

COHORT DEFAULT RATE GUIDE

Revised
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Cohort Default Rate Guide

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Introduction

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Glossary

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NOTE: *All Templates for Spreadsheets are posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.*

What is the “Cohort Default Rate Guide?”

The “Cohort Default Rate Guide” (Guide) is a publication that the U.S. Department of Education (the Department) designed to assist schools with their Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct Loan (Direct Loan) Program cohort default rate data. This Guide should be used as a reference tool in understanding cohort default rates and processes. This Guide is effective until the Department withdraws it, changes it, or publishes other guidance. The most recent version of this Guide is posted under “Default Rate Materials” on the IFAP Web site (ifap.ed.gov).

The information found in this Guide does not supersede or alter any regulatory or statutory requirements that are in effect. If the information in this Guide conflicts with the regulations or statute, the regulations and/or statute take precedence. The legislation authorizing the FFEL and Direct Loan programs can be found in Title IV of the Higher Education Act (HEA) of 1965, as amended. The regulations for cohort default rates are primarily in Subpart M of Section 668 of the Code of Federal Regulations (CFR).

What kind of cohort default rates are not covered in this Guide?

The Department also publishes FFEL cohort default rates for guaranty agencies and lenders. For information on guaranty agency and lender cohort default rates, call the Department at 202-377-3053 or visit the Information for Financial Aid Professionals (IFAP) Web site <<http://www.ifap.ed.gov>>. (IFAP can also be accessed through the Schools Portal <<http://fsa4schools.ed.gov>>)

The *Cohort Default Rate Guide for Lenders and Guaranty Agencies* is listed on IFAP under **On-Line References > Default Rate Materials**.

In addition, the Department publishes Federal Perkins Loan Program cohort default rates for schools. For information on Federal Perkins Loan Program cohort default rates, call the Department at 1-877-801-7168, or go to the *Perkins Cohort Default Rate Booklet*, which is posted on IFAP under **On-Line References > Default Rate Materials**.

How is this Guide organized?

The Guide uses a two-thirds/one-third layout, where two-thirds of the page contains text and one-third of the page is a margin. The margins contain illustrations designed to assist you with understanding the material in the Guide. The margins also provide a space for notes that you may wish to take while reading the Guide.

The material in this Guide is organized into four parts. Each part is further divided into chapters. The four parts are:

Part I—Introduction

Part II—General Information

Part Two consists of five chapters.

- ◆ These chapters cover calculating cohort default rates (2.1), how schools get the rates and loan data (2.2), the loan record detail report (2.3), cohort default rate effects (2.4), and change in status and evasion (2.5).

Part III—Strategy

Part Three consists of three chapters.

- ◆ The first chapter discusses the school's options for responding to the draft and official school cohort default rate releases.
- ◆ The second chapter discusses how a school can anticipate and resolve repayment problems by monitoring the enrollment and repayment status of its students and former students who have borrowed FFEL or Direct Loans.
- ◆ The final chapter (3.3) contains strategies for data managers.

Part IV—Challenges, Adjustments, and Appeals

Part Four consists of 10 chapters.

- ◆ The first eight chapters in Part Four deal with the eight types of challenges, adjustments, and appeals a school may initiate.
- ◆ The next two chapters (4.9 and 4.10) discuss the two types of appeals the Department usually initiates.

All 10 of these chapters contain detailed discussions of the challenge, adjustment, or appeal that is the subject of the chapter.

This Guide also includes a Glossary.

How does this version of the Guide differ from previous versions of the Guide?

There are several major changes in this version of the Guide from previous versions of the Guide. These include—

- ◆ Creating a separate chapter (3.2) for the discussion of year-round monitoring of loan repayment data, as opposed to the school's response to the draft and official rates (3.1).
- ◆ consolidating the information about the Loan Record Detail Report in one chapter (2.3).

- ◆ eliminating the instructions for creating the spreadsheets, since we are able to provide formatted templates on the Web.

How to Use this Guide

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Providing Feedback about this Guide

The Department is interested in receiving feedback regarding the new Guide. If you have questions, comments, or suggestions concerning the content, format, and/or structure of this Guide, please photocopy, fill out, and return the user comment page to:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

You may also send comments via email to: fsa.schools.default.management@ed.gov

User Comments on the Cohort Default Rate Guide

Please answer the following questions .

Was the Guide easy to understand?	YES	NO
Did you like the separation of information?	YES	NO
Did this format make it easier for you to prepare a challenge or response?	YES	NO
Did this format make it easier for you to prepare an adjustment or response?	YES	NO
Did this format make it easier for you to prepare an appeal or response?	YES	NO
Were the instructions and spreadsheets easy to follow and understand?	YES	NO
Are there issues not discussed in the Guide that you would like to see in future editions?	YES	NO

General Comments

The following information is optional. The Department may contact you for further clarification on your comments .

Organization Name: _____

School CDE ID # (if applicable): _____

Organization Mailing Address: _____

Person completing this form: _____

Telephone number : _____ - _____ - _____

Email address: _____

What is a cohort default rate?

For schools having 30 or more borrowers entering repayment in a fiscal year, the school's cohort default rate is the percentage of a school's borrowers who enter repayment on certain Federal Family Education Loans (FFELs) and/or William D. Ford Federal Direct Loans (Direct Loans) during that fiscal year and default (or meet the other specified condition) within the cohort default period. For schools with 29 or fewer borrowers entering repayment during a fiscal year, the cohort default rate is an "average rate" based on borrowers entering repayment over a three-year period.

The phrase "cohort default period" refers to the two-year period that begins on October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the following fiscal year. This is the period during which a borrower's default affects the school's cohort default rate.

Cohort default rates are based on federal fiscal years. Federal fiscal years begin October 1 of a calendar year and end on September 30 of the following calendar year. Each federal fiscal year refers to the calendar year in which it ends.

The phrase "cohort fiscal year" refers to the fiscal year for which the cohort default rate is calculated. For example, when calculating the 2004 cohort default rate, the cohort fiscal year is FY 2004 (October 1, 2003 to September 30, 2004).

The phrase "other specified condition" occurs when, before the end of the cohort default period, the school's owner, agent, contractor, employee, or any other affiliated entity or individual makes a payment to prevent a borrower's default on a loan that entered repayment during the cohort fiscal year. In such a situation, the borrower is considered in default for cohort default rate purposes. For the purposes of this Guide, the phrase "other specified condition" will always refer to this situation.

Which types of loans are included in the cohort default rate calculation?

The FFELs included in the cohort default rate calculation are:

- ◆ subsidized and unsubsidized Federal Stafford Loans (collectively referred to as Federal Stafford Loans) and
- ◆ Federal Supplemental Loans for Students (Federal SLS loans).

Federal SLS loans have not been made since July 1, 1994. However, it is possible for a Federal SLS loan to be included in a current cohort default rate calculation under certain circumstances.

The Direct Loans included in the cohort default rate calculation are:

Loans included in default rate calculation:

- Federal Stafford
- Federal SLS
- Direct Stafford/Ford

NOT Included:

- PLUS
- Perkins
- FISL

Regulatory citations:
34 CFR 668.182
34 CFR 668.183

A school with a high default rate may lose its eligibility to participate in the Federal Student Aid programs. See Chapter 2.4, "Cohort Default Rate Effects," for more information on effects.

DRAFT rates are generally sent to schools in February. OFFICIAL rates are sent by September 30.

See Chapter 2.2, "How Schools Get the Rates & Loan Data," for more information on the release of the rates.

- ◆ Federal Direct Subsidized Stafford/Ford Loans and Federal Direct Unsubsidized Stafford/Direct Loans (collectively referred to as Direct Stafford/Ford Loans).

The following loans are not included in the cohort default rate calculation:

- ◆ Federal PLUS Loans;
- ◆ Federal Graduate/Professional PLUS Loans;
- ◆ Federal Direct Graduate/Professional PLUS Loans;
- ◆ Federal Insured Student Loans (FISLs); and
- ◆ Federal Perkins Loans. (Please note that Federal Perkins Loans have separate cohort default rate calculations.)

Federal Consolidation Loans and Federal Direct Consolidation Loans are not directly included in the cohort default rate calculation. However, the status of a consolidation loan may affect the cohort default rate calculation. Please refer to the section of this chapter entitled, "How do consolidation loans affect the numerator of the cohort default rate calculation?" for more information on how consolidation loans may affect the cohort default rate calculation.

How does the Department calculate a school's cohort default rate?

The formula the Department uses for calculating a school's cohort default rate depends on the number of borrowers from that school entering repayment in a particular cohort fiscal year and the number of cohort default rates previously calculated for the school.

Note that cohort default rates are based on the number of borrowers who enter repayment, not the number and type of loans that enter repayment. A borrower with multiple loans from the same school whose loans enter repayment during the same cohort fiscal year will be included in the formula only once for that cohort fiscal year.

The two types of formulas used to calculate a school's cohort default rate are the Non-Average Rate Formula and the Average Rate Formula. For each of these formulas, the cohort default rate is obtained by dividing the numerator by the denominator and then expressing the result as a percentage. The number of borrowers included in the numerator and the denominator vary, however, depending on the type of formula used.

The cohort default rate is based on the number of borrowers entering repayment, not the number and types of loans entering repayment.

☰ Timeframes used in calculating cohort default rates

Cohort Fiscal Year	<u>Borrowers in the Numerator</u>	<u>2- Year Time Period (Numerator)</u>
	<u>Borrowers in the Denominator</u>	<u>1- Year Time Period (Denominator)</u>
2002	<u>Borrowers who entered repayment in 2002 and defaulted in 2002 or 2003</u> Borrowers who entered repayment in 2002	<u>10/01/2001 to 09/30/2003</u> 10/01/2001 to 09/30/2002
2003	<u>Borrowers who entered repayment in 2003 and defaulted in 2003 or 2004</u> Borrowers who entered repayment in 2003	<u>10/01/2002 to 09/30/2004</u> 10/01/2002 to 09/30/2003
2004	<u>Borrowers who entered repayment in 2004 and defaulted in 2004 or 2005</u> Borrowers who entered repayment in 2004	<u>10/01/2003 to 09/30/2005</u> 10/01/2003 to 09/30/2004
2005	<u>Borrowers who entered repayment in 2005 and defaulted in 2005 or 2006</u> Borrowers who entered repayment in 2005	<u>10/01/2004 to 09/30/2006</u> 10/01/2004 to 09/30/2005
2006	<u>Borrowers who entered repayment in 2006 and defaulted in 2006 or 2007</u> Borrowers who entered repayment in 2006	<u>10/01/2005 to 09/30/2007</u> 10/01/2005 to 09/30/2006
2007	<u>Borrowers who entered repayment in 2007 and defaulted in 2007 or 2008</u> Borrowers who entered repayment in 2007	<u>10/01/2006 to 09/30/2008</u> 10/01/2006 to 09/30/2007
2008	<u>Borrowers who entered repayment in 2008 and defaulted in 2008 or 2009</u> Borrowers who entered repayment in 2008	<u>10/01/2007 to 09/30/2009</u> 10/01/2007 to 09/30/2008

The chart (above) outlines the timeframes used when calculating cohort default rates for schools with 30 or more borrowers in repayment for the cohort fiscal years 2002 through 2008. This chart does not address average cohort default rates for schools with less than 30 borrowers in repayment. The first column in the table shows the cohort fiscal year. The second column shows the borrowers included in the cohort default rate calculation for that cohort fiscal year. The third column shows the time periods used for the numerator and the denominator listed in the second column.

Borrowers in the denominator are those who entered repayment during the time period shown in the third column. Borrowers in the numerator are those who entered repayment and who defaulted or met the other specified condition during the time period shown in the third column.

In a mathematical formula, the numerator is always listed first and the denominator listed second; the mathematical formulas in this Guide will be written this way. However, in the text of this Guide the denominator will always be discussed before the numerator is discussed. This is because the numerator is a subset of the denominator in all of the formulas contained in this Guide.

Which formula does the Department use to calculate a school's DRAFT cohort default rate?

The Department always uses the non-average rate formula for calculating a school's *draft* cohort default rate. The draft rate is based only on a school's current cohort fiscal year data (the number of borrowers from that school entering repayment in a particular cohort fiscal year and the number of borrowers defaulting or meeting other specified condition during the associated cohort default period). Therefore, schools with 29 or fewer borrowers entering repayment cannot use the draft rate to anticipate their official cohort default rate. Schools with 29 or fewer borrowers entering repayment must perform a manual calculation using the average rate formula to anticipate their official cohort default rate.

Which formula does the Department use to calculate a school's OFFICIAL cohort default rate?

The Department uses the non-average rate formula or the average rate formula to calculate a school's official cohort default rate, depending on the number of borrowers entering repayment.

Which loans are placed in the denominator of the cohort default rate calculation?

Borrowers are included in the denominator of the cohort default rate calculation based on when their loans entered repayment. Except for an average cohort default rate calculation, borrowers included in the denominator of a cohort default rate calculation are the borrowers with relevant loans that entered repayment during that cohort fiscal year. Borrowers included in the denominator of an average cohort default rate calculation are the borrowers who entered repayment on relevant loans during that cohort fiscal year or the prior two cohort fiscal years.

A Federal Stafford Loan or Direct Stafford/Ford Loan enters repayment under the requirements applicable to the type of loan. In most cases, they enter repayment after a 6-month grace period that begins when the borrower separates (graduates or withdraws) from school or drops below half-time enrollment. The official repayment date is the first day following the end of the 6-month grace period. Use of this date is dependent on the school providing timely notification of any change in a student's enrollment status to NSLDS or the data manager. If the school does not provide timely notification, the data manager will use the best information available to determine the repayment date. This date will be used for purposes of calculating the school's cohort default rate.

A Federal SLS loan enters repayment on the day after the borrower separates from school or drops below half-time enrollment, unless the borrower also has a Federal Stafford Loan that was obtained during the same period of continuous enrollment. In that event, the repayment date of the Federal SLS loan for cohort default rate purposes is the same as the repayment date for the Federal Stafford Loan; generally, this is the first day following the end of the 6-month grace period.

An official cohort default rate cannot be calculated for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year if the school did not have an official or unofficial rate calculated for either or both of the 2 previous cohort fiscal years. Such a school will have an unofficial rate calculated using the non-average formula and current year data. Unofficial rates don't meet the statutory definition for cohort default rates and cannot be used to determine sanctions and benefits.

To prevent the possibility of double-counting loans, any Federal SLS loan that was reported in a cohort default rate prior to FY 1993 will not be reported in a later cohort default rate.

Non-Average Rate Formula

The Non-Average Rate Formula is used for a school with 30 or more borrowers entering repayment during a cohort fiscal year.

Non-Average Rate Calculation: For this calculation, the denominator is the number of borrowers who entered repayment in the cohort fiscal year; the numerator is the number of borrowers who entered repayment in the cohort fiscal year and who defaulted or met the other specified condition in the cohort default period.

NUMERATOR: Number of borrowers in denominator who defaulted or met other specified condition during the 2-year cohort default period

————— =

DENOMINATOR: Number of borrowers who entered repayment in the cohort fiscal year

**Cohort
Default
Rate**

Non-Average Rate Example: School A, a degree-granting school, had 90 borrowers enter repayment in the cohort fiscal year (denominator). Of those, 8 borrowers defaulted in the cohort default period (numerator). School A's cohort default rate is calculated by dividing 8 by 90 ($8 \div 90 = 0.088$) and expressing the result (0.088) as a percentage to produce a non-average cohort default rate of 8.8 percent ($0.088 \times 100 = 8.8$).

$$8 \text{ borrowers defaulted} \div 90 \text{ total borrowers in repayment} = 8.8\% \text{ Cohort default rate}$$

Average Rate Formula

The Average Rate Formula is used to calculate the official cohort default rate for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year if that school had a cohort default rate calculated for the two previous cohort fiscal years.

Average Rate Calculation: The denominator for the average cohort default rate is the number of borrowers who entered repayment in the cohort fiscal year and the two preceding cohort fiscal years. The numerator for the average cohort default rate is the number of borrowers who entered repayment in the cohort fiscal year and the two preceding cohort fiscal years and who defaulted or met the other specified condition in the cohort default period for the cohort fiscal year in which they entered repayment.

NUMERATOR: Number of borrowers in denominator who defaulted or met other specified condition during the 2-year cohort default period for the cohort fiscal year in which they entered repayment

DENOMINATOR: Number of borrowers who entered repayment in the cohort fiscal year and the 2 preceding cohort fiscal years

**Cohort
Default
Rate**

Average Rate Example: School B, a degree-granting school, certified loans for the following students: 29 borrowers who entered repayment in the cohort fiscal year (of whom 2 defaulted in that cohort default period), 44 borrowers who entered repayment in the fiscal year immediately preceding the cohort fiscal year (of whom 7 defaulted in the associated cohort default period), and 50 borrowers who entered repayment in the fiscal year two years prior to the cohort fiscal year (of whom 3 defaulted in the associated cohort default period). The 123 borrowers ($29 + 44 + 50 = 123$) who entered repayment in these three fiscal years constitute the denominator. The numerator consists of the 12 borrowers ($2 + 7 + 3 = 12$) who defaulted in the relevant cohort default periods. School B's cohort default rate is calculated by dividing 12 by 123 ($12 \div 123 = 0.097$) and expressing the result (0.097) as a percentage to produce an average cohort default rate of 9.7 percent ($0.097 \times 100 = 9.7$).

$$12 \text{ borrowers defaulted} \div 123 \text{ total borrowers in repayment} = 9.7\% \text{ Cohort default rate}$$

Which loans are placed in the numerator of the cohort default rate calculation?

Borrowers must be included in the denominator of the cohort default rate calculation in order to be included in the numerator of the cohort default rate calculation. A FFEL or Direct Loan borrower is included in the numerator if the borrower defaults or meets the other specified condition defined previously in this chapter.

For cohort default rate purposes, a FFEL is considered to be in default only if the guaranty agency has paid a default claim to the lender holding the loan. The claim paid date, which is the date the guaranty agency reimburses the lender for the defaulted loan, is used to determine if the borrower will be placed in the numerator of the calculation. If the claim paid date falls within the cohort default period, the borrower is included in both the denominator and numerator of the cohort default rate calculation.

For cohort default rate purposes, a Direct Loan is considered to be in default after 360 days of delinquency (or after 270 days if the borrower's first day of delinquency was before October 7, 1998). If the default date falls within the cohort default period, the borrower will be included in both the denominator and the numerator of the cohort default rate calculation.

How do consolidation loans affect the numerator of the cohort default rate calculation?

Although Federal Consolidation Loans and Direct Consolidation Loans are not directly included in the cohort default rate calculation, a defaulted consolidation loan may cause a borrower to be included in the numerator of the cohort default rate calculation. This occurs if the consolidation loan defaults within the cohort default period that is applicable to the underlying loan(s).

For example, Elizabeth entered into repayment on several Federal Stafford Loans in January of the cohort fiscal year. Because Elizabeth entered into repayment in January, she will be included in the denominator of the cohort default rate calculation. After entering into repayment on the Federal Stafford Loans, Elizabeth elects to consolidate the loans into a Federal Consolidation Loan. Elizabeth fails to make payments on the Federal Consolidation Loan and the loan defaults in June of the following calendar year. Even though the underlying Federal Stafford Loan did not default, Elizabeth will be included in the numerator of the cohort default rate calculation because a claim was paid on the Federal Consolidation Loan during the cohort default period.

How does loan rehabilitation affect the numerator of the cohort default rate calculation?

Student loan rehabilitation is a method by which a borrower may resolve the status of defaulted loans. Prior to July 1, 2006, a borrower who wanted to rehabilitate a defaulted loan was required to make 12 consecutive monthly payments on the loan. Effective on July 1, 2006, a borrower who wants to rehabilitate a defaulted loan must make 9 payments, each within 20 days of

the due date, during a period of 10 consecutive months. The 9 payments in 10 months standard must be incorporated in the guaranty agency's loan rehabilitation agreement with the borrower.

*In accordance with: Sections 428F(a) and 435(m)(2)(C) of the HEA and 34 CFR 682.405 (for FFELs) and Section 455(a)(1) of the HEA and 34 CFR 685.211(f) (for Direct Loans)

Once the borrower has made the required payments* under the terms of the agreement, the loan is then rehabilitated and the borrower is no longer considered to be in default. For cohort default rate calculation purposes, if the borrower rehabilitates the loan before the end of the cohort default period, the borrower is not included in the numerator because the borrower is no longer considered to be in default. If the borrower rehabilitates the loan after the end of the cohort default period, the borrower is considered in default for cohort default rate purposes and is included in the numerator.

What special circumstances affect whether a borrower will be included in the cohort default rate calculation?

The following tables outline some examples of special circumstances that affect the cohort default rate calculation. For convenience, these examples have been divided into four categories:

- ◆ Special circumstances involving schools (e.g., borrower takes out loans at more than one school).
- ◆ Special circumstances involving repayment (e.g., borrower consolidates defaulted loans, pays loans in full before entering repayment, etc).
- ◆ Special circumstances involving loans that were discharged, canceled, or refunded (e.g., loan was discharged before repayment).
- ◆ Special circumstances involving loans that were repurchased (e.g., lender repurchases loan because it incorrectly submitted default claim to guaranty agency).

These special circumstances only affect the cohort default rate calculation if the school timely submits documentation of the special circumstance to the data manager. To use these tables, read down the left side column until you find an applicable situation, then read across to see how the cohort default rate calculation is affected.

☰ Special Circumstances Involving Schools

Situation	How It Affects the Denominator	How it Affects the Numerator
<p>A borrower separates from the school that disbursed the loans but enrolls at that school or a different school before the end of the grace period.</p>	<p>The borrower is included in the cohort fiscal year when the borrower actually enters repayment. If the date a borrower enters repayment is delayed by the borrower re-enrolling in school, then the borrower's inclusion in a cohort default rate calculation will also be delayed.</p>	<p>The borrower is included if the borrower defaulted or met the other specified condition during the cohort default period.</p>
<p>A borrower obtained more than one loan to attend a school and the repayment dates for each of the loans fall into different cohort fiscal years.</p>	<p>The borrower is included in the cohort fiscal years when the borrower entered repayment. The borrower will appear in two different cohort default rate calculations for the same school if the borrower has two loans that enter repayment in different cohort fiscal years.</p>	<p>The borrower is included if the borrower defaulted or met the other specified condition during the relevant cohort default periods. The borrower will appear in different cohort default rate calculations for the same school if the borrower has multiple loans, enters repayment in separate cohort fiscal years, and defaults or meets the other specified condition during those cohort default periods.</p>
<p>A borrower takes out loans at more than one school.</p>	<p>The borrower is included in the cohort fiscal years when the borrower entered repayment for each school where the borrower obtained loans.</p>	<p>The borrower is included for the schools at which the loans were obtained if the borrower defaulted or met the other specified condition during those cohort default periods.</p>
<p>A school, its owner, its agent, contractor, employee, or another entity or individual associated with the school makes a payment on the borrower's loan in order to avoid default during the cohort default period.</p>	<p>The borrower is included in the cohort fiscal year when the borrower entered repayment.</p>	<p>The borrower is included because the loan meets the other specified condition during the cohort default period.</p>

☰ Special Circumstances Involving Repayment

Situation	How It Affects the Denominator	How it Affects the Numerator
The borrower enters repayment and subsequently obtains a deferment or forbearance on the loan.	The borrower is included in the cohort fiscal year when the borrower entered repayment. Deferments or forbearances do not alter the date the borrower entered repayment.	The borrower is included if the borrower defaulted or met the other specified condition during the cohort default period.
A borrower consolidates one or more defaulted loans.	The borrower is included in the cohort fiscal years when the borrower entered repayment on the underlying loans (the loans that the borrower consolidated), not based on the date that the consolidation loan entered repayment.	Even though the borrower has regained eligibility for Title IV funds by consolidating, the borrower is still considered to be in default for the purpose of calculating the school's cohort default rate.
A borrower requested and was granted a revised repayment schedule that started before the date the borrower was originally scheduled to enter repayment.	The borrower is included in the cohort fiscal year when the early repayment schedule begins. The early repayment date becomes the repayment date.	The borrower is included if the borrower defaulted or met the other specified condition during the cohort default period.
A borrower paid the loan in full before the date the loan was scheduled to enter repayment.	The borrower is included in the cohort fiscal year that the borrower paid the loan in full. The paid-in-full date becomes the new repayment date.	The borrower is not included because the borrower did not default, unless the loan was paid in full through a consolidation loan and the consolidation loan defaults during the cohort default period.
A borrower paid the loan in full after defaulting or meeting the other specified condition during the cohort default period but without rehabilitating the loan within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the loan was not successfully rehabilitated for cohort default rate purposes within the cohort default period.

Special Circumstances Involving Loans That Were Discharged, Canceled, or Refunded

Situation	How It Affects the Denominator	How it Affects the Numerator
The borrower's loan was discharged due to death, bankruptcy, disability, or other type of loan discharge (not including closed school, false certification, or identity theft) before the borrower entered repayment.	The borrower is included in the cohort fiscal year based on the date the loan was discharged. The date of discharge becomes the date entered repayment.	The borrower is not included because the borrower did not default.
The borrower's loan was discharged due to death, bankruptcy, disability, or other type of loan discharge (not including closed school, false certification, or identity theft) after the borrower enters repayment but before the end of the cohort default period and before the borrower defaults or meets the other specified condition.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is not included because the borrower did not default.
The borrower enters repayment and defaults or meets the other specified condition during the cohort period. Subsequently, the loan is discharged due to death, bankruptcy, disability or other type of loan discharge.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the borrower defaulted or met the other specified condition during the cohort default period.
The borrower's loan was discharged due to school closure, false certification, and/or identity theft.	The borrower is not included because loans discharged due to school closure, false certification, and/or identity thefts are not included in the cohort default rate calculation.	The borrower is not included because loans discharged due to school closure, false certification, and/or identity thefts are not included in the cohort default rate calculation.
A loan was fully refunded or canceled, within 120 days of loan disbursement.	The borrower is not included because canceled loans are not included in the cohort default rate calculation.	The borrower is not included because canceled loans are not included in the cohort default rate calculation.
The loan was partially refunded within 120 days of loan disbursement.	The borrower is included in the cohort fiscal year when the borrower entered repayment on the portion of the loan that was not refunded.	The borrower is included if the borrower defaulted or met the other specified condition during the cohort default period.

☰ Special Circumstances Involving Loans That Were Repurchased

Situation	How It Affects the Denominator	How it Affects the Numerator
A lender repurchased a defaulted loan because the guaranty agency determined that the lender did not meet the insurance requirements and, as a result, the loan lost insurance and became an uninsured loan.	The borrower is not included because uninsured loans are not included in the cohort default rate calculation.	The borrower is not included because uninsured loans are not included in the cohort default rate calculation.
A lender immediately repurchased a loan because the lender incorrectly submitted the default claim to the guaranty agency and does not submit another default claim within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is not included because the borrower is not in default.
A lender immediately repurchased a loan because the lender incorrectly submitted the default claim to the guaranty agency and later submits another default claim that is paid within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the subsequent default claim was paid within the cohort default period.
A lender made a courtesy repurchase of a defaulted loan because the borrower established a new repayment plan or for other reasons.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the original valid default claim was paid during the cohort default period.

☰ Effects of Corrected Data on Cohort Default Rate Calculations

How changes in data due to adjustments/appeals are reflected in the Cohort Default Rate calculation.

If the Department:	... and the borrower has <i>no other loans</i> included in the cohort default rate calculation:	... and the borrower has <i>other loans that are not in default</i> included in the cohort default rate calculation:	... and the borrower has <i>other loans that are in default</i> included in the cohort default rate calculation:
Adds a defaulted loan...	+D +N	+N	No effect.
Subtracts a defaulted loan...	-D -N	-N	Regardless of circumstance, if the borrower has other loans in default, the borrower is already included in both the numerator and denominator
Adds a non-defaulted loan...	+D	No effect.	
Subtracts a non-defaulted loan...	-D	No effect.	
Changes a defaulted loan to a non-defaulted loan...	-N	-N	
Changes a non-defaulted loan to a defaulted loan...	+N	+N	
Legend: +D Increase Denominator by one. +N Increase Numerator by one. - D Decrease Denominator by one. -N Decrease Numerator by one.			

When are cohort default rates sent to schools?

The U.S. Department of Education (the Department) calculates cohort default rates twice each year. Generally, the Department sends *draft* cohort default rates to schools in February. After schools receive their draft cohort default rate data, schools are provided an opportunity to identify and correct any inaccuracies by submitting an incorrect data challenge.

The Department then calculates and releases the *official* cohort default rates. Official cohort default rates are generally released to schools and the public approximately six months after the release of the draft cohort default rates. However, the official cohort default rates must be released no later than September 30th each year.

Who receives cohort default rate information?

The Department provides *draft* cohort default rates only to schools and does not release them to the public. The Department provides *official* cohort default rates to schools and also makes them available to the public. The Department sends draft and official cohort default rates to all schools that the Department's records indicate:

- ◆ are eligible to participate in any of the Title IV programs and
- ◆ have had a borrower in repayment in the current or any of the past cohort default rate periods.

Those schools that have never had a borrower enter repayment on a Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Program) Program loan will not receive a cohort default rate package.

How does the Department send cohort default rate information to schools?

The Department electronically transmits cohort default rate (eCDR) notification packages to all domestic schools, using the Student Aid Internet Gateway (SAIG) destination point designated by the school. Domestic schools are allowed five business days to report any problems with the electronic transmission of their eCDR packages. Timelines for submitting challenges, adjustments, and appeals begin on the sixth business day following the announced transmission date, as posted on the Department's IFAP Web site (ifap.ed.gov).

Foreign schools are not required to participate in this electronic process. Foreign school cohort default rate notification packages will be mailed. Foreign school timelines begin upon receipt of the notification package.

What is included in the eCDR package?

Each eCDR package will include a cover letter, a reader-friendly Loan Record Detail Report (LRDR), and an extract-type LRDR. Schools should review the LRDR carefully to ensure that the loan data used to calculate the rates is accurate. (See Chapter 2.3 "Reviewing the Loan Record Detail Report.")

The extract-type LRDR can be opened in spreadsheet or database software, which may expedite and simplify your participation in any or all of the challenge, adjustment, and appeal processes and with default prevention activities.

Schools that have previous borrowers entering repayment on Subsidized or Unsubsidized Stafford loans, but who have no borrowers in any of the three most recent cohort periods, will only receive a header and trailer sheet for the LRDR. If a school is subject to sanction because of three consecutive years of a cohort default rate that is 25.0 percent or greater, the school will receive LRDRs for the current and prior two cohort fiscal years. Similarly, if a school's official cohort default rate is an average rate, it will receive LRDRs for the current and prior two cohort fiscal years.

The official cohort default rates are available to the public through a searchable database at: www.ed.gov/FSA/defaultmanagement/cdr.html

This Web page also includes an option to download the entire list of default rates and/or the list of schools that are subject to sanction.

Cohort fiscal years included in package

<i>When a school receives a:</i>	<i>The Department will provide the:</i>
Draft cohort default rate	Most recent LRDR for the draft cohort default rates
Official cohort default rate	Most recent LRDR for the official cohort default rates
Official cohort default rate that is 25.0 percent or greater for three consecutive years	Three most recent LRDRs for the official cohort default rates
Average official cohort default rate	Three most recent LRDRs for the official cohort default rates
<i>NOTE: If a school receives a LRDR for a previous cohort fiscal year, the LRDR will not reflect any changes that the Department agreed to as a result of a previous adjustment and/or appeal. The school must refer to the adjustment and/or appeal determination letter for information on cohort default rate changes.</i>	

To obtain an NSLDS User ID, contact CPS/SAIG Technical Support at 1-800-330-5947. For NSLDS password assistance, contact NSLDS Customer Service at 1-800-999-8219.

How does a school request a copy of the LRDR from NSLDS?

A U.S. school that has an NSLDS User ID can request an electronic LRDR using the NSLDS website: <https://www.nslsdfap.ed.gov>

A school may request a LRDR only for their entity. A school may not request a LRDR for another school.

Once the request has been made, the LRDR is delivered to the Student Aid Internet Gateway (SAIG) mailbox associated with the NSLDS User ID that made the request. See the end of this chapter for instructions explaining how to request a LRDR from NSLDS and retrieve it from the SAIG mailbox.

There are two types of NSLDS User IDs: an online services User ID and an online services and batch User ID. Because both User IDs have SAIG mailboxes, both can be used to request an electronic LRDR. However, if the online services User ID is used, the LRDR will be placed in the mailbox associated with that User ID and not in the mailbox associated with the online services and batch User ID.

How does a foreign school or a school without an NSLDS User ID request an electronic LRDR?

A foreign school, or a domestic school without an NSLDS User ID, can request an electronic LRDR, in either format, directly from Default Prevention and Management (DPM) by calling DPM's hotline at 1-202-377-4259 or sending an email to: FSA.schools.default.management@ed.gov

When may a school request a copy of the LRDR?

A school may request a copy of the LRDR for its reference at any time after the draft or official rates have been released. However, if a school did not receive a LRDR and it intends to submit a cohort default rate adjustment and/or appeal, the school must request the LRDR and submit the cohort default rate adjustment and /or appeal by the relevant timeframe associated with the adjustment and/or appeal (see relevant section of Chapter 4 for adjustment/appeal timeframes).

What LRDR data is sent to a school that has been involved in a change of status?

A school involved in a change in status will receive LRDR that includes the other schools involved in the change of status after the change occurred.

Once a change in status occurs, any of the schools whose cohort default rates are affected by the change in status can request a LRDR which includes all the data for any of the other schools whose borrowers are included in its cohort default rates as a result of the change in status. Further, after a change in status, a school may submit a challenge, adjustment, or appeal based on the data for another school's borrowers, under the same requirements that would be applicable to the other school, if the loans for those borrowers affect the school's cohort default rate.

See Chapter 2.5, "Change in Status and Evasion," for more information about changes in status.

How to Request an Electronic LRDR from NSLDS

Step 1:

Log on to the NSLDS website by entering the NSLDS User ID and password and clicking "Logon."

Step 2:

Read the Privacy Act statement and confirm that you are an authorized user of NSLDS and that you will adhere to the Privacy Act by clicking "I Agree."

Step 3:

Once logged on to NSLDS, select the "Report" tab from the main menu at the top of the screen. The OPE ID that is associated with the NSLDS user ID will appear.

Step 4:

Under the "Report" tab, click on the blue box under the Report ID column that reads, "DRCO 35, School Cohort Default Rate Hist Rpt."

Step 5:

Select either "Extract" or "Report" under the "Type" option. This will determine the format of the file that is provided. An extract allows a school to query the cohort default rate data based on the school's needs. A report is representative of the hardcopy LRDR and can be accessed using standard word processing software.

Step 6:

Select the "Sort By" option. This option will determine the order of the borrowers if the school elects to receive a report file.

However, an option must be entered even if the school has requested an extract file.

- ▶ The selection "SSN" will sort the borrowers in Social Security Number (SSN) order.

- ▶ The selection "CLAIM CODE, SSN" will sort the borrowers by claim reason code and then by SSN.

- ▶ The selection "LOAN STATUS, SSN" will sort the borrowers by loan status code and then by SSN.

Step 7:

Place checkmarks in the "Select" column beside the cohort fiscal year and cohort default rate type (draft or official) for each of the reports or extracts requested.

A user can select multiple cohort fiscal years and cohort default rate types. However, if the user wants to request both extracts and reports, the user must first complete one type of request before the second type of request can be made.

If one of the following codes appears in the "Select" column, the loan record detail report request will not be made:

- ▶ **NA.** This code indicates that the LRDR cannot be requested through the website. These loan record detail reports must be requested through Default Management. If this code appears, a link to Default Management's email address will also appear.

- ▶ **UC.** This code indicates that the requesting school (the school with the OPE ID associated with the NSLDS User ID) is involved in a change of status and its cohort default rates are combined with some other school's cohort default rates. The requesting school cannot obtain the LRDRs for the other school's cohort default rates through the website. These LRDRs must be requested through Default Management. If this code appears, a link to Default Management's email address will also appear.

- ▶ **UR.** This code indicates that another NSLDS user has already requested this LRDR.

Step 8:

Click "Submit" to enter the request. Only one request may exist at a time. A request exists until the LRDR is delivered. Once the LRDR is delivered, a new request can be made.

Step 9:

Verify that the information is correct and click "Confirm."

Step 10:

A message will appear indicating the request was successfully submitted.

After completing these steps, a school can return to Step 5 and select the other option if the school so wishes. That is, a school that selects "Extract" at Step 5 can return to that step and then select "Report."

If the LRDR is requested before 10 a.m. EST, the file should be available by the end of that business day. If the LRDR is requested after 10 a.m. EST, the file should be available by the next business day. If the user selects a cohort default rate that has been calculated as an average rate, the user will automatically receive the LRDRs for the three cohort fiscal years that were used to calculate the cohort default rate.

Using EDCONNECT to Retrieve Files Requested from NSLDS

Step 1:

Before downloading the electronic LRDR from the SAIG mailbox, ensure the ID you used when logging on to the NSLDS website is set up in the EDconnect software (see sidebar).

Step 2:

Log onto the EDconnect software using the User ID associated with the NSLDS User ID that made the request for the electronic loan record detail report.

Step 3:

Select **Now** from the **Transmission** menu.

Step 4:

Once EDconnect has finished processing the Transmission Now request, select "Mailbox Query" from the **New** option on the **File** menu.

Step 5:

EDconnect will provide a list of those files that are available for download. From the list of files available to be downloaded, identify the electronic LRDR that was requested.

The electronic LRDRs will be listed using SAIG message classes. The message classes for the electronic LRDRs consist of eight characters: 4SHCDREOP for extract files
4SHCDRROP for report files

Step 6:

Place a check mark in the **Move to TQ** column, next to the message class associated with the requested electronic LRDR.

Step 7:

Select **Now** from the **Transmission** menu. EDconnect will download the file to the designated directory. At this point, a school can rename the file prior to saving it. A school may wish to name a file for the date the file was downloaded.

Step 8:

Access the file.

Requests for an average rate will have three cohort fiscal years of data in the message class.

If you have questions about the SAIG mailbox, setting up your SAIG user ID, or downloading files, contact CPSWAN Technical Support at 1-800-330-5947.

What is a loan record detail report (LRDR)?

A LRDR contains information on the loans that were used to calculate a school's draft or official cohort default rate. The LRDR lists a school's Federal Family Education Loan (FFEL) and/or William D. Ford Federal Direct Loan (Direct Loan) activity, including but not limited to:

- ◆ the number of borrowers who entered repayment during a given fiscal year, and
- ◆ the loan status of those borrowers.

Note that the information on the LRDR includes loan information that schools and data managers have submitted to the National Student Loan Data System (NSLDS).

Why should a school review the LRDR for the DRAFT cohort default rates?

Unless it is corrected, the *draft* cohort default rate data will be used to calculate the official cohort default rates. Therefore, it is important for the school to verify the accuracy of the draft cohort default rate data before the official cohort default rates are calculated and released. If the school does not challenge draft cohort default rate data that the school believes is incorrect, the school forfeits the right to submit certain types of adjustments and appeals when the official cohort default rates are released.

Why should a school review the LRDR for the OFFICIAL cohort default rates?

The Department uses the *official* cohort default rate to determine if a school is subject to sanction or eligible for benefits. If a school finds errors in the cohort default rate data, the school may be eligible to file an uncorrected data adjustment, new data adjustment, and/or erroneous data appeal. Therefore, it is important that a school review its LRDR for the official cohort default rates to verify the accuracy of the data used to calculate its official cohort default rate.

NSLDS receives regular updates from numerous data providers. As a result, a school's LRDR for the draft cohort default rates may differ from its LRDR for the official cohort default rates due to the addition of new data or changes in the data. New data occurs when the loan data reported to NSLDS changes during the period between the draft cohort default rate calculation and the official cohort default rate calculation for the same cohort fiscal year.

New data can be identified by comparing the LRDRs for the draft and official cohort default rates for the same year and determining if any loan data is newly included, excluded, or changed in any manner. If new data appears in a school's official cohort default rate calculation, the school may be eligible to submit an adjustment and/or appeal of its official cohort default rate based on allegations of new data errors.

The LRDR is used to verify information such as "Date Entered Repayment," and is the basis for:

- Incorrect data challenges (draft rates)
- Uncorrected data adjustments
- New data adjustments
- Erroneous data appeals

How does a school determine if there is inaccurate data on the LRDR?

A school should review the LRDR by comparing the school's records to the information on the LRDR. A school can simplify this process by creating a spreadsheet or database using information from the school's records. This *Guide* only discusses spreadsheets; a school should consult its technical staff to discuss database creation. It is important to note that a school does not need to wait until the release of the cohort default rates to create the school's spreadsheet.

