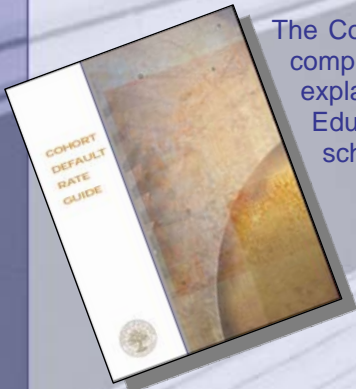


Cohort Default Rate Guide Quick Reference

Fall 2005



What is the Cohort Default Rate Guide?

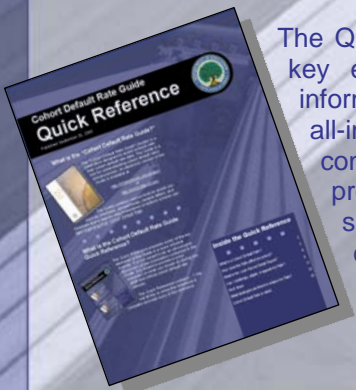


The Cohort Default Rate Guide (Guide) is a comprehensive reference document that explains in detail how the Department of Education (Department) calculates a school's cohort default rate and how a school can:

- 1) correct the data that is used to calculate the rates, or
- 2) submit a challenge/appeal/adjustment.



What is the Cohort Default Rate Guide Quick Reference?



The Quick Reference presents some of the key elements of the Guide in a more informal manner. It is not meant to be an all-inclusive discussion of the information contained in the Guide. It is meant to provide a quick summary of what you should do during the *draft* and *official* cohort default rate cycles.

Inside the Quick Reference



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| How does the rate affect my school? | 4 |
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| Appendix: Cohort default rate in detail. | 14 |

Fall 2005

U.S. Department of Education
Federal Student Aid
Default Prevention and Management
Washington, DC
20202-5353

Phone: 1-202-377-4259 (Calls responded to within 48 hours)
Email: fsa.schools.default.management@ed.gov

Default Prevention and Management is the office responsible for the Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct Loan (Direct Loan) Program cohort default rate information. Default Prevention and Management calculates and releases school cohort default rates and works with schools and Data Managers in the cohort default rate challenge, adjustment, and appeal processes. The Default Prevention and Management home page is located at

<http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

The Web site also has a Frequently Asked Questions (FAQ) section that answers many of the major questions schools have about the cohort default rate process. For answers to questions that are not found in the FAQ, contact Default Prevention and Management at 1-202-377-4259.

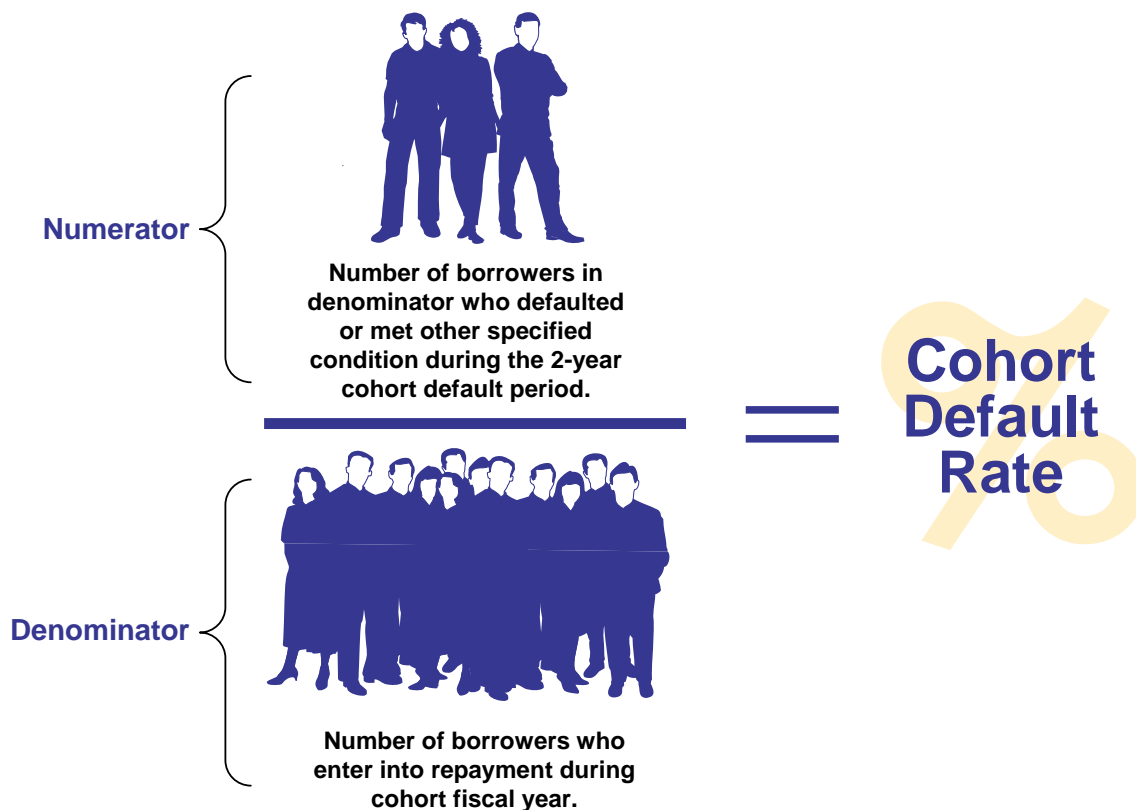
Disclaimer: The information found in this guide does not supersede or alter any regulatory or statutory requirements that are in effect. If the information in this guide conflicts with the regulations or statute, the regulations and/or statute that are in effect take precedence. The legislation authorizing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

This document, as well as the Cohort Default Rate Guide, is available on the Default Prevention and Management home page.



