

Lessons Learned for Best Practices

Grace Counseling partnership pilot with AFSA

- Grace counseling decreases the Delinquency Rate for accounts in repayment.
- Grace counseling increases the number of borrowers who benefit from available repayment options, such as Graduated Repayment.
- Offer Generation Y the auto-debit (ACH) tool.

Pathways

- Counseling improves the Cure Rate and decreases the Default Rate of past due loans, even on loans over 90 days past due.
- Repayment options, presented as *Pathways*, “touch” borrowers.
- Borrowers who cure their loans are most likely to do so within two weeks of receiving counseling.
- Generation Y responds best to “personal touch” messages, such as a phone call or a handwritten note.
- A phone call achieves a greater response than a mass mailing.
- A phone call is most effective when made 7-14 days after mailing the written collateral.

Bright Beginnings

Early Campaigns

- Modern messages and direct mail campaigns build relationships with borrowers.
- Use plain English, color and graphics for Generation Y.
- Borrowers have access to email and willingly give contact information.
- Include reply cards requesting borrower contact information with all written collateral.

Recent Campaigns

- Default counseling increases defaulted loan payments.
- Rehabilitation, presented as *Bright Beginnings*, “touches” borrowers.



American Student Assistance's Wellness Results

What is Wellness?

American Student Assistance's (ASA)[®] *Wellness* initiative brings a new strategic perspective for guarantors within the federal student loan industry. As a trusted agent to students, parents, schools and student loan lenders, we focus on keeping borrowers financially healthy through proactive and preventative outreach.



Why Experiment?

At the heart of ASA's *Wellness* philosophy lies the belief that "with the right information at the right time, no student borrower working in good faith should default." This statement "feels" good, but is it true? Since the implementation of *Wellness* in 1999, we have designed several interactive experiments, or *Customer Touch Programs*, to test its premise.

These experiments:

- Generate data to prove *Wellness* works
- Teach us best practices in proactively helping borrowers to keep loans healthy, cure delinquent accounts and rehabilitate defaulted loans
- Teach us the right messages, the right times and the right means to best communicate to borrowers
- Further our mission of assisting borrowers in successfully completing a program of education financing and repayment

What are Customer Touch Programs?

ASA's *Customer Touch Programs* are iterative, relationship-building experiments that employ direct marketing techniques to discern what information our borrowers need, when they need it and how we should present it. Campaigns consist of a sequence of written materials and verbal personalized counseling over an extended time. We conduct Customer Touch Programs throughout the life of the loan, garnering best practices in borrower communication for each stage of loan repayment. By monitoring the response to our Customer Touch Programs, we can modify messages, timing and presentation in the future for best results.

Student Loan Repayment

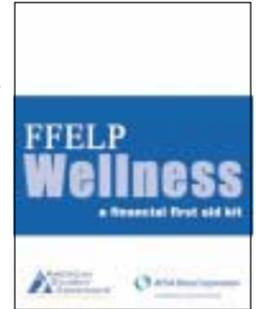
Stages	Customer Touch Programs
In Grace/Repayment	AFSA/ASA <i>Grace Counseling</i>
Past Due Loan	<i>Pathways</i>
Defaulted Loan	<i>Bright Beginnings</i>

Does one-on-one counseling for borrowers entering repayment improve their ability to pay timely and keep their loans healthy?

Customer Touch Program: **Grace Counseling** partnership pilot with student loan servicer AFSA

Description: In December 2001, AFSA counselors telephoned Pilot borrowers during their six-month grace periods to educate them on repayment options. Pilot borrowers subsequently received a joint AFSA/ASA letter confirming the prior phone call. Lastly, the borrowers received ASA's Financial First Aid Kit, which outlines repayment options, 30 days prior to entering repayment. Control borrowers received no additional telephone calls or mailings.

Results through 6/30/02: 22% more Pilot accounts are Current in Repayment (decrease in delinquency)
9% more Pilot accounts are Paid in Full
9% more Pilot borrowers using auto-debit (ACH)
88% fewer phone calls made to servicer



Does one-on-one counseling for borrowers with past due accounts improve their ability to bring their accounts current?



Customer Touch Program: **Pathways**

Description: Launched in January 2002, *Pathways* direct mail packets that outlined repayment options, including budget worksheets, Deferment/Forbearance Guides, Educational Opportunity Center Locator Guides and response cards, were mailed to Pilot borrowers at targeted intervals. Pilot borrowers also received encouragement and counseling from ASA Payment Advisors. Control borrowers received no *Pathways* materials or counseling phone calls.

Results after 75 days: 12% more Pilot borrowers cured their past due loans
7% fewer Pilot borrowers had past due accounts
1% fewer Pilot borrowers had defaulted

Will defaulted borrowers respond to modern communication, a direct mail campaign and personalized counseling to rehabilitate their defaulted loans? Will newly defaulted borrowers respond to the rehabilitation message as enthusiastically as borrowers who have been in default longer?

Customer Touch Program: **Bright Beginnings**

Description: Early campaigns, launched November 2000 and February 2001, used plain English, attractive formats and direct marketing techniques to promote rehabilitation to defaulted borrowers. *Bright Beginnings* advisors followed up with personal phone calls, hand-written notes and tokens of encouragement. Recent campaigns, launched February 2002, tested *Bright Beginnings* on newly defaulted borrowers and promoted a *Wellness* nine-month rehabilitation "shortcut" (rehabilitation typically takes 12 months).

Results for early campaigns: 35% response rate
More than 90% of respondents entered rehabilitation
More than 50% who entered rehabilitation made rehab-eligible payments

Results for recent campaigns: 40% response rate
(After 120 days) 74% of respondents entered rehabilitation