Type: School Records Spreadsheet:

	A	B	C	D	E	F	G	H	I	J	K	L
1	Borrower's SSN	Borrower's Name	Type of Loan	Loan Period	Loan Status	Enrollment Status Code	Enrollment Status Date	LDA or LTH	Date Entered Repayment	Default NegAm Date	Claim Reason Code	Comments
2	111-11-1111	Jonz, Shirley	SF	09/01/2002-05/24/2003	ID	F	10/05/2003	N/A	N/A	N/A	N/A	
3	222-22-2222	Grady,Whitman	SU	09/01/2002-05/24/2003	RP	G	05/24/2003	05/24/2003	11/25/2003	N/A	N/A	

Date __/__/__

Page __ of __

A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>

Once the school has completed the spreadsheet, it should compare the spreadsheet to the LRDR, to the repayment information from NSLDS, or to information on data manager, lender, or loan servicer reports. The school should ask the following questions:

- ◆ Is each data element on the school's spreadsheet the same as the corresponding element on the LRDR (incorrectly reported)?
- ◆ Are there loans on the LRDR that are not on the school's spreadsheet (incorrectly included)?
- ◆ Are there loans on the school's spreadsheet that are not on the LRDR (incorrectly excluded)?

▶ See Chapter 2.4, "Cohort Default Rate Effects," for more information about cohort default rate sanctions and benefits.

▶ See Chapter 2.2, "How Schools Get the Rates and Loan Data," for information on requesting a copy of the "Loan Record Detail Report."

If there are differences between the school's data and the data on the sources mentioned, the school should examine its records and the other sources (for example, the NSLDS borrower enrollment history) to determine the possible causes for each difference. If the school believes there is inaccurate data on the LRDR, it should contest the data.

How does a school review its cohort default rate data?

The appropriate school office should compare the information in the LRDR for the draft cohort default rates to the school's own records to ensure the accuracy of the data in the LRDR for the draft cohort default rates. The school office should correct any inaccuracies by submitting an incorrect data challenge.

The school should compare the LRDR for the official cohort default rates to both the school's own records and to the LRDR for the draft cohort default rates. If the school submitted an incorrect data challenge, the school should review the data managers' incorrect data challenge responses and correction letters from Default Prevention and Management (DPM) (if any) and compare these to the LRDR for the official cohort default rates.

Are the LRDRs subject to the Privacy Act?

Because LRDRs contain personal identification information about borrowers who received loans under the FFEL and Direct Loan programs, the Privacy Act of 1974 and the Family Educational Rights and Privacy Act (FERPA) apply to all cohort default rate loan data, including the LRDRs. State and local laws and regulations may also govern the use of this material. Recipients must take appropriate steps to ensure that this material is used and discarded properly.

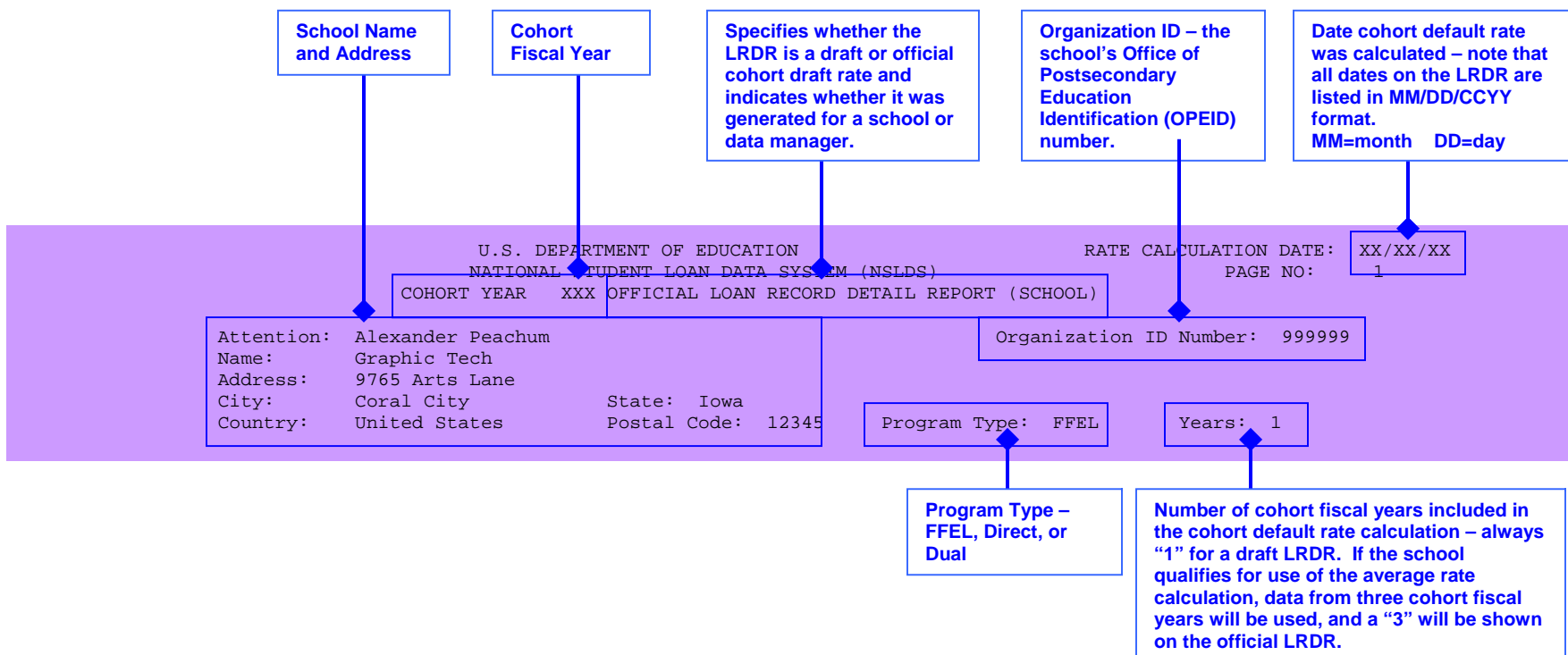
Loan Record Detail Report: Reader-Friendly Format

TIP: Follow these steps to print your LRDR report in a more easily read format after the file is returned through the SAIG and saved to a PC:

1. Open Microsoft Word and then open your file.
2. Click **Edit**, then **Select All** in the Menu bar.
3. Click **Format**, then **Font** in the Menu bar.
4. In the Font dialog box, change the font size to 8 and the style to Courier New. Then click **Ok**.
5. Click **File**, then **Page Setup**. Select the Margins tab.
6. Change the margins to:
 - Top = 1"
 - Bottom = 1"
 - Left = 0.7"
 - Right = 0.7"
 - Gutter = 0"
7. Click the Paper Size tab. Select the Landscape radio button.
8. Click **Ok**.

TITLE SECTION (Top of each page of LRDR)

Page 2.3-4



BODY SECTION – LINE 1 BORROWER

OPEID of the school that certified/originated the loan

OF EDUCATION

RATE CALCULATION DATE: XX/XX/XX

NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)

PAGE NO: 1

COHORT YEAR XXX OFFICIAL LOAN RECORD DETAIL REPORT (SCHOOL)

Borrower's Social Security Number

Last Name

First Name/Middle Initial

Date of Birth

Beginning & Ending [Class] Dates for Loan Period

Borrower's Academic Level When Loan Was Obtained (see code list)

Name: Alexander Peachum
 Address: Graphic Tech
 9765 Arts Lane
 City: Coral City
 State: Iowa
 Country: United States
 Postal Code: 12345
 Organization ID Number: 999999
 Program Type: FFEL
 Years: 1

STUDENT				CLASS							
Originating	Current	Type	Stat	Claim Rsn/Code	DEFAULT/NegAm	Repay Date	Amount	Guarantor/Service	Guaranty Loan/Date	Enrollment Stat/Code	Usage 1 2
8888888888	9999999999	SF	RP		00/00/0000	10/31/2002	\$ 2,625	667	09/02/1999	W	D FD
0001-01-0001	CHARM					JIM K	06/30/1977	00XXXXXX	09/01/2000	04/30/2001	3
8888888888	9999999999	SU	RP		00/00/0000	10/31/2002	\$ 5,500	667	08/21/2000	W	E E
0002-01-0001	XU					DENZEL A	10/01/1973	00XXXXXX	01/12/2000	05/12/2000	2
0101	0101	D1	DU	IX	12/17/2003	11/02/2002	\$ 3,500	0101	02/14/2000	W	B DB
0003-00-0001	Jackson					MARK R	10/29/1983	00XXXXXX	08/22/2002	05/09/2003	1
0101	0101	D1	DA		00/00/0000	06/14/2003	\$ 2,625	0101	11/04/2002	W	D DD

FFEL DIRECT DUAL

TOTAL DOLLARS IN DEFAULT : 1,071,266 7,875 0 (Based on Out)
 TOTAL DOLLARS IN REPAYMENT : 6,950,053 44,625 0 (Based on Out)
 TOTAL INSURANCE CLAIM PAYMENTS: 0
 ***** = Not Available

-Actual Numerator Count : 134 Report Count :
 Actual Denominator Count: 842 Actual Default Rate: 15.9 Report Count :
 INDIVIDUAL PROGRAM TALLY: FFEL: 134/842 DIRECT: 3/20
 Appealed Rate flag: N (D=Direct, I=Indirect, N=No Appeal, U=Unknown) IC:

0 End of Loan Record Detail Report
 -Default Rate Usage 1: D=Denominator, B=Numerator/Denominator, N=Not Used, E=Eligible but not
 Default Rate Usage 2: FD=FFEL Denominator, FB=FFEL Numerator/Denominator, DD=Direct Denominator
 IC=ICR (Negative Amortization Only), N = Not Used, E = Eligible but not

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Academic Level Codes

1	Freshman/First Year
2	Sophomore/Second year
3	Junior/Third Year
4	Senior/Fourth Year
5	Fifth Year/Other
A	First Year Graduate/Professional
B	Second Year Graduate/Professional
C	Third Year Graduate/Professional
D	Beyond Third Year Graduate/Professional
G	Graduate/Professional
N	Not Available

BODY SECTION – LINE 2 LOAN INFORMATION

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U.S. DEPARTMENT OF EDUCATION
NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)
REPORT YEAR XXX OFFICIAL LOAN RECORD DETAIL REPORT (SCHOOL)

RATE CALCULATION

Lender/Service/ Holder
– that provided loan to the borrower

***Loan Type** –
FFEL or Direct Loan (see code list)

***Loan Status**
at time CDR was calculated (see code list)

***Usage**
Usage 1 – identifies how the borrower is used in the school's cohort default rate calculation.
Usage 2 – identifies how the borrower is counted in each individual loan program

Name: Peachum Tech Organization ID Number: State: Iowa Postal Code: 12345 Program Type: FFEL Year: Address: City: State: Zip:

SSN	Last Name	First/M.I.	D.O.B	Original School	CLASS Begin Date	CLASS End Date	Academic Level
0001-01-0001	CHARM	JIM K	06/30/1977	00XXXXXX	09/01/1999	05/30/2000	1
0001-01-0001	CHARM	JIM K	06/30/1977	00XXXXXX	09/01/2000	04/30/2001	3
8888888888	9999999999	SU RP	00/00/0000	10/11/2002	\$ 5,500	667	08/21/2000 W 12/31/2001 E E
0002-01-0001	XU	DENZEL A	10/01/1973	00XXXXXX	01/12/2000	05/12/2000	2
0101	0101	D1 DU	IX	12/17/2003	11/02/2002	\$ 3,500	0101 02/14/2000 W 05/10/2002 B DB
0003-00-0001	Jackson	MARK R	10/29/1983	00XXXXXX	08/22/2002	05/09/2003	1
0101	0101	D1 DA		00/00/0000	06/14/2003	\$ 2,625	0101 11/04/2002 W 12/13/2002 D DD

FFEL DIRECT DUAL

TOTAL DOLLARS IN DEFAULT 7,875

TOTAL DOLLARS IN REPAYMENT 44,625

TOTAL INSURANCE CLAIM ***** = Not Available

-Actual Numerator Count Report Count :

-Actual Denominator Count Count Count :

INDIVIDUAL PROGRAM TALLY 15/012 DIF IC:

Appealed Rate flag: N (D=Direct, I=Indirect, N=No Appeal)

0 Report Genera

-Defa Eligible but not counted

Defa c Numer

***Default/Neg Am Date**
The date a guaranty agency paid a default claim to a lender (claim paid date) on a FFEL or the day a Direct Loan is considered in default either because the borrower has defaulted (default date) or met the other specified condition. This date determines if the loan is included in the numerator of the cohort default rate calculation.

***Repay Date** – date the borrower entered into repayment on the loan. This date determines if the loan is included in the denominator of the cohort default rate calculation.

Amount – the original principal amount of the loan.

Guaranty Loan/Date – date that the guaranty agency insured a FFEL or the first date of disbursement for a Direct Loan.

Enrollment Status Code – borrower's enrollment status at time the rate was calculated.

***Guarantor/Service/er**
The data manager responsible for the loan. See data manager addresses at: lfap.ed.gov/DefaultManagement

Enrollment Status Date – Last date the borrower's enrollment status changed. If no date is available, the data manager may use 01/01/1900. (Note that the enrollment status code and date ; may reflect subsequent enrollment at a different school; rather than borrower's enrollment at the school listed on the LRDR.)

*** These fields are the ones most often cited in challenges and adjustments.**

Loan Type Codes	
CL	FFEL Consolidated Loan
D1	Direct Subsidized Loan
D2	Direct Unsubsidized Loan
D4	Direct PLUS Loan
D5	Direct Unsubsidized Consolidation Loan
D6	Direct Subsidized Consolidation Loan
D7	Direct PLUS Consolidation Loan
PL	FFEL PLUS Loan
RF	FFEL Refinanced Loan
SF	FFEL Subsidized Stafford Loan
SL	FFEL Supplemental Loans for Students Loan
SU	FFEL Unsubsidized Stafford Loan

Enrollment Status Codes	
A	Approved leave of absence
D	Deceased
F	Full-time
G	Graduated
H	Half-time or more, but less than full-time
L	Less than half-time
N	Not available
W	Withdrawn
X	Never attended
Z	No record found

Usage 1 Codes	
D	Denominator only
B	Both Numerator and Denominator
N	Not Used
E	Eligible, but not counted

Usage 2 Codes		
Code	Program	
FD	FFEL	Denominator
FB	FFEL	Numerator and Denominator
DD	Direct Loan	Denominator
DB	Direct Loan	Numerator and Denominator
N	FFEL/Direct Loan	Not included in the cohort default rate calculation
E	FFEL/Direct Loan	Eligible, but not counted or used in the cohort default rate calculation

Claim Reason Codes	
BC	FFEL Bankruptcy, Chapter 13
BO	FFEL Bankruptcy, Other
CS	FFEL Closed School
DE	FFEL Death
DF	FFEL Default
DI	FFEL Disability
EX	FFEL Exempt
FC	FFEL False Certification
IX	Direct Loan, Defaulted Loan

Loan Status Codes			
AL	Abandoned Loan	DX	Defaulted, Six Consecutive Payments
BC	Bankruptcy Claim, Discharged	DZ	Defaulted, Six Consecutive Payments, Then Missed Payment
BK	Bankruptcy Claim, Active	FB	Forbearance
CA	Canceled	FC	False Certification Discharge
CS	Closed School Discharge	IA	Loan Originated
DA	Deferred	ID	In School or Grace Period
DB	Defaulted, Then Bankrupt, Active, Chapter 13	IG	In Grace Period
DC	Defaulted, Compromise	IM	In Military Grace
DD	Defaulted, Then Died	OD	Defaulted, Then Bankrupt, Discharged, Other
DE	Death	PC	Paid in Full Through Consolidation Loan
DF	Defaulted, Unresolved	PF	Paid in Full
DI	Disability	PM	Presumed Paid in Full
DK	Defaulted, Then Bankrupt, Discharged, Chapter 13	PN	Non-Defaulted, Paid in Full Through Consolidation Loan
DL	Defaulted, In Litigation	RF	Refinanced
DN	Defaulted, Paid in Full Through Consolidation Loan	RP	In Repayment
DO	Defaulted, Then Bankrupt, Active, Other	UA	Temporarily Uninsured-No Default Claim Requested
DP	Defaulted, Paid in Full	UB	Temporarily Uninsured-Default Claim Denied
DR	Defaulted, Loan Included in Roll-Up-Loan	UC	Permanently Uninsured/Unreinsured-No Default Claim Requested
DS	Defaulted, Then Disabled	UD	Permanently Uninsured/Unreinsured-Default Claim Denied
DT	Defaulted, Collection Terminated	UI	Unreinsured
DU	Defaulted Unresolved	XD	Defaulted, Six Consecutive Payments
DW	Defaulted, Write-Off		

SUMMARY – bottom of last page of LRDR

	FFEL	DIRECT	DUAL	
TOTAL DOLLARS IN DEFAULT :	1,071,266	7,875	0	(Based on Outstanding Principal Balance)
TOTAL DOLLARS IN REPAYMENT :	6,950,053	44,625	0	(Based on Outstanding Principal Balance)
TOTAL INSURANCE CLAIM PAYMENTS:	0			
***** = Not Available				
-Actual Numerator Count :	134			Report Count : 129(B Usage 1 Codes only)
-Actual Denominator Count:	842	Actual Default Rate: 15.9		Report Count : 837(D & B Usage 1 Codes)
INDIVIDUAL PROGRAM TALLY:	FFEL: 134/842	DIRECT: 3/20		
Appealed Rate flag: N (D=Direct, I=Indirect, N=No Appeal, U=Unknown)			IC: 0 (Negative Amortization Only)	
0				
End of Loan Record Detail Report				
Report Generation Date: XX/XX/05				
-Default Rate Usage 1: D=Denominator, B=Numerator/Denominator, N=Not Used, E=Eligible but not counted				
Default Rate Usage 2: FD=FFEL Denominator, FB=FFEL Numerator/Denominator, DD=Direct Denominator, DB=Direct Numerator/Denominator, IC=ICR (Negative Amortization Only), N = Not Used, E = Eligible but not counted				
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Total Dollars in Default – total outstanding principal balance (including any interest that has accrued on the loan since it went into default) for the defaulted loans that are included in the CDR calculation.

Total Dollars in Repayment – total dollar volume for loans that have entered repayment during the cohort fiscal year in question.

Total Insurance Claim Payments – actual amount of guaranty agency claims paid to lenders on FFELs.

Because the Total Dollars in Default includes interest, this figure will not match the Total Insurance Claim Payments, which does not include interest.

Actual Numerator Count – total number of unduplicated borrowers included in the numerator of the CDR calculation.

Actual Denominator Count – Is the total number of unduplicated borrowers included in the denominator of the CDR calculation.

Actual Default Rate – based on one cohort fiscal year of data, which is, in most cases the school's cohort default rate. However, if a school has 29 or fewer borrowers entering repayment in the CDR calculation or if the school has a combined, substituted, or merged cohort default rate, the actual default rate will not reflect the school's cohort default rate.

Report Count/ Numerator –unduplicated borrowers listed on the LRDR with a "B" in the Usage 1 field.

Report Count/Denominator – unduplicated borrowers listed on the LRDR with a "D" or "B" in the Usage 1 field.

NOTE: the Report Count may differ from the Actual Count if rate has changed due to adjustment/appeal. The Actual Count will reflect adjustment/ appeal changes.

Individual Program Tally – the number of borrowers identified with each loan program and the number of those borrowers who have defaulted or met the other specified condition. These fields are purely informational and do not reflect the school's cohort default rate.

Appealed Rate Flag –
(D) Direct = School's cohort default rate altered due to the school's adjustment/appeal
(I) Indirect = School's cohort default rate altered due to an adjustment/appeal filed by a different school in a combination/substitution/merger
(N) No Appeal = School's cohort default default rate not altered by an adjustment/appeal
(U) Unknown = Adjustment/appeal status unknown for a cohort default rate prior to FY 1993.

Income Contingent – this field is no longer used.

Reading the Layouts for the Electronic Loan Record Detail Report (LRDR) Extract File & Detailed Repayment Information Extract File

The file layout is divided into:

- ❖ **Header Record Layout.** This is the layout for the single header record of the file. This record contains general information about the detail records contained in the file.
- ❖ **Detail Layout.** This is the layout for the detail records in the file. These records contain all of the student and loan-specific information.
- ❖ **Trailer Record Layout.** This is the layout for the single trailer record of the file. This record contains selected summary calculations for the detail records contained in the file.

The extract file layout contains:

- positions,
- field lengths,
- field formats,
- field names, and
- field descriptions

Header Record Layout

Position From	Position To	Field Length	Field Format	Name	Description of Field Content
1	20	20	Character	Filler	Filler
21	21	1	Numeric	Record Type	Indicator used to identify the header. Value must be "1" (one).
22	29	8	Numeric	Organization ID Number	The eight-digit OPE ID code used to identify the school receiving the loan record detail report
30	143	114	Character	Filler	Filler
144	203	60	Character	Organization Name	School's name
204	253	50	Character	Address	School's address
254	273	20	Character	City	School's city
274	275	2	Character	State	School's state
276	295	20	Character	Country	School's country
296	304	9	Numeric	Zip code	School's zip code
305	312	8	Date	Request Date	Identifies the request date of the loan record detail report; format is CCYYMMDD.
313	320	8	Date	Rate Calculation Date	Identifies the date the rate was calculated; format is CCYYMMDD.
321	324	4	Date	Cohort Year	Identifies the date the rate was calculated; format is CCYYMMDD.
325	331	7	Character	Title IV Program	Identifies the program type of loans included in the loan record detail report.
332	334	3	Character	Filler	Filler
335	335	1	Numeric	Filler	Filler

Detail Record Layout

Position From	Position To	Field Length	Field Format	Name	Description of Field Content
1	20	20	Character	Filler	Filler
21	21	1	Character	Record Type	Indicator used to identify the detail record. Value must be "2" (two).
22	29	8	Character	School Code	An eight-digit OPE ID code used to identify the school submitting the loan record detail report request
30	37	8	Character	Filler	Filler
38	46	9	Character	SSN	Title IV recipient's or beneficiary's Social Security Number
47	47	1	Character	Usage 1 Code	Identifies how the loan is counted in the school's cohort default rate calculation.
48	65	18	Character	Filler	Filler
66	100	35	Character	Current Last Name	Title IV recipient's or beneficiary's current last name
101	112	12	Character	Current First Name	Title IV recipient's or beneficiary's current first name
113	113	1	Character	Student Middle Initial	Title IV recipient's or beneficiary's middle initial.
114	121	8	Numeric	Student date of Birth	Title IV recipient's or beneficiary's date of birth
122	129	8	Character	Original School Code	OPE ID code for the school that certified /originated the loan for the borrower.
130	137	8	Numeric	Begin Class Date	The date classes were scheduled to begin for the loan period covered by the loan.
138	145	8	Numeric	End Class Date	The date classes were scheduled to end for the loan period covered by the loan
146	146	1	Character	Academic Level	Student's academic or grade level in school at the beginning of the specific period covered by the loan.
147	152	6	Character	Original Lender/ Servicer code	Code for entity that provided the loan to the student; identifies the originating holder of the loan.
153	156	4	Character	Filler	Filler
157	162	6	Character	Current Lender/ Servicer Code	Current lender code.

163	166	4	Character	Current Lender/ Servicer Branch	Current lender branch.
167	168	2	Character	Loan Type	The type of loan.
169	170	2	Character	Loan Status Code	The status of the borrower's loan.
171	178	8	Numeric	Loan Status Code Date	Effective date of the loan status code.
179	186	8	Numeric	Repay Date	Date loan entered repayment
187	192	6	Numeric	Amount	Full amount of the loan.
193	195	3	Character	Code for Guarantor/ Servicer	Entity that guaranties the loan on behalf of the Department or entity that the Department contracts with to service Direct Loans
196	203	8	Numeric	Guaranty Loan Date	Date that the guaranty agency insured a FFEL or the first date of disbursement for a Direct Loan.
204	211	8	Numeric	Default NegAm Date	Date that a default claim was paid on a FFEL or the day of default, for cohort default rate purposes, for Direct Loans or the day certain Direct Loans are considered in default, for cohort default rate purposes.
212	213	2	Character	Claim Reason Code	Identifies the reason a claim was paid on a FFEL or if a Direct Loan has defaulted.
214	234	21	Character	Filler	Filler
235	235	1	Character	Enrollment Code	Student's enrollment status at the time the cohort default rate was calculated.
236	243	8	Numeric	Enrollment Code Date	Effective date of the Enrollment Status Code. If no data is available, the guaranty agency or Direct Loan Servicer may use 01/01/1900.
244	244	1	Character	Program Type	Identifies loan program type "F" (FFEL) or "D" (Direct Loan).
245	249	5	Character	Filler	Filler
250	255	6	Numeric	Claim Amount	The claim amount
256	261	6	Numeric	Outstanding Principal Balance	The original dollar amount of the loan.
262	263	2	Character	Usage 2 Code	Identifies how the borrower is counted in each individual loan program (i.e., the FFEL Program and/or the Direct Loan Program).
264	320	57	Character	Filler	Filler
321	324	4	Character	Cohort Fiscal Year	Identifies the cohort fiscal year; format is CCYY
325	335	11	Character	Filler	Filler

Trailer Record Layout

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Position From	Position To	Field Length	Field Format	Name	Description of Field Content
1	20	20	Character	Filler	Filler.
21	21	1	Character	Record Type	Indicator used to identify the trailer record. Value must be "3" (three).
22	29	8	Character	School Code	An eight-digit ED OPE code used to identify the school receiving the LRDR.
30	31	2	Character	Filler	Filler.
32	39	8	Numerical	Actual Numerator Count	The total number of unduplicated borrowers reported in the numerator of the cohort default rate. The report count for the numerator represents the unduplicated report with a "B" in the usage code 1 field.
40	47	8	Numerical	Actual Denominator Count	The total number of unduplicated borrowers reported in the denominator of the cohort default rate. The report count for the denominator represents the unduplicated borrower listed on the Loan Record Detail Report with a "D" or "B" in the usage code 1 field.
48	55	8	Numerical	Report Count	Identifies the unduplicated number of borrowers included in the numerator of the cohort default rate calculation.
56	63	8	Numerical	Report Count	Identifies the unduplicated number of borrowers included in the denominator of the cohort default rate calculation.
64	71	8	Numerical	IC	Identifies the number of borrowers meeting income contingency repayment conditions on the Loan Record Detail Report.
72	79	8	Numerical	Individual Program Tally	The total number of unduplicated borrowers counted in the numerator of the FFEL Program.
80	87	8	Numerical	Individual Program Tally	The total number of unduplicated borrowers counted in the denominator of the FFEL Program.
88	95	8	Numerical	Filler	The total number of unduplicated borrowers counted in the numerator of the Direct Loan Program.

96	103	8	Numerical	Individual Program Tally	The total number of unduplicated borrowers counted in the denominator of the Direct Loan Program.
104	135	32	Numerical	Filler	Filler.
136	136	1	Character	Appealed Rate Flag	Identifies if the cohort default rate has been revised due to an appeal.
137	146	10	Numerical	Dual Total Dollars in Default	Total dollars in default. The FFEL Program and Direct Loan Program entries within this field indicate the total dollar volume of defaulted loans included in the cohort default rate calculation.
147	156	10	Numerical	Dual Total Dollars in Repayment	Total dollars in repayment. The FFEL Program and Direct Loan Program entries within this field indicate the total dollar volume for loans that have entered into repayment during the cohort period in question.
157	166	10	Numerical	FFEL Total Dollars in Default	Dollars in default on FFEL Program.
167	176	10	Numerical	FFEL Total Dollars in Repayment	Dollars in repayment on FFEL Program.
177	186	10	Numerical	Direct Total Dollars in Default	Dollars in default on Direct Loan Program.
187	196	10	Numerical	Direct Total Dollars in Repayment	Dollars in repayment on Direct Loan Program.
197	206	10	Numerical	Total Insurance Claim Payments	Identifies the total dollar amount for insurance claim payments.
207	320	114	Character	Filler	Filler.
321	324	4	Date	Trailer Sort Cohort Year	Identifies the cohort year; format is CCYY.
325	335	11	Character	Filler	Filler.

Why are cohort default rates important?

Defaulted federal student loans cost taxpayers money. Cohort default rate sanctions and benefits provide an incentive to schools to work with their borrowers to reduce default. Sanctions also can prevent a school with a high percentage of defaulters from continuing to participate in the Federal Family Education Loan (FFEL), William D. Ford Federal Direct Loan (Direct Loan), and Federal Pell Grant programs. As a result, cohort default rates help save taxpayers money.

Why is it important to review the data for DRAFT cohort default rates?

Although there are no sanctions or benefits associated with a *draft* cohort default rate, it is important to review the data used to calculate the rate for accuracy, because this data forms the basis of a school's *official* cohort default rate. A school that fails to challenge the accuracy of its draft cohort default rate data through an Incorrect Data Challenge (see Chapter 4.1) may not contest the accuracy of that same data when it receives its official cohort default rate. Therefore, it is critical that all schools review their draft cohort default rate data when the U.S. Department of Education (the Department) releases it.

In addition, in certain circumstances a school may be able to avoid the sanctions associated with its official cohort default rate by submitting a successful Participation Rate Index Challenge (see Chapter 4.2) based on its draft cohort default rate.

Will a school's DRAFT and OFFICIAL cohort default rate data be the same?

No, a school's *draft* cohort default rate data and *official* cohort default rate data will not necessarily be the same. The National Student Loan Data System (NSLDS), which contains the data used to calculate cohort default rates, is updated regularly. As a result, a school's draft cohort default rate data may differ from its official cohort default rate data even if the school does not challenge the draft cohort default rate data.

It is critical that all schools review their draft cohort default rate data.

Regulatory citations:
34 CFR 668.187
34 CFR 682.603
34 CFR 682.604
34 CFR 685.301
34 CFR 685.303

Are there any benefits for schools with low official cohort default rates?

Yes, there are two benefits available to schools with a low official cohort default rate, as described in the chart below.

☰ Benefits for schools with low official cohort default rates

Eligible School	Benefits
A school whose most recent official cohort default rate is less than 5.0 percent and is an eligible home institution that is certifying or originating loans to cover the cost of attendance in a study abroad program	May deliver or disburse loan proceeds in a single installment to a student studying abroad regardless of the length of the student's loan period. May choose not to delay the delivery or disbursement of the first installment of loan proceeds for first-year first-time borrowers studying abroad.
A school with a cohort default rate of less than 10.0 percent for each of the three most recent fiscal years for which data are available, including eligible home institutions and foreign institutions,	May deliver or disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period. May choose not to delay the first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers.

These benefits take effect as soon as the school receives its official cohort default rate notification letter or notification of a successful adjustment and/or appeal from Default Prevention and Management (DPM).

Schools no longer qualify for these benefits starting 30 calendar days after receiving notice from DPM of an official cohort default rate that exceeds the benefit threshold.

Are there any sanctions associated with high official cohort default rates?

Yes, sanctions apply when a school's official cohort default rate is at or above certain percentages.

☰ Sanctions for schools with high official cohort default rates

School	Sanctions
A school's three most recent official cohort default rates are 25.0 percent or greater.	Except in the event of a successful adjustment or appeal, such a school will lose FFEL, Direct Loan, and Federal Pell Grant program eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.
A school's current official cohort default rate is greater than 40.0 percent.	Except in the event of a successful adjustment or appeal, such a school will lose FFEL and Direct Loan program eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.
<i>NOTE: A school is not subject to the loss of Federal Pell Grant Program eligibility if, prior to October 7, 1998, the school requested in writing to withdraw from or lost its eligibility to participate in the FFEL and/or Direct Loan programs and has not subsequently participated in those programs. In addition, a school is not subject to the loss of Federal Pell Grant Program eligibility if it did not certify any FFELs and/or originate any Direct Loans on or after July 7, 1998. A school that resumes participation in the FFEL or Direct Loan programs is no longer eligible for either of these Federal Pell Grant Program exemptions.</i>	

Can a school avoid the sanctions associated with high official cohort default rates?

If a school is notified that it is subject to sanction, the school may submit an adjustment or appeal to attempt to avoid that sanction. Adjustments and appeals are available to schools after the release of the official cohort default rates. Challenges are available to schools after the release of the draft cohort default rates.

The following chart summarizes the actions a school may take. Schools not subject to loss of eligibility and schools subject to provisional certification based on cohort default rates may only take a limited number of these actions. See Chapter 3.1, “Reviewing Rates and Loan Data,” for an overview of the actions schools may take. For more information, including detailed explanations of each action and the timeframes for taking an action, see Part IV of this Guide, “Challenges, Adjustments, and Appeals.”

☰ School actions in response to cohort default rates

Draft/ Official	Type of Action	Purpose
Draft	Incorrect Data Challenge	Correct data before the official cohort default rates are released.
Draft	Participation Rate Index Challenge	Demonstrate a low borrower participation rate to avoid an anticipated sanction with the official cohort default rate.
Official	Uncorrected Data Adjustment	Contest a data error that was agreed upon in the draft process but is still reflected in the official cohort default rate data.
Official	New Data Adjustment	Contest official cohort default rate data that was not included in draft cohort default rate data or that is different from the draft cohort default rate data.
Official	Erroneous Data Appeal	Contest official cohort default rate data that was not included in the draft cohort default rate data (new data) and/or contest the data manager's decision (disputed data).
Official	Loan Servicing Appeal	Contest servicing of the borrower's loan account.
Official	Economically Disadvantaged Appeal	Demonstrate a high number of low-income students and high placement or completion rates.
Official	Participation Rate Index Appeal	Demonstrate a low borrower participation rate.
Official	Average Rates Appeal	Demonstrate a low number of borrowers.
Official	Thirty-or-Fewer Borrowers Appeal	Demonstrate a low number of borrowers.

Are there any consequences if a school submits adjustments and/or appeals but fails to avoid sanctions?

In addition to losing eligibility, a school that submits adjustments and/or appeals but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

If a school is subject to a sanction, when does the sanction take effect?

The effective date of the sanction is dependent upon whether or not the school timely submitted an adjustment or appeal, and the current sanction status of the school. The chart below summarizes the effective date of sanctions based upon these circumstances.

Effective date of sanctions

	School is NOT Currently Under Sanction	School IS Currently Under Sanction
School Does Not Timely Submit Adjustment or Appeal	The school's participation ends 30 calendar days after the date the school first receives notice that it is subject to the loss of eligibility.	The school's previous loss of eligibility remains in effect and the school will receive an additional sanction.
School Does Timely Submit Adjustment or Appeal, but Adjustment or Appeal is Unsuccessful	The school's participation ends on the date that the school received the Department's final decision indicating that the adjustment and/or appeal was unsuccessful. A school may choose not to participate during the period to avoid incurring a liability.	The school's previous loss of eligibility remains in effect and the new loss of eligibility is effective when the school receives the Department's final decision indicating that the school's adjustment or appeal was unsuccessful. The new loss of eligibility does not replace the previous loss but it does extend the length of time that a school is unable to participate in the FFEL, Direct Loan, or Federal Pell Grant Program.
School Does Timely Submit Adjustment or Appeal, and Adjustment or Appeal is Successful	The Department will withdraw the notification that the school is subject to a loss of eligibility.	The Department will withdraw the notification that the school is subject to an additional loss of eligibility. However, the previous loss of eligibility remains in effect.

A school that loses eligibility may continue to honor unpaid loan commitments and make certain second disbursements after notification of the loss of eligibility if the school meets certain criteria listed in the CFR. The criteria can be found at 34 CFR 668.26(d).

The official cohort default rates must be released no later than September 30th. If, however, cohort default rates are not issued until after that date, a school's loss of eligibility would continue only for the remainder of the fiscal year in which the cohort default rates are issued and for the following fiscal year. For example, if the Department issues cohort default rates for FY 2004 on October 2, 2006, then a loss of eligibility that is based on the FY 2004 cohort default rate would continue only for the remainder of FY 2006 (the fiscal year in which the cohort default rates were issued) and to the end of FY 2007.

How does a school withdraw from or reapply for participation in the Title IV loan programs?

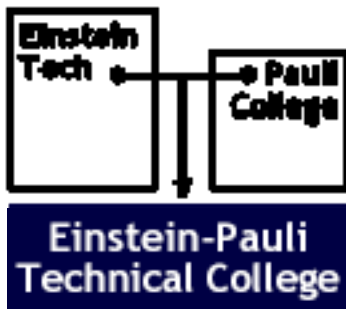
A school should contact the School Participation Team at 1-202-377-3173 for information on withdrawing from the FFEL Program and COD School Relations at 1-800-848-0978 for information on withdrawing from the Direct Loan Program.

A school that loses FFEL, Direct Loan, or Federal Pell Grant eligibility may reapply for participation when the sanction period ends. A school should apply online at <<http://www.eligcert.ed.gov>>.

What is a change in status?

There are three types of change in status for cohort default rate purposes:

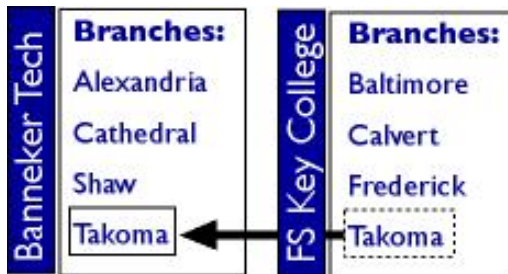
Acquisition or Merger of Schools



The first type of change in status occurs when one of two things happens: either one existing school acquires another existing school (acquisition of schools) or two existing schools combine to form one new school (merger of schools). The former parent school no longer exists

Example (left): Einstein Tech merges with Pauli College to become Einstein-Pauli Technical College.

Acquisition of Branches or Locations



The second type of change in status occurs when an existing school acquires a branch or location of another school. This type of change in status results in one expanded school and one former parent school.

Example: Banneker Tech acquires the Takoma branch of FS Key College.

Branches or Locations Becoming Schools

The third type of change in status occurs when a branch or location of an existing school becomes an independent new school. This type of change in status results in one new school (new OPEID) and one former parent school.



A campus or other entity is considered a school for cohort default purposes if it has its own OPE ID.

Example: The Evers branch of Horsehide Tech becomes an independent new school called Evers College.

Regulatory citation:
34 CFR
668.184

34 CFR
668.188

How does a school's change in status affect the school's cohort default rate?

A school involved in a merger, acquisition, or other change in status should be aware that the change may affect the application and calculation of its cohort default rates and that certain sanctions may be applicable to the school after the change in status. After a change in status, cohort default rates are applied to a school according to the type of change in status.

How does a school notify the Department of a possible future change in status?

Because different cohort default rates may be applied to a school as a result of a change in status, the school's eligibility may be jeopardized as a result of a change in status. All schools contemplating a change in status should submit a letter to Default Prevention and Management (DPM) at the U.S. Department of Education (the Department) before making the change. The letter should:

- ◆ explain the proposed change in status,
- ◆ include the details of the change in status (for example, if the change is part of a teach-out), and
- ◆ request guidance regarding the consequences, if any, the change in status will have on the school's cohort default rate and the school's Title IV program eligibility.

DPM will send a written response indicating how the historical, current, and future cohort default rates will be calculated based on the proposed change in status. Schools can use this response to evaluate whether the change in status will be beneficial or detrimental to the schools involved in the change.

If a school decides to change its status, the school must submit an application to report the change and request approval for the change for Title IV program purposes. For more information on submitting a change request, visit <http://www.eligcert.ed.gov>.

After a change in status occurs, at the next cohort default rate calculation, the school will receive a Loan Record Detail Report (LRDR) that includes all data for schools involved in the merger. See Chapter 2.2, "How Schools Get The Rates and Loan Data," for information on requesting LRDR and Chapter 2.3, "Reviewing the Loan Record Detail Report," for information on reading LRDR. Further, after a change in status, a school may submit a challenge, adjustment, or appeal based on the data for another school's borrowers, under the same requirements that would be applicable to the other school, if the loans for those borrowers affect the school's cohort default rate.

Under certain circumstances, a school involved in a change in status may be required to assume the sanctions of another school involved in the change in status if the change is considered an attempt to evade cohort default rate sanctions.

See Chapter 2.2, "How Schools Get the Rates & Loan Data," to find out how to request a LRDR.

See Chapter 2.3, "Reviewing the Loan Record Detail Report," for information on how to read a LRDR.

☰ Effects of change in status on cohort default rates

Type of Change in Status	Historical Cohort Default Rates for the New School	Subsequent Three Year Cohort Default Rates for the New School	Fourth Year and Subsequent Year Cohort Default Rates for the New School	Cohort Default Rates for the Former Parent School
Acquisition or Merger of Schools 668.184(a)(4)(b)	The new school's historical cohort default rates will be the cohort default rates of the school involved in the change of status that has the highest total number of borrowers entering repayment in the two most recent cohort fiscal years for which cohort default rates have been published.	The new school's cohort default rates are determined by including all the applicable borrowers from each school involved in the acquisition or merger in the cohort default rate calculation.	The new school's cohort default rates are determined by including all the applicable borrowers from each school involved in the acquisition or merger in the cohort default rate calculation.	The former parent school no longer exists.
Acquisition of Branches or Locations 668.184(a)(4)(c)	The expanded school's historical cohort default rates will be the cohort default rates of the acquiring school.	The expanded school's first three cohort default rates published after the date of the change in status will be calculated using all the applicable borrowers from both the acquiring school and the school from which the branch or location was acquired, including all of its locations.	The expanded school's fourth cohort default rate published after the date of the change in status and the cohort default rates in subsequent cohort fiscal years will be calculated using only the applicable borrowers from the acquiring school.	The former parent school's cohort default rates are not affected by the change in status.
Branches or Locations Becoming Schools 668.184(a)(4)(d)	The new school's historical cohort default rates will be the cohort default rates of the former parent school.	The new school's first three cohort default rates published after the date of the change in status will be calculated using all the applicable borrowers from both the new school and the former parent school, including all of its locations.	The new school's fourth cohort default rate published after the date of the change in status and for cohort default rates in subsequent cohort fiscal years will be calculated using only the applicable borrowers from the new school.	The former parent school's cohort default rates are not affected by the change in status.