What is a cohort default rate?

A school's cohort default rate is the percentage of a school's federal student loan borrowers who enter repayment within the cohort fiscal year (denominator) and default (or met other specified condition) (numerator) within the cohort default period.¹



The components of the cohort default rate are discussed further starting on page 14 of this Quick Reference; a complete explanation of the cohort default rate can be found in [Chapter 2.1 of the Guide](#). This includes:

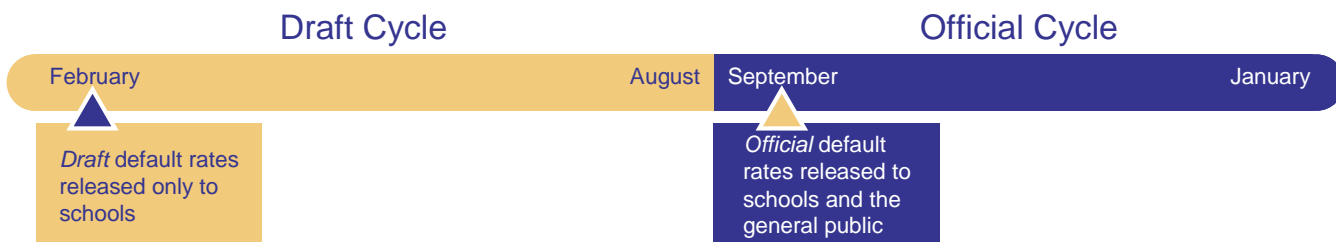
- A description of the loans that are included,
- A definition of repayment and default,
- A complete discussion of the cohort default period, and
- The formula (non-average rate) used to calculate the cohort default rate for most schools, and the alternative formula (average rate) for schools with a low number of borrowers.

¹ A cohort fiscal year is the same as a federal fiscal year, which begins on October 1 of a year and ends on September 30 of the following year. The Cohort Default Period is 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.

What are the *draft* and *official* cohort default rate cycles?

The ***draft* cycle** begins in February of each year when *draft* cohort default rates are released to schools.

The ***official* cycle** begins in September of each year when *official* cohort default rates are released to schools and made available to the general public.



How does the rate affect my school?

How does the *draft* rate affect my school?

There are no sanctions or benefits associated with the *draft* cohort default rate.

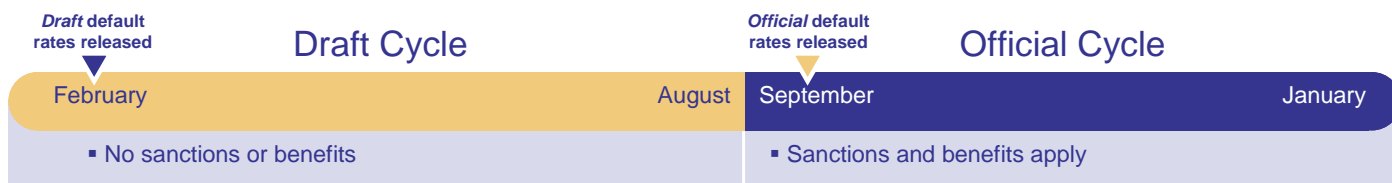
Draft cohort default rates are important because they form the basis of a school's *official* cohort default rate. It is important to review for accuracy the data used to calculate the *draft* cohort default rate - a school that fails to challenge the accuracy of its *draft* cohort default rate may not contest the accuracy of that data when it receives its *official* cohort default rate. Furthermore, in certain circumstances a school may submit a Participation Rate Index Challenge based on its *draft* cohort default rate.

How does the *official* rate affect my school?

There are sanctions for schools with high rates and benefits for schools with low rates.

Sanctions can include loss of eligibility in FFEL, Direct Loan, and/or Pell programs. More information on these sanctions can be found on [Page 2.2-3 of the Guide](#). A high cohort default rate can also limit a school to provisional certification.

[Page 2.2-2 of the Guide](#) discusses the benefits to schools with low cohort default rates.



What actions can a school take concerning its cohort default rate?

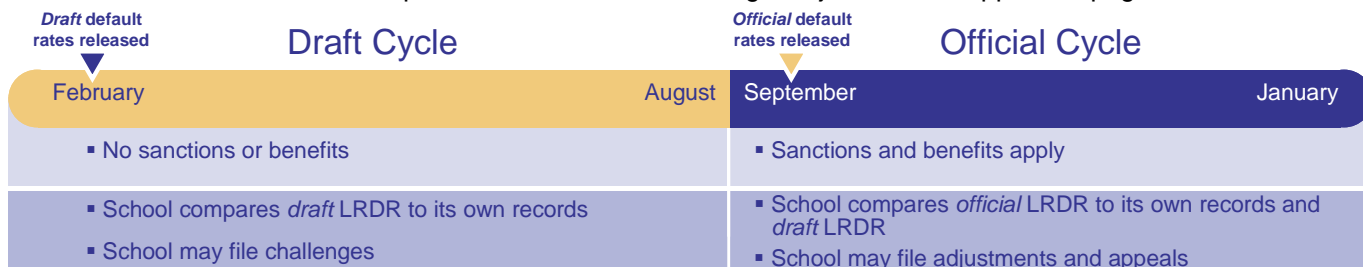
Schools will have an opportunity to review and respond to the loan information that is used to calculate its cohort default rate. We will send your school a Loan Record Detail Report (LRDR) as part of both the *draft* and *official* cohort default rate notification packages. The LRDR lists specific information for each loan that was included in your school's cohort default rate.

