to understand the central phenomenon of this study, financial aid directors and student loan coordinators represent the ideal sample for this study.

- **Recruitment:** Describe how potential subjects will be made aware of this study and outline any recruitment procedures (email, letters, class announcements, newspaper ads, etc.), including any compensation or incentives.

Survey participants will be recruited via email and with a follow-up phone call. There will be no compensation to the participants.

- **Informed Consent:** Identify the process of gaining participant consent. Attach a copy of any consent forms used in the study. Provide any necessary explanation if informed consent is waived or not applicable.

**Attached**

- **Risks and Incentives:** Describe any immediate or long-term risks to participants that may arise from participation in this study (physical, emotional, social, occupational, financial, legal, etc.). Indicate if these risks are greater than those faced in normal life, and provide justification for any deception of participants. There are no foreseeable risks from participation in this study.
**Signatures**

**Principal Investigator** — I certify that the information in this application is complete and correct. As Principal Investigator, I have the ultimate responsibility for protecting the rights and welfare of human participants, secure conduct of the research, and the ethical performance of the project. I will comply with all applicable federal, state, and local laws regarding the protection of participants in human research.

Signature of Principal Investigator: [Signature]
Date: [06/30/2018]

If the proposed research is sponsored by an Institutional of Higher Learning, has the proposed research been approved by the IRB of the sponsoring institution?

- [ ] Yes
- [ ] No

If "Yes", please obtain the Research Advisor and Department Chair (if applicable) signature below. If "No" the Research Advisor and Department Chair signatures may be left blank.

**Research Advisor** — I certify that the information in this application is complete and correct, and that this proposed research has been approved by the IRB of the sponsoring institution.

As Research Advisor, I confirm that the student researcher under my guidance is knowledgeable about the regulations and policies governing research with human subjects, and has sufficient training and experience to conduct the research outlined in this application.

I further agree to regularly meet with the student researcher to monitor his or her progress and if problems arise, I will become personally available to help the student researcher resolve those problems. As an advisor on this project, I will assure the protection of the rights and welfare of human participants, secure conduct of the research, and the ethical performance of the project. I will comply with all applicable federal, state, and local laws regarding the protection of participants in human research.

Signature of Research Advisor: [Signature]
Date: [02/21/2018]

**Department Chair** — I acknowledge that this research is in keeping with the standards set by our department and our Institutional IRB or its equivalent. I also certify that the Principal Investigator has met all the departmental and institutional requirements for approval of this research.

Signature of Department Chair: [Signature]
Date: [02/21/2018]

**CIRE subcommittee chair** — I acknowledge on behalf of the Council on Institutional Research and Effectiveness (CIRE) that this research has been reviewed and has subsequently received the following recommendation by consensus of the membership:

- [ ] Approved
- [ ] Tabled for Further Review

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Lashanda M. Chamberlain

Subject: Doctoral Research Request for LaShanda Chamberlain: Your help is requested

Hello, my name is LaShanda Chamberlain and I am a doctoral candidate at The University of Southern Mississippi. For my doctoral dissertation, I am conducting a qualitative research study to examine the student loan default prevention and management practices at community colleges in Mississippi. The study will use an interview research method, and I am seeking participation from financial aid administrators. My study will include financial aid administrators from all over the state. Participants will not be identified by name and instead will be assigned a pseudonym in any written material. Interviews will last no more than one hour and can be scheduled at a time that is convenient for you. Participation is voluntary and individuals may withdraw their consent at any time.

If you agree to participate in my study, I would like to schedule a time to interview you within the next 2-3 weeks.

This study has been approved by the IRB at the University of Southern Mississippi. If you have concerns or questions about your rights as a research participant, you may contact the chair of the IRB at 601-266-5997. This study has also been approved by the Council on Institutional Research and Effectiveness (CIRE) of the Mississippi Community College Board for external research at Mississippi community colleges and the institutional review board at your institution.

Please feel free to contact me with any concerns at lashanda.chamberlain@usm.edu or lashanda.chamberlain@mgccc.edu or 228-326-2748. I appreciate your time.

Sincerely,

LaShanda M Chamberlain, MBA, CPFM
STANDARD (SIGNED) INFORMED CONSENT PROCEDURES

This completed document must be signed by each consenting research participant.
- The Project Information and Research Description sections of this form should be completed by the Principal Investigator before submitting this form for IRB approval.
- Signed copies of the consent form should be provided to all participants.