What types of actions are considered attempts to evade cohort default rate consequences?

A school has attempted to evade cohort default sanctions if all the following conditions are met:

- ◆ The eligible school and the school subject to sanction are both parties to a transaction that results in change of ownership, change in control, merger, consolidation, acquisition, change of name, change of address, location becoming a freestanding school, purchase or sale, transfer of assets, assignment, change of identification number, contract for services, addition or closure of one or more locations or branches or educational programs, or any other change in whole or in part in the school's structure or identity.
- ◆ Before the change occurred, one of the schools involved in the change in status was subject to a sanction based on its cohort default rate.
- ◆ Following the change in status, the eligible school offers an educational program at substantially the same address at which the sanctioned school had offered an educational program before the change.
- ◆ There is a commonality of ownership or management between the eligible school and the sanctioned school, as the sanctioned school existed before the change. A commonality of ownership or management exists if, at each school, the same person, or a member of that person's family, directly or indirectly holds or held a managerial role or has or had the ability to substantially affect the school's actions.

DPM will determine if the change in status is considered an attempt to evade cohort default rate consequences and will send a written response indicating if the eligible school will be subject to sanction and, if so, the scope and duration of the sanction.

How does a change in status affect a school that was subject to sanction at the time of the change?

If a school that is already subject to sanction combines with another school, the new school has the same challenge, adjustment, and appeal options as the school that was subject to sanction before the change in status. That is, if the school that was subject to sanction before the change in status had exhausted all means of challenge, adjustment, and/or appeal, the new school has no challenge, adjustment, and/or appeal rights. If the school that was subject to sanction before the change in status did not exhaust all means of challenge, adjustment, and/or appeal, the new school may request a challenge, adjustment, and/or appeal, but only under the same timeframes and other requirements that were applicable to the sanctioned school.

3.1 Reviewing Rates and Loan Data

Why should a school official review this chapter?

School officials should review this Chapter to prepare for the release of the official cohort default rates as well as to determine if the school needs to submit a challenge, adjustment, or appeal and, if so, which challenges, adjustments, or appeals the school is eligible to submit.

How can a school ensure that its internal offices communicate and respond in a timely manner?

A school should determine in advance who would have responsibility for reviewing cohort default rate related matters. It is important that there be a free flow of enrollment status information between the school office in charge of that information and the school office reviewing cohort default rate matters. The school should ensure that contacts are in place between those offices.

How can a school ensure timely communication with its external partners?

Your school may wish to designate certain staff or offices as contact points for data managers, Default Prevention and Management (DPM), or School Participation Teams. Be sure to update data managers, DPM, and School Participation Teams when those contacts change. A school should work with DPM to discuss default prevention strategies or default management plans.

The Department recommends that schools send all cohort default rate correspondence and enrollment information correspondence to all entities via certified mail or commercial delivery and maintain the documentation that shows the correspondence was timely sent. A school should keep copies of all relevant electronic and hardcopy correspondence between the school and data managers, lenders, servicers, and the Department.

Which school office receives cohort default rate correspondence?

The Department electronically transmits cohort default rate (eCDR) notification packages to all domestic schools, using the Student Aid Internet Gateway (SAIG) destination point designated by the school. Schools are responsible for updating SAIG enrollment information whenever changes are needed, such as a change in the designated destination point for eCDR. Changes to your school's SAIG enrollment information can be made on-line at <fsawebenrollment.ed.gov>.

The announcement of the release date of the draft and official cohort default rates will be sent to all IFAP subscribers and posted on the Financial Aid Professionals portal <fsa4schools.ed.gov>.

Foreign schools cohort default rate notification packages will be mailed to the school president's office. Foreign schools timelines begin upon receipt of the notification package.



Contact information is posted with other Cohort Default Rate Materials on the IFAP Web site:

<http://ifap.ed.gov>

The Department sends cohort default rates to schools twice each year. Generally, the Department sends draft cohort default rates to schools in February. Official cohort default rates must be released no later than September 30th. (See Chapter 2.2, "How Schools Get the Rates & Loan Data.")

What actions can a school take to help process the draft and official cohort default rates?

A school can begin cohort default rate preparations prior to the release of the draft or official cohort default rates. After the release of the draft or official cohort default rates, a school should review its cohort default rate data. The school should then determine if it wishes to submit a challenge, adjustment, or appeal based upon that data.

A school may wish to develop a checklist, specific to the school's needs, of the activities the school needs to do before, during, and after the release of the draft and official cohort default rates.

How can a school prepare for the release of the cohort default rates?

There are a number of things a school can do to prepare for the release of the cohort default rates:

- ◆ *Be aware of the school's current cohort default rate status.*
The challenges, adjustments, or appeals a school can and should submit will be determined by whether or not the school is currently under sanction, and by which challenges, adjustments, and appeals the school has submitted in the past.
- ◆ *Identify its two most recent prior official cohort default rates.*
Since some sanctions or benefits may be based on a school's three most recent official cohort default rates, schools will need to be aware of the prior cohort default rates to understand the consequences of their current cohort default rates. Schools can find this information on prior official cohort default rate notification letters. If the school's cohort default rate was changed as the result of an adjustment or appeal, it can find this information in the determination letter the school received from DPM.
- ◆ *Begin preparing challenge, adjustment, and appeal materials.*
See Part IV for information on how these spreadsheets and letters are used in challenges, adjustments, and appeals. Sample spreadsheets are within the Guide Pages under "Guide Page." If a school has already created electronic copies of the various spreadsheets and letters, it should locate those electronic copies and verify that they are ready for use.

➔ See Chapter 4.2, "Participation Rate Index Challenge," Chapter 4.7, "Economically Disadvantaged Appeal," and Chapter 4.8, "Participation Rate Index Appeal."

Further, a school can begin calculating its participation rate index for a participation index rate challenge (see Chapter 4.2) prior to the release of the draft cohort default rates. Similarly, a school can begin calculating its low-income rate and its placement or completion rate for an economically disadvantaged appeal (see Chapter 4.7), or its participation rate index for a participation rate index appeal (see Chapter 4.8), prior to the release of the official cohort default rates.

Finally, you can prepare a spreadsheet showing loan information, such as enrollment status and Date Entered Repayment, for student borrowers at your school. See the section entitled "How does a school determine if there is inaccurate data on the LRDR?" (Chapter 2.3, "Reviewing the Loan Record Detail Report,") for more information.

How does a school determine if it should submit a challenge, adjustment, or appeal?

Schools may submit challenges after the release of the draft cohort default rates; schools may submit adjustments and appeals after the release of the official cohort default rates.

The challenges, adjustments, and appeals fall into two main categories:

- ◆ *Challenges, adjustments, and appeals that contend that the LRDR contains inaccurate data and that as a result, the school's cohort default rate is inaccurate.*

If a school submits one of these challenges, adjustments, or appeals, and the challenge, adjustment, or appeal is successful, the school's cohort default rate may be lowered, raised, or not affected. If the school's cohort default rate is lowered, the school may avoid a sanction or become eligible for a benefit.

- ◆ *Challenges and appeals that contend that the school has exceptional mitigating circumstances that should remove the school from being subject to cohort default rate sanction.*

If a school submits one of these challenges or appeals, and the challenge or appeal is successful, the school may avoid sanctions. However, the school's cohort default rate will not be affected.

The type of challenge, adjustment, or appeal a school should submit depends on the school's situation. The following chart on Page 3.1-4 details which schools are eligible to submit the different challenges, adjustments, and appeals. See the relevant chapter in Part IV for a list of the materials a school must submit with each challenge, adjustment, or appeal.

A school must submit a challenge, adjustment, or appeal within specified timeframes, as shown in Part IV. If your school is submitting multiple challenges, adjustments, or appeals, you may wish to review these timeframes to determine which one requires the most immediate attention.

Why should a school that is not subject to sanction contest inaccurate data on the LRDR?

There are a number of reasons why a school that is not subject to sanction should contest inaccurate data on the LRDR:

- ◆ Contesting inaccurate data helps maintain data integrity and accuracy.
- ◆ Contesting inaccurate data may lead to a reduction in the school's cohort default rate that would make the school eligible for the benefits available to schools with low cohort default rates. See

In some cases, a school must request information from a data manager before the school makes a final submission to DPM. When a school receives a data manager's response, the school must decide if it will make a final submission. The final submission must also be made within a prescribed timeframe. Again, see Part IV for specific timeframes.



Chapter 2.4, “Cohort Default Rate Effects,” for information on the benefits available for schools with low cohort default rates.

- ◆ Contesting the accuracy of the data may help prevent a school from becoming provisionally certified based solely on the school’s official cohort default rate. See Chapter 4.5, “Erroneous Data Appeal,” for more information on provisional certification.

☰ Challenges, adjustments, and appeals based on incorrect data or improper servicing (potentially affecting school's cohort default rate)

Submission Type	Why Submit	Which Schools can take action?	Effect
<p>Incorrect Data Challenge [Draft Rates]</p> <p><i>34 CFR 668.185(b)</i></p>	<p>A school believes that the LRDR for the draft cohort default rates contains incorrect data</p>	<p>Any school that believes there is inaccurate data in the LRDR for its draft cohort default rates. (See Chapter 4.1 for procedures)</p> <p>If a school does not challenge the accuracy of data in an incorrect data challenge, the school cannot contest the accuracy of that data later in an <i>uncorrected data adjustment</i> or an <i>erroneous data appeal</i> based on disputed data.</p>	<p>If successful, NSLDS will be corrected and the corrected data will be used when calculating the school's official cohort default rate.</p>
<p>Uncorrected Data Adjustment</p> <p><i>34 CFR 668.190</i></p>	<p>A school believes that the LRDR for the official cohort default rates contains data that should have been corrected as a result of its incorrect data challenge.</p>	<p>Any school that submitted a successful incorrect data challenge, and if the official cohort default rate data does not reflect the changes agreed to as part of the incorrect data challenge process. (See Chapter 4.3 for procedures)</p>	<p>If successful, NSLDS will be corrected and DPM will recalculate the school's cohort default rate.</p>
<p>New Data Adjustment</p> <p><i>34 CFR 668.191</i></p>	<p>A school believes that the LRDR for the official cohort default rates contains new, incorrect data.</p>	<p>Any school that believes there is new, incorrect data in the LRDR for its official cohort default rates. Note: if the school is subject to sanction, it should submit an <i>erroneous data appeal</i> instead. (See Chapter 4.4 for procedures)</p>	<p>If successful, NSLDS will be corrected and DPM will recalculate the school's cohort default rate.</p>
<p>Erroneous Data Appeal</p> <p><i>34 CFR 668.192</i></p>	<p>A school believes that the LRDR for the official cohort default rates contains new, incorrect data and/or contains disputed data that was included in an incorrect data challenge.</p>	<p>Any school that is subject to sanction or provisional certification, solely due to CDRs and believes 1) that there is new, incorrect data in the LRDR for its official cohort default rates, or 2) the school still disputes the accuracy of data it challenged in an incorrect data challenge. (See Chapter 4.5 for procedures)</p>	<p>If successful, NSLDS will be corrected and DPM will recalculate the school's cohort default rate. Also, the school will no longer be subject to sanction or provisional certification.</p>
<p>Loan Servicing Appeal</p> <p><i>34 CFR 668.193</i></p>	<p>A school believes that the LRDR for the official cohort default rates contains defaulted loans that were improperly serviced for cohort default rate purposes.</p>	<p>All schools that have defaulted loans included in the LRDR for the official cohort default rates. (See Chapter 4.6 for procedures)</p>	<p>If successful, DPM will recalculate the school's cohort default rate.</p>

☰ Challenges & appeals based on exceptional mitigating circumstances

Submission Type	Why Submit?	Which Schools Can Take Action?	Effect
<p>Participation Rate Index Challenge [Draft Rates]</p> <p><i>34 CFR 668.185(c)</i></p>	<p>A school believes that it may be subject to sanction with the release of the official cohort default rates but also believes that it should not be subject to sanction because of its low participation rate index.</p>	<p>All schools, but only those that will be subject to sanction when the official cohort default rates are released will benefit. (See Chapter 4.2 for procedures)</p>	<p>If successful, the school will not be subject to the anticipated sanction. If the school successfully challenges based on a prior official cohort default rate, that cohort default rate will not be the basis for a future sanction.</p>
<p>Economically Disadvantaged Appeal</p> <p><i>34 CFR 668.194</i></p>	<p>A school believes that it should not be subject to sanction because of the number of low-income students attending the school and the school's placement rate (for a non-degree-granting school) or the school's completion rate (for a degree-granting school).</p>	<p>Schools that are subject to sanction. (See Chapter 4.7 for procedures)</p>	<p>If successful, the school will not be subject to sanction for that cohort fiscal year.</p>
<p>Participation Rate Index Appeal</p> <p><i>34 CFR 668.195</i></p>	<p>A school believes that it should not be subject to sanction because of its low participation rate index.</p>	<p>Schools that are subject to sanction. (See Chapter 4.8 for procedures)</p>	<p>If successful, the school will not be subject to the sanction for that cohort fiscal year. If the school's participation rate index for a cohort fiscal year is 0.0375 or less, the cohort default rate for that cohort fiscal year will not be the basis for a future sanction.</p>
<p>Average Rates Appeal</p> <p><i>34 CFR 668.196</i></p>	<p>At least 2 of the 3 cohort default rates were calculated as average rates and would have been less than 25% if they were calculated using only data for those cohort fiscal years alone. A cohort default rate that is greater than 40% and was calculated as an average rate.</p>	<p>Schools that are subject to sanction. (See Chapter 4.9 for procedures)</p>	<p>If successful, the school will not be subject to sanction for that cohort fiscal year.</p>
<p>Thirty-or-Fewer Borrowers Appeal</p> <p><i>34 CFR 668.197</i></p>	<p>A total of 30 or fewer borrowers entered repayment in the 3 most recent cohort fiscal years used to calculate its cohort default rate.</p>	<p>Schools that are subject to sanction. (See Chapter 4.10 for procedures)</p>	<p>If successful, the school will not be subject to sanction for that cohort fiscal year.</p>

What types of allegations may a school submit to contest data on the LRDR?

When submitting an incorrect data challenge, new data adjustment, or erroneous data appeal, a school must submit allegations about the accuracy of the data used to calculate the school's cohort default rate. The allegations usually fall into three main categories:

- ◆ The school alleges that the LRDR incorrectly reports a data element and the data element should be changed (incorrectly reported).
- ◆ The school alleges that the LRDR incorrectly includes a borrower whose repayment date does not fall within the cohort fiscal year and the borrower should be removed from the cohort default rate calculation (incorrectly included).
- ◆ The school alleges that the LRDR incorrectly excludes a borrower who entered repayment within the cohort fiscal year and the borrower should be added to the cohort default rate calculation (incorrectly excluded).

What supporting documentation does a school need to submit when contesting data on the LRDR?

A school must submit documentation to support its allegations. Relevant supporting documentation includes, but is not limited to, the following:

- ◆ a copy of a letter to the relevant data manager that informs the entity of the borrower's last date of attendance or less-than half-time date and proof that the documentation was timely sent to the data manager;
- ◆ a dated copy of a Student Status Confirmation Report (SSCR) that confirms the borrower's last date of attendance or less than half time date and proof that the documentation was timely submitted,
- ◆ a screen print from the SSCR function within the National Student Loan Data System (NSLDS) that confirms the borrower's last date of attendance or less than half time date was timely recorded within NSLDS, or
- ◆ a copy of a canceled check, front and back, or other documentation showing that the borrower's loan was fully refunded and canceled within 120 days of disbursement by the lender.

A school may contact the data manager for additional information on types of supporting documentation the school should submit to support an allegation. In addition to submitting documentation to support the allegation, the school must also submit proof that the supporting documentation was timely submitted to the data manager or NSLDS.

If the data a school submits was never originally submitted to the relevant data manager or NSLDS, or if the data was not submitted in a timely manner, the data manager should respond that the issue in question was determined based on the best information available at the time and that, as a result, no change is warranted for cohort default rate purposes.

Does a school need to submit LRDR pages with its allegations?

A school must always submit the appropriate pages of the LRDR to support its allegations. The school should include the LRDR page where the school alleges the borrower data has been incorrectly reported, incorrectly included, or incorrectly excluded.

In certain circumstances, the school must submit multiple LRDR pages from the same cohort fiscal year. If the borrower has multiple loans that appear on more than one page, the school should include each page where the borrower appears. If the borrower is missing from the cohort default rate calculation, and the missing borrower would have appeared at the bottom of one page or the top of the next page, the school should include both pages.

In other circumstances, the school must submit LRDR pages from multiple cohort fiscal years. If the school alleges that a borrower was incorrectly reported in one cohort fiscal year and should have been reported in another cohort fiscal year, the school must include the relevant LRDR pages from both cohort fiscal years.

Finally, in some circumstances the school must submit pages from the LRDR for the draft cohort default rates and the LRDR for the official cohort default rates. If the school is alleging that the LRDR for the official cohort default rates contains new data, the school must show the page(s) from the LRDR for the draft cohort default rates where the borrower initially appeared or should have appeared and the page(s) from the LRDR for the official cohort default rates where the new data appears or should have appeared.

What specific allegations and supporting documentation can a school submit when contesting data on the LRDR?

On the following pages are five charts that list some of the most common allegations and the documentation that a school must submit to the data manager or to DPM. These charts represent the following general categories of allegations:

- ◆ Borrower incorrectly included on a LRDR because of an inaccurate DATE ENTERED REPAYMENT
- ◆ Borrower incorrectly reported in default on a LRDR
- ◆ Borrower incorrectly reported on a LRDR because of multiple loans
- ◆ Borrower incorrectly included on a LRDR
- ◆ Borrower incorrectly excluded on a LRDR because of an inaccurate DATE ENTERED REPAYMENT

☰ Borrower incorrectly included on a LRDR because of an incorrect DATE ENTERED REPAYMENT

When the date is corrected, the borrower would move to a different cohort fiscal year. The school must provide proof of timely submission of any required documentation. The school should also provide LRDR pages from the cohort fiscal year where the borrower is included and/or excluded and, if applicable, LRDR pages from the cohort fiscal year where the school believes the borrower should be included.

Allegation	What does the school allege?	What is the school requesting?	What supporting documentation should the school enclose?
Incorrect last date of attendance or less-than half-time enrollment date	That the correct change in enrollment status was timely submitted to the data manager or NSLDS	That the date entered repayment be changed	Documentation of the enrollment status change
Unexpired grace period	That the borrower re-enrolled at least half-time at their school or another school before the grace period ended	That the date entered repayment be changed	Documentation of the enrollment status change
Death, disability, bankruptcy, or other type of discharge before expiration of grace period	That the loan was discharged before the borrower entered repayment	That the date entered repayment be changed to the date the loan was discharged	Documentation that the loan was discharged before the scheduled date entered repayment
Loan paid in full prior to expiration of grace period	That the loan was paid in full before the borrower entered repayment	That the date entered repayment be changed to the date the loan was paid in full	Documentation that the loan was paid in full before the scheduled date entered repayment
Repayment began before expiration of grace period	That the borrower began making scheduled loan payments before the expiration of the grace period	That the date entered repayment be changed to the date the borrower started repayment	Documentation showing that the borrower made a full scheduled payment before the scheduled date entered repayment
Federal SLS loan and Federal Stafford Loan not linked	That the borrower's Federal SLS loan and Federal Stafford Loan should be linked because the loans were obtained during the same period of continuous enrollment	That the date entered repayment be changed so that the Federal SLS loan and Federal Stafford Loan are linked in the same cohort default rate calculation	Documentation showing that the loans were obtained in the same period of continuous enrollment

☰ Borrower incorrectly reported in default on a LRDR

When the default is removed, the borrower is removed from the numerator of the cohort default rate calculation and would remain only in the denominator of the cohort default rate calculation. In all of these situations the school must provide proof of timely submission of any required documentation. The school should also provide LRDR pages from the cohort fiscal year where the borrower is incorrectly reported in default.

Allegation	What does the school allege?	What supporting documentation should the school enclose?
In-school deferment	That the borrower received an in-school deferment and did not default during the cohort default period	The in-school deferment documentation
Forbearance	That the borrower received a forbearance and did not default during the cohort default period	The forbearance documentation
Death, disability, bankruptcy, or other type of loan discharge before default occurred	That the loan was discharged before the borrower defaulted during the cohort default period	Documentation that the loan was discharged before the default
Loan was repurchased and no subsequent claim paid	That the lender repurchased the loan due to incorrect claim submission and no subsequent default claim was paid on the loan during the cohort default period (Note: Repurchases due to courtesy or a new repayment plan will not remove the loan from default in the cohort default rate calculation)	NSLDS Screen Print showing loan repurchase date
Rehabilitation achieved	That the borrower successfully rehabilitated the loan for cohort default rate purposes	The borrower's repayment record from the servicer
Loan did not default for cohort default rate purposes	Loan did not default or loan did not default during the cohort default period	The borrower's repayment record from the servicer or the delinquency report from the data manager demonstrating the actual delinquency period

☰ Borrower incorrectly reported on a LRDR because of multiple loans

In all of these situations, the school must provide proof of timely submission of any required documentation.

Allegation	What does the school allege?	What is the school requesting?	What supporting documentation should the school enclose?	Which LRDR pages should the school enclose?
Wrong social security number – borrower is counted more than once in a cohort default rate calculation	That the borrower has been included more than once in the cohort default rate calculation because of two different social security numbers	The removal of the incorrect social security number and removal of the data if the loan is duplicated or the addition of the data under the correct social security number if the loan is not a duplicated loan	Documentation of the correct social security number	The pages from the cohort fiscal years where the borrower has been included under each social security number
Borrower has multiple loans in one cohort default rate calculation that belong in several cohort default rate calculations	That the borrower had one or more breaks in enrollment and used the entire grace period before obtaining more loans	A change to the date entered repayment and the removal of one or more loans from the same cohort fiscal year and the addition of those loans to the correct cohort fiscal year	Documentation of the enrollment status change	The pages from the cohort fiscal year where the borrower is included and, if applicable, the cohort fiscal year where the borrower should be included
Borrower has multiple loans that should be included in only one cohort default rate calculation	That the borrower was continuously enrolled at least half-time and did not use the entire grace period	A change to the date entered repayment and that all loans be moved to the correct cohort fiscal year	Documentation of the enrollment status history	The pages from the cohort fiscal year where the borrower is included and, if applicable, the cohort fiscal year where the borrower should be included

☰ Borrower incorrectly included on a LRDR

If the allegation were upheld, the borrower would be removed from the numerator and denominator of the cohort default rate calculation. In both of these situations the school must provide proof of timely submission of any required documentation. The school should also provide LRDR pages from the cohort fiscal year where the borrower is incorrectly included.

Allegation	What does the school allege?	What supporting documentation should the school enclose?
Loan fully cancelled	That the loan was fully cancelled within 120 days of disbursement (partially cancelled loans are included in the cohort default rate calculation)	Copies of the front and back of the cancelled check or documentation of an electronic funds transfer
Loan does not meet insurance requirements	That the lender did not meet the insurance requirements and the loan became an uninsured loan	Information from the data manager that the loan was repurchased by the lender

☰ Borrower incorrectly excluded on a LRDR because of an incorrect DATE ENTERED REPAYMENT

When the date is corrected, the borrower would be included in the cohort default rate calculation. The school must provide proof of timely submission of any required documentation. The school should also provide LRDR pages from the cohort fiscal year where the borrower is incorrectly excluded.

Allegation	What does the school allege?	What supporting documentation should the school enclose?
Incorrect last date of attendance or less-than-half-time enrollment date	That the correct enrollment status information was timely submitted to the data manager or NSLDS	Documentation of the enrollment status change

3.2 Monitoring Loan Repayment Status Throughout the Year

What kinds of information should a school track before the release of the cohort default rates?

On at least a monthly basis, school staff should compare the default and repayment status reports available through the National Student Loan Data System (NSLDS) with the school's own data. This gives the school a chance to identify and correct errors before the draft or official cohort default rates are released. If an error is found in a student's record, the school should contact the appropriate data manager to resolve the discrepancy.

If a school staff discovers that a student enrolled at least ½-time in an eligible program at their school is being reported as "in repayment" in an NSLDS report, the school must update the student's enrollment status in NSLDS. The school should also contact the data manager.

The repayment information in NSLDS does not provide information regarding a borrower's delinquency status. For more information about a borrower's possible delinquency status, a school should contact the data manager for information about the borrower's loan status. Many schools find delinquency reports particularly useful because the school staff may be able to contact the delinquent borrower and counsel the borrower to prevent the loan from going into default. Or the school may assist the delinquent borrower to contact the appropriate data manager for assistance to avoid a default. If the school identifies errors in the information provided by a data manager, the school should contact the data manager to discuss how to update the information.

What are the benefits of reviewing repayment information regularly?

Repayment information also helps schools ensure the data reported to NSLDS is accurate. Schools that monitor borrowers' repayment and default status can contact data managers as errors occur instead of waiting until the release of the cohort default rates to correct inaccuracies.

Schools that monitor borrowers' repayment status can identify borrowers who have just entered repayment and make sure that they are aware of all of the repayment options available to them. This information can help a borrower avoid default.

How can I find out the current repayment status of students from my school?

The *School Repayment Information Loan Detail* (DRC015) provides the current repayment status of certain borrowers in the FFEL and Direct Loan programs who attended a school during a specific period. Schools can request detailed repayment information for the most current 24-month period. As the most current 24-month period is only available on NSLDS for a month, it may be useful to download the information each month. The school can then select the students who fall into a specific cohort period and compare the NSLDS repayment data with the schools data. The reports may be received in a formatted report (Message Class: SHNOTROP) or an extract file (Message Class: SHNOTEOP).



The publication "Ensuring Student Loan Repayment" describes best practices in default prevention, and can be downloaded from "Default Rate Materials" on the IFAP Web site: <http://ifap.ed.gov>.

The DRC015, DER001, and SCHDF1 reports are available under the "Reports" tab on the NSLDS Web site. See the end of this chapter for complete instructions for downloading NSLDS reports.

How can I find out when the student borrowers at my school are scheduled to go into repayment?

The *Date Entered Repayment Report* (DER001) is a list of student borrowers who are scheduled to go into repayment during a specified date range, with their loan histories. The school may specify the 'begin' and 'end' dates for the date range, specify one of three sort orders (SSN, Name or Date Entering Repayment), and choose whether to receive the information as a formatted report (Message Class: AHSLDSOP) or an extract file (Message Class: AHSLDEOP). Schools receive the report via their SAIG mailboxes.

How can I get a list of students from my school whose loans have defaulted?

The *Default Loan Summary Report* (SCHDF1) provides a list of loans that currently have a defaulted loan status (DB, DL, DO, DT, DU, DW, DF, or DZ) and a loan status date that falls within the requested date range. Users can select all loan programs or only one. The report includes student identifiers, loan identifiers, Guaranty Agency information, and lender information. It also includes the current loan status and up to three status codes from history. The report can be sorted by Loan Status Date, Last Name, or Social Security Number. The information is available in an extract file. The file layouts for the extract files are available on the IFAP Web site. Schools receive the report via SAIG mailbox. Additional hints for printing the report in Microsoft Word format are available in the Report List Help page.

What other types of repayment information are available?

Schools can view summary repayment information by selecting the "Org" tab on the NSLDS Web site. (See the instructions at the end of this chapter).

The summary listing shows—

- ◆ the number of borrowers who entered into repayment in the first 12 months of the most recent 24-month period, and
- ◆ the number of those borrowers who entered into repayment in the first 12 months of the most recent 24-month period and defaulted or met other specified conditions during that 24-month period.

The summary listing displays a snapshot that may be useful to determine default trends on loans entering in repayment obtained at our school during a 24 month-period. Note that this data is provided solely for informational purposes only and that it has no relationship to the calculation of draft or official cohort default rates for a school and will not be used in that process. The information reported is based on information provided by the data manager.

You may also download a loan detail file for the most recent 24-month period. This file will include—

- ◆ an individual listing of all the selected borrowers tallied in the summary format, and
- ◆ information about each of the relevant loans for each borrower included on the report.

This information is the same type of data provided on a school's loan record detail report (LRDR).

Is repayment information subject to the Privacy Act?

Because repayment information contains personal identification information about borrowers who received loans under the Federal Family Education Loan (FFEL) and William D. Ford Federal Direct Loan (Direct Loan) programs, the Privacy Act of 1974 and the Family Educational Rights and Privacy Act (FERPA) apply to all repayment information. State and local laws and regulations may also govern the use of this material. Recipients must take appropriate steps to ensure that this material is used and discarded properly.

The layout of the repayment information extract file follows the layout of the electronic loan record detail report extract file. See Chapter 2.3, "Reviewing the Loan Record Detail Report," for a guide to the extract file.

Obtaining Summary Repayment Information from NSLDS

Note: To access a school's summary repayment information, an individual at the school must have an NSLDS User ID. This is a restricted data system, and each school has been assigned an individual User ID and password. To obtain an NSLDS User ID, contact CPS/SAIG Technical Support at 1-800-330-5947.

Step 1: Log on to the NSLDS website by entering the NSLDS User ID and password and clicking "Login."

Address: <https://www.nslsdfap.ed.gov/secure/logon.asp>



Enter Login Details

This system is LIMITED to approved use by AUTHORIZED personnel. Access by others is prohibited and unauthorized.

Username: Password:

LOGIN

Read the Privacy Act statement and confirm that you are an authorized user of NSLDS and that you will adhere to the Privacy Act by clicking "I Agree."

Step 2: Once logged on to NSLDS, select the "Org" tab from the main menu bar at the top of the screen.



Step 3: Under the "Org" tab select "Repayment Information."



Step 4: View the school's summary repayment information.

	Numerator Date Range	Denominator Date Range	FFEL Num	FFEL Denom	%	DL Num	DL Denom	%	Dual Num	Dual Denom	%	Date Processed
	06/2003-05/2005	06/2003-05/2004	0	59	0.0	59	3215	1.8	59	3263	1.8	06/25/2005
	05/2003-04/2005	05/2003-04/2004	0	58	0.0	54	3199	1.6	54	3246	1.6	05/28/2005
	04/2003-03/2005	04/2003-03/2004	0	58	0.0	50	3195	1.5	50	3241	1.5	04/30/2005
	03/2003-02/2005	03/2003-02/2004	0	61	0.0	45	3195	1.4	45	3244	1.3	03/26/2005
	02/2003-01/2005	02/2003-01/2004	0	57	0.0	49	3107	1.5	49	3153	1.5	02/26/2005
	01/2003-12/2004	01/2003-12/2003	0	56	0.0	48	3106	1.5	48	3151	1.5	01/29/2005
	12/2002-11/2004	12/2002-11/2003	0	9	0.0	20	3091	0.6	20	3097	0.6	12/25/2004
	11/2002-10/2004	11/2002-10/2003	0	16	0.0	47	3019	1.5	47	3028	1.5	11/27/2004
	10/2002-09/2004	10/2002-09/2003	0	16	0.0	45	3020	1.4	45	3029	1.4	10/30/2004
	09/2002-08/2004	09/2002-08/2003	0	16	0.0	43	3017	1.4	43	3026	1.4	09/25/2004

Obtaining Detailed Repayment Reports from NSLDS

You must use the NSLDS Web site to request detailed repayment information. Once the request has been made via the NSLDS website, the detailed file format is delivered to the Student Aid Internet Gateway (SAIG) mailbox associated with the NSLDS User ID making the request. EDconnect software is used to download the detailed file format from the user's SAIG mailbox. Therefore, in order to request detailed file format repayment information, the requestor must have an NSLDS User ID, an SAIG account, and EDconnect software. (For help in obtaining IDs and software, contact CPS/SAIG Technical Support at 1-800-330-5947.)

There are two types of NSLDS User IDs: an online services User ID and an online services and batch User ID. [Be sure to use an NSLDS User ID that has been designated for receipt of batch files.](#) [Receipt of NSLDS batch files is one of the options on the SAIG Enrollment Agreement.]

SUBMITTING THE REQUEST TO NSLDS

Step 1: Log on to the NSLDS website by entering the NSLDS User ID and password and clicking "Login."



Enter Login Details

This system is LIMITED to approved use by AUTHORIZED personnel. Access by others is prohibited and unauthorized.

Username: Password:

LOGIN

Address: <https://www.nslsdfap.ed.gov/secure/logon.asp>

Read the Privacy Act statement and confirm that you are an authorized user of NSLDS and that you will adhere to the Privacy Act by clicking "I Agree."

Step 2: Once logged on to NSLDS, select the "Report" tab from the menu bar at the top of the screen.



Step 3: Under the Report function, click on the blue number box to the left side of the screen for "Date Entered Repayment Report," "School Repayment Info Loan Detail," or "Borrower Default Summary Report."

	Report ID	Names
1	DER001	DATE ENTERED REPAYMENT REPORT
2	DRC015	SCHOOL REPAYMENT INFO LOAN DETAIL
3	DRC035	SCHOOL COHORT DEFAULT RATE HIST RPT
4	FAT001	REQUEST FOR FINANCIAL AID HISTORY
5	OVP001	SCHOOL OVERPAYMENT REPORT
6	SCHDF1	BORROWER DEFAULT SUMMARY REPORT
7	SCHER1	ENROLLMENT REPORTING SUMMARY REPORT
8	SCH01A	EXIT COUNSELING BY SSN
9	SCH01B	EXIT COUNSELING
10	SCH07B	TRANSFER MONITORING SUMMARY REPORT

Date Range (DER001, SCHDF1) For two reports, you can specify a

Step 4: Set the report parameters on the next page that appears.

Report Format. All three of the reports give you the option of receiving the data in **Extract** or **Report** format.

ID: [DRC015](#) Type:
 Name: SCHOOL REPAYMENT INFO

- ◆ With an extract a school can customize the data by querying and sorting the repayment information based on the school's individual needs.
- ◆ A report can be accessed using standard word processing software.

Loan Selection (DRC015). This option will determine which loans are included in the "School Repayment Information Loan Detail" report.

SCHOOL ID : 003749
 LOAN SELECTION :
 DENOMINATOR DATE RANGE :
 NUMERATOR DATE RANGE : ALL
 Sort By:
 Output Medium: SAIG

- ◆ "ALL" — contains all of the loans included in the denominator only and numerator only reports.
- ◆ "DENOMINATOR ONLY" — contains all of the loans that entered repayment during the first 12 months of the most recent 24-month period and did not default during that 24-month period.
- ◆ "NUMERATOR ONLY" — contains only those loans that entered repayment during the first 12 months of the most recent 24-month period and defaulted during that 24-month period.

date range for the students.

- ◆ **Date Entered Repayment (DER001)** Report will show student borrowers with loan history who are scheduled to go into repayment during the specified date range. Borrowers returned will be in current attendance at the requestor's school.

OPEID : 00374900
 DT SCHED TO ENTER REPAY BEGIN : MM/DD/CCYY
 DT SCHED TO ENTER REPAY END : MM/DD/CCYY
 Sort By:
 Output Medium: SAIG

- ◆ **Borrower Default Summary Report (SCHDF1)** Report will show all loans that currently have a defaulted loan status (DB, DL, DO, DT, DU, DW, DF, or DZ) and a loan status date that falls within the requested date range.

LOAN STATUS BEGIN DATE : MM/DD/CCYY
 LOAN STATUS END DATE : MM/DD/CCYY
 LOAN PROGRAM TYPES :
 Sort By:
 Output Medium: SAIG

Loan Type (SCHDF1) You can specify that Direct Loans, FFEL, Perkins, or "All" be included in the "Borrower Default Summary Report."

LOAN PROGRAM TYPES :
 Sort By:
 Output Medium:

Sort By This option will determine the order of the report/extract.

School Repayment Loan Detail DRC 015

Sort By:

Output Medium:
1 SSN
2 CLAIM CODE, SSN
3 LOAN STATUS, SSN

- ◆ "SSN" sorts the borrowers in Social Security Number order.
- ◆ "CLAIM CODE, SSN" sorts by claim code and then by SSN.
- ◆ "LOAN STATUS, SSN" sorts by loan status code and then by SSN.

Date Entered Repayment DER 001

Sort By:

Output Medium:
1 SSN
2 Name
3 DER

- ◆ "SSN" sorts the borrowers in Social Security Number order.
- ◆ "Name" sorts by the borrowers name.
- ◆ "DER" sorts by the Date Entered Repayment.

Default Loan Summary SCHDF1

Sort By:

Output Medium:
1 SSN
2 LAST NAME
3 LOAN STATUS DATE

- ◆ "SSN" sorts the borrowers in Social Security Number order.
- ◆ "Last Name" sorts by the borrowers last name.
- ◆ "Loan Status Date" sorts by the Date Entered Repayment.

Step 5: Verify that the information is correct and click "Confirm."

A message will appear indicating the request was successfully submitted.

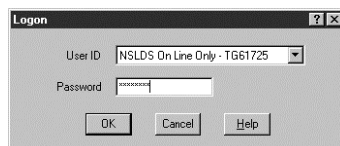
If the repayment information is requested before 10 a.m. EST, the file should be available by the end of that business day. If the repayment information is requested after 10 a.m. EST, the file should be available by the next business day.

After completing these steps, a school can return to Step 4 and select the other option if the school so wishes. That is, a school that selects an extract at Step 4 can return to that step and also select a report.

Downloading Repayment Information from the SAIG Mailbox

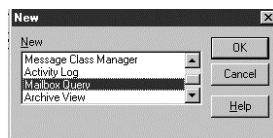
Before downloading the repayment information from the SAIG mailbox, ensure the ID you used when logging on to the NSLDS website is set up in the EDconnect software. If this has not been done, contact CPS/SAIG Technical Support at 1-800-330-5947.

Step 1: Log onto the Edconnect software using the User ID associated with the NSLDS User ID that made the request for repayment information.

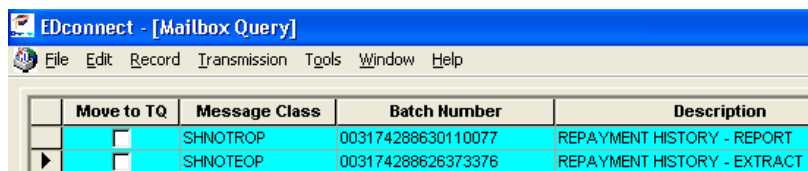


*Step 2: Select **Now** from the Transmission menu.*

*Step 3: Once EDconnect has finished processing the **Transmission Now** request, select "Mailbox Query" from the New option on the File menu.*



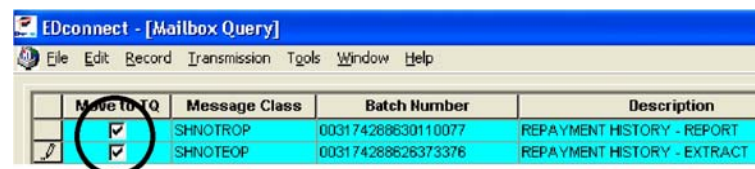
Step 4: EDconnect will provide a list of those files that are available for download. From the list of files available to be downloaded, identify the repayment information that was requested.



The message classes for repayment information consist of eight letters:

AHSLDSOP	Date Entered Repayment (Report)	DER001
AHSLDEOP	Date Entered Repayment (Extract)	DER001
SHNOTROP	School Repayment Information Loan Detail (Report)	DRC015
SHNOTEOP	School Repayment Information Loan Detail (Extract)	DRC015
AHSLDSOP	Default Loan Summary Report (Report)	SCHDF1
AHSLDEOP	Default Loan Summary Report (Extract)	SCHDF1

*Step 5: Place a check mark in the **Move to TQ** column next to the message class associated with the requested repayment information.*



*Step 6: Select **Now** from the Transmission menu.*

EDconnect will download the file to the designated directory. At this point, a school can rename the file. A school may wish to name a file for the date the file was downloaded.

Step 7: Access the file.

For questions about the SAIG mailbox or downloading files, contact CPS/SAIG Technical Support at 1-800-330-5947.

Why should a data manager review this chapter?

Data managers should review this Guide for information regarding cohort default rates. This chapter contains basic strategies to prepare a data manager for the release of the cohort default rates as well as strategies to help a data manager process challenges, adjustments, and appeals.

What strategies can a data manager employ before the release of the draft and official cohort default rates?

There are a number of strategies a data manager can employ before the release of the draft and official cohort default rates:

- ◆ determine data manager staff responsible for processing all cohort default rate challenges, adjustments, and appeals;
- ◆ establish school and Department cohort default rate contacts within the data manager organization and provide updates to schools and Default Prevention and Management (DPM) when those contacts change;
- ◆ notify DPM if data manager address or corporate structure changes;
- ◆ identify staff responsible for enrollment changes;
- ◆ keep copies of all relevant correspondence between the data manager and schools, lenders, and the Department;
- ◆ timely submit, in accordance with Department regulations, changes in a borrower’s loan information to the National Student Loan Data System (NSLDS) and print NSLDS screen to show acceptance of data manager changes;
- ◆ develop a plan to assist schools that enhances understanding of what reports and information a school can obtain from the data manager and describes how a school can correct the information; and
- ◆ use this Guide as a reference when discussing cohort default rate matters with schools.