During the *draft* cycle, you should compare the information in the LRDR with the student separation (graduates, withdraws, or drops below half-time enrollment) dates and other loan information in your school's records. You may also compare the LRDR with any current loan information that you have obtained from lenders and Data Managers. If you find errors in the LRDR during the *draft* cycle, you may submit an Incorrect Data Challenge. If your school has a relatively low percentage of borrowers, it may be eligible to submit a Participation Rate Index Challenge.

We will send your school a new LRDR when we release its *official* cohort default rate. You should compare this LRDR to the LRDR that your school received with its *draft* cohort default rate. The LRDR may contain new data that should be compared to your school's records and current loan information provided by lenders and Data Managers. The LRDR should also be compared with the Data Manager's Incorrect Data Challenge response to ensure that all agreed-upon changes are reflected in the *official* cohort default rate data.

During the *official* cycle, you may request a New Data Adjustment or an Uncorrected Data Adjustment based on your review of the LRDR. You may also appeal the rate based on loan servicing errors that you are able to identify from lender and Data Manager records. If your school is subject to sanctions for a high default rate, it may be eligible to file other appeals, as described later in this Quick Reference.

We'll explain how to submit a challenge, adjustment, or appeal on page 7.



How does a school use the Loan Record Detail Report?

A Loan Record Detail Report (LRDR) contains information on the loans used to calculate a school's *draft* or *official* cohort default rate. See [Chapter 2.3 of the Guide](#) for information on obtaining a copy of your LRDR.

Why should a school review the LRDR during the *draft* cycle?

It is important to review for accuracy the data used to calculate the *draft* cohort default rate – a school that fails to challenge the accuracy of its *draft* cohort default rate may not contest the accuracy of that data when it receives its *official* cohort default rate. Furthermore, in certain circumstances a school may submit a Participation Rate Index Challenge based on its *draft* cohort default rate.

Why should a school review the LRDR during the *official* cycle?

It is important to review for accuracy the data used to calculate the *official* cohort default rate – if a school finds errors in the data, it may be eligible to file certain adjustments or appeals.



Reviewing the LRDR.

Title

School

Demographic

Information

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

RATE CALCULATION DATE: XX/XX/XX
PAGE NO: 1

Attention: Alexander Peachum
Name: Graphic Tech
Address: Arts Lane
City: City
Country: United States
Organization ID Number: 999999

Student: [A] [B] [K] [L] [N] [O] [C] [D] [P] [Q] [S] [U] [V]

| SSN | Last name | Loan Type | Claim Rsn/Code | DEFAULT/NegAm Date | Repay Date | Amount | Guarantor/ Servicer | Guaranty Loan/Date | Enrollment Stat/Code | Usage |
|--------------|------------|-----------|----------------|--------------------|---------------------|---------------------|---------------------|--------------------|----------------------|-------|
| 0001-01-0001 | CHARM | SF | RE | 00/00/0000 | JIM K 06/30/1977 | 00XXXXXX | 09/01/1999 | 05/30/2000 | 1 | D |
| 8888888888 | 9999999999 | RE | RE | | 10/31/2002 \$ 2,625 | 667 | 09/02/1999 | 12/31/2001 | 1 | PD |
| 0001-01-0001 | CHARM | SU | RE | 00/00/0000 | JIM K 06/30/1977 | 00XX XXX | 09/01/2000 | 04/30/2001 | 3 | E |
| 8888888888 | 9999999999 | RE | RE | | 11/31/2002 \$ 5,500 | 467 | 08/21/2000 | 12/31/2001 | 1 | E |
| 0002-01-0001 | XU | D1 | DU | IX | 12/17/2003 | 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 | 101 | 02/14/2000 | 05/10/2002 | B |
| 0003-00-0001 | Jackson | D1 | DA | | 00/00/0000 | MARK R 10/29/1983 | 00XXXXXX | 08/22/2002 | 05/09/2003 | 1 |
| 0101 | 0101 | D1 | DA | | 00/00/0000 | 05/14/2003 \$ 2,625 | 101 | 11/04/2002 | 12/13/2002 | D |

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 : 134 (B Usage 1 Codes only)
 Actual Denominator Count: 842 Actual Default Rate: 15.9 Report Count : 842 (D & B Usage 1 Codes only)
 INDIVIDUAL PROGRAM TALLY: FPFE: 131/842 DIRECT: 3/20

Appealed Rate flag: N (D=Direct, I=Indirect, N=No Appeal, U=Unknown) IC: 0 (Negative Amortization Only)
 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: PD=FPFE Denominator, FB=FPFE Numerator/Denominator, DD=Direct Denominator, DB=Direct Numerator/Denominator,
 IC=ICR (Negative Amortization Only), N = Not Used, E = Eligible but not counted

Information Protected By the Privacy Act of 1974 As Amended

*Note: Fields in this illustration are noted in the same order they are introduced in the Guide.