Today’s date: 01 February 2018

PROJECT INFORMATION

Project Title: Student Loan Default Prevention and Management Practices at Mississippi Community Colleges
Principal Investigator: LaShanda M Chamberlain

College: Education & Psychology

Department: Educational Research & Administration

RESEARCH DESCRIPTION

1. Purpose:

   Each year, the U.S. Department of Education releases cohort default rates for all post-secondary institutions participating in the federal loan program. Each institution is held accountable for its cohort default rate. High institutional cohort default rates could impact participation in the Title IV federal financial aid programs for the institution. The purpose of this study is to examine the default prevention and management practices employed at Mississippi community colleges.

2. Description of Study:

   The researcher has invited community college financial aid personnel to participate in this study. If you choose to participate, the researcher will conduct an interview with you. The interview should last approximately 45-60 minutes. Interviews will be recorded by the researcher. Demographic and descriptive information will be collected for this study but no personal identifying information will be collected.

3. Benefits:

   College administrators may benefit from this study. Effective default prevention and management practices could result in lower institutional cohort default rates for the institution.

4. Risks:

   There are no foreseeable risks from participation in this study. Your choice to participate in this study is voluntary and you can elect to withdraw at any time without any consequence.

5. Confidentiality:

   No personally identifying information will be collected for this study. Although demographic and descriptive information will be collected, your identity will remain completely anonymous. After all data has been collected and analyzed, all data will be destroyed.
6. Alternative Procedures:

None

7. Participant’s Assurance:

This project has been reviewed by the Institutional Review Board, which ensures that research projects involving human subjects follow federal regulations.

Any questions or concerns about rights as a research participant should be directed to the Chair of the IRB at 601-266-5997. Participation in this project is completely voluntary, and participants may withdraw from this study at any time without penalty, prejudice, or loss of benefits.

Any questions about the research should be directed to the Principal Investigator using the contact information provided in Project Information Section above.

CONSENT TO PARTICIPATE IN RESEARCH

Participant’s Name: ______________________

I hereby consent to participate in this research project. All research procedures and their purpose were explained to me, and I had the opportunity to ask questions about both the procedures and their purpose. I received information about all expected benefits, risks, inconveniences, or discomforts, and I had the opportunity to ask questions about them. I understand my participation in the project is completely voluntary and that I may withdraw from the project at any time without penalty, prejudice, or loss of benefits. I understand the extent to which my personal information will be kept confidential. As the research proceeds, I understand that any new information that emerges and that might be relevant to my willingness to continue my participation will be provided to me.

Questions concerning the research, at any time during or after the project, should be directed to the Principal Investigator with the contact information provided above. This project and this consent form have been reviewed by USM’s Institutional Review Board, which ensures that research projects involving human subjects follow federal regulations. Any questions or concerns about rights as a research participant should be directed to the Chair of the Institutional Review Board, The University of Southern Mississippi, 118 College Drive #5116, Hattiesburg, MS 39406-0001, 601-266-5997.

Research Participant ______________________

Date ______________________

Person Explaining the Study ______________________

Date ______________________
## APPENDIX F – COHORT DEFAULT RATES, MISSISSIPPI COMMUNITY & JUNIOR COLLEGES

<table>
<thead>
<tr>
<th>Institution</th>
<th>FY2015</th>
<th>FY2014</th>
<th>FY2013</th>
</tr>
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<tbody>
<tr>
<td>*Coahoma Community College</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Copiah-Lincoln Community College</td>
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<td>20</td>
<td>21.9</td>
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<tr>
<td>East Central Community College</td>
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<td>21</td>
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<tr>
<td>East MS Community College</td>
<td>22.3</td>
<td>22.2</td>
<td>20.1</td>
</tr>
<tr>
<td>Hinds Community College</td>
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<td>23.6</td>
</tr>
<tr>
<td>Holmes Community College</td>
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<td>23.3</td>
<td>19.2</td>
</tr>
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<td>Meridian Community College</td>
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<td>23.8</td>
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<td>Pearl River Community College</td>
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<td>19.5</td>
</tr>
<tr>
<td>*Southwest MS Community College</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

| Average CDR for MS Com Colleges          | 19.34  | 21.875 | 20.25  |

*Does not participate in the federal loan program*
REFERENCES


Fernandez, C., Fletcher, C., Klepfer, K., & Webster, J. (2015). A time to every purpose: understanding and improving the borrower experience with online student loan entrance counseling. *TG Research and Analytical Services.*


Fuller, Matthew B. (2014) "A history of financial aid to students," *Journal of Student Financial Aid: Vol. 44: Iss. 1, Article 4.* Available at: [http://publications.nasfaa.org/jsfa/vol44/iss1/4](http://publications.nasfaa.org/jsfa/vol44/iss1/4).


Neal, M., Fletcher, C., Shook, M., & Webster, J. (2012). Balancing passion and practicality: The role of debt and major on students' financial outcomes. A Report to the 83rd Regular Session of the Texas Legislature. *TG (Texas Guaranteed Student Loan Corporation)*.