A data manager may wish to develop a checklist, specific to the data manager’s needs, of the activities the data manager needs to do before, during, and after the release of the draft and official cohort default rates.

A data manager should also begin preparations for the release of the cohort default rates. A data manager should prepare and send monthly status reports to DPM. Further, there are a number of spreadsheets and letters used in each challenge, adjustment, and appeal. See the individual challenge, adjustment, and appeal chapters in Part IV for information on these spreadsheets and letters and how a data manager uses them. If a data manager has not previously created electronic copies of the various spreadsheets and letters it should do so before the release of the cohort default rates. If a data manager

A data manager should prepare and send monthly status reports to DPM.

Blank versions of all spreadsheet are posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

has already created electronic copies of the various spreadsheets and letters, it should locate those electronic copies and verify that they are ready for use.

What strategies can a data manager employ to help process challenges, adjustments, and appeals?

There are a number of things a data manager should do as part of the challenge, adjustment, and appeal process.

- ◆ A data manager should date stamp school challenge, adjustment, or appeal submissions when the submissions are received. The data manager response time frames begin when the package is first received by the data manager. Therefore, a data manager may wish to keep the package for proof of the receipt date until the challenge, adjustment, or appeal process is finished.
- ◆ A data manager should check the date a school received its cohort default rate notification package on the electronic file sent by DPM to determine if the school is timely in its submission. If the date is not listed on the report, or if the file cannot be opened, the data manager should contact DPM for the date.
- ◆ A data manager should contact DPM to discuss eligibility issues if the data manager receives any adjustments or appeals from a school on the Department's sanction list. When the official cohort default rates are released, the sanction list is made available online under "Default Management" on the IFAP Web site (ifap.ed.gov).
- ◆ A data manager should review prior challenge, adjustment, and/or appeal responses if the data manager believes the school is attempting to submit a challenge, adjustment, or appeal for a borrower who was addressed in a previous challenge, adjustment, or appeal.
- ◆ A data manager should contact a school as soon as possible if the school does not include all the appropriate challenge, adjustment, or appeal materials.
- ◆ A data manager should make sure comments are entered in the comment column of the spreadsheets, particularly if the data manager disagrees with the school. The data manager should make sure the comment is clear and that supporting documentation is attached to the spreadsheet. The data manager may use abbreviations as long as the data manager provides a list of those abbreviations.
- ◆ A data manager should contact DPM if assistance is needed to make a determination on a school's data, supporting documentation, or other information submitted as part of the challenge, adjustment, or appeal process.

- ◆ A data manager should send copies of its challenge, adjustment, or appeal responses to DPM as the responses are processed. The data manager should not wait to send all the copies as one batch.
- ◆ A data manager should send all cohort default rate correspondence to all entities via certified mail or commercial delivery and maintain the documentation that shows the correspondence was timely sent. This information will be sent to DPM as part of the monthly status report.
- ◆ A data manager should inform schools and DPM if the data manager is unable to comply with time frames due to the data manager's workload.

What should a data manager do if it receives an incorrect submission from a school?

A data manager should contact a school as soon as possible if a school incorrectly asks for guidance about or submits an uncorrected data adjustment, participation rate index challenge, economically disadvantaged appeal, participation rate index appeal, average rates appeal, or thirty-or-fewer borrowers appeal to the data manager. The data manager should inform the school that the materials or question must be submitted to DPM within the appropriate time frame. The data manager must also inform DPM of the incorrect submission.

If the data manager receives a challenge, adjustment, or appeal but the data manager does not hold the loans, the data manager should notify the school and DPM that the challenge, adjustment, or appeal must be submitted to the appropriate data manager and remind the school that the challenge, adjustment, or appeal must be submitted to the appropriate data manager within the appropriate time frame.

There will be some instances where the data manager was the former holder of the loans but those loans have been assigned to the Department and the loan record detail report does not yet reflect the assignment. In that event, the data manager should send the school and DPM a notice stating that the loans have been assigned to the Department. The data manager should instruct schools to send the request to DPM within 15 calendar days of receipt of the data manager's letter.

What should a data manager do if the school's challenge, adjustment, or appeal is successful?

After a school's successful incorrect data challenge, the data manager must update NSLDS and the data manager's internal records with the new information prior to the calculation of the next official cohort default rates. The data manager must also submit to NSLDS any subsequent incorrect data challenge changes submitted to the data manager by DPM.

After a data manager is informed by DPM that a school's new data adjustment, uncorrected data adjustment, or erroneous data appeal was successful, the data manager must update NSLDS and the data manager's internal records

A data manager must ensure that the data is successfully entered into NSLDS.

with the new information prior to the calculation of the next draft cohort default rates.

A data manager must ensure that the data is successfully entered into NSLDS. A data manager should review the NSLDS error report. Contact NSLDS Customer Service at 1-800-999-8219 for submission assistance.

How does a data manager keep the Department informed about its cohort default rate actions?

Data managers send monthly reports (see the following example) to DPM listing the status of all cohort default rate related requests the data manager has received. The monthly status report is a cumulative list of requests that data managers receive from schools after the release of the draft cohort default rates or the official cohort default rates. This process minimizes the need for DPM to contact a data manager. These status reports will assist DPM in monitoring the time frames associated with the cohort default rate process. The monthly status reports should be sent to DPM within seven calendar days after the end of each month.

If the data manager does not receive any requests from schools, it should submit a blank monthly status report to DPM indicating that it has not received any requests. If the data manager does not review a response because of an untimely submission, the data manager should note this on the monthly status report.

A data manager should not submit copies of its responses to schools to DPM with its monthly report. Copies of these responses should be sent to DPM at the same time the data manager sends the response to the school. Once the data manager has responded to all of the requests received, and the data manager has not received any subsequent requests, the data manager should send DPM an updated status report marked "FINAL." After the data manager sends DPM the final report, the data manager does not send any more monthly status reports until the next cohort default rates are released.

Monthly Status Report Spreadsheet - Example

Type: Monthly Status Report Cohort FY: Draft 2004 From: State Guaranty Agency Data Manager Code: 111 To: Default Prevention and Management							Month and Year: March 2006 Number of Schools: 1			
	A	B	C	D	E	F	G	H	I	J
1	School's OPE ID	School's Name	Type of Request	Cohort FY	Date School Submitted Request	Date Data Manager Submitted Responses	Service Type	Tracking Number	Date School Signed for Responses	Comments
2	099999	Graphic Tech	IDC	2004	02/14/2006	03/02/2006	UPS	12345	03/05/2006	
3										
4										
5										
6										
Date 04/01/2006									Page 1 of 1	

A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

How a data manager submits monthly status reports to Default Prevention and Management

A data manager may be able to submit a monthly status report via electronic mail. DPM will notify data managers each cycle how electronic mail will be accepted.

DPM recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the monthly status report as well as all other electronic and hardcopy documentation submitted as a part of the monthly status report process.

The data manager can use this information when submitting monthly status reports to DPM.

If sending by courier:

U.S. Department of Education
 Default Prevention and Management
 ATTN: Monthly Status Report
 Union Center Plaza 084F
 830 1st Street, NE
 Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
 Default Prevention and Management
 ATTN: Monthly Status Report
 Union Center Plaza 084F
 400 Maryland Avenue, SW
 Washington, DC 20202-5353

Do not send monthly status reports to any other address at the Department.

4.1 Incorrect Data Challenge

What is an incorrect data challenge?

After the release of the draft cohort default rates, the U.S. Department of Education (the Department) provides schools an opportunity to review the draft data and, if necessary, work with the data manager responsible for the loans to correct any errors. The process of correcting data is called an incorrect data challenge.

Incorrect Data Challenge		
Draft Cycle	School receives draft cohort default rate notification package	<i>February</i>
	School sends completed Incorrect Data Challenge to data manager	<i>Within 45 days of timeframe begin date</i>
	Data Manager sends Incorrect Data Challenge response to the school	<i>Within 30 days of receipt of the school's incorrect data challenge</i>
Official Cycle	Not applicable	

Which schools are eligible to submit an incorrect data challenge?

Any school that receives a draft cohort default rate, including those with draft cohort default rates below 25.0 percent, is provided the opportunity to challenge its most recent draft cohort default rate. Because the draft data forms the basis for a school's official cohort default rate, it is important that every school reviews its loan record detail report (LRDR) for the draft cohort default rates and, if necessary, submit an incorrect data challenge. Even schools that have withdrawn from the Federal Family Education Loan (FFEL) and/or William D. Ford Federal Direct Loan (Direct Loan) programs should review the LRDR for the draft cohort default rates and, if appropriate, submit an incorrect data challenge.

Challenging draft cohort default rate data enables a school to request a correction to what it believes to be inaccurate data contained in the school's LRDR for the draft cohort default rates. A LRDR for the draft cohort default rates contains inaccurate data if

- ◆ a borrower's data was incorrectly reported in the draft cohort default rate calculation,
- ◆ a borrower was incorrectly included in the draft cohort default rate calculation, and/or

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

- ◆ a borrower was incorrectly excluded from the draft cohort default rate calculation.

It is important to correct inaccurate data through an incorrect data challenge for a number of reasons:

A school will not have a second opportunity to submit an incorrect data challenge.

- ◆ A school will not have a second opportunity to submit an incorrect data challenge; in its review, the school needs to ensure that no discrepancies exist among its records, the information obtained from outside sources, and the LRDR for the draft cohort default rates.
- ◆ The loan information used to calculate the draft cohort default rate will be used to calculate the school's official cohort default rate; the school needs to ensure that this data is accurate because official cohort default rates can result in certain benefits for the school or sanctions against the school.
- ◆ An incorrect data challenge will preserve a school's right to submit an uncorrected data adjustment if the agreed upon changes are not reflected in the official cohort default rate.
- ◆ An incorrect data challenge will preserve a school's right to submit an erroneous data appeal on the basis of disputed data if the school is subject to sanction after the release of the official cohort default rates.

What benefit will a school gain from submitting an incorrect data challenge?

If it is determined that the draft cohort default rate data is inaccurate, and the data manager responsible for the inaccurate data agrees to make a change to the data, the school's official cohort default rate should reflect the change. The change to the data may lower, raise, or not affect the cohort default rate.

If the agreed upon changes are not reflected in the official cohort default rate, a school may submit an uncorrected data adjustment to the Department's Default Prevention and Management (DPM) office after the release of the official cohort default rates to request that DPM make the manual change to the school's cohort default rate.

If the data manager does not agree to change the data in a school's incorrect data challenge and the school is subject to sanction after the release of the official cohort default rates, the school may submit an erroneous data appeal based on the data the school believes is inaccurate if that data was challenged in the school's incorrect data challenge.

What roles do the Department and data managers have in a school's incorrect data challenge?

A data manager is required to review a school's incorrect data challenge allegations if the incorrect data challenge allegations are submitted in a timely manner and the data manager has responsibility for the loans. If a school submits incorrect data challenge allegations to the wrong entity, the incorrect data challenge allegations will not be reviewed and the school could miss the deadline. The guarantor/servicer code on the LRDR identifies the data

manager for a loan. See Chapter 2.3, “Reviewing The Loan Record Detail Report,” for information on determining the data manager for a loan.

The data manager must respond to the school’s incorrect data challenge allegations within 30 calendar days of receipt. However, the data manager must not review incorrect data challenge allegations if the school did not send the incorrect data challenge allegations within the 45-calendar-day timeframe. If the data manager does not respond within 30 calendar days, the school should advise DPM in writing of the delay.

The Department has two roles in the incorrect data challenge process. The primary role is to review a data manager’s response to a school’s incorrect data challenge to ensure that the response is correct.

The Department’s other role is to respond to a school’s incorrect data challenge if the Department is the data manager for the loans being challenged. The Department is the data manager for FFELs the Department holds and for all Direct Loans.

DPM is responsible for responding to a school’s incorrect data challenge for FFELs that the Department holds. These loans are primarily identified in the LRDR with a guarantor/servicer code of 555. See the “Alphabetical Data Manager Contacts” on the DPM Web site (under the Default Rate Guide Link) for a listing of other codes that identify the Department as the holder of a loan.

The Department’s Direct Loan servicer is responsible for responding to a school’s incorrect data challenge for all Direct Loans, even those that are in default. These loans are identified in the LRDR with a guarantor/servicer code of 0101.

When must a school submit an incorrect data challenge?

Timing is critical when submitting an incorrect data challenge. In order to submit an incorrect data challenge, a school must review the LRDR for the draft cohort default rates to determine if the LRDR contains any inaccurate data. If the school believes the LRDR contains inaccurate data, it should submit an incorrect data challenge listing the school’s incorrect data allegations to the data manager responsible for the loan with the inaccurate data. The school must submit the incorrect data challenge within 45 calendar days of the timeframe begin date.

How does a school submit an incorrect data challenge?

A school must list separate incorrect data challenge allegations for each loan record that the school believes contains inaccurate data. If one data manager is responsible for all of the loans, the school must list all the allegations in one incorrect data challenge. However, if there are multiple data managers involved, the school must submit a separate incorrect data challenge to each data manager. For example, a school believes the LRDR contains three loans with inaccurate data. Two of the loans are held by one data manager; the other loan is held by a different data manager. The school must prepare two separate incorrect data challenges, one for each data manager, listing only the loans held by each data manager.

For domestic schools the “timeframe begin date” is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the “timeframe begin date” is the day after the date of receipt of the official cohort default rate notification package.

More information:

- Chapter 2.3, “Reviewing the Loan Record Detail Report,” explains how to review the LRDR for inaccurate data.

- Chapter 3.1, “Reviewing Rates and Loan Data,” lists examples of incorrect data challenge allegations a school may submit as a part of an incorrect data challenge.

If a school submits an incorrect data challenge to the wrong entity, the incorrect data challenge will not be reviewed and the school could miss the deadline for challenging the draft data. Incorrect data challenges are not sent to DPM unless the school is challenging a FFEL loan that the Department holds.

The incorrect data challenge must include the following items:

- ◆ A completed incorrect data challenge spreadsheet that lists the inaccurate data reflected on the LRDR (see sample spreadsheet below).
- ◆ Copies of the appropriate pages from the LRDRs (see Chapter 3.1, “Reviewing Rates and Loan Data,” for examples of the LRDR pages that a school should submit).
- ◆ Copies of relevant supporting documentation (see Chapter 3.1, “Reviewing Rates and Loan Data,” for examples of other supporting documentation that a school must submit).
- ◆ A letter on the school’s letterhead (see sample letter at the end of this chapter).

Sample Spreadsheet – School to Data Manager

Type: Incorrect Data Challenge
 Cohort FY: 2004
 From: Graphic Tech
 Code: 099999
 To: State Guaranty Agency
 Code: 111

Number of Borrowers: 2
 Number of Loans: 3

	A	B	C	D	E	F	G	H	I	J	K
	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree
1	010-10-0101	Hartsgrove, Matt	SF	1	12/21/1999	06/22/2000	06/25/2004	FY 2004 FY 2000	-B +D	Incorrect data entered; repayment based on incorrect last day of attendance	N/A
2	101-01-1010	Freerkson, Drew	SF	1	N/A	N/A	N/A	FY 2004	-B	Loan was fully repaid and canceled	N/A
3	101-01-1010	Freerkson, Drew	SU	1	N/A	N/A	N/A	FY 2004	-B	Loan was fully repaid and canceled	N/A
4											
5											

Date 02/14/2006

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A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>

- ◆ The Department recommends that a school send all incorrect data challenge correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its incorrect data challenge. A school should maintain the documentation that verifies the receipt of the incorrect data challenge as well as all electronic and hardcopy documentation submitted as a part of the incorrect data challenge process. If a school does not meet the 45-calendar-day timeframe for submitting an incorrect data challenge, the incorrect data challenge will not be reviewed.

The data manager must respond to a school's incorrect data challenge within 30 calendar days of receiving the incorrect data challenge. If the data manager disagrees with a school's incorrect data challenge allegations, it must provide documentation to support its decision.

How does a school identify the data manager of a loan?

The guarantor/servicer code on the LRDR shows the data manager responsible for a loan. A school can use this number to obtain the name and address of the data manager. See the "Numerical Data Manager Contacts" on the DPM Web site, (under the "Default Rate Guide" link), for a listing of data manager codes and addresses.

How does a data manager respond to a school's incorrect data challenge?

Timing is critical when responding to a school's incorrect data challenge. A data manager is required to respond to a school's timely submitted incorrect data challenge for those loans for which the entity is the data manager and send a copy of the response to DPM. However, a data manager must not review a school's incorrect data challenge if the 45-calendar-day timeframe for a school to submit the incorrect data challenge has expired. If the school's due date falls on a weekend or a federal holiday; a school may send its incorrect data challenge to the data manager no later than the next federal business day.

Before denying a school's incorrect data challenge on the basis of a late submission, a data manager should verify the actual date the school received its draft cohort default rate notification package from DPM. If the school did not submit the incorrect data challenge in a timely manner, the data manager must not review any part of the incorrect data challenge. In its response to the school, the data manager should explain that it is unable to review the incorrect data challenge because the school missed the regulatory deadline. The data manager must also send a copy of the response to DPM.

The data manager must respond to a timely submitted incorrect data challenge within 30 calendar days of receiving the incorrect data challenge. In its incorrect data challenge response, the data manager will address each of the school's timely submitted incorrect data challenge allegations. If the data manager does not respond within 30 calendar days, the school should advise DPM in writing of the delay.

If the incorrect data challenge is timely, a data manager must review each incorrect data challenge allegation submitted by the school:

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

- ◆ The data manager should determine if the incorrect data challenge allegations presented by the school are based on loans that the data manager currently holds.

If the data manager does not hold the loans, the data manager should notify the school and DPM that the incorrect data challenge must be submitted to the appropriate data manager and remind the school that the incorrect data challenge must be submitted to the appropriate data manager within 45 calendar days of the timeframe begin date. There will be some instances where the data manager was the former holder of the loans but those loans have been assigned to the Department and the LRDR for the draft cohort default rates does not yet reflect the assignment. In that event, the data manager should send the school and DPM a notice stating that the loans have been assigned to the Department. The school then has until the later of the initial 45-calendar-day deadline or 15 calendar days after receipt of the letter from the data manager to submit the incorrect data challenge to DPM.

- ◆ The data manager should determine if all relevant material is present.

See the section of this chapter entitled "How does a school submit an incorrect data challenge?" for information on the materials a school is required to submit with its incorrect data challenge. If a school fails to provide the data manager with all of the necessary information, the data manager must ask the school to submit the missing information. However, the school must submit this additional information to the data manager within the initial 45-calendar-day deadline for submitting incorrect data challenges. If the school does not submit the additional information within the deadline, the data manager must not review the incorrect data challenge allegation.

- ◆ The data manager should determine if its documentation supports or refutes each of the incorrect data challenge allegations listed on the school's spreadsheet.

The data manager should agree with the school if the data manager's documentation supports the school's claim or if the school has demonstrated that the data manager has failed to take into account correct information the school timely sent to the data manager or the National Student Loan Data System (NSLDS).

The data manager should disagree with the school if the data manager's documentation refutes the school's claim or if the school failed to demonstrate that the correct information was timely submitted to the data manager or NSLDS. The data manager must explain to the school why it disagrees with the school and send the school a copy of the data manager's supporting documentation. The

data manager must send a copy of the response and the supporting documentation to DPM.

After making its determinations, the data manager must compile a list of the data manager's responses to the school's list of alleged errors. The data manager must record the responses to each of the alleged errors on an incorrect data challenge response spreadsheet and provide comments on why the data manager agrees or disagrees with each of the school's incorrect data challenge allegations. If the data manager agrees that a change should be made, it must correct the data in its internal data system and in NSLDS. Before the calculation of the official cohort default rates, the data manager must ensure that the changes it agreed to make were successfully loaded into NSLDS. The data manager should check the NSLDS error report.

The data manager must provide supporting documentation if the data manager disagrees with the school's incorrect data challenge allegations. In addition, if the data manager's response indicates that a loan has been repurchased, the data manager should provide the original claim paid date, the repurchase date, the reason the loan was repurchased, and the default date if any subsequent claim was filed.

The data manager's response must include the following:

- ◆ A spreadsheet of the data manager's responses to the school's list of alleged errors (see sample spreadsheet on the next page).
- ◆ Copies of supporting documentation for each incorrect data challenge allegation with which the data manager disagreed.
- ◆ A letter on the data manager's letterhead with the school's name and OPE ID number (see sample letter at the end of this chapter).

Sample Spreadsheet – Data Manager to School

Type: Incorrect Data Challenge
 Cohort FY: 2004
 From: State Guaranty Agency
 Code: 111
 To: Graphic Tech
 Code: 099999

Number of Borrowers: 2
 Number of Loans: 3

	A	B	C	D	E	F	G	H	I	J	K
	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree
1											
2	010-10-0101	Hartsgrove, Matt	SF	1	12/21/1999	06/22/2000	06/25/2004	FY 2004 FY 2000	-B +D	School sent enrollment status change on 01/15/2000	Agree
3	101-01-1010	Freerkson, Drew	SF	1	10/01/2003	04/02/2004	05/01/2005	FY 2004	No effect	School says loan repaid but no supporting documentation	Disagree
4	101-01-1010	Freerkson, Drew	SU	1	10/01/2003	04/02/2004	05/01/2005	FY 2004	No effect	School says loan repaid but no supporting documentation	Disagree
5											

Date 03/01/2006

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A blank version of this spreadsheet is posted on the Default Prevention and Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

The data manager sends its response to the school and a copy of the response to DPM.

If a data manager is unable to respond within 30 calendar days of receiving the school's incorrect data challenge, it should send the school a letter on its official letterhead explaining the circumstances causing the delay, telling the school when it will respond, and indicating that DPM has been informed of the delay.

If a data manager can respond to only a portion of a school's incorrect data challenge allegations within 30 calendar days, it should hold that portion of the response until it can provide a response to all of the school's incorrect data challenge allegations. The data manager should send a letter to the school and DPM that provides the information outlined above.

What does DPM do with a data manager's incorrect data challenge response?

DPM reviews data manager responses to schools' incorrect data challenges to ensure that the responses are correct. If DPM determines that the data manager responses are not correct, DPM will notify the data manager and the school prior to the release of the official cohort default rates that the data

manager's responses were incorrect and will provide the correct responses. DPM will instruct the data manager to resubmit the corrected data to NSLDS. The data manager must ensure that NSLDS is correctly updated. The data manager must also ensure that its internal records are correctly updated.

How a data manager submits a copy of the incorrect data challenge response to the Department

DPM recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the incorrect data challenge response as well as all other electronic and hardcopy documentation submitted as a part of the incorrect data challenge process.

The data manager can use this information when submitting monthly status reports to DPM. For additional information on monthly status reports, see Chapter 3.3, "Data Manager Strategies & Reports."

If sending by courier:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
830 1st Street, NE
Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

What does a school do with a data manager's incorrect data challenge response?

The incorrect data challenge process is considered complete when the data manager responds to the school's incorrect data challenge. However, in those cases where the data manager's response is unclear, incorrect, missing, or incomplete, the school may submit a request to the data manager for clarification. A school must submit the request to the data manager within 15 calendar days of the receipt of the incorrect data challenge response. The data manager should respond to the school's inquiry within 20 calendar days of receiving the inquiry and send a copy of the response to DPM.

A school cannot appeal a data manager's incorrect data challenge response to DPM during the draft process. The school should keep the data manager's incorrect data challenge response to review and to compare the response to the school's LRDR for the official cohort default rates.

Sample Letter (School to Data Manager)



Graphic Tech

2341 Toulouse Street
Cape Canaveral, FL 32921-2341

February 14, 2006

ATTN Lisa Neiers
Compliance Officer
State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 68701-0132

OPE ID 099999

Subject: Cohort FY 2004 Incorrect Data Challenge

Dear Ms. Neiers:

Graphic Tech, OPE ID 099999, is challenging the data found in our loan record detail report for the FY 2004 draft cohort default rate. Please see the enclosed spreadsheet, pages from the loan record detail report from the draft cohort default rate, and supporting documentation.

I, the undersigned, certify under penalty of perjury, that all information submitted in support of this incorrect data challenge is true and correct.

Thank you for your consideration.

Sincerely,

Alexander Peachum
President, Graphic Tech

Enclosures

The letter must include the school's OPE ID number, a statement indicating that the school is submitting an incorrect data challenge, and the cohort fiscal year to which the incorrect data challenge applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the incorrect data challenge] Incorrect Data Challenge." The letter must include a certification that the information provided is true and correct under penalty of perjury. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. (See sample school incorrect data challenge letter to a data manager.)

Sample Letter (Data Manager to School)

**State
Guaranty
Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132**

March 1, 2006

Alexander Peachum
President
Graphic Tech
2341 Toulouse Street
Cape Canaveral, Florida 54321-2341

OPE ID 099999

Subject: Cohort FY 2004 Incorrect Data Challenge Response

Dear Mr. Peachum:

This is State Guaranty Agency's response to the cohort FY 2004 incorrect data challenge that Graphic Tech, OPE ID 099999, submitted on February 14, 2006. Please see the enclosed spreadsheet.

For each "Agree" in the "Agree/Disagree" column of the spreadsheet we will update the National Student Loan Data System (NSLDS) and our internal records. You should check your loan record detail report for the official cohort default rates to ensure that the change was made, and if not, submit an uncorrected data adjustment to Default Prevention and Management.

For each "Disagree" in the "Agree/Disagree" column of the spreadsheet we have reviewed our records and determined that they do not support the allegation. We have included a comment stating our position and attached copies of the documentation supporting our position. We will not make a change to NSLDS or to our internal records.

Sincerely,

Lisa Neiers
Compliance Officer

Enclosures

cc: U.S. Department of Education,
Default Prevention and Management

The letter must indicate that the data manager is responding to the school's incorrect data challenge and state the cohort fiscal year to which the response applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the challenge] Incorrect Data Challenge Response." The letter must include a statement that a copy of the response has been sent to DPM. The responsible data manager official must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Incorrect Data Challenge Checklists

School to Data Manager

Determine

- Does the loan record detail report for the draft cohort rates contain inaccurate data?

Submit to Data Manager

- Spreadsheet
- Relevant Pages of Loan Record Detail Report
- Supporting Documentation
- Letter

Data Manager to School

Determine

- Was the school submission timely?
- Does the data manager hold the loans?
- Is all the material present?
- Does the data manager agree or disagree with the school?

Response to School

- Spreadsheet
- Supporting Documentation
- Letter

Follow-up

- Send copy of response to DPM
- Update NSLDS and internal records (if necessary)
- Send monthly status report to DPM

4.2 Participation Rate Index Challenge

What is a participation rate index challenge?

A school is not subject to a sanction based on its cohort default rates if its participation rate index is 0.0375 or less (for a sanction based on three consecutive cohort default rates of 25.0 percent or greater) or 0.06015 or less (for a sanction based on one cohort default rate over 40.0 percent). In other words, if a school can demonstrate that the number of students who obtain loans is very low in relation to the number of regular students at the school, the school will be able to avoid sanction.

Participation Rate Index Challenge Timeframe		
Draft Cycle	School receives draft cohort default rate notification package	<i>February</i>
	School sends completed Participation Rate Index Challenge to Default Prevention and Management (DPM)	<i>Within 45 days of timeframe begin date</i>
	Default Prevention and Management (DPM) sends the school written notification of its decision (the decision is final and no further administrative review is provided).	<i>Before the official cohort default rates are published</i>
Official Cycle	Not applicable	

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

Which cohort default rate can be used to determine a participation rate index challenge?

A school can submit a participation rate index challenge for either the most recent draft cohort default rate or for either of the two most recent official cohort default rates, depending on the nature of the anticipated sanction to which the school may be subject. For example, take a sequence of years: This Year, Last Year, and Two Years Ago.

A school's draft cohort default rate for This Year indicates that the school will be subject to sanction after release of the official cohort default rates. If the sanction will be due to three consecutive years of an official cohort default rate that is 25.0 percent or greater, the school can submit a participation rate index challenge based on the draft cohort default rate for This Year, the official cohort default rate for Last Year, and/or the official cohort default rate for Two Years Ago. If the sanction will be due to an official cohort default rate for This Year that is greater than 40.0 percent, the school can submit a participation rate index challenge based on the draft cohort default rate for This Year (see following chart).

Years Used for Participation Rate Index Challenges

Nature of Sanction	This Year	Last Year	Two Years Ago
Three consecutive years of cohort default rates that are 25.0 percent or greater.	Yes – Draft Cohort Default Rate	Yes – Official Cohort Default Rate	Yes – Official Cohort Default Rate
Current cohort default rate that is greater than 40.0 percent.	Yes – Draft Cohort Default Rate	NO	NO

Which schools are eligible to submit a participation rate index challenge?

Any school, regardless of its draft cohort default rate, can submit a participation rate index challenge. However, only those schools that will be subject to sanction after the release of the official cohort default rates will receive any benefit from submitting a participation rate index challenge.

What benefit will a school gain from submitting a participation rate index challenge?

If a school submits a successful participation rate index challenge for an anticipated sanction, the school is not subject to that sanction when its next official cohort default rate is published. If the school's challenge was based on a prior official cohort default rate, the school will not be subject to a subsequent loss of eligibility based on that official cohort default rate.

Are participation rate index challenges based on a specific period of time?

The school may base the participation rate index challenge on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the participation rate index challenge. Because a school can choose to submit a participation rate index challenge based on its most recent draft cohort default rate or either of its two most recent official cohort default rates, the time period will differ based on the cohort fiscal year used by the school.

The federal fiscal year always begins on October 1. As a result, the six months immediately preceding the start of a fiscal year will always begin on April 1 and always end on September 30. Therefore, the 12-month period the school uses must end no earlier than April 1 and no later than September 30. In order for a 12-month period to end between April 1 and September 30, it must begin no earlier than April 2 and no later than October 1 of the preceding year.

Date Ranges for Acceptable 12-Month Periods

Cohort Fiscal Year	Cohort FY Start Date	Acceptable 12-Month Period Begins Between	Acceptable 12-Month Period Ends Between
2002	10/01/2001	04/02/2000-10/01/2000	04/01/2001-09/30/2001
2003	10/01/2002	04/02/2001-10/01/2001	04/01/2002-09/30/2002
2004	10/01/2003	04/02/2002-10/01/2002	04/01/2003-09/30/2003
2005	10/01/2004	04/02/2003-10/01/2003	04/01/2004-09/30/2004
2006	10/01/2005	04/02/2004-10/01/2004	04/01/2005-09/30/2005
2007	10/01/2006	04/02/2005-10/01/2005	04/01/2006-09/30/2006

To choose an acceptable 12-month period, a school should first determine which cohort fiscal year the school will use. The school then picks a start date from the range listed in the “Acceptable 12-Month Period Begins Between” column. The end date will be 12 months after the start date, which will fall in the range listed in the “Acceptable 12-Month Period Ends Between” column.

Acceptable & Unacceptable 12-Month Periods for Cohort FY 2005

12-Month Period	Status	Reason
04/02/2003-04/01/2004	Acceptable	Starts within acceptable range; 12 months later within acceptable range
04/02/2003-04/02/2004	Unacceptable	Starts within acceptable range; more than 12 months later
04/01/2003-03/31/2004	Unacceptable	Starts and ends outside acceptable range

A school can select the most beneficial 12-month period available. In other words, a school can identify the acceptable 12-month period during which it had the lowest percentage of borrowers and use that period when calculating its participation rate index.

If a school selects an unacceptable 12-month period, DPM will not review any portion of the school’s participation rate index challenge and the participation rate index challenge will be denied. A school may contact DPM at 1-202-377-4259 to discuss whether the school has selected an acceptable 12-month period.

How does a school calculate its participation rate index?

After selecting the 12-month period, the school determines the total

number of regular students enrolled at least halftime and for at least one day during any part of the 12-month period. It is not necessary for the student's entire enrollment period to fall within the 12-month period. The total number of students is the denominator. The school then determines the total number of those students who borrowed an FFEL or Direct Loan for a loan period that overlaps any part of the 12-month period. The total number of borrowers is the numerator.

$$\frac{\text{Total borrowers in 12-month period}}{\text{Total regular students in 12-month period}}$$

A regular student is a student who enrolled or was accepted for enrollment at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school. To be included in the participation rate index calculation, the borrower must be a student who was enrolled at least halftime and enrolled at least one day during the selected 12-month period.

Once the school has divided the total number of FFEL and Direct Loan borrowers by the total number of regular students, the school multiplies the result by the cohort default rate upon which the school is basing the participation rate index challenge. The result is the participation rate index. A participation rate index is calculated as follows:

$$\frac{\text{Total borrowers in 12-month period}}{\text{Total regular students in 12-month period}} \times \text{School's cohort default rate} = \text{Participation Rate Index}$$

See Chapter 2.1 "How the Rates are Calculated" for information on the formulas used to calculate cohort default rates.

If a school has fewer than 30 borrowers who entered repayment in the cohort fiscal year for which the participation rate index is calculated, the participation rate index for that cohort fiscal year may be calculated using either:

- ◆ the cohort default rate that would result from applying the non-average rate formula or
- ◆ the cohort default rate that would result from applying the average rate formula.

To avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less.

For example, School A's draft cohort default rate for the current cohort fiscal year is 25.0 percent. School A's two most recent official cohort default rates were 26.0 percent and 28.0 percent. As a result, if School A's official cohort default rate for this cohort fiscal year is also 25.0 percent,

School A will be subject to sanction because it will have three consecutive years of official cohort default rates that are 25.0 percent or greater.

School A decides to base its participation rate index challenge on the draft cohort default rate for the current cohort fiscal year. School A had a total of 200 regular students enrolled on at least a half-time basis during any part of the selected 12-month period relating to the current cohort fiscal year. Of those 200 students, 31 obtained FFELs or Direct Loans for a loan period that

$$\frac{31 \text{ borrowers}}{200 \text{ regular students}} \times 25.0 \text{ cohort default rate} = 0.03875$$

overlapped the 12-month period. School A's participation rate index is 0.03875.

Because the participation rate index is greater than 0.0375, School A's participation rate index challenge would be unsuccessful.

As another example, School B's draft cohort default rate is 50.0 percent. School B's two most recent official cohort default rates were 20.0 percent and 31.0 percent. As a result, if School B's official cohort default rate is also 50.0 percent, School B will be subject to sanction because it will have an official cohort default rate that is greater than 40.0 percent.

School B should base its participation rate index challenge on the draft cohort default rate for the current cohort fiscal year. School B had a total of 100 regular students enrolled on at least a half-time basis during any part of the 12-month period relating to the current cohort fiscal year. Of these 100 students, 10 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School B's participation rate index is 0.05.

$$\frac{10 \text{ borrowers}}{100 \text{ regular students}} \times 50.0 \text{ cohort default rate} = 0.05$$

Because the participation rate index is less than 0.06015, School B's participation rate index challenge would be successful.

However, if School B's two most recent official cohort default rates are 25.0 percent and 31.0 percent, School B is also subject to sanction because it will have three consecutive official cohort default rates that are 25.0 percent or greater. In that event, the participation rate index would have to be 0.0375 or less for the participation rate index challenge to be successful.

Does a school need to wait until the draft cohort default rate is released to prepare its participation rate index challenge?

If a school is submitting a participation rate index challenge using a previous cohort fiscal year's official cohort default rate, it can prepare a complete participation rate index challenge before it receives its current year draft cohort default rate.

If a school is submitting a participation rate index challenge using the current cohort fiscal year, it cannot perform the final step in the process (multiplying the participation ratio by the draft cohort default rate) until the school receives its draft cohort default rate. However, a school can perform the initial steps to identify the data to include in the calculation before it receives its draft cohort default rate if it believes its current cohort fiscal year official cohort default rate will incur sanctions. In that way, a school can save time when it receives its draft cohort default rate.

What roles do the Department and data managers have in a school's participation rate index challenge?

Schools submit participation rate index challenges directly to DPM for review and consideration. DPM is responsible for determining whether schools meet the established participation rate index criteria. Therefore, there is no role for data managers.

If a school submits a participation rate index challenge to the wrong entity or address, the participation rate index challenge might not be reviewed and the school could miss the deadline for submitting the participation rate index challenge to DPM.

If a data manager receives a participation rate index challenge from a school, it should immediately contact the school to inform it that the participation rate index challenge must be sent to DPM. The data manager should also indicate that the participation rate index challenge must be sent to DPM within the initial 45-calendar-day timeframe. The data manager should then notify DPM that the data manager has contacted the school.

What materials must a school submit as part of a participation rate index challenge?

The participation rate index challenge must include a letter on the school's letterhead (see sample letter at the end of this chapter).

If a school does not have any students who received FFELs or Direct Loans with loan periods that overlapped any part of the selected 12-month period, the school does not have to submit a spreadsheet to DPM. However, to avoid sanctions, the school's letter to DPM must identify the 12-month period and indicate that the school did not have any students who received loans with loan periods that overlapped the 12-month period.

If the school is required to submit a participation rate index challenge spreadsheet, it should use the format shown in the sample spreadsheet below. Using the information on the spreadsheet and the participation rate index formula, a school must calculate its participation rate index. As mentioned, to

avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less. If both sanctions apply, the participation rate index must be 0.0375 or less.

Sample Participation Rate Index Challenge Spreadsheet

Type: Participation Rate Index Challenge	Cohort Default Rate: 50.0%
Cohort FY: 2004	12-Month Period: 9/01/2002 – 08/31/2003
From: Graphic Tech	Total Borrowers: 2
Code: 099999	Total Regular Students: 50
To: Default Management	PRI: 0.02
Code: NA	

	A	B	C	D	E
	Student's SSN	Student's Name	Student's Enrollment Dates	Loan Type (if any)	Loan Period
1					
2	111-11-1111	Ross, Betsy	08/15/2002 - 05/25/2003	FFEL	08/15/2002 - 05/26/2003
3	222-22-2222	Adams, John	05/15/2002 - 05/26/2003	DL	08/15/2002 - 12/30/2002
4	333-333-3333	Washington, Martha	08/15/2002- 12/30/2002	No	N/A

Date 02/14/2006

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A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>

Schools are not required to submit an independent auditor's attestation to support the school's participation rate index challenge.

If a school is submitting a participation rate index challenge for multiple cohort default rates, it should submit all the participation rate index challenges in the same mailing to DPM. However, the school still needs to submit separate documentation for each participation rate index challenge.

How does a school submit a participation rate index challenge?

Timing is critical when submitting a participation rate index challenge. A school must send its participation rate index challenge to DPM within 45 calendar days of the timeframe begin date. If a school does not meet the 45-calendar-day timeframe for submitting a participation rate index challenge, the participation rate index challenge will not be reviewed

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

How a school submits a participation rate index challenge to the Department

DPM recommends that a school send all participation rate index challenge correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the participation rate index challenge as well as all electronic and hardcopy documentation submitted as a part of the participation rate index challenge process.

If sending by courier:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
830 1st Street, NE
Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

What happens after the school submits the participation rate index challenge?

DPM will review, using the standard of review described in 34 CFR 668.185(c), only the information submitted with the participation rate index challenge and will not review information submitted after the 45 calendar-day deadline. DPM will send the school written notification of DPM's decision before the official cohort default rates are published. DPM's decision is final and no further administrative review is provided.

If a school's participation rate index challenge is successful, the school is not subject to sanction when its next official cohort default rate is published. In addition, if a school's participation rate index challenge is based on a prior official cohort default rate, the school is not subject to any subsequent sanction based on that official cohort default rate. However, a successful participation rate index challenge based on a school's most recent draft cohort default rate does not excuse the school from any subsequent sanction.

What happens to a school's participation rate index challenge after the release of the official cohort default rates?

After the release of the official cohort default rates, DPM will recalculate the school's participation rate index challenge based on the school's official cohort default rate. If the school meets the requirements for a successful participation rate index appeal, the school will not be subject to sanction based on the school's official cohort default rate. If the school's recalculated participation rate index is 0.0375 or less, the school will not be subject to a subsequent sanction based on that official cohort default rate.

Sample Participation Rate Index Challenge Letter



February 14, 2006

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPEID 099999

Subject: Cohort FY 2004 Participation Rate Index Challenge

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a participation rate index challenge based on our FY 2004 draft cohort default rate. According to our calculations, our participation rate index is 0.02. This index is calculated using a 12-month period that began on September 1, 2002 and ended on August 31, 2003. Please see the enclosed spreadsheet.

I, the undersigned, certify under penalty of perjury, that all information submitted in support of this participation rate index challenge is true and correct.

Thank you for your consideration.

Sincerely

Alexander Peachum
President, Graphic Tech

Enclosures

The letter must include the school's OPE ID number, a statement indicating that the school is submitting a participation rate index challenge, the relevant cohort default rate on which the challenge is based, and a certification that the information provided is true and correct under penalty of perjury. The school must also note its participation rate index and the 12-month period the school selected. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the challenge] Participation Rate Index Challenge." The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Participation Rate Index Challenge Checklist

School to DPM

Determine

- Will the school be subject to sanction after the release of the official cohort default rates
- What is the school's participation rate index?