A school should always review the LRDR to determine if the information is accurate and current. The first three fields are important because they enable you to match the listing on the LRDR with borrower and loan information from your school records (and any information that you have requested from lenders and/or Data Managers).

| | |
|--|---|
| Field A – Social Security Number | Use these fields to match the borrower to your school records and identify discrepancies that may need to be corrected. |
| Field B – Last Name | |
| Field C – First Name/Middle Initial | |

The following fields are the ones that are most frequently corrected through the challenge and adjustment processes, in particular the repayment date, which determines the borrower's cohort year.

| | |
|---------------------------------|--|
| Field L – Loan Status | Defaulted, Paid-in-Full, etc. |
| Field N – Default Date | Compare to data from lender and/or Data Manager. |
| Field O – Repayment Date | Compare to separation date in school's records (separation date should be 6 months earlier). |

The following fields identify the type of loan and how it is counted in the default rate calculation. Note that a borrower may be listed several times in the LRDR if they have multiple loans that enter repayment in the same cohort fiscal year. However, since the borrower is only counted once in the default rate calculation, only one of the loans will be listed with the code D (Denominator) or B (both Numerator and Denominator).

| | |
|----------------------------|---|
| Field K – Loan Type | This field identifies the type of loan (e.g., "Direct Loan" or "FFEL"). |
| Field U – Usage 1 | These fields indicate whether the loan is included in the numerator or denominator of the default rate calculation. |
| Field V – Usage 2 | |

If you want to request current loan information from the guarantor or servicer, find the code listed in Field Q and look up the contact information on the Default Management home page:

<http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

| | |
|-------------------------------------|--|
| Field Q – Guarantor/Servicer | Contact point for default information on the loan. |
|-------------------------------------|--|

Field Q provides the code of the Data Manager that is responsible for a borrower's loan. You may need the loan holder's contact information if you are requesting loan information from the holder or if you are submitting a challenge, adjustment, or appeal based on the loan information. The contact information listed by guarantor/servicer code is posted on the Default Prevention and Management home page:

<http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>.



Using the LRDR to analyze your defaults.

A school can use borrower information from the LRDR to identify some of the typical characteristics of its defaulted borrowers. This analysis can be part of the school's default prevention and management plan. In addition to the fields that we have discussed, the following fields are useful for this purpose:

- Field D – Date of Birth
- Field S – Enrollment Code
- Field P – Amount

What should a school do about incorrect information?

A school that believes the LRDR contains incorrect information should take steps to correct that information. Those steps can be found in the next portion of the Quick Reference and [Part IV of the Guide](#).

How does a school challenge, adjust, or appeal its rate?

Challenges, adjustments, and appeals are actions schools can use if the school believes its cohort default rate as calculated is incorrect, or if the school believes that specific mitigating circumstances needed to excuse it from being subject to sanction exist.

The information below is not designed to tell you everything you need to know about a particular challenge, adjustment, or appeal, but to provide you with a quick overview to help you decide if you need to take action. See [Chapter 3.1 of the Guide](#) for detailed information. Domestic schools are allowed five business days to report any problems with the electronic transmission of their cohort default rate notification 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, <http://ifap.ed.gov>. Foreign school timelines begin upon the receipt of the notification package.

When can a school file a challenge, adjustment, or appeal?

Challenges are only available from the *draft* rates. Adjustments and appeals are only available from the *official* rates.

The following figure shows, in general, which challenges, adjustments, and appeals are available to sanctioned and non-sanctioned schools during the *draft* and *official* cycles.

| Draft Cycle | Official Cycle |
|---|--|
| February | September |
| August | January |
| <ul style="list-style-type: none"> ▪ No sanctions or benefits | <ul style="list-style-type: none"> ▪ Sanctions and benefits apply |
| <ul style="list-style-type: none"> ▪ School compares <i>draft</i> LRDR to its own records ▪ School may file challenges | <ul style="list-style-type: none"> ▪ School compares <i>official</i> LRDR to its own records and <i>draft</i> LRDR ▪ School may file adjustments and appeals |
| <ul style="list-style-type: none"> ▪ Challenges (all schools) <ul style="list-style-type: none"> ▪ Incorrect Data Challenge (IDC) ▪ Participation Rate Index Challenge | <ul style="list-style-type: none"> ▪ Adjustments and Appeals (all schools) <ul style="list-style-type: none"> ▪ Uncorrected Data Adjustment (if the school submitted an IDC in the draft cycle) ▪ New Data Adjustment ▪ Loan Servicing Appeal ▪ Appeals (sanctioned schools only) <ul style="list-style-type: none"> ▪ Erroneous Data Appeal ▪ Economically Disadvantaged Appeal ▪ Participation Rate Index Appeal ▪ Automatic Appeals (sanctioned schools only) <i>These appeals are initiated by the Department</i> <ul style="list-style-type: none"> ▪ Average Rates Appeal ▪ Thirty-or-Fewer Borrowers Appeal |



What challenges are available during the draft cycle?

There are two **challenges** available during the **draft cycle** – an Incorrect Data Challenge (IDC) and a Participation Rate Index Challenge. The following tables summarize these challenges.

Incorrect Data Challenge

| | |
|---|---|
| Schools eligible | All. |
| Conditions | Incorrect data in the LRDR. (Incorrect data is data that is either incorrectly reported, included, or excluded.) |
| Time Frame | School must file within 45 days of receiving the <i>draft</i> LRDR. |
| School role | School must submit a cover letter, a completed incorrect data spreadsheet, a copy of the relevant section of the LRDR, and any supporting documentation to the agency holding the loan. |
| Data Manager role | Data Manager holding the loan reviews the challenge and issues decision within 30 days of receiving your challenge. If Data Manager agrees that a change should be made, it must correct the data in its internal data system and in the National Student Loan Data System (NSLDS). |
| Default Prevention and Management role | Review the Data Manager responses to a school's challenge to ensure accuracy. Respond to a school's challenge if the Department is the Data Manager. |
| Cohort Default Rate Guide (CDRG) section | Chapter 4.1 |

Participation Rate Index Challenge

| | |
|---|--|
| Schools eligible | All, but only schools anticipating a sanction will benefit. |
| Conditions | Schools with a low borrower participation rate. |
| Time Frame | School must file within 45 days of receiving its cohort default rate and the <i>draft</i> LRDR. |
| School role | A school submits a cover letter and a completed participation rate index challenge spreadsheet to the Department. |
| Data Manager role | None. |
| Default Prevention and Management role | Department reviews the challenge and issues a decision. If successful, the school will not be subject to sanctions with the release of the <i>official</i> cohort default rates. |
| CDRG section | Chapter 4.2 |

What adjustments are available during the official cycle?

