

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 |