Submit to DPM

- Spreadsheet
- Letter

4.3 Uncorrected Data Adjustment

What is an uncorrected data adjustment?

An uncorrected data adjustment is a request submitted to the Default Prevention and Management (DPM) office to ensure that a school’s official cohort default rate calculation reflects changes that were correctly agreed to as a result of an incorrect data challenge that the school submitted after the release of the draft cohort default rates.

A school should submit an uncorrected data adjustment when:

- ◆ it submitted a timely challenge of its draft cohort default rate data,
- ◆ the data manager reviewing the incorrect data challenge agreed to make changes to the cohort default rate data, and
- ◆ the agreed upon changes are not reflected in the school’s loan record detail report (LRDR) for the official cohort default rates.

An uncorrected data adjustment can also be used by a school when a school performed due diligence in certifying a student’s loan application and subsequently learned that the borrower is ineligible for the loan due to borrower falsification of eligibility documents. Such loans will be removed from the official cohort default rate calculation if the adjustment is submitted in a timely manner and the supporting documentation justifies removal from the calculation. Since the data is reported correctly by the data managers, this is the only case where a school submitting an uncorrected data adjustment would not have had to first file an incorrect data challenge to challenge their draft cohort default rate data and, as a result, will not have to provide the data managers with a copy of their uncorrected data adjustment.

If a school does not submit an uncorrected data adjustment after the release of the official cohort default rates, the school will not have the opportunity to submit an uncorrected data adjustment at a later time.

Uncorrected Data Adjustment Timeframe		
Draft Cycle	Not applicable	
Official Cycle	School receives official cohort default rate notification package	<i>September</i>
	School sends Department completed Uncorrected Data Adjustment	<i>Within 30 days of timeframe begin date</i>

Timing is critical when submitting an uncorrected data adjustment. A school must send its uncorrected data adjustment to DPM within 30 calendar days of the timeframe begin date. If the school does not submit the uncorrected data adjustment in a timely manner, DPM will not review the uncorrected data adjustment.

For domestic schools the “timeframe begin date” is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the “timeframe begin date” is the day after the date of receipt of the official cohort default rate notification package.

Which schools are eligible to submit an uncorrected data adjustment?

Any school that receives an official cohort default rate may request that DPM adjust its cohort default rate if it meets the uncorrected data adjustment criteria as shown on Page 4.3-1. This includes schools that are not subject to sanction and schools that have withdrawn from the Federal Family Education Loan (FFEL) and/or William D. Ford Federal Direct Loan (Direct Loan) programs. A school can only request an adjustment of its most recent official cohort default rate.

What benefit will a school gain from submitting an uncorrected data adjustment?

If, as a result of an uncorrected data adjustment (or as the result of a school's submission of any adjustment or appeal), DPM determines that a school's official cohort default rate data is incorrect, DPM will recalculate the cohort default rate using the corrected data. This may lower, raise, or not affect the cohort default rate. If the school is subject to sanction and the cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction. In addition, a school that would otherwise be subject to sanction in a later year may avoid being subject to that sanction.

However, even though DPM may revise a cohort default rate, subsequent copies of the LRDR for the official cohort default rates will not reflect the change. Therefore, it is important for a school to keep a copy of DPM's final determination letter as the official record of the school's revised cohort default rate.

What roles do data managers have in a school's uncorrected data adjustment?

Schools submit uncorrected data adjustments directly to DPM for review and consideration. However, a school is required to send a copy of its uncorrected data adjustment to the data manager associated with the uncorrected data unless the uncorrected data adjustment is based solely on allegations of borrower falsification.

If DPM notifies a data manager that a school's uncorrected data adjustment was successful, the data manager must correct the data both in the data manager's internal system and in the National Student Loan Data System (NSLDS). Before the release of the draft cohort default rates, the data manager must ensure that the changes are successfully loaded into NSLDS.

If a school submits an uncorrected data adjustment to the wrong entity or address, the uncorrected data adjustment will not be reviewed and the school could miss the deadline for submitting the uncorrected data adjustment.

If a data manager receives an uncorrected data adjustment from a school, the data manager should immediately contact the school to inform it that the uncorrected data adjustment must be sent to DPM. The data manager should also indicate that the request must be sent to DPM within 30 calendar days of

the timeframe begin date. The data manager should then notify DPM that the data manager has contacted the school.

How does a school prepare an uncorrected data adjustment?

If a school believes the LRDR for the official cohort default rates contains uncorrected data, or includes borrowers whose loans were ineligible due to borrower falsification of eligibility documents, it should submit an uncorrected data adjustment to DPM. If a school submits an uncorrected data adjustment to the wrong entity, the adjustment will not be reviewed and the school could miss the deadline for submitting the uncorrected data adjustment to DPM.

Upon receiving the LRDR for the official cohort default rates, a school should compare the LRDR for the draft cohort default rates to the LRDR for the official cohort default rates and the data manager's response to the school's incorrect data challenge to determine if agreed upon changes have been made. If the school believes the LRDR for the official cohort default rates contains uncorrected data, it should submit an uncorrected data adjustment. The school must do so within 30 calendar days of the timeframe begin date.

In addition, a school should review the LRDR to determine if the LRDR contains loans that are counted in the cohort default rate calculation that were disbursed as a result of borrower falsification of eligibility documents. If the school believes that the LRDR contains such loans, the school must, within established timeframes, provide DPM with documentation to support that the school acted diligently and in good faith in accepting the documents and in certifying the loan. DPM will only review the information submitted with the uncorrected data adjustment.

The uncorrected data adjustment must include the following items:

- ◆ A completed uncorrected data adjustment spreadsheet that lists the uncorrected data that the data manager agreed to change in its incorrect data challenge response but is not reflected in the LRDR for the official cohort default rates; or that lists the borrowers the school deems ineligible due to borrower falsification of eligibility documents. (See sample spreadsheet on next page).
- ◆ A copy of the data manager's response to the school's incorrect data challenge. The school should include copies of the incorrect data challenge responses the school received after the release of the draft cohort default rates from the relevant data managers that show that the data managers agreed to the changes. (Not applicable if school is submitting an uncorrected data adjustment based solely on borrower falsification of eligibility documents). If the uncorrected data adjustment contains allegations of borrower falsification of eligibility documents, the school should provide documentation to support that the school acted diligently and in good faith in accepting the documents and certifying the loans.

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website:
<http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

- ◆ A letter on the school's letterhead (see sample letter at the end of this chapter)

Sample Uncorrected Data Adjustment Spreadsheet

Type: Uncorrected Data Adjustment
 Cohort FY: 2004
 From: Coralville College
 Code: 098998
 To: DPM
 Code: N/A

Number of Borrowers: 1
 Number of Loans: 2

	A	B	C	D	E	F
	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Date Data Manager Agreed	Data Manager Code
1						
2	444-44-4444	Thorkelson, Peter	D1	1	05/05/2006	101
3	444-44-4444	Thorkelson, Peter	D2	1	05/05/2006	101
4						
5						

Date 10/14/2006

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A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>

How a school submits an uncorrected data adjustment to the Department

DPM recommends that a school send all uncorrected data adjustment correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its uncorrected data adjustment.

A school should maintain the documentation that verifies the receipt of the uncorrected data adjustment as well as all the electronic and hardcopy documentation submitted as a part of the uncorrected data adjustment process. If a school does not meet the 30-calendar-day timeframe for submitting an uncorrected data adjustment, the uncorrected data adjustment will not be reviewed.

If sending by courier:

U.S. Department of Education
 Default Prevention and Management
 Union Center Plaza 084F
 830 1st Street, NE
 Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
 Default Prevention and Management
 Union Center Plaza 084F
 400 Maryland Avenue, SW
 Washington, DC 20202-5353

Do not send materials to any other address at the Department

What happens after the school submits the uncorrected data adjustment?

DPM will review only the information submitted with the uncorrected data adjustment and will not review information submitted after the deadline. DPM will send the school and each involved data manager written notification of DPM's decision. DPM's decision is final and no further administrative review is provided.

DPM is responsible for determining whether a data manager correctly agreed to make a change to a school's cohort default rate data during the incorrect data challenge process and whether the change is reflected in the LRDR for the official cohort default rates. If DPM so determines using the standard of review described in 34 CFR 668.189(f), DPM will recalculate the school's cohort default rate based on the correct data.

If the school was notified that it was subject to sanction and the uncorrected data adjustment is successful and the revised cohort default rate is below the sanction level, DPM will withdraw that sanction notice. If the school was notified that it was subject to sanction and the uncorrected data adjustment is unsuccessful or if the uncorrected data adjustment is successful but the revised cohort default rate remains above the sanction level, and the school has no other outstanding appeals and adjustments, DPM will notify the school of the effective date of that sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

Sample Letter: School to DPM



October 14, 2006

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 098998

Subject: Cohort FY 2004 Uncorrected Data Adjustment

To Whom It May Concern:

Coralville College, OPE ID 098998, is submitting a cohort FY 2004 uncorrected data adjustment. Please see the enclosed spreadsheet and a copy of the incorrect data challenge response from the data manager stating that a change is warranted.

Coralville College is submitting its uncorrected data adjustment at this time; however, the school is also planning on submitting an economically disadvantaged appeal.

I, the undersigned, certify under penalty of perjury, that all information submitted in support of this uncorrected data adjustment is true and correct.

Thank you for your consideration

Sincerely,

Serena Rooney
President, Coralville College

Enclosures
CC: Direct Loan Servicer

The letter must include the school's OPE ID number and a statement indicating that the school is submitting an uncorrected data adjustment for the current cohort fiscal year. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year used in the adjustment] Uncorrected Data Adjustment". The school must also note if it is submitting any other adjustments or appeals. The letter must include a certification that the information provided is true and correct under penalty of perjury. The letter must also include a notation that the school is sending a copy of the letter and the spreadsheet to the relevant data managers. The school's President/CEO/Owner must sign the letter, and a signature block showing the signer's name and job title must follow the signature.

Uncorrected Data Adjustment Checklist

School to DPM

Determine

- ❑ Does the loan record detail report for the official cohort default rates contain incorrect data that a data manager agreed to correct or loans counted in the cohort default rate that were disbursed as a result of borrower falsification of eligibility documents?

Submit to DPM

- ❑ Spreadsheet
- ❑ Copy of the Data Manager Incorrect Data Challenge Response; or, documentation supporting that school acted diligently and in good faith in accepting and certifying loans subsequently found to be ineligible due to borrower falsification of eligibility documents.
- ❑ Letter

4.4 New Data Adjustment

What is a new data adjustment?

A new data adjustment allows a school to challenge the accuracy of “new data” included in the school’s most recent official cohort default rate.

New Data Adjustment Timeframe		
Draft Cycle	Not applicable	
Official Cycle	School receives official cohort default rate notification package	<i>September</i>
	School sends New Data Adjustment allegations to Data Manager with cc to Default Prevention and Management (DPM)	<i>Within 15 days of timeframe begin date</i>
	Data Manager sends New Data Adjustment response to school with cc to DPM	<i>Within 20 days of receipt of school’s New Data Adjustment allegations</i>
	If necessary, school requests clarification.	<i>Within 15 days of receipt of Data Manager response</i>
	Data Manager sends requested information to school	<i>Within 20 days of receipt of school’s clarification on request</i>
	School sends completed New Data Adjustment to DPM <i>If the school is also filing an Erroneous Data Appeal and/or a Loan Servicing Appeal, it may submit them together, by the date that the latest is due.</i>	<i>Within 30 days of receipt of final Data Manager response</i>

For domestic schools the “timeframe begin date” is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the “timeframe begin date” is the day after the date of receipt of the official cohort default rate notification package.

What is new data?

New data occurs when loan data reported to the National Student Loan Data System (NSLDS) changes during the period between the calculation of the draft and official cohort default rates. NSLDS is continuously provided with new or updated information. Because the draft cohort default rates are calculated approximately six months before the official cohort default rates are

calculated, the data used to calculate the draft cohort default rates may be different from the data used to calculate the official cohort default rates.

New data can be identified by comparing the loan record detail reports (LRDRs) for the draft and official cohort default rates for the same cohort fiscal year and determining if any loan data is newly included, excluded, or changed in any manner. The school should then determine if the new data results in the loan data being reported incorrectly.

The following are examples of new data:

- ◆ a loan on the LRDR for the official cohort default rates is newly included, excluded, or changed in some manner when compared to the LRDR for the draft cohort default rates, and
- ◆ the school believes the loan is being incorrectly used in the official cohort default rate calculation.

If the loan data is reported in the same manner in the LRDR for the draft and official cohort default rates, the school may not submit a new data adjustment.

If a school does not submit a new data adjustment after the release of the official cohort default rates, the school will not have the opportunity to submit a new data adjustment at a later time.

What benefit will a school gain from submitting a new data adjustment?

If, as a result of a new data adjustment (or as the result of a school's submission of any adjustment or appeal), DPM determines that a school's official cohort default rate data is incorrect, DPM will recalculate the cohort default rate using the corrected data. This may lower, raise, or not affect the cohort default rate. If the school is subject to sanction and the cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction. In addition, a school that would otherwise be subject to sanction in a later year may avoid being subject to that sanction.

However, even though DPM may revise a cohort default rate, subsequent copies of the LRDR for the official cohort default rates will not reflect the change. Therefore, it is important for a school to keep a copy of DPM's final determination letter as the official record of the school's revised cohort default rate.

What roles do the Department and data managers have in a school's new data adjustment?

A data manager is required to review a school's new data adjustment allegations if the new data adjustment allegations are submitted in a timely manner and the data manager has responsibility for the loans. If a school submits new data adjustment allegations to the wrong entity, the new data adjustment allegations will not be reviewed and the school could miss the deadline. The guarantor/servicer code on the LRDR identifies the data manager for a loan. See Chapter 2.3, "Reviewing The Loan Record Detail Report," for information on determining the data manager for a loan.

The data manager must respond to the school's new data adjustment allegations within 20 calendar days of receipt. However, the data manager must not review new data adjustment allegations if the school did not send the new data adjustment allegations within the 15-calendar-day timeframe. If the data manager does not respond within 20 calendar days, the school should advise DPM in writing of the delay.

The Department has two roles in the new data adjustment process. The primary role is to review a school's new data adjustment, which is submitted to DPM once the school has received confirmation from the data manager that a change to the data is warranted. If the data manager indicates that a change is not warranted, the school cannot submit those new data adjustment allegations to DPM as a part of a new data adjustment. If DPM determines that the data manager correctly agreed that changes are warranted to the new data identified by the school, DPM will recalculate the school's cohort default rate based on the correct data and notify the school.

The Department's other role is to respond to a school's new data adjustment allegations if the Department is the data manager for the loans. The Department is the data manager for FFELs the Department holds and for all Direct Loans.

DPM is responsible for responding to a school's new data adjustment allegations for FFELs that the Department holds. These loans are identified in the LRDR with a guarantor/ servicer code of 555, 627, or 631.

The Department's Direct Loan servicer is responsible for responding to a school's new data adjustment allegations regarding all Direct Loans, even those that are in default. These loans are identified in the LRDR with a guarantor/servicer code of 0101.

How does a school submit new data adjustment allegations to a data manager?

Timing is critical when submitting a new data adjustment. A school begins the process by submitting new data adjustment allegations to the data manager responsible for a loan within 15 calendar days of the timeframe begin date. Chapter 3.1, "Reviewing Rates and Loan Data," outlines a method a school can follow to determine if the LRDR contains inaccurate data.

Upon receiving the LRDR for the official cohort default rates, a school should compare the LRDRs for the draft and official cohort default rates to determine if any loan data has changed between the LRDRs, and, if so, whether the changes result in the loan being reported incorrectly. If the school believes the LRDR for the official cohort default rate contains new and inaccurate data, it should submit a new data adjustment.

A school that is subject to sanction should not submit a new data adjustment. Rather, a school subject to sanction should submit an erroneous data appeal because the school can appeal a data manager's adverse ruling on an erroneous data appeal to DPM.

A school must list separate new data adjustment allegations for each loan record that the school believes contains incorrect new data. If one data

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation which verifies the receipt of the materials as well as all electronic and hardcopy documentation submitted as a part of the new data adjustment process.

manager is responsible for all the loans, the school must list all the allegations in one submission. However, if there are multiple data managers involved, the school must submit separate new data adjustment allegations to each data manager. For example, a school believes the LRDR contains three loans with new data. Two of the loans are held by one data manager; the other loan is held by a different data manager. The school must prepare two separate new data adjustment allegations packages, one for each data manager, listing only the loans held by each data manager.

The materials must include the following items:

- ◆ A new data adjustment allegations spreadsheet that lists the incorrect new data reflected on the LRDR.
- ◆ Copies of the appropriate pages from the relevant LRDR to demonstrate that the loans are new data (see Chapter 3.1, “Reviewing Rates and Loan Data” for examples of the LRDR pages a school should submit).
- ◆ Copies of relevant supporting documentation (see Chapter 3.1 “Reviewing Rates and Loan Data” for examples of other supporting documentation).
- ◆ A letter on the school’s letterhead (see sample letter at end of chapter).

New Data Adjustment Spreadsheet — School to Data Manager

Type: New Data Adjustment
 Cohort FY: 2004
 From: Coralville College
 Code: 098998
 To: State Guaranty Agency
 Code: 111

Number of Borrowers: 2
 Number of Loans: 3

	A	B	C	D	E	F	G	H	I	J	K
	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/Disagree
1											
2	888-88-8888	Loman, Tom	SF	1	07/15/2003	01/16/2004	N/A	FY2004	+D	N/A	N/A
3	999-99-9999	Petrie, Kristy	SF	2	05/17/2001	11/18/2002	09/15/2004	FY 2004 FY 2003	-B +D	N/A	N/A
4											

Date 10/17/2006

Page 1 of 1

A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>

The school must send a copy of the letter and the new data adjustment allegations spreadsheet to DPM at the same time it sends the new data adjustment allegations package to the data manager. The school does not need to send the pages of the LRDR or the relevant supporting documentation to DPM at that time unless the school is making new data adjustment allegations about a FFEL that the Department holds.

If a school does not meet the 15-calendar-day timeframe for submitting new data adjustment allegations to both the data manager and DPM, the new data adjustment allegations will not be reviewed.

How does a data manager respond to a school's new data adjustment allegations?

Timing is critical when responding to a school's new data adjustment allegations. A data manager is required to respond to a school's timely submitted new data adjustment allegations for those loans for which the entity is the data manager and send a copy of the response to DPM. However, the data manager must not review new data adjustment allegations if the 15-calendar-day timeframe for a school to submit new data adjustment allegations has expired. If the school's due date falls on a weekend or a federal holiday, a school may send its new data adjustment allegations to the data manager no later than the next federal business day.

Before denying a school's new data adjustment allegations on the basis of a late submission, a data manager should verify the actual date the school received its official cohort default rate notification package from DPM. If the school did not submit the new data adjustment allegations in a timely manner, the data manager must not review any part of the submission. In its response to the school, the data manager should explain that it is unable to review the new data adjustment allegations because the school missed the regulatory deadline. The data manager must also send a copy of the response to DPM.

The data manager must respond to timely submitted new data adjustment allegations within 20 calendar days of receiving the submission. In its new data adjustment allegations response, the data manager will address each of the school's timely submitted new data adjustment allegations. If the data manager does not respond within 20 calendar days, the school should advise DPM in writing of the delay.

If the new data adjustment submission is timely, a data manager must review each new data adjustment allegation submitted by the school. The data manager should determine the following:

- ◆ *The data manager should determine if the new data adjustment allegations presented by the school are based on loans that the data manager currently holds.*

If the data manager does not hold the loans, the data manager should notify the school and DPM that the new data adjustment allegations must be submitted to the appropriate data manager and remind the school that the new data adjustment allegations must be submitted to the appropriate data manager within 15 calendar days of the timeframe begin date.

There will be some instances where the data manager was the former holder of the loans but those loans have been assigned to the Department and the LRDR for the official cohort default rates does not yet reflect the assignment. In that event, the data manager should send the school and DPM a notice stating that the loans have been assigned to the Department. The school then has until 15 calendar days after

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

receipt of the letter from the data manager to submit the new data adjustment allegations to DPM.

- ◆ *The data manager should determine if all relevant material is present.*

See the section of this chapter entitled “How does a school submit new data adjustment allegations to a data manager?” for information on the materials a school is required to submit with its incorrect data challenge. If a school fails to provide the data manager with all of the necessary information, the data manager must ask the school to submit the missing information. However, the school must submit this additional information to the data manager within the initial 15-calendar-day deadline for submitting new data adjustment allegations. If the school does not submit the additional information within the deadline, the data manager must not review the new data adjustment allegation.

- ◆ *The data manager should determine if its documentation supports or refutes each of the new data adjustment allegations listed on the school's spreadsheet.*

The data manager should agree with the school if the data manager's documentation supports the school's claim or if the school has demonstrated that the data manager has failed to take into account correct information the school timely sent to the data manager or NSLDS.

The data manager should disagree with the school if the data manager's documentation refutes the school's claim or if the school failed to demonstrate that the correct information was timely submitted to the data manager or NSLDS. The data manager must explain to the school why it disagrees with the school and send the school a copy of the data manager's supporting documentation. The data manager must send a copy of the response and the supporting documentation to DPM.

After making its determinations, the data manager must compile a list of the data manager's responses to the school's list of new data adjustment allegations. The data manager must record the responses to each of the new data adjustment allegations on a new data adjustment allegations response spreadsheet and provide comments on why the data manager agrees or disagrees with each of the school's new data adjustment allegations. If the data manager agrees that a change should be made, it must correct the data in its internal data system and in NSLDS. Before the release of the draft cohort default rates, the data manager must ensure that the changes they agreed to make were successfully loaded into NSLDS. The data manager should check the NSLDS error report.

The data manager must provide supporting documentation if the data manager disagrees with the school's new data adjustment allegations. In addition, if the data manager's response indicates that a loan has been repurchased, the data manager should provide the original claim paid date,

the repurchase date, the reason the loan was repurchased, and the default date if any subsequent claim was filed.

The data manager new data adjustment allegations response should include the following:

- ◆ A spreadsheet of the data manager’s responses to the school’s list of new data adjustment allegations (see sample spreadsheet below).
- ◆ Copies of supporting documentation for each new data adjustment allegation with which the data manager disagreed.
- ◆ A letter on the data manager’s letterhead with the school’s name and OPE ID number (see sample letter at the end of this chapter).

New Data Adjustment Spreadsheet – Data Manager to School

Type: New Data Adjustment
 Cohort FY: 2004
 From: Coralville College
 Code: 098998
 To: State Guaranty Agency
 Code: 111

Number of Borrowers: 2
 Number of Loans: 3

	A	B	C	D	E	F	G	H	I	J	K
	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree
1											
2	888-88-8888	Loman, Tom	SF	1	07/15/2003	01/16/2004	N/A	FY2004	+D	School submitted enrollment status change on 07/31/2004	Agree
3	999-99-9999	Petrie, Kristy	SF	2	4/12/2003	10/13/2004	08/15/2004	FY 2004	No change	School submitted enrollment status change on 02/20/2004; untimely	Disagree
4											

Date 10/31/2006

Page 1 of 1

A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

The data manager must send its new data adjustment allegations response within 20 calendar days of receiving the new data adjustment allegations from the school. The data manager sends its new data adjustment allegations response to the school and a copy of the new data adjustment allegations response to DPM.

If a data manager is unable to respond within 20 calendar days of receiving the school’s new data adjustment allegations, it should send the school a letter on its official letterhead explaining the circumstances causing the delay, telling the school when it will respond, and indicating that DPM has been informed of the delay.

If a data manager can respond to only a portion of a school's new data adjustment allegations within 20 calendar days, it should hold that portion of the response until it can provide a response to all of the school's new data adjustment allegations. The data manager should send a letter to the school and DPM that provides the information outlined above.

How a data manager submits a copy of the new data adjustment allegations response to the Department

DPM recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the new data adjustment allegations response as well as all other electronic and hardcopy documentation submitted as a part of the new data adjustment process.

The data manager can use this information when submitting monthly status reports to DPM. For additional information on monthly status reports, see Chapter 3.3, "Data Manager Strategies and Reports."

If sending by courier:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
830 1st Street, NE
Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

What does a school do with the data manager's new data adjustment allegations response?

Timing is critical after receiving a data manager's new data adjustment allegations response. In those cases where the data manager's new data adjustment allegations response is unclear, incorrect, missing, or incomplete, the school may submit a request to the data manager for a clarification. The school must submit the request to the data manager within 15 calendar days of the receipt of the new data adjustment allegations response. The school should also send a copy of the inquiry letter to DPM. The data manager must respond to the school's inquiry within 20 calendar days of receiving the inquiry and send a copy of the response to DPM. A school cannot appeal a data manager's new data adjustment allegations response to DPM.

Within 30 calendar days of receiving the last response to all of the school's new data adjustment allegations, the school must decide how to proceed and prepare a response to DPM accordingly. If the response indicates that there is no incorrect new data in the school's official cohort default rate calculation, the school can proceed no further and must then notify DPM that the school is withdrawing the new data adjustment.

If the data manager agrees with any of the school's new data adjustment allegations, the school should submit a new data adjustment to DPM. Only DPM can make the recommended changes to the school's cohort default rate.

If the school continues with the new data adjustment, it must submit a new data adjustment to DPM within 30 calendar days of receiving the last response to the school's new data adjustment allegations with the following exception: If the school is submitting the new data adjustment to DPM along with a timely erroneous data appeal and/or a timely loan servicing appeal, the school may submit all materials within 30 calendar days of the later of—

- ◆ receipt of the last response to all of the school's new data adjustment allegations,
- ◆ receipt of the last response to all of the school's erroneous data appeal allegations, or
- ◆ receipt of the last response to all of the school's requests for loan servicing records.

If the school does not submit the new data adjustment in a timely manner, DPM will not review the new data adjustment.

The school must submit to DPM the following:

- ◆ A spreadsheet that lists the new data adjustment allegations with which the data manager agreed (see sample spreadsheet below).
- ◆ Copies of the data manager new data adjustment allegations responses confirming that a change is warranted.
- ◆ A letter on the school's letterhead (see sample letter at the end of this chapter).

New Data Adjustment Spreadsheet — School to DPM

Type: New Data Adjustment
 Cohort FY: 2004
 From: Coralville College
 Code: 098998
 To: DPM
 Code: N/A

Number of Borrowers: 1
 Number of Loans: 1

	A	B	C	D	E	F
	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Date Data Manager Agreed	Data Manager Code
1						
2	888-88-8888	Loman, Tom	SF	1	10/31/2006	111
3						
4						

Date 11/15/2006

Page 1 of 1

A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

How a school submits a new data adjustment to DPM

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful if the school is asked to authenticate the timeliness of its response. The school should maintain the documentation that verifies the receipt of the new data adjustment as well as all other electronic and hardcopy documentation submitted as a part of the new data adjustment process.

If a school does not meet the 30-calendar-day timeframe for submitting a new data adjustment, the adjustment will not be reviewed.

If sending by courier:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
830 1st Street, NE
Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

What happens after the school submits the new data adjustment?

DPM will review only the information submitted with the new data adjustment and will not review information submitted after the deadline. DPM will send the school and each involved data manager written notification of DPM's decision. The data manager must ensure that NSLDS is correctly updated. The data manager must also ensure that its internal records are correctly updated. DPM's decision is final and no further administrative review is provided.

If DPM determines, using the standard of review described in 34 CFR 668.189(f), that a school's cohort default calculation data is incorrect, DPM will recalculate the cohort default rate based on the corrected data.

If the school was notified that it was subject to sanction and the new data adjustment is successful and the revised cohort default rate is below the sanction level, DPM will withdraw that sanction notice. If the school was notified that it was subject to sanction and the new data adjustment is unsuccessful (or if the new data adjustment is successful but the revised cohort default rate remains above the sanction level), and the school has no other outstanding adjustments or appeals, DPM will notify the school of the effective date of that sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

**Sample Letter #1:
New Data Adjustment Allegations Letter
School to Data Manager**

Coralville College

5029 Greta Avenue
Coral City, Iowa 12345-5029
1-987-654-3211

October 17, 2006

ATTN: Lesa Neiers
Compliance Officer
State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

OPEID 098998

Subject: Cohort FY 2004 New Data Adjustment Allegations

Dear Ms. Neiers:

Coralville College, OPE ID 098998, is submitting a list of new data adjustment allegations for the cohort FY 2004 for review by State Guaranty Agency. Please see the enclosed spreadsheet, relevant pages from the loan record detail report for the draft and official cohort default rates, and supporting documentation.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this new data adjustment is true and correct.

Thank you for your consideration.

Sincerely,

Serena Rooney
President, Coralville College

Enclosures

cc: U. S. Department of Education,
Default Prevention and Management

The letter must include the school's OPE ID number, a statement indicating that the school is submitting new data adjustment allegations, and the cohort fiscal year to which the new data adjustment allegations apply. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the new data adjustment] New Data Adjustment Allegations". The letter must also include a certification sentence that the information provided is true and correct under penalty of perjury and a notation that the school is sending a copy of the letter and the spreadsheet to DPM. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

**Sample Letter #2:
New Data Adjustment Allegations Response
Data Manager to School**

**State Guaranty
Agency**

132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

October 31, 2006
Serena Rooney
President
Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029

OPE ID 098998

Subject: Cohort FY 2004 New Data Adjustment Allegations Response

Dear Ms. Rooney:

This is State Guaranty Agency's response to the cohort FY 2004 new data adjustment allegations Coralville College, OPE ID 098998, submitted on October 17, 2006. Please see the enclosed spreadsheet.

For each "Agree" in the "Agree/Disagree" column of the spreadsheet we will update the National Student Loan Data System (NSLDS) and our internal records. You should submit the allegation to DPM.

For each "Disagree" in the "Agree/Disagree" column of the spreadsheet we have reviewed our records and determined that they do not support the allegation. We have included a comment stating our position and attached copies of the documentation supporting our position. We will not make a change to NSLDS or to our internal records.

Sincerely,

Lesa Neiers
Compliance Officer

Enclosures

cc: U. S. Department of Education
Default Prevention and Management

The letter must indicate that the data manager is responding to the school's new data adjustment allegations and include the cohort fiscal year to which the response applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the new data adjustment] New Data Adjustment Allegations Response." The letter must also include a statement that a copy of the new data adjustment allegations response has been sent to DPM.

The responsible data manager official must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Sample Letter #3: New Data Adjustment Letter School to DPM



November 15, 2006
U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 098998

Subject: Cohort FY 2004 New Data Adjustment

To Whom It May Concern:

Coralville College, OPE ID 098998, is requesting a new data adjustment to its cohort FY 2004 official cohort default rate. Please see the enclosed spreadsheet and copies of data manager new data adjustment allegation responses for those new data adjustment allegations with which the data managers agreed.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this new data adjustment is true and correct.

Coralville College is not submitting any other adjustments or appeals to DPM.

Thank you for your consideration.

Sincerely,

Serena Rooney
President, Coralville College

Enclosures

cc: State Guaranty Agency

The letter must include the school's OPE ID number, a statement indicating that the school is submitting a new data adjustment, and the cohort fiscal year to which the new data adjustment applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the new data adjustment] New Data Adjustment." The letter must also include a certification that the information provided is true and correct under penalty of perjury, a list of any other adjustments or appeals the school intends to submit to DPM, and a notation that the school is sending a copy of the letter and the spreadsheet to the data manager(s).

The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

New Data Adjustment Checklists

School to Data Manager

Determine

- ❑ Does the loan record detail report for the official cohort default rate contain new data?

Submit to Data Manager

- ❑ Spreadsheet
- ❑ Relevant Pages of Loan Record Detail Report
- ❑ Supporting Documentation
- ❑ Letter

Data Manager to School

Determine

- ❑ Was the school submission timely?
- ❑ Does the data manager hold the loans?
- ❑ Is all the material present?
- ❑ Does the data manager agree or disagree with the school?

Response to School

- ❑ Spreadsheet
- ❑ Supporting Documentation
- ❑ Letter

Follow-Up

- ❑ Send copy of response to DPM
- ❑ Update NSLDS and internal records
- ❑ Send monthly status report to DPM

School to DPM

Determine

- ❑ Did the data manager agree with any of the new data adjustment allegations?
- ❑ Does the school have outstanding erroneous data appeal allegations or outstanding requests for loan servicing records?

Submit to DPM

- ❑ Withdrawal Notice

OR

- ❑ Spreadsheet
- ❑ Copy of Data Manager New Data Adjustment Response
- ❑ Letter

4.5 Erroneous Data Appeal

What is an erroneous data appeal?

An erroneous data appeal alleges that because of “new data” and/or “disputed data” included in the official cohort default rate calculation, a school’s official cohort default rate is inaccurate.

Erroneous Data Appeal Timeframe		
Draft Cycle	Not applicable	
Official Cycle	School receives notice of loss of certification or notice of provisional certification	
	School sends Erroneous Data Appeal allegations to Data Manager	<i>Within 15 days of timeframe begin date</i>
	Data Manager sends Erroneous Data Appeal response to school	<i>Within 20 days of receipt of the school's Erroneous data Appeal allegations</i>
	If necessary, school requests clarification.	<i>Within 15 days of receipt of data manager response</i>
	Data manager sends requested information to school	<i>Within 20 days of receipt of the school's request for clarification</i>
	School sends completed Erroneous Data Appeal to Default Prevention and Management (DPM) <i>If the school is also filing a New Data Adjustment and/or a Loan Servicing Appeal, it may submit them together, by the date that the latest is due.</i>	<i>Within 30 days of receipt of final data manager response</i>

For domestic schools the “timeframe begin date” is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

What is new data?

New data occurs when loan data reported to the National Student Loan Data System (NSLDS) changes during the period between the calculation of the draft and official cohort default rates. NSLDS is continuously provided with new or updated information. Because the draft cohort default rates are calculated approximately six months before the official cohort default rates are calculated, the data used to calculate the draft cohort default rates may be different from the data used to calculate the official cohort default rates.

For foreign schools the “timeframe begin date” is the day after the date of receipt of the official cohort default rate notification package.

New data can be identified by comparing the loan record detail reports (LRDR) for the draft and official cohort default rates for the same cohort fiscal year and determining if any loan data is newly included, excluded, or changed in any manner. The school should then determine if the new data results in the loan data being reported incorrectly.

The following are examples of new data:

- ◆ a loan on the LRDR for the official cohort default rates is newly included, excluded, or changed in some manner when compared to the LRDR for the draft cohort default rates, and
- ◆ the school believes the loan is being incorrectly used in the official cohort default rate calculation.

What if the new data is correct?

If the new data in the LRDR for the official cohort default rates is correct, a school cannot submit an erroneous data appeal based on the correct new data. A school can only submit an erroneous data appeal when the school believes that the new data is incorrect even if the data manager disagrees with the school. Therefore, for the purposes of this chapter, any mentions of “new data” refer to “new incorrect data.”

What is disputed data?

Disputed data occurs when—

- ◆ a school submitted an incorrect data challenge allegation,
- ◆ the data manager for the loan disagreed with the incorrect data challenge allegation,
- ◆ the school believed the data manager was incorrect, and
- ◆ the same alleged error exists in the school’s official cohort default rate data.

Which schools are eligible to submit an erroneous data appeal?

In order to submit an erroneous data appeal, a school must meet all of the following criteria—

- ◆ The school’s official cohort default rate calculation must include new and/or disputed data.
- ◆ The school must be subject to official cohort default rate sanctions or provisional certification based solely on the school’s cohort default rate.
- ◆ The school’s successful erroneous data appeal, either by itself or in combination with an uncorrected data adjustment, a new data adjustment, or a loan servicing appeal, will result in a recalculated cohort default rate below the sanction threshold.

A school may submit an erroneous data appeal for any of the official cohort default rates upon which its sanction is based as long as the school has not previously appealed that official cohort default rate on the basis of erroneous data and has not previously been subject to sanction based on that official cohort default rate.

If a school is not subject to sanction, the school might be eligible to submit an *uncorrected data adjustment* (see Chapter 4.3) or a *new data adjustment* (see Chapter 4.4).

In certain circumstances, a school that is subject to provisional certification based solely on its cohort default rate is eligible to submit an erroneous data appeal. See the section of this chapter entitled “How does provisional certification affect a school’s ability to submit an erroneous data appeal?” for additional information.

What benefit will a school gain from submitting an erroneous data appeal?

If, as a result of an erroneous data appeal (or as the result of a school’s submission of any adjustment or appeal), DPM determines that a school’s official cohort default rate calculation data is incorrect, DPM will recalculate the cohort default rate using the corrected data. This may lower, raise, or not affect the cohort default rate. If the school is subject to sanction and the cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction. In addition, a school that would otherwise be subject to sanction in a later year may avoid being subject to that sanction.

If a school’s cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction.

However, even though DPM may revise a cohort default rate, subsequent copies of the LRDR for the official cohort default rates will not reflect the change. Therefore, it is important for a school to keep a copy of DPM’s final determination letter as the official record of the school’s revised cohort default rate.

What roles do the Department and data managers have in a school’s erroneous data appeal?

A data manager is required to review a school’s erroneous data appeal allegations if the erroneous data appeal allegations are submitted in a timely manner and the data manager has responsibility for the loans. If a school submits erroneous data appeal allegations to the wrong entity, the erroneous data appeal allegations will not be reviewed and the school could miss the deadline. The guarantor/servicer code on the LRDR identifies the data manager for a loan. See Chapter 2.3, “Reviewing The Loan Record Detail Report,” for information on determining the data manager for a loan.

The data manager must respond to the school’s erroneous data appeal allegations within 20 calendar days of receipt. However, the data manager must not review erroneous data appeal allegations if the school did not send the erroneous data appeal allegations within the 15-calendar-day timeframe. If the data manager does not respond within 20 calendar days, the school should advise DPM in writing of the delay.

The Department has two roles in the erroneous data appeal process. The primary role is to review a school’s erroneous data appeal, which is submitted to DPM once the school has received data manager responses for all of the school’s erroneous data appeal allegations.

The Department's other role is to respond to a school's erroneous data appeal allegations if the Department is the data manager for the loans. The Department is the data manager for Federal Family Education Loans (FFELs) the Department holds and for all William D. Ford Federal Direct Loans (Direct Loans).

DPM is responsible for responding to a school's erroneous data appeal allegations for FFELs that the Department holds. These loans are primarily identified in the LRDR with a guarantor/servicer code of 555. See the "Alphabetical Data Manager Contacts" on DPM's website for a listing of other codes that identify the Department as the holder of a loan.

The Department's Direct Loan servicer is responsible for responding to a school's erroneous data appeal allegations regarding all Direct Loans, even those that are in default. These loans are identified in the LRDR with a guarantor/servicer code of 0101.

How does a school submit erroneous data appeal allegations to a data manager?

Timing is critical when submitting an erroneous data appeal. A school begins the process by sending its erroneous data appeal allegations to the data manager responsible for a loan within 15 calendar days of the timeframe begin date. Chapter 3.1, "Reviewing Rates and Loan Data," outlines a method a school can follow to determine if the LRDR contains inaccurate data.

Upon receiving the LRDR for the official cohort default rates, a school should compare the LRDRs for the draft and official cohort default rates to determine if any loan data has changed between the loan record detail reports and, if so, whether the changes result in the loan being reported incorrectly. The school should also determine if the LRDR contains any disputed data. If either situation exists, the school should submit erroneous data appeal allegations to the data manager for the loan.

A school must list separate erroneous data appeal allegations for each loan record that the school believes contains new and/or disputed data. If one data manager is responsible for all the loans, the school must list all the erroneous data appeal allegations in one submission. However, if there are multiple data managers involved, the school must submit separate erroneous data appeal allegations to each data manager. For example, a school believes the LRDR contains three loans with new and/or disputed data. Two of the loans are held by one data manager; the other loan is held by a different data manager. The school must prepare two separate erroneous data appeal allegations packages, one for each data manager, listing only the loans held by each data manager.

The materials must include the following items—

- ◆ An erroneous data appeal allegations spreadsheet that lists the erroneous data. (See sample spreadsheet)
- ◆ Copies of the appropriate pages from the relevant LRDR to demonstrate that the loans are new data or disputed data (see Chapter 3.1, "Reviewing Rates and Loan Data," for examples of the LRDR pages a school should submit).

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

- ◆ Copies of relevant supporting documentation (see Chapter 3.1, "Reviewing Rates and Loan Data," for examples of other supporting documentation).
- ◆ A letter on the school's letterhead (see sample letter at end of chapter).

Sample Erroneous Data Appeal Spreadsheet – School to Data Manager

Type: Erroneous Data Appeal
 Cohort FY: 2004
 From: Graphic Tech
 Code: 099999
 To: State Guaranty Agency
 Code: 111

Number of Borrowers: 2
 Number of Loans: 2

	A	B	C	D	E	F	G	H	I	J	K	L
	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Basis of Alleged Error	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree
1												
2	111-11-1111	Connell, Anissa	SF	1	New	02/11/2004	08/12/2004	N/A	FY 2004	+D	N/A	N/A
3	222-22-2222	Mackey, Caleb	SF	1	Disputed	11/18/2003	01/16/2004	N/A	FY 2004	-N	Borrower passed away prior to scheduled date entered repayment	N/A
4												
5												

Date 10/12/2006

Page 1 of 1

A blank version of this spreadsheet is posted on the Default Prevention and Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

If a school is submitting erroneous data appeal allegations for multiple official cohort default rates, the school should submit all the erroneous data appeal allegations in the same mailing to the data manager and to DPM.