There are two **adjustments** available during the **official cycle** – an Uncorrected Data Adjustment and a New Data Adjustment. The following tables summarize these two adjustments.

Uncorrected Data Adjustment

| | |
|---|---|
| Schools eligible | All. |
| Conditions | School successfully filed an incorrect data challenge and data to be corrected was not corrected. |
| Time Frame | School must file within 30 days of receiving the <i>official</i> LRDR. |
| School role | School submits a cover letter, a completed uncorrected data adjustment spreadsheet, and a copy of the Data Manager's response to the school's incorrect data challenge to the Department. |
| Data Manager role | If the Department notifies Data Manager that the adjustment was successful, Data Manager must correct the data in its internal data system and in NSLDS. |
| Default Prevention and Management role | The Department reviews the adjustment request and issues a decision. If appropriate, the Department recalculates the cohort default rate. |
| CDRG section | Chapter 4.3 |



New Data Adjustment

| | |
|---|--|
| Schools eligible | All. |
| Conditions | School believes its <i>official</i> LRDR contains new, incorrect data. |
| Time Frame | School must initiate request for new data adjustment within 15 days of receiving the <i>official</i> LRDR. In general, the school has 30 days from receipt of Data Manager's final response to submit the new data adjustment to the Department. |
| School role | School submits a cover letter, a completed new data adjustment spreadsheet, a copy of the relevant sections of the <i>draft</i> and <i>official</i> LRDRs, and any supporting documentation to the Data Manager holding the loan. A school sends a copy of the cover letter and spreadsheet to the Department. If the Data Manager agrees to correct the data, the school submits a cover letter, the completed new data adjustment spreadsheet, and the Data Manager's response to the Department. |
| Data Manager role | Data Manager holding the loan reviews the request and issues a decision. If the Data Manager agrees that a change should be made, it must correct the data in its internal data system and in NSLDS. |
| Default Prevention and Management role | Department reviews the adjustment request and issues a decision. If appropriate, the Department recalculates the cohort default rate. |
| CDRG section | Chapter 4.4 |

What appeals are available during the official cycle?

There are six **appeals** available during the **official cycle** – 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. The following tables summarize these appeals.

Loan Servicing Appeal

| | |
|---|--|
| Schools eligible | All. |
| Conditions | School believes the school's <i>official</i> LRDR contains loans that were improperly serviced for cohort default rate purposes. |
| Time Frame | School must request loan servicing records within 15 days of receiving the <i>official</i> LRDR. After school receives loan servicing records from the Data Manager, it has, in general, 30 days to submit a loan servicing appeal to the Department. A school is required to pay for the records. |
| School role | School submits a letter requesting the loan servicing records and the entire <i>official</i> LRDR to the Data Manager holding the loan and sends a copy of the letter to the Department. If the school believes the LRDR contains loans that were improperly serviced for cohort default rate purposes, school sends appeal to the Department. |
| Data Manager role | Data Manager reviews the request for loan servicing records and provides loan servicing records to school. |
| Default Prevention and Management role | The Department reviews the appeal and issues a decision. If appropriate, the Department recalculates the cohort default rate. If the school is sanctioned, the Department either will withdraw the sanction notice or notify the school of the effective date of that sanction, depending on the results of the review. |
| CDRG section | Chapter 4.6 |



Erroneous Data Appeal

| | |
|---|---|
| Schools eligible | Sanctioned or subject to provisional certification based solely on cohort default rate. |
| Conditions | School must meet three conditions. First, the school's <i>official</i> cohort default rate calculation must contain new or disputed data. (Disputed data is data that the school unsuccessfully challenged in an IDC.) Second, the school must be subject to <i>official</i> cohort default rate sanctions or provisional certification based solely on the school's cohort default rate. Finally, a 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 that is below the sanction threshold. |
| Time Frame | Schools must initiate appeal within 15 days of notice of loss of eligibility or provisional certification. After the school receives a response from the Data Manager, it generally has 30 days to submit its erroneous data appeal, or a letter requesting withdrawal of the appeal to the Department. |
| School role | School submits a cover letter, a completed erroneous data appeal spreadsheet, a copy of the relevant sections of the <i>draft</i> and <i>official</i> LRDRs, and any supporting documentation to the Data Manager holding the loan. School sends a copy of the cover letter and appeal spreadsheet to the Department. School submits a cover letter, the completed erroneous data appeal spreadsheet, supporting documentation, and the Data Manager's response to the Department. If the school wishes to withdraw the appeal, the school sends a withdrawal letter to the Department. |
| Data Manager role | Data Manager holding the loan reviews the request and issues a decision. If the Department notifies Data Manager that the appeal was successful, it must correct the data in its internal data system and NSLDS. |
| Default Prevention and Management role | Department reviews the appeal request and issues a decision. If appropriate, the Department recalculates the cohort default rate. In addition, the Department either will withdraw the sanction notice or will notify the school of the effective date of that sanction, depending on the results of the review. |
| CDRG section | Chapter 4.5 |