The school must send a copy of the letter and the erroneous data appeal allegations spreadsheet to DPM at the same time it sends the complete erroneous data appeal allegations package to the data manager. The school does not need to send the pages of the LRDRs or the relevant supporting documentation to DPM at that time unless the school is making allegations about a FFEL that the Department holds.

DPM recommends that a school send all erroneous data appeal allegations correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation which verifies the receipt of the materials as well as all electronic and hardcopy documentation submitted as a part of the erroneous data appeal process. If a school does not meet the 15-calendar-day timeframe for submitting erroneous data appeal allegations, the erroneous data appeal allegations will not be reviewed.

How does a school identify the data manager of a loan?

The guarantor/servicer code on the LRDR shows the data manager responsible for a loan. A school can use this number to obtain the name and address of the data manager. See the “Numerical Data Manager Contacts” on the DPM’s website for a listing of data manager codes and addresses.

How does a data manager respond to a school’s erroneous data appeal allegations?

Timing is critical when responding to a school’s erroneous data appeal. The data manager should first determine if the school is eligible to submit an erroneous data appeal. See the section of this chapter entitled “Which schools are eligible to submit an erroneous data appeal?” for information on determining if a school is eligible.

A data manager is required to respond to a school’s timely submitted erroneous data appeal allegations for those loans for which the entity is the data manager and send a copy of the response to DPM. However, the data manager must not review erroneous data appeal allegations if the 15-calendar-day timeframe for a school to submit erroneous data appeal allegations has expired. If the school’s due date falls on a weekend or a federal holiday, a school may send its erroneous data appeal allegations to the data manager no later than the next federal business day.

Before denying a school’s erroneous data appeal allegations on the basis of a late submission, a data manager should verify the actual date the school received its official cohort default rate notification package from DPM. If the school did not submit the erroneous data appeal allegations in a timely manner, the data manager must not review any part of the submission. In its response to the school, the data manager should explain that it is unable to review the erroneous data appeal allegations because the school missed the regulatory deadline. The data manager must also send a copy of the response to DPM.

The data manager must respond to timely submitted erroneous data appeal allegations within 20 calendar days of receiving the submission. In its erroneous data appeal allegations response, the data manager will address each of the school’s timely submitted erroneous data appeal allegations. If the data manager does not respond within 20 calendar days, the school should advise DPM in writing of the delay.

If the school is eligible to submit an erroneous data appeal and the erroneous data appeal submission is timely, a data manager must review each erroneous data appeal allegation submitted by the school. The data manager should determine the following—

- ◆ *The data manager should determine if the erroneous data appeal allegations presented by the school are based on loans that the data manager currently holds.*

For domestic schools the “timeframe begin date” is the sixth business day after the cohort default rates are released as officially announced on the IFAP website:
<http://ifap.ed.gov>.

For foreign schools the “timeframe begin date” is the day after the date of receipt of the official cohort default rate notification package.

If the data manager does not hold the loans, the data manager should notify the school and DPM that the erroneous data appeal allegations must be submitted to the appropriate data manager and remind the school that the erroneous data appeal allegations must be submitted to the appropriate data manager within 15 calendar days of the timeframe begin date.

There will be some instances where the data manager was the former holder of the loans but those loans have been assigned to the Department and the LRDR for the official cohort default rates does not yet reflect the assignment. In that event, the data manager should send the school and DPM a notice stating that the loans have been assigned to the Department. The school then has until 15 calendar days after receipt of the letter from the data manager to submit the erroneous data appeal allegations to DPM.

- ◆ *The data manager should determine if all relevant material is present.*

See the section of this chapter entitled “How does a school submit erroneous data appeal allegations to a data manager?” for information on the materials a school is required to submit with its erroneous data appeal. If a school fails to provide the data manager with all of the necessary information, the data manager must ask the school to submit the missing information. However, the school must submit this additional information to the data manager within the initial 15-calendar-day deadline for submitting erroneous data appeal allegations. If the school does not submit the additional information within the deadline, the data manager must not review the erroneous data appeal allegation.

- ◆ *The data manager should determine if its documentation supports or refutes each of the erroneous data appeal allegations listed on the school's spreadsheet.*

The data manager should agree with the school if the data manager's documentation supports the school's claim or if the school has demonstrated that the data manager has failed to take into account correct information the school timely sent to the data manager or NSLDS.

The data manager should disagree with the school if the data manager's documentation refutes the school's claim or if the school failed to demonstrate that the correct information was timely submitted to the data manager or NSLDS. The data manager must explain to the school why it disagrees with the school and send the school a copy of the data manager's supporting documentation. The data manager must send a copy of the response and the supporting documentation to DPM.

After making its determinations, the data manager must compile a list of the data manager's responses to the school's list of erroneous data appeal allegations. The data manager must record the responses to each of the erroneous data appeal allegations on an erroneous data appeal allegations response spreadsheet and provide comments on why the data manager agrees

or disagrees with each of the school's erroneous data appeal allegations. If the data manager agrees that a change should be made, it must correct the data in its internal data system and in NSLDS. Before the release of the draft cohort default rates, the data manager must ensure that the changes they agreed to make were successfully loaded into NSLDS. The data manager should check the NSLDS error report.

The data manager must provide supporting documentation if the data manager disagrees with the school's erroneous data appeal allegations. In addition, if the data manager's response indicates that a loan has been repurchased, the data manager should provide the original claim paid date, the repurchase date, the reason the loan was repurchased, and the default date if any subsequent claim was filed.

The data manager's erroneous data appeal allegations response should include the following—

- ◆ A spreadsheet of the data manager's responses to the school's list of allegations (see sample spreadsheet below).
- ◆ Copies of supporting documentation for each allegation with which the data manager disagreed.
- ◆ A letter on the data manager's letterhead with the school's name and OPE ID number (see sample letter at the end of the chapter).

Sample Data Manager Erroneous Data Appeal Spreadsheet

Type: Erroneous Data Appeal
 Cohort FY: 2004
 From: State Guaranty Agency
 Code: 111
 To: Graphic Tech
 Code: 099999

Number of Borrowers: 2
 Number of Loans: 2

	A	B	C	D	E	F	G	H	I	J	K	L
	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Basis of Alleged Error	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree
1												
2	111-11-1111	Connell, Anissa	SF	1	New	12/07/1999	06/08/2000	N/A	FY 2004	No Change	The most recent enrollment notification from the school shows the last date of attendance is 12/07/1999. There is no documentation of 02/11/2004 as last date of attendance.	Disagree
3	222-22-2222	Mackey, Caleb	SF	1	Disputed	11/18/2003	01/16/2004	N/A	FY 2004	-N	School timely submitted a letter and a copy of death certificate.	Agree
4												

Date 10/30/2006

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A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

The data manager must send its erroneous data appeal allegations response within 20 calendar days of receiving the erroneous data appeal allegations from the school. The data manager sends its erroneous data appeal allegations response to the school and a copy of the erroneous data allegations response to DPM. If the school submitted allegations for multiple cohort fiscal years, the data manager should prepare separate responses for each cohort fiscal year. However, the data manager should send the separate responses in the same mailing.

How a data manager submits a copy of the erroneous data appeal allegations response to the Department

DPM recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the erroneous data appeal allegations response as well as all other electronic and hardcopy documentation submitted as a part of the erroneous data appeal process.

The data manager can use this information when submitting monthly status reports to DPM. For additional information on monthly status reports, see Chapter 3.3, "Data Manager Strategies and Reports."

If sending by courier:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
830 1st Street, NE
Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

If a data manager is unable to respond within 20 calendar days of receiving the school's erroneous data appeal allegations, it should send the school a letter on its official letterhead explaining the circumstances causing the delay, telling the school when it will respond, and indicating that DPM has been informed of the delay.

If a data manager can respond to only a portion of a school's erroneous data appeal allegations within 20 calendar days, it should hold that portion of the response until it can provide a response to all of the school's erroneous data appeal allegations. The data manager should send a letter to the school and DPM that provides the information outlined above.

What does a school do with the data manager's erroneous data appeal allegations response?

Timing is critical after receiving a data manager's erroneous data appeal response. In those cases where the data manager's erroneous data appeal allegations response is unclear, incorrect, missing, or incomplete, the school may submit a request to the data manager for a clarification. The school must submit the request to the data manager within 15 calendar days of the receipt of the erroneous data appeal allegations response. The school should also send a copy of the inquiry letter to DPM. The data manager must respond to the school's inquiry within 20 calendar days of receiving the inquiry and send a copy of the response to DPM.

Within 30 calendar days of receiving the last response to all of the school's erroneous data appeal allegations, the school must decide how to proceed and prepare a response to DPM accordingly. The school should do one of three things:

- ◆ If the data manager's erroneous data appeal allegations response indicates that there is erroneous data in the school's official cohort default rate calculation, the school should submit an erroneous data appeal to DPM. Only the Department can make the recommended changes to the school's cohort default rate.
- ◆ If the data manager's erroneous data appeal allegations response indicates that there is no erroneous data in the school's official cohort default rate calculation and the school agrees with the data manager's erroneous data appeal allegations response, the school should notify DPM that the school is withdrawing the erroneous data appeal.
- ◆ If the data manager's erroneous data appeal allegations response indicates that there is no erroneous data in the school's official cohort default rate calculation and the school disagrees with the data manager's erroneous data appeal allegations response, the school should submit an erroneous data appeal to DPM.

No matter what course of action the school chooses to follow, it must send its erroneous data appeal or withdrawal letter to DPM within 30 calendar days of receiving the last response to the school's erroneous data appeal allegations with the following exception: If the school is submitting the erroneous data appeal to DPM along with a timely new data adjustment and/or a timely loan servicing appeal, the school may submit all materials within 30 calendar days of the later of:

- ◆ receipt of the last response to all of the school's new data adjustment allegations,
- ◆ receipt of the last response to all of the school's erroneous data appeal allegations, or
- ◆ receipt of the last response to all of the school's requests for loan servicing records.

If the school does not submit the erroneous data appeal in a timely manner, DPM will not review the erroneous data appeal. If a school is submitting an erroneous data appeal for multiple official cohort default rates, it should submit all the erroneous data appeals in the same mailing to DPM.

The school must submit to DPM the following:

- ◆ A spreadsheet that lists the erroneous data appeal allegations (see sample spreadsheet).
- ◆ Copies of relevant supporting documentation (see Chapter 3.1, "Reviewing Rates and Loan Data," for examples of other supporting documentation).
- ◆ Copies of the data manager incorrect data challenge responses for disputed data.
- ◆ Copies of the data manager erroneous data appeal allegations responses.
- ◆ A letter on the school's letterhead (see sample letter at the end of this chapter).

Sample School Erroneous Data Appeal Spreadsheet to DPM

Type: Erroneous Data Appeal
 Cohort FY: 2004
 From: Graphic Tech
 Code: 099999
 To: State Guaranty Agency
 Code: N/A

Number of Borrowers: 2
 Number of Loans: 2

	A	B	C	D	E	F	G	H		J	K	L	M
	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Basis of Alleged Error	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/Disagree	Data Manager Code
1													
2	111-11-1111	Connell, Anissa	SF	1	New	02/11/2004	08/12/2004	N/A	FY 2004	+D	Data Manager disagreed and stated borrower's last date of attendance was December 7, 1998.	N/A	111
3	222-22-2222	Mackey, Caleb	SF	1	Disputed	11/18/2003	01/16/2004	N/A	FY 2004	-N	See Data Manager response	N/A	111
4													
5													

Date 11/13/2006

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A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

If the school does not submit the erroneous data appeal in a timely manner, DPM will not review the erroneous data appeal and will return all erroneous data appeal materials to the school.

If a school is submitting erroneous data appeal allegations for multiple official cohort default rates, the school should submit all the erroneous data appeal allegations in the same mailing to the data manager and to DPM.

How a school submits an erroneous data appeal to DPM

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful if the school is asked to authenticate the timeliness of its response. The school should maintain the documentation that verifies the receipt of the erroneous data appeal as well as all other electronic and hardcopy documentation submitted as a part of the erroneous data appeal process.

If a school does not meet the timeframe for submitting an erroneous data appeal, the erroneous data appeal will not be reviewed

If sending by courier:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
830 1st Street, NE
Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

What happens after the school submits the erroneous data appeal?

DPM will review only the information submitted with the erroneous data appeal and will not review information submitted after the deadline. DPM will send the school and each involved data manager written notification of DPM's decision. The data manager must ensure that NSLDS is correctly updated. The data manager must also ensure that its internal records are correctly updated. DPM's decision is final and no further administrative review is provided.

If DPM determines, using the standard of review described in 34 CFR 668.189(f), that a school's official cohort default calculation data is incorrect, DPM will recalculate the cohort default rate based on the corrected data.

If the school was notified that it was subject to sanction and the erroneous data appeal is successful and the revised cohort default rate is below the sanction level, DPM will withdraw that sanction notice. If the school was notified that it was subject to sanction and the erroneous data appeal is unsuccessful and the school has no other outstanding adjustments or appeals (or if the erroneous data appeal is successful but the revised cohort default rate remains above the sanction level), DPM will notify the school of the effective date of that sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submits its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

How does provisional certification affect a school's ability to submit an erroneous data appeal?

To participate in the Department's Title IV programs, a school must demonstrate that it is capable of adequately administering those programs under the standards provided in the Title IV program regulations. In order to demonstrate administrative capability, a school must meet several requirements, including the requirement that the school's three most recent official cohort default rates are each less than 25.0 percent. If the school has impaired administrative capability solely because of its official cohort default rate, the Department may provisionally certify the school.

A school that is provisionally certified solely due to its official cohort default rates can submit an erroneous data appeal. If the erroneous data appeal is successful, DPM will recalculate the school's cohort default rate using the corrected data. If as a result of the recalculation the school's three most recent cohort default rates are all less than 25.0 percent, the Department will withdraw the provisional certification.

A school must wait until it receives notice of provisional certification to submit an erroneous data appeal outside of the regular appeal process. A school should not submit an erroneous data appeal solely because it believes it may be subject to provisional certification in the future. If a school does submit an erroneous data appeal without first receiving notice of provisional certification, the erroneous data appeal will not be reviewed.

The process for submitting an erroneous data appeal for schools that receive a notice of provisional certification is the same as it is for those schools appealing at the time of the release of the official cohort default rates except for the following differences:

The School Participation Team, not DPM, notifies schools subject to provisional certification. The School Participation Team will notify DPM of the provisional certification.

The school will not automatically receive the LRDR with the notice of provisional certification. As a result, a school subject to provisional certification that wishes to submit an erroneous data appeal must request a copy of the school's LRDR within 15 calendar days of receipt of the notice of provisional certification. See Chapter 2.2, "How Schools Get the Rates and Loan Data," for information on requesting a LRDR. The timeframes for submitting the erroneous data appeals based upon provisional certification are based first upon the date the school receives the notice of provisional certification and then upon the date the school receives the LRDR.

Within 15 calendar days after receiving the LRDR, the school must send its erroneous data appeal allegations to each relevant data manager and a copy to DPM. See the section of this chapter entitled "How does a school submit erroneous data appeal allegations to a data manager?" for the process for submitting the erroneous data appeal allegations to a data manager.

Within 20 calendar days after receiving the school's erroneous data appeal allegations, the data manager must send a response to the school and a copy to DPM. See the section of this chapter entitled "How does a data manager

A school that is provisionally certified solely due to its official cohort default rates can submit an erroneous data appeal.

respond to a school's erroneous data appeal allegations?" for additional information about responding to a school's erroneous data appeal allegations.

Upon receipt of the school's erroneous data appeal allegations, the data manager should contact DPM to obtain the date that the school received its notice of provisional certification and its LRDR in order to verify the timeliness of the school's submission. If the submission is not timely, or if the school has not received a notice of provisional certification, the data manager must not review any portion of the school's erroneous data appeal allegations. The data manager should send the school a letter explaining why the erroneous data appeal allegations are not being reviewed and send a copy of the letter to DPM.

Within 30 calendar days after receiving the last response to its erroneous data appeal allegations, the school must submit its erroneous data appeal to DPM. If the school is submitting an erroneous data appeal for more than one cohort fiscal year, it should send the erroneous data appeals to the Department in one mailing. See the section of this chapter entitled "*What does a school do with the data manager's erroneous data appeal allegations response?*" for additional information on submitting an erroneous data appeal to DPM.

DPM will review only the information submitted with the erroneous data appeal and will not review information submitted after the deadline. DPM will send the school and each involved data manager written notification of DPM's decision. The data manager must ensure that NSLDS is correctly updated. The data manager must also ensure that its internal records are correctly updated. DPM's decision is final and no further administrative review is provided.

If DPM determines, using the standard of review described in 34 CFR 668.189(f), that a school's official cohort default calculation data is incorrect, DPM will recalculate the cohort default rate based on the corrected data. If the erroneous data appeal is successful and the cohort default rate is recalculated below 25.0 percent, the School Participation Team will provide the school with a Program Participation Agreement (PPA) to sign.

Sample Letter 1: School to Data Manager



Graphic Tech

2341 Toulouse Street
Cape Canaveral, FL 34321-2341

October 12, 2006

ATTN: Lisa Neiers
Compliance Officer
State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

Dear Ms. Neiers:

Graphic Tech, OPE ID 099999, is submitting a list of erroneous data appeal allegations for cohort FY 2004 for review by State Guaranty Agency. Please see the enclosed spreadsheet, relevant pages of the loan record detail reports for the draft and official cohort default rates, and supporting documentation.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this erroneous data appeal is true and correct.

Thank you for your consideration.

Sincerely,

Alexander Peachum
President, Graphic Tech

Enclosures

cc: U.S. Department of Education
Default Prevention and Management

The letter must include the school's OPE ID number, a statement indicating that the school is submitting erroneous data appeal allegations, and the cohort fiscal years to which the erroneous data appeal allegations apply. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Erroneous Data Appeal Allegations."

The letter must also include a certification that the information provided is true and correct under penalty of perjury and a notation that the school is sending a copy of the letter and the spreadsheet to DPM. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Sample Letter 2: Data Manager to School

State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

October 30, 2006

Alexander Peachum
President
Graphic Tech
2341 Toulouse Street
Cape Canaveral, Florida 54321-2341

OPE ID 099999

Subject: Cohort FY 2004 Erroneous Data Appeal Allegations Response

Dear Mr. Peachum:

This is State Guaranty Agency's response to the cohort FY 2004 erroneous data appeal allegations Graphic Tech, OPE ID 099999, submitted on October 12, 2006. Please see the enclosed spreadsheet.

For each "Agree" in the "Agree/Disagree" column of the spreadsheet, we will update the National Student Loan Data System (NSLDS) and our internal records. You should submit the allegation to Default Prevention and Management.

For each "Disagree" in the "Agree/Disagree" column of the spreadsheet, we have reviewed our records and determined that they do not support the allegation. We have included a comment stating our position and attached copies of the documentation supporting our position. We will not make a change to NSLDS or to our internal records. If you disagree with our determination, you should submit the allegation to Default Prevention and Management.

Sincerely,

Lesia Neiers
Compliance Officer

Enclosures

cc: U.S. Department of Education
Default Prevention and Management

The letter must indicate that the data manager is responding to the schools erroneous data appeal allegations and include the cohort fiscal years to which the erroneous data appeal allegations response applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Erroneous Data Appeal Allegations Response." The letter must also include a statement that a copy of the response has been sent to DPM. The responsible data manager official must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Sample Letter 3: School to DPM



Graphic Tech

2341 Toulouse Street
Cape Canaveral, FL 34321-2341

November 13, 2006

U.S. Department of Education
Default Prevention and Management
Union Center Plaza, 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 04 Erroneous Data Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting an erroneous data appeal to its cohort FY 2004 official cohort default rate. Please see the enclosed spreadsheet and supporting documentation. Also enclosed are copies of the data manager erroneous data appeal allegation responses and the data manager incorrect data challenge responses.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this erroneous data appeal is true and correct.

Graphic Tech is also submitting a loan servicing appeal to the Department.

Thank you for your consideration.

Sincerely,

Alexander Peachum
President, Graphic Tech

Enclosures

cc: State Guaranty Agency

The letter must include the school's OPE ID number, a statement indicating that the school is submitting an erroneous data appeal, and a reference to the applicable cohort fiscal years to which the appeal applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Erroneous Data Appeal." The letter must also include a certification that the information provided is true and correct under penalty of perjury and a list of any other adjustments and appeals the school intends to submit to DPM. Finally, there must be a notation that the school is sending a copy of the letter and the spreadsheet to the data manager(s). The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Erroneous Data Appeal Checklists

1. School to Data Manager

Determine

- Does the LRDR for the official cohort default rates contain new data or disputed data
- Is the school subject to sanction
- Is the school subject to provisional certification based solely on the school's cohort default rate?

- Submit to Data Manager**
- Spreadsheet
- Relevant pages of Loan Record Detail Report
- Supporting documentation.
- Letter

2. Data Manager to School

Determine

- Is the school subject to sanction?
- Is the school subject to provisional certification based solely on the school's cohort default rate?
- Was the school submission timely?
- Does the data manager hold the loans?
- Does the submission include all required materials?
- Does the data manager agree or disagree with the school?

Response to the school

- Spreadsheet
- Supporting documentation.
- Letter

Followup

- Send copy of response to DPM
- Update NSLDS and internal records, if necessary
- Send monthly status report to DPM

Erroneous Data Appeal Checklists (continued)

3. School to Default Prevention and Management

Determine

- Did the data manager agree with any of the erroneous data appeal allegations?
- Does the school agree or disagree with the data manager's decision?
- Does the school have outstanding new data adjustment allegations or outstanding requests for loan servicing records?

- Submit to Default Prevention and Management**
- Withdrawal notice

OR

- Spreadsheet
- Supporting documentation.
- Copy of the Data Manager Incorrect Challenge Response and/or Erroneous Data Appeal Response
- Letter

4.6 Loan Servicing Appeal

What is a loan servicing appeal?

A loan servicing appeal is an appeal that alleges a school's official cohort default rate includes defaulted Federal Family Education Loans (FFELs) or William D. Ford Federal Direct Loans (Direct Loans) that are considered improperly serviced for cohort default rate purposes. For this Guide, "improperly serviced" always means "improperly serviced for cohort default rate purposes only."

Loan Servicing Appeal Timeframe		
Draft Cycle	Not applicable	
Official Cycle	School receives official cohort default rate	<i>September</i>
	School sends request for loan servicing records to Data Manager	<i>Within 15 days of timeframe begin date</i>
	Data Manager notifies school of any fee for providing records	<i>Within 20 days of receipt of school's request</i>
	School pays the fee, if charged	<i>Within 15 days of data manager notification</i>
	Data Manager sends loan servicing records to school	<i>Within 20 days of receipt of payment</i>
	School requests clarification, replacement, or Department records	<i>Within 15 days of receipt of records</i>
	Data Manager sends requested information to school	<i>Within 20 days of school's request</i>
	School sends completed Loan Servicing Appeal to Default Prevention and Management (DPM) <i>If the school is also filing a New Data Adjustment and/or Erroneous Data Appeal, it may submit them together, by the date that the latest is due.</i>	<i>Within 30 days of receipt of records</i>

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

When is a defaulted FFEL considered improperly serviced for cohort default rate purposes?

A defaulted FFEL is considered improperly serviced for cohort default rate purposes if one or more of the following occur:

- ◆ The borrower never made a loan payment, and the school can document that the lender was required but failed to send at least one letter (other than the final demand letter) urging the borrower to make payments on the loan.
- ◆ The borrower never made a loan payment, and the school can document that the lender was required but failed to attempt at least one telephone call to the borrower.
- ◆ The borrower never made a loan payment, and the school can document that the lender was required but failed to submit a request for pre-claims assistance or default aversion assistance to the guaranty agency.
- ◆ The borrower never made a loan payment, and the school can document that the lender was required but failed to send a final demand letter to the borrower.
- ◆ The borrower never made a loan payment, and the school can document that the lender was required but failed to submit a certification (or other documentation) to the guaranty agency to demonstrate that the lender performed skip tracing.

For cohort default rate purposes, skip tracing must be performed if the lender receives information before the 241st day of delinquency indicating that the borrower's address of record is incorrect. Skip tracing is not required for cohort default rate purposes if the lender has the borrower's correct address but does not have a record of the borrower's correct telephone number. (Prior to October 7, 1998, for cohort default rate purposes, performance of skip tracing had to be shown if the lender received information before the 151st day of delinquency indicating an incorrect address for the borrower.)

If the borrower makes at least one loan payment or if the lender timely performs all of the above-listed activities as appropriate, the loan is considered properly serviced for cohort default rate purposes. However, servicing and collection activities performed after sending the final demand letter will not be considered when determining if a loan has been properly serviced.

When is a defaulted Direct Loan considered improperly serviced for cohort default rate purposes?

A defaulted Direct Loan is considered improperly serviced for cohort default rate purposes if one or more of the following occur:

- ◆ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to send at least one letter (other than the final demand letter) urging the borrower to make payments on the loan.

- ◆ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to attempt at least one telephone call to the borrower.
- ◆ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to send a final demand letter to the borrower.
- ◆ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to document that skip tracing was performed if the Direct Loan servicer determined it did not have the borrower's current address.

If the borrower makes at least one loan payment or if the Direct Loan servicer timely performs all of the above-listed activities as appropriate, the loan is considered properly serviced for cohort default rate purposes. However, servicing and collection activities performed after sending the final demand letter will not be considered when determining if a loan has been properly serviced.

Which schools are eligible to submit a loan servicing appeal?

Any school that receives an official cohort default rate may submit a loan servicing appeal if it believes that its official cohort default rate calculation includes one or more defaulted FFELs or Direct Loans that were improperly serviced for cohort default rate purposes. This includes schools that are not subject to sanction and schools that have withdrawn from the FFEL and/or Direct Loan programs.

Any school may submit a loan servicing appeal for its most recent official cohort default rate. In general, schools that are subject to sanction may submit a loan servicing appeal for any official cohort default rate upon which the loss of eligibility is based. However, a school may not submit a loan servicing appeal for an official cohort default rate if the school previously submitted a loan servicing appeal for that official cohort default rate. Further, a school may not submit a loan servicing appeal for an official cohort default rate that was the basis, either entirely or partially, of a previous sanction.

What benefit will a school gain from submitting a loan servicing appeal?

If, as a result of a loan servicing appeal (or as the result of a school's submission of any adjustment or appeal), DPM determines that a school's official cohort default rate calculation includes defaulted loans that were improperly serviced for cohort default rate purposes, DPM will remove those loans (or, if applicable, a valid statistical projection of the total number of borrowers who defaulted due to improper loan servicing) from the cohort default rate calculation and will recalculate the cohort default rate using the remaining data. This may lower or not affect the cohort default rate. If the school is subject to sanction and the cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction. In addition, a school that would otherwise be subject to sanction in a later year may avoid being subject to that sanction.

However, even though DPM may revise a cohort default rate, subsequent copies of the Loan Record Detail Report (LRDR) for the official cohort default rates will not reflect the change. Therefore, it is important for a school to keep a copy of DPM's final determination letter as the official record of the school's revised cohort default rate.

What roles do the Department and data managers have in a school's loan servicing appeal?

A data manager is required to review a school's request for loan servicing records if the request is submitted in a timely manner and the data manager has responsibility for the loans. If a school submits a request to the wrong entity, the request will not be reviewed and the school could miss the deadline. The guarantor/servicer code on the LRDR identifies the data manager for a loan.

Data managers are responsible for providing loan servicing records for the loans they hold. The data manager may charge a fee not to exceed \$10 per borrower file. If the data manager chooses to charge a fee, it is not required to provide the records until after the school pays the full fee in a timely manner.

The data manager must respond to the school's request within 20 calendar days. However, the data manager must not review a request for loan servicing records if the school did not timely send the request for loan servicing records or make the payment within the appropriate 15-calendar-day timeframe. If the data manager does not respond within 20 calendar days, the school should advise DPM in writing of the delay.

The Department has two roles in the loan servicing appeal process. The primary role is to review a school's loan servicing appeal, which is submitted to DPM once the school has received loan servicing records from the data manager and has determined that the loans were improperly serviced for cohort default rate purposes.

The Department's other role is to respond to a school's request for loan servicing records if the Department is the data manager for the loans. The Department is the data manager for FFELs the Department holds and for all Direct Loans.

DPM is responsible for responding to a school's request for loan servicing records for FFELs that the Department holds. These loans are primarily identified in the LRDR with a guarantor/servicer code of 555. See the "Alphabetical Data Manager Contacts" on the DPM's website, (under the "Default Rate Guide" link) for a listing of other codes that identify the Department as the holder of a loan.

The Department's Direct Loan servicer is responsible for responding to a school's request for loan servicing records for all Direct Loans. These loans are identified in the LRDR with a guarantor/servicer code of 0101.

How does a school submit a request for loan servicing records?

Timing is critical when submitting a loan servicing appeal. A school begins the process by sending its request for loan servicing records to the data manager responsible for a loan within 15 calendar days of the timeframe begin date.

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation which verifies the receipt of the materials as well as all electronic and hardcopy documentation submitted as a part of the appeal process. If a school does not meet the 15-calendar-day timeframe for requesting loan servicing records, the request will not be reviewed.

If a school believes the official cohort default rate calculation contains any defaulted loans that were improperly serviced for cohort default rate purposes, the school should request loan servicing records from the data manager. However, a school cannot file a loan servicing appeal on a loan that is considered in default because the loan met the other specified condition as discussed in Chapter 2.1, "How the Rates are Calculated."

The loan servicing records are the collection and payment history records regarding a borrower that are—

- ◆ submitted to the guaranty agency by the lender and used by the guaranty agency in determining whether to pay a default claim or
- ◆ maintained by the Direct Loan servicer and used by the Direct Loan servicer in determining the cohort default rate.

A school cannot request specific loan servicing records. If the data manager holds loans for 99 or fewer borrowers from the school, the data manager will select loan servicing records for all the borrowers. If the data manager holds loans for 100 or more borrowers, the data manager will select loan servicing records for a representative sample of the borrowers. The representative sample may or may not include the specific records a school wishes to review.

If one data manager is responsible for all the loans, the school will request loan servicing records only from that data manager. However, if there are multiple data managers involved, the school should prepare separate loan servicing records requests for each data manager, if the school believes that one or more of the defaulted loans held by the data manager are improperly serviced for cohort default rate purposes. For example, a school believes the LRDR contains three defaulted loans that were improperly serviced for cohort default rate purposes. Two of the loans are held by one data manager; the other loan is held by a different data manager. The school must prepare two separate requests for loan servicing records, one for each data manager.

The request for loan servicing records must include the following:

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

- ◆ A letter on the school's letterhead (see sample letter at the end of this chapter).
- ◆ A copy of the entire relevant LRDR for the official cohort default rates being appealed.

The school must send a copy of the letter to DPM at the same time it sends the request to the data manager. The school does not need to send copies of the LRDRs to DPM at that time unless the school is requesting loan servicing records for a loan that the Department holds.

If a school that is subject to sanction is submitting requests for loan servicing records for multiple official cohort default rates, the school should submit all the requests in the same mailing to the data manager and DPM. However, the school still needs to prepare separate requests for each cohort fiscal year.

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the materials as well as copies of all electronic and hardcopy documentation submitted as a part of the loan servicing appeal process. If a school does not meet the 15-calendar-day timeframe for requesting loan servicing records, the request will not be reviewed.

How does a school identify the data manager of a loan?

As mentioned, the guarantor/servicer code on the LRDR shows the data manager responsible for a loan. A school can use this number to obtain the name and address of the data manager. See "Numerical Data Manager Contacts" on the DPM Web site.

What does a data manager do when it receives a school's request for loan servicing records?

Timing is critical when a data manager receives a school's request for loan servicing records. A data manager is required to respond to a school's timely submitted request for loan servicing records for those loans for which the entity is the data manager and send a copy of the response to DPM. However, the data manager must not review a request for loan servicing records if the 15-calendar-day timeframe for a school to submit the request for loan servicing records has expired. If the school's due date falls on a weekend or a federal holiday, a school may send its request for loan servicing records to the data manager no later than the next federal business day.

Before denying a school's request for loan servicing records on the basis of a late submission, a data manager should verify the timeframe begin date for the school from DPM. If the school did not submit the request for loan servicing records in a timely manner, the data manager must not review any part of the request. In its response to the school, the data manager should explain that it is unable to review the request for loan servicing records because the school missed the regulatory deadline. The data manager must also send a copy of the response to DPM.

The data manager must respond to a timely submitted request for loan servicing records within 20 calendar days of receiving the submission. If the data manager does not respond within 20 calendar days, the school should advise DPM in writing of the delay.

If the request for loan servicing records is timely, the data manager must review the request. The data manager should determine the following:

- ◆ *The data manager should determine if the request is appropriate.*

Any school may submit a loan servicing appeal for its most recent official cohort default rate. In general, schools that are subject to sanction may submit a loan servicing appeal for any official cohort default rate upon which the loss of eligibility is based. DPM will inform data managers each cycle of this information. However, a school may not submit a loan servicing appeal for an official cohort default rate if the school previously submitted a loan servicing appeal for that official cohort default rate. Further, a school may not submit a loan servicing appeal for an official cohort default rate that was the basis, either entirely or partially, of a previous sanction.

- ◆ *The data manager should determine if the request for loan servicing records by the school is based on loans that the data manager currently holds.*

If the data manager does not hold the loans, the data manager should notify the school that the request for loan servicing records must be submitted to the appropriate data manager and remind the school that the request for loan servicing records must be submitted to the appropriate data manager within 15 calendar days of the school's timeframe begin date.

There will be some instances where the data manager was the former holder of the defaulted loans but those loans have been assigned to the Department and the LRDR for the official cohort default rates does not yet reflect the assignment. In that event, the data manager should send the school and DPM a notice stating that the loans have been assigned to the Department. The school then has until 15 calendar days after receipt of the letter from the data manager to submit the request for loan servicing records to DPM.

- ◆ *The data manager should determine if all relevant material is present.*

See the section of this chapter entitled "How does a school submit a request for loan servicing records?" for information on the materials a school is required to submit with its request for loan servicing records. If a school fails to provide the data manager with all of the necessary information, the data manager must ask the school to submit the missing information. However, the school must submit this additional information to the data manager within the initial 15-calendar-day

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

deadline for submitting the request for loan servicing records. If the school does not submit the additional information within the deadline, the data manager must not review the request for loan servicing records.

If the request is timely and appropriate, the data manager must determine if the data manager is required to provide loan servicing records for all of the loans or for a representative sample of the loans.

If a data manager currently holds defaulted loans associated with 99 or fewer borrowers in a school's official cohort default rate calculation, the data manager is required to provide loan servicing records associated with each defaulted loan included in the official cohort default rate calculation. Loans that are considered in default for the other specified condition are not included. If a data manager currently holds defaulted loans associated with 100 or more borrowers in a school's official cohort default rate calculation, the data manager should identify a representative sample of the borrowers and only provide the loan servicing records for those borrowers included in the representative sample.

To select a representative sample, the data manager should first identify all of its borrowers with defaulted loans in the LRDR for the official cohort default rate that the school is appealing. Loans that are considered in default for the other specified condition are not included. The data manager should then identify a sample that is large enough such that the estimate derived from the sample is acceptable at a 95 percent confidence level with a plus or minus 5 percent confidence interval. The data manager is required to supply servicing records for each defaulted loan that is associated with a borrower included in the sample.

If a data manager is required to provide loan servicing records for a representative sample, a school may not request loan servicing records for specific loans. If a school requests loan servicing records for specific loans, the data manager should inform the school that, because the data manager is supplying loan servicing records for a representative sample of loans, the specific loan servicing records the school requests may or may not be provided.

What if the data manager requires that a fee be paid to obtain loan servicing records?

Timing is critical when requesting a fee for loan servicing records. If the data manager charges a fee, the data manager must send the school a request for payment and send DPM a copy of the payment request within 20 calendar days of receiving the request for loan servicing records. The fee may not exceed \$10 per borrower file. (See sample letter at the end of this chapter.)

When sending its payment, the school should include a cover letter, which may be modeled on the request letter that it sent (see sample request letter at end of this chapter). If the school does not make payment in full within 15 calendar days of receiving the request for payment, the data manager must notify the school and DPM that payment in full was not timely received and

Guaranty agencies should refer to Dear Guaranty Agency letter dated June 1994 for information on determining appropriate sample sizes. For a copy of this letter, write to DPM at fsa.schools.default.management@ed.gov.

that the school has waived its right to receive loan servicing records from that data manager.

How does a data manager respond after it determines that it is appropriate to send the loan servicing records?

Timing is critical when sending loan servicing records. Within 20 calendar days of receiving a request for loan servicing records (if the data manager does not charge a fee for loan servicing records) or 20 calendar days of receiving payment (if the data manager charges a fee for the loan servicing records), the data manager must send the loan servicing records to the school.

When sending the school loan servicing records, the data manager response should include the following:

- ◆ A spreadsheet of the borrowers included in the representative sample and the defaulted loans for each borrower or an alternative method that provides the required information (see sample spreadsheet below).
- ◆ Copies of all loan servicing records relating to loans included in the representative sample (or, if the total number of defaulted borrowers is less than 100, copies of loan servicing records for each defaulted borrower).
- ◆ A letter on the data manager’s letterhead with the school’s name and OPE ID number (see sample letter at end of this chapter).

Sample Spreadsheet for Loan Servicing Records – Data Manager to School

Type: Response to a Request for Loan Servicing Records
 Cohort FY: 2004
 From: State Guaranty Agency
 Code: 111
 To: Coralville College
 Code: 098998

Number of Borrowers: 119
 Number of Loans: 125

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Borrowers SSN	Borrowers Name	Type of Defaulted Loans	Number of Defaulted Loans	Payment Made?	Date Letter Sent	Date Call Attempted	Date Pre-Claims Assistance Requested	Date Final Demand Letter Sent	Address Known?	Date of Skip Tracing Activity	Illegible Records?	Missing Records?	Improperly Serviced?
1														
2	777-77-7777	Green, Marcia	SF	1	No	04/08/2004	05/07/2004	No	11/07/2004	Yes	N/A	No	No	Yes
3	777-77-7777	Green, Marcia	SU	2	No	04/08/2004	05/07/2004	No	11/07/2004	Yes	N/A	No	No	Yes
4	888-88-8888	Kent, Dale	SF	2	No	12/08/2004	01/06/2005	05/16/2005	No	Yes	N/A	No	No	Yes
5	999-99-9999	Clark, Shirley	SF	1	No	11/10/2004	11/12/2004	12/15/2004	01/04/2005	Yes	N/A	No	No	No
6	999-99-9999	Clark, Shirley	SU	1	No	11/10/2004	11/12/2004	12/15/2004	01/04/2005	Yes	N/A	No	No	No

Date 10/07/2006

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The only information a data manager is required to provide is in columns A-D of the sample data manager loan servicing appeal response spreadsheet. Although columns E-N of the sample spreadsheet are completed, a data manager is not required to complete these columns. However, a data manager may choose to complete the spreadsheet in order to assist a school. The data manager may also use an alternative method to assist a school.

A blank version of this spreadsheet is posted on the Default Prevention and Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

The data manager then sends its response to the school. The data manager must also send a copy of the letter and a copy of the list of borrowers to DPM. The data manager does not need to send copies of the loan servicing records to DPM.

If the school submitted requests for loan servicing records for multiple cohort fiscal years, the data manager should prepare separate responses for each cohort fiscal year. However, the data manager should send the separate responses to the school and DPM in the same mailing.

If a data manager is unable to respond within 20 calendar days of receiving the school's request for loan servicing records, it should send the school a letter on its official letterhead explaining the circumstances causing the delay, telling the school when it will respond, and indicating that DPM has been informed of the delay.

If a data manager can respond to only a portion of a school's request for loan servicing records within 20 calendar days, it should hold that portion of the response until it can provide a response to all of the school's request. The data manager should send a letter to the school and DPM that provides the information outlined above.

A data manager can assist schools in reading the collection history by identifying the relevant collection activities for each loan. This may be done by completing the records portion of the loan servicing spreadsheet as shown in the example, by highlighting the collection activities in the actual collection records provided to the school, or by creating a summary sheet outlining the abbreviation/codes associated with specific collection activities.

Within 15 days of receiving the loan servicing records, a school may request replacement records for missing or illegible records from the data manager. The data manager has 20 calendar days to respond. The data manager must either replace the missing or illegible records or notify the school and DPM in writing that no additional or improved copies are available.

How a data manager submits a copy of its response to the Department

DPM recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the response to the request for loan servicing records as well as all other electronic and hardcopy documentation submitted as a part of the appeal process.

The data manager can use this information when submitting monthly status reports to DPM. For additional information on monthly status reports, see Chapter 3.3, "Data Manager Strategies and Reports"

If sending by courier:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
830 1st Street, NE
Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

What does the school do with the data manager's response to the school's request for loan servicing records?

Timing is critical for schools after receiving loan servicing records. The school must review the loan servicing records and determine how it will proceed. If the school receives a data manager summary of the information in the loan servicing records, the school should still review the records to ensure that the summary is accurate. If a school finds that a record identified as part of the representative sample is missing or illegible, the school may request replacement records from the data manager. The school has 15 calendar days to request the missing and/or illegible records. The data manager has 20 calendar days to respond to the request. The data manager must either replace the missing and/or illegible records or notify the school and DPM in writing that no additional or improved copies are available.

Within 30 calendar days of receiving the last response to all of the school's requests for loan servicing records, the school must decide how to proceed and prepare a response to DPM accordingly. If the records indicate that there are no improperly serviced loans for cohort default rate purposes in the school's official cohort default rate calculation, the school should notify DPM that the school is withdrawing the appeal.

If the records indicate that there are improperly serviced loans for cohort default rate purposes included in the school's official cohort default rate calculation, the school should submit a loan servicing appeal to DPM. The school must submit the loan servicing appeal within 30 calendar days of receiving the last response to its request for loan servicing records with the following exception: If the school is submitting the loan servicing appeal to DPM along with a timely new data adjustment and/or a timely erroneous data appeal, the school may submit all materials by the later of the following time-frames:

- ◆ within 30 calendar days of receipt of the last response to all of the school's new data adjustment allegations,
- ◆ within 30 calendar days of receipt of the last response to all of the school's erroneous data appeal allegations, or
- ◆ within 30 calendar days of receipt of the last response to all of the school's requests for loan servicing records.

If the school does not submit the loan servicing appeal in a timely manner, DPM will not review the loan servicing appeal. If a school is submitting a loan servicing appeal for multiple cohort default rates, it should submit all the loan servicing appeals in the same mailing to DPM. However, the school still needs to submit separate documentation for each loan servicing appeal.

The school must submit to DPM the following:

- ◆ Copies of the data manager responses to the school's requests for records.
- ◆ A spreadsheet that lists the allegations (see sample spreadsheet on next page).

- ◆ Copies of the loan servicing records. The school should not send loan servicing records for loans that were properly serviced for cohort default rate purposes.
- ◆ A letter on the school's letterhead (see sample letter at end of this chapter).

Sample Loan Servicing Appeal Spreadsheet – School to the Department

Type: Loan Servicing Appeal
 Cohort FY: 2004
 From: Coralville College
 Code: 098998
 To: DPM
 Code:

Number of Borrowers: 2
 Number of Loans: 5

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Borrowers SSN	Borrowers Name	Type of Defaulted Loans	Number of Defaulted Loans	Payment Made?	Date Letter Sent	Date Call Attempted	Date Pre-Claims Assistance Requested	Date Final Demand Letter Sent	Address Known?	Date of Skip Tracing Activity	Illegible Records?	Missing Records?	Improperly Serviced?
1														
2	777-77-7777	Green, Marcia	SF	1	No	04/08/2004	05/07/2004	No	11/07/2004	Yes	N/A	No	No	Yes
3	777-77-7777	Green, Marcia	SU	2	No	04/08/2004	05/07/2004	No	11/07/2004	Yes	N/A	No	No	Yes
4	888-88-8888	Kent, Dale	SF	2	No	12/08/2004	01/06/2005	05/16/2005	No	Yes	N/A	No	No	Yes

Date 11/02/2006

Page 1 of 1

A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>

If the school receives a completed spreadsheet from a data manager, the school is still responsible for reviewing the loan servicing records and ensuring that the information the data manager listed on the spreadsheet is correct. The school should remove any loans that were properly serviced for cohort default rate purposes from the spreadsheet before sending the spreadsheet to DPM. For example, compare the sample spreadsheet that the school is sending to the Department with the previous spreadsheet sent to the school by the data manager. Note that the school has removed Shirley Clark from the list because her loans were properly serviced for cohort default rate purposes.

If a school that is subject to sanction is submitting requests for loan servicing records for multiple official cohort default rates, the school should submit all the requests in the same mailing to DPM and the data manager. However, the school still needs to prepare separate requests for each cohort fiscal year.

How a school submits a loan servicing appeal to DPM

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful if the school is asked to authenticate the timeliness of its submission. The school should maintain the documentation that verifies the receipt of the appeal as well as all other electronic and hardcopy documentation submitted as a part of the appeal process.

If a school does not meet the timeframe for submitting the appeal, the appeal will not be reviewed

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Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

What happens after the school submits the loan servicing appeal?

DPM will review only the information submitted with the loan servicing appeal and will not review information submitted after the deadline. DPM will send the school and each involved data manager written notification of DPM's decision. DPM's decision is final and no further administrative review is provided.

If DPM determines, using the standard of review described in 34 CFR 668.189(f), that a school's official cohort default rate calculation includes defaulted loans that were improperly serviced for cohort default rate purposes, DPM will remove the loans (or, if applicable, a valid statistical projection of the total number of borrowers who defaulted due to improper loan servicing) from the cohort default rate calculation and will recalculate the cohort default rate based on the remaining data.

If the school was notified that it was subject to sanction and the loan servicing appeal is successful and the revised cohort default rate is below the sanction level, DPM will withdraw that sanction notice. If the school was notified that it was subject to sanction and the loan servicing appeal is unsuccessful (or if the loan servicing appeal is successful but the revised cohort default rate remains above the sanction level), and the school has no other outstanding adjustments or appeals, DPM will notify the school of the effective date of that sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

Sample Letter (School to Data Manager)



October 2, 2006

ATTN: Lisa Neiers
Compliance Officer
State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

OPEID 098998

Subject: Cohort FY 2004 Request for Loan Servicing Records

Dear Ms. Neiers:

Coralville College, OPE ID 098998, is requesting the loan servicing records for the defaulted loans guaranteed and currently maintained by your agency and included in our school's cohort FY 2004 official cohort default rate. Please see the enclosed loan record detail report for the official cohort default rates.

Thank you for your consideration.

Sincerely,

Serena Rooney
President, Coralville College

Enclosure
cc: U.S. Department of Education,
Default Prevention and Management

The letter must include the school's OPE ID number, a statement indicating that the school is requesting loan servicing records, and the cohort fiscal years to which the request applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Request for Loan Servicing Records." The letter must also include a notation that the school is sending a copy of the letter to DPM. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

**Sample Payment Request Letter
(Data Manager to School)**

**State Guaranty
Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132**

October 7, 2006

Serena Rooney
President
Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029

OPE ID 098998

Subject: Cohort FY 2004 Payment Request for Loan Servicing Records

Dear Ms. Rooney:

This is State Guaranty Agency's response to the request by Coralville College, OPE ID 098998, for loan servicing records. State Guaranty Agency has identified 156 borrowers with 167 defaulted loans that are guaranteed by our agency and included in the FY 2004 loan record detail report for the official cohort default rates. Based on a total population of 156 borrowers we have determined that the representative sample of loan servicing records will consist of 119 borrowers and 125 loans. State Guaranty Agency used the method outlined in the Department's June 1994 Dear Guaranty Agency Director letter to select the representative sample.

Prior to providing the loan servicing records associated with the 119 borrowers' defaulted loans, the State Guaranty Agency is requesting payment of \$1,190.00. This payment is due within 15 calendar days of your school's receipt of this request.

Sincerely,

Lisa Neiers
Compliance Officer

Enclosures

cc: U.S. Department of Education,
Default Prevention and Management

The letter must include a description of the method used to select the representative sample. The data manager must also send the school a list, in Social Security Number (SSN) order, of the borrowers included in the sample and the number of defaulted loans belonging to each borrower found in the LRDR for the official cohort default rates.

**Sample Letter
Response to Request for Loan Servicing Records
(Data Manager to School)**

**State Guaranty
Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132**

October 7, 2006

Serena Rooney
President
Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029

OPE ID 098998

Subject: Cohort FY 2004 Response to a Request for Loan Servicing Records

Dear Ms. Rooney:

This is State Guaranty Agency's response to the request by Coralville College, OPE ID 098998, for loan servicing records. State Guaranty Agency has identified 156 borrowers with 167 defaulted loans that are guaranteed by our agency and included in your school's cohort FY 2004 loan record detail report for the official cohort default rates. Based on a total population of 156 borrowers, we have determined that the representative sample of loan servicing records provided to your school will consist of 119 borrowers and 125 defaulted loans. State Guaranty Agency used the method outlined in the Department's June 1994 Dear Guaranty Agency Director letter to select the representative sample.

Please see the enclosed spreadsheet and a copy of the loan servicing records.

Sincerely,

Lisa Neiers
Compliance Officer

Enclosures

cc: U.S. Department of Education,
Default Prevention and Management

The letter must indicate that the data manager is responding to the school's request for loan servicing records and the cohort fiscal years to which the request applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Loan Servicing Records Response." The letter must state the total number of defaulted borrowers in the official cohort default rate calculation with loans serviced by the data manager and the total number of borrowers and loans for which loan servicing records are provided.

If the data manager sends a representative sample, the letter must state the method used to determine the sample. The letter must also include a statement that a copy of the letter and the list of borrowers have been sent to DPM. The responsible data manager official must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Sample Letter Loan Servicing Appeal (School to DPM)



November 2, 2006

U.S. Department of Education
Default Prevention and Management
ATTN: Loan Servicing Appeal
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 098998

Subject: Cohort FY 2004 Loan Servicing Appeal

To Whom It May Concern:

Coralville College, OPE ID 098998, is submitting an appeal of its cohort FY 2004 official cohort default rate based on allegations of improperly serviced loans. Please see the enclosed correspondence, spreadsheet, and loan servicing records, as identified on the spreadsheet.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this loan servicing appeal is true and correct.

Coralville College has also submitted an uncorrected data adjustment.

Thank you for your consideration.

Sincerely,

Serena Rooney
President, Coralville College

Enclosures

cc: State Guaranty Agency

The letter must include the school's OPE ID number, a statement indicating that the school is submitting a loan servicing appeal, and a reference to the applicable cohort fiscal years to which the loan servicing appeal applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the loan servicing appeal] Loan Servicing Appeal." The letter must also include a certification that the information provided is true and correct under penalty of perjury and a list of any other adjustments and appeals the school intends to submit to DPM. Finally, there must be a notation that the school is sending a copy of the letter and the spreadsheet to the data managers of the relevant loans. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Loan Servicing Appeal Checklists

School to Data Manager

Determine

- ◆ Does the LRDR for the official cohort default rates contain defaulted loans that were improperly serviced for cohort default rate purposes?

Submit to Data Manager

- ◆ LRDR
- ◆ Letter (See sample at end of chapter)
- ◆ Fee for Loan Servicing Records (if required)

Data Manager to School

Determine

- ◆ Was the school submission timely?
- ◆ Does the data manager hold the loans?
- ◆ Is all the material present?
- ◆ Does data manager hold more than 99 loans for school?
- ◆ If so, what is a representative sample of the loans?
- ◆ Is there a fee for the loan servicing records and, if so, how much is it?
- ◆ Has the school paid the fee for loan servicing records (if required)?

Response to School

- ◆ Request for fee
- OR
- ◆ Spreadsheet
 - ◆ Loan Servicing Records
 - ◆ Letter

Follow-up

- ◆ Send copy of response to DPM
- ◆ Send monthly status report to DPM

Loan Servicing Appeal Checklists (continued)

School to DPM

Determine

- ◆ Do the loan servicing records show that the LRDR for the official cohort default rates contains loans that were improperly serviced for cohort default rate purposes?
- ◆ Does the school have outstanding new data adjustment allegations or erroneous data appeal allegations?

Submit to DPM

- ◆ Withdrawal Notice
- OR
- ◆ Copy of Data Manager Loan Servicing Appeal Response.
 - ◆ Copy of Loan Servicing Records.
 - ◆ Letter (See sample letter)

4.7 Economically Disadvantaged Appeal

What is an economically disadvantaged appeal?

An economically disadvantaged appeal alleges that a school should not be subject to sanction because it has a high number of low-income students. There are two types of economically disadvantaged appeals: an economically disadvantaged appeal based on low-income rate and placement rate and an economically disadvantaged appeal based on low income rate and completion rate.

The type of economically disadvantaged appeal a school may submit depends on whether the school is a non-degree-granting school or a degree-granting school. For an economically disadvantaged appeal to be successful, a non-degree-granting school must submit an independent auditor’s written opinion that—

- ◆ the school’s low income rate (generally, the percentage of students with low incomes) is two-thirds or more and
- ◆ the school’s placement rate (generally, the percentage of students who became employed in the occupation for which the school trained them) is 44 percent or more.

For an economically disadvantaged appeal to be successful, a degree-granting school must submit an independent auditor’s written opinion that—

- ◆ the school’s low income rate (generally, the percentage of students with low incomes) is two-thirds or more and
- ◆ the school’s completion rate (generally, the percentage of students who completed their program) is 70 percent or more.

Economically Disadvantaged Appeal Timeframe		
Draft Cycle	Not applicable	
Official Cycle	School receives notice of loss of eligibility as part of the official cohort default rate notification package	<i>September</i>
	School sends the written assertion by its management to Default Prevention and Management (DPM)	<i>Within 30 days of timeframe begin date</i>
	School sends completed Economically Disadvantaged Appeal to Default Prevention and Management (DPM)	<i>Within 60 days of timeframe begin date</i>

For domestic schools the “timeframe begin date” is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the “timeframe begin date” is the day after the date of receipt of the official cohort default rate notification package.

What benefit will a school gain from submitting an economically disadvantaged appeal?

If an economically disadvantaged appeal is successful, the school is exempt from sanctions based on that cohort default rate until the next official cohort default rates are released. However, a successful economically disadvantaged appeal does not change a school's official cohort default rate.

Are economically disadvantaged appeals based on a specific period of time?

The school must base the economically disadvantaged appeal on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the economically disadvantaged appeal. The time period will differ based on the cohort fiscal year used by the school.

The federal fiscal year always begins on October 1. As a result, the six months immediately preceding the start of a fiscal year will always begin on April 1 and always end on September 30. Therefore, the 12-month period the school uses must end no earlier than April 1 and no later than September 30. In order for a 12-month period to end between April 1 and September 30, it must begin no earlier than April 2 and no later than October 1 of the preceding year.

Acceptable 12-Month Periods

Cohort Fiscal Year	Cohort Fiscal Year Start Date	Acceptable 12-Month Period Begins Between	Acceptable 12-Month Period Ends Between
FY 2001	10/01/2000	04/02/1999 -- 10/01/1999	04/01/2000 – 09/30/2000
FY 2002	10/01/2001	04/02/2000 – 10/01/2000	04/01/2001 – 09/30/2001
FY 2003	10/01/2002	04/02/2001 – 10/01/2001	04/01/2002 – 09/30/2002
FY 2004	10/01/2003	04/02/2002 – 10/01/2002	04/01/2003 – 09/30/2003
FY 2005	10/01/2004	04/02/2003 – 10/01/2003	04/01/2004 – 09/30/2004
FY 2006	10/01/2005	04/02/2004 -- 10/01/2004	04/01/2005 – 09/30/2005
FY 2007	10/01/2006	04/02/2005 -- 10/01/2005	04/01/2006 – 09/30/2006

To choose an acceptable 12-month period, determine which cohort fiscal year the school will use. Then pick a start date from the range listed in the "Acceptable 12-Month Period Begins Between" column. The end date will be 12 months after the start date, which will fall in the range listed in the "Acceptable 12-Month Period Ends Between" column. The Figure below shows an acceptable and some unacceptable 12-month periods for cohort FY 2006.

Examples of Acceptable vs Unacceptable 12-Month Periods for Cohort FY 2006

12-Month Period	Status	Reason
04/02/2004-04/01/2005	Acceptable	Starts within acceptable range; ends 12 months later within acceptable range
04/02/2004-04/02/2005	Unacceptable	Starts within acceptable range; ends more than 12 months later
04/01/2004-03/31/2005	Unacceptable	Starts and ends outside acceptable range

A school can select the most beneficial 12-month period available. In other words, a non-degree-granting school can identify the acceptable 12-month period with the highest low income rate and the highest placement rate. Similarly, a degree-granting school can identify the acceptable 12-month period with the highest low-income rate and the highest completion rate.

If a school selects an unacceptable 12-month period, DPM will not review any portion of the school's economically disadvantaged appeal and the economically disadvantaged appeal will be denied.

How does a school calculate its low-income rate?

After selecting the 12-month period, the school determines the number of students who were enrolled in an eligible Title IV program during any part of the 12-month period. To be included in the calculation, the student

Contact DPM at 1-202-377-4259 if you need guidance on choosing an acceptable 12-month period.

must have been enrolled at least halftime and enrolled at least one day during any part of the selected 12-month period. The school then determines the number of these students who are considered low-income students.

An award year begins on July 1 of one year and ends on June 30 of the following year. A calendar year begins on January 1 and ends on December 31.

A student is considered to be a low income student if—

- ◆ for an *award year* that overlaps the selected 12-month period, the student has an expected family contribution (EFC) that is equal to or less than the largest EFC that would allow a student to receive one-half of the maximum Federal Pell Grant award, regardless of the student's enrollment status or cost of attendance, or
- ◆ for a *calendar year* that overlaps the selected 12-month period, the student has an adjusted gross income (AGI) that, when added to the AGI of the student's parents (if the student is a dependent student) or the student's spouse (if the student is a married independent student), is less than the amount listed in the Department of Health and Human Services (HHS) poverty guidelines for the size of the student's family unit, which can be found on the HHS website at <http://aspe.os.dhhs.gov/poverty/poverty.htm>

For the appeal to be successful, the low-income rate must be 2/3 or greater.

To determine the low income rate, the school divides the number of low income students enrolled at least half-time in an eligible program during any part of the selected 12-month period (the numerator) by the total number of students enrolled at least halftime in an eligible program during any part of the selected 12-month period (the denominator). The result is the low-income rate.

$$\begin{array}{ccc} \text{Low-income students} & & \text{Total regular students} \\ \text{enrolled at least } \frac{1}{2}\text{-time in} & \div & \text{enrolled at least } \frac{1}{2}\text{-time in} \\ \text{an eligible program during} & & \text{an eligible program during} \\ \text{any part of the selected} & & \text{any part of the selected} \\ \text{12-month period} & & \text{12-month period} \\ & & = \\ & & \text{Low-} \\ & & \text{Income} \\ & & \text{Rate} \end{array}$$

For example, a school had a total of 200 regular students enrolled at least half time in an eligible program and enrolled at least one day during the selected 12-month period. Of those, 80 were eligible to receive at least one-half of the maximum Federal Pell Grant and 60 others were below the poverty level. Therefore, a total of 140 students are considered low income.

The school's low-income rate is calculated as follows:

$$\begin{array}{ccc} \begin{array}{c} \mathbf{140} \\ \text{low-income} \\ \text{students} \end{array} & \div & \begin{array}{c} \mathbf{200} \\ \text{regular} \\ \text{students} \end{array} = \begin{array}{c} \mathbf{70.0\%} \\ \text{low-income rate} \end{array} \end{array}$$

How does a non-degree-granting school calculate its placement rate?

As mentioned, only non-degree-granting schools can submit an economically disadvantaged appeal based on the school's low-income rate and *placement rate*. Degree-granting schools can only submit an economically disadvantaged appeal based on the school's low-income rate and *completion rate*.

When calculating placement rates, a school must use the same selected 12-month period it used in calculating its low-income rate. The school first determines the denominator, which is the number of former students initially enrolled at least half-time in an eligible Title IV program who meet the following criteria:

- ◆ The student was originally scheduled to complete his or her program during the selected 12-month period. The student's actual last date of attendance does not need to fall within the selected 12-month period.
- ◆ The date a student was originally scheduled to complete is based on the student's initial enrollment status. For a student who was initially enrolled full-time, the date is based on the amount of time specified in the school's enrollment contract, catalog, or other materials for a full-time student to complete the program. For a student who was initially enrolled less than full-time, the date is based on the amount of time specified by the school for the student to complete the program if the student remained enrolled in that enrollment status throughout the program.
- ◆ The student was enrolled in the program beyond the point at which he or she would have received a 100 percent tuition refund. A student who withdrew before the point at which he or she would have received a 100 percent tuition refund is not included in the calculation.

These "former students" are included in the placement rate. A student is not included in the placement rate if, on the date that is one year after the student's originally scheduled completion date, he or she is still enrolled in the same program and is making satisfactory progress.

After determining the number of “former students” (the denominator), the school then determines the numerator, which is the number of these “former students” who have been placed in jobs for which the school provided training. A student is considered a placed student if the student meets one of the following three criteria:

- ◆ The student was employed on the date that is one year and one day after the student’s last date of attendance at the school in an occupation for which the school provided training. For example, if the student’s last date of attendance was August 31, the date that is one year and one day after the student’s last date of attendance is September 1 of the following year. A student is not considered successfully placed if the school was the employer.
- ◆ The student was employed for at least 13 weeks (91 days) between the date the student first enrolled and the date that is one year and one day after the student’s last date of attendance at the school in an occupation for which the school provided training. A student’s employment while in school can be considered as long as the employment was in an occupation for which the school was providing training to the student. A student is not considered successfully placed if the school was the employer.
- ◆ The student entered active duty in the U.S. Armed Forces within one year after his or her last date of attendance at the school.

These are the “placed students” (the numerator).

The school then divides the number of “placed students” (the numerator) by the total number of “former students” (the denominator). The result is the placement rate.

$$\text{Placed Students} \div \text{Total Number of Former Students} = \text{Placement Rate}$$

For example, a school had a total of 50 “former students.” Of those, 17 met the first criteria (employed on the date one year and one day after the last date of attendance), 6 met the second criteria (employed for 13 weeks), and 2 met the third criteria (Armed Services). Therefore, the school has a total of 25 “placed students.” The school’s placement rate is calculated as follows:

$$\begin{array}{ccc} \mathbf{25} & \div & \mathbf{50} \\ \text{placed students} & & \text{former students} \end{array} = \begin{array}{c} \mathbf{50.0\%} \\ \text{placement rate} \end{array}$$

How does a degree-granting school calculate its completion rate?

As mentioned, only degree-granting schools can submit an economically disadvantaged appeal based on the school’s low-income rate and *completion rate*. Non-degree-granting schools can only submit an economically

For the appeal to be successful, the placement rate must be 44.0% or greater.

disadvantaged appeal based on the school's low-income rate and *placement rate*.

When calculating completion rates, a school must use the same selected 12-month period it used in calculating its low-income rate. The school first determines the denominator, which is the number of regular students initially enrolled on a full-time basis in a Title IV eligible program who were originally scheduled to complete their programs during the selected 12-month period. The date a student was originally scheduled to complete is based on the amount of time specified in the school's enrollment contract, catalog, or other materials for a full-time student to complete the program. A student's actual last date of attendance does not need to fall within the selected 12-month period.

After determining the number of "regular students" (the denominator), the school then determines the numerator, which is the number of "regular students" who completed their program. A student is considered to have completed a program if the student meets one of the following four criteria:

- ◆ The student completed the educational program in which he or she was enrolled.
- ◆ The student transferred to a higher-level program at another school.
- ◆ The student remained enrolled and was making satisfactory academic progress at the end of the selected 12-month period.
- ◆ The student entered active duty in the U.S. Armed Forces within one year after his or her last date of attendance at the school.

These are the "completed students" (the numerator).

The school then divides the "completed students" (the numerator) by the total number of "regular students" (the denominator). The result is the completion rate.

$$\text{Completed Students} \div \text{Total Number of Regular Students} = \text{Completion Rate}$$

For example, a school had a total of 50 "regular students." Of those, 17 met the first criteria (completed the program in which they were enrolled), 12 met the second criteria (transferred to a higher-level program), 8 met the third criteria (still enrolled and making satisfactory academic progress), and 2 met the fourth criteria (Armed Services). Therefore, the school had a total of 39 "completed students." The school's completion rate is calculated as follows:

$$\begin{array}{c} 39 \\ \text{completed} \\ \text{students} \end{array} \div \begin{array}{c} 50 \\ \text{regular students} \end{array} = \begin{array}{c} 78.0\% \\ \text{completion rate} \end{array}$$

For the appeal to be successful, the completion rate must be 70.0% or greater.

Does a school need to wait until it receives a notice of loss of eligibility to calculate its low-income rate and placement rate or low-income rate and completion rate?

The "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

A school does not need to wait until receiving the notice of loss of eligibility to begin preparing materials to submit as part of its management's written assertion. If the school believes that it will be subject to sanction after release of the official cohort default rates, and the school believes that it should not be subject to sanction because of its low income rate and placement rate or because of its low income rate and completion rate, the school should calculate its low income rate and placement rate or low income rate and completion rate in advance of the release of the official cohort default rates.

How does a school submit an economically disadvantaged appeal?

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

Timing is critical when submitting an economically disadvantaged appeal. Within 30 calendar days of the school's timeframe begin date, the school must determine if it is eligible to submit an economically disadvantaged appeal and, if so, submit its management's written assertion to DPM. Within 60 calendar days of the school's timeframe begin date, the school must submit an independent auditor's opinion to DPM.

The school must compile a spreadsheet of the students that qualify to be included in the school's low income rate and a spreadsheet of the students that qualify to be included in either the school's placement rate (if the school is a non-degree-granting school) or the completion rate (if the school is a degree-granting school).

Sample Low Income Rate Spreadsheet – School to the Department

Type:	Low Income Rate	12-Month Period:	06/15/2002 – 06/14/2003
Cohort FY:	2004	Award years:	2001-2002, 2002-2003
From:	Graphic Tech	Calendar Years:	2002, 2003
Code:	099999	Low Income Students:	140
To:	Default Prevention and Management	Total Students:	200
Code:	N/A	Low Income Rate:	70%

A	B	C	D	E	F
Student's SSN	Student's Name	Student's Enrollment Dates	Economically Disadvantaged	EFC and Award Year	AGI, Family Size And Calendar Year
111-11-1111	Siebert, Angela	08/25/2002 - 12/30/2002	Yes	0 / 2002-2003	N/A
222-22-2222	Bennett, Derek	08/24/2001 - 06/15/2003	No	N/A	N/A
333-33-3333	Brewbaker, Mark	08/25/2002 - 05/16/2003	Yes	N/A	\$4,300 / 1 / 2001

Date 10/22/2006

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A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

Sample Completion Rate Spreadsheet – Degree-Granting School to the Department

Type: Completion Rate
 Cohort FY: 2004
 From: Coralville College
 Code: 098998
 To: Default Prevention and Management
 Code: N/A

12-Month Period: 06/30/2002 - 06/29/2003
 Placed Students: 25
 Total Students: 50
 Placement Rate: 50%

	A	B	C	D	E	F	G	H	I	J
1	Student's SSN	Student's Name	Student's Scheduled Completion Date	Student's Enrollment Dates	Student Completed	Completed Program Date	Student's Program of Study	Student Transfers to Higher Program: Date, School Name, School Address, Program	Student's GPA	Date Student Entered Armed Services
2	111-11-1111	Mann, Marcia	05/17/2003	08/26/2002 to 05/17/2003	Yes	05/17/2003	N/A	N/A	N/A	N/A
3	222-22-2222	Vincent, Richard	05/17/2003	08/26/2002 to 05/16/2003	Yes	N/A	N/A	N/A	N/A	06/01/2003
4	333-33-3333	Smith, Abigail	12/15/2002	01/28/1999 to 05/15/2004	Yes	N/A	N/A	N/A	4.0	N/A
5	444-44-4444	Wilson, Hannah	05/17/2003	08/26/2002 to 05/17/2003	Yes	N/A	Marine Biology	08/14/1999 Orlando State University, 121 Water Street, Orlando, Florida Master's of Marine Biology	N/A	N/A
6	555-55-5555	Michaels, Lilly	05/17/2003	08/26/2002 to 12/30/2002	No	N/A	N/A	N/A	N/A	N/A

Date 10/30/2006

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A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

Sample Placement Rate Spreadsheet – Non-Degree-Granting School to the Department

Type: Placement Rate
 Cohort FY: 2004
 From: Graphic Tech
 Code: 099999
 To: Default Prevention and Management
 Code: N/A

12-Month Period: 06/15/2002 – 06/14/2003
 Placed Students: 25
 Total Students: 50
 Placement Rate: 50%

	A	B	C	D	E	F	G	H	I
1	Student's SSN	Student's Name	Student's Scheduled Completion Date	Student's Enrollment Dates	Student's Program of Study	Student Placed	Student's Employment Dates	Student's Job Description	Student's Employer: Name, Address and Phone
2	111-11-1111	Smith, Gene	12/30/2002	08/25/2002 to 12/30/2002	Graphic Design	Yes	04/03/2003 to Present	Web Designer	TangledWeb.com 68 Forsyth Canary, Mo 66666 1-313-131-3131
3	222-22-2222	Davis, Mark	06/15/2002	08/24/2001 to 06/15/2002	Graphic Design	Yes	05/31/2001 to Present	Web Designer	TangledWeb.com 68 Forsyth Canary, Mo 66666 1-313-131-3131
4	333-33-3333	Baker, Tim	12/30/2002	08/25/2002 to 05/16/2003	Graphic Design	No	N/A	N/A	N/A

Date 10/22/2006

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A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

After completing the spreadsheets, the school should calculate either its low-income rate and its *placement rate* (if it is a non-degree-granting school) or its low-income rate and its *completion rate* (if it is a degree-granting school).

Non-Degree Granting Schools:

Low-income rate must be 2/3 or greater and placement rate must be 44.0% or greater.

Degree Granting Schools

Low-income rate must be 2/3 or greater and completion rate must be 70.0% or greater.

The school then submits its management’s written assertion to DPM. The school must submit the following:

- ◆ The low-income rate spreadsheet.
- ◆ The placement rate spreadsheet (if the school is a non-degree-granting school) or the completion rate spreadsheet (if the school is a degree-granting school).
- ◆ A letter on the school’s letterhead (see sample letter #1 at the end of this chapter).

How a school submits an Economically Disadvantaged Appeal to DPM

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful if the school is asked to authenticate the timeliness of its response. The school should maintain the documentation that verifies the receipt of the appeal as well as all other electronic and hardcopy documentation submitted as a part of the economically disadvantaged appeal process.

If a school does not meet the timeframe for submitting the appeal, the appeal will not be reviewed

If sending by courier:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
830 1st Street, NE
Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

How does an independent auditor review the management's written assertion?

To complete the school's economically disadvantaged appeal, an independent auditor must review and attest to the management's written assertion. The school must submit the following materials to an independent auditor:

- ◆ The low-income spreadsheet.
- ◆ The placement rate spreadsheet (if the school is a non-degree-granting school) or the completion rate spreadsheet (if the school is a degree-granting school).
- ◆ Any other materials the auditor requests.
- ◆ A letter on the school's letterhead (see sample letter #2 at the end of this chapter).

Upon reviewing the management's written assertion and any other documentation that the auditor deems appropriate, the auditor must provide an opinion as to whether the written assertion demonstrates that the school meets the criteria for an economically disadvantaged appeal under 34 CFR 668.194 (see sample letter #3 at the end of this chapter). The report must also indicate if the written assertions are fairly stated in all material respects. A school submitting an economically disadvantaged appeal must submit the independent auditor's written opinion to DPM within 60 calendar days of the school's timeframe begin date.

The engagement which forms the basis of the independent auditor's written opinion must be an examination-level compliance attestation engagement performed in accordance with the AICPA's *Statement on Standards for Attestation Engagements, Compliance Attestation* (AICPA, Professional Standards, Volume 1, AT sec. 500), as amended. The attestation must also be performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States.

The school is responsible for sending the independent auditor's written opinion to DPM within the 60-calendar-day deadline. If the school does not submit the written opinion within 60 calendar days of the school's timeframe begin date, DPM will not review the economically disadvantaged appeal and will return all economically disadvantaged appeal materials to the school upon the school's request.

The school must submit the following materials to DPM—

- ◆ The independent auditor's written opinion.
- ◆ A letter on the school's letterhead (see sample letter #4 at the end of this chapter).

What happens after the school submits the independent auditor's written opinion?

DPM will review, using the standard of review described in 34 CFR 668.189(f), only the information submitted with the economically disadvantaged appeal and will not review information submitted after the 60-calendar-day deadline.

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

The AICPA standards may be ordered by calling 1-888-777-7077 or visiting the AICPA website: <http://www.aicpa.org>

DPM will send the school written notification of DPM's decision. DPM's decision is final and no further administrative review is provided.

If the school was notified that it was subject to sanction and the economically disadvantaged appeal is successful, DPM will withdraw the notice of loss of eligibility. If the school was notified that it was subject to sanction and the economically disadvantaged appeal is unsuccessful, and the school has no other outstanding adjustments or appeals, DPM will notify the school of the effective date of the sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the Federal Family Education Loans (FFELs) it certified and delivered and/or the William D. Ford Federal Direct Loans (Direct Loans) it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

What roles do data managers have in a school's economically disadvantaged appeal?

Schools submit economically disadvantaged appeals directly to DPM for review and consideration. DPM is responsible for determining whether schools meet the established economically disadvantaged appeal criteria. Therefore, there is no role for data managers.

If a school submits an appeal to the wrong entity or address, the appeal might not be reviewed and the school could miss the deadline for submitting the appeal to DPM.

If a data manager receives an economically disadvantaged appeal from a school, it should immediately contact the school to inform it that the appeal must be sent to DPM. The data manager should also indicate that the request must be sent to DPM within the appropriate timeframe. The data manager should then notify DPM that the data manager has contacted the school.

Sample Economically Disadvantaged Appeal Letter #1 (School to Default Prevention and Management)



October 22, 2006

U.S. Department of Education
Default Prevention and Management
ATTN: Economically Disadvantaged Appeal
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 2004 Economically Disadvantaged Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a cohort FY 2004 economically disadvantaged appeal based on the school's low-income rate and placement rate. It is our management's written assertion that Graphic Tech has a low-income rate of 70.0 percent and a placement rate of 50.0 percent for the 12-month period beginning on June 15, 2002 and ending on June 14, 2003. Please see the enclosed spreadsheets.

Graphic Tech has employed Alliance Auditing to review our management's written assertion.

I, the undersigned, certify under penalty of perjury that all information submitted to you is true and correct.

Graphic Tech has also timely submitted an uncorrected data adjustment.

Thank you for your consideration.

Sincerely,

Alexander Peachum
President, Graphic Tech

Enclosures

cc: Alliance Auditing

The letter must include the school's OPE ID number, a statement indicating that the school is submitting economically disadvantaged appeal data and the type of economically disadvantaged appeal (either low income rate and placement rate or low income rate and completion rate) the school is submitting. The subject line must read "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal." The letter must include a certification that the information provided is true and correct under penalty of perjury, a list of any other adjustments and/or appeals the school is submitting to DPM, and a statement that the school is sending its management's written assertion to an independent auditor. The school President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Sample Economically Disadvantaged Appeal Letter #2
(School to Independent Auditor)



Graphic Tech

2341 Toulouse Street
Cape Canaveral, FL 32921-2341

October 22, 2006

ATTN: Mr. Anthony Falduto
Alliance Auditing
5222 Antwerp Lane
Aicpa, WI 97697-6976

OPE ID 099999

Subject: Cohort FY 2004 Economically Disadvantaged Appeal

Dear Mr. Falduto:

Graphic Tech, OPE ID 099999, is filing a cohort FY 2004 economically disadvantaged appeal based on the school's low-income rate and placement rate. We ask you to review our written assertions in accordance with the standards of the American Institute of Certified Public Accountants (AICPA), the Government Auditing Standards issued by the Comptroller General of the United States, and the economically disadvantaged appeal criteria under 34 CFR 668.194 to determine if our written assertion meets the requirements for an economically disadvantaged appeal and is fairly stated in all material respects. You should note that our deadline for submitting an independent auditor's written opinion to the U.S. Department of Education is November 29, 2006. Please see the enclosed spreadsheets.

I, the undersigned, certify under penalty of perjury that all information submitted to you is true and correct.

Thank you for your consideration.

Sincerely,

Alexander Peachum
President, Graphic Tech

Enclosures

The letter should include the school's OPE ID number, a statement indicating that the school is submitting to the auditor economically disadvantaged appeal data, and the type of economically disadvantaged appeal (either low income rate and placement rate or low income rate and completion rate) the school is submitting. The subject line should read: "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal."

The letter should also include a request that the auditor review the written assertions in accordance with the standards of the American Institute of Certified Public Accountants (AICPA), the Government Auditing Standards issued by the Comptroller General of the United States, and the economically disadvantaged appeal criteria under 34 CFR 668.194. Finally, the letter should include a statement indicating that the deadline for submitting the independent auditor's written opinion is within 60 calendar days of the school receiving the notice of loss of eligibility and a certification that the information provided is true and correct under penalty of perjury. The school's President/CEO/Owner should sign the letter, and the signature should be followed by a signature block showing the signer's name and job title.

Sample Economically Disadvantaged Appeal Letter #3 (Independent Auditor to School—Written Opinion)



November 21, 2006

Alexander Peachum
President
Graphic Tech
2341 Toulouse Street
Cape Canaveral, FL 54321-2341

OPE ID 099999

Subject: FY Cohort 2004 Economically Disadvantaged Appeal

Dear Mr. Peachum:

We have examined the written assertions of the management of Graphic Tech, OPE ID 099999, stating that the information contained in the economically disadvantaged appeal the school submitted is complete, accurate, and determined in accordance with the requirements of Section 668.194 of Title 34 of the Code of Federal Regulations (34 CFR 668.194). The management of Graphic Tech is responsible for the school's compliance with those requirements. Our responsibility is to express an opinion management's written assertions about the institution's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants (AICPA) and the Government Auditing Standards issued by the Comptroller General of the United States accordingly. We also examined, on a test basis, evidence about Graphic Tech's compliance with 34 CFR 668.194, and performed other procedures that we considered necessary under the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Graphic Tech's compliance with specified requirements.

In our opinion, management's written assertion that Graphic Tech has a low income rate of 70.0 percent and a placement rate of 50.0 percent for the 12-month period beginning on June 15, 2002 and ending on June 14, 2003, is complete, accurate, and determined in accordance with the requirements set forth in 34 CFR 668.194, and is fairly stated in all material respects.

This report is intended solely for the information of an audit committee, management, and the U.S. Department of Education. However, this report is a matter of public record and its distribution is not limited.

Thank you for your consideration.

Sincerely,

Anthony Falduto
President, Alliance Auditing

cc: U.S. Department of Education
Default Prevention and Management

The written opinion must be in the form of a letter to the school with the school's name, the school's OPE ID number, the cohort fiscal year to which the appeal applies, and the auditor's opinions. The letter should feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal." The auditor must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

**Sample Economically Disadvantaged Appeal Letter #4
(School to Default Prevention and Management—cover
letter submitting auditor’s written opinion)**



November 30, 2006

U.S. Department of Education

OPE ID 099999

Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Subject: Cohort FY 2004 Economically Disadvantaged Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a cohort FY 2004 economically disadvantaged appeal based on our low-income rate and placement rate. I, the undersigned, certify under penalty of perjury, that our low income rate is 70.0 percent, our placement rate is 50.0 percent, and that all other information submitted in support of this economically disadvantaged appeal is true and correct. Please see the attached spreadsheets for the low-income rate and placement rate, along with the independent auditor's attestations on our school's management assertions.

Graphic Tech is submitting its economically disadvantaged appeal at this time; however, the school has also submitted an uncorrected data adjustment.

Thank you for your consideration.

Sincerely,

Alexander Peachum
President, Graphic Tech

Enclosures

The letter must include the school's OPE ID number, a statement indicating that the school is submitting an economically disadvantaged appeal, and the type of economically disadvantaged appeal (either low income rate and placement rate or low income rate and completion rate) the school is submitting. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal." The letter must also include a certification that the information provided is true and correct under penalty of perjury and a list of any other adjustments and appeals the school intends to submit to DPM. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Economically Disadvantaged Appeal Checklists

School to Default Prevention and Management & Independent Auditor

Determine

- ◆ Is the school subject to sanction?
- ◆ What is the school's low-income rate?
- ◆ For a non-degree-granting school, what is the school's placement rate? For a degree-granting school, what is the school's completion rate?

Submit to DPM

- ◆ Spreadsheets
- ◆ Letter (see sample letter #1)

Submit to Independent Auditor

- ◆ Spreadsheets
- ◆ Other Requested Materials
- ◆ Letter (see sample letter #2)

Independent Auditor to School

Determine

- ◆ Does school meet criteria?

Submit to School

- ◆ Written Opinion (see sample letter #3)

School to Default Prevention and Management (after receiving auditor's response)

Submit to DPM

- ◆ Copy of Independent Auditor's Response
- ◆ Letter (see sample letter #4)

4.8 Participation Rate Index Appeal

What is a participation rate index appeal?

A school is not subject to a sanction based on its cohort default rates if its participation rate index is 0.0375 or less (for a sanction based on three consecutive cohort default rates of 25.0 percent or greater) or 0.06015 or less (for a sanction based on one cohort default rate over 40.0 percent). In other words, if a school can demonstrate that the number of students who obtain loans is very low in relation to the number of regular students at the school, the school will be able to avoid sanction.