Economically Disadvantaged Appeal

| | |
|---|---|
| Schools eligible | Sanctioned. |
| Conditions | School has a high number of low-income students and either a high completion rate (degree-granting schools) or high placement rate (non-degree-granting schools). |
| Time Frame | School must submit management's written assertion within 30 days of receiving notice of loss of eligibility. A school must submit the independent auditor's report within 60 days of receiving notice of loss of eligibility. |
| School role | School submits a cover letter, a completed low-income spreadsheet, and a completed placement or completion rate spreadsheet to the Department. School submits a cover letter, a completed low-income spreadsheet, a completed placement or completion rate spreadsheet, and any other requested documentation to the independent auditor. School submits auditor's report to the Department. |
| Independent auditor role | Independent auditor reviews and attests to school management's written assertion. |
| Data Manager role | None. |
| Default Prevention and Management role | Department reviews the appeal and issues a decision. In addition, the Department will withdraw the notice of loss of eligibility or notify the school of the effective date of that sanction, depending on the results of the review. |
| CDRG section | Chapter 4.7 |



Participation Rate Index Appeal

| | |
|---|--|
| <i>Schools eligible</i> | Sanctioned. |
| <i>Conditions</i> | School has a low number of borrowers. |
| <i>Time Frame</i> | School must submit appeal within 30 days of receiving notice of loss of eligibility. |
| <i>School role</i> | School submits a cover letter and a completed participation rate index appeal spreadsheet to the Department. |
| <i>Data Manager role</i> | None. |
| <i>Default Prevention and Management role</i> | Department reviews the appeal and issues a decision. In addition, the Department will withdraw the notice of loss of eligibility or notify the school of the effective date of the sanction, depending on the results of the review. |
| <i>CDRG section</i> | Chapter 4.8 |

The following appeals, Average Rates Appeal and Thirty-or-Fewer Borrowers Appeal, are initiated by the Department.

Average Rates Appeal

| | |
|---|--|
| <i>Schools eligible</i> | Sanctioned. |
| <i>Conditions</i> | Average rate calculation is greater than 40% for current year; or at least two average rates of three most recent years is less than 25% if calculated as non-average rates. The Department notifies school if it is subject to sanction. |
| <i>Time Frame</i> | School must file within 30 days of receiving the notice of loss of eligibility. |
| <i>School role</i> | File appeal if the school received notice of loss of eligibility and it meets the conditions. |
| <i>Data Manager role</i> | None. |
| <i>Default Prevention and Management role</i> | The Department will automatically determine if a school meets the criteria and notify the school if it will not be subject to sanction. At the same time, the Department notifies the school of its <i>official</i> cohort default rate. If the school submits an appeal, the Department reviews the appeal and issues a decision. |
| <i>CDRG section</i> | Chapter 4.9 |

Thirty-or-Fewer Borrowers Appeal

| | |
|---|--|
| <i>Schools eligible</i> | Sanctioned. |
| <i>Conditions</i> | Average rate calculation for the current year and less than 30 total borrowers enter repayment for the 3 most recent years. The Department notifies school if it is subject to sanction. |
| <i>Time Frame</i> | School must file within 30 days of receiving the notice of loss of eligibility. |
| <i>School role</i> | File appeal if the school received notice of loss of eligibility and it meets the conditions. |
| <i>Data Manager role</i> | None. |
| <i>Default Prevention and Management role</i> | The Department will automatically determine if a school meets the criteria and notify the school if it will not be subject to sanction. At the same time, the Department notifies the school of its <i>official</i> cohort default rate. If the school submits an appeal, the Department reviews the appeal and issues a decision. |
| <i>CDRG section</i> | Chapter 4.10 |



How can my school ensure that it has done everything it needs to do?

How can I make sure I have done everything I need to do to file a challenge, adjustment, or appeal?

Each chapter in [Part IV of the Guide](#) ends with a checklist. The checklist outlines the steps you need to take to file a challenge, adjustment, or appeal. Please review the appropriate checklist to ensure that you have taken all required steps prior to submitting your challenge, adjustment, or appeal.

How do I know where to submit a challenge, adjustment, or appeal?

Challenges, adjustments, and appeals are submitted either to the Data Manager at the agency holding the loan or to the Department. After locating the numerical code for the Data Manager on the LRDR (Field Q), you can find the name, address, and phone number on the list of Data Managers posted on the Default Management home page. The link to find this information is:

<http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

Is there a deadline for submitting a challenge, adjustment, or appeal?

There are different deadlines associated with each challenge, adjustment, or appeal. Challenges, adjustments, and appeals submitted after the time deadline will be automatically rejected.

Refer to [Page 3.1-16 of the Guide](#) for a more detailed look at submission timelines.

How can my school correct borrower data before the cohort default rates are calculated?

What are the advantages of regularly reviewing and correcting borrower information?

A school can use information from NSLDS to monitor and correct borrower information before the cohort default rates are calculated for that borrower's cohort.

Reviewing borrower information on at least a monthly basis gives your school a chance to identify and assist its borrowers. For instance, a school that monitors borrower repayment status can identify when a borrower has just entered repayment, which is a good time to remind the borrower of the repayment schedule and review the borrower's repayment options. This information can help a borrower avoid default.

If a borrower shown as "in repayment" is still enrolled, the school must update the student's enrollment status in NSLDS. (The school should check the NSLDS error report to verify that changes were accepted.) If the borrower is enrolled as at least a half-time student, he/she is eligible for an in-school deferment and will no longer be in danger of defaulting for non-payment.

Finally, monitoring borrower information helps ensure that the data posted to NSLDS is accurate. Schools that monitor the borrower's repayment and default status can contact Data Managers as errors occur, instead of waiting until the release of the cohort default rates to correct the information. This not only makes the review effort more manageable, it may result in a lower *draft* cohort default rate for your school.

How does a school request information from NSLDS?

A school may request loan information from NSLDS by logging into:

<https://nslidsfap.ed.gov> (password required)

and selecting the tab labeled "Report." For assistance with NSLDS reports, please contact NSLDS Customer Service at 1-800-999-8219.

What information is available to assist schools in default management?

To obtain this report, discuss with Data Managers.

LSDA – Late Stage Delinquency Assistance Reports – identifies students that are delinquent on their loan for 180 or more days.

Benefits: Identify students before they default. Work with loan holders and/or Data Managers to prevent defaults. If a default is averted, this precludes a defaulter from being counted in your rate and helps the student's credit history.

These reports are available from NSLDS as both summary and detailed information.

DRC035 – School Cohort Default Rate History Report – LRDR showing students included in the cohort default rate for a specific cohort year. You can request this report for the current and any prior cohort year. Prior year reports are available at any time.

Benefits: Once the cohort default rate is released, you can retrieve this report and begin analyzing the data immediately. You do not have to wait for the Destination Point Administrator (DPA). For default prevention purposes, a repository of historical data can be accessed to identify defaulters over a specified time frame.

DR001 – Date Entered Repayment Report – List of students who are scheduled to go into repayment during a specified date range. (User can specify start and end date.)

Benefit: Early identification of students who are incorrectly placed or missing in a cohort year. Correcting the data before the calculation should preclude the need to submit a challenge or adjustment.

DRC015 – School Repayment Information Loan Detail – Provides a school with the current repayment status of certain borrowers who attended a school during a 24-month period.

Benefit: Early identification of students who are incorrectly placed or missing in that particular 24-month period. Correcting the data before the calculation should preclude the need to submit a challenge or adjustment. Can work with Data Managers to determine special circumstances that may remove the student from default (e.g., bankruptcy, repurchase, disability, etc.).

How does a school use this information?

A school should compare the information in the NSLDS reports with information in its own records. The information in the NSLDS reports will form the basis of the school's cohort default rate. The school should make note of any inconsistent or inaccurate information. When the cohort default rates are released, the school should review the LRDR to see if the inconsistent or inaccurate information is in the LRDR. If it is, the school should file the appropriate challenge, adjustment, or appeal.



Appendix: Cohort default rate in detail.

How is a cohort default rate calculated?

A school's cohort default rate is the percentage of a school's federal student loan borrowers who enter repayment within the cohort fiscal year *and* default within the cohort default period.

What loans are included?

The following Federal Family Education Loans (FFEL) and William D. Ford Federal Direct Loans (Direct Loan) are included in the calculation:

- Subsidized Federal Stafford Loans
- Unsubsidized Federal Stafford Loans
- Federal Direct Stafford/Ford Loans (subsidized and unsubsidized)

Under certain circumstances, a Federal Supplemental Loan for Students loan (Federal SLS loan) may affect the cohort default rate calculation. See [Page 2.1-10 of the Guide](#) for more information on Federal SLS loans. Federal Consolidation Loans and Federal Direct Consolidation Loans may also affect the cohort default rate calculation. See [Page 2.1-11 of the Guide](#) for more information on consolidation loans. Perkins loans are not included in the calculation.

What is repayment?

A FFEL or Direct Loan enters repayment after a 6-month grace period that begins when the borrower separates (graduates, withdraws, or drops below half-time enrollment) from school. The *official* repayment date is the first day following the end of the 6-month period. This date is used to determine which cohort year the borrower is included in for the calculation.

When is a loan in default?

After a FFEL or Direct Loan enters repayment, the borrower is responsible for making payments. If the borrower does not make payments or request a deferment or forbearance, the loan becomes delinquent.

The holder of a FFEL can submit a delinquency claim on the loan to the guaranty agency that guaranteed the loan when a loan becomes over 270 days delinquent. For cohort default rate purposes, a FFEL is considered to be in default only if the guaranty agency has paid a default claim on the loan to the lender. 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 date the claim is paid on a FFEL is within the cohort default period, the loan is included in the numerator of the cohort default rate. See below for the definition of the cohort default period.

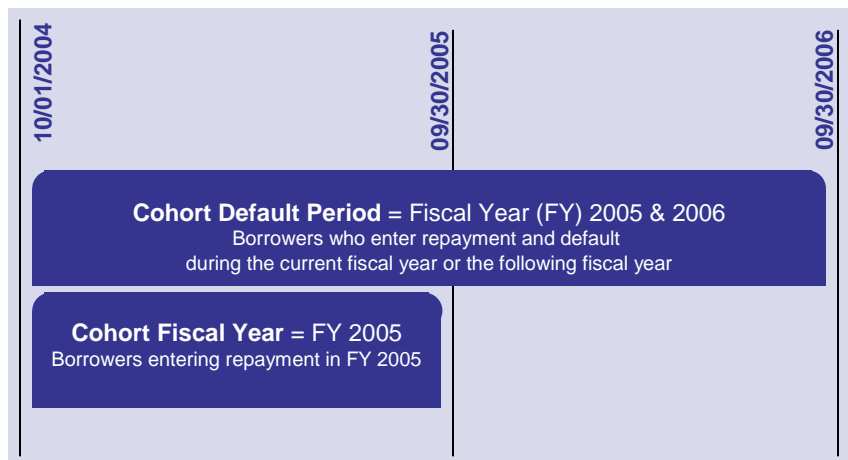
A Direct Loan is considered in default for cohort default rate purposes after 360 consecutive days of delinquency. The date the loan becomes 361 days delinquent is used to determine if the borrower will be placed in the numerator of the calculation. If the date the loan reaches 361 consecutive days of delinquency is in the cohort default period, the loan is included in the numerator of the cohort default rate.

Note: If a school 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, the loan is considered in default for cohort default rate purposes.



What is the cohort default period?

The cohort default period is 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.