Participation Rate Appeal Timeframe		
Draft Cycle	Not applicable	
Official Cycle	School receives notice of loss of eligibility as part of the official cohort default rate notification package	<i>September</i>
	School sends completed Participation Rate Index Appeal to Default Prevention and Management (DPM)	<i>Within 30 days of timeframe begin date</i>

Which cohort default rate can be used to determine a participation rate index appeal?

A school can submit a participation rate index appeal for any cohort default rates upon which a sanction is based, depending on the sanction to which the school is subject. For example, take a sequence of cohort fiscal years: This Year, Last Year, and Two Years Ago.

If a school is subject to sanction due to three consecutive years of an official cohort default rate that is 25.0 percent or greater, the school can submit a participation rate index appeal based on the official cohort default rate for This Year, Last Year, and/or Two Years Ago. If the sanction is due to an official cohort default rate for This Year that is greater than 40.0 percent, the school can submit a participation rate index appeal based on the official cohort default rate for This Year. **These options are illustrated in the following chart.**

For domestic schools the “timeframe begin date” is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the “timeframe begin date” is the day after the date of receipt of the official cohort default rate notification package.

Nature of Sanction	This Year	Last Year	Two Years Ago
Three consecutive years of cohort default rates that are 25.0 percent or greater	Yes — Official Cohort Default Rate	Yes — Official Cohort Default Rate	Yes — Official Cohort Default Rate
Current cohort default rate that is greater than 40.0 percent	Yes — Official Cohort Default Rate	No	No

Which schools are eligible to submit a participation rate index appeal?

Only a school that is subject to sanction because of its official cohort default rate may submit a participation rate index appeal. To avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less.

What benefit will a school gain from submitting a participation rate index appeal?

The Department will withdraw a notice of loss of eligibility for a school that submits a successful participation rate index appeal. If a school's participation rate index is 0.0375 or less, the Department will also excuse the school from any subsequent loss of eligibility that would be based on that cohort default rate.

Are participation rate index appeals based on a specific period of time?

The school may base the participation rate index appeal on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the participation rate index appeal. A school subject to sanction because of three consecutive cohort default rates of 25.0 percent or greater can choose to submit a participation rate index appeal based on any of its three most recent official cohort default rates. Therefore, the time period will differ based on the cohort fiscal year used by the school.

The federal fiscal year always begins on October 1. As a result, the six months immediately preceding the start of a fiscal year will always begin on April 1 and always end on September 30. Therefore, the 12-month period the school uses must end no earlier than April 1 and no later than September 30. In order for a 12-month period to end between April 1 and September 30, it must begin no earlier than April 2 and no later than October 1 of the preceding year.

A school can select the most beneficial 12-month period available. In other words, a school can identify the acceptable 12-month period during which it had the lowest percentage of borrowers and use that period when calculating its participation rate index.

If a school selects an unacceptable 12-month period, DPM will not review any portion of the school's participation rate index appeal and the participation rate index appeal will be denied. A school may contact DPM at 1-202-377-4259 to discuss whether the school has selected an acceptable 12-month period.

Acceptable 12-Month Periods

Cohort Fiscal Year	Cohort Fiscal Year Start Date	Acceptable 12-Month Period Begins Between	Acceptable 12-Month Period Ends Between
2002	10/01/2001	04/02/2000-10/01/2000	04/01/2001-9/30/2001
2003	10/01/2002	04/02/2001-10/01/2001	04/01/2002-9/30/2002
2004	10/01/2003	04/02/2002-10/01/2002	04/01/2003-9/30/2003
2005	10/01/2004	04/02/2003-10/01/2003	04/01/2004-9/30/2004
2006	10/01/2005	04/02/2004-10/01/2004	04/01/2005-9/30/2005
2007	10/01/2006	04/02/2005-10/01/2005	04/01/2006-9/30/2006

To choose an acceptable 12-month period, a school should first determine which cohort fiscal year the school will use. The school then picks a start date from the range listed in the "Acceptable 12-Month Period Begins Between" column. The end date will be 12 months after the start date, which will fall in the range listed in the "Acceptable 12-Month Period Ends Between" column.

Example: Acceptable & unacceptable periods for cohort fiscal year 2003

12-Month Period	Status	Reason
04/02/2001-04/01/2002	Acceptable	Starts within acceptable range; 12 months later within acceptable range
04/02/2001-04/02/2002	Unacceptable	Starts within acceptable range; ends more than 12 months later
04/01/2001-03/31/2002	Unacceptable	Starts and ends outside acceptable range

How does a school calculate its participation rate index?

After selecting the 12-month period, the school determines the total number of regular students enrolled at least halftime and for at least one day during any part of the 12-month period. It is not necessary for the student's entire enrollment period to fall within the 12-month period. The total number of students is the denominator. The school then determines the total number of those students who borrowed a Federal Family Education Loan (FFEL) or William D. Ford Federal Direct Loan (Direct Loan) for a loan period that overlaps any part of the 12-month period. The total number of borrowers is the numerator.

Total borrowers in 12-month period



Total regular students in 12-month period

A regular student is a student who enrolled or was accepted for enrollment at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school. To be included in the participation rate index calculation, the borrower must be a student who was enrolled at least halftime and enrolled at least one day during the selected 12-month period.

Once the school has divided the total number of FFEL and Direct Loan borrowers by the total number of regular students, the school multiplies the result by the cohort default rate upon which the school is basing the participation rate index appeal. The result is the participation rate index. A participation rate index is calculated as follows:

$$\frac{\text{Total borrowers in 12-month period}}{\text{Total regular students in 12-month period}} \times \text{School's cohort default rate} = \text{Participation Rate Index}$$

See Chapter 2.1, "How the Rates are Calculated," for information on the formulas used to calculate the cohort default rates.

If a school has fewer than 30 borrowers who entered repayment in the cohort fiscal year for which the participation rate index is calculated, the participation rate index for that cohort fiscal year may be calculated using the cohort default rate that would result from applying either the non-average rate formula, or the average rate formula.

To avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less.

For example, School A's official cohort default rate is 25.0 percent. School A's two most recent official cohort default rates were 26.0 percent and 28.0 percent. As a result, School A is subject to sanction because it has three consecutive official cohort default rates that are 25.0 percent or greater.

School A decides to base its participation rate index appeal on the official cohort default rate for the current cohort fiscal year. School A had a total of 200 regular students enrolled on at least a half-time basis during any part of the selected 12-month period relating to the current cohort fiscal year. Of those 200 students, 31 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School A's participation rate index is 0.03875.

$$\frac{31 \text{ borrowers}}{200 \text{ regular students}} \times 25.0 \text{ cohort default rate} = 0.03875$$

Because the participation rate index is greater than 0.0375, School A's participation rate index appeal would be unsuccessful.

As another example, School B's official cohort default rate is 50.0 percent. School B's two most recent official cohort default rates were 20.0 percent and 31.0 percent. As a result, School B is subject to sanction only because of an official cohort default rate that is greater than 40.0 percent.

School B should base its participation rate index appeal on the official cohort default rate for the current cohort fiscal year. School B had a total of 100 regular students enrolled on at least a half-time basis during any part of the selected 12-month period relating to the current cohort fiscal year. Of these 100 students, 10 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School B's participation rate index is 0.05.

$$\frac{10 \text{ borrowers}}{100 \text{ regular students}} \times 50.0 \text{ cohort default rate} = 0.05$$

Because the participation rate index is less than 0.06015, School B's participation rate index appeal would be successful. However, if School B's two most recent official cohort default rates are 25.0 percent and 31.0 percent, School B is also subject to sanction because it will have three consecutive official cohort default rates that are 25.0 percent or greater. In that event, the participation rate index would have to be 0.0375 or less for the participation rate index appeal to be successful.

Does a school need to wait until the official cohort default rate is released to prepare its participation rate index appeal?

If a school is submitting a participation rate index appeal using a previous cohort fiscal year's official cohort default rate, it can prepare a complete participation rate index appeal before it receives its current year official cohort default rate.

If a school is submitting a participation rate index appeal using the current cohort fiscal year, it cannot perform the final step in the process (multiplying the participation ratio by the official cohort default rate) until the school receives its official cohort default rate. However, a school can perform the initial steps to identify the data to include in the calculation before it receives its official cohort default rate if it believes its current cohort fiscal year official cohort default rate will incur sanctions. In that way, a school can save time when it receives its official cohort default rate.

What roles do the Department and data managers have in a school's participation rate index appeal?

Schools submit participation rate index appeals directly to DPM for review and consideration. DPM is responsible for determining whether schools meet the established participation rate index criteria. Therefore, there is no role for data managers.

The "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

If a school submits an appeal to the wrong entity or address, the appeal might not be reviewed and the school could miss the deadline for submitting the appeal to DPM.

If a data manager receives a participation rate index appeal from a school, it should immediately contact the school to inform it that the appeal must be sent to DPM. The data manager should also indicate that the request must be sent to DPM within the 30-calendar-day timeframe. The data manager should then notify DPM that the data manager has contacted the school.

What materials must a school submit as part of a participation rate index appeal?

Timing is critical when submitting a participation rate index appeal. A school must submit a participation rate index appeal to DPM within 30 calendar days of the school's timeframe begin date. The participation rate index appeal must include a letter on the school's letterhead (see sample letter at the end of this chapter).

If a school does not have any students who received FFELs or Direct Loans with loan periods that overlapped any part of the selected 12-month period, the school does not have to submit a spreadsheet to DPM. However, to avoid sanctions, the school's letter to DPM must identify the 12-month period and indicate that the school did not have any students who received loans with loan periods that overlapped the 12-month period.

If the school is required to submit a participation rate index appeal spreadsheet, it should use the format shown in the sample spreadsheet below. Using the information on the spreadsheet and the participation rate index formula, a school must calculate its participation rate index. As mentioned, to avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less. If both sanctions apply, the participation rate index must be 0.0375 or less.

Sample Participation Rate Index Appeal Spreadsheet

Type: Participation Rate Index Appeal
 Cohort FY: 2004
 From: Graphic Tech
 Code 099999
 To: Default Prevention and Management
 Code: NA

Cohort Default Rate: 50.0%
 12-Month Period: 9/01/2002 – 08/31/2003
 Total Borrowers: 2
 Total Regular Students: 50
 PRI: 0.02

	A	B	C	D	E
	Student's SSN	Student's Name	Student's Enrollment Dates	Loan Type (if any)	Loan Period
1					
2	111-11-1111	Ross, Betsy	08/15/2002 - 05/25/2003	FFEL	08/15/2002 - 05/26/2003
3	222-22-2222	Adams, John	05/15/2002 - 05/26/2003	DL	08/15/2002 - 12/30/2003
4	333-333-3333	Washington, Martha	08/15/2002 - 12/30/2003	No	N/A

Date 10/13/2006

Page 1 of 1

A blank version of this spreadsheet is posted on the Default Prevention and Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

Schools are not required to submit an independent auditor's attestation to support the school's participation rate index appeal.

If a school is submitting a participation rate index appeal for multiple cohort default rates, it should submit all the participation rate index appeals in the same mailing to DPM. However, the school still needs to submit separate documentation for each participation rate index appeal.

How a school submits a Participation Rate Index appeal to DPM

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful if the school is asked to authenticate the timeliness of its response. The school should maintain the documentation that verifies the receipt of the appeal as well as all other electronic and hardcopy documentation submitted as a part of the participation rate index appeal process.

If a school does not meet the timeframe for submitting the appeal, the appeal will not be reviewed

If sending by courier:

U.S. Department of Education
 Default Prevention and Management
 Union Center Plaza 084F
 830 1st Street, NE
 Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
 Default Prevention and Management
 Union Center Plaza 084F
 400 Maryland Avenue, SW
 Washington, DC 20202-5353

Do not send materials to any other address at the Department

What happens after the school submits the participation rate index appeal?

DPM will review, using the standard of review described in 34 CFR 668.189(f), only the information submitted with the participation rate index appeal and will not review information submitted after the 30-calendar-day deadline. DPM will send the school written notification of DPM's decision. DPM's decision is final and no further administrative review is provided.

If the school was notified that it was subject to sanction and the participation rate index appeal is successful, DPM will withdraw the notice of loss of eligibility. If the school's recalculated participation rate index is 0.0375 or less, the school will not be subject to a subsequent sanction based on that official cohort default rate. If the school was notified that it was subject to sanction and the participation rate index appeal is unsuccessful, and the school has no other outstanding adjustments or appeals, DPM will notify the school of the effective date of the sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

**Sample Letter:
Participation Rate Index Appeal
School to Default Prevention and Management**



U.S. Department of Education
Default Prevention and Management
ATTN: Participation Rate Index Appeal
400 Maryland Avenue, S.W.
Washington, D.C. 20202-5353

OPEID: 099999

Subject: Cohort FY 2004 Participation Rate Index Appeal

To Whom It May Concern:

Graphic Tech, OPEID 099999, is submitting a participation rate index appeal based on our cohort FY 2004 official cohort default rate. Our participation rate index is 0.02. This index is calculated using a 12-month period that began on September 1, 2002 and ended on August 31, 2003. I, the undersigned, certify under penalty of perjury that all information submitted in support of this participation rate index appeal is true and correct.

Graphic Tech is submitting its participation rate index appeal at this time; however, the school has also timely submitted an uncorrected data adjustment.

Please see the enclosed spreadsheet.

Thank you for your consideration.

Sincerely,

Alexander Pechum
President, Graphic Tech

The letter must include the school's OPE ID number, a statement indicating that the school is submitting a participation rate index appeal, the relevant cohort fiscal years on which the appeal is based, a certification that the information provided is true and correct under penalty of perjury, and a list of the other adjustments or appeals the school intends to submit to DPM. The school must also note its participation rate index and the 12-month period the school selected. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Participation Rate Index Appeal. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Participation Rate Index Appeal Checklists

School to Default Prevention and Management

Determine

- ◆ Is the school subject to sanction?
- ◆ What is the school's participation rate index?

Submit to DPM

- ◆ Letter (See sample on next page).
- ◆ Spreadsheet, if required

What is an average rates appeal?

A school facing sanction based on three consecutive official cohort default rates of 25.0 percent or greater is not subject to that sanction if at least two of these official cohort default rates are average rates and would have been less than 25.0 percent if they had been calculated using only the data for that cohort fiscal year alone.

In addition, a school facing sanction based on one official cohort default rate that is greater than 40.0 percent is not subject to that sanction if the official cohort default rate was calculated as an average rate.

Average Rates Appeal Timeframe		
Draft Cycle	Not applicable	
Official Cycle	School receives notice of loss of eligibility as part of the official cohort default rate notification package	<i>September</i>
	School sends completed Average Rates Appeal to Default Prevention and Management (DPM)	<i>Within 30 days of timeframe begin date</i>

How does a school qualify for a successful average rates appeal if the school is subject to sanction because of three consecutive cohort default rates that are 25.0 percent or greater?

Take a sequence of cohort fiscal years: This Year, Last Year, and Two Years Ago.

School A, a degree-granting school, certified loans for the following students:

- ◆ 7 borrowers who entered repayment This Year (of whom none defaulted in the cohort default period),
- ◆ 26 borrowers who entered repayment Last Year (of whom 6 defaulted in that cohort default period), and
- ◆ 35 borrowers who entered repayment Two Years Ago (of whom 12 defaulted in that cohort default period).

The 18 borrowers (0 + 6 + 12 = 18) who entered repayment and defaulted are divided by the 68 total borrowers (7 + 26 + 35 = 68) to give School A an average cohort default rate for This Year of 26.4 percent. School A had an average cohort default rate for Last Year of 27.6 percent and a non-average cohort default rate for Two Years Ago of 34.2 percent. Therefore, School A is subject to sanction for This Year because of three consecutive years of an official cohort default rate that is 25.0 percent or greater.

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

However, School A had an average cohort default rate for both This Year and Last Year. Therefore, School A meets the criteria that at least two of the three most recent official cohort default rates be average rates. The next criteria is to determine if those cohort default rates would be less than 25.0 percent if they were calculated using only data from those cohort fiscal years alone.

If School A's cohort default rate for This Year was calculated using only data from This Year, the cohort default rate for This Year would be 0.0 percent ($0 \div 7 = 0$). If School A's cohort default rate for Last Year was calculated using only data from Last Year, the cohort default rate for Last Year would be 23.0 percent ($6 \div 26 = .230$).

See Chapter 2.1, "How the Rates are Calculated", for more information on average rates.

Because the two cohort fiscal years with average cohort default rates would have been less than 25.0 percent if the rates were calculated using only data from those years alone, School A's average rates appeal will be successful, and the school will not be subject to sanction.

How does a school qualify for a successful average rates appeal if the school is subject to sanction because of a cohort default rate that is greater than 40.0 percent?

As mentioned, a school facing sanction based on one official cohort default rate that is greater than 40.0 percent is not subject to that sanction if the official cohort default rate was calculated as an average rate. Therefore, if the cohort default rate that is greater than 40.0 percent is an average cohort default rate, the school's average rates appeal will be successful, and the school will not be subject to sanction.

How does the average rates appeal process begin?

DPM will automatically determine if a school meets the criteria associated with an average rates appeal. This initial determination will take place prior to the release of the official cohort default rates. DPM will notify the school if it is not subject to sanction at the same time DPM notifies the school of its official cohort default rate.

In addition, if a school's official cohort default rate changes because of an adjustment or appeal the school submitted, DPM will automatically determine if the change in the cohort default rate results in the school meeting the criteria for an average rates appeal.

What if a school disagrees with the initial determination by DPM?

If a school disagrees with the initial determination by DPM, the school may submit an average rates appeal to DPM. For a school attempting to avoid a sanction based on three consecutive years of a cohort default rate that is 25.0 percent or greater, the average rates appeal must include supporting documentation showing that two of the three official cohort default rates in question were calculated as average rates and would be less than 25.0 percent if calculated only for those cohort fiscal years alone. For a school attempting to avoid a sanction based on a cohort default rate that is greater than 40.0 percent, the average rates appeal must include supporting documentation showing that the current cohort default rate is an average rate. For all average

rates appeals, a school must include a certification from the school's chief executive officer that all information is true and correct. A school must send the average rates appeal within 30 calendar days of the school's timeframe begin date.

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

How a school submits an Average Rates Appeal

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to the school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of appeal as well as all electronic and hardcopy documentation submitted as a part of the appeal process.

If sending by courier:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
830 1st Street, NE
Washington, DC 20002

If sending by U.S. Postal Service:

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Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

Average Rates Appeal Checklists

School to Default Prevention and Management

Determine

- ◆ Is the school subject to sanction and, if so, what type?
- ◆ If the school is subject to sanction because of three consecutive cohort default rates that are 25.0 percent or greater, were two of those cohort default rates calculated as average rates?
- ◆ If so, would those cohort default rates be less than 25.0 percent if they were calculated using only that year's cohort default rate data alone?
- ◆ If the school is subject to sanction because of a cohort default rate that is greater than 40.0 percent, was the cohort default rate calculated as an average rate?
- ◆ Did the Department automatically grant the school an average rates appeal?

Submit to DPM

- ◆ Supporting documentation
- ◆ Certification

What is a thirty-or-fewer borrowers appeal?

If a combined total of thirty or fewer borrowers entered repayment in the three most recent cohort fiscal years used to calculate a school's cohort default rates, the school is not subject to sanction.

Thirty-or-Fewer Borrowers Appeal Timeframe		
Draft Cycle	Not applicable	
Official Cycle	School receives notice of loss of eligibility as part of official cohort default rate notification package	<i>September</i>
	School sends completed Thirty or Fewer Borrowers Appeal to Default Prevention and Management (DPM)	<i>Within 30 days of timeframe begin date</i>

How does a school qualify for a successful thirty-or-fewer borrowers appeal?

Take a sequence of cohort fiscal years: This Year, Last Year, and Two Years Ago.

School A, a degree-granting school that is subject to sanction, had

- ◆ 3 borrowers enter repayment This Year,
- ◆ 10 borrowers enter repayment Last Year, and
- ◆ 5 borrowers enter repayment Two Years Ago.

The combined total number of borrowers who entered repayment in School A's three most recent cohort fiscal years is 18 borrowers (3 + 10 + 5 = 18). Because this number is less than thirty, School A's thirty-or-fewer borrowers appeal is successful and the school is not subject to sanction.

How does the thirty-or-fewer borrowers appeal process begin?

DPM will automatically determine if a school meets the criteria associated with a thirty-or-fewer borrowers appeal. This initial determination will take place prior to the release of the official cohort default rates. DPM will notify the school that it is not subject to sanction at the same time DPM notifies the school of its official cohort default rate.

In addition, if a school's official cohort default rate changes because of an adjustment or appeal the school submitted, DPM will automatically determine if the change in the cohort default rate results in the school meeting the criteria for a thirty-or-fewer borrowers appeal.

4.10 Thirty-or-Fewer Borrowers Appeal

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website:
<http://ifap.ed.gov>

For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

What if a school disagrees with the initial determination by DPM?

If a school disagrees with the initial determination by DPM, the school may submit a thirty-or-fewer borrowers appeal to DPM. The thirty-or-fewer borrowers appeal must include supporting documentation showing that there were a total of thirty or fewer borrowers in the three most recent cohort fiscal years used to calculate its cohort default rates. The school must include a certification from the school's chief executive officer that all information is true and correct. The school must send the thirty-or fewer borrowers appeal within 30 calendar days of receiving the Department's notice of a loss of eligibility.

How a school submits a thirty-or-fewer borrowers appeal

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to the school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the appeal as well as all electronic and hardcopy documentation submitted as a part of the appeal process. If a school does not meet the timeframe for submitting the appeal, the appeal will not be reviewed.

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Washington, DC 20002

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Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

Thirty-or-Fewer Borrowers Appeal Checklist

School to Default Prevention and Management

Determine

- ◆ Is the school subject to sanction?
- ◆ Did the school have thirty or fewer borrowers enter repayment in the three most recent cohort fiscal years?
- ◆ Did the Department automatically grant the school a thirty-or-fewer borrowers appeal?

Submit to DPM

- ◆ Supporting Documentation
- ◆ Certification

Adjustment:

An action a school can bring after the release of the official cohort default rates. There are two types of adjustments: an uncorrected data adjustment and a new data adjustment.

AGI:

Abbreviation used to refer to adjusted gross income.

Allegation:

For cohort default purposes, a school statement about the accuracy of specific loan information data on the loan record detail report.

Appeal:

An action a school can bring after release of the official cohort default rates. There are six types of appeals: an erroneous data appeal, a loan servicing appeal, an economically disadvantaged appeal, a participation rate index appeal, an average rates appeal, and a thirty-or-fewer borrowers appeal.

Average Rate:

One of two methods of calculating an official Cohort default rate. The average rate formula is used to calculate the official cohort default rate for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year that had a cohort default rate calculated for the two previous cohort fiscal years.

Common Acronyms & Abbreviations:

CFR – Code of Federal Regulations

Department – the U.S. Department of Education

EFC – Expected Family Contribution

FSA– Federal Student Aid

GPA – Grade Point Average

HEA - Higher Education Act of 1965

LRDR – Loan Record Detail Report

N/A – “not applicable”

NSLDS –National Student Loan Data System

SSN – Social Security Number

Average Rates Appeal:

As described in Section 668.196 of Title 34 of the Code of Federal Regulations (34 CFR 668.196). A school facing sanction based on three consecutive official cohort default rates of 25.0 percent or greater is not subject to that sanction if at least two of these official cohort default rates are average rates and would have been less than 25.0 percent if they had fiscal year alone. In addition, a school facing sanction based on one official cohort default rate that is greater than 40.0 percent is not subject to that sanction if the official cohort default rate was calculated as an average rate.

Award Year:

The period of time from July 1 of one year to June 30 of the following year. The year used in some Title IV programs.

Benefit:

Advantage granted to schools with low official cohort default rates. Schools with low official cohort default rates may be exempt from certain loan disbursement requirements.

Challenge:

An action a school can bring after release of the draft cohort default rates. There are two types of challenges: an incorrect data challenge and a participation rate index challenge.

Claim Paid Date:

The date a guaranty agency reimburses a lender for a defaulted FFEL. This date is used to determine if the borrower will be placed in the numerator of the cohort default rate calculation. If the claim paid date falls within the cohort default period, the borrower is included in both the denominator and numerator of the cohort default rate calculation.

Cohort Default Period:

The two-year period that begins on October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the following fiscal year.

Cohort Default Rate Calculation:

As described in 34 CFR 668.183. The percentage of a school's borrowers who enter repayment on certain FFELs and/or Direct Loans and default (or meet the other specified condition).

Cohort Fiscal Year:

The fiscal year for which the cohort default rate is calculated.

Commonality of Ownership:

A commonality of ownership or management exists between schools if, at each school, the same person, or a member of that person's family, directly or indirectly holds or held a managerial role or has or had the ability to substantially affect the school's actions.

Completion Rate:

As described in 34 CFR 668.194(c). The percentage of students enrolled at a school that completed their program. Used by degree-granting schools when submitting an economically disadvantaged appeal.

Consolidation:

The process of repaying an existing loan account with a new loan. Generally, the borrower combines multiple loans into one new loan.

CPD:

Abbreviation used to refer to the claim paid date.

Data Manager:

Depending on the loan, a data manager may be the Direct Loan Servicer, a guaranty agency, or in some instances, Default Prevention and Management.

Data Manager Code:

A code number used to identify the data manager for a loan. Another name for the Guarantor/Servicer Code.

Date Entered Repayment:

The date when the borrower begins repayment on a loan. Generally, the date entered repayment occurs after the end of a grace period.

DD:

Abbreviation used to refer to the default date.

Default:

Except in other specified conditions, a FFEL is considered to be in default for cohort default rate purposes only if the guaranty agency has paid a default claim on the loan to the lender. Except in other specified conditions, a Direct Loan is considered to be in default for cohort default rate purposes after 360 days of delinquency (or after 270 days of delinquency, if the borrower's first day of delinquency was before October 7, 1998).

Default Date:

Except in other specified circumstances, the default date on a FFEL for cohort default rate purposes is the claim paid date. Except in other specified circumstances, the default date on a Direct Loan for cohort default rate purposes is the 361st day of delinquency (or the 271st day of delinquency, if the borrower's first day of delinquency was before October 7, 1998).

Default Prevention and Management:

The office within SFA that calculates and releases school cohort default rates and works with schools and data managers in the cohort default rate challenge, adjustment, and appeal process.

Degree-Granting School:

A school that offers an associate, baccalaureate, graduate, or professional degree. A school should refer to its Eligibility and Certification Approval Report if the school is uncertain about its degree-granting status.

Delinquency:

A borrower who misses a regularly scheduled payment is considered in delinquency. The more payments the borrower misses, the longer the delinquency.

Denominator:

There are two elements when dividing numbers: the numerator and the denominator. The numerator is the number that is divided and is listed first in a mathematical equation; the denominator is the number the numerator is divided by and is listed second in a mathematical equation.

Department:

Abbreviation used to refer to the U.S. Department of Education.

DER:

Abbreviation used to refer to the date entered repayment.

Direct Loan:

Abbreviation used to refer to the William D. Ford Federal Direct Loan Program or to a loan made under that program.

Direct Loan Servicer:

The data manager responsible for Direct Loans.

Direct Stafford/Ford Loans:

Term used to refer to Federal Direct Subsidized Stafford/Ford Loans and Federal Direct Unsubsidized Stafford/Ford Loans.

Disputed Data:

Disputed data occurs when a school submitted an incorrect data challenge, the data manager for the loan disagreed with the challenge, the school believed the data manager was incorrect, and the same data are used to calculate the school's official cohort default rate.

Economically Disadvantaged Appeal:

As described in 34 CFR 668.194. An appeal alleging that a school should not be subject to sanction because it has a high number of low-income students. There are two types of economically disadvantaged appeals: an economically disadvantaged appeal based on low-income rate and placement rate and an economically disadvantaged appeal based on low income rate and completion rate.

Eligibility:

The ability to participate in one or more of the Title IV programs the Department administers. A school that is sanctioned for high official cohort default rates is subject to a loss of eligibility in certain Title IV programs.

Eligible Program:

An educational program at a school that meets the criteria for Title IV program eligibility.

Erroneous Data Appeal:

As described in 34 CFR 668.192. An appeal that alleges that because of new data and/or disputed data included in the official cohort default rate calculation, a school's official cohort default rate data is inaccurate.

Evasion:

An attempt to avoid cohort default rate sanctions by changing a school's name, location, OPE ID, or other status.

Expected Family Contribution (EFC):

The amount a student and his or her family are expected to contribute to the student's postsecondary educational expenses.

Family Educational Rights and Privacy Act:

Along with the Privacy Act of 1974, a law governing the release of private information. These laws apply to all cohort default rate loan data because this

data contains personal identification information about borrowers who received loans under the FFEL and Direct Loan programs. State and local laws and regulations may also govern the use of this material.

Federal Family Education Loan Program:

Full name of the FFEL Program. The Federal Family Education Loan Program comprises three loan programs: subsidized Federal Stafford Loans and unsubsidized Federal Stafford Loans (collectively referred to as Federal Stafford Loans), Federal PLUS Loans, and Federal Consolidation Loans. Only Federal Stafford Loans are directly included in the cohort default rate calculation. Federal Supplemental Loans for Students (Federal SLS loans) were formerly part of the Federal Family Education Loan Program. However, Federal SLS loans have not been made since July 1, 1994. It is possible for a Federal SLS loan to be included in a current cohort default rate calculation under certain circumstances.

Federal Fiscal Year:

A federal fiscal year begins on October 1 of the calendar year and ends on September 30 of the next calendar year. A federal fiscal year is always identified by the calendar year when the fiscal year ends. Also referred to as a fiscal year.

Federal Stafford Loans:

Term used to refer to subsidized Federal Stafford Loans and unsubsidized Federal Stafford Loans.

Federal Student Aid (FSA):

The office within the Department that is responsible for managing the operational functions supporting the Title IV programs.

FERPA:

See “Family Educational Rights and Privacy Act.”

FFEL:

Abbreviation used to refer to the Federal Family Education Loan Program. For the purposes of this Guide, FFEL is also used to refer to those FFELs that are included in the cohort default rate calculation.

Fiscal Year:

Another name for federal fiscal year.

FY:

Abbreviation used to refer to a specific fiscal year, such as FY 2000. The specific year is always the calendar year when the fiscal year ends.

Grace Period:

For Federal Stafford Loans and Direct Stafford/Ford Loans, the six-month period that generally begins when a borrower separates (graduates or withdraws) from school or drops below half-time enrollment.

Guarantor/Service Code:

A code number used to identify the data manager for a loan. Another name for the data manager code.

Guaranty Agency:

The data manager responsible for FFELs not held by the Department.

Higher Education Act of 1965:

The original legislation authorizing the creation of the Title IV programs.

Improperly Serviced Loan:

As described in 34 CFR 668.193(b). If the holder of a loan fails to perform certain activities when servicing the loan, the loan is considered improperly serviced. For this Guide, “improperly serviced” always means “improperly serviced for cohort default rate purposes only.”

Inaccurate Data:

Information on the loan record detail report that is incorrectly reported, incorrectly included, or incorrectly excluded.

Incorrect Data Challenge:

As described in 34 CFR 668.185(b). After the release of the draft cohort default rates, the Department provides schools with an opportunity to review the draft cohort default rate data and, if necessary, work with the data manager responsible for the loans to correct any errors. The process of correcting data is called an incorrect data challenge. This process was formerly referred to as a draft data challenge.

Institutional Improvement Specialist:

An individual agent within Case Management.

Last Date of Attendance (LDA):

The date that a student leaves school entirely (graduates or withdraws). The last date of attendance is the day before the borrower’s grace period begins.

Less-Than-Half-Time Date:

The date that a student’s enrollment status drops to less than half time. The less-than-half-time date is the day before the borrower’s grace period begins.

Liability:

Certain costs associated with FFELs and Direct Loans that a school must pay if the school continued to certify and deliver or originate and disburse loans while the school’s unsuccessful adjustment and/or appeal was pending.

Loan Record Detail Report (LRDR):

A loan record detail report contains information on the loans that were used to calculate a school’s draft or official cohort default rate. The loan record detail report lists a school’s FFEL and/or Direct Loan activity, including but not limited to the number of borrowers who entered repayment during a given

cohort fiscal year, the number of borrowers who defaulted in the cohort period, and the loan status of those borrowers.

Loan Servicing Appeal:

As described in 34 CFR 668.193. An appeal alleging that a school's official cohort default rate includes defaulted FFELs or Direct Loans that are considered improperly serviced for cohort default rate purposes and used in determining cohort default rates.

Loan Servicing Records:

Records that detail the servicing activities a loan holder performed when servicing a loan. For FFELs, loan servicing records are the collection and payment history records that are provided to the guaranty agency by the lender and used by the guaranty agency in determining whether to pay a claim on a defaulted loan. For Direct Loans, loan-servicing records are the collection and payment history records that are maintained by the Direct Loan Servicer.

Low Income Rate:

As described in 34 CFR 668.194(b). The percentage of students with low incomes enrolled at a school. Used when submitting an economically disadvantaged appeal.

LTH:

Abbreviation used to refer to the less-than-half-time date.

Management's Written Assertion:

The materials a school submits to an independent auditor and to Default Prevention and Management as part of the school's economically disadvantaged appeal. An independent auditor must review the management's written assertion.

Monthly Status Report:

A cumulative list of challenge, adjustment, and appeal requests that data managers receive from schools after the release of the draft cohort default rates and the official cohort default rates. Monthly status reports assist Default Prevention and Management in monitoring the time frames associated with the cohort default rate process. The monthly status report is sent to Default Prevention and Management within seven calendar days of the end of each month.

National Student Loan Data System (NSLDS):

The Department's database of federal student loan information. This information is used to calculate a school's cohort default rate.

New Data:

New data occurs when data reported to NSLDS is newly reported, included, or excluded between the calculation of the draft and official cohort default rates. For the purposes of this Guide, any mention of "new data" refers to "new incorrect data."

New Data Adjustment:

As described in 34 CFR 668.191. A new data adjustment is a course of action that provides a school with the opportunity to challenge the accuracy of new data included in the school's official cohort default rate that was not reflected in the draft cohort default rate.

Non-Average Rate:

One of two methods of calculating an official cohort default rate. The non-average-rate formula is used for a school with 30 or more borrowers entering repayment during a cohort fiscal year.

Non-Degree-Granting School:

A school that does not offer an associate, baccalaureate, graduate, or professional degree. A school should refer to its Eligibility and Certification Approval Report if the school is uncertain about its degree-granting status.

Numerator:

There are two elements when dividing numbers: the numerator and the denominator. The numerator is the number that is divided and is listed first in a mathematical equation; the denominator is the number the numerator is divided by and is listed second in a mathematical equation.

Other Specified Condition:

The phrase "other specified condition" occurs when, before the end of the cohort default period, the school's owner, agent, contractor, employee, or any other affiliated entity or individual makes a payment to prevent a borrower's default on a loan the entered repayment during the cohort fiscal year. In such a situation, the borrower is considered in default for cohort default rate purposes.

Overlap:

To have one or more calendar days in common. For example, an award year overlaps a 12-month period if any calendar day that is included in the award year is also included in the 12-month period.

Participation Rate Index:

As described in 34 CFR 668.195(b). The percentage of a school's students who participated in (borrowed under) the FFEL and/or Direct Loan programs multiplied by the school's cohort default rate.

Participation Rate Index Appeal:

As described in 34 CFR 668.195. A type of appeal that contends a school should not be subject to sanction because the number of students who obtained loans to attend the school is very low in relation to the number of regular students at the school. A participation rate index appeal is submitted after the release of the official cohort default rates.

Participation Rate Index Challenge:

As described in 34 CFR 668.185(c). A type of challenge that contends a school should not be subject to sanction because the number of students who

obtained loans to attend the school is very low in relation to the number of regular students at the school. A participation rate index challenge is submitted after the release of the draft cohort default rates.

Placement Rate:

As described in 34 CFR 668.194(d). The percentage of students enrolled at a school that became employed in the occupation for which the school trained them. Used by non-degree-granting schools when submitting an economically disadvantaged appeal.

Privacy Act of 1974:

Along with the Family Educational Rights and Privacy Act, a law governing the release of private information. These laws apply to all cohort default rate loan data because this data contains personal identification information about borrowers who received loans under the FFEL and Direct Loan programs. State and local laws and regulations may also govern the use of this material.

Regular Student:

A student who enrolled or was accepted for enrollment at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school.

Sanction:

Penalties the Department imposes on a school with high official cohort default rates. The sanctions associated with high official cohort default rates occur when a school's three most recent official cohort default rates are 25.0 percent or greater or when a school's most recent official cohort default rate is greater than 40.0 percent. These sanctions include a loss of eligibility to participate in certain Title IV programs.

School Participation Team:

The office within Federal Student Aid that reviews school compliance with the student financial assistance regulations.

Thirty-or-Fewer Borrowers Appeal:

As described in 34 CFR 668.197. A school that has a total of 30 or fewer borrowers included in the three most recent cohort fiscal years is not subject to sanction.

12-Month Period:

When submitting a participation rate index challenge, economically disadvantaged appeal, or participation rate index appeal, a school must select a 12-month period on which to base the action. The school may base the action on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the action.

Uncorrected Data Adjustment:

As described in 34 CFR 668.190. A request submitted to Default Prevention and Management to ensure that a school's official cohort default rate

calculation reflects changes that a data manager agreed to in its incorrect data challenge response.

Unofficial Rate:

An official rate cannot be calculated for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year if the school did not have a cohort default rate calculated for either or both of the two previous cohort fiscal years. Such a school will have an unofficial cohort default rate calculated using the non-average rate formula and current cohort fiscal year data. An unofficial cohort default rate does not meet the statutory definition of a cohort default rate. Therefore, it cannot be used to determine sanctions or benefits.

William D. Ford Federal Direct Loan Program:

Full name of the Direct Loan Program. The William D. Ford Federal Direct Loan Program comprises three loan programs: Federal Direct Subsidized Stafford/Ford Loans and Federal Direct Unsubsidized Stafford/Ford Loans (collectively referred to as Direct Stafford/Ford Loans), Direct Plus Loans, and Direct Consolidation Loans. Only Direct Stafford/Ford Loans are directly included in the cohort default rate calculation.

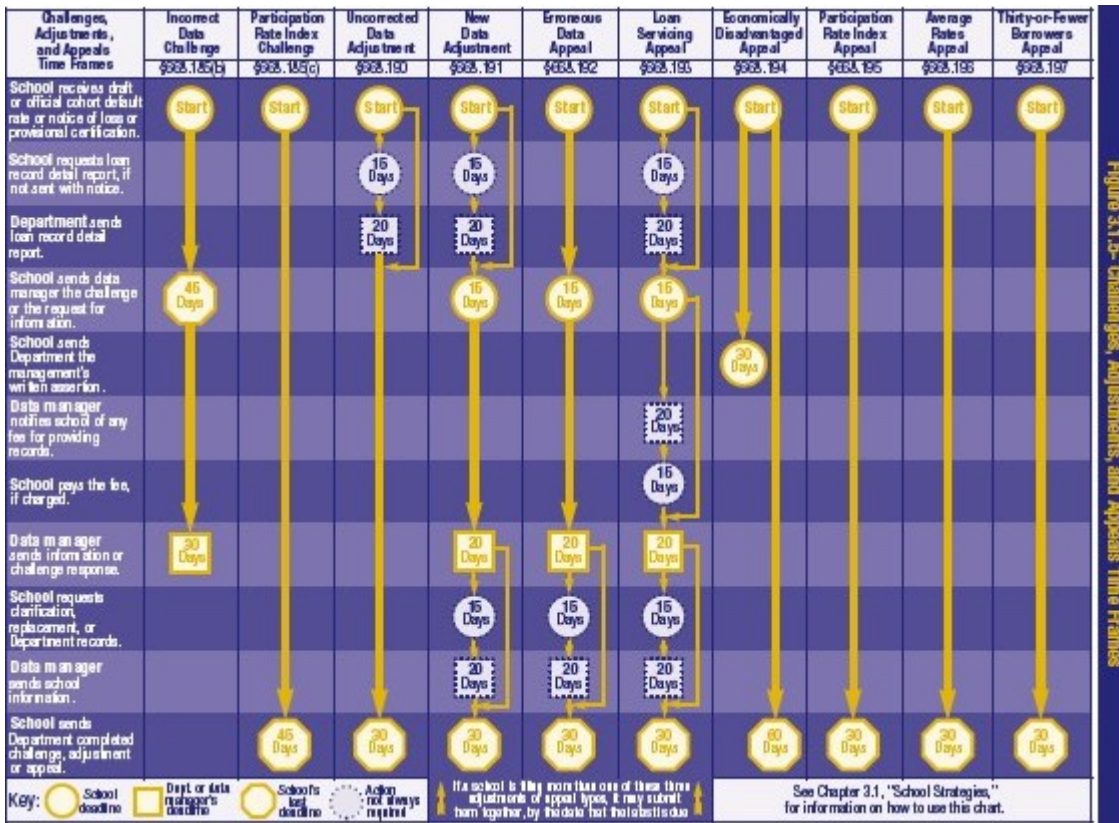


Figure 3.1-B- Challenges, Adjustments, and Appeals Time Frames