For schools with 29 or fewer borrowers entering repayment during a fiscal year, the cohort default rate data includes borrowers entering repayment over a 3-year period.

How is a cohort default rate calculated?

The formula the Department selects for calculating a school's cohort default rate depends on the number of student borrowers (not student loans) from that school entering repayment in a particular fiscal year and the number of cohort default rates previously calculated for the school. There are several special circumstances that will affect how a loan is included in the cohort default rate calculation. See [Pages 2.1-12 – 2.1-15 of the Guide](#).

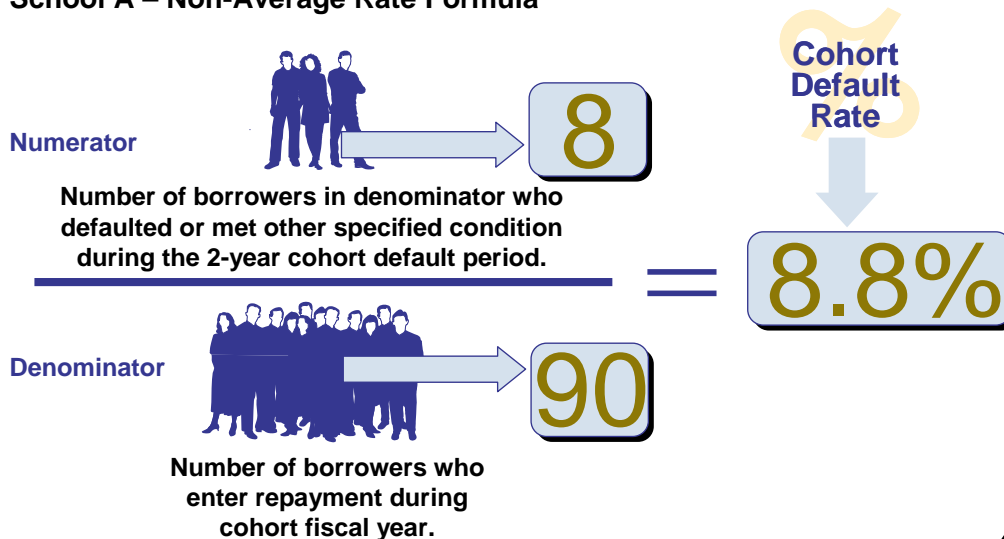
The following are two examples of cohort default rate calculation. School A uses a non-average rate formula while School B uses an average rate formula.

Non-average rate calculation.

The **non-average rate formula**, which is the most common calculation, is used for schools with 30 or more borrowers entering repayment for a fiscal year. Use the cohort default period in the graphic above. School A had 90 borrowers enter repayment between October 1, 2004 and September 30, 2005. Of those, 8 borrowers default before September 30, 2006.

The non-average rate formula for School A is calculated as follows:

School A – Non-Average Rate Formula

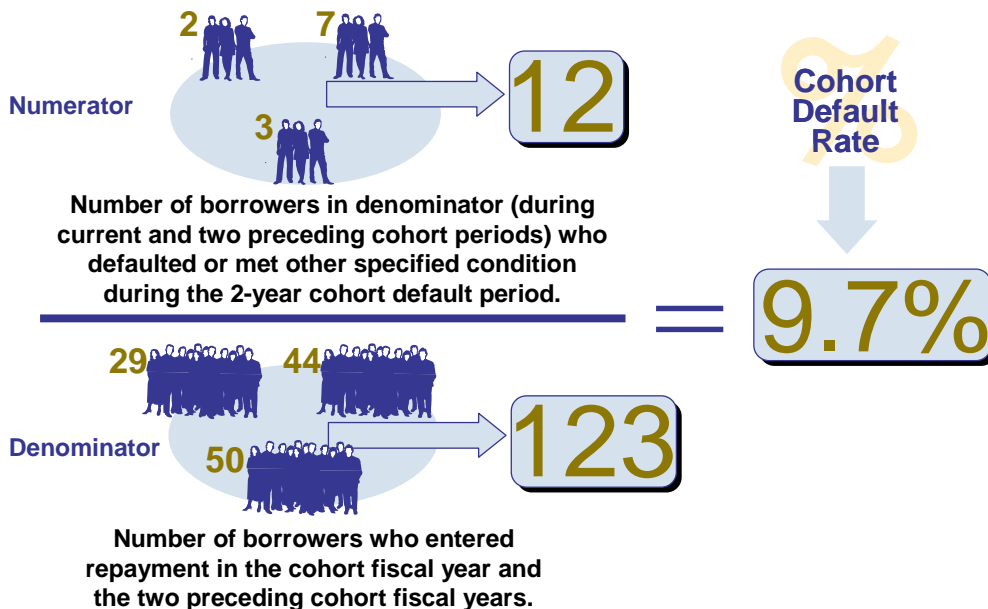


Average rate calculation.

An **average rate formula** is used for a school with 29 or fewer borrowers entering repayment if the school had a cohort default rate for the previous two years. Let's say School B certified loans for the following students: 29 borrowers who entered repayment in the cohort fiscal year (2 of whom defaulted), 44 borrowers who entered repayment in the fiscal year immediately preceding the cohort fiscal year (7 of whom defaulted), and 50 borrowers who entered repayment in the fiscal year two years prior to the cohort fiscal year (3 of whom defaulted). The 123 borrowers (29+44+50) who entered repayment constitute the denominator. The numerator consists of the 12 borrowers (2+7+3) who defaulted.

The average rate formula is calculated as follows:

School B – Average Rate Formula



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

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).

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.

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 and one former parent school.

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. 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 before making the change. The letter should explain the proposed change in status; include the details of the change in status; 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. Default Prevention and Management 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